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15 Minutes With . . . Long Beach City Councilman Gary DeLong About City Finances



Councilman Gary DeLong chairs the Long Beach City Council's three-member budget oversight committee. He was recently rebuffed by his council colleagues when he asked them to explore the possibility of contracting out street sweeping services. Only Councilmembers Suja Lowenthal and James Johnson supported him. (Photograph by the Business Journal's Thomas McConville)

Budget Oversight Chair Calls For City, Colleagues To Be Pro-Active Rather Than Reactive; Wants Freeze On City Employee Step Increases

Although 3rd District Councilmember Gary DeLong, who chairs the city council's three-member budget oversight committee, has run a successful telecommunications and software firm, he quickly admits that politics seldom works like a business. With Long Beach facing a projected \$18.6 million budget deficit next fiscal year beginning October 1, 2011 – and the other side of \$50 million over three years – pension reform is at the top of his to-do list and has been for years, even in the face of a police union that strongly opposed his reelection last year.

City governments across the state have had to make tough decisions, cutting back critical services and laying off workers in order to fix ongoing deep budget gaps caused by a severe reduction in revenue and a concurrent ballooning of labor costs. The city's obligations toward salaries, employee retirement and other benefits have increased substantially over the years, and today labor costs account for roughly 85 percent of the city's General Fund budget.

The Long Beach City Council made minor adjustments to retirement terms with some unions earlier this year, but the largest unions – the International Association of Machinists (IAM) and

Aerospace Workers, and police and fire associations – have yet to agree to any new terms. Although progress has been made, DeLong says city officials must become more “proactive” instead of “reactive,” make services more cost effective and efficient, and start treating residents and businesses like customers.

DeLong sat down with Publisher George Economides and Staff Writers Sean Belk and Tiffany Rider to talk about the city's finances, pension reform, budget cuts and related items.

LBBJ: Has anything been proposed by city staff on how to address the projected \$18.6 million budget deficit?

DeLong: The only thing that we've put in place is we've said we're going to do proportional cuts again. In other words, if your department goes up by \$8 million [in expenses], like for instance the police department, then you'll be cutting \$8 million out of your budget.

LBBJ: Are all the councilmembers on board with that?

DeLong: A majority of the council continues to support proportional budget cuts.

LBBJ: Do you feel that your colleagues, in general, understand the seriousness of the budget situation for the city?



Long Beach 3rd District Councilmember Gary DeLong talks with Rip Loizides at George's Greek Cafe in Belmont Shore. DeLong says the city needs to make department services more cost effective and efficient. He wants to see residents and businesses treated more like customers. (Photograph by the Business Journal's Thomas McConville)

DeLong: They understand the short-term seriousness. I'm not convinced they understand the long-term consequences.

LBBJ: We noticed that your idea to contract out street sweeping services was swept under the rug. Was there any reason why the city council wouldn't at least explore possible savings? [Vice Mayor/2nd District Councilwoman Suja Lowenthal and 7th District Councilman James Johnson supported DeLong.]

DeLong: Sure. It's the influence of labor on elected officials and city managers.

LBBJ: Historically, doesn't the company awarded a contract try to hire city staff, even though it might be for a little lower compensation?

DeLong: That's really my point. I have no doubt that we will outsource street sweeping and many other things in the next five to seven years. There's no doubt in my mind. Really, we just kicked the can down the road. We said, "we're not going to do it this year, but when we're in a position where we have no choice but to do it, we will do it." There are a couple of councilmembers who see the future and say, "If we're going to be doing this four years from now, why don't we do it today and save some money? Why wait four or five years?"

LBBJ: What is the anticipated savings of outsourcing street sweeping services?

DeLong: The anticipated savings was a low of 20 percent to a high of 50 percent . . . But it's also timing. Had we been in the middle of the discussion to lay off cops then, [the city council] probably would have been more interested in saving the money. By the next time this comes back, we're going to have more public input and we're going to have more public will to get this thing done.

LBBJ: During many of these discussions, it doesn't seem like there's a whole lot of support from, say, the business community, or anybody else, standing up there saying, "We agree with you." Why is that?

DeLong: I represent the silent majority . . . But if you look at it, the union rallied some workers to come out . . . okay.

LBBJ: We are fortunate in Long Beach to have additional revenue from oil and money transferred from the port each year. Do you feel, because of that revenue coming in, that councilmembers are spoiled and that it gives them a defense?

DeLong: No, not really, because, if you think about it, all that revenue does is cover our beach expenses, for the most part. If we didn't have any oil revenue and didn't have a beach, we'd be in the same position that we're in now.

LBBJ: But we're saving General Fund money that would have to be spent on those items, right?

DeLong: Yes. We're absolutely saving by not having to use general funds to pay for lifeguards, for example, or pay for firefighters at the port or police officers at the port . . . Certainly, it was oil revenue that plugged the budget shortfall last year, so we could balance the budget without making more severe cuts. I anticipate we're going to have something similar this year . . . But you could also say that maybe you're postponing those cuts that you need to make.

LBBJ: Do you feel that the unions have done enough to share the pain?

DeLong: Not willingly.

LBBJ: If it was up to you, what more would you like the unions to do to help us with our deficit?

DeLong: I'd get public safety at 2 percent at 55 immediately [public safety employees can now retire at age 50, and get a pension at 3 times number of years on the job times base salary; e.g.: 25-year police officer earning \$100,000 would receive \$75,000 a year for life – 3 x 25 x \$100,000], full pick up of their employee portion of the CalPERS contribution [currently 9 percent of base salary, mostly paid by taxpayers], retirement based on a three-year average and then I would look at the projected unfunded liability.

LBBJ: How much is the projected unfunded liability?

DeLong: It's \$1.2 billion, but that's if you don't make any changes and look 25 years out. But we've made some changes and we continue to make changes. It would seem reasonable to me that the employees should accept the liability for the portion of the unfunded liability that's associated with the pension increase in 2001. They should own that. In order of magnitude, I'm going to say that's half. So, the city should take care of its half and the employees should take care of their half.

LBBJ: There have been articles written over the years alerting the city to the fact that we're going to be in deep trouble here and nothing was done.

DeLong: Absolutely. It's why I voted against the last contracts for police, fire and IAM. It's because I knew those contracts provided for unsustainable costs and unsustainable pensions. It was a mistake to vote yes then, but I didn't make it, others did.

LBBJ: Do you feel that the senior members of public safety, both police and fire, would rather see lay-offs of younger members than give back benefits?

DeLong: I'm very disappointed to say yes. Every indication from both organizations is that that is their preference and IAM feels the same way. It's not just public safety. That's extraordinarily disappointing to me, the mayor and everybody else.

LBBJ: Is that pure greed?

DeLong: Well, let's just say it appears they're willing to throw their younger members under the bus to maintain what they have.

LBBJ: Do you feel that if that happens here, like it's happened in other cities, that this city in 10 years or so is going to have a leadership void because we're not going to have today's younger members learning the ropes?

DeLong: I think it depends on what's your number for a police and fire department. How many employees should you have? If you think the number is what we used to have, then you're absolutely correct. However, if you think the number should be 30 percent less, this is a way to get down to that 30 percent less.

LBBJ: Do you feel that the police or fire department could do the same job with 30 percent fewer cops and firefighters?

DeLong: Yes. I believe there are efficiencies remaining in both organizations as well as the rest of City Hall. I don't want to pick on public safety. In every department there are efficiencies that could be had, including the legislative department. We're not immune

either. As far as I'm concerned, every council office could do it with two staff members. You don't need three or four or five or six.

LBBJ: So why doesn't the city council show everybody the way here and reduce the number of staff to two members?

DeLong: I was fortunate to get the council to agree to an equalized budget two years ago. I was glad to cut city council budgets last year. I will recommend again this year to cut council budgets, but I think it's unlikely I would get the support of my colleagues to cut their budgets by 30 percent.

LBBJ: Aren't there going to be a number of layoffs over the next five years?

DeLong: I don't know if you want to call them layoffs because the vast majority will be attrition. Employees leave the organization for a variety of reasons and you don't back fill. We rarely hire today.

It is disingenuous for elected officials to state "we will not balance the budget on the backs of our employees" when over 85 percent of the city's General Fund budget is labor costs. Of course we will dramatically cut our labor costs – we have no choice. Our options are reduced pension benefits, layoffs and furloughs.

LBBJ: What did the city council approve in regards to the Little Hoover Commission report on pensions?

DeLong: What we did with that is we went on record with the governor and our State Legislature to say our expectation is that at the state level you will review all of these recommendations by the Hoover Commission and implement as many as possible. That's what we're looking for, because it fell on deaf ears.

LBBJ: Although it hasn't been approved yet, what exactly would a revenue smoothing fund do for us?

DeLong: What the revenue smoothing fund does is hopefully prevent us from getting into the hole that we got into this time, and when the economy turns around and revenues grow again, rather than spend every dollar we have, it forces us to have a savings plan. That way, if we have a downturn, we have got some revenues to draw upon.

LBBJ: But, we can't do revenue smoothing if we are running a deficit, right?

DeLong: You can't do revenue smoothing until we have revenue growth. Technically, we could have a deficit, where our labor costs are growing faster than our revenue growth, and, frankly, that's what the city manager is concerned about, that we might want to smooth the revenues when we already have a deficit five years from now.

LBBJ: What exactly was discussed at the unfunded liabilities and obligations study session, in regards to fiscal year 2012 budget development?

DeLong: I was in Washington, D.C. But the council discussed the liabilities for long-term health care costs for existing employees. Just think of every liability we have and put it out there. You hear about the popular one: the pension liability, but there are other unfunded liabilities as well in the city.

LBBJ: In general, the recession and the downturn in the economy in the last couple of years has, in a way, helped bring all these financial issues to bare in all these cities.

DeLong: Cities, yes, but state government, no. They haven't recognized they have a problem yet. That's the one good thing about Long Beach, although I would criticize us for being reactive instead of proactive. However, at the state level I don't know if they've acknowledged that there's a problem yet.

LBBJ: Do you ever talk to our elected state officials about the financial situation? They didn't support the city on the redevelopment issue, right?

DeLong: We talk more about constituent issues than we do about statewide issues. Both Senator Alan Lowenthal and Assemblymember Bonnie Lowenthal have been supportive on citywide issues . . . They did not support the city's point of view [on redevelopment], that's correct.

LBBJ: How do you know they'll support you on pensions?

DeLong: Hopefully, it will help their political will if they see their cities up and down the state saying, "We want you guys to act on this. We're on board. We want you to do something."

LBBJ: What is your biggest concern right now, heading into the next fiscal year?

DeLong: That we'll continue to be reactive instead of proactive. Let me give you an example. If we have an \$18 million projected deficit in 2012 and another \$18 million deficit in 2013, we know we have these structural changes, why not cut \$25 million this year instead of \$18 million? If we know we're going to go to a different model of fire protection or a different model of policing, let's get there today. Why wait three or four years to get there? We have outstanding chiefs in both organizations. We have outstanding command staff. They know where we need to go. Let's go. Why wait?

LBBJ: Do you think there's will on the council to do that?

DeLong: With the appropriate leadership from the city manager and the department leadership, yes, but it won't be led at the city council level. It really needs to be led by senior management.

Since we know we need to reduce expenses by \$50-plus million over the next three years, rather than cut \$18 million a year we should determine what city government will look like three years from now and implement that model right now. Why wait three years?

LBBJ: We haven't heard any complaints from the police chief, and this is while the police are being reduced. So, does that mean improved efficiency?

DeLong: Absolutely, there's improved efficiency in all parts of the organization. But we need more improvements. I know that some won't like it, but we need to look at more privatizing and outsourcing. Our goal is to save money as our number one criteria, but we should also look at ways to improve service levels as well. We need to do both.

LBBJ: Is there anything else that you feel should be brought up about the city's finances?

DeLong: We need to get more aggressive with our labor negotiations. First of all, my position is we should not hire any more employees into an unsustainable pension system. As long as IAM is at two and a half percent at 55 and as long as police and fire are at 3 percent at 50 we should not hire a single member of police, fire or IAM until that changes. And if we're down in officers, and we have funding, then we should contact either Los Angeles County for fire support or we should call the Los Angeles County Sheriffs Department for additional police support.

One of the things that we need to do in our labor negotiations, is in all new contracts we need to eliminate step increases so that we are truly freezing all compensation. That should apply from the very top, all through management and all employees across the board, including elected officials and everybody in the legislative department. No one should be exempt. So we should freeze step increases until the budget is healthy again. When the budget does get healthy, we should look at a more performance-based compensation plan. You shouldn't get a raise just because you showed up for work. ■