



Legislation Text

File #: 19-0138, **Version:** 1

Recommendation to receive and file the Fiscal Year 2018 Year-End Budget Performance Report, and increase appropriations in several funds across several departments for various purposes to reflect final expenditures and carryover clean-up. (Citywide)

This report reflects the City's Fiscal Year 2018 (FY 18) budget performance. The information provided is subject to change, as the books for FY 18 are not fully closed. However, it is anticipated that these numbers are unlikely to significantly change. While the financial report primarily discusses the General Fund, significant information for other funds is highlighted where applicable.

YEAR-END BUDGET PERFORMANCE REPORT

Summary

The City's total FY 18 Adjusted Budget of \$3.4 billion, including carryover, supports 23 departments, including the separately managed Water and Harbor Departments. The City has seven fund types divided into 38 funds that comprise the \$3.4 billion FY 18 Adjusted Budget. Most of these funds are restricted funds, such as the Harbor Fund, Gas Fund, and Tidelands Funds, designated for specific and limited activities. The majority of core community services provided by the City, such as police and fire services, libraries and parks, are largely supported by the General Fund, which comprises only 15 percent of the City's Adjusted Budget.

The City ended FY 18 within budget expectations. Year-end spending came in under budgeted appropriation for the General Fund and for all other funds after factoring in technical adjustments requested in this recommendation, which are further described later in this report. Please see Attachment A for a breakdown of citywide expenditures by fund. The remainder of this report summarizes the General Fund and notable performance for other selected funds. All numbers are unaudited and subject to change.

General Fund and Uplands Oil Fund Overview

The General Fund and Uplands Oil Fund ended the fiscal year with a funds available of approximately \$2.34 million and \$690,000, respectively. The FY 18 sources and uses of funds available are summarized in Table 1 below:

Table 1: FY 18 Performance - General Fund and Uplands Fund		
	(in \$ millions)	
	General Fund	Uplands Fund
Ending Funds Available (9/30)	\$ 1.50	\$ 0.30
Sources		
Revenues	547.84	16.06
Other Sources: (Release for Reserves)	10.87	-
Total Sources	558.71	16.06
Uses		
Expenditures	(517.42)	(14.37)
Other Uses: (e.g. encumbrances, reserves for carryover, etc.)	(28.15)	(1.30)
Other Uses: Measure A Reserve/ For Future Use	(12.29)	-
Total Uses	(557.87)	(15.67)
Ending Funds Available (9/30)	\$ 2.34	\$ 0.69

FY 18 General Fund sources totaled \$558.71 million, comprised of \$547.84 million in revenue and \$10.87 million in “other sources” largely made up of the release of reserves for one-time expenditure purposes that were authorized (budgeted) in FY 18. FY 18 uses totaled \$557.87 million, comprised of \$517.42 million in expenditures; \$28.15 million in other uses, primarily encumbrances and carryover of unspent one-time funds and other liabilities, many of which the City Council has designated in previous actions; and, \$12.29 million in reservations of Measure A funds for future use (\$4.35 million of which was allocated as part of the FY 19 Adopted Budget and \$7.94 million recommended for allocation later in this report). Measure A funds are reviewed and appropriated separately from other General Fund monies. As a result, it is not included in the General Fund funds available calculation in the table above; instead, it is discussed in a separate Measure A section later in this report.

Overall, the General Fund was able to end the year with a positive funds available due to proactive management of the budget, revenues that were higher than previous projections, combined with the savings target instituted mid-year and additional departmental cost savings. Variances from budgeted revenues and expenditures are analyzed to determine the degree to which variances are one-time or ongoing in nature. Ongoing variances are considered in estimating the status of the FY 19 budget and developing FY 20 budget projections.

Additional information regarding General Fund and Uplands Oil Fund sources and uses are described in the following sections.

Recommendations for the Use of Funds Available in the General and Uplands Oil Funds

As previously noted, the FY 18 ending funds available is projected to be \$2.34 million for the General Fund and \$690,000 for the Uplands Oil Fund. The funds available in the General Fund is in addition to operating and emergency reserves for the Fund, which ended the year at 2.2 percent or \$10.3 million and 9.4 percent or \$45 million, respectively. While both reserves are within the City’s financial policy thresholds, the operating reserve was initially slightly below the policy minimum of 2 percent. Additional funding was set aside at year-end in FY 18 to bring the operating reserve above the minimum policy threshold. In addition, the Uplands Oil Fund has an operating reserve of \$500,000. The proposed uses for the funds available are shown in Table 2 below.

An explanation for each of the proposed year-end uses follows the table below.

Table 2: Recommended Uses of Funds Available for General Fund

	(in \$ millions)	
	General Fund	Uplands Fund
Ending Funds Available (9/30)	\$ 2.34	\$ 0.69
5% Unfunded Liability	(0.12)	(0.03)
Contingent Appropriations from FY 19 Adoption Night	(0.31)	-
City Council Offices Budget Savings Move to FY 19	(0.29)	-
City Auditor Budget Savings Move to FY 19	(0.05)	-
City Prosecutor Budget Savings Move to FY 19	(0.11)	-
Community Hospital & Armory Holding Costs	(1.00)	-
Library Sunday Hours (continuation)	(0.18)	-
Coyote Study (Phase III)	(0.07)	-
Emergency Maintenance Account	(0.20)	-
Police Department Mobile Technology MOU costs	-	(0.45)
Homelessness Program	-	(0.20)
Ending Funds Available (9/30) After Recommended Uses	0.01	0.01

The recommendations for uses of Funds Available include the following:

- Set aside 5 percent of funds available for unfunded liabilities to comply with the City Council’s adopted financial policy. This includes \$116,973 from the General Fund and \$34,542 from the Uplands Oil Fund.
- Per the FY 19 Budget Adoption City Council actions, \$305,000 of the first available additional FY 18 year-end General Fund surplus is now automatically appropriated for the following items (it was previously a contingent appropriation):
 - o \$130,000 in supplemental funding for the elimination of the tree stump removal backlog (bringing the total for tree stump removal backlog in FY 19 to \$215,000)
 - o \$70,000 for a strategic plan for Parks, Recreation, and Marine Department
 - o \$25,000 for planning and outreach efforts for the African American Cultural Arts

Center

- o \$30,000 for STD outreach, testing, and mobile center
- o \$50,000 for support for efforts around affordable housing and homelessness
- Carryover of \$291,982 in General Fund savings from the Legislative Department which, by practice, will be allocated to supplement each respective Council District's funds for District priorities, in accordance with the Procedures for Implementation document of November 9, 2015.
- Carryover for the City Auditor's Office savings to provide one-time support for one-time needs in FY 19. Savings of \$53,749 from the General Fund was requested by the City Auditor and submitted for approval by the City Council in a separate letter on February 12, 2019.
- Carryover for the City Prosecutor's Office savings to provide one-time support for one-time needs in FY 19. Savings of \$109,330 from the General Fund was requested by the City Prosecutor and approved for appropriation by the City Council in a separate letter on January 22, 2019.
- Enhancement for the Economic Development Department of \$1,000,000 to support operating and security costs at the Community Hospital and Armory sites.
- Enhancement for the Library Services Department of \$180,000 to support the continuation of Sunday library hours at Bay Shore, Burnett, El Dorado, and Michelle Obama through the remainder of FY 19.
- Enhancement for the Parks, Recreation, and Marine Department of \$70,000 to fund Phase III of the Coyote Study. The City Council approved this three-year study on December 20, 2016, and \$70,000 is needed for the third and final year of the study. This phase of the coyote study, conducted by the Loyola Marymount Center for Urban Resilience, will place GPS radio collars on several coyotes and provide for ongoing collection of photo and video tracking.
- Enhancement for an emergency maintenance account in the City Manager Department of \$200,000 to provide one-time funds for critical needs that may arise throughout the year and would otherwise go unfunded.
- Enhancement for the Police Department of \$450,000 from the Uplands Oil Fund to support mobile technology costs associated with the new legislative mandates related to AB 953, a bill requiring police officers to record data on certain types of interactions with the community.
- Enhancement for the Health and Human Services Department of \$200,000 from the Uplands Oil Fund to support citywide clean-ups, homeless outreach, vouchers, and other

support to address homelessness.

If approved, relevant items will be listed in the FY 19 First Budget Adjustment Report.

General Fund - Sources of Funds

Revenues

As of fiscal year-end, \$547.84 million of General Fund revenue was received, which is higher than what was anticipated during the year. Overall, positive revenue streams were able to mitigate the revenue sources that came in under budget and allowed the General Fund to end the year with a surplus.

Key revenue sources that came in under budget included telephone utility users tax, due to a continued decline in the number of land-lines and competitive prices, cannabis-related revenues, due primarily to cannabis businesses taking longer to start operations, and a shortfall from the utility revenue transfers of about \$6 million, which was worse than previously anticipated, due to the adverse impacts of the water and sewer utility transfer litigation. Pipeline franchise fee revenue also came in lower than expected due to lower natural gas prices and lower consumption.

Fortunately, there were several major revenue sources that came in better than budgeted, including property tax and transient occupancy tax. Another revenue that exceeded budgeted levels was revenue from the sale of oil. The FY 18 Adopted Budget oil projections assumed \$45 per barrel, but oil revenue received reflected revenue at an average of \$66 per barrel. Additionally, there was an additional \$2.2 million above budget in reimbursement for indirect costs related to Police Department charges for services such as Metro, Long Beach Transit, and Long Beach City College contracts. Revenues also included the one-time transfer of \$9.8 million from the Gas Fund as approved by the City Council on May 22, 2018, which will allow the City to fund strategic one-time investments in FY 19.

Most of these higher revenues were anticipated. The major revenue source that came in higher than expected was the Sales and Use Tax (non-Measure A) revenue, which came in \$6.2 million over budget. Some of this surplus is attributable to one-time use tax revenue from construction projects and a one-time benefit derived from the State changing its allocation schedule resulting in an extra remittance in FY 18 and is not anticipated to continue. Staff is evaluating the data to determine what portion of this revenue is associated with real revenue growth trends and will incorporate those factors into future projections. Staff is monitoring this carefully as sales tax was a challenge to track and evaluate during FY 18 due to data problems with a new State tax system. As mentioned in the memorandum released on October 11, 2018, the State implemented a new sales tax system that resulted in significant delays and errors in processing State sales tax returns and associated City revenues. The delays and errors in filing that resulted made it impossible to accurately track or project sales tax revenue. While it appears that the State has fixed most of the issues,

there is no certainty the City has all the information it needs to project sales tax or Measure A tax revenue. Full information to resolve questions on trend may not be available until well into FY 19.

As mentioned above, these issues along with the high-trending FY 18 revenue also impacted Measure A revenues, which came in even higher than the previously anticipated surplus. An additional unallocated one-time surplus in FY 18 of about \$7.9 million is available and the recommended uses of these funds are provided in the Measure A section below. It is important to note that FY 18 is the first full year of receiving Measure A funds and so it is challenging to project without historical data. Staff is currently evaluating what level of these Measure A funds should be expected to reoccur in future projections.

Attachment C provides a breakdown of the top 40 General Fund revenue performance by source, with significant variances identified in the footnotes.

Other Sources

Other sources of funds totaled \$10.87 million in FY 18. The majority of these other sources are comprised of the release of reserves of funds established in prior fiscal years, such as the reserves for the settlement payments related to the utilities pipeline fee and Utility Users Tax lawsuits. These other sources also include the release of reserves that were set aside in FY 17 for previously approved City Council items that were anticipated to occur in FY 18, such as the FY 17 encumbrances to be paid in FY 18 and carryover of one-time funds from FY 17 that were not completed. Lastly, the release of Measure A surplus funds from FY 17 for projects that were not completed in FY 17 and the funding was planned to be carried over into FY 18 for previously approved Measure A uses.

General Fund - Uses of Funds

Expenditures by Department

Actual General Fund spending totaled \$517.42 million, or 98 percent of the adjusted budget. The adjusted budget included savings associated with an initial vacancy savings factor, and a mid-year addition to that factor, to represent the natural turnover in filling of positions citywide and to address the City Council's direction to save as much money as practical without impacting jobs or programs. These overall savings were calculated at 1.3 percent of non-sworn personnel costs or 0.5 percent of a department's total structural budget and were incorporated into departments' budgets. All departments met these General Fund savings targets and came in within their adjusted budget appropriation levels.

In addition, some departments came in under budget, which was anticipated, such as the Police Department's planned savings of \$3.4 million resulting from sworn vacancies and earmarked to fund Police Academy costs in the FY 19 budget. The Legislative Department, City Auditor's Office, and the City Prosecutor's Office also had savings; however, these

savings are being requested by the respective departments as uses of funds available to fund FY 19 appropriation increases for the City Council District priorities and one-time support for the City Auditor and City Prosecutor's Office. Additionally, there were savings in departments as a result of some of the City Council-approved FY 18 one-time funds that were not fully expended; these funds are reserved at the end of FY 18 and included as part of other uses described in the Other Uses section. These unspent departmental and one-time funds are included for re-appropriation in the FY 19 First Budget Adjustment Report.

Attachment B provides a breakdown of General Fund expenditure performance by department. Notable departmental variances are identified in the footnotes to this attachment.

Other Uses

Other Uses of funds, not-related to Measure A surplus totaled \$28.15 million in FY 18 and are comprised of assignments to reservations for future uses (carryover), including planned FY 19 one-time budget spending, FY 18 budgeted one-time funds that were unspent at year-end, and other City liabilities. Examples of these reservations include funding set aside for the FY 19 one-time strategic initiatives included as part of the FY 19 Adopted Budget; FY 18 one-times not fully expended that will be re-appropriated in the FY 19 First Budget Adjustment Report; reservations of asset forfeiture funds; reservations of FY 18 departmental encumbrances for costs incurred in FY 18 but will be expended in FY 19; reservations for the proceeds from sales of former-RDA land set aside per City Council policy; reservation of the Police Department's savings earmarked for the FY 19 Police recruit academies; and, reservation of 1 percent of Measure A and Measure MA funds for the Measure B Rainy Day Fund. Additionally, FY 18 year-end actuals included \$12.3 million in Measure A revenue above budgeted levels, of which \$4.4 million was anticipated and is incorporated in the FY 19 revised Measure A allocation plan. The remaining \$7.9 million in surplus Measure A funds is being reserved for allocation in FY 19, as recommended in the following section.

Measure A Revenues and Expenditures

Pursuant to the June 7, 2016 Measure A ballot initiative, on January 1, 2017, businesses in the City began to collect an additional 1 percent in transaction and use (sales) tax to be collected for six years before reducing to half a percent for four years. The City Council initially budgeted \$47.7 million in anticipated FY 18 Measure A revenues to fund priority public safety maintenance and restorations, capital improvement projects, and funds for the administration of the Measure A tax. As reflected in Attachment D, FY 18 year-end actuals for Measure A revenues were \$61.5 million. As mentioned earlier, issues with the State sales tax system made it difficult to accurately project Measure A revenue in FY 18. Between surplus revenue and expenditure actuals, excluding funds already obligated for one-time public safety and infrastructure purposes, there is \$7.9 million in surplus unallocated Measure A funds available at year-end FY 18.

It is recommended that these funds be reserved and appropriated in FY 19 to ensure that key Measure A and other infrastructure projects are not deferred from the original schedules and to move key projects up earlier in the Measure A allocation schedule. Many Measure A project budgets were based on preliminary engineering estimates. As detailed design has progressed, and economic conditions have driven construction costs up nationwide, there have been several projects that require additional funds to complete the project. Lastly, some of the surplus is attributable to savings in the Measure A administration budget and \$60,000 of these savings is recommended to be re-appropriated in FY 19 to fund projects such as the development and distribution of Measure A educational materials. Table 3 below summarizes the proposed uses for the Measure A surplus funds.

Table 3 Recommended Uses for FY 19 Measure A Surplus (in millions)	
FY 19 Measure A Surplus (Unallocated)	7.6
Recommended Uses:	
Mobility	1.0
Alley Program	0.3
Traffic Circle	0.7
Public Facilities	0.7
Beverly Library Improvements	0.7
Parks and Recreation	6.0
Drake Park Improvements	0.5
4th Street Senior Center	0.2
El Dorado Restroom Relocation #28 & #7	0.2
Davenport Park Phase II	0.2
El Dorado Park Artificial Turf	0.2
Houghton Park	0.7
MacArthur Park Prefabricated Restroom	0.7
Recreation Park Playground	0.7
El Dorado Golden Grove Playground	0.7
El Dorado Golden Grove Event Area	0.5
El Dorado Park Tennis Courts	0.2
Rixby Park Improvements	0.3
Cherry Park Playground	0.7
Measure A Admin.	0.0
Administration carryover for educational materials	0.0
Total Recommended Uses	7.9
Ending Net Surplus	0.7

Notes:

- ¹Projects that were scheduled for later in the Measure A availability of funds, are recommended to begin earlier.
- ²Key infrastructure projects not on original Measure A schedule are recommended to cover estimated project shortfalls.
- ³Any additional future funds available from advance sales tax are recommended to be allocated to public safety radio upgrades.

These proposed recommendations for the uses of Measure A funds are contingent upon the confirmation by the Measure A Citizens Advisory Committee that the proposed uses are in conformance with the intent of Resolutions No. RES-16-0018 and RES-16-0017 prioritizing

spending.

Attachment D also provides a summary of the FY 18 Measure A spending. Surplus Measure A revenues at year-end FY 17 and increased revenue projections mid-year in FY 18 provided an additional \$4.9 million to support Measure A infrastructure, administrative and public safety radio implementation costs bringing the total FY 18 Measure A adjusted budget to \$52.1 million. The breakdown of this budget and spending is provided in Attachment D, as well as the details on the progress of infrastructure spending. A total of \$30.5 million has been allocated to infrastructure in FY 18. As of September 30, 2018, \$16.1 million has been expended and \$6.1 million has been encumbered, or obligated, for infrastructure purposes. Due to the length of time necessary to complete some capital projects, \$8.2 million in approved projects, still in progress at the close of FY 18, will be carried over to be expended until the projects are complete.

Other Funds

General Services Fund

The General Services Fund is used for the deployment, operation, maintenance, and replacement of the City's information and communications systems. The fund includes the cost for hardware and software for these systems, as well as a variety of support services related to technology, including equipment installation, maintenance, help desk support, business information services, among many other responsibilities. The primary source of revenue for the General Services Fund is internal charges to City Departments and Funds, which comprise over 85 percent of its total revenues. The General Services Fund ended FY 18 under budget, mainly due to the timing of spending related to the City's critical technology infrastructure needs versus the timing of actual expenditures. The total costs for critical technology needs approved by the City Council were \$67 million, phased in over three years, of which \$49.7 million is being financed and \$17.2 million is being funded with cash. Of the \$67 million, approximately \$37 million was appropriated in FY 18 via standalone budget adjustments. The remaining \$29.6 million will be budgeted in FY 19 and future years.

Gas Fund

The Gas Fund provides full natural gas utility services to residential and business customers in Long Beach and Signal Hill. In 2018, the Gas Fund spent \$8.3 million on capital improvements, including \$8.1 million on the City's gas pipeline infrastructure. Over the past several years, the City has actively taken steps to reduce the historical transfer in the Gas Fund to create a stronger fund balance and fund reserve. Due to one-time high revenues from a cold winter, the Gas fund was able to transfer to the General Fund an additional one-time amount of \$9.8 million for a total transfer of \$19.2 million in FY 18.

Police and Fire Public Safety Oil Production Act (Proposition H)

On May 1, 2007, the voters approved Proposition H, a special tax of \$0.25, with an annual Consumer Price Index (CPI) increase on every barrel of oil produced and restricted to fund police and fire services. The tax assessed in FY 18 was \$0.30 per barrel of oil produced and will remain at that rate in FY 19. Revenues were \$3.4 million, and expenses were \$3.8 million for FY 18. To utilize the funds available generated in previous years and address public safety services, the City Council authorized appropriation in excess of budgeted revenue. Beginning in FY 19, appropriations were reduced to align with available funding. This fund will continue to be monitored closely in FY 19, since oil production is impacted by the price of oil and will impact Proposition H revenue.

Tidelands Operations Fund

The Tidelands Operations Fund is used to account for operations, programs, maintenance, and development of beaches and waterways, the Convention Center and capital projects in the Tidelands area. The primary sources of revenue are actual charges for services between public safety departments and the Harbor Department, the annual transfer from the Harbor Revenue Fund, and net revenue from oil operations in the Tidelands areas. The FY 18 Adopted Budget oil projections were based on \$45 per barrel. Actual oil prices averaged \$66 per barrel throughout FY 18 resulting in revenue significantly higher than the FY 18 Adopted Budget and illustrates the variable nature of this funding stream. Staff monitors Tidelands revenue and expenditure projections throughout the year to determine the impact of oil prices on both the operating budget and capital projects. Due to expenditures savings by departments, higher than projected revenues, and additional project carryover clean-up, there is \$7.0 million in FY 18 year-end Tidelands Operations Fund funds available. Staff has developed the following recommendations for the use of the funds available consistent with the reprioritization criteria established by the City Council in 2015:

Table 4. Recommended Capital Projects	
List of Projects	Amount (in \$ million)
Convention Center Improvements	1.00
Nanles Seawalls Phase 2 Construction	2.50
Alamitos Concession (This is an 8 by 28 ft concession)	0.50
Granada Concession (This is an 8 by 28 ft concession)	0.70
Junipero Concession (This is an 8 by 28 ft concession)	0.90
Water Playground Bayshore	0.05
Water Playground Alamitos Beach	0.10
Trash Receptacles	0.05
Critical Facilities	0.20
Total Recommended Uses	

If approved, these will be appropriated as part of the FY 19 First Budget Adjustment Report.
Refuse Fund

The Refuse Fund receives approximately 91 percent of its total revenues from refuse and recycling charges. The remaining funds come from State grants for various public outreach efforts (recycling, litter reduction, used motor oil collection, etc.), revenues from the sale of recyclables collected through the City's residential recycling program, fees paid by the City's licensed private refuse haulers for AB 939 compliance, and interest income. In FY 18, revenues in the Refuse Fund were \$43.3 million and expenditures were \$44.6 million. The Refuse Fund has relied on funds available to offset operating shortfalls over the past few years but has not increased fees to match increasing costs. Staff has completed a Cost of Service (COS) Study to ensure the City's refuse and residential recycling rates are equitable and appropriate. The study includes a comparative rate survey, recommendations for an updated rate structure, and a new rate model. The Refuse Fund proposed a rate increase in FY 19 based on the COS Study to offset these continuous shortfalls. These adjusted rates are intended to begin the process of balancing the fund, but costs to provide services may continue to exceed revenues. Staff will continue to monitor the fund and the impact of the rate increases through FY 19.

Towing Fund

The Towing Fund supports towing operations to clear vehicles involved in accidents, impound vehicles for code violations, operate a storage facility and a payment center, and facilitate the sale of unclaimed vehicles. In FY 18, revenues in the Towing Fund were \$5.15 million and expenditures were \$5.16 million, which included a \$500,000 transfer to the General Fund - less than the \$1 million budgeted transfer to maintain a minimum funds available in the fund. Total revenue in the Towing Fund dropped by 4 percent in FY 18 compared to FY 17, primarily due to law changes on vehicle storage and reduced demand for scrap metal. Specifically, revenue from vehicle sales was down 2 percent, storage fee revenue down 7 percent, while towing fee revenue remained consistent with FY 17 levels. To support ongoing operations and fund one-time costs to improve security at the towing site, many towing fees were increased from 6 to 13 percent in FY 19.

Uplands Oil Fund

The Uplands Oil Fund accounts for oil revenue outside the Tidelands area, and for all costs and revenues for the City's proprietary oil interests. Oil production costs and transfers to the General Fund make up the majority of expenditures in the fund. The Uplands Oil Fund began FY 18 with funds available of \$300,000. The total amount transferred in FY 18 was \$11.4 million, which included \$300,000 one-time transfer for one-time purposes in FY 18. The FY 18 Adopted Budget oil projections were based on \$45 per barrel. Actual oil prices averaged \$66 per barrel throughout FY 18. This increased the estimated transfer to the General Fund from \$8.9 million to \$11.1 million. As a result of the higher actual average oil prices, FY 18 expenses (the transfer to the General Fund) in the Uplands Oil Fund exceeded budget. An increase in appropriations is included as part of the recommendation to align budget to actuals.

Tidelands Oil Revenue Fund

The Tidelands Oil Revenue Fund (TORF) is used to account for the proceeds from oil operations within the Tidelands area. Oil production costs and transfers to the Tidelands Operations Fund as well as to the State of California account for a majority of the expenditures in the fund. Higher than initially projected oil prices resulted in a transfer to the Tidelands Operations Fund of \$17.5 million. As a result of the higher actual average oil prices, FY 18 expenses in TORF exceeded budget. An increase in appropriation is included as part of the recommendation to align budget to actuals.

TECHNICAL FY 18 YEAR-END APPROPRIATION ADJUSTMENTS

On September 11, 2017, the City Council adopted the Appropriations Ordinance governing the City's Adopted Budget for FY 18. 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 periodically to the City Council for consideration. The requested appropriation adjustments for FY 18 year-end are noted in the Fiscal Impact section.

This matter was reviewed by Deputy City Attorney Amy R. Webber on January 31, 2018.

City Council action is required prior to the closing of the City's books for FY 18.

To accurately reflect FY 18 year-end transactions, the following action is requested:

- Increase appropriations in the Tidelands Oil Revenue Fund (NX 420) in the Energy Resources Department (ER) by \$15,205,077 to align budget to actuals, offset by higher oil revenue.
- Increase appropriations in the Uplands Oil Fund (SR 134) in the Energy Resources Department (ER) by \$852,021 to align budget to actuals, partially offset by higher oil revenue.

FY 18 expenses in the Uplands Oil Fund and the Tidelands Oil Revenue Fund exceeded budget. Appropriation increases are requested in both funds to align budget to actuals. In the Uplands Oil Fund, higher than anticipated oil revenue lead to corresponding increases in the transfer amounts to the General Fund, as well as increased remittance payments to oil operators such as THUMS Long Beach. In the Tidelands Oil Revenue Fund, higher than

anticipated prices led to increased remittance payments to the State of California for Tidelands Oil.

Approve recommendation.

[Enter Body Here]

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER