**BH-11**

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

September 8, 2009

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 2010 budget as listed in Attachment A of this letter. (Citywide)

DISCUSSION

On July 30, 2009, the City Manager's Proposed Budget for Fiscal Year 2010 (FY 10) was delivered by the Mayor to the City Council and community with recommended amendments for consideration. Subsequent workshops and hearings were set for August 4, August 11, August 18, August 25, August 31, September 1, and September 8, along with approximately three Budget Oversight Committee (BOC) meetings and 14 community meetings at which the FY 10 Proposed Budget was discussed. We are pleased to report that through the scheduled workshops, hearings, BOC and community meetings, presentations have been made by multiple City departments resulting in 23 separate opportunities for public feedback, deliberation and input.

At the conclusion of the hearings, the City Council will be asked to amend the proposed budget as it deems appropriate, and to adopt the proposed budget as amended. Since the publication of the FY 10 Proposed Budget, updated estimates of revenue and expense, which address technical corrections as well as decisions made by elected offices, are listed by fund and department in Attachments B and C to this letter, respectively.

The Appropriations Ordinance officially adopts the FY 10 budget and authorizes expenditures in conformance with the adopted budget. To become effective October 1, 2009, 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 10 Capital Improvement Program; the Mayor's Recommendations; and the Budget Oversight Committee's Recommendations to the FY 10 Proposed Budget.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on August 24, 2009.

TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 10 budget must be adopted by September 15, 2009, 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 10 Proposed Budget shall be deemed the budget for the 2010 fiscal year. The Mayor then 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, 2009, to override veto action by the Mayor with a two-thirds supermajority vote.

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 FY 10 budget for all departments and funds is \$2,890,216,712, which comprises \$2,544,519,957 in new appropriation and \$349,696,755 in estimated carry-over from FY 09 for multi-year grants and projects.

The Appropriations Ordinance, included as Attachment A-17 to this letter, totals \$1,549,226,942 for all funds except Harbor, Water and Sewer, and \$1,552,390,329 for all departments except Harbor and Water. The \$3,163,387 difference between funds and departments in the Appropriations Ordinance is due to general City indirect costs budgeted in the Department of Financial Management but charged to the Harbor, Water and Sewer funds, which are not included in the Appropriation Ordinance by fund.

The proposed Harbor, Water and Sewer Fund budgets are in separate City Council ordinances included as Attachment A-1 and A-4 to this letter, respectively, and total \$995,293,015. The budget for the Harbor Department was adopted by the Board of Harbor Commissioners by minute order on May 18, 2009. The budget for the Water Department was adopted by the Board of Water Commissioners by resolution on July 10, 2009.

All user fees and charges in the attached Master Fee and Charges Schedule (A-5) have been increased by the City Cost Index, a calculation of the projected increase in the City's cost from FY 09 to FY 10, except for those fees that are set using other criteria. In addition to the CCI-based fee changes, some fees have been added or adjusted due to a change in service or other bases. For details regarding these proposed new fees and non-CCI fee adjustments, please see the List of Proposed Fee Adjustments for FY 10 that has been incorporated as Exhibit C to the Master Fee and Charges Resolution.

Other requested City Council actions include approval of the FY 10 One-Year Capital Improvement Program (CIP) budget, which is contained in the Appropriations

Ordinance. The Planning Commission, at its meeting of August 20, 2009, approved the CIP for FY 10 for conformance with the General Plan. Any projects that are not in conformance with the Plan will be highlighted by Development Services staff and steps to secure conformance will be outlined.


Further, motions approving the budgets of the Redevelopment Agency's (RDA) Project Area Committees (PACs) for the Central Long Beach, the West Long Beach Industrial and the North Long Beach Project Areas and the Long Beach Housing Development Company (HDC) are requested. The PAC budgets are included in the budget of the Development Services Department, while the budget of the HDC is included in the budget of the Community Development Department. In addition, a motion finding the use of North Redevelopment Project Funds on behalf of the Central Redevelopment Project's low-and-moderate-housing efforts will benefit the North Redevelopment Project area.

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." 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 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 40.86 percent of the 2009-2010 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,



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:


PATRICK H. WEST
CITY MANAGER

List of Requested Fiscal Year 2010 Budget Adoption Actions

1. Adopt the Resolution approving the FY 10 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on May 18, 2009. (A-1).
2. Declare an emergency to exist (A-2).
3. Declare the Ordinance approving the Resolution establishing the rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on July 24, 2009, as an Emergency Ordinance, read and adopted as read (A-3).
4. Adopt the Resolution approving the FY 10 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on July 10, 2009 (A-4).
5. Adopt the Resolution amending the master fee and charges schedule for specified city services for citywide fees and charges and the City Clerk, City Prosecutor, Community Development, Development Services, Financial Management, Fire, Gas and Oil, Health and Human Services, Library Services, Long Beach Airport, Parks, Recreation and Marine, Police, and Public Works Departments (A-5).
6. Approve the FY 10 One-Year Capital Improvement Program (A-6).
7. Adopt the Resolution approving the budgets for the Redevelopment Agency's Project Area Committees in the amounts of \$50,000 for Central Long Beach, \$80,000 for West Long Beach Industrial and \$44,895 for North Long Beach (A-7).
8. Adopt the Resolution of the City Council of the City of Long Beach finding that the use of taxes allocated to the North Redevelopment Project on behalf of the Central Redevelopment Project for the purpose of increasing, improving and preserving the community's supply of low-and-moderate-income housing will be of benefit to the North Redevelopment Project (A-8)
9. Adopt a motion approving the budget for the Long Beach Housing Development Company in the amount of \$14,771,161, which is included in the budget of the Department of Community Development (A-9).
10. Adopt a motion approving the transfer of \$16,083,972 from the Harbor Revenue Fund to the Tidelands Operating Fund (A-10).
11. Adopt a motion approving the use of the CalPERS Annual Lump Sum Prepayment Option for the employer portion of the City's CalPERS retirement benefit. The recommended prepayment, in the amount of \$46,013,000, should provide a budgetary savings of \$1,749,730 to the City. Of this amount, the General Fund should recoup a budgetary savings of \$1,049,400. (A-11)
12. Adopt the Resolution adopting an appropriations limit (Gann) for FY10 pursuant to Article XIII(B) of the California Constitution (A-12).
13. Adopt the Mayor's proposed funding recommendations, as amended, to the FY10 Proposed Budget (A-13).
14. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended to the FY10 Proposed Budget (A-14).
15. Adopt a motion amending the proposed budget (A-15).
16. Declare an emergency to exist (A-16).
17. Declare the Appropriations Ordinance for FY10, 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 (A-17).

FISCAL YEAR 2010 APPROPRIATIONS ORDINANCE BY FUND

<u>FUND</u>	<u>FY 10 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 09 ESTIMATED CARRYOVER*</u>	<u>FY 10 APPROPRIATION</u>
GENERAL FUND	380,704,944	146,899	-	380,851,842
GENERAL GRANTS FUND	6,364,760	(79,512)	11,009,980	17,295,229
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	3,783,938	70,194	-	3,854,132
HEALTH FUND	41,445,160	(165,394)	29,575,921	70,855,687
PARKING & BUSINESS AREA IMPROVEMENT FUND	7,419,800	(100,000)	-	7,319,800
SPECIAL ADVERTISING & PROMOTION FUND	5,984,150	(14,051)	-	5,970,100
UPLAND OIL FUND	14,907,730	-	-	14,907,730
HOUSING DEVELOPMENT FUND	21,212,767	108,308	67,423,986	88,745,061
BELMONT SHORE PARKING METER FUND	668,275	-	-	668,275
DEVELOPMENT SERVICES FUND	12,825,061	63,277	-	12,888,338
BUSINESS ASSISTANCE FUND	667,257	6,155	(234,209)	439,203
COMMUNITY DEVELOPMENT GRANTS FUND	28,853,780	2,462,728	35,312,476	66,628,984
PARK DEVELOPMENT FUND	309,111	(2,969)	-	306,142
GASOLINE TAX STREET IMPROVEMENT FUND	7,808,973	-	21,926,803	29,735,776
TRANSPORTATION FUND	15,500,667	(56,216)	23,872,736	39,317,187
CAPITAL PROJECTS FUND	3,958,708	(367,843)	49,500,270	53,091,135
CIVIC CENTER FUND	989,384	1,373,631	2,207,705	4,570,720
GENERAL SERVICES FUND	37,632,281	234,452	189,233	38,055,966
FLEET SERVICES FUND	33,710,124	106,048	840,510	34,656,682
INSURANCE FUND	39,296,858	162,650	-	39,459,508
EMPLOYEE BENEFITS FUND	224,702,016	255,770	-	224,957,787
TIDELANDS FUNDS	112,115,600	(112,366)	20,660,890	132,664,124
TIDELAND OIL REVENUE FUND	70,510,894	111,696	-	70,622,590
RESERVE FOR SUBSIDENCE	-	-	-	-
GAS FUND	96,003,687	413,617	1,208,457	97,625,760
AIRPORT FUND	36,395,696	614,219	30,129,568	67,139,482
REFUSE/RECYCLING FUND	43,656,773	380,488	90,213	44,127,474
SERRF FUND	53,618,191	(2,056,656)	-	51,561,534
SERRF JPA FUND	11,295,285	-	-	11,295,285
TOWING FUND	9,064,732	53,155	-	9,117,887
PARKING AUTHORITY FUND	-	-	-	-
HOUSING AUTHORITY FUND	69,225,955	96,544	764,004	70,086,502
REDEVELOPMENT FUND	134,429,896	19,243,097	55,218,212	208,891,205
CUPA FUND	1,176,379	40,189	-	1,216,568
TOTAL	1,526,238,830	22,988,112	349,696,755	1,898,923,697

* Carryover of multi-year grants and CIP funds.

FISCAL YEAR 2010 APPROPRIATIONS ORDINANCE BY DEPARTMENT

<u>DEPARTMENT</u>	<u>FY 10 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 09 ESTIMATED CARRYOVER*</u>	<u>FY 10 APPROPRIATION</u>
MAYOR AND COUNCIL	\$ 4,622,508	\$ 29,293	\$ -	\$ 4,651,801
CITY ATTORNEY	7,242,981	169,816	-	7,412,796
CITY AUDITOR	2,583,368	43,662	-	2,627,031
CITY CLERK	5,680,729	27,906	-	5,708,635
CITY MANAGER	7,254,851	-4,246	(196)	7,250,409
CITY PROSECUTOR	4,550,419	-34,134	(2,293)	4,513,992
CIVIL SERVICE	1,995,973	12,066	-	2,008,039
AIRPORT	36,009,882	600,342	145,803,756	182,413,979
COMMUNITY DEVELOPMENT	139,622,450	2,496,601	(234,068,786)	(91,949,735)
DEVELOPMENT SERVICES	151,669,983	19,352,049	393,318,374	564,340,406
FINANCIAL MANAGEMENT**	341,608,380	1,723,637	(728,326)	342,603,692
FIRE	90,447,615	1,170,646	1,815,775	93,434,036
HEALTH AND HUMAN SERVICES	46,076,851	-121,901	31,863,224	77,818,174
HUMAN RESOURCES	7,714,599	78,190	-	7,792,789
LIBRARY SERVICES	12,773,690	74,453	-	12,848,143
LONG BEACH GAS AND OIL	237,020,919	-1,631,078	1,208,457	236,598,298
PARKS, RECREATION AND MARINE	47,814,470	428,428	26,388,100	74,630,998
POLICE	202,674,066	-2,581,216	3,476,633	203,569,483
PUBLIC WORKS	146,842,493	1,039,219	(19,630,957)	128,250,755
TECHNOLOGY SERVICES	35,092,457	217,913	252,993	35,563,363
TOTAL	\$ 1,529,298,685	\$ 23,091,644	\$ 349,696,755	\$ 1,902,087,084

* Carryover of multi-year grants and CIP funds.

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

BH-11.11

**City of Long Beach
CalPERS Prepayment**

Through the use of the CalPERS Annual Lump Sum Prepayment Option the City receives a 3.7 percent discount on its annual retirement costs for the employer share. The payment amount is prescribed by CalPERS and is based on the most recent (June 30, 2007) CalPERS actuarial valuation. This valuation is intended for the Fiscal Year 2010. Per CalPERS, payment must be received between October 1st and October 15th 2009. A comparative schedule between the traditional payment option and the Annual Lump Sum Prepayment Option and potential savings is presented below:

	<u>Total</u>
Traditional CalPers Payment Option	\$ 47,762,595
CalPERS Annual Lump Sum Prepayment Option	<u>46,012,865</u>
Total Projected Budgetary Savings	\$ 1,749,730
Projected Budgetary Savings for the General Fund	\$ 1,049,400
Projected Budgetary Savings for Other Funds	\$ 700,330