

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

BH-1

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September 6, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and discuss an overview of the Proposed Fiscal Year 2017 budgets for the following Departments: Harbor, Water, and Civil Service; and,

Receive supporting documentation into the record, conclude the public hearing and take the actions necessary to adopt the Fiscal Year 2017 budget as listed in Attachment A. (Citywide)

DISCUSSION

On August 1, 2016, the City Manager's Proposed Budget for Fiscal Year 2017 (FY 17) was delivered by Mayor Garcia to the City Council and community with recommended amendments for consideration. Budget meetings were set for March 8, August 2, August 9, August 16, August 23, September 6, and September 13, along with five Budget Oversight Committee (BOC) meetings, and ten community meetings at which the FY 17 Proposed Budget was discussed. We are pleased to report that through the scheduled hearings, BOC and community meetings, there have been 22 separate opportunities for public feedback, deliberation and input. In addition, this year, the City has solicited input through the Budget Priority Survey to obtain feedback on what the City's General Fund priorities should be. The survey was promoted, along with OpenLB, which shows the budget visually, on the City's website, through Twitter and Facebook, and at the community meetings.

At the conclusion of the hearings, the City Council will amend the proposed budget as it deems appropriate, and adopt the proposed budget as amended. Since the publication of the FY 17 Proposed Budget, updated estimates of revenue and expense, which primarily address technical corrections, are listed by fund and department in Attachments B, C and D to this letter. The reasons are discussed at the end of this letter.

There are three Ordinances in Attachment A. The first Ordinance approves Resolution No. WD-1357 (A-3), which establishes the rates and charges for the water and sewer service, and the second is the Appropriations Ordinance (A-16), which officially adopts the FY 17 budget and authorizes expenditures in conformance with the adopted budget. In order for these two Ordinances to become effective October 1, 2016, the City Council

must first declare an emergency to exist before adopting each Ordinance (A-2 and A-15). The third Ordinance amends the Departmental Organization of the City (A-12). There are also five Resolutions that provide for approval of the budget for the Harbor Department (A-1), the budget for the Water Department (A-4), the Master Fees and Charges Schedule (A-5), establish the Gann Appropriations Limit (A-9), and amend Salary Resolution (A-13). There will also be motions that request approvals for the following: the FY 17 Capital Improvement Program (A-6); FY 17 Budget for the Long Beach Community Investment Company (A-7); the Harbor Revenue Fund Transfer (A-8); the Mayor's Recommendations (A-10); the Budget Oversight Committee (BOC) Recommendations (A-11); and a motion amending the Proposed FY 17 Budget (A-14).

This matter was reviewed by City Attorney Charles Parkin on August 24, 2016.

TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 17 budget must be adopted by September 15, 2016. Should the City Council fail to adopt the budget by that date, the City Manager's FY 17 Proposed Budget will be deemed the budget for the 2017 fiscal year. The Mayor has five calendar days from City Council adoption of the budget to use his veto authority. The City Council would then have until September 30, 2016, to override veto action by the Mayor with a two-thirds supermajority vote (six Councilmembers).

FISCAL IMPACT

The City Charter requires that the Appropriations Ordinance shall govern and control the expenditure and commitment amounts stated therein relating to the City's departments, offices and agencies during each fiscal year. The total Proposed FY 17 budget for all departments and funds is \$3,097,225,448, which comprises \$2,610,195,313 in new appropriation and \$487,030,135, in estimated carry-over from FY 16 for multi-year grants and projects.

The Appropriations Ordinance, included as Attachment A-16 to this letter, totals \$2,200,333,310 for all funds except Harbor, Sewer, and Water, and \$2,203,622,682, for all departments except Harbor and Water. The \$3,289,372 difference between funds and departments in the Appropriations Ordinance is due to general City indirect costs budgeted in the Financial Management Department, but charged to the Harbor, Water and Sewer funds, which are not included in the Appropriations Ordinance by fund.

The proposed Harbor, Water and Sewer fund budgets are in separate City Council Resolutions included as Attachment A-1 and A-4 to this letter, respectively, and total \$897,411,822. The Board of Harbor Commissioners adopted the budget for the Harbor Department by minute order on May 23, 2016. The Board of Water Commissioners adopted the budget for the Water Department by Resolution on June 16, 2016.

User fees and charges in the Master Fees and Charges Schedule as Attachment A-5 have been adjusted due to changes in service and other factors. For details regarding these proposed new fees, deletions and adjustments, please see the List of Proposed Fees Adjustments for FY 17 that has been incorporated as Exhibit C to the Master Fees and Charges Resolution.

Other requested City Council actions include approval of the FY 17 One-Year Capital Improvement Program (CIP) budget, included in Attachment A-6, which is contained in the Appropriations Ordinance. The Planning Commission, at its meeting of August 18, 2016, approved the CIP for FY 17 as conforming to the General Plan.

The City Council is also requested to adopt the Resolution, included as Attachment A-9, establishing the Gann Appropriations Limit (Limit) for general purpose expenditures. In November 1979, the voters of the State of California approved Proposition 4, also known as the Gann Initiative (Initiative). The Initiative places certain limits on the amount of tax revenue that can be appropriated each fiscal year. The Limit is based on actual appropriations during FY 79 and prevents overspending proceeds of taxes. Only those revenues which are considered as "proceeds of taxes" are subject to the Limit. The Limit is recalculated each fiscal year based on certain inflation and population factors provided by the State. The Proposed Budget includes tax revenue estimates that are at 46.60 percent of the 2016-2017 Appropriations Limit and, therefore, does not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.

A motion is also being requested to amend the Departmental Organization Ordinance, included as Attachment A-12. This amendment incorporates changes to departments, bureaus, and divisions for FY 17. These organizational changes are necessary to implement changes reflected in the Proposed FY 17 budget. (A redline version is also provided). A motion is also being requested to adopt the Salary Resolution, included as Attachment A-13.

After the City Manager delivered the FY 17 Proposed Budget to the Mayor, technical adjustments were made to the budget. These changes are generally not substantive and are shown in Attachment B, C and D of this letter. The Housing Development Fund (SR 135) had a technical correction to reduce budgeted revenue by \$9.8 million to reflect removing the one-time revenue received in FY 16 for the Successor Agency's loan repayments to the Housing Development Fund. Also, there was a technical correction of \$19.2 million in the Employee Benefits Fund (IS 391) to account for the pass-through of employee benefits for FY 17, which reflects updates to budgeted overhead costs since FY 16, such as PERS changes that are impacted by FTE changes and cost trends as reflected in the Proposed Budget. Finally, there was a realignment of general administrative support in the amount of \$415,216 for capital projects that was moved from the Capital Projects Fund (CP 201) to the General Fund (GF). These costs are offset by revenue from CIP overhead rate applied to capital projects, resulting in zero net impact to either fund. The remaining changes were minor technical adjustments made to various funds and departments in order to align the budget with grants and/or revenues.

HONORABLE MAYOR AND CITY COUNCIL

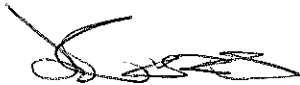
September 6, 2016

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SUGGESTED ACTION:

Approve recommendation

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

JG/LE/RAG/aoc
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ATTACHMENTS

APPROVED:



PATRICK H. WEST
CITY MANAGER

List of Requested Fiscal Year 2017 Budget Adoption Actions

1. Adopt the Resolution approving the FY 17 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on May 23, 2016. (A-1)
2. Declare an emergency to exist. (A-2)
3. Declare the Ordinance approving the Resolution No. WD-1357 establishing the rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on June 16, 2016, as an Emergency Ordinance, read, and adopted as read and laid over to the next regular meeting of the City Council for final reading. (A-3)
4. Adopt the Resolution approving the FY 17 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on June 16, 2016. (A-4)
5. Adopt the Resolution amending the Master Fee and Charges Schedule for specified City services for Citywide fees and charges for the City of Long Beach. (A-5)
6. Approve the FY 17 One-Year Capital Improvement Program. (A-6)
7. Adopt a motion approving the FY 17 budget for the Long Beach Community Investment Company (formerly known as the Long Beach Housing Development Company) in the amount of \$11,385,370. (A-7)
8. Adopt a motion approving the estimated transfer of \$17,772,000 from the Harbor Revenue Fund to the Tidelands Operating Fund. (A-8)
9. Adopt the Resolution establishing the Gann Appropriations Limit (Limit) for FY 17 pursuant to Article XIII (B) of the California Constitution. (A-9)
10. Adopt the Mayor's proposed budget recommendations, as amended, to the FY 17 Proposed Budget. (A-10)
11. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the FY 17 Proposed Budget. (A-11)
12. Declare the Ordinance amending the Departmental Organization Ordinance read the first time and laid over to the next regular meeting of the City Council for final reading. (A-12)
13. Adopt the amended Salary Resolution for FY 17. (A-13)
14. Adopt a motion amending the proposed FY 17 budget. (A-14)
15. Declare an emergency to exist. (A-15)
16. Declare the Appropriations Ordinance for FY 17, creating and establishing the funds of the Municipal Government and appropriating money to and authorizing expenditures from said funds and for said fiscal year as an Emergency Ordinance, read, and adopted as read and laid over to the next regular meeting of the City Council for final reading. (A-16)

FISCAL YEAR 2017 APPROPRIATIONS ORDINANCE BY FUND
 (Does not include Harbor, Water and Sewer Funds)

<u>FUND</u>	<u>FY 17 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 16 ESTIMATED CARRYOVER*</u>	<u>FY 17 APPROPRIATIONS</u>
GENERAL FUND**	469,730,388	415,216	-	470,145,604
UPLAND OIL FUND	7,094,773	-	-	7,094,773
GENERAL GRANTS FUND	7,775,064	119,135	13,547,564	21,441,764
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	3,573,474	-	-	3,573,474
HEALTH FUND	43,052,210	-	25,907,012	68,959,222
PARKING & BUSINESS AREA IMPROVEMENT FUND	7,970,420	-	-	7,970,420
SPECIAL ADVERTISING & PROMOTION FUND	8,382,412	-	-	8,382,412
HOUSING DEVELOPMENT FUND	13,612,862	-	16,991,437	30,604,299
BELMONT SHORE PARKING METER FUND	830,891	-	-	830,891
BUSINESS ASSISTANCE FUND	704,289	-	1,329,289	2,033,578
COMMUNITY DEVELOPMENT GRANTS FUND	20,162,053	-	14,739,083	34,901,136
GASOLINE TAX STREET IMPROVEMENT FUND	10,577,854	-	28,669,284	39,247,138
TRANSPORTATION FUND	20,749,066	-	22,517,111	43,266,176
CAPITAL PROJECTS FUND	38,352,829	(8,903)	63,714,316	102,058,242
CIVIC CENTER FUND	9,435,785	-	13,401,669	22,837,455
GENERAL SERVICES FUND	41,720,130	48,506	27,299,750	69,068,386
FLEET SERVICES FUND	59,276,203	-	3,753,043	63,029,247
INSURANCE FUND	42,610,539	-	-	42,610,539
EMPLOYEE BENEFITS FUND	248,827,267	19,164,874	-	267,992,141
TIDELANDS FUNDS	108,841,316	-	171,561,695	280,403,011
TIDELAND OIL REVENUE FUND	64,159,027	-	-	64,159,027
RESERVE FOR SUBSIDENCE	-	-	-	-
DEVELOPMENT SERVICES FUND	21,123,554	-	1,775,100	22,898,654
GAS FUND	88,869,666	-	18,713,913	107,583,579
GAS PREPAY FUND	39,706,428	-	-	39,706,428
AIRPORT FUND	44,978,685	-	32,575,783	77,554,468
REFUSE/RECYCLING FUND	47,154,322	-	93,886	47,248,208
SERRF FUND	51,032,196	-	-	51,032,196
SERRF JPA FUND	11,202,424	-	-	11,202,424
TOWING FUND	5,437,193	-	-	5,437,193
HOUSING AUTHORITY FUND	70,011,281	-	134,871	70,146,151
SUCCESSOR AGENCY	74,023,058	-	30,305,323	104,328,382
CUPA FUND	1,987,120	-	5	1,987,126
DEBT SERVICE FUND	10,599,566	-	-	10,599,566
TOTAL	1,693,564,346	19,738,829	487,030,135	2,200,333,310

*Carryover of multi-year grants and CIP funds.

**The first available additional FY 16 year-end General Fund surplus above \$1.1 million of up to \$500,000 will be automatically appropriated in the FY 17 Public Works Budget for the Belmont Beach and Aquatics Center.

FISCAL YEAR 2017 APPROPRIATIONS ORDINANCE BY DEPARTMENT
(Does not include Harbor and Water)

<u>DEPARTMENT</u>	<u>FY 17 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 16 ESTIMATED CARRYOVER*</u>	<u>FY 17 APPROPRIATIONS</u>
MAYOR AND COUNCIL	5,407,574	-	(0)	5,407,574
CITY ATTORNEY	10,252,267	-	-	10,252,267
CITY AUDITOR	3,085,313	-	-	3,085,313
CITY CLERK	2,728,419	-	-	2,728,419
CITY MANAGER	12,646,684	119,135	120,708,656	133,474,474
CITY PROSECUTOR	5,191,418	-	463,114	5,654,532
CIVIL SERVICE	2,649,249	-	-	2,649,249
AIRPORT	44,570,978	-	32,575,783	77,146,761
DISASTER PREPAREDNESS & EMERGENCY COMMUNICATIONS	12,037,748	(33,600)	66,278	12,070,426
DEVELOPMENT SERVICES	122,107,144	-	59,214,613	181,321,757
ECONOMIC & PROPERTY DEVELOPMENT	27,003,413	-	5,603,499	32,606,912
FINANCIAL MANAGEMENT**	506,182,586	19,458,878	1,945,731	527,587,196
FIRE	106,444,081	33,600	5,727,270	112,204,951
HEALTH AND HUMAN SERVICES	114,102,849	-	26,370,733	140,473,582
HUMAN RESOURCES	11,351,658	-	-	11,351,658
LIBRARY SERVICES	13,425,103	-	1,109,260	14,534,363
LONG BEACH GAS AND OIL	207,793,350	-	18,687,068	226,480,418
PARKS, RECREATION AND MARINE	56,485,913	-	54,269,455	110,755,368
POLICE	216,456,274	-	3,068,959	219,525,233
PUBLIC WORKS***	177,048,751	112,309	129,919,968	307,081,028
TECHNOLOGY & INNOVATION	39,882,945	48,506	27,299,750	67,231,201
TOTAL	1,696,853,718	19,738,829	487,030,135	2,203,622,682

*Carryover of multi-year grants and CIP funds.

**Department of Financial Management includes internal service charges that are contained in the resolutions of the Harbor, Water, and Sewer funds for accounting, budgeting and treasury functions, and other citywide activities such as debt service.

***The first available additional FY 16 year-end General Fund surplus above \$1.1 million of up to \$500,000 will be automatically appropriated in the FY 17 Public Works Budget for the Belmont Beach and Aquatics Center.

FISCAL YEAR 2017 REVENUES BY FUND
(Does not include Harbor, Water and Sewer Funds)

<u>FUND</u>	<u>FY 17 PROPOSED REVENUES</u>	<u>CHANGES</u>	<u>FY 17 PROPOSED BUDGETED REVENUES</u>
GENERAL FUND	459,044,680	415,216	459,459,896
UPLAND OIL FUND	7,276,260	-	7,276,260
GENERAL GRANTS FUND	7,775,064	119,135	7,894,199
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	3,136,590	-	3,136,590
HEALTH FUND	43,096,998	-	43,096,998
PARKING & BUSINESS AREA IMPROVEMENT FUND	7,968,757	-	7,968,757
SPECIAL ADVERTISING & PROMOTION FUND	9,741,650	-	9,741,650
HOUSING DEVELOPMENT FUND	11,598,238	{9,764,486}	1,833,752
BELMONT SHORE PARKING METER FUND	701,734	-	701,734
BUSINESS ASSISTANCE FUND	677,838	-	677,838
COMMUNITY DEVELOPMENT GRANTS FUND	20,481,641	-	20,481,641
GASOLINE TAX STREET IMPROVEMENT FUND	11,105,956	-	11,105,956
TRANSPORTATION FUND	21,373,040	-	21,373,040
CAPITAL PROJECTS FUND	38,006,750	-	38,006,750
CIVIC CENTER FUND	9,509,131	-	9,509,131
GENERAL SERVICES FUND	41,028,080	-	41,028,080
FLEET SERVICES FUND	37,730,841	-	37,730,841
INSURANCE FUND	48,155,895	-	48,155,895
EMPLOYEE BENEFITS FUND	247,461,743	19,718,644	267,180,387
TIDELANDS FUNDS	106,687,256	201	106,687,457
TIDELAND OIL REVENUE FUND	64,100,959	-	64,100,959
RESERVE FOR SUBSIDENCE	1,480,000	-	1,480,000
DEVELOPMENT SERVICES FUND	24,396,065	-	24,396,065
GAS FUND	92,820,208	-	92,820,208
GAS PREPAY FUND	41,475,391	-	41,475,391
AIRPORT FUND	47,566,705	-	47,566,705
REFUSE/RECYCLING FUND	43,707,331	-	43,707,331
SERRF FUND	51,715,036	-	51,715,036
SERRF JPA FUND	11,250,285	-	11,250,285
TOWING FUND	5,691,849	-	5,691,849
HOUSING AUTHORITY FUND	69,221,942	-	69,221,942
SUCCESSOR AGENCY	75,610,413	-	75,610,413
CUPA FUND	1,607,180	59,687	1,666,867
DEBT SERVICE FUND	10,356,482	-	10,356,482
TOTAL	1,673,557,988	10,548,397	1,684,106,386