



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

BH-1

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September 5, 2017

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and discuss an overview of the Proposed Fiscal Year 2018 budgets for the following Departments: Harbor and Water; and,

Receive supporting documentation into the record, conclude the public hearing, and take the actions necessary to adopt the Fiscal Year 2018 budget as listed in Attachment A. (Citywide)

DISCUSSION

On July 31, 2017, the City Manager's Proposed Budget for Fiscal Year 2018 (FY 18) was delivered by Mayor Garcia to the City Council and community for consideration. Budget meetings were set for March 14, July 25, August 1, August 8, August 15, August 22, September 5, and September 12, along with six Budget Oversight Committee (BOC) meetings, and ten community meetings at which the FY 18 Proposed Budget was discussed. We are pleased to report that through the hearings, BOC and community meetings, there were 24 scheduled opportunities for public feedback, deliberation and input. In addition, this year, the City solicited input through the Long Beach 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 hearing, 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 18 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 for the adjustments are discussed at the end of this letter.

There are three Ordinances in Attachment A. The first approves Resolution No. WD-1376 (A-3), which establishes the rates and charges for the water and sewer service. The second is the Appropriations Ordinance (A-17), which officially adopts the FY 18 budget and authorizes expenditures in conformance with the adopted budget. For these two Ordinances to become effective October 1, 2017, the City Council must first declare an

emergency to exist before adopting each Ordinance (A-2 and A-16). The third Ordinance amends the Departmental Organization of the City (A-13).

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-14). There are also motions that request approvals for the following: the FY 18 Capital Improvement Program (A-6); FY 18 Budget for the Long Beach Community Investment Company (A-7); the Harbor Revenue Fund Transfer (A-8); the revised Financial Policies as recommended by the BOC (A-10); the Mayor's Recommendations (A-11); the BOC Recommendations (A-12); and, a motion amending the Proposed FY 18 Budget (A-15).

This matter was reviewed by Deputy City Attorney Richard F. Anthony on August 21, 2017.

TIMING CONSIDERATIONS

In accordance with the City Charter, the FY 18 budget must be adopted by September 15, 2017. Should the City Council fail to adopt the budget by that date, the City Manager's FY 18 Proposed Budget will be deemed the budget for the 2018 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, 2017, 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 18 budget for all departments and funds is \$3,071,784,105, which comprises \$2,647,704,022 in new appropriation and \$424,080,083 in estimated carry-over from FY 17 for multi-year grants and projects. Attachments B, C and D provide the financial overview by Fund, by Department and Citywide revenue by Fund.

The Appropriations Ordinance, included as Attachment A-17, totals \$2,212,002,992 for all funds except Harbor, Sewer, and Water, and \$2,218,005,775 for all departments except Harbor and Water. The \$6,002,783 difference between funds and departments 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, respectively, and total \$859,781,113. The Board of Harbor Commissioners adopted the budget for the Harbor Department by

minute order on June 26, 2017. The Board of Water Commissioners adopted the budget for the Water Department by Resolution on June 15, 2017.

User fees and charges in the Master Fees and Charges Schedule, included as Attachment A-5, have been adjusted due to changes in service and other factors, including the City Cost Index adjustment. For details regarding these proposed new fees, deletions and adjustments, please see the List of Proposed Fees Adjustments for FY 18 that has been incorporated as Exhibits B and C to the Master Fees and Charges Resolution.

Other requested City Council actions include:

- Approving the FY 18 One-Year Capital Improvement Program (CIP) budget, included as Attachment A-6, which is contained in the Appropriations Ordinance. The Planning Commission, at its meeting of August 17, 2017, approved the CIP for FY 18 as conforming to the General Plan.
- Adopting a 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 (State) 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 39.75 percent of the 2017-2018 Appropriations Limit and, therefore, do not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.
- Adopting the Financial Policies for the City, included as Attachment A-10. These policies have been presented to the Budget Oversight Committee for consideration and review and now come to the full Council for deliberation. Among other changes, the Fund Balance Policy (Policy 7) is a preexisting financial policy that was previously separate from the other Financial Policies and is now incorporated into the main policy list. (A redline version of the changes is also provided.)
- Amending the Departmental Organization Ordinance, included as Attachment A-13. This amendment incorporates changes to departments, bureaus, and divisions for FY 18. These organizational changes are necessary to implement changes reflected in the Proposed FY 18 budget. (A redline version of the changes is also provided.)
- Adopting the Salary Resolution, included as Attachment A-14.

After the City Manager delivered the FY 18 Proposed Budget to the Mayor, technical adjustments were made to the budget. These changes are generally not substantive and are shown in Attachments B, C and D. Changes of note include:

1. The Tidelands Operations Fund (TF 401) had an adjustment to increase the revenues by \$888,850 to reflect the anticipated updated FY 18 operating transfer from Harbor Revenue Fund (HR 430).
2. The Gasoline Tax Street Improvement Fund (SR 181) had an increase of \$794,943 in expense and \$430,336 in revenues due to revisions to estimated local return revenue anticipated from the Road Maintenance and Rehabilitation Account (SB-1). Per draft requirements currently under review from the California Transportation Commission, all SB-1 revenues must be programmed and adopted in the City's annual budget. The additional revenue has been programmed for residential street improvements.
3. The Transportation Fund (SR 182) had a technical adjustment to increase expense budget by \$400,000 to reflect an increase in Measure R revenues eligible for administrative expenses.
4. Expenses were reduced in the Gas Fund (EF 301) by \$500,000 to reflect a reduction in the annual transfer to the General Fund (GF).

The remaining changes were minor, technical adjustments made to various funds and departments to align budget with grants and/or revenues.

SUGGESTED ACTION:

Approve recommendation

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER

List of Requested Fiscal Year 2018 Budget Adoption Actions

1. Adopt the Resolution approving the FY 18 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on June 26, 2017. (A-1)
2. Declare an emergency to exist. (A-2)
3. Declare the Ordinance approving the Resolution No. WD-1376 establishing the rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on June 15, 2017, 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 18 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on June 15, 2017. (A-4)
5. Adopt the Resolution amending the Master Fees and Charges Schedule for specified City services for Citywide fees and charges for the City of Long Beach. (A-5)
6. Approve the FY 18 One-Year Capital Improvement Program. (A-6)
7. Adopt a motion approving the FY 18 budget for the Long Beach Community Investment Company (formerly known as the Long Beach Housing Development Company) in the amount of \$3,324,867. (A-7)
8. Adopt a motion approving the estimated transfer of \$18,661,550 from the Harbor Revenue Fund to the Tidelands Operations Fund. (A-8)
9. Adopt the Resolution establishing the Gann Appropriations Limit (Limit) for FY 18 pursuant to Article XIII (B) of the California Constitution. (A-9)
10. Adopt a motion approving the Financial Policies as recommended by the Budget Oversight Committee on September 5, 2017. (A-10)
11. Adopt the Mayor's proposed budget recommendations to the FY 18 Proposed Budget. (A-11)
12. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the FY 18 Proposed Budget. (A-12)
13. 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-13)
14. Adopt the amended Salary Resolution for FY 18. (A-14)
15. Adopt a motion amending the proposed FY 18 budget. (A-15)
16. Declare an emergency to exist. (A-16)
17. Declare the Appropriations Ordinance for FY 18, 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-17)

FISCAL YEAR 2018 APPROPRIATIONS ORDINANCE BY FUND
(Does not include Harbor, Water and Sewer Funds)

<u>FUND</u>	<u>FY 18 PROPOSED EXPENDITURES</u>	<u>CHANGES*</u>	<u>FY 17 ESTIMATED CARRYOVER**</u>	<u>FY 18 APPROPRIATIONS</u>
GENERAL FUND	500,264,361	(0)	-	500,264,361
UPLAND OIL FUND	10,214,840	-	-	10,214,840
GENERAL GRANTS FUND	7,972,375	(9,436)	19,195,805	27,158,745
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	3,840,486	-	-	3,840,486
HEALTH FUND	44,340,517	-	26,350,455	70,690,973
CUPA FUND	1,946,734	-	5	1,946,740
SPECIAL ADVERTISING & PROMOTION FUND	11,324,701	2,831	-	11,327,532
HOUSING DEVELOPMENT FUND	7,602,904	-	29,518,806	37,121,710
BELMONT SHORE PARKING METER FUND	765,000	-	-	765,000
BUSINESS ASSISTANCE FUND	705,681	-	1,288,783	1,994,464
COMMUNITY DEVELOPMENT GRANTS FUND	20,285,512	-	15,567,327	35,852,840
HOUSING AUTHORITY FUND	77,111,051	-	-	77,111,051
GASLINE TAX STREET IMPROVEMENT FUND	14,668,293	794,943	20,190,732	35,653,968
TRANSPORTATION FUND	29,693,978	400,000	19,181,963	49,275,942
CAPITAL PROJECTS FUND	35,824,824	-	90,696,430	126,521,254
SUCCESSOR AGENCY OPERATIONS	45,199,197	-	25,842,923	71,042,120
CIVIC CENTER FUND	10,400,805	-	7,328,337	17,729,142
GENERAL SERVICES FUND	44,686,614	-	25,927,962	70,614,576
FLEET SERVICES FUND	59,165,983	-	2,606,963	61,772,946
INSURANCE FUND	42,947,238	4,488	500,000	43,451,726
EMPLOYEE BENEFITS FUND	289,328,050	-	-	289,328,050
TIDELANDS OPERATIONS FUND	70,748,738	-	75,335,027	146,083,765
TIDELANDS AREA FUNDS	39,212,313	-	41,468,346	80,680,659
TIDELAND OIL REVENUE FUND	63,937,982	-	-	63,937,982
RESERVE FOR SUBSIDENCE	-	-	-	-
DEVELOPMENT SERVICES FUND	23,208,857	-	1,130,637	24,339,493
GAS FUND	92,110,822	(500,000)	1,062,786	92,673,609
GAS PREPAY FUND	40,077,822	-	-	40,077,822
AIRPORT FUND	43,834,017	-	20,787,519	64,621,536
REFUSE/RECYCLING FUND	48,377,664	-	99,277	48,476,940
SERRF FUND	51,088,419	-	-	51,088,419
SERRF JPA FUND	10,990,570	-	-	10,990,570
TOWING FUND	5,457,831	-	-	5,457,831
DEBT SERVICE FUND	11,099,333	-	-	11,099,333
SUCCESSOR AGENCY DEBT SERVICE	28,796,570	-	-	28,796,570
TOTAL	1,787,230,084	692,825	424,080,083	2,212,002,992

*Please refer to the Fiscal Impact section of the City Council Letter for a description of notable changes.

**Carryover of multi-year grants and CIP funds.

FISCAL YEAR 2018 APPROPRIATIONS ORDINANCE BY DEPARTMENT
(Does not include Harbor and Water)

<u>DEPARTMENT</u>	<u>FY 18 PROPOSED EXPENDITURES</u>	<u>CHANGES*</u>	<u>FY 17 ESTIMATED CARRYOVER**</u>	<u>FY 18 APPROPRIATIONS</u>
MAYOR AND COUNCIL	5,586,638	5,720	(0)	5,592,357
CITY ATTORNEY	11,010,604	7,238	-	11,017,843
CITY AUDITOR	3,229,417	5,386	-	3,234,803
CITY CLERK	2,790,642	-	25,577	2,816,219
CITY MANAGER	15,902,731	4,719	863,328	16,770,779
CITY PROSECUTOR	5,565,128	5,662	642,040	6,212,830
CIVIL SERVICE	2,904,443	-	-	2,904,443
AIRPORT	43,403,868	-	20,787,519	64,191,387
DISASTER PREPAREDNESS & EMERGENCY COMMUNICATIONS	12,565,442	-	1,799,982	14,365,425
DEVELOPMENT SERVICES	118,735,567	-	62,312,097	181,047,665
ECONOMIC DEVELOPMENT	19,133,593	46,000	10,913,695	30,093,288
FINANCIAL MANAGEMENT***	541,471,095	(76,842)	9,133,713	550,527,966
FIRE	116,968,063	-	2,322,348	119,290,411
HEALTH AND HUMAN SERVICES	123,673,001	-	27,230,130	150,903,131
HUMAN RESOURCES	11,932,782	-	-	11,932,782
LIBRARY SERVICES	14,238,458	-	1,292,148	15,530,606
LONG BEACH GAS AND OIL	214,126,660	(500,000)	1,476,359	215,103,019
PARKS, RECREATION AND MARINE	58,048,908	-	34,607,241	92,656,149
POLICE	241,838,594	-	9,323,081	251,161,675
PUBLIC WORKS	186,397,602	1,194,943	215,422,862	403,015,407
TECHNOLOGY & INNOVATION	43,709,629	-	25,927,962	69,637,590
TOTAL	1,793,232,866	692,826	424,080,083	2,218,005,775

*Please refer to the Fiscal Impact section of the City Council Letter for a description of notable changes.

**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.

FISCAL YEAR 2018 REVENUES BY FUND
(Does not include Harbor, Water and Sewer Funds)

<u>FUND</u>	<u>FY 18 PROPOSED REVENUES</u>	<u>CHANGES*</u>	<u>FY 18 PROPOSED BUDGETED REVENUES</u>
GENERAL FUND	500,819,031	-	500,819,031
UPLAND OIL FUND	10,228,836	-	10,228,836
GENERAL GRANTS FUND	7,972,375	(9,436)	7,962,939
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	3,315,912	-	3,315,912
HEALTH FUND	43,778,467	-	43,778,467
SPECIAL ADVERTISING & PROMOTION FUND	10,258,799	-	10,258,799
HOUSING DEVELOPMENT FUND	1,908,752	-	1,908,752
BELMONT SHORE PARKING METER FUND	765,000	-	765,000
BUSINESS ASSISTANCE FUND	677,838	-	677,838
COMMUNITY DEVELOPMENT GRANTS FUND	19,816,485	-	19,816,485
GASOLINE TAX STREET IMPROVEMENT FUND	14,917,969	430,336	15,348,305
TRANSPORTATION FUND	30,419,555	-	30,419,555
CAPITAL PROJECTS FUND	36,957,389	-	36,957,389
CIVIC CENTER FUND	10,519,671	-	10,519,671
GENERAL SERVICES FUND	45,090,474	-	45,090,474
FLEET SERVICES FUND	41,415,783	-	41,415,783
INSURANCE FUND	45,374,278	-	45,374,278
EMPLOYEE BENEFITS FUND	283,937,238	-	283,937,238
TIDELANDS OPERATIONS FUND	68,973,466	888,850	69,862,316
TIDELANDS AREA FUNDS	41,031,818	-	41,031,818
TIDELAND OIL REVENUE FUND	64,100,959	-	64,100,959
RESERVE FOR SUBSIDENCE	1,480,000	-	1,480,000
DEVELOPMENT SERVICES FUND	21,937,964	-	21,937,964
GAS FUND	92,835,220	-	92,835,220
GAS PREPAY FUND	41,475,391	-	41,475,391
AIRPORT FUND	48,103,182	-	48,103,182
REFUSE/RECYCLING FUND	46,934,439	-	46,934,439
SERRF FUND	51,263,986	-	51,263,986
SERRF JPA FUND	11,250,285	-	11,250,285
TOWING FUND	5,823,529	-	5,823,529
HOUSING AUTHORITY FUND	75,634,164	-	75,634,164
SUCCESSOR AGENCY OPERATIONS	45,448,372	-	45,448,372
CUPA FUND	1,755,060	-	1,755,060
DEBT SERVICE FUND	8,950,608	-	8,950,608
SUCCESSOR AGENCY DEBT SERVICE	30,162,041	-	30,162,041
TOTAL	1,765,334,335	1,309,750	1,766,644,084

*Please refer to the Fiscal Impact section of the City Council Letter for a description of notable changes.

Financial Policies under draft.

Include copy upon finalization, contingent on recommendation by the BOC.