

# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

# R-19

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

May 16, 2006

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Approve the Fiscal Year 2006 mid-year departmental and fund appropriation adjustments in accordance with existing City Council policy. (Citywide)

## DISCUSSION

On September 13, 2005, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2006 (FY 06). From time to time, changes in revenue or operating conditions call for appropriation adjustments. In some cases these adjustments 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, these adjustments are presented quarterly to the City Council for consideration. The mid-year appropriation adjustment requests for FY 06 are listed below alphabetically by department. Please see **Attachment A** for a Fund Balance Analysis of impacted City funds and **Attachment B** for General Fund detail.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on April 28, 2006.

## TIMING CONSIDERATIONS

The following requests for adjustments to FY 06 departmental and fund appropriations are necessary to reflect changes in operating conditions. Timely City Council action is requested on May 16, 2006 to authorize the timely processing of payments.

## FISCAL IMPACT

### **Community Development**

On July 19, 2005, the City Council approved the issuance of Redevelopment Agency Bonds in order to effect the advance refunding and defeasance of the Downtown and North Project Areas Refunded Bonds, finance certain redevelopment projects within or of benefit to the Downtown Project Area, pay the premium for the Bond Insurance Policy and pay the costs of issuance of the Series 2005 Bonds (Downtown and North). Because the transaction was not completed until the current fiscal year, a quarterly budget adjustment is requested to implement this City Council approved activity.

- Increase appropriations by \$8,823,539 in the Redevelopment Fund (RD) in the Department of Community Development (CD).

On November 14, 2005, the Redevelopment Board approved and authorized the Executive Director to enter into Purchase and Sale Agreement and all other related documents for the acquisition of property at 1501 E. Anaheim Street and 1500 E. Anaheim Street for \$2,127,000 plus closing costs. The voluntary sale is for the construction of the new MacArthur Park Library. Tax increment revenue accrued in the Central Project Area will offset the expenditures. Now that the total costs of this transaction are known, a quarterly budget adjustment is requested.

- Increase appropriations by \$2,200,000 in the Redevelopment Fund (RD) in the Department of Community Development (CD).

On February 27, 2006, the Redevelopment Board approved the recommendation to acknowledge termination of the purchase agreement between Promenade Loft Partners, LLC and Coventry Long Beach Plaza, LLC for the development of 71 East Third Street; to exercise the Redevelopment Agency's option to purchase the site, which includes the historic WPA mural, at a cost of \$1,000,000; to authorize the Executive Director to execute joint escrow instructions and related documents; and to proceed with design of the site as the open space terminus of The Promenade. Tax increment revenue accrued in the Downtown Project Area will fund the expenditures.

- Increase appropriations by \$1,000,000 in the Redevelopment Fund (RD) in the Department of Community Development (CD).

**Long Beach Gas and Oil**

In preparation of its FY 06 budget, the Department of Long Beach Gas and Oil used a \$35/bbl price of oil in forecasting crude oil revenues and expenditures. To date, the price of Wilmington oil has averaged \$52.78/bbl for the fiscal year through April. With the increased oil prices, additional appropriations over the approved budget are requested in the amount of \$67.5 million for the Tideland Oil Revenue Fund (TORF) and \$2.9 million in the Upland Oil Fund. These additional appropriations will result in the following:

(in millions)	FY 06 Adopted Budget	March 2006 Forecast	Requested Q2 Increase
Payment to the State	\$92.3 m	\$155.9 m	\$ 63.6 m
Transfer to TOF	7.6 m	11.2 m	3.6 m
Transfer to General Fund	8.2 m	10.2 m	2.0 m
Transfer to Capital Projects	0.6 m	1.2 m	0.6 m
Related Operating Expenses	20.3 m	20.8 m	0.5 m
<b>Totals</b>	<b>\$129.0 m</b>	<b>\$199.3 m</b>	<b>\$70.3 m</b>

The increased transfer to the Capital Projects includes the balance of \$470,667 in the Reserve for the Sports Park Project from FY 05 that is anticipated to be transferred to the Capital Projects Fund this year. It is recommended that the other one-time revenue transfers to the Tidelands and General Funds be set aside in accordance with the City

Council's adopted financial policies for appropriate one-time expenditures in those funds. Should oil prices remain high for the remainder of the fiscal year, additional budget appropriations for the Department of Long Beach Gas and Oil may be requested.

- Increase appropriations in the Tideland Oil Revenue Fund (NX 420) and in the Department of Long Beach Gas and Oil (GO) by \$67,458,102.
- Increase appropriations in the Upland Oil Fund (SR 134) and in the Department of Long Beach Gas and Oil (GO) by \$2,876,575.

A budget adjustment of \$1,192,000 is necessary to appropriate funds transferred from the Oil Properties Division of the Long Beach Gas and Oil Department (GO) and the General Fund (GP) into the Capital Projects Fund for the Sports Park Project. Appropriating these funds will allow the continued design and planning of this project in the Capital Improvement Program.

- Increase appropriations in the Capital Projects Funds (CP) and in the Department of Public Works (PW) by \$1,192,000.

On July 12, 2005, the City Council adopted Resolution 05-0052 authorizing the issuance and sale of Commercial Paper Notes in an aggregate principal not to exceed \$35,000,000. The Commercial Paper Notes were issued to pay costs associated with capital maintenance, improvements, additions and rehabilitation for the Gas Pipeline Replacement Program. The anticipated draw in FY 06 related to this Commercial Paper is \$7,500,000. This appropriation will be 100 percent revenue offset by proceeds from the Commercial Paper Notes.

- Increase appropriations in the Gas Fund (EF 301) in the Department of Gas and Oil (GO) by \$7,500,000.

### **Library Services**

The Friends of the Long Beach Public Library, a nonprofit organization, has donated \$46,250 to the Library for the purchase of books and material resources. To allow the Department to expend these funds, a budget adjustment is required.

- Increase appropriations in the General Grants Fund (SR 120) in the Department of Library Services (LS) by \$46,250.

The Department of Library Services received grant funds the past seven years from the Schools and Libraries Program of the Universal Service Fund, commonly known as "E-Rate." The Universal Service Fund was created by the Federal Communications Commission (FCC) in 1997, under the Telecommunication Act of 1996. One of the goals of the Act is for all schools, classrooms, health care providers, and libraries to have access to advanced telecommunications services including Internet access, internal connections, and basic maintenance of internal connections.

FCC E-rate Program funds must be received by the Department of Library Services and then used to offset the Capital Projects Fund in the Department of Public Works, who will be managing these ongoing improvements.

- Increase appropriations in the Library Fund (SR 120) in the Department of Library Services (LS) by \$60,000.
- Increase appropriations in the Capital Projects Fund (CP 201) and in the Department of Public Works (PW) by \$60,000.

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

The FY 06 Adopted General Fund Budget included a six-week Municipal and concert season at a cost of \$350,000. The approval of the Municipal Band program was contingent upon non-General Fund resources being identified and utilized. There was also an expressed desire to expand the concerts an additional two weeks through corporate sponsorships, fundraising and donations. The Department of Parks, Recreation and Marine was successful in finding alternative funding sources to support the restoration of the eight-week concert series. In addition to the Municipal Band concert series, the Department is also proposing a series of musical events in the City Council districts that do not have regularly scheduled Municipal Band concert locations. These events will consist of six to eight smaller concerts, or one to two larger events depending on the community's preference on a district basis. The total cost for the eight-week Municipal Band/Summer Musical Series will be \$500,000. The requested adjustment will be fully offset by non-General Fund sources, including the Tidelands Operating Fund (TF), Special Advertising and Promotion Fund (SR 133) and corporate sponsorships and donations.

- Decrease appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$273,717.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR) by \$123,750.
- Increase appropriations in the Special Advertising and Promotion Fund (SR 133) in the Department of Parks, Recreation and Marine (PR) by \$376,250.

During the FY 06 budget adoption process, \$120,000 was appropriated in the Special Advertising and Promotion Fund (SR 133), within the Office of Special Events and Filming, to provide a 4<sup>th</sup> of July fireworks show. The fireworks display will take place off a barge in the greater Queensway Bay. Based on the venue location, and funding availability in the Tidelands Fund, it has been determined that the currently appropriated \$120,000 should be transferred from SR 133 to the Tidelands Operating Fund (TF).

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR) by \$120,000.
- Decrease appropriations in the Special Advertising and Promotion Fund (SR 133) in the Department of Parks, Recreation and Marine (PR) by \$120,000.

Over the past several fiscal years, the Department has received funding from several sources for the rehabilitation of the El Dorado Nature Center. The funding for the multi-year project is currently appropriated in three separate CIP project numbers (two in Public Works and one in Parks, Recreation and Marine). The Department will be managing this CIP project and is requesting to consolidate all the existing funding into one project detail.

- Decrease appropriations in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) by \$562,332.
- Increase appropriations in the Capital Projects Fund (CP 201) in the Department of Parks, Recreation and Marine (PR) by \$562,332.

### **Police**

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 21, 2005, the City received Amendment No. 3, which is the third installment of annual grant funding to continue the implementation of the programs services, with \$40,000 in funding. 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 \$40,000.

### **Public Works**

A payment of \$250,000 has been received from the Boeing Realty Company for Citywide infrastructure improvements as part of the Douglas Park Development Agreement. An appropriation increase in the amount of \$250,000 in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) is necessary to recognize this payment.

- Increase appropriations in the Capital Projects Fund (CP 201) and in the Department of Public Works (PW) by \$250,000.

During the fiscal year, revenue from parking meters located at the Pike have been earned and must now be appropriated to meet the City's obligation under the sublease of the facilities.

- Increase appropriations in the Tidelands Operating Fund (TF 411) and in the Department of Public Works (PW) by \$500,000.

### **Interest Earned in the Capital Projects Fund**

An appropriation increase is necessary to recognize interest earned on grant advancements from the Prop 40 Rivers and Mountains Conservancy Grant for the El Dorado Wetlands Feasibility Study to offset expenditures in the project.

- Increase appropriations in the Capital Projects Fund (CP 201) in the Department of Parks, Recreation and Marine (PR) by \$1,472.

An appropriation increase of \$10,614 is necessary to recognize interest earned on grant advancements from the Prop 12 Riparian and Riverine Grant to the El Dorado Nature Center Stream project and the Center for Natural Land Management Mitigation Grant for the Rehabilitation of El Dorado Park project to offset expenditures in these two projects.

- Increase appropriations in the Capital Projects Fund (CP 201) and in the Department of Public Works (PW) by \$10,614.

### **Tideland Operating Fund Adjustments**

As a result of an increase in projected oil revenues, a number of deferred capital projects and operational enhancements are recommended in the Tidelands Operating Fund (TF). The requested adjustments in multiple departments will be offset by the additional oil revenues; there is no impact on the General Fund (GF).

Capital projects, totaling \$2,284,000, have been identified as critical, but funding has not been available for a number of years. These projects include the development of Jack Nichol Park, Pier Plaza repairs, fuel facility retrofit, lifeguard telephone and radio upgrades and roof replacement at the Terrace and Center Theaters.

The requested adjustments also include \$316,922 for an additional beach patrol unit during the summer months; a dedicated Marine Patrol unit at Rainbow Harbor from 6:00 p.m. until 4:00 a.m., Thursday through Monday; studies for a Downtown Aquatic Center and disaster management supplies for various Tidelands facilities.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Public Works (PW) by \$439,000.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR) by \$1,815,000.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Police Department (PD) by \$126,922.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Fire Department (FD) by \$220,000.

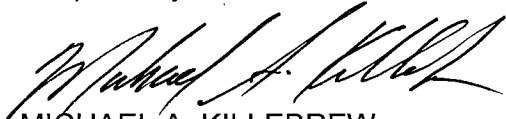
**Multi-Year Funds Carry-over**

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 fiscal year in these multi-year funds are carried forward and re-appropriated in the current fiscal year. The FY 06 Adopted Budget ordinance adopted by the City Council contained new budget amounts for the current year, as well as estimated amounts of carry-over balance from FY 05. The following 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 06. The net adjustment for the affected funds and departments is an appropriation increase of \$72,836,212. All of the funds are grant or bond proceeds and therefore restricted to their related projects.

SUGGESTED ACTION:

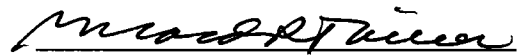
Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



GERALD R. MILLER  
CITY MANAGER

Attachments  
MK/DW/SM