



**City of Long Beach**  
**Working Together to Serve**

**R-23**  
**Memorandum**

**Date:** September 5, 2017

**To:** Honorable Mayor Garcia and Members of the City Council

**From:** Stacy Mungo, Chair, Budget Oversight Committee; Councilwoman, Fifth District *SM*  
Rex Richardson, Vice Mayor; Councilmember, Ninth District *ER*

**Subject:** **AGENDA ITEM: FISCAL YEAR 2018 BUDGET SAVINGS TARGETS**

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**RECOMMENDATION:**

**Recommendation to direct City Manager to implement mandatory General Fund budget saving targets for Fiscal Year 2018 for all departments at the maximum level possible without eliminating jobs or programs. Further, direct City Manager to work with the Department of Financial Management to provide a mid-year progress report of such budget savings efforts to the City Council.**

**BACKGROUND:**

The City's Fiscal Year 2018 (October 1, 2017 through September 30, 2018) Proposed Budget, inclusive of all funds, totals \$2.6 billion, including \$553.7 million for the Capital Improvement Program (CIP).

Based on current projections, we are anticipating shortfalls of \$10.4 million in Fiscal Year 2019 and \$8.7 million in Fiscal Year 2020 for the General Fund, which accounts for approximately 17% of the total budget and which provides much of the resources for critical core City services.

For instance, the General Fund includes police patrol, fire response, parks, streets and sidewalk repair, and library services. Most other funds and resources are restricted by law for other purposes and cannot be used to support these basic functions.

**DISCUSSION:**

As outlined during the March 14, 2017 presentation to the City Council on the General Fund Fiscal Outlook, the City Manager issued mid-year General Fund budget savings targets to City Manager departments to generate savings at year-end for three stated reasons: 1. To ensure Fiscal Year 2017 budget remains in balance with revenues; 2. To generate funds for one-time needs; and 3. To prepare for future deficit years by initiating savings now.

The City Manager also suggested that non-City Manager departments consider participating in a budget savings target calculated at one-half percent (0.5%) of the total Fiscal Year 2017 General Fund, less one-times. Yet, this target was entirely voluntary and could be used for reallocations of resources within funds, offset adjustments or other minor changes.

The City's current budget clearly depicts the need to explore a variety of alternatives in addition to increased funding and reducing costs, including addressing unfunded liabilities. Current projections for the Fiscal Year 2018 Budget also do not include and address the impact of outside factors on the City's operational, infrastructure and other one-time needs. Additionally, the City is increasingly incurring unfunded mandates, as a result of state and federal regulations, with no money provided for fulfilling the functions required by those legislative bodies.

Therefore, it is recommended that the City Council enact savings now to the City's \$461 million General Fund budget for the forthcoming fiscal year in anticipation of future shortfalls and request as part of the Fiscal Year 2019 Budget process that the City prioritize long-term cost savings and efficiencies identified through this year's action.

Savings targets should be done in a way to cut out unnecessary spending now, but still protect jobs and services. If we do not take action now, it is highly probable that critical government services will need to be cut down the line and that is not something we should be willing to risk given our community whose quality of life depends on it.

**FISCAL IMPACT:**

Prevent the degree of future shortfalls and aim to mitigate the projected Fiscal Year 2019 deficit through the aforementioned budget savings targets.