



City of Long Beach
Working Together to Serve

Memorandum

Date: June 13, 2012

To: Patrick H. West, City Manager

From: John Gross, Director of Financial Management

For: Members of the Budget Oversight Committee

Subject: June 18, 2012 Budget Oversight Committee Meeting Agenda

At the request of the Budget Oversight Committee (BOC), the following information is attached for discussion:

1. Recommendation to approve the Budget Oversight Committee minutes for the meeting of Wednesday, September 7, 2011.
2. Recommendation to receive and file an update on the City's Fiscal Year 2013 Budget process. **(Attachment A)**
3. Recommendation to receive and file a report on current year revenue and expense forecast.
4. Recommendation to receive and file an update on the General Fund three-year deficit.
5. Recommendation to receive and file an update on the Federal Fiscal Year 2013 budget.
6. Recommendation to receive and file an update on the State's Fiscal Year 2012-2013 budget, including the Governor's May Revise. **(Attachment B)**
7. Recommendation to receive and file an update of the California Public Employees' Retirement System (CalPERS) funding.
8. Recommendation to receive and file an update on the \$18.4M Uplands Oil Fund Infrastructure Projects.
9. Recommendation to receive and file an update on City Council Offices Fiscal Year 2012 year-end budget projections.
10. Recommendation to receive and file an update on the Towing Request for Proposal.

ATTACHMENTS

CC: MAYOR AND MEMBERS OF THE CITY COUNCIL
SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD I. HARRISON, DEPUTY CITY MANAGER
ALL DEPARTMENT HEADS



City of Long Beach
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Attachment A

Memorandum

Date: June 13, 2012
To: Patrick H. West, City Manager
From: John Gross, Director of Financial Management
For: Mayor and Members of the City Council
Subject: Tentative Fiscal Year 2013 City Council Budget Meetings

The City Charter, as modified on May 1, 2007, requires that the City Manager submit the Proposed Budget for Fiscal Year 2013 (FY 13) to the Mayor not later than ninety (90) days prior to the beginning of each fiscal year (July 3, 2012). The City Charter also requires that the Mayor transmit the proposed budget to the City Council not later 60 days prior to the beginning of the fiscal year (August 2, 2012). The City Council must adopt the budget not later than 15 days prior to the end of the current fiscal year (September 15, 2012), at which time the Mayor will have an additional five days to review the Adopted Budget. The Mayor, at that time, may concur or exercise a line-item veto of any expenditure. The City Council has until the end of the fiscal year to concur with the Mayor's changes, or override the veto.

The City Council held two Special City Council Meetings on the FY 13 budget on March 5 and April 17, concerning the City's long-term fiscal outlook and potential revenue measure options, respectively. In addition, special meetings are scheduled on June 19 and July 3 for presentations by Management Partners on potential government reform ideas and trends.

Please find below an updated schedule of budget workshops and hearings that have been held to date, as well as those scheduled for the upcoming weeks, on the Fiscal Year 2013 Budget. These workshops and hearings provide opportunities for review and discussion of the specific recommendations contained in the City Manager's Proposed Budget, the Mayor's Budget Recommendations and the Budget Oversight Committee's recommendations.

| DATE | SUBJECT |
|-----------------------------------------|---------------------------|
| March 6 Budget Meeting 3:30 p.m. | • Fiscal Outlook |
| April 17 Budget Meeting 3:30 p.m. | • Revenue Measure Options |

Patrick H. West, City Manager
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| DATE | SUBJECT |
|---------------------------------------------------------|----------------------------------------------------|
| June 18 4:00 p.m. | • Budget Oversight Committee |
| June 19 Budget Meeting 3:30 p.m. | • Potential Government Reform Initiatives (Part 1) |
| July 3 Budget Meeting 3:30 p.m. | • Potential Government Reform Initiatives (Part 2) |
| July 16 4:00 p.m. | • Budget Oversight Committee |
| July 17 Budget Meeting 3:30 p.m. (Tentative) | • Budget Presentations (TBD) |
| July 24 Budget Meeting 3:30 p.m. (Tentative) | • Pension Reform Options |
| July 31 Budget Meeting 3:30 p.m. (Tentative) | • Budget Presentations (if needed) |
| August – September (Tentative) | • Budget Oversight Committee |
| August 7 Budget Meeting 3:30 p.m. (Tentative) | • Budget Presentations (TBD) |
| August 14 Budget Meeting 3:30 p.m. (Tentative) | • Budget Presentations (TBD) |
| August 21 Budget Meeting 3:30 p.m. (Tentative) | • Budget Presentations (TBD) |
| August 28 Budget Meeting 3:30 p.m. (Tentative) | • Budget Presentations (if needed) |

Patrick H. West, City Manager
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| DATE | SUBJECT |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| September 4 Budget Hearing 3:30 – 5:00 p.m. (Tentative) | <ul style="list-style-type: none"> • Budget Presentations (TBD) • Public Input • City Council Discussion and Recommendations • Budget Adoption |
| September 4 Budget Hearing 7:00 – 8:30 p.m. (Tentative) | <ul style="list-style-type: none"> • Budget Presentations (TBD) • Public Input • City Council Discussion and Recommendations • Budget Adoption |
| September 11 Budget Hearing 3:30 – 5:00 p.m. (Tentative) | <ul style="list-style-type: none"> • Budget Presentations (TBD) • Public Input • City Council Discussion and Recommendations • Budget Adoption |
| September 11 Budget Hearing 7:00 – 8:30 p.m. (Tentative) | <ul style="list-style-type: none"> • Budget Presentations (TBD) • Public Input • City Council Discussion and Recommendations • Budget Adoption |

Should all discussion be completed prior to the end of the September 4, 2012 hearing, the City Council may make its final budget decisions and then amend and/or adopt the Proposed Budget and the related Ordinances and Resolutions for FY 13 at that hearing or at the subsequent hearing on September 11, 2012.

If you have any questions, please contact John Gross, Director of Financial Management, at 8-6427.

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cc: SUZANNE FRICK, ASSISTANT CITY MANAGER
 REGINALD I. HARRISON, DEPUTY CITY MANAGER
 ALL DEPARTMENT HEADS



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Attachment B

Date: May 15, 2012
To: Honorable Mayor and Members of the City Council
From: Patrick H. West, City Manager
Subject: Governor's May Revise

On Monday May 14, 2012, the Governor released his May Revision of the 2012-2013 State Budget. Fortunately, due to voter-enacted protections in Proposition 22, there are few direct impacts on the City of Long Beach and the budget does not propose any raids on local government funds. The May Revise, however, does rely heavily on the Governor's tax proposal as well as several one-time revenue sources to balance the budget. In particular, the Governor relies on \$1.4 billion from Redevelopment cash balances to solve a portion of the \$16 billion State budget deficit next year. Attached is a preliminary analysis of the impact of the Governor's May Revision.

Should you have any questions, please contact Tom Modica, Director of Government Affairs and Strategic Initiatives at 8-5091.

cc: Suzanne Frick, Assistant City Manager
Reginald Harrison, Deputy City Manager
All Department Heads
Tom Modica, Director of Government Affairs and Strategic Initiatives
Jyl Marden, City Council Liaison
Mike Arnold and Associates

Attachment
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FY 13 STATE BUDGET: CITY OF LONG BEACH ANALYSIS

REVISED MAY 2012

General Overview

On May 14, 2012, the Governor released a revised Fiscal Year 2013 (FY 13) state spending plan with \$96.2 billion in General Fund expenditures, and \$81.3 billion in revenues. The deficit has nearly doubled from the January projection of \$9.2 billion to \$15.7 billion. The increase is largely a result of a reduced revenue outlook (\$4.3 B), higher costs to fund schools due to lower property tax receipts and higher revenues compared to FY 12 (\$2.4 B), and decisions by the federal government and courts to block budget cuts such as requiring co-payments for Medi-Cal services (\$1.7 B). These adjustments are slightly offset by \$1.9 billion due to a variety of other factors, such as lower-than-expected caseloads. To meet this deficit, the Governor's budget relies on expenditure reductions (\$8.3 B) and new tax measures (\$5.9 B). Under the May Revision, General Fund spending for K-14 schools would increase by 16 percent - providing \$5.2 billion in additional funding. If the tax measures fail, school funding would return to current levels, essentially reversing the 16 percent increase.

Proposed Expenditure Reductions

- Implementing various reductions to hospital and nursing home funding to lower Medi-Cal costs. (Savings of \$396 million)
- Reducing IHSS hours by 7 percent (Savings of \$99 million).
- Prohibiting colleges and universities that are unable to meet minimum performance standards from participating in the Cal Grant Program, as well as aligning future student awards to federal financial-need standards (Savings of \$38 million).
- Reducing the cost of state employee compensation by 5 percent through a reduced workweek or a commensurate reduction in work hours and pay (Savings of \$402 million). The Governor has expressed an intention to avoid a furlough program and mitigate layoffs.
- Using local reserves to offset General Fund cost for local trial courts on a one-time basis and pausing the court construction program for another year (Savings of \$544 million)
- Using proceeds from the recent National Mortgage Settlement to offset existing General Fund costs for assisting homeowners and protecting consumers, rather than creating new programs. (Savings of \$292 million)
- Creating a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services. Assets transferred to schools will offset General Fund Costs (Savings of \$1.4 billion)
- Making various adjustments, including using a FY 12 over appropriation of the minimum guarantee to pre-pay Proposition 98 funding required by a court settlement (Savings of \$1.5 billion)

New Tax Measures

The new tax measures include an increase in income tax on the state's wealthiest taxpayers for seven years and an increase in the state sales tax by one-quarter percent for four years. Absent the additional revenue, this proposal enacts automatic mid-year trigger cuts. School districts will bear the brunt of any trigger-cut reduction. This trigger cuts include:

- \$5.5 billion reduction in funding for schools and community colleges through Prop 98
- \$250 million reduction for each of the University of California and California State University systems

- Reduced funding for public safety programs, including decreasing public safety officers in the departments of Parks and Recreation (park rangers) and Fish and Game (wardens), and elimination of lifeguards at state beaches

POTENTIAL LONG BEACH IMPACTS

- **Areas with no adjusted impacts in the May Revision:**
 - No impact to the City's COPS grant funding
 - No change in the Governor's position on Pension Reform
 - No proposal to reform or eliminate Enterprise Zones
 - Continues to recommend elimination of all State Library funds for cities
 - No change to recommendation to merge the Department of Boating and Waterways with the Department of Parks and Recreation.
 - No expected impact to City transportation funds from State Gas Tax, although the Governor is proposing to shift some Gas Tax funds to the General Fund. Further analysis is needed to determine the exact impact on local Gas Tax revenues.
- **Redevelopment:** The May Revision reflects updated estimates of property tax revenue for education. K-14 schools are expected to receive approximately \$818 million in FY 12 and \$991 million in FY 13, a \$232 million and \$89 million decrease from what was originally forecasted, respectively. The Governor also proposes that K-14 schools be allowed to retain 1 percent of the property tax annually received pursuant to ABx1 26 above the Proposition 98 guarantee. The May Revision also proposes legislation that creates a framework for successor agencies to transfer cash asset not obligated or reserved for legally authorized purposes to cities, counties, special districts, and K-14 school in FY 13 (under ABx1 26, there is no deadline for this transfer). It is estimated that schools will receive \$1.4 billion in FY 13 and \$600 million in FY 14 from this transfer. This one-time transfer will be used to offset General Fund costs for K-14 education. The City is concerned that the \$1.4 billion is potentially overstated and may include cash that cannot legally be transferred to the State, such as bond proceeds, funding with affordable housing restrictions, and cash needed to fund legally enforceable obligations.
- **Courthouse Construction:** The May Revision proposes a decrease in \$240 million General Fund on a one-time basis by redirecting an equal amount from court construction funds to support trial court operations. This pause in construction will delay design activities for up to 38 court projects; however, up to six projects that are near design completion are proposed to proceed to construction in FY 13. Ongoing, \$50 million will be redirected from court construction funds to support trial court operations. The construction of the new courthouse in Long Beach is not expected to be affected, as it is already under construction.
- **Workforce Development:** The proposed changes in CALWORKS and CALGrants may drive an increase in usage of service provided by Long Beach. The CALWorks changes may create an expanded list of activities that meet work hours requirements and may drive more people to see us for training and other related activities. The CALGrant changes may require recipients to start to seek assistance from us in the area of training. Additionally, a reduction in state employee hours may impact the City's scheduling coverage as the City partners extensively with the State Economic Development Department.
- **Grants for City Police Departments:** The May Revision includes \$20 million General Fund to create a new grant program for city police departments, but does not state what this money could be used for.

- **National Mortgage Settlement:** The National Mortgage Settlement stipulates that California will receive \$410.6 million in discretionary funds for administrative costs and to support programs that benefit California homeowners affected by the mortgage and foreclosure crisis and other consumers. The May Revision proposes trailer bill language to support the following programs:
 - \$41.1 million paid as a civil penalty into the Unfair Competition Law Fund to offset the costs of various DOJ programs.
 - \$44.9 million to support the DOJ's Public Rights and Law Enforcement programs relating to public protection and consumer fraud enforcement and litigation.
 - \$8.2 million for the Department of Fair Employment and Housing's ongoing efforts to prevent and eliminate unlawful discrimination in housing and the prosecution of violations under the Fair Employment and Housing Act.
 - \$198 million to offset General Fund costs for housing bond debt service for those programs funded with Proposition 46 and Proposition 1C housing bonds that assist homeowners.
 - The Remaining \$118.4 million will be reserved for similar uses in FY 14.

- **Public Safety Realignment:** The 2011 Realignment is funded through two sources – a state special fund sales tax of 1.0625 percent and a dedicated portion of Vehicle License Fees (VLF). Although the revenue stream for 2011 Realignment is ongoing, the initial program allocations were for FY 12 only. In the May Revision, the Administration is proposing trailer bill language to create a permanent funding structure for 2011 Realignment. The funding structure is designed to provide local entities with a known, reliable, and stable funding source for these programs.

- **Health Department:** Currently, there is no expected impact to the Health and Human Services Department in the May Revision.