



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

**R-29**

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

May 10, 2005

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Approve the Fiscal Year 2005 midyear departmental and fund budget appropriation adjustments in accordance with existing City Council policy.

## DISCUSSION

On September 17, 2004, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2005 (FY 05). From time-to-time, changes in revenue or operating conditions call for appropriation adjustments. In some cases, these changes 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, various adjustments are presented quarterly to the City Council for consideration. The midyear appropriation adjustment requests for FY 05 are listed below alphabetically by department. Please see **Attachment A** for a Fund Balance Analysis of impacted City funds.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on May 2, 2005.

## TIMING CONSIDERATIONS

The following requests for adjustments to FY 05 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on May 10, 2005 to authorize the timely processing of payments.

## FISCAL IMPACT

### **Fire**

In November 1999, the City of Long Beach entered into a Joint Powers Agreement with the City of Avalon and the City of Signal Hill, known as the Los Angeles County Disaster Management Area F (Area F), for the purpose of coordinating disaster management preparedness with the County of Los Angeles. Area F has been notified by the Federal Emergency Management Agency (FEMA) that it is eligible to receive \$35,829 in additional funds. The funds will be used to augment Area F planning, training, and equipment as approved by the Area F Governing Board. Grant funds will be used to offset the expenditures of Disaster Management Area F. The additional grant amount of \$35,829 is

HONORABLE MAYOR AND CITY COUNCIL

May 10, 2005

Page 2

currently unbudgeted; therefore, an appropriation increase is necessary. There is no impact to the General Fund.

- Authorize the City Manager to execute all necessary documents to receive and expend grant funding from the Federal Emergency Management Agency on behalf of the Los Angeles County Disaster Management Area F and increase appropriations in the General Grants Fund (SR 120) and in the Fire Department (FD) by \$35,829.

**Long Beach Energy**

The Liquefied Natural Gas (LNG) Fueling Station project, which is needed to provide fuel for Southern California Air Quality Management–required LNG vehicles in the City’s fleet, was previously appropriated in the Department of Long Beach Energy in the Fleet Services Fund. The project is ready to commence, however Public Works will be implementing the CIP project. Therefore, a budget adjustment is requested to align the project resources with the appropriate department.

- Decrease appropriations in the Fleet Services Fund (IS 386) and in the Department of Long Beach Energy (EN) by \$1,300,000.
- Increase appropriations in the Fleet Services Fund (IS 386) and in the Department of Public Works (PW) by \$1,300,000.

**Oil Properties**

In preparation of its FY 05 budget, the Department of Oil Properties used a \$25/bbl price of oil in forecasting crude oil revenues and expenditures. To date, the price of Wilmington oil has averaged \$35.78/bbl of oil for the fiscal year through February and has averaged \$41.50/bbl in March. As a result, the Department has recalculated its oil revenues for the remainder of the fiscal year using an actual \$35/bbl for April and a cautious \$28/bbl forecast from May through September.

With the increased oil prices, additional appropriations over the approved budget are requested in the amount of \$32.2 million for the Tideland Oil Revenue Fund (TORF) and \$3.2 million in the Upland Oil Fund. These additional appropriations will result in the following:

	FY 05 Adopted Budget	February 2005 Forecast	Requested Q2 Increase
Payment to the State	\$62.9 m	\$ 95.3 m	\$ 32.4 m
Transfer to TOF	6.0 m	7.9 m	1.9 m
Transfer to General Fund	6.6 m	7.7 m	1.1 m
<b>Totals</b>	<b>\$75.5 m</b>	<b>\$110.9 m</b>	<b>\$35.4 m</b>

The increased transfer to the General Fund will be utilized to offset currently inflated fuel costs for the City's fleet. Should oil prices remain high for the remainder of the fiscal year, additional budget appropriations for Oil Properties may be requested.

- Increase appropriations in the Tidelands Oil Revenue Fund (NX 420) and in the Department of Oil Properties (OP) by \$32,200,000.
- Increase appropriations in the Upland Oil Fund (SR 134) and in the Department of Oil Properties (OP) by \$3,200,000.

### **Parks, Recreation and Marine**

The Department of Parks, Recreation and Marine is requesting a budget adjustment to cover structural repairs needed due to faulty construction of the wave fountain adjacent to the Aquarium of the Pacific. As a result of a lawsuit filed by the City against the architects and original contractor, the City Attorney's Office received a settlement in the amount of \$148,333 for this purpose. Repairs include the following: upgrade of plumbing applications, replacement and modification of computerized equipment and the installation of a protection system.

The budget for the wave fountain was approved by the City Council in FY 04 and appropriated in the Tidelands Fund (TF) in the Department of Public Works (PW). A budget adjustment is necessary to transfer the funds to the Department of Parks, Recreation and Marine. There is no impact to the General Fund.

- Decrease appropriations in the Tidelands Fund (TF) and in the Department of Public Works (PW) by \$148,333.
- Increase appropriations in the Tidelands Fund (TF) and in the Department of Parks, Recreation and Marine (PR) by \$148,333.

On November 9, 2004, the City Council authorized the execution of a grant agreement with the Watershed Conservation Authority (WCA) for real estate and property management services through June 30, 2005. While originally budgeted in the Department of Parks, Recreation and Marine, the services are being provided by the Department of Community Development's Property Services Bureau. Therefore, a budget adjustment is requested to transfer grant appropriation from Parks, Recreation and Marine and the Capital Projects Fund to Community Development and the Community Development Grants Fund. There is no impact to the General Fund.

- Decrease appropriations in the Department of Parks, Recreation and Marine (PR) and the Capital Projects Fund (CP) by \$100,000.
- Increase appropriations in the Department of Community Development (CD) and the Community Development Grants Fund (SR 150) by \$100,000.

## **Police**

The City of Long Beach received a \$35,460 grant from the State of California Office of Traffic Safety (OTS) for the Sobriety Checkpoint Program and \$89,996 for the Seat Belt Compliance Campaign. To utilize these funds, an appropriation increase is necessary. There is no impact to the General Fund.

- Increase appropriations in the General Grants Fund (SR 120) and in the Police Department (PD) by \$125,456.

On June 11, 2002, the City Council authorized the City Manager to execute the Memorandum of Understanding (MOU), and all subsequent amendments, between the City of Long Beach and the Los Angeles County Probation Department for the expansion of Long Beach Police Athletic League (PAL) and Explorer programs. On November 5, 2004, MOU Amendment No. 2 was executed to receive additional funding in the amount of \$40,000 to continue implementation of program services. An appropriations increase is necessary to utilize these funds. There is no impact to the General Fund.

- Increase appropriations in the General Grants Fund (SR 120) and in the Police Department (PD) by \$40,000.

## **Public Works**

The Fleet Services Bureau provides gasoline, diesel and LNG (liquefied natural gas) fuels for the City's fleet, excluding the Harbor and Water Departments. Based on year-to-date trends in usage and price, citywide fuel costs are expected to exceed budget by \$2.4 million in FY 05. Over the same period last year, average diesel fuel prices have increased 27 percent and gasoline by 19 percent. A widespread drop in prices is not expected in the near-term, however conservation measures will be developed and implemented to mitigate the impact of these cost increases on City departments that will be absorbed within existing appropriations. This appropriation increase is fully offset by charges to the departments for vehicle usage, which will impact all funds except as noted above.

- Increase appropriations in the Fleet Services Fund (IS 386) and the Department of Public Works (PW) by \$2,400,000.

## **Technology Services**

The Department of Technology Services oversees parking operations at City-owned locations including the new Pike garage. The City Sublease with DDR Urban LP (DDR) determines the funding sources for the annual debt service payments on the Pike Public Improvement Bonds that were issued to build the Pike garage, as follows:

Expected funding sources:

Cash on hand with fiscal agent (1)	\$ 22,746
1st Priority - Garage Net Income	-
2 <sup>nd</sup> Priority - DDR Contribution	8,000
3rd Priority - Pike Parking Meter Net Income (1)	254,326
4th Priority - Valet Lot Net Income	-
5th Priority - DDR Employee Parking (1)	180,000
6th Priority - from Tidelands Operating Fund* (1)	1,169,000
7th Priority - Assessment on DDR	<u>1,035,088</u>
Total	\$2,669,160

(1) Combined City payment of \$1,626,072.

\* In-lieu of General Fund which is pledged to these bonds.

The assessments to DDR (2nd and 7th priorities) are received directly into the Tidelands Fund (TF), and as such, do not need to be appropriated in Technology Services. However, the balance of the \$1.62 million payment is not currently budgeted, and an appropriation increase is necessary to fund the activity. This is an ongoing expenditure and is offset by revenues from the Tidelands Operating Fund (TOF). There is no impact to the General Fund.

- Increase appropriations in the Tidelands Fund (TF) and in the Department of Technology Services (TS) by \$1,626,072.

Employee Benefits Cost Adjustments

Since the adoption of the budget on September 17, 2004, budget estimates have changed for employee health care, pension obligation bond payments, and employee retirement benefits. At the time the proposed budget was presented to City Council in August and September 2004, costs for employee benefits were estimated. Through the implementation of the FY 05 budget, actual costs are charged. The FY 05 charges to departments, which reflect the final cost, are not aligned with the budgeted resources made available to departments. The necessary adjustments represent a net decrease in overall budget appropriation of \$736,827 in all departments and all funds. Please see **Attachment B** for department and fund details needed to capture this savings.

- Increase appropriations in funds and departments by \$3,560,952, as reflected in Attachment B.
- Decrease appropriations in funds and departments by \$4,297,779, as reflected in Attachment B.

**Multi-Year Funds Carry-over**

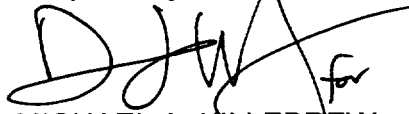
Appropriation increases and decreases are necessary to make corrections in multi-year funds related to grants and capital projects. Budget amounts not spent by the end of the prior year in these multi-year funds are carried forward and re-appropriated in the current fiscal year. The FY 05 City Council Adopted Budget ordinance contained new budget amounts for the current year, as well as an estimated amount of carry-over balance from FY 04. These corrections represent the difference between the 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 05. The net adjustment for the affected funds and departments is an appropriation increase of \$22,448,749. All of the funds are grant or bond proceeds and therefore restricted to their related projects.

- Approve recommended fund and department adjustments in Attachment C.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



GERALD R. MILLER  
CITY MANAGER

Attachments  
MK:DW:cb