



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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

September 12, 2006

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Receive supporting documentation into the record, conclude the public hearing and take the actions necessary to adopt the Fiscal Year 2007 budget as listed in **Attachment A** of this letter. (Citywide)

## DISCUSSION

On August 14, 2006, the City Manager's Proposed Budget for Fiscal Year 2007 (FY 07) was delivered by the Mayor to the City Council and community with recommended amendments for consideration. Workshops and hearings were set for August 15, 2006, August 22, 2006, September 5, 2006, September 12, 2006, and September 19, 2006. During the scheduled workshops and hearings, presentations were made by departments; the City Council and the community were provided multiple opportunities for input.

At the conclusion of the hearings, the City Council will be asked to amend and adopt the proposed budget as it deems appropriate. Since the publication of the FY 07 Proposed Budget, updated estimates of revenue and expense, which address technical corrections, are listed by fund and department in **Attachments B** and **C**, respectively.

The Appropriations Ordinance officially adopts the FY 07 budget and authorizes expenditures in conformance with the adopted budget. To become effective October 1, 2006 this Ordinance must include a finding of emergency. Specific resolutions provide for approval of the budgets for the Harbor, Sewer and Water funds; and certain fee adjustments. Requests for approval include the FY 07 Capital Improvement Program; endorsement of the updated Financial Strategic Plan; and, the Mayor's and Budget Oversight Committee's recommended amendments to the FY 07 Proposed Budget.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on August 29, 2006.

## TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 07 budget must be adopted by September 30, 2006, following at least one public hearing. Should the City Council fail to adopt the budget on or by that date, the City Manager's FY 07 Proposed Budget shall be deemed the budget for the 2007 fiscal year.

### FISCAL IMPACT

The City Charter requires that the Appropriation Ordinance shall govern and control the expenditure and commitment amounts stated therein relating to the several departments, offices and agencies during each fiscal year. The Appropriations Ordinance for all funds except Harbor, Water and Sewer funds totals \$1,964,255,957 and for all departments except for Harbor and Water totals \$1,967,912,052. The proposed Harbor and Water Department budgets are included in separate City Council ordinances attached to this letter. The Appropriations Ordinance totals include estimated funding of \$310,074,014 to be carried over from FY 06 for multi-year grants and projects. Detailed summaries of appropriations by fund and by department are included in **Attachments B and C**, respectively.

The \$3,656,095 difference between the Appropriations Ordinance by Fund and the Appropriations Ordinance by Department is the result of general City indirect costs charged directly to the Harbor, Water and Sewer funds through the non-operating budget of the Department of Financial Management. Again, the Harbor, Water and Sewer Fund budgets are included in separate ordinances and are not included in the Appropriations Ordinance by Fund. The general City indirect cost charges to those funds are in the Department of Financial Management budget in the Appropriations Ordinance by Department.

The FY 07 proposed budget for the Harbor Department is \$474,206,000 and the proposed budget for the Water Department is \$96,088,162. As noted above, the Harbor Department budget differs from the Harbor Fund budget, and the Water Department budget differs from the Water and Sewer Funds budgets due to the general City indirect cost charges to those funds directly through the non-operating budget of the Department of Financial Management.

The budget for the Harbor Department was adopted by the Board of Harbor Commissioners by minute order on July 24, 2006. The budget for the Water Department was adopted by the Board of Water Commissioners by resolution on July 13, 2006.

The recommendations in this letter include various fee adjustments that are included in the attached Schedule of Fees and Charges Resolution. The fee changes are summarized in **Attachment D**. The fee increases reflect cost of service and other factors as disseminated in the Fee Study distributed to the Budget Oversight Committee on February 21, 2006. **Attachment E** details the fees removed from, and those added to, the list published in the Fiscal Year 2007 Proposed Budget document and Attachment D.

Other requested City Council actions include approval of the FY 07 One-Year Capital Improvement Program (CIP), which is contained in the Appropriations Ordinance. The Planning Commission, at its meeting of September 7, 2006, will consider the CIP for FY 07 for conformance with the General Plan. Any projects that are not in conformance with the Plan will be highlighted by Planning staff and steps to secure conformance outlined.

Further, motions approving the budgets of the Redevelopment Agency's (RDA) Project Area Committees (PACs) for the Central Long Beach, West Long Beach Industrial and North Long Beach Project Areas and the Long Beach Housing Development Company

(HDC) is requested. The PAC budgets and the budget of the HDC are included in the budget of the Community Development Department.

The City Council is also requested to adopt the Resolution 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," which places a limit on the amount of tax revenue that can be appropriated each fiscal year. The Limit is based on actual appropriations during FY 79 and guards against 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 43.33 percent of the 2006-2007 Appropriations Limit, and, therefore, does not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

MK/tl  
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Attachments

  
GERALD R. MILLER  
CITY MANAGER