



CITY OF LONG BEACH

BH-1

DEPARTMENT OF FINANCIAL MANAGEMENT

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September 3, 2019

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and discuss an overview of the Proposed Fiscal Year 2020 budgets for the following Departments: Technology and Innovation and Civil Service; and,

Receive supporting documentation into the record, conclude the public hearing, and take the actions necessary to adopt the Fiscal Year 2020 budget as listed in Attachment A. (Citywide)

DISCUSSION

On July 31, 2019, the City Manager's Proposed Budget for Fiscal Year 2020 (FY 20) was delivered by Mayor Garcia to the City Council and community for consideration. Budget meetings were held on December 18, 2018, August 6, August 13, August 20, and September 3, 2019, along with Budget Oversight Committee (BOC) meetings, and community meetings throughout August at which the Proposed FY 20 Budget was discussed. As a result of these meetings, there were 22 scheduled opportunities for public feedback, deliberation, and input. Additionally, input was solicited through the Long Beach Budget Priority Survey to obtain feedback on what the City's priorities should be. The survey was promoted on the City's website, along with OpenLB, which shows the budget visually, 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 Proposed FY 20 Budget, updated estimates of FY 20 revenues and expenses, which primarily address technical corrections, are listed by fund group and department in Attachments B, C, and D. The reasons for the adjustments are discussed at the end of this letter.

There are three Ordinances to be considered for approval in Attachment A. The first amends the Departmental Organization of the City (A-6). The second is the Resolution No. WD-1413 (A-10), which establishes the rates and charges for the water and sewer service. The third Ordinance is the Appropriations Ordinance (A-16), which officially appropriates the funding for the Adopted Budget (approved in A-3) and authorizes expenditures in conformance with the Adopted Budget. For the second and third Ordinances to become effective on October 1, 2019, the City Council must first declare an emergency to exist before adopting each Ordinance (A-9 and A-15).

There are also five Resolutions that provide for approval for the Master Fees and Charges Schedule (A-4), amend the Salary Resolution (A-7), approve the budget for the Harbor Department (A-8), the budget for the Water Department (A-11), and establish the Gann Appropriations Limit (A-14). There are also motions that request approvals for the following: the Mayor's Recommendations (A-1); the BOC Recommendations (A-2); a motion amending the Proposed FY 20 Budget (A-3); the FY 20 One-Year Capital Improvement Program (A-5); the FY 20 Budget for the Long Beach Community Investment Company (A-12); and, the Harbor Revenue Fund Transfer (A-13).

This matter was reviewed by Deputy City Attorney Amy R. Webber on August 15, 2019 and by Budget Manager Grace H. Yoon on August 15, 2019.

TIMING CONSIDERATIONS

In accordance with the City Charter, the FY 20 budget must be adopted by September 15, 2019. Should the City Council fail to adopt the budget by that date, the City Manager's Proposed FY 20 Budget will be deemed the budget for the 2020 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, 2019, 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 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 20 budget for all departments and fund groups is \$3,218,767,141, which comprises of \$2,799,187,891 in new appropriation and \$419,579,250 in estimated carry-over from FY 19 for multi-year grants and projects. Attachments B, C, and D provide the financial overview by Fund Group, by Department, and Citywide revenue by Fund Group, respectively.

The Appropriations Ordinance, included as Attachment A-16, totals \$2,385,050,997 for all fund groups except Harbor, Sewer, and Water, and \$2,389,190,470 for all departments except Harbor and Water. The \$4,139,473 difference between fund groups 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 groups.

The proposed Harbor, Water and Sewer Fund Group budgets are in separate City Council Resolutions included as Attachment A-8 and A-11, respectively, and total \$833,716,144. The Board of Harbor Commissioners adopted the budget for the Harbor Department by minute order on May 28, 2019. The Board of Water Commissioners adopted the budget for the Water Department by Resolution on June 13, 2019.

User fees and charges in the Master Fees and Charges Schedule, included as Attachment A-4, have been adjusted due to changes in service and other factors, including the City Cost Index (CCI) adjustment unless there are exceptions. For more

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details regarding the CCI adjustment, please see Exhibit D to the Master Fees and Charges Schedule. For details regarding these proposed new fees, deletions and adjustments, please see the List of Proposed Fees Adjustments for FY 20 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 20 One-Year Capital Improvement Program (CIP) budget, included as Attachment A-5, which is contained in the Appropriations Ordinance. The Planning Commission, at its meeting of August 1, 2019, approved the CIP for FY 20 as conforming to the General Plan.
- Amending the Departmental Organization Ordinance, included as Attachment A-6. This amendment incorporates changes to departments, bureaus, and divisions for FY 20. These organizational changes are necessary to implement changes reflected in the Proposed FY 20 budget. A redline version of the changes is also provided.
- Adopting the Salary Resolution, which creates and establishes positions of employment while fixing and prescribing the compensation for officers and employees, is included as Attachment A-7.
- Adopting the FY 20 Long Beach Community Investment Company (LBCIC) budget, included as Attachment A-12. The LBCIC budget is prepared annually for City Council approval and is a subset of the Housing Development Fund. The LBCIC oversees the delivery of housing and neighborhood revitalization services. The LBCIC approved its FY 20 budget on April 17, 2019.
- Adopting a Resolution, included as Attachment A-14, 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 that 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 45.18 percent of the 2019-2020 Appropriations Limit and, therefore, do not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.

After the City Manager delivered the Proposed FY 20 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 include the following:

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1. An appropriation increase in the Public Works Department and revenue budget increase in the Citywide Allocations Department, both in the Civic Center Fund Group by \$461,000 to reflect additional operations and maintenance costs and lifecycle costs that were requested as a second amendment to the Plenary Properties Long Beach, LLC, contract and approved by the City Council on July 16, 2019. The \$461,000 increase will be funded through the Civic Center MOU.
2. A revenue budget increase in the Refuse/Recycling Fund Group in the Public Works Department by \$1,500,000, to more accurately align budget with revenue anticipated from rate increases approved by the City Council on February 5, 2019.
3. An addition of an Assistant Chief of Police in the General Fund Group in the Police Department, offset by an elimination of a Police Commander and reduction of the Department's Financial Bureau's overtime budget for a net zero fund impact, to provide additional management and policy oversight of the Department.

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

JG:GY:RAG:ads:jt
K:\FM-ADMIN\CITY COUNCIL LETTERS\BUDGET\2018\PROPOSED FY 19 BUDGET FOR HARBOR AND WATER AND ADOPTION OF FY19 BUDGET.DOCX

ATTACHMENTS

APPROVED:



PATRICK H. WEST
CITY MANAGER

List of Requested Fiscal Year 2020 Budget Adoption Actions

1. Adopt the Mayor's proposed budget recommendations, as amended, to the Proposed FY 20 Budget. (A-1)
2. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the Proposed FY 20 Budget. (A-2)
3. Adopt the expenditures and revenues as identified in the Proposed FY 20 Budget Book, as amended. (A-3)
4. 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-4)
5. Approve the FY 20 One-Year Capital Improvement Program. (A-5)
6. 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-6)
7. Adopt the amended Salary Resolution for FY 20. (A-7)
8. Adopt the Resolution approving the FY 20 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on May 28, 2019. (A-8)
9. Declare an emergency to exist. (A-9)
10. Declare the Ordinance approving the Resolution No. WD-1413 establishing the rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on June 13, 2019, 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-10)
11. Adopt the Resolution approving the FY 20 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on June 13, 2019. (A-11)
12. Adopt a motion approving the FY 20 budget for the Long Beach Community Investment Company in the amount of \$2,724,263. (A-12)
13. Adopt a motion approving the estimated transfer of \$20,135,600 from the Harbor Revenue Fund to the Tidelands Operations Fund. (A-13)
14. Adopt the Resolution establishing the Gann Appropriations Limit (Limit) for FY 20 pursuant to Article XIII (B) of the California Constitution. (A-14)
15. Declare an emergency to exist. (A-15)
16. Declare the Appropriations Ordinance for FY 20, creating and establishing the fund groups 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-16)

FISCAL YEAR 2020 APPROPRIATIONS ORDINANCE BY FUND GROUP
 (Does not include Harbor, Water and Sewer Fund Groups)

| <u>FUND GROUP</u> | <u>FY 20 PROPOSED EXPENDITURES</u> | <u>CHANGES*</u> | <u>FY 19 ESTIMATED CARRYOVER**</u> | <u>FY 20 APPROPRIATIONS</u> |
|---|--|-----------------|--|---------------------------------|
| GENERAL FUND | 553,699,963 | - | - | 553,699,963 |
| UPLAND OIL FUND | 12,046,161 | - | - | 12,046,161 |
| GENERAL GRANTS FUND | 8,270,350 | - | 16,340,320 | 24,610,670 |
| POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND | 3,154,508 | - | - | 3,154,508 |
| HEALTH FUND | 55,694,692 | - | 40,672,444 | 96,367,137 |
| CUPA FUND | 2,257,390 | - | - | 2,257,390 |
| SPECIAL ADVERTISING & PROMOTION FUND | 12,522,340 | - | - | 12,522,340 |
| HOUSING DEVELOPMENT FUND | 4,340,782 | - | 10,260,857 | 14,601,638 |
| BELMONT SHORE PARKING METER FUND | 783,243 | - | - | 783,243 |
| BUSINESS ASSISTANCE FUND | 728,199 | - | 1,672,760 | 2,400,958 |
| COMMUNITY DEVELOPMENT GRANTS FUND | 21,557,862 | - | 20,292,446 | 41,850,308 |
| HOUSING AUTHORITY FUND | 93,816,773 | - | (845,540) | 92,971,233 |
| GASOLINE TAX STREET IMPROVEMENT FUND | 10,139,365 | - | 9,726,672 | 19,866,037 |
| CAPITAL PROJECTS FUND | 124,512,022 | - | 186,885,916 | 311,397,938 |
| SUCCESSOR AGENCY OPERATIONS | 4,177,861 | - | (6,713,207) | (2,535,346) |
| CIVIC CENTER FUND | 20,968,122 | 461,000 | 2,730,457 | 24,159,579 |
| GENERAL SERVICES FUND | 58,999,828 | - | 12,044,736 | 71,044,563 |
| FLEET SERVICES FUND | 45,115,340 | - | 2,523,598 | 47,638,937 |
| INSURANCE FUND | 49,375,529 | - | 1,445,419 | 50,820,948 |
| EMPLOYEE BENEFITS FUND | 328,018,493 | - | - | 328,018,493 |
| TIDELANDS OPERATIONS FUND | 92,592,947 | - | 83,802,331 | 176,395,278 |
| TIDELANDS AREA FUNDS | 25,910,746 | - | 8,156,469 | 34,067,215 |
| TIDELANDS OIL REVENUE FUND | 88,789,241 | - | - | 88,789,241 |
| RESERVE FOR SUBSIDENCE | - | - | - | - |
| DEVELOPMENT SERVICES FUND | 27,969,984 | - | 2,246,095 | 30,216,079 |
| GAS FUND | 133,322,074 | - | 6,615,311 | 139,937,385 |
| AIRPORT FUND | 50,810,689 | - | 21,542,589 | 72,353,277 |
| REFUSE/RECYCLING FUND | 51,670,749 | - | 179,579 | 51,850,328 |
| SERRF FUND | 42,895,016 | - | - | 42,895,016 |
| SERRF JPA FUND | - | - | - | - |
| TOWING FUND | 6,341,727 | - | - | 6,341,727 |
| DEBT SERVICE FUND | 8,159,695 | - | - | 8,159,695 |
| SUCCESSOR AGENCY - DEBT SERVICE | 26,369,058 | - | - | 26,369,058 |
| TOTAL | 1,965,010,747 | 461,000 | 419,579,250 | 2,385,050,997 |

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

**Carryover of unexpended appropriations for multi-year grants and CIP fund groups.

FISCAL YEAR 2020 APPROPRIATIONS ORDINANCE BY DEPARTMENT
(Does not include Harbor and Water Departments)

| <u>DEPARTMENT</u> | <u>FY 20 PROPOSED EXPENDITURES</u> | <u>CHANGES*</u> | <u>FY 19 ESTIMATED CARRYOVER**</u> | <u>FY 20 APPROPRIATIONS</u> |
|--|------------------------------------|-----------------|------------------------------------|-----------------------------|
| MAYOR AND COUNCIL | 5,813,629 | - | - | 5,813,629 |
| CITY ATTORNEY | 11,783,573 | - | - | 11,783,573 |
| CITY AUDITOR | 3,298,864 | - | - | 3,298,864 |
| CITY CLERK | 3,894,851 | - | - | 3,894,851 |
| CITY MANAGER | 16,573,968 | - | 1,967,164 | 18,541,132 |
| CITY PROSECUTOR | 6,104,872 | - | 667,961 | 6,772,833 |
| CIVIL SERVICE | 3,094,635 | - | - | 3,094,635 |
| AIRPORT | 50,082,631 | - | 21,542,589 | 71,625,220 |
| DISASTER PREPAREDNESS & EMERGENCY COMMUNICATIONS | 12,739,724 | - | 2,250,258 | 14,989,982 |
| DEVELOPMENT SERVICES | 76,017,157 | - | 14,321,801 | 90,338,958 |
| ECONOMIC DEVELOPMENT | 22,809,791 | - | 13,150,722 | 35,960,513 |
| FINANCIAL MANAGEMENT*** | 588,363,104 | - | 3,300,469 | 591,663,573 |
| FIRE | 130,790,192 | - | 1,934,360 | 132,724,551 |
| HEALTH AND HUMAN SERVICES | 152,679,513 | - | 40,092,252 | 192,771,764 |
| HUMAN RESOURCES | 12,301,295 | - | - | 12,301,295 |
| LIBRARY SERVICES | 15,125,558 | - | 1,922,708 | 17,048,266 |
| ENERGY RESOURCES | 233,785,093 | - | 6,615,311 | 240,400,404 |
| PARKS, RECREATION AND MARINE | 60,028,321 | - | 14,934,475 | 74,962,796 |
| POLICE | 264,582,442 | - | 6,599,307 | 271,181,749 |
| PUBLIC WORKS | 242,114,403 | 461,000 | 277,942,994 | 520,518,397 |
| TECHNOLOGY & INNOVATION | 57,166,605 | - | 12,336,881 | 69,503,486 |
| TOTAL | 1,969,150,220 | 461,000 | 419,579,250 | 2,389,190,470 |

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

**Carryover of unexpended appropriations for multi-year grants and CIP fund groups.

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

FISCAL YEAR 2020 REVENUES BY FUND GROUP
(Does not include Harbor, Water and Sewer Fund Groups)

| <u>FUND GROUP</u> | <u>FY 20 PROPOSED REVENUES</u> | <u>CHANGES*</u> | <u>FY 20 PROPOSED BUDGETED REVENUES</u> |
|---|------------------------------------|------------------|---|
| GENERAL FUND | 551,569,449 | - | 551,569,449 |
| UPLAND OIL FUND | 12,239,561 | - | 12,239,561 |
| GENERAL GRANTS FUND | 8,270,350 | - | 8,270,350 |
| POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND | 3,154,508 | - | 3,154,508 |
| HEALTH FUND | 55,818,966 | - | 55,818,966 |
| SPECIAL ADVERTISING & PROMOTION FUND | 11,822,139 | - | 11,822,139 |
| HOUSING DEVELOPMENT FUND | 4,199,212 | - | 4,199,212 |
| BELMONT SHORE PARKING METER FUND | 783,243 | - | 783,243 |
| BUSINESS ASSISTANCE FUND | 728,199 | - | 728,199 |
| COMMUNITY DEVELOPMENT GRANTS FUND | 20,868,489 | - | 20,868,489 |
| GASOLINE TAX STREET IMPROVEMENT FUND | 12,406,345 | - | 12,406,345 |
| CAPITAL PROJECTS FUND | 124,400,477 | - | 124,400,477 |
| CIVIC CENTER FUND | 20,820,180 | 461,000 | 21,281,180 |
| GENERAL SERVICES FUND | 55,356,557 | - | 55,356,557 |
| FLEET SERVICES FUND | 46,139,112 | - | 46,139,112 |
| INSURANCE FUND | 49,527,973 | - | 49,527,973 |
| EMPLOYEE BENEFITS FUND | 328,470,018 | - | 328,470,018 |
| TIDELANDS OPERATIONS FUND | 92,156,849 | - | 92,156,849 |
| TIDELANDS AREA FUNDS | 24,882,139 | - | 24,882,139 |
| TIDELANDS OIL REVENUE FUND | 89,209,421 | - | 89,209,421 |
| RESERVE FOR SUBSIDENCE | 1,480,000 | - | 1,480,000 |
| DEVELOPMENT SERVICES FUND | 26,263,271 | - | 26,263,271 |
| GAS FUND | 126,257,629 | - | 126,257,629 |
| GAS PREPAY FUND | 5,898,597 | - | 5,898,597 |
| AIRPORT FUND | 55,650,394 | - | 55,650,394 |
| REFUSE/RECYCLING FUND | 48,484,236 | 1,500,000 | 49,984,236 |
| SERRF FUND | 35,950,000 | - | 35,950,000 |
| SERRF JPA FUND | - | - | - |
| TOWING FUND | 6,210,000 | - | 6,210,000 |
| HOUSING AUTHORITY FUND | 92,215,718 | - | 92,215,718 |
| SUCCESSOR AGENCY OPERATIONS | 4,219,567 | - | 4,219,567 |
| CUPA FUND | 1,840,440 | - | 1,840,440 |
| DEBT SERVICE FUND | 6,900,861 | - | 6,900,861 |
| SUCCESSOR AGENCY DEBT SERVICE | 30,162,041 | - | 30,162,041 |
| TOTAL | 1,954,355,940 | 1,961,000 | 1,956,316,940 |

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

| L B C I C Expenditures | FY20 |
|--|---------------------|
| | BUDGET |
| L B C I C -Owned Rental Projects | |
| 321 West 7th (Lois Apartments -- 24 units) | 95,000 |
| 1044 Maine Apartments (11 units) | 78,000 |
| <i>Subtotal LBCIC-Owned Rentals</i> | \$ 173,000 |
| Development Projects | |
| Rental | |
| Magnolia/PCH Site (469 W Apartments) | 525,000 |
| <i>Subtotal Rental</i> | \$ 525,000 |
| Other | |
| Housing Action Plan Implementation | 1,623,263 |
| Mobile Home Repair Grant Program | 34,000 |
| <i>Subtotal Other</i> | \$ 1,657,263 |
| L B C I C Administration/Other | |
| Administrative Expenditures | 32,000 |
| Project Administration (Property Mgmt/Project Dev) | 200,000 |
| Project Staff Costs | 137,000 |
| <i>Subtotal LBCIC Admin</i> | \$ 369,000 |
| Total L B C I C Expenditures | \$ 2,724,263 |

The budget for LBCIC is available online on page 507 of the Proposed Fiscal Year 2020 Budget Book.

Long Beach Community Investment Company (LBCIC)

Established by the City Council, the Long Beach Community Investment Company (LBCIC) oversees the delivery of housing and neighborhood revitalization services. The Housing Services Division in the Development Services Department staffs the LBCIC. Annually, the LBCIC prepares its housing budget for approval by the City Council. The LBCIC's budget is a subset of the entire Housing Development Fund (SR 135). Since FY 16, the LBCIC has been receiving 20 percent of the former tax increment the Successor Agency repays the City for past loans. The last payment, \$2,148,262, was made in July of FY 19, and has been included in LBCIC's FY 20 budget, which totals \$2,199,263.

| LBCIC Expenditures | Budget |
|---|--------------------|
| Operation of LBCIC-owned properties (321 W. 7 th Street and 1044 Maine Avenue) | 173,000 |
| Rental Development Project | 525,000 |
| Other (Housing Action Plan Implementation) | 1,657,263 |
| | |
| Administration | 369,000 |
| Total | \$2,724,263 |

The LBCIC Budget has been corrected and updated online at www.LongBeach.gov.