

Long Beach

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The '\$100,000 Club'

One In 10 City Of Long Beach Employees Earns \$100,000 Or More In Base Salary And One In Seven Earns \$90,000 Plus

By **GEORGE ECONOMIDES**
Publisher

One hundred thousand dollars doesn't buy what it used to, but it's still a big chunk of money for the average Long Beach resident who is making half that much, or less.

If you work for the City of Long Beach, your chances of reaching a six-figure salary are better than the average private sector firm, and your odds are especially good to be over \$90,000 in base salary.

The proposed 2009 city budget includes 578 positions budgeted at \$100,000-plus, which represents nearly 10 percent (9.91%) of all city employees. Police and fire employees account for more than half of the "club" members: 303. There are another 264 employees with a base salary between \$90,000 and \$99,999. The combined number – 842 – represents 14.44% of all city employees – or one in seven of the 5,833 employees.

Most of the salaries listed in the proposed 2009 city budget document that is available online or that was distributed during the

mayor's recent press conference, are incorrect. According to a city spokesman, the budget document

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Highest Paid City Employees – Full Lists Pgs 15-17

Executive Director-Harbor	Harbor	\$270,500
City Manager	City Manager	\$235,000
City Attorney	Law	\$234,941
Chief of Police	Police	\$219,911
Assistant City Manager	City Manager	\$217,499
General Manager	Water	\$210,000
Fire Chief	Fire	\$202,756
Director-Long Beach Gas & Oil	LB Gas & Oil	\$194,645
Asst. City Attorney	Law	\$192,420
City Prosecutor	City Prosecutor	\$190,974
Airport Director	Airport	\$190,217
Director-Parks, Recreation & Marine	Parks, Recreation & Marine	\$184,508
Director-Health/Human Services	Health	\$183,506
City Auditor	Auditor	\$181,659
Asst. City Attorney	Law	\$180,772
Asst. Executive Director-Harbor	Harbor	\$180,000
Managing Director	Harbor	\$176,000
Director-Community Development	Community Development	\$170,070
Director-Financial Management	Financial Management	\$170,070
Director-Public Works	Public Works	\$170,070
Director-Development Services	Development Services	\$170,070
Director-Human Resources	Human Resources	\$170,040
Principal Deputy City Attorney	Law	\$167,752
Deputy General Manager (2 positions)	Water	\$167,374
Deputy-City Manager	City Manager	\$166,435

Source: City of Long Beach, Office of the City Manager

Will Voters Support Mayor's Infrastructure Bond Measure?

By **GEORGE ECONOMIDES**
Publisher's Analysis

Obtaining a two-thirds majority of voters to approve any ballot measure is a challenge. The task becomes even more daunting when it's a tax increase on the voters themselves – an increase that stretches 35 years.

Now throw into the mix that the measure confronts voters during a very difficult economy with high unemployment, high gas prices, high food prices, high home foreclosure rates, high bankruptcy filings and a host of other threats to one's pocketbook. The jobless rate in the state hit 7.3 percent in July – the highest in a dozen years – with the outlook for a turnaround less than rosy. The Consumer Price Index (CPI) in Los Angeles County for the past 12 months reached 5.7 percent in July – a bit higher than the national CPI of 5.6 percent.

Then, let's add another twist: other tax-increase measures appear on the same ballot.

Lastly, the measure is rushed to the ballot with no input from neighborhood or business organizations or even their city council representatives.

It would be logical for most observers to conclude: no way is the measure going to win.

"No way," however, is not part of Long Beach Mayor Bob Foster's vocabulary. He's always been a glass-is-half-full kind of guy who doesn't shy away from challenging situations. If he had been old enough to serve in WWII, he probably would

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Understanding the LBUSD Bond Measure

A Conversation With Superintendent Christopher J. Steinhauser

The Long Beach Unified School District (LBUSD) Board of Education on July 21 approved a proposal to place a \$1.2 billion school construction and renovation bond measure on the November 4 ballot.

In supporting the proposal, boardmembers cited aging classrooms and overcrowded high schools. In fact, a recent LBUSD study indicates that major renovations are needed at 38 percent of schools, moderate renovations are

needed at 36 percent of schools and more than 28,000 students attend class in portable classrooms every day.

Under Proposition 39, the measure requires approval from at least 55 percent of district voters to pass, which would levy on property owners an annual tax of up to \$60 per \$100,000 of assessed valuation, allowing the school district to qualify for as much as \$286 million in matching state funds. Proceeds from the bond – as well as the matching funds – would be used to implement LBUSD's Facility Master Plan, a comprehensive development project that includes various levels of improvements and new construction for all district schools. In addition to Long Beach, the district encompasses Lakewood, Signal Hill and Avalon schools, kindergarten through high school.

Given the expensive price tag, however, some observers have questioned the district's request, noting that enrollment has dropped from almost 93,000 students in the 2005-2006 school year to 88,414 students this year.

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Conservation Corps: Developing Untapped Potential



Mike Bassett is executive director and CEO of the Conservation Corps of Long Beach, a nonprofit organization that aims to raise self-esteem, develop work skills and ethics and encourage education among at-risk youth. (Photograph by the Business Journal's Thomas McConville)

By **THYDA DUONG**
Senior Writer

Nonprofits:
The Third Sector Report
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Walking into the headquarters of the Conservation Corps of Long Beach (CCLB) on Nieto Avenue, one would never guess that the facility once served as the boathouse for the 1932 Olympic Games. Aside from exposed wood beams near the rear of the facility, the interior has been fully renovated by members who – in the process – have also been rebuilding their lives.

It would also be hard to imagine that this quaint facility is host to one of the largest nonprofit organi-

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have volunteered to run point on patrols through minefields. He's tough and he's passionate about issues he believes are in this city's best interests.

It is Foster who is forging ahead on a ballot measure that would sweep away most of the city's infrastructure problems. No piece-meal approach for him; it's guns a-blazing. "We've been talking about it for 10 years. Let's get it done," he says.

Some say his parcel tax proposal is a bold move and that he's showing the leadership expected from a big-city mayor. Others call it clumsy, poorly conceived, expensive, inequitable and ill timed because of the state of the economy.

Foster admits he has no back-up plan. He's shooting the works. And he's working his tail off, talking to anyone and everyone who will listen, attempting to convince them that if not now, when?

Winning Them Over

To those who know him, the mayor can be very convincing. Sort of subliminal arm twisting without pain. He smiles, he jokes, he quotes Roman history and he expects you to pay attention when he speaks. No one should underestimate his ability and willingness to do what it takes to win.

Some well-known individuals who originally opposed the mayor's plan, have now, for lack of a better term, rolled over. They either support him or are staying neutral. Others, especially those in the business community who would pay tens of thousands of dollars a year if the bond measure is approved, privately oppose the plan but will not speak out because they do business with the city. "We don't want to be seen as opposing the mayor. It would not be good for our business," says the manager of one large business, whose name, for obvious reasons, cannot be used.

The mayor is counting on that "neutral position" as a way to dissuade opposition and to ensure that his campaign is the only one operating leading up to November.

An expert at running campaigns, he will probably raise upward of \$500,000 to urge voters to follow him. It will be interesting to see where that money comes from, especially if there is a lot of union support tied to it. Some in the community believe the trade-off for union dollars is the city council's pending approval of a Project Labor Agreement. Such approval, expected to occur immediately if the bond measure passes, would force construction companies to use union employees in order to bid on city public works contracts – including the many projects proposed in the mayor's bond measure.

Another Side To Issue

Despite all the good reasons Mayor Foster cites to local groups and individuals for the bond measure, and despite his persuasive abilities, there is another side to the parcel tax issue.

It's too bad everyone cannot be on the same page on the bond measure. After all, there's little disagreement about the need. Our city streets, sidewalks, curbs, alleys, storm drains, etc., are long overdue for repair. Sprucing up these hard infrastructure items is good for the city, good for residents, good for property owners, good for

Proposed Long Beach Bond Measure Land Use Classification Tax Rate*

Single-Family Residence: \$120 per parcel per year

Multifamily Residence: \$120 per unit per year

Commercial, Office Buildings, Hotels/Motels, Shopping Center,

Light Industrial, Heavy Industrial: \$0.0878 per square foot per year

Vacant Land and Parking Lots: \$0.0746 per square foot of land per year

Recreational-Golf Courses: \$0.0040 per square foot of land per year

*annual increase tied to the Consumer Price Index

businesses and will help attract new investment in Long Beach.

If the mayor had based his bond measure strictly on hard-surface items – reducing the bond cost by more than 40 percent – opposition would be nil and voter approval almost guaranteed. Instead, his measure includes items such as 11 new community buildings and the rehab of 24 others; a new East Division police substation; a new police academy; a new fire training facility; 9 new fire stations; reconstruction to 17 existing fire stations; a new main library; rehabbing 7 branch libraries; 3 new parks; 20 new rest facilities, etc.

Therein lies the problem. Are all of these items really necessary? If they are, then why do voters have to tax themselves extra to pay for them? Why can't the city pay for them with the money already collected from taxpayers?"

The Salary And Pension Issues

The simple answer is that salary increases and pension costs overwhelm the General Fund. There is little money left to do the things cities are supposed to do for their constituents – such as maintaining and repairing the infrastructure.

City employees deserve to be paid a good, decent wage with good benefits – just as any employee in the private sector deserves. But unlike the private sector which gives few if any pay increases when the economy is in a tailspin, the city still provides raises, including many at 10 percent or higher. Fire captains, for example, received a 12.5 percent increase to \$114,715. There are 95 fire captains. The 12 battalion chiefs received a 13.2 percent increase to \$134,343. The 90 fire engineers received a 10.1 percent increase to \$92,566. These increases, part of contract negotiations with the fire union, were approved by the city council.

Whether these increases are deserved is irrelevant. How can we afford them is what voters should be asking.

The biggest expense to taxpayers, however, are the pension costs. If voters really understood the pension issue, any tax measure on the ballot would go down in flames.

Right now, voters are picking up nearly all of the \$40 million in annual pension payments. (The amount paid each year does vary depending on a variety of items, including how the stock market performs.) Currently, for sworn personnel (police and fire), Long Beach pays 26.274 percent of their base salary to the pension fund. So, if a firefighter or police officer is earning \$100,000 in base salary, the city is paying \$26,274 to the fund. Of that cost, the firefighter/police officer is paying roughly \$525 and the taxpayers are paying around \$25,750.

For non-sworn personnel (referred to as miscellaneous employees), the percentage this year is 20.645. So on a \$100,000 salary, the city is paying \$20,645, of

which taxpayers are picking up roughly \$20,225 of the tab.

The question is why such a discrepancy? The mayor and city council are unwilling to discuss this.

As indicated in our "\$100,000 Club" story beginning on Page 1, one in seven city employees is earning a base salary of \$90,000 plus. So not only does the city pay extremely well, but taxpayers are picking up nearly all of the pension costs. (The retirement benefits, which will not be discussed here, are among the most generous in the country.)

If employees and taxpayers just shared the pension costs 50-50, the city would have somewhere in the neighborhood of \$19 million extra annually – all of which could go toward infrastructure needs. Again, these are rough, but close, numbers that vary annually. Four years ago, however, the percentage paid into the pension fund for sworn personnel was at 23.2 and for non-sworn, 14.3 percent.

The salary and pension issue is one major reason many voters will not support the mayor's bond measure as presented.

Voters should also understand that the city charter requires a 10 percent reserve fund for the General Fund for "emergencies" – which comes to about a \$40 million reserve in FY 2009. Are not the infrastructure needs of the city an emergency? The mayor seems to think so as he travels around the city talking with groups. So why not take just half of the annual reserves and put it toward infrastructure? That money, combined with employees paying more of the pension costs, would eliminate the need for a parcel tax.

Council Not Leading By Example

Another issue is the escalating costs of city council offices. Over a two-year period, 2006 to 2008, the "salaries, wages and benefits" line item for the mayor and city council skyrocketed 23 percent. It went from \$3,740,091 in 2006 to \$4,607,427 in 2008. Why do councilmembers – who are supposed to be policymakers, not managers of the city's day-to-day operations, as some try to be – need an average of four staffers each?

If they want voter support, they should lead by example and cut staffers to a maximum of two. If councilmembers stick to being policymakers, two staffers is sufficient.

For the 2009 budget, at the urging of the mayor, there will be a nine or 10 percent cut in council office expenses, but they're not cutting staffers.

The 'Real' Cost Of The Bond

It's a \$571 million bond, but the cost to taxpayers is more than double that. It's really a \$1.2 billion to \$1.3 billion measure. Residential property owners, including apartment complex owners, will pick up 63.4 percent of the cost, with nonresidential (primarily business property owners) paying 36.6 percent.

In addition to the project money (\$571 million) required to accomplish all that the mayor wants, there's another \$62.4 million for debt service reserve and \$4.2 million for the cost of issuance, underwriting fees, attorney fees, bond counsel fees and the rating agency cost.

How about the interest? That will exceed \$500 million.

Should taxpayers shell out \$500 million or more in interest payments? Voters should seriously consider if that is good use of their money.

The cost to the business community is staggering. For example, it is estimated that The Boeing Company will pay out more than \$870,000 in the first year of the bond. Around year six, with the annual CPI increase included, Boeing will be paying more than \$1 million annually. Over the 35-year period of the bond, the cost to Long Beach businesses will be between \$425 million and \$475 million. The mayor and other city officials seem to think this is easily affordable to businesses. It shows how out of touch they are with the business community. A maximum on how much one entity pays would have been good.

Having said that, those businesspeople who are "rolling over" for the mayor, will have no one to blame but themselves if the measure passes.

What Will Voters Do?

With costs for everything skyrocketing (don't forget that 15.8 percent increase on October 1 in water/sewer rates), with thousands losing their jobs monthly and tens of thousands more worried about their future, what will voters do on November 4, 2008?

Pass or not, what concerns the Business Journal more than anything is that Mayor Foster, who has been talking up transparency in local government since he took office two years ago, chose to do it his way with zero input, zero process.

There is always a middle ground on any issue. If the mayor, months ago, had involved the residents and the business community first, there would most likely be a measure on the ballot that everyone could support.

There is also the issue of equity. Under Foster's plan, the owner of a \$350,000 home in Central, North or West Long Beach will pay the exact same amount as the owner of a \$1.5 million home in Belmont Shore or Naples.

Another concern is that, if the measure loses, there is no backup plan. The much-needed repairs to streets, sidewalks, etc., will remain. Of course, the mayor is counting on that sentiment, hoping voters will be more likely to pass the measure than keep the status quo.

This infrastructure measure isn't about who wins and who loses, as some claim. Nor is it about the mayor's future – if the measure wins, he easily wins a second term; if the measure loses, he can't win a second term. People should not be put on the spot to be for or against the mayor, as is occurring, especially within the business community.

What this measure is really about is spending taxpayer money wisely.

If the measure fails, voters will have told the mayor and city councilmembers to get their act together, starting with salary and pension costs. ■