

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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

BH-26

September 11, 2007

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 2008 budget as listed in **Attachment A** of this letter. (Citywide)

DISCUSSION

On August 2, 2007, the City Manager's Proposed Budget for Fiscal Year 2008 (FY 08) was delivered by the Mayor to the City Council and community with recommended amendments for consideration. Workshops and hearings were set for August 14, August 20, August 21, September 4, and September 11, 2007. During the scheduled workshops and hearings, presentations have been made by departments, and the City Council and community were provided multiple opportunities for 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 08 Proposed Budget, updated estimates of revenue and expense, which address technical corrections, are listed by department and fund in **Attachments B** and **C** of this letter, respectively.

The Appropriations Ordinance officially adopts the FY 08 budget and authorizes expenditures in conformance with the adopted budget. To become effective October 1, 2007 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 08 Capital Improvement Program; endorsement of the updated Financial Strategic Plan; and, the Mayor's and Budget Oversight Committee's recommended amendments to the FY 08 Proposed Budget.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on August 27, 2007.

TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 08 budget must be adopted by September 15, 2007, 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 08 Proposed Budget shall be deemed the budget for the 2008 fiscal year. The Mayor then has five calendar days from City Council adoption of the budget to use a line-item veto to reduce or eliminate

expenditures. The City Council would then have until September 30, 2007 to override any line-item veto with a two-thirds supermajority vote.

FISCAL IMPACT

The City Charter requires that the Appropriation Ordinance shall govern and control the expenditure and commitment amounts stated therein relating to the several departments, offices and agencies during each fiscal year. The Appropriations Ordinance totals \$1,958,783,836 for all funds except Harbor, Water and Sewer funds and \$1,962,283,748 for all departments except for Harbor and Water. The proposed Harbor and Water Department budgets are included in separate City Council ordinances attached to this letter. The Appropriations Ordinance totals include estimated funding of \$361,632,426 to be carried over from FY 07 for multi-year grants and projects. Detailed summaries of appropriations by fund and by department are included in **Attachments B and C** of this letter.

The \$3,499,892 difference between the Appropriations Ordinance by Fund and the Appropriations Ordinance by Department is the result of general City indirect costs charged directly to the Harbor, Water and Sewer funds through the non-operating budget of the Department of Financial Management. Again, the Harbor, Water and Sewer Fund budgets are included in separate ordinances and are not included in the Appropriations Ordinance by Fund. The general City indirect cost charges to those funds are in the Department of Financial Management budget in the Appropriations Ordinance by Department.

The FY 08 proposed budget for the Harbor Department is \$644,219,000 and the proposed budget for the Water Department is \$97,252,705. As noted above, the Harbor Department budget differs from the Harbor Fund budget, and the Water Department budget differs from the Water and Sewer Funds budgets due to the general City indirect cost charges to those funds directly through the non-operating budget of the Department of Financial Management.

The budget for the Harbor Department was adopted by the Board of Harbor Commissioners by minute order on July 23, 2007. The budget for the Water Department was adopted by the Board of Water Commissioners by resolution on June 21, 2007.

The recommendations in this letter include various fee adjustments, as highlighted in the FY 08 Proposed Budget book, and are included in the attached Master Fee Resolution. The fee changes are necessary to better cover program costs and are summarized in **Attachment A-2, Exhibit B** to this letter. **Attachment D** addresses any changes in proposed fee adjustments from the published FY 08 Budget in July to the adopted budget in September.

Other requested City Council actions include approval of the FY 08 One-Year Capital Improvement Program (CIP) budget, which is contained in the Appropriations Ordinance. The Planning Commission, at its meeting of August 16, 2007, approved the CIP for FY 08 for conformance with the General Plan. Any projects that are not in conformance with the Plan will be highlighted by Planning staff and steps to secure conformance 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

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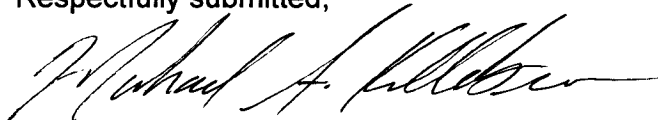
the North Long Beach Project Areas and the Long Beach Housing Development Company (HDC) are requested. The PAC budgets and the budget of the HDC are included in the budget of the Community Development Department.

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 41.22 percent of the 2007-2008 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,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

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Attachments

APPROVED:

for 
ANTHONY W. BATTS
CITY MANAGER

List of Requested Fiscal Year 2008 Budget Adoption Actions

1. Adopt the Resolution approving the FY 08 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on July 23, 2007 (Attachment 1).
2. Adopt the Resolution establishing a master fee and charges schedule for specified city services for the Departments of City Clerk, City Prosecutor, Community Development, Financial Management, Gas and Oil, Health and Human Services, Library Services, Parks, Recreation and Marine, Planning and Building, Police, and Public Works (Attachment 2).
3. Approve the FY 08 One-Year Capital Improvement Program (Attachment 3).
4. Adopt a motion 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 \$43,260 for North Long Beach (Attachment 4).
5. Adopt a motion approving the budget for the Long Beach Housing Development Company in the amount of \$23,900,000, which is included in the budget of the Department of Community Development (Attachment 5).
6. Adopt a motion approving the transfer of \$15,399,535 from the Harbor Revenue Fund to the Tidelands Operating Fund (Attachment 6).
7. Adopt the Resolution adopting an appropriations limit (Gann) for FY 08 pursuant to Article XIII(B) of the California Constitution (Attachment 7).
8. Declare an emergency to exist (Attachment 8).
9. 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 June 21, 2007, as an Emergency Ordinance, read and adopted as read. (Attachment 9).
10. Adopt the Resolution approving the FY 08 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on June 21, 2007 (Attachment 10).
11. Adopt the Mayor's proposed funding recommendations, as amended, to the FY 08 Proposed Budget (Attachment 11).
12. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the FY 08 Proposed Budget (Attachment 12).
13. Endorse the updated Financial Strategic Plan (Attachment 13).
14. Adopt a motion amending the proposed budget (Attachment 14).
15. Declare an emergency to exist (Attachment 15).
16. Declare the Appropriations Ordinance for FY 08, 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 (Attachment 16).