



Date: September 6, 2011

To: Mayor and Members of the City Council

From: Councilmember Gerrie Schipske, Fifth District
Councilmember Rae Gabelich, Eighth District
Councilmember Steven Neal, Ninth District

Subject: Utilization of Uplands Oil Fund Ending Fund Balance

The Mayor and City Manager have presented a Fiscal Year 2012 budget that projects a shortfall of more than \$20 million that will require drastic cuts in the core services of the City.

The City Council has heard from the Police Chief that the proposed cuts to his department, in conjunction with other factors, could lead to an increase in violent crimes in the city and a reduced ability for the Police Department to be proactive in crime prevention.

The City Council has also heard from the Fire Chief that he would not support shifting to 3-person engine staffing, if not required to by the proposed budget reductions.

The City Council has a duty to maintain the public safety and well-being of the City to the best of our ability, and if we have a fiscally responsible means of avoiding such dire cuts to our City's core services, we should encourage such opportunities.

Recent developments provide some optimism that there is a light at the end of the tunnel, in terms of the City's fiscal situation.

The Long Beach Police Officers Association and the Long Beach Fire Fighters Association have both indicated a willingness to consider significant pension reform in their current contracts, which should result in substantial savings, starting in 2014. The Long Beach City Employees Association current contract is scheduled to expire at the end of Fiscal Year 2013, providing the opportunity to realize additional pension reform starting in 2014.

A review of the Uplands Oil Fund reveals that the City received about \$10 million in surplus revenue in Fiscal Year 2011, which will mean that the Fund will end the year with a balance of more than \$19 million.

This money is unrestricted and is available to use as the City Council determines. These monies have been not been treated as "one time funds" because they are part of a continued budget revenue. These same funds have been used in the past to restore cuts.

The fund balance in the Uplands Oil Fund is money that the City has in hand, and is not reliant upon projections of future oil revenues in a volatile market. Therefore, we propose a responsible approach to appropriating the available money in the Uplands Oil Fund that will protect the basic core services of our City.

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RECOMMENDED ACTION:

Request the City Manager to utilize the projected Ending Fund Balance in the Uplands Oil Fund in the following manner:

1) Maintain a \$2 million fund balance in the Uplands Oil Fund, which is twice the amount that the Gas Department Manager has stated is a prudent reserve balance;

2) Utilize \$12 million in funds to restore cuts in the City's General Fund in FY 12:

a) Police Department: \$6.2 million

- Restore 14 police officers from Patrol Divisions - \$1,654,968
- Restore positions to Gang Enforcement Detail Team - \$517,924
- Restore Violent Crimes Detail positions - \$271,867
- Restore positions in Homeland Security Section - \$579,884
- Chief's priorities for additional restorations - \$3,175,357

b) Fire Department: \$4.3 million

- Maintain four-person staffing on engines - \$3,243,198
- Restore engine at Station 18 - \$262,388
- Restore Rescue 12 – approx. \$800,000

c) Library Services: \$750,000

- Maintain existing services at Neighborhood Libraries - \$703,727
- Restore supplies, services & staffing, including City Source - \$35,438

d) Parks, Recreation & Marine: \$750,000

- Restore program and service cuts - \$750,000

3) Utilize approximately \$4 million for one-time expenditures, that may include:

- Implementation of automated payroll system
- Support strategies for Layoff Aversion and Business Outreach through Pacific Gateway Workforce Investment Network
- Additional citywide infrastructure projects
- Add to the current \$9 million Budget Stabilization Fund balance
- Reserve funds to smooth the projected budget shortfall in FY 13