

# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

**R-23**

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802

April 10, 2007

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Approve the Fiscal Year 2007 second quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy. (Citywide)

## DISCUSSION

On September 19, 2006, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2007 (FY 07). From time to time, changes in revenue or operating conditions call for appropriation adjustments. For example, in some cases these adjustments enable departments to expend newly received grant revenue for which there is no existing appropriation. In addition, changes for multi-year grants/projects are necessary to bring appropriations in line with final grant/project award amounts. In accordance with the City's practice, these adjustments are presented quarterly to the City Council for consideration. Please see **Attachment A** for a Fund Balance Analysis of impacted City funds and **Attachment B** for a recap of FY 07 General Fund Budget Adjustments.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on March 27, 2007.

## TIMING CONSIDERATIONS

The following requests for adjustments to FY 07 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on April 10, 2007 to authorize the timely processing of payments.

## FISCAL IMPACT

### **Community Development**

Due to the increase in the repayment of single and multi-family rehabilitation loans, Fiscal Year 2006 actual revenues surpassed estimated revenues. This revenue can now be used to make additional single and multi-family rehabilitation loans that were not anticipated in the FY 07 Adopted Budget. Therefore, a budget adjustment is necessary to allow the Department to issue these additional loans, which represents a significant enhancement in the level of service to the community this fiscal year.

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- Increase appropriations in the Community Development Grants Fund (SR 150) in the Department of Community Development by \$1,255,531.

During FY 06, various Redevelopment area funds were not transferred to Economic Development Services as budgeted. These funds, which are used to provide business assistance to attract businesses to Redevelopment areas, will be transferred in FY 07. Therefore, the Department is requesting additional appropriation for the transfer amount above the currently budgeted amount for FY 07. The West Long Beach Area will transfer \$300,000, the Downtown Area will transfer \$200,000, the Central Long Beach Area will transfer \$200,000 and the North Long Beach Area will transfer \$500,000.

- Increase appropriations in the Redevelopment Fund (RD) in the Department of Community Development (CD) by \$1,200,000.

**Fire**

On July 11, 2000 the City Council authorized the acceptance and appropriation of \$200,000 in grant funding from the National Public Health Service of the federal Department of Health and Human Services (DHHS) to purchase domestic preparedness emergency response equipment. The \$200,000 award was in addition to the original award amount of \$400,000. Recently, the City was notified that these additional funds would not be awarded after all. As the grant was previously appropriated it is now necessary to reduce the appropriation by \$200,000. The City does not have expenses affected by this grant reduction. There is no impact on the original \$400,000 grant; it has been spent and reimbursed by the DHHS. There is no impact to the General Fund.

- Decrease appropriations in the General Grants Fund (SR 120) in the Fire Department (FD) by \$200,000.

Since August 2003, the City Council authorized receipt of the Urban Area Security Initiative (UASI) II Grants, totaling \$25,826,340, from the Department of Homeland Security (DHS) to augment the City and surrounding jurisdictions' Homeland Security response capabilities. Due to changes in the type and quantity of equipment to be procured and excess funds remaining from Orange and Yellow Alerts and Exercises, the current allocations in the various departments and funds are not reflective of revised spending plans that will maximize use of the grant funds. The State Office of Homeland Security has approved the revised spending plans. Reallocating the funds among departments will enable the procurement of more radios for the Fire and Police Departments as well as increased training courses for Police staff in terrorism awareness and weapons of mass destruction. The Fire Department requests to reallocate the current appropriations to the departments/funds listed below. All expenditures will be offset by like changes in grant revenue. There is no net impact to the UASI budget nor is there impact to the General Fund.

- Decrease appropriations in the General Grants Fund (SR 120) in the Fire Department (FD) by \$1,151,643.
- Decrease appropriations in the General Grants Fund (SR 120) in the Health and Human Services Department (HE) by \$2,364.

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- Decrease appropriations in the General Grants Fund (SR 120) in the Public Works Department (PW) by \$21,177.
- Decrease appropriations in the General Services Fund (IS 385) in the Technology Services Department (TS) by \$42,512.
- Increase appropriations in the General Grants Fund (SR 120) in the Police Department by \$1,217,695.

**Library**

The Long Beach Public Library Foundation and the Friends of the Long Beach Public Library, which are both nonprofit organizations, have provided donations to the Library Services Department totaling \$250,000 for the purchase of books and material resources. The Long Beach Public Library Foundation was created in response to the cuts made to the Long Beach Public Library in the 1990's. They have been successful in providing support for the purchase of books and materials. The Friends of the Long Beach Public Library has been in existence since the 1960's. They began donating funds to support the purchase of books and materials in 1990 when the Friends bookstore opened. To allow the Department to expend these funds, a budget adjustment is required.

- Increase appropriations in the General Grants Fund (SR 120) in the Department of Library Services (LS) by \$250,000.

**Public Works**

Interest has been earned in the amount of \$30,732 from the Plaza Parking Facility Bonds. This appropriation increase will fund the final settlement payment to the developers of the CityPlace retail center. To allow the Department to expend these funds, a budget adjustment is required.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$30,732.

In FY 00, the City established a program to assess fines to property owners for illegally removing trees from the public right-of-way. These funds were set aside for the future purchase of trees to be planted Citywide to promote the community's urban forest. Since FY 00, the City has collected \$36,916 which is currently unbudgeted. Therefore, an appropriation increase is requested in order for the Department to expend these funds on the purchase and installation of new trees.

- Increase appropriations in the General Fund (GP) in the Department of Public Works (PW) by \$36,916.

In June 2003, on the recommendation of the Interdepartmental Air Quality Committee, the City Manager approved the expenditure of \$600,000 of AB2766 Subvention Funds for construction of a Liquefied Natural Gas (LNG) Fueling Station by Long Beach Gas and Oil as a Capital Improvement Project. During the FY 07 budget process, this item was inadvertently budgeted at \$600,000 even though \$483,698 of the original funding had been

expended on the project. Therefore, an appropriation decrease is necessary to align the appropriation with the remaining allowable expenditures.

- Decrease appropriations in the Transportation Fund (SR 182) in the Department of Public Works (PW) by \$483,698.

#### **Tidelands Operating Fund Adjustments**

As a result of an increase in projected oil revenues and prior year cost savings, a number of deferred capital projects and operational enhancements are recommended in the Tidelands Operating Fund.

Capital projects, totaling \$3,667,000, have been identified as critical, but funding has not been available for a number of years. These projects include the rebuilding of the Parker's Light House Guest Dock, engineering for Belmont Plaza Pool improvements, design work for the Leeway Sailing Center and upgrades to the lifeguard headquarters, upgrades to the Model Boat Shop at Colorado Lagoon, upgrades to the Mother's Beach Playground, replacement of a beach restroom at Bayshore & Ocean, as well as a Water Quality Study for Alamitos Bay.

The requested adjustments also include \$345,000 for an additional Police beach patrol unit during the summer months; a dedicated Marine Patrol unit at Rainbow Harbor from 6:00 p.m. until 4:00 a.m., Thursday through Monday; and funding for the 4<sup>th</sup> of July fireworks celebration.

The requested adjustments will be offset by the anticipated fund balance in the Tidelands Operating Fund. There will be no impact on the General Fund.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Public Works (PW) by \$445,000.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR) by \$3,000,000.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Police Department (PD) by \$140,000.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Fire Department (FD) by \$100,000.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Community Development Department (CD) by \$327,000.

#### **Multi-Year Funds Carry-over**

Appropriation increases and decreases are necessary to make corrections in multi-year funds related to grants and capital projects. Budget amounts not spent by the end of the prior fiscal year in these multi-year funds are carried forward and re-appropriated in the current fiscal year. The FY 07 Adopted Budget ordinance adopted by the City Council contained new budget amounts for the current year, as well as estimated amounts of carry-over balance from FY 06. The following corrections represent the difference between the

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estimate and the actual carry-over amount. **Attachment C** lists the corrections that require City Council approval by fund and by department for appropriation in FY 07. The net adjustment for the affected funds and departments is an appropriation increase of \$77,332,627. All of the funds are grant or bond proceeds and therefore restricted to their related projects.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


MICHAEL A. KILLEBREW  
DIRECTOR OF FINANCIAL MANAGEMENT

MAK:DW:GS

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ATTACHMENTS

APPROVED:



GERALD R. MILLER  
CITY MANAGER

## Effect of 2nd Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<b><u>General Fund (GP)</u></b>			
Beginning Fund Balance*			\$ 4,802,975
* Does not include the \$36.1 million Emergency Fund Balance Reserve)			
Unreserving/(Reserving) of Restricted Fund Balance			733,372
FY 07 Adopted Budget	377,404,000	377,406,152	2,152
Prior Year Adjustment to Actuals			46,734
City Council Approved Adjustments to Date (521/522 and 511)	6,266,991	2,250,000	(4,016,991)
Proposed 2nd Quarter Adjustments:			
Illegal Tree Removal	36,916	-	(36,916)
Adjusted Budget Including 2nd Quarter Adjustments	\$ 383,707,907	\$ 379,656,152	\$ 1,531,326
<b><u>Capital Projects (CP)</u></b>			
Beginning Fund Balance			\$ 4,641,248
Unreserving/(Reserving) of Restricted Fund Balance			10,497,057
FY 07 Adopted Budget	10,229,804	13,683,484	3,453,680
Prior Year Adjustment to Actuals			18,352
Estimated All-years Carryover Budget	61,711,427	37,401,235	(24,310,192)
All-Years Carryover Budget Adjustments	(12,557,336)	(4,893,917)	7,663,419
City Council Approved Adjustments to Date (521/522 and 511)	7,155,680	6,519,773	(635,907)
Proposed 2nd Quarter Adjustments:			
Interest Earned	30,732	30,732	-
Adjusted Budget Including 2nd Quarter Adjustments	\$ 66,570,307	\$ 52,741,307	\$ 1,327,656
<b><u>Community Development Grants (SR 150)</u></b>			
Beginning Fund Balance (Per Adopted Budget)			\$ 3,287,879
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	24,972,319	23,858,301	(1,114,017)
Prior Year Adjustment to Actuals			-
Estimated All-years Carryover Budget	37,001,409	37,050,401	48,992
All-Years Carryover Budget Adjustments	10,404,438	11,330,391	925,953
City Council Approved Adjustments to Date	-	-	-
Proposed 2nd Quarter Adjustments:			
CD Grant Funds FY 06 performance	1,255,531	1,487,060	231,529
Adjusted Budget Including 2nd Quarter Adjustments	\$ 73,633,696	\$ 73,726,153	\$ 3,380,336

## Effect of 2nd Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<b><u>General Grants (SR 120)</u></b>			
Beginning Fund Balance			\$ 63,734
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	8,594,063	8,594,063	-
Prior Year Adjustment to Actuals			427,106
Estimated All-years Carryover Budget	5,032,586	5,044,547	11,961
All-Years Carryover Budget Adjustments	7,849,435	8,294,178	444,743
City Council Approved Adjustments to Date (521/522 and 511)	2,411,433	2,409,611	(1,822)
Proposed 2nd Quarter Adjustments:			
Department of Health and Human Services Grant	(200,000)	(200,000)	-
Friends of the Long Beach Public Library	250,000	250,000	-
Adjusted Budget Including 2nd Quarter Adjustments	\$ 23,937,517	\$ 24,392,399	\$ 945,722
<b><u>General Services (IS 385)</u></b>			
Beginning Fund Balance			\$ 2,728,203
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	34,499,612	32,706,890	(1,792,722)
Prior Year Adjustment to Actuals			-
Estimated All-years Carryover Budget	35,523	35,523	-
All-Years Carryover Budget Adjustments	(278,296)	32,228	310,524
City Council Approved Adjustments to Date (521/522 and 511)	90,193	83,160	(7,033)
Proposed 2nd Quarter Adjustments:			
UASI Grant Reallocation	(42,512)	(42,512)	-
Adjusted Budget Including 2nd Quarter Adjustments	\$ 34,304,521	\$ 32,815,289	\$ 1,238,971
<b><u>Redevelopment Agency</u></b>			
Beginning Fund Balance (Per Adopted Budget)			\$ 47,902,496
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	103,081,127	76,228,054	(26,853,074)
Prior Year Adjustment to Actuals			281,175
Estimated All-years Carryover Budget	12,101,156	(6,501,327)	(18,602,484)
All-Years Carryover Budget Adjustments	55,077,791	7,584,804	(47,492,987)
City Council Approved Adjustments to Date (521/522 and 511)	141,532	-	(141,532)
Proposed 2nd Quarter Adjustments:			
RDA Transfer to Economic Development	1,200,000	-	(1,200,000)
Adjusted Budget Including 2nd Quarter Adjustments <sup>(1)</sup>	\$ 171,601,607	\$ 77,311,531	\$ (46,106,406)

(1) As a matter of practice, the City does not adjust its budget during the fiscal year to make the budget match actual operating experience.

## Effect of 2nd Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<b><u>Transportation Fund (SR 182)</u></b>			
Beginning Fund Balance			\$ 20,917,558
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	14,415,576	14,492,930	77,354
Prior Year Adjustment to Actuals			358,888
Estimated All-Years Carryover Budget	19,066,621	4,128,790	(14,937,831)
All-Years Carryover Budget Adjustments	(4,082,197)	(6,309,312)	(2,227,115)
City Council Approved Adjustments to Date (521/522 and 511)	-	-	-
Proposed 2nd Quarter Adjustments:			
LNG Fueling Station Decrease	(483,698)	-	483,698
Adjusted Budget Including 2nd Quarter Adjustments	\$ 28,916,302	\$ 12,312,408	\$ 4,672,553
<b><u>Tidelands Fund (TF)</u></b>			
Beginning Fund Balance			\$ 1,613,502
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	113,191,473	113,033,981	(157,491)
Prior Year Adjustment to Actuals			1,137,577
Estimated All-Years Carryover Budget	17,829,523	18,007,075	177,552
All-Years Carryover Budget Adjustments	3,836,085	1,365,194	(2,470,891)
City Council Approved Adjustments to Date (521/522 and 511)	854,475	(700)	(855,175)
Proposed 2nd Quarter Adjustments:			
Capital Projects	4,012,000	-	(4,012,000)
Adjusted Budget Including 2nd Quarter Adjustments <sup>(1)</sup>	\$ 139,723,556	\$ 132,405,550	\$ (4,566,926)

(1) As a matter of practice, the City does not adjust its budget during the fiscal year to make the budget match actual operating experience.



**General Fund  
FY 07 Budget Adjustment Recap**

	<b>Budgeted Expenditure</b>	<b>Budgeted Revenue</b>	<b>Net Impact</b>
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**Previous City Council Actions**

Carryover of Prior Year Encumbrances (Beginning Fund Balance is Net of this Amount)	1,274,209	-	(1,274,209)
Federal Legislative Representation Services	135,000	-	(135,000)
Revenue Adjustments	-	2,250,000	2,250,000
<b>Subtotal - Ad Hoc Council Action</b>	<b>1,409,209</b>	<b>2,250,000</b>	<b>840,791</b>

**1st Quarter Approved Budget Adjustments**

Fire Station #1	155,000	-	(155,000)
City Prosecutor's Office Pay Increase	329,258	-	(329,258)
Reclaimed Water Usage	600,000	-	(600,000)
Park Ranger Station	80,488	-	(80,488)
Police Longevity Pay	2,350,000	-	(2,350,000)
Allied Engineering Settlement	743,115	-	(743,115)
Transfer to Development Services Fund	600,000	-	(600,000)
<b>Subtotal - 1st Quarter</b>	<b>4,857,861</b>	<b>-</b>	<b>(4,857,861)</b>

**2nd Quarter Approved Budget Adjustments (Pending)**

Illegal Tree Removal	36,916	-	(36,916)
<b>Subtotal - 2nd Quarter</b>	<b>36,916</b>	<b>-</b>	<b>(36,916)</b>

**3rd Quarter Approved Budget Adjustments**

<b>Subtotal - 3rd Quarter</b>	<b>-</b>	<b>-</b>	<b>-</b>
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**4th Quarter Approved Budget Adjustments**

<b>Subtotal - 4th Quarter</b>	<b>-</b>	<b>-</b>	<b>-</b>
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<b>Total FY 07 Budget Adjustments to Date</b>	<b>6,303,986</b>	<b>2,250,000</b>	<b>(4,053,986)</b>
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**City of Long Beach  
FY 07  
Carry-over Budget Adjustments  
Grants and Capital Projects Multi-Year Funds**

**BY DEPARTMENT**

<u>DEPARTMENT</u>	<u>DEPARTMENT CODE</u>	<u>APPROPRIATION INCREASE/(DECREASE)</u>
City Prosecutor	CP	\$ 3,814
Community Development	CD	73,143,003
Financial Management	FM or XC	772,334
Fire Department	FD	8,875,706
Health	HE	(446,383)
Long Beach Energy	EN	(1,245,232)
Parks, Recreation & Marine	PR	3,313,954
Police Department	PD	(1,435,625)
Public Works	PW	(5,370,650)
Technology Services	TS	(278,296)
<b>TOTAL</b>		<b>\$ 77,332,624</b>

**BY FUND**

<u>FUND</u>	<u>FUND No.</u>	<u>APPROPRIATION INCREASE/(DECREASE)</u>
Capital Projects	CP	\$ (12,557,336)
Gas	EF 301	(1,244,841)
Airport	EF 320	14,695,975
Refuse/Recycling	EF 330	25,141
SERRF	EF 331	(391)
Civic Center	IS 380	(100,743)
General Services	IS 385	(278,296)
Fleet Services	IS 386	(598,324)
Redevelopment	RD	55,077,791
General Grants	SR 120	7,849,435
Health	SR 130	(848,084)
Housing Development	SR 135	8,130,936
Business Assistance	SR 149	(465,774)
Community Development Grants	SR 150	10,404,438
Housing Authority	SR 151	78,795
Gasoline Tax Street Improvement	SR 181	(2,589,985)
Transportation	SR182	(4,082,197)
Tidelands	TF	3,836,085
<b>TOTAL</b>		<b>\$ 77,332,627</b>