



Legislation Details (With Text)

**File #:** 10-0477      **Version:** 1      **Name:** FM - FY10 2nd Qtr. Dept & Fund Budget Approp. ustments

**Type:** Agenda Item      **Status:** Approved

**File created:** 4/19/2010      **In control:** City Council

**On agenda:** 5/4/2010      **Final action:** 5/4/2010

**Title:** Recommendation to approve the Fiscal Year 2010 second quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy. (Citywide)

**Sponsors:** Financial Management

**Indexes:** Budget

**Code sections:**

**Attachments:** 1. 050410-R-26sr&att.pdf

Date	Ver.	Action By	Action	Result
5/4/2010	1	City Council	approve recommendation	Pass

Recommendation to approve the Fiscal Year 2010 second quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy. (Citywide)

On September 15, 2009, the City Council adopted the Appropriations Ordinance governing the City's Adopted Budget for Fiscal Year 2010 (FY 10). Periodically, changes in revenue or operating conditions require appropriation adjustments. For example, in certain cases these adjustments enable departments to expend recently awarded 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. Please see Attachment A for a Fund Balance Analysis of impacted City funds, Attachment B for a recap of FY 10 General Fund Expenditure Budget Adjustments and Attachment C for a list of All-Years Carry-over Budget Adjustments.

This matter was reviewed by Assistant City Attorney Heather A. Mahood on April 20, 2010.

The following requests for adjustments to FY 10 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on May 4, 2010 to enable the timely processing of payments.

**Airport**

On November 3, 2009, the City Council authorized the City Manager to execute documents for the sale of Senior Airport Revenue (SAR) bonds and Build America Bonds, in an amount not to exceed \$65,000,000 to finance the construction of the Airport Parking Structure project, refinance design costs originally financed with commercial paper, refund the Airport's 1993 Certificates of Participation Series notes and pay costs of issuance. Since some of the budget ramifications associated with the bond proceeds were not included in the November 3, 2009 action, additional appropriation is now requested. All bond related increases are offset by the bond proceeds.

As part of the bond covenant, bond proceeds were used to pay-off the Airport's 1993 Certificates of Participation notes. This unbudgeted payment included principal of \$7,480,000 plus interest of \$70,644 for a total of \$7,550,644. An appropriation increase of \$6,258,947 is needed net of the Airport's existing COPS debt service budget of \$1,291,697. The bond proceeds were also used to refinance the design costs for the Airport Parking Structure project that were originally financed with commercial paper. This resulted in a reduction of long-term liability and unbudgeted principal payment of \$4,000,000, requiring a \$4,000,000 appropriation increase.

- Increase appropriations in the Airport Enterprise Fund (EF 320) in the Long Beach Airport Department (AP) by \$10,258,947.

The first year's debt service for the three 2009 series bonds sold was estimated and budgeted at \$950,000 prior to the sale. Final debt service schedules show principal payments of \$855,000 and interest of \$3,375,325 totaling \$4,230,325 as required for FY 10. An increase of \$3,280,325, the difference between the estimated and actual debt service payment, is needed. An additional unbudgeted expense paid out of bond proceeds was the cost of issuance charges of \$1,184,899. For the debt service and cost of issuance an appropriation increase of \$4,465,224 is needed.

- Increase appropriations in the Airport Enterprise Fund (EF 320) in the Long Beach Airport Department (AP) by \$4,465,224

On November 3, 2009, prior to the Airport 2009 bond sale, the Airport budgeted \$38,093,611 of bond funding for the construction contract with ARB, Inc., for the design-build of the parking structure project. The actual cash deposited in the project account was \$40,200,000. An increase for the unappropriated portion of the cash of \$2,106,389 is needed to fully budget for project expenses.

- Increase appropriations in the Airport Enterprise Fund (EF 320) in the Long Beach Airport Department (AP) by \$2,106,389.

Budgeted capital projects occasionally are modified in scope based on FAA directives or changes in available funding. For the Taxilane West End of Runway 25L (Taxilanes F & H) project, the scope was revised and existing Airport Capital funding is no longer needed. The Airport's Taxiways L & C, Islands between Taxiway C & Ramp project was initially budgeted with Airport Capital funds, but subsequently, Passenger Facility Charges were budgeted for use. Since both projects are completed, a reduction in appropriation in Airport Capital of \$1,223,974 for the Taxilane project and \$804,655 for the Taxiway project, totaling \$2,028,629, is necessary to align the project budgets with actual expenditures.

- Decrease appropriations in the Airport Enterprise Fund (EF 320) in the Long Beach Airport Department (AP) by \$2,028,629.

### **Community Development**

In 2008, the Belmont Shore CFD 2007-2 was re-formed to allow refinancing of the existing bond debt and to finance additional projects. An increase in appropriation is required to payoff the remaining bond, principal and interest. There is no impact to the General Fund.

- Increase appropriations in the Belmont Shore Parking Meter Fund (SR 136) in the Department

of Community Development (CD) by \$333,047.

### **Development Services**

The Redevelopment Bureau is currently renegotiating its development agreement with the McDonnell Douglas Corporation for the Douglas Park project. In addition, the Bureau is working with the Department of Public Works to place construction infrastructure on the site. The Bureau will be reimbursed for all legal and contract management costs pursuant to the development agreement between the McDonnell Douglas Corporation and the City of Long Beach.

- Increase appropriations in the General Fund (GP) in the Development Services Department (DV) by \$25,000.

### **Library Services**

Funds totaling \$304,799 have been received from Jet Blue as payment in-lieu-of City fines, per Jet Blue's agreement with the City Prosecutor, and are designated for purchase of Library materials. 60 percent of the total (\$182,879) will be used to obtain materials for branch libraries and 40 percent (\$121,920) will be used to obtain materials for the Main Library.

In addition, the Department received a \$5,000 grant to reimburse employees for tuition expenses. A budget adjustment is requested to spend these funds. This increase in expenditure is offset by a corresponding increase in revenue in the Special Revenue Fund.

- Increase appropriations in the Special Revenue Fund (SR 120) in the Department of Library Services (LS) by \$309,799.

### **Long Beach Gas and Oil**

The City entered into a 30-year gas prepay deal with Merrill Lynch for its supply of natural gas. This resulted in annual savings to the Gas Fund of \$7.2 million for ongoing funding of the Long Beach Gas and Oil Department's (EN) long-term infrastructure and pipeline replacement projects. On August 11, 2009, and November 13, 2009, the City received a total of \$22,725,327 as a one-time up front payment of the gas prepay cost discount over the remainder of the 30-year term of the prepay agreement with Merrill Lynch, which was deposited in the Gas Prepay Fund (EF 303). The funds will be used for outstanding debt (Commercial Paper) repayment, the Oil Properties building relocation and other natural gas capital projects including the Huntington Beach pipeline relocation project. A budget adjustment is requested to use a portion of these funds to retire outstanding Commercial Paper debt.

- An appropriation increase in the Gas Fund (EF 301) in the Department of Long Beach Gas and Oil (EN) by \$11,755,000.

The FY 10 Adopted Budget was based on a conservative projection of \$40 per barrel of oil, or about \$70 million in the Tidelands Oil Revenue Fund and the Uplands Oil Fund. Actual oil revenue for the period of October 2009 through February 2010 has averaged \$70 per barrel, which has generated more revenue and expense than budgeted. Estimating a \$70 per barrel oil price for the remainder of the fiscal year results in total expenditures and transfers projected to increase by \$180.1 million in the Tidelands Oil Revenue Fund (TORF) and \$7.2 million in the Upland Oil Fund.

This transfer from the Tidelands Oil Revenue Fund brings the transfer to the Tidelands Operating Fund to \$15 million. This transfer brings the Upland Oil transfer to the General Fund to \$13.5 million,

or \$6 million more than was budgeted in the General Fund.

<u>(in millions)</u>	<u>Tidelands Oil</u>	<u>Upland Oil</u>
Increase Payment to the State	\$ 168.9	\$ --
Increase Transfer to TOF	11.0	--
Increase Transfer to General Fund	--	7.1
Increase in Unit Expenses	<u>0.2</u>	<u>\$ .1</u>
<b>Total Budget Increases</b>	<b>\$ 180.2</b>	<b>\$ 7.2</b>

The additional transfers are already reflected in the estimates-to-close for the current fiscal year and will offset the negative impact of losses in other General Fund revenues due to the economic downturn. The requested appropriation increases are fully offset by the increase in net oil revenues.

- Increase appropriations in the Tidelands Oil Revenue Fund (NX 420) in the Long Beach Gas and Oil Department (EN) by \$180,134,719.
- Increase appropriations in the Upland Oil Fund (SR 134) in the Long Beach Gas and Oil Department (EN) by \$7,174,385.

**Parks, Recreation and Marine**

The Department of Parks, Recreation and Marine (PR) was designated \$25,667 additional funds from the Fourth Council District's FY 09 budget savings, which currently reside in the General Fund's FY 10 fund balance. The requested use of these additional funds include: \$5,000 for infrastructure and programming expenses;\$2,667 for the cost of staff and supplies for a Snow Day held on February 20, 2010, at Whaley Park; and \$18,000 to be used to hire a contractor to provide staff for the public media center program, which is also supported with PEG funds. The increase in appropriations is offset by the associated General Fund fund balance.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$25,667.

In November 1992 and 1996, the voters of Los Angeles County approved Proposition A, the Safe Neighborhood Parks Proposition. The City has received numerous grants from this program, including \$87,671 for improvements at Martin Luther King (MLK) Jr. Park. This grant was originally appropriated in the Capital Projects Fund in PR. In order to utilize the funds for improvements to the swimming pool at MLK Jr. Park, this amount was transferred and appropriated into the Capital Projects Fund in the Department of Public Works (PW) in 2004. However, the revenue and appropriation in the Capital Projects Fund in PR was only decreased by \$7,617. It is requested that the remaining appropriation and revenue in the Capital Projects Fund be decreased by \$80,000 to accurately reflect this transaction.

- Decrease appropriation in the Department of Parks, Recreation and Marine (PR) in the Capital Projects Fund (CP) by \$ 80,000.

On April 15, 2006, City Council accepted \$50,000 in grant funding from the Long Beach Navy Memorial Heritage Association (Association) to reconstruct the historic wooden arbors that once flanked the Recreation Park Band Shell. Unfortunately, the Department was not able to initiate and complete the project within the Association's one-year timeframe and was required to decline the funding. As the grant was a reimbursement grant, no funding was ever received by the City of Long Beach from the Association. PR intends to reapply for the funding for this project in the future.

- Decrease appropriation in the Capital Projects Fund (CP) in the Department of Parks, Recreation and Marine (PR) by \$50,000.

### **Public Works**

Construction on the Storm Drain Pollution Trap Nets at Pump Station SD13 is in progress. Since additional funds were needed, the Redevelopment Agency Board approved \$109,767 for the project. Additionally, since the project was delayed due to the State changing funding sources, the State Water Resources Control Board (SWRCB) provided an additional \$7,316 for project re-start costs in the ARRA Clean Water State Revolving Fund Grant.

- Increase appropriations in the Capital Projects Fund (CP) and in the Department of Public Works (PW) by \$117,083.

On April 10, 2001, the City entered into a cooperative agreement with Caltrans for City personnel to provide traffic control services during rehabilitation of the 1-710 Freeway in Long Beach. This project is completed and the remaining funding provided by the State is no longer valid. Therefore, appropriations are being reduced to match actual expenditures.

- Decrease appropriations by \$20,000 in the Capital Projects Fund (CP) and in the Department of Public Works (PW) by \$20,000.

On March 9, 2004, the City Council authorized acceptance of a grant for the Mark Twain Library Project. During the past few years, interest on the grant has accrued in the amount of \$16,648. Expenditures have been posted against the interest, but it has not yet been appropriated, therefore an appropriation increase is requested.

- Increase appropriations by \$16,648 in the Capital Projects Fund (CP) and in the Department of Public Works (PW) by \$16,648.

In 2005, the City Council authorized the City Attorney to establish an ordinance for downtown parking meter rates and revenue sharing between the City and Downtown Long Beach Association (DLBA) to support downtown activities. In FY 10, based on expected parking meter revenue, it is estimated that approximately \$375,000 will be paid to the DLBA from the Parking Meter operating budget in Public Works. Since this amount is not budgeted, an appropriation is requested and will be offset by the revenue collections from the parking meters in the downtown area.

- Increase appropriations in the General Fund (GP) in the Department of Public Works (PW) by \$375,000.

### **Technology Services**

On January 19, 2010, the City Council approved an equal three-way split of the City's Public, Education, and Government (PEG) revenues across all three access television categories. The fee, enabled by State law and local ordinance, is derived from quarterly payments received from cable operators. The PEG funds received in calendar year 2009 total \$740,604. Each access category (P, E, and G) will receive \$246,868, with the educational access, or E category, split another three ways (between LBUSD, LBCC, and CSULB).

An appropriation increase of \$493,736 is necessary in order to disburse these funds to both the "E" and "G" providers. Once a Public Access operator has been approved by the City Council, the Department of Technology Services (TS) will request approval to appropriate the remaining \$246,868 in "P" funds. Until then, the "P" funds will remain reserved for their intended purpose. The increase is fully offset by revenue previously reserved. There is no impact to the General Fund.

- Increase appropriations in the General Services Fund (IS 385) in the Department of Technology Services (TS) by \$493,736.

The Development Services Department and the Housing Services and Workforce Development Bureaus of the Community Development Department have requested services from TS's Video Communications Division to produce a monthly video magazine series at a cost of \$10,500 per episode for 12 months, or a total cost of \$126,000. In addition, the Arts Council of Long Beach contracted with TS to produce videos for the organization's annual Distinguished Arts Awards at a cost of \$1,550. The total for these projects is \$127,550. Since these costs are currently unbudgeted, an appropriation increase is necessary. The increase will be offset by revenue from Development Services, Housing Services, Pacific Gateway Workforce Investment Network, and the Arts Council of Long Beach. There is no impact to the General Fund.

- Increase appropriations in the General Services Fund (IS 385) in the Department of Technology Services (TS) by \$127,550.

In February 2010, the Department of Technology Service's Wireless Communications Division received a request from the Los Angeles Port Police (LAPP) to complete upgrades to power and data systems in 15 patrol vehicles. The upgrades will enable the LAPP to support present and future voice, data and video communications. Equipment procurement costs for the project are estimated at \$48,865. Since these costs are currently unbudgeted, an appropriation increase is necessary, offset in full by a reimbursement from LAPP. There is no impact to the General Fund.

- Increase appropriations in the General Services Fund (IS 385) in the Department of Technology Services (TS) by \$48,865.

Reductions to Department of Technology Service's FY 10 MOU with the City Prosecutor's Office (CP) totaling \$30,151 are necessary to reflect changes agreed upon prior to budget adoption. Of the total amount, \$27,342 reflects the elimination of TSD's support to the City Prosecutor for Geographic Information Services (GIS). The remaining \$2,809 reflects reduced charges for E-mail and Web Services.

- Decrease appropriations in the General Fund (GP) in the City Prosecutor's Office (CP) by \$30,151.

**Citywide**

On September 18, 2008, the City Council approved the creation of a Location Agreement Program (LAP) for sales tax sharing. Similar to the Retails Sales Tax Incentive Program, the LAP is designed to attract new businesses, create jobs and enhance sales tax revenue for the City. Pursuant to this City Council action, the City entered into a 20-year Location Agreement with General Petroleum Corporation, a distributor of specialized petroleum products. Under the agreement, General Petroleum receives 65 percent of the sales tax revenue they generate in Long Beach. The sales tax revenue received by the City from General Petroleum's activity for FY 09 is \$1,677,700. Therefore, based on the LAP with General Petroleum, the FY 10 sales tax rebate is \$1,090,505. In anticipation of this rebate, \$754,000 was included in the FY 10 Adopted Budget. An increase in appropriation is needed to provide the rebate based on actual sales tax revenue received in FY 09.

- Increase appropriations in the General Fund (GP) in the Department of Citywide Activities (XC) by \$366,505.

On January 12, 2010, the City Council approved a Stipulated Agreement with the State Water Resources Control Board for the settlement of penalties related to prior non-compliance of the City's Underground Storage Tank systems. The cost for the negotiated settlement was \$1,700,000, for which a budget appropriation was approved in the General Fund (GP) in the Citywide Department (XC) initially in FY 09 and then later in FY 10 given the timing of the payment. However, because the City had learned about the penalty in FY 09, new accounting rules required the City to book the settlement cost as an FY 09 obligation. A technical clean up is required to reduce appropriations in the FY 10 budget, as it is no longer needed in FY 10.

- Decrease appropriations in the General Fund (GP) in the Department of Citywide Activities (XC) by \$1,700,000

Multi-Year Funds Carry-over Each fiscal year, appropriation increases and decreases are necessary to make technical corrections related to grants and capital projects citywide. Budget amounts not spent by the end of a fiscal year for multi-year grants are carried forward and reappropriated in the ensuing fiscal year. The FY 10 Adopted Budget contained estimated amounts of carry-over balance from FY 09. The necessary 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 FY 10. The net adjustment for the affected funds and departments is an appropriation increase of \$64,728,846. All of the funds are grant or bond proceeds and, therefore, restricted to their related projects and do not impact the General Fund.

Approve recommendation.

LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

NAME  
TITLE

APPROVED:

\_\_\_\_\_  
PATRICK H. WEST  
CITY MANAGER

