



2023 CITY COST INDEX ANALYSIS

CITY OF LONG BEACH, CA

FINAL REPORT
June 13, 2023

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INTRODUCTION

The City of Long Beach utilizes user fees to recover the full cost of services rendered to individuals upon their request. Fee programs ensure that the City-provided services requested by individuals, primarily provided by twelve departments within the City, are not subsidized through public funds. In order to maintain equivalent cost recovery levels, the City adjusts these fees annually to combat the rise of costs over time. While the Consumer Price Index (the CPI) gives a general indication of the changes in the cost of living, it is not always the primary cost driver for services related to user fees. Since the fees are associated with the provision of a service, the City previously calibrated fees using the average employee salary increase.

Since 2009, the City has utilized an adjustment factor for the user fee program that more accurately accounts for the annual change in both personnel and non-personnel departmental expenses. The City Cost Index (CCI) is a methodology and model created by a former consultant to balance both personnel factors (average salary increases) and non-personnel factors (CPI). Based on FY 2022 and FY 2023 data, the calculated Weighted Adjustment Factor (inflator) for all Public Safety and Non-Public Safety departments is 5.30%.

In FY 2019, the City initiated a citywide fee study to conduct a comprehensive cost of service analysis for the City's numerous fees and charges for services across various City departments. Revenue & Cost Specialists (RCS) was selected to conduct the multi-year study. RCS was since requested by the City to review and update the CCI model and make all necessary updates needed to calculate the CCI rate to be applied to the City's user fees and charges in FY 2024.

Following the consolidation of Long Beach Water and Gas Utilities, the budgeted expense (including FTE and personnel costs) was adjusted to remove the Gas Fund Group from the City Cost Index analysis for both FY 22 and FY 23. Fees and charges related to the Gas Fund Group is now reviewed and updated under separate processes.

PERSONNEL ADJUSTMENT FACTOR

Table 1, shown on the following page, presents the adjusted budget information primarily for departments for which a fee is charged, number of full-time employees and total departmental budgets adopted for FY 2022 and FY 2023. The Police and Fire Departments have a significant difference in departmental costs increases compared to that of the other City Departments. Therefore, for the purposes of calculating a more accurate index, the Departments have been separated into two groups: Public Safety Departments (Police and Fire) and Non-Safety Departments (remaining Departments). This analysis utilizes the FY 2022 and FY 2023 adopted structural budget figures to provide a reasonable "catch up" adjustment to be applied to FY 2024 user fees.

Table 1

Table 1 - Departmental Budgets with User Fees

Department	Personnel Costs		Full Time Employees		Total Budget *less One-time	
	FY 2022 (adopted)	FY 2023 (adopted)	FY 2022 (adopted)	FY 2023 (adopted)	FY 2022 (adopted)	FY 2023 (adopted)
Public Safety Departments						
Fire	\$109,206,297	\$113,610,829	535.77	545.41	\$145,521,154	\$153,627,070
Police	\$224,008,014	\$232,802,730	1,191.38	1,213.47	\$283,234,774	\$289,549,651
Total	\$333,214,311	\$346,413,559	1,727.15	1,758.88	\$428,755,928	\$443,176,721
Non-Safety Departments						
Long Beach Airport	\$14,905,110	\$15,710,171	125.04	128.04	\$50,059,931	\$53,012,491
City Clerk	\$2,204,595	\$2,311,513	15.26	15.26	\$2,868,482	\$3,105,416
City Manager's Office	\$7,648,524	\$9,481,981	50.01	61.31	\$17,648,889	\$19,282,246
Development Services	\$29,532,235	\$31,362,985	210.78	220.78	\$71,554,220	\$90,219,452
Financial Management	\$31,049,404	\$33,222,438	249.03	257.53	\$75,344,423	\$81,350,835
Health and Human Services	\$53,105,365	\$59,133,129	470.52	494.77	\$172,051,358	\$180,320,168
Library Services	\$12,472,874	\$13,413,990	132.72	136.71	\$16,632,492	\$18,702,153
Parks, Recreation and Marine	\$34,364,639	\$37,264,870	424.59	447.66	\$64,790,805	\$70,965,857
Public Works	\$62,455,631	\$68,362,736	557.67	587.63	\$246,952,450	\$306,526,087
Total	\$247,738,377	\$270,263,813	2,235.62	2,349.69	\$717,903,050	\$823,484,704

Source: City of Long Beach.
Based on All Funds, both F/P, P/T

Table 1 budgeted data is used to calculate the percentage increase in budgeted payroll (Personnel Adjustment Factor) over the time periods represented. By taking total budgeted salary and benefits costs and dividing by the number of budgeted full-time equivalent (FTE), salary costs per employee is established. The difference between salary costs per employee in the FY 2022 and FY 2023 adopted budgets can be used as an appropriate gauge of the "catch up" adjustment for personnel cost fluctuations. Table 2, shown on the following page, presents budgeted salary costs per FTE for each department for FY 2022 and FY 2023 and the percent change between the two fiscal years.

Table 2

Table 2 - Personnel Adjustment Factor

Department	Personnel Costs		% Change
	Salary per FTE FY 2022 (adopted)	Salary per FTE FY 2023 (adopted)	
Public Safety Departments			
Fire	\$203,831	\$208,304	2.19%
Police	\$188,024	\$191,849	2.03%
Average			2.12%
Non-Safety Departments			
Long Beach Airport	\$119,203	\$122,697	2.93%
City Clerk	\$144,469	\$151,475	4.85%
City Manager's Office	\$152,940	\$154,656	1.12%
Development Services	\$140,109	\$142,055	1.39%
Financial Management	\$124,681	\$129,004	3.47%
Health and Human Services	\$112,865	\$119,516	5.89%
Library Services	\$93,979	\$98,120	4.41%
Parks, Recreation and Marine	\$80,936	\$83,244	2.85%
Public Works	\$111,994	\$116,336	3.88%
Average			3.32%
Source: City of Long Beach			
Average (All Depts Combined)			3.00%

NON-PERSONNEL ADJUSTMENT FACTOR

In addition to the Personnel Adjustment Factor, the annual CPI for the Los Angeles / Long Beach region is incorporated to account for escalation of general non-personnel expenses, such as materials, supplies and services. The resulting adjustment factors are weighted based on the proportion of personnel expenses to the total departmental budget. Table 3, shown on the following page, presents each department's total budget, exclusive of specific one-time appropriations, and the amounts related to personnel costs and non-personnel costs. The resulting percentages (columns F and G) are multiplied by the Personnel Adjustment Factor and the CPI (columns H and I), respectively. By adding the two new percentages, a weighted adjustment factor is created (column J).

In order to provide a cost index that reflects the causes of cost changes for the Public Safety Departments, the average Unweighted Adjustment Factor (% Change) - Salary computed in Table 2 (2.12%) is multiplied by the average percentage (78.17%) that personnel costs are to the total Public Safety Budget then added to the product of the Unweighted Adjustment Factor - CPI (7.48%) for the determination period multiplied by the average percentage (21.83%) non-personnel costs are relative to the Public Safety Department budget. The result is a Public Safety Department Weighted Cost Adjustment Factor (Index) equal to 3.29% for 2023. In a similar manner, a Weighted Cost Adjustment Factor (Index) is computed for the Non-Safety Departments. The result is a Non-Safety Department Weighted Cost Adjustment Factor (Index) equal to 6.11% for 2023. However, to determine a single Weighted Adjustment Factor (inflator) that balances changes for all Public Safety and Non-Public Safety departments, the formula described above is used resulting in one citywide FY 2023 rate of 5.30% to be applied to user fees and changes.

By factoring both personnel and non-personnel costs, the City is capable to more accurately identify the true increases to the costs to provide citywide services to the public. This allows the City to recover more of the associated increase in costs of service over time. Additionally, the City is in the process of a citywide fee study. The study is multi-year effort, during which the CCI will continue to be updated and applied to certain services to ensure that user fees and charges appropriately capture general annual cost increases.

Table 3 - City of Long Beach Department Adjustment Factors

Department	FY 2023 Adopted Budget			Percent of Total Budget		Unweighted Adjustment Factor		Weighted Adjustment Factor
	Personnel Costs	Non-Personnel Costs	Total Budget (C+D)	Personnel Costs (C/E)	Non-Personnel Costs (1-F)	Salary	CPI	Adjustment Factor (F*H)+(G*I)
A	C	D	E	F	G	H	I	J
Public Safety Departments								
Fire	\$113,610,829	\$40,016,241	\$153,627,070	73.95%	26.05%	2.19%	7.48%	3.57%
Police	\$232,802,730	\$56,746,921	\$289,549,651	80.40%	19.60%	2.03%	7.48%	3.10%
Public Safety Department Index	\$346,413,559	\$96,763,162	\$443,176,721	78.17%	21.83%	2.12%	7.48%	3.29%
Non-Safety Departments								
Long Beach Airport	\$15,710,171	\$37,302,319	\$53,012,491	29.63%	70.37%	2.93%	7.48%	6.13%
City Clerk	\$2,311,513	\$793,903	\$3,105,416	74.43%	25.57%	4.85%	7.48%	5.52%
City Manager's Office	\$9,481,981	\$9,800,265	\$19,282,246	49.17%	50.83%	1.12%	7.48%	4.35%
Development Services	\$31,362,985	\$58,856,467	\$90,219,452	34.76%	65.24%	1.39%	7.48%	5.36%
Financial Management	\$33,222,438	\$48,128,397	\$81,350,835	40.84%	59.16%	3.47%	7.48%	5.84%
Health And Human Services	\$59,133,129	\$121,187,039	\$180,320,168	32.79%	67.21%	5.89%	7.48%	6.96%
Library Services	\$13,413,990	\$5,288,162	\$18,702,153	71.72%	28.28%	4.41%	7.48%	5.27%
Parks, Recreation and Marine	\$37,264,870	\$33,700,987	\$70,965,857	52.51%	47.49%	2.85%	7.48%	5.05%
Public Works	\$68,362,736	\$238,163,352	\$306,526,087	22.30%	77.70%	3.88%	7.48%	6.67%
Non-Safety Department Index	\$270,263,813	\$553,220,891	\$823,484,704	32.82%	67.18%	3.32%	7.48%	6.11%
All Departments (Unweighted Safety/Non-Safety)	\$616,677,372	\$649,984,053	\$1,266,661,425	48.69%	51.31%	3.00%	7.48%	5.30%

Sources: City of Long Beach