



Legislation Text

File #: 23-0115, **Version:** 1

Recommendation to receive and file the Fiscal Year 2022 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)

Summary

This report reflects the City of Long Beach (City) Fiscal Year 2022 (FY 22) budget performance. The information provided is subject to change, as the books for FY 22 are not fully closed and all numbers are unaudited, although significant change is considered unlikely. Additionally, the budgetary funds available for many funds are still being developed and thus the information provided is based on the current information available.

The FY 22 budget was adopted projecting a General Fund funding shortfall of \$30 million, which improved during the mid-year performance report to a projected \$18 million shortfall. This final year-end report now shows a General Fund shortfall of \$11.5 million, that will be covered with funds made available from the Long Beach Recovery Act as planned. This smaller shortfall is mainly credited to citywide revenues that have out-performed projections. General Fund expenditures have also experienced savings, particularly with higher vacancy rates for positions citywide. This report provides details behind these results as well as recommendations on funding key priority projections utilizing one-time funding, including the priority projects identified by the City Council with the adoption of the FY 23 Budget in September.

Other key funds are reporting a surplus or ending the year with budgetary funds available that is being recommended for priority one-time uses. The Uplands Fund has a surplus of \$416,369 that is being recommended to be set aside for additional funding for oil well abandonment reserves after allocating 5 percent to the unfunded liability reserve per policy. Measure A has a surplus of \$9.8 million, which is being recommended to fund key priority projects identified by the City Council as part of the FY 23 budget adoption night actions, as well as other priority initiatives including \$4 million for homelessness-related infrastructure projects. The Tidelands Operating Fund also ended the year with budgetary funds available of \$15.4 million and recommended uses are provided in this report.

While this financial report focuses on the General Fund, pertinent information for other funds is highlighted where applicable. Overall, the City has 161 financial funds summarized and

reported as 36 budgetary fund groups covering 23 departments, including the separately managed Public Utilities and Harbor Departments. In this report, any reference to “funds” means the budgetary fund group. Except for the General Fund, all of these funds are designated for specific and limited activities, such as the Harbor, Water, Gas, and Tidelands Funds.

This report includes the following attachments:

- Attachment A - Citywide Expenditures by Fund
- Attachment B - Top 40 General Fund Revenue by Source
- Attachment C - General Fund Expenditures by Department
- Attachment D - Measure A Summary of FY 22 Revenue and Expenditures
- Attachment E - Long Beach Recovery Act Expenditures and Revenues
- Attachment F - Long Beach Recovery Act Program Allocations
- Attachment G - Memo From the Mayor Requesting Consideration of Additional Support

General Fund and Uplands Oil Fund Overview

The FY 22 Budget was developed during the Spring/Summer of 2021 and at the time of adoption was projecting a \$27 million General Fund structural shortfall with commitments of \$3 million in one-time funding needs for a total estimated funding gap of \$30 million. The budget plan, however, was able to avoid service level reductions, maintain services, and provide for additional time to see how the economy would recover with the planned uses of the Long Beach Recovery Act (LB Recovery Act) funds.

After the adoption of the FY 22 Budget in September 2021, City staff reported on the FY 21 Budget performance to the City Council in February of 2022. This was a significant report as it showed that the overall fiscal impact of the pandemic on the FY 21 financial performance was not as severe as originally anticipated, with key General Fund revenue sources such as sales tax rebounding very quickly and even surpassing FY 19 pre-pandemic performance. The General Fund had originally anticipated having a shortfall of \$8 million at the time of FY 21 Budget adoption in September of 2020 but ended the year with an ending funds available of \$2.3 million. Based on these results, the updated shortfall projection for FY 22 as reported in May 2022 was a General Fund shortfall of approximately \$18 million - a significant improvement from the originally projected \$30 million funding gap.

This year-end report now shows that the FY 22 year-end result for the General Fund is a shortfall of \$11.5 million - a further improvement from the mid-year projection of \$18 million. Citywide revenues continue to be the key variable, overall outperforming the mid-year projections. Additional details on revenues are provided in the “General Fund - Sources of Funds” section below. On the expenditure side, while there are a couple departments that

had overages requiring budget adjustments requested in this report, the total collective expenditure projection is less than budget. Many departments, most notably the Police and Fire Department budgets, are realizing higher savings compared to typical years due to salary savings from unfilled positions in the tight labor market facing all organizations in the region, State and nation. As noted in the mid-year performance report, some of the savings in the Police Department allowed for funding support for Community Crisis Response, violence prevention, and citywide equity efforts as well as other public safety priorities. Additional information on expenditures and departmental trends are described in the “General Fund - Uses of Funds” section below.

The FY 22 General Fund and Uplands Oil Fund sources and uses are summarized in Table 1 below:

Table 1: FY 22 Performance - General Fund and Uplands Oil Fund		
	(in \$ millions)	
	General Fund	Uplands
Beginning Funds Available (10/1/21)	\$ 2.29	\$ -
Sources		
Revenues	653.70	17.46
Other Sources: (Release of Reserves)	30.66	-
Total Sources	684.36	17.46
Uses		
Expenditures	(622.24)	(15.01)
Other Uses: (e.g. Measure B set aside, Public Safety MOUs, etc.)	(46.75)	(2.03)
Other Uses: Measure A Reserve/ For Future Use	(29.17)	-
Total Uses	(698.17)	(17.04)
Ending Funds Available (9/30/22)	\$ (11.52)	\$ 0.42

Amounts reported in this summary exclude designations for Long Beach Recovery Act uses along with related departmental activity which will be discussed separately in this report.

The FY 22 General Fund sources total \$684.36 million, comprised of \$653.70 million in revenue and \$30.66 million in “other sources” largely made up of the release of reserves previously set aside to cover one-time expenditures that were budgeted in FY 22, inclusive of \$16.73 million in releases from Measure A.

The FY 22 General Fund uses total \$698.17 million, comprised of \$622.24 million in expenditures; \$46.75 million in other uses including set asides for unbudgeted negotiated Public Safety labor agreements and investments in Public Safety; funding required for the capital acquisition cost of a Project Homekey motel; and \$29.17 million of Measure A funds reserved for future use. Measure A funds are reviewed and appropriated separately from other General Fund monies. As a result, they are not included in the General Fund funds available projection in the table above; instead, they are discussed in a separate Measure A section below. Additional funding set aside of \$29.17 million for Measure B and other

operational carryforwards will be discussed in more detail later in this report.

The FY 22 Uplands Oil sources total \$17.46 million, with uses of \$17.04 million. The uses includes \$2.03 million in other uses representing the annual set aside for future oil well abandonment. The typical annual set aside is \$1.625 million but as reported in the mid-year performance report, an additional 25 percent increase to the set aside was planned. Additionally, this report recommends the surplus of \$416,369 to be allocated to the 5 percent unfunded liability per policy and then the remaining to further add to the abandonment reserve. Inclusive of the year-end recommendation, this would represent a 49 percent higher (additional \$0.8 million) set aside for oil well abandonment over what was previously planned at \$1.6 million. The recommended abandonment funding set aside was also increased in the Tidelands Oil Revenue Fund Group as part of the mid-year performance report goal of an additional 25 percent set aside (increasing the planned set aside of \$7.125 million by \$1.8 million for a total of \$8.9 million). These allocations help the City build reserves to safely retire oil wells in the future and take steps towards less oil dependency.

General Fund Emergency and Operating Reserves

The funds available in the General Fund described in the table above reflects a deficit balance and is not inclusive of General Fund Operating and Emergency Reserves. The Operating Reserve, at \$16.0 million, is 2.9 percent of normal operating expenditures, which is within the policy required range of 2 to 7 percent. The Emergency Reserve, at \$47.8 million, is 8.6 percent of normal operating expenditures and is below the target level of 10 percent but above the minimum of 8 percent. The Uplands Oil Fund has an operating reserve of \$500,000 and an oil fluctuation reserve of \$2.9 million.

Recommendations for the Use of Funds Available in the Uplands Oil Fund Group

As previously noted, the FY 22 ending funds available in the Uplands Oil Fund Group is \$416,369. Recommendations for uses of the funds available include the following one-time uses:

- Set aside 5 percent of funds available for unfunded liabilities to comply with the City Council's adopted financial policy in the amount of \$20,818.
- Set aside of \$395,551 in Uplands Oil Fund surplus for future oil well abandonment. This will add to the normal annual set aside of \$1.625 million and an additional 25 percent set aside as planned and noted in the FY 22 Mid-Year Performance Report. In total, \$2,426,801 will be set aside for abandonment from the Uplands Oil Fund representing a 49 percent increase over the normal annual set-aside amount.

Recommendations for one-time priority projects funded by General Fund funds made available by the LB Recovery Act Funds

As discussed above, the FY 22 General Fund ending balance is a deficit of \$11.5 million, which will be covered with funding made available by the LB Recovery Act, Securing Our City’s Future category as previously planned. In addition to covering the FY 22 shortfall, \$10.72 million of one-time funding is recommended to be allocated to support key priority projects identified by the City Council as part of the FY 23 budget adoption night actions approved on September 6, 2022, and to fund other critical needs. The proposed uses for additional one-times are shown Table 2 below, with an explanation for each of the proposed year-end uses following the table.

Table 2: Recommended Uses of One-Time General Fund	
Description	Amount (in \$ million)
Library Department Materials	\$ (0.8)
Language Access Program needs	\$ (0.2)
Firework Enforcement	\$ (0.1)
Reproductive Health Studies or Pilot Programs	\$ (0.1)
Measure B TOT One-time supplement	\$ (0.1)
Pacific Corridor Activation	\$ (0.0)
Additional Justice Fund Support	\$ (0.3)
CD4- District Priority Funds for Community Hospital	\$ (0.0)
City Council Offices Budget Savings for Community Hospital	\$ (0.4)
Priority Funds (Divide by Nine)	
*Community Crisis Response Program	\$ (0.2)
Drink Safety Kits	\$ (0.0)
Homelessness Emergency Response	\$ (5.4)
*Long Beach Pledge Guaranteed Income Pilot	\$ (0.4)
Citywide Neighborhood Block Parties, Even Association Microgrants	\$ (0.2)
Youth Services Programs in Low-Income Areas	\$ (0.3)
Senior Services Programs - Meal Service Program	\$ (0.0)
*Hours After Dark Program	\$ (0.0)
Reach Streets Support	\$ (0.1)
Mayor Office New Staffing Model	\$ (0.7)
Administrative Support- Mayor City Council City	\$ (0.0)
Legislative Department Staffing Support Through Pilot Program	\$ (0.3)
Total Recommended Use of Additional One-Time	\$10.7
<i>*Additional funding for programs in the LB Recovery Act plan</i>	

Recommendations for uses of One-time General Fund funding identified by City Council during the adoption of the FY 23 Budget as key priority projects:

- Enhancement of \$800,000 in the Library Department to provide further support for materials (this is made up of \$400,000 Budget Oversight Committee (BOC) Recommendation and \$400,000 City Council adjustment).
- Enhancement of \$200,000 in the City Manager's Department to further support the Language Access Program needs.
- Enhancement of \$100,000 in the City Manager's Department to support the Fireworks Enforcement Team working to mitigate the illegal use of fireworks and explosives in Long Beach.
- Enhancement of \$150,000 in the Health and Human Services Department for any necessary feasibility studies or pilot programs to support increased access to reproductive health in response to the overturning of Roe v. Wade.
- Enhancement of \$150,000 in the General Fund Group in the City Manager's Department to supplement the Measure B (TOT) revenues that are then allocated to the Convention Center, arts organizations, and cultural centers.
- Enhancement of \$50,000 in the Economic Development Department to Support the Pacific Corridor activation that takes into consideration prior activations and successes including investment such as event signage.
- Enhancement of \$300,000 in the City Manager's Department to provide additional support for the Justice Fund.

Recommendations for uses of one-time General Fund funding as additional priority needs:

- Enhancement of \$250,000 in the Citywide Activities Department, for Council District Four District Priority Funds to supplement funds that were previously allocated to Community Hospital facility needs.
- Carryover of \$473,085 in General Fund savings from the Legislative Department, which, by practice, will be allocated to supplement each respective Council District's one-time District Priority Funds, in accordance with the Legislative Department

Procedures for Purchases, Payments, and Personnel Transactions document of December 10, 2020.

- Enhancement of \$270,480 in the Health and Human Services Department to fill the funding gap for the Community Crisis Response Program in FY 23 that will pilot non-police crisis response team(s) focused on responding to non-violent, non-criminal, and non-medical calls for service related to mental health crises with connections to services and resources. This is supporting a program that is part of the LB Recovery Act.
- Enhancement of \$25,000 in the Health and Human Services Department to purchase disposable drink safety kits for a test kit distribution program similar to the program implemented by the City of West Hollywood.
- Enhancement of \$5,400,000 in the City Manager's Department for Homelessness Emergency Response Efforts, including but not limited to programs, cleanups, staffing, equipment, sheltering and other efforts.
- Enhancement of \$450,000 in the Economic Development Department for the Long Beach Pledge, a Guaranteed Income (GI) Pilot that is an innovative approach to support single income households in the 90813 Zip Code in a rapidly changing economy by providing a minimum amount of income to supplement the basic costs of living, with the goal of reducing poverty. This is supporting a program that is part of the LB Recovery Act.
- Enhancement of \$200,000 for the following: 1) \$100,000 in the City Manager's Department to support Citywide neighborhood summer block parties in the FY 23. The funds will be used to cover Special Event and Filming Block Party Permit fees and, as funding allows, on a first-come, first-served basis, may cover the costs of additional City services and street closure equipment rental; and, 2) \$100,000 in the Development Services Department for neighborhood association microgrants of up to \$1,500 for improvement programs, e.g. landscaping, graffiti removal, murals, clean-ups, etc.
- Enhancement of \$390,000 in the Parks, Recreation and Marine Department for Youth Services programs in low-income areas, including After School and Fun Day

programming, Teen Center, and Financial Aide subsidies to income qualified Day Camp participants. This program was previously funded with CDBG funding that is no longer allocated for this purpose in FY 23.

- Enhancement of \$20,000 in the Parks, Recreation and Marine Department for senior services programs in low-income areas that will support the senior meal service program at Cesar E. Chavez and Silverado Parks. This program was previously funded with CDBG funding that is no longer allocated for this purpose in FY 23.
- Enhancement of \$90,000 in the Parks, Recreation & Marine Department to provide additional funding for an additional season of Hoops After Dark program, which provides a safe environment for area youth ages 18 to 25 to develop athletic and leadership skills in conjunction with educational workshops. This is supporting a program that is part of the Long Beach Recovery Act.
- Enhancement of \$100,000 for the City Manager's Department to support Downtown Beach Streets special event which is currently planned to take place in May 2023. These funds support the overall projected cost, which includes a \$216,000 Metro grant and appropriated \$54,000 grant match.

The Mayor has requested consideration of additional funding support as described in the Mayor's memo to the City Manager dated January 30, 2023 (Attachment G). The following transmits the funding requests related to the Mayor's requests for City Council consideration.

- Enhancement of \$702,450 to support the estimated FY 23 cost of the new staffing model and new positions within the Mayor's Office as part of the transition plan for operations, as well as funding for membership in the African American Mayors Association. This projected cost in FY 23 over current budget represents positions changing classifications and salaries, as well as 4.5 new positions, including Housing and Economic Development Deputy positions as noted in Mayor Richardson's State of the City address on January 10, 2023. This is the estimated projection for the funding needed for the remainder of FY 23, but actual costs will be revisited at the end of the fiscal year. These are also ongoing costs and will be incorporated into the FY 24 budget development process. Increases to structural, ongoing costs may reduce the ability to implement strategies that avoid or minimize service reductions - such as the use of one-times to cover operating shortfalls on a temporary basis and will increase the shortfall amount requiring structural solutions to be identified in the future.
- Enhancements of \$155,037 in the Legislative Department and \$105,969 in the City Clerk's Office to support the following respectively: overall administrative support needs for Mayor and the City Council, including financial and personnel administrative support, and a position in the Clerk's Office to monitor and maintain compliance with the Levine Act, which prohibits contributions of more than \$250 made to an officer of an

agency by a party, participant, or the party or participant's agent of proceeding pending before the City while a proceeding involving a license, permit, or other entitlement for use is pending before the City. These are also ongoing costs and will be incorporated into the FY 24 budget development process. Increases to structural, ongoing costs may reduce the ability to implement strategies that avoid or minimize service reductions - such as the use of one-times to cover operating shortfalls on a temporary basis and will increase the shortfall amount requiring structural solutions to be identified in the future.

- Set aside of \$342,000 in the Citywide Activities Department for funds to develop and establish the Public Service Pathways Pilot Program in the Legislative Department. The program is a partnership with local educational institutions to create stronger pathways to the City for Long Beach students. The Public Service Pathways Pilot Program is intended to increase City Council staff capacity to more effectively manage caseloads, policy research, internal communication with other departments, community events, and other legislative affairs. Once the program is ready for implementation, the funds can be reallocated or appropriated into the Legislative Department as appropriate.

These recommendations will be included as needed in the FY 23 First Budget Adjustment Report for the City Council's formal consideration and appropriation authority.

The following sections provide additional information on General Fund sources and uses.

General Fund - Sources of Funds

Overall General Fund FY 22 revenues were \$60.5 million higher than the Adjusted FY 22 Budget. Funds received through the American Rescue Plan Act are not reflected in these revenue figures as they are accounted for and described separately below in the LB Recovery Act section. Despite revenue losses experienced in other revenue streams across various City departments, the City's key revenue sources significantly outperformed original budgeted expectations and subsequent estimates based on actual performance through March 31, 2022 reported as part of the mid-year FY 22 Budget Performance Report. Key revenue sources include property, sales and use, utility users, transient occupancy, and cannabis business license taxes, as well as transfers from the Uplands Oil and Gas Fund Groups.

Key Revenues Above Projections

- The FY 22 property tax revenue budget was based on the assessed valuation provided by the County of Los Angeles for 2020/2021 values, covering 2019 calendar year sales and other values set by the assessor as of January 1, 2020. Property tax revenue ended the year \$4.9 million (or 3.5 percent) higher than budget. Better than anticipated revenues in FY 22 were largely driven by citywide (including former-RDA areas) valuation increases from new development and improvements, as well as prior year adjustments such as supplemental tax revenues which is based on the change in

valuation following the completion of a property sale, transition of ownership, or new construction. In addition to property tax revenues, increased property sales at higher prices also resulted in \$1.3 million (or 55 percent) in better revenues from property transfer taxes which is generated when ownership of property is transferred, and the tax is applied to the sale price.

- Sales and Use Tax (non-Measure A) was \$85.2 million, which is \$13.6 million (or 19 percent) higher than budget. FY 22 revenue includes continued growth in the City's share of the countywide pool following the 2019 implementation of AB 147 and strong performance in the general consumer goods and restaurants and hotels categories. Furthermore, FY 22 also included additional sales tax revenue generated from the unanticipated price increases to fuel and automobiles, as well as one-time use tax revenues from development projects occurring in Long Beach. As further described later in the Measure A section of this report, similar trends are also favorably impacting Measure A revenues.
- Revenues generated from the five percent Utility Users Tax (UUT) on usage of telephone, electric, gas and water are dependent on energy price and customer usage. In FY 22, actual revenue exceeded budget by \$7.1 million (or 21 percent). Of this overage, \$971,000 is from gas UUT, \$1.0 million is from telephone UUT, and \$5.9 million is from electric UUT. Gas UUT was higher than anticipated due to increases to the price of natural gas. While telephone UUT continued to decrease due to the continued erosion of wired telephone service, the decline is not as steep as assumed in the FY 22 budget, which assumed a 25 percent reduction from FY 21 budget. Previous FY 22 mid-year estimates for electric UUT revenues assumed similar performance to prior year based on revenue received in the early half of FY 22 and did not anticipate the significant increase experienced during the summer months. Further, budgeted revenues from electric UUT anticipated a five percent decrease from the FY 21 budget based on data available at the time of budget development and expected recovery from pandemic-related business closures. In addition to UUT, revenue from electric and gas pipeline franchise fees were \$4.8 million higher (or 49 percent) than budget. These franchise fees are based on operator's gross receipts and will also fluctuate based on energy prices and customer usage.
- Transient Occupancy Tax (TOT), including revenues generated from the additional one percent from Measure B, ended the year at \$23.0 million which is \$4.7 million (or 26 percent) over budget. When the budget was developed, it was projected that TOT activity would begin to recover throughout FY 21 with full recovery in FY 24. However, TOT revenues began to trend much closer to average pre-pandemic levels by the end of FY 21. Activity continued to improve throughout FY 22 and has recovered to average pre-pandemic levels, which is earlier than FY 24 as previously forecasted.

- Cannabis business license tax revenue was \$13.1 million, which is \$3.8 million (or 30 percent) above the FY 22 budget but only 9 percent above the \$12 million projection made in the FY 22 Mid-Year Performance Report in May. These higher revenues are due to increased average dispensary tax payments first experienced in FY 20 during the pandemic and further increasing in FY 21. Cannabis business license tax revenue of \$1.1 million above the previously estimated \$12 million will be set-aside in anticipation of continuing consideration by City Council of the optimal level for cannabis tax rates.
- In FY 22, the annual transfer from the Gas Fund Group includes an additional \$5.8 million one-time transfer. Due to higher than expected revenue resulting from the increase to natural gas prices and continued strong demand, the Gas Fund Group was able to increase its FY 22 transfer to the General Fund from the budgeted \$11.1 million to close to \$17 million, which is \$5.8 million (or 52 percent) higher than budget but still within the City Charter-authorized level of 12 percent of total gross revenues. This increase is not related to the increased gas prices experienced in December 2022 and January 2023.
- The General Fund Group receives an annual transfer from the Uplands Oil Fund Group of net oil revenue from land-based oil wells in which the City has an interest. In FY 22, the transfer was \$12.03 million, which is \$5.13 million (or 74 percent) higher than the budget. The FY 22 budget assumed the price of oil at \$55 per barrel. However, in FY 22, the actual average price of oil was \$94 per barrel, which allows for higher than budgeted net transfers to the General Fund Group. As planned for in the mid-year performance report, increased oil revenue in the Uplands Oil Fund also allowed for a 25 percent increase to the FY 22 abandonment set-aside amount from \$1.6 million to \$2.03 million. Additional revenue is available and recommended in this report to further increase the FY 22 set-aside amount to \$2.4 million, which is a 49 percent increase over the annual structural set-aside amount. It is important to note that less than 50 percent of the revenue for Uplands is associated with the sale of oil. More than half of the revenue received by the City is from administrative overhead fees associated with Tidelands oil production (not the sale of Tidelands oil).

Key Revenues Below Projections

- Revenue streams across various City departments under budget. FY 22 actual revenue includes a \$2.8 million shortfall (98 percent) related to the continued suspension of utility late fees to provide financial relief to residents and businesses during the pandemic. Additional revenue shortfalls experienced in departments includes \$1.1 million (or 26 percent) in meter, street, and garage parking revenues which, despite falling short of budgeted expectations, continued to improve and recover closer to pre-pandemic levels. Other departmental revenue shortfalls also include \$1.4 million (or 59 percent) in excavation permit revenue, which previously experienced an uptick in FY 20

and FY 21 largely due to major fiber optic installation projects throughout the City which have since completed.

- As anticipated and reported in the mid-year FY 22 Budget Performance report, the City did not receive reimbursement from the Ground Emergency Medical Transportation Services (GEMT) supplemental reimbursement program revenue. GEMT revenue is budgeted at \$3.3 million. The State has since authorized the calculation methodology for reimbursement covering FY 19 through FY 21. Reimbursement revenue for prior year services is expected in FY 23, following State review and approval of the City's reimbursement reports.

Attachment B provides a breakdown of the top 40 General Fund revenue performance by source.

Other Sources

Other Sources is about \$30.66 million in FY 22. The majority of these other sources are comprised of the release of reserves set aside in FY 21 to fund City Council-approved expenditures that were anticipated to occur in FY 22, such as \$2.3 million of FY 21 encumbrances to be paid in FY 22, \$8.9 million of carryover of one-time funds from previous allocations that were not spent in prior years, \$1.1 million of carryover for Council District priority funds, and \$1.3 million of funds reserved at the end of FY 21 for Council-approved FY 22 uses. Lastly, this includes the release of \$16.7 million in Measure A reserves planned for use in FY 22. Previously, the projection for other sources also included the release of reserves related to support ADA compliance but those funds were not needed this year and thus will be kept in reserve until needed at a future time to address and meet the ADA liability requirements. Additionally, the reserve to mitigate the Measure M liability related revenue loss will be kept in reserve to potentially be repurposed to other unfunded liabilities in future years such as unbudgeted negotiated costs in future budget cycles.

General Fund - Uses of Funds

Expenditures by Department

General Fund expenditures totaled \$622.2 million or 95 percent of the Adjusted Budget (excluding costs associated with LB Recovery Act). However, this amount includes some savings due to City Council-authorized one-time projects that have not yet been spent, encumbrances that will carry over to FY 23 (including Measure A non-infrastructure one-times and Council District Priority funding balances), and other reservations for the use of Police Department vacancy savings as further described below. Including these commitments, General Fund spending came in at 99 percent of the Adjusted Budget.

The Adjusted Budget amount of \$651.7 million (excluding budget associated with the LB Recovery Act) includes the budget adjustments being requested in this report to align budget

with actual spending. The departments that required budget adjustments to cover spending overages without specific offsets were the Economic Development and Health and Human Services Departments, further described below.

- The Economic Development Department exceeded budget by approximately \$0.88 million (or 15 percent of budget) due to costs associated with the maintenance or beautification of City-owned properties including the Armory, transfer of ineligible grant-related expenses from the Community Development Grants Fund to the General Fund, and for closing costs related to property acquisition. Budget adjustments for these items are requested later in this report.
- The Health and Human Services Department is slightly over budget by \$242,951 (or 3 percent of budget) due to unforeseen repairs, maintenance and security costs needed at the Central and North Health facilities, which are funded by the General Fund; administrative indirect costs and non-reimbursable grant expenses that were considered ineligible for Homeless Services grants and therefore absorbed by the General Fund Group as a non-public health effort; and Homeless Services grant match requirements. Budget adjustments for these items are requested later in this report.

Below are descriptions of other appropriation adjustment needs offset by additional revenue or needed as a technical correction:

- The Adopted FY 22 Budget for the City Attorney Department included a negative \$200,400 for budget that was once utilized as an internal tracking methodology for internal transfers. The negative budget is no longer needed and should not have been included as part of the budget. The Department is requesting a budget adjustment to remove the erroneous negative budget which will result in the correct FY 22 appropriation for the City Attorney Department, General Fund Group. The Adopted FY 23 Budget was adopted without the negative budget.
- The Parks, Recreation and Marine Department is requesting a budget adjustment in the amount of \$0.13 million due to citywide park watering needs. The Parks, Recreation and Marine Department has funded Citywide water and plant needs with one-time appropriations or covered by operational savings. In FY 22, the Department continued to water parks to meet irrigation needs with the plan to return to City Council at year-end to request a budget adjustment for any irrigation costs exceeding budget to cover the uncontrollable cost incurred. The Department incurred \$517,040 of unbudgeted water related costs and was able to absorb \$389,421 due to departmental savings. The Department is requesting a budget adjustment in the amount of \$127,619 in the General Fund Group for the uncontrollable water costs that could not be absorbed within the fiscal year.

- A budget adjustment is needed in the Citywide Activities Department to align costs associated with Sales Tax Rebate Programs, in the amount of \$0.53 million. The City maintains eight active local sales tax sharing agreements, which were created to attract new businesses, create jobs, and increase sales tax revenue to the City. These programs are offset by additional revenue to the City. The rebate payments exceeded budget and an appropriation increase is necessary to align budget to actual expense incurred in FY 22. The appropriation increase is fully offset by sales tax revenue realized from through these agreements.

There were also departments that realized noteworthy savings compared to their budgets.

- The City Auditor's Office ended the year with savings due to attrition. Timing considerations, including the length of time for open job requisitions, the process for selecting, onboarding, and screening of candidates, contributed to significant salary savings (\$1.1 million, or 36.7 percent of budget) as vacant positions were unfilled for a portion of the year. The City Auditor's Office completed hiring and onboarding for staff positions at the start of FY 23.
- The City Clerk Department's expenditures ended the year approximately \$0.68 million under budget (12.7 percent of budget) due to salary savings, not hosting in-person civic engagements, and redistricting advertisement efforts that were handled by the City Manager Department.
- The Fire Department ended FY 22 with a General Fund savings of \$2.9 million (2.4 percent of budget) due to position vacancies among the Firefighter classification. Fire Academy classes graduated on May 21, 2022 and January 21, 2023. Additional Fire Academies in FY 23 are anticipated to help the Department reach budgeted staffing levels. This may cost additional funds above budget in FY 23, and staff will return to City Council with solutions in FY 23 as needed.

The City Manager Department is projecting to end the year with a savings of \$0.76 million (8.4 percent of budget) due to vacancy savings. In FY 22, the Department experienced the departure of numerous key staff responsible for the launch and ongoing implementation of several one-time initiatives, resulting in the delay of these initiatives. The City Manager Department continues to work to fill key positions and anticipates being fully staffed by mid FY 23.

- The Financial Management Department is projected to end the year with a savings of \$1.2 million (5.7 percent of budget) compared to budget, due to salary savings mainly in the Business Services and Treasury bureaus. Treasury Bureau vacancies have been mostly filled, and recruitments are underway for Business Services Bureau vacancies.

- In FY 22, the Police Department experienced significant savings as a result of increased separations, retirements, hiring delays, and a decline in interest to work in the department, particularly in the candidate pool for police recruits. To mitigate these hiring challenges, the Police Department has launched a multi-pronged recruitment initiative, which includes enhanced recruitment strategies to fill back-to-back academies over the next two fiscal years.

As discussed in the mid-year performance report, some of these savings will be allocated to support the Department's efforts in implementing key initiatives to provide higher levels of transparency, accountability, and operational efficiencies. These initiatives include investing in new software to enhance recruitment of diverse candidates, evaluation of the academy training process for improvement, software to schedule shifts and overtime hours more efficiently, additions and upgrades of networked security cameras, support for closing the funding gap of the Police Academy building construction, operational efficiency planning at the PD Headquarters building, and support for crime lab planning.

The mid-year performance report also earmarked \$1.94 million of the Police Department savings to support the Community Crisis Response with \$0.98 million, and to support violence prevention efforts, racial reconciliation, and equity related program needs with \$0.96 million. Many of these funds will further support programs currently funded through the LB Recovery Act, allowing these programs that have been proven to be effective and impactful to continue through FY 23 and into FY 24. Net of these uses, the Police Department was still projecting a savings of \$2.9 million at the time of the mid-year performance report.

Now as of FY 22 year-end, the Police Department is reflecting additional savings of \$6.7 million, net of the funds set aside or utilized as part of the mid-year performance report. These savings will be set aside to support costs and liabilities related to projects approved by the City Council, including an additional set aside of \$6.33 million (in addition to the \$1.5 million set aside mid-year for a total of \$7.83 million) to support purchase and improvements for the property located at 125 Elm approved by the City Council on October 11, 2022 that will house the Crime Lab and \$3.3 million to fund the one-time retention bonuses approved on November 1, 2022, as part of the negotiated labor agreement with the Long Beach Police Officers Association (LBPOA).

- For the Legislative Department, in accordance with normal budgetary practice that provides for utilization of year end Council District operating surplus for future District Priority Funds, \$473,085 is included for reappropriation to Council District Priority Funding. As part of this figure, the Third and Ninth Council Districts had budget overages of \$2,582 and \$88,101, respectively. However, the Mayor's Office and Administration Bureau came in under budget at \$76,000, which was able to cover the majority of the overages. Under normal budgetary practice as part of the policy for

Council District Priority Funding, these overages would be recovered through equivalent operating budget decreases to these two operations in the FY 23 operating budget. However, since each of these Districts have new Councilmembers in FY 23 who were not involved in managing these budgets in the previous year, and with the majority of the overages being offset by savings within the Mayor's Office and Administration Bureau, a one-time exception to the normal policy is requested so that these budget decreases will not be implemented.

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

Other Uses

The FY 22 Other Uses of funds, not-related to Measure A and LB Recovery Act, totals \$4.75 million and is comprised of various reserves. The most significant reserves include \$5.95 million to fund a portion of the General Fund shortfall and priority projects that were included as part of the Adopted FY 23 Budget, \$11.43 million for unfunded costs above the adopted budget associated with the negotiated Public Safety labor agreements, \$13.11 million needed to fund a number of Public Safety projects approved by the City Council and discussed earlier in this report, \$2.85 million for the capital acquisition cost of a Project Homekey motel, \$1.59 million for the roll-over of current Council Districts' Priority Funding in accordance with normal budgetary practice, \$4.66 million for previous City Council-approved one-times not fully expended that will be requested for re-appropriation in the FY 23 First Budget Adjustment Report, \$1.08 set aside for a potential cannabis tax relief program representing revenue collected in FY 22 above \$12 million, and \$0.17 million of Measure B stabilization set asides for Measure MA, Measure US and Measure B-TOT.

Measure A related items include a set aside of \$29.17 million to back out the impact of any Measure A from the analysis of the General Fund, and \$0.82 million for the Measure B stabilization fund for Measure A. Additional information on Measure A is provided in the next section.

Measure A Revenues and Expenditures

The FY 22 Budget for Measure A continues to support the programs previously approved by the City Council and reflects the intent of the initiating ballot measure with all the funds being allocated to maintain and enhance public safety services, and support infrastructure investment, public safety, Community Hospital one-time needs, and set aside for the Measure B stabilization fund.

The Adopted FY 22 Budget initially projected Measure A revenues at \$69 million. The Budget was developed during the Spring/Summer of 2021. At that time, it was projected that this revenue stream would continue to recover and more closely align to pre-pandemic levels. However, Measure A revenues significantly exceeded pre-pandemic levels, ending the year

at \$85.98 million, close to \$17 million higher than budgeted (or 25 percent). As mentioned in the “General Fund - Sources of Funds” section earlier in this report, higher revenues are due to similar trends impacting sales and use tax revenue (non-Measure A), including continued improvement across various categories such as restaurants, hotels, and general consumer goods. FY 22 also includes higher revenues from unanticipated price increases for automobiles and fuel, as well as one-time use tax revenues from development projects occurring in the City.

In terms of uses, the City Council approved the FY 22 First Budget Adjustment on March 8, 2022, which included adjustments to the Measure A budget for approved projects that were not fully expended in FY 21 to be carried over to FY 22 in the amount of \$0.8 million, adjustments related to the use of FY 21 Measure A surplus in the amount of \$10 million, and an adjustment to keep the original debt service payment schedule at a favorable interest rate for the Motorola public safety radios, instead of paying it off early. This resulted in an \$11.7 million decrease to the budget, which will be reserved to support the Measure A allocations in the Adopted FY 23 Budget. In addition, the Measure B reservation is estimated at \$0.86 million to reflect the increase in Measure A revenues. In FY 22, a total of \$0.14 million of approved projects were not fully expended but are planned to be reappropriated in FY 23. This included budget for Irrigation Pumps and the North Long Beach Pool Feasibility study.

Table 3 below provides a summary of revenue and expenditure year-end projection, resulting in a year-end operational surplus of \$9.8 million mainly due to stronger revenue performance.

Table 3: FY 22 Measure A Budget and Year-End Performance			
	FY22 Adopted Budget		FY 22 Actuals
Sources			
Measure A Revenue	\$	69.04	\$ 85.9
Other Sources (Release of Reserve ¹)	\$	5.98	\$ 5.9
Other Sources (Release for FY 21 one-times carryover ²)	\$	-	\$ 0.7
Measure A surplus FY2 ¹	\$	-	\$ 9.9
Total Sources	\$	75.02	\$ 102.7
Uses			
Expenditures	\$	(74.33)	\$ (72.68)
Other Uses: Measure B Reservation	\$	(0.69)	\$ (0.86)
Other Uses: Irrigation Pump One-time Carryforward			\$ (0.10)
Other Uses: North LB Pool Feasibility Study One-time Carryforward			\$ (0.04)
Other Uses: FY 22 Surplus Reservation for Adopted FY23 Budget ⁴			\$ (7.51)
Other Uses: Reserve of Funds for FY 23 out-year plan			\$ (11.70)
Total Uses	\$	(75.02)	\$ (92.89)
FY 22 Year-End Surplus	\$	-	\$ 9.83

¹ Previously, per the Measure A out-year funding plan, funds were being accumulated as reserves for future planned projects such as the rebuilding of the Police and Fire Academies and funding public safety communication technology upgrades that had cash needs in different years. These funds are now being released in a total amount of \$5.2 million to fund these planned projects as well as additional uses added in FY 22. Additionally, \$800,000 from anticipated FY 21 Measure A year-end surplus will be reserved and released into FY 22 for infrastructure needs to support the legal ADA obligations related to sidewalk and curb requirements.

² In FY 21, a total of \$0.78 million of approved projects were not fully expended but are planned to be reappropriated in FY 22. This included budget for the purpose of tree trimming and irrigation pumps.

³ Represents funding set aside at the end of FY 21 for Council approved new projects in FY 22.

⁴ As part of the Adopted FY 23 Budget, the Measure A plan earmarked \$7.5 million of anticipated FY 22 Surplus to fully fund the plan. This item represents a reserve to be released in FY 23.

⁵ Represents available funding as a result of adjusting the Motorola public safety radios pre-payment to the original debt service schedule. Funding made available by this adjustment is set aside to support the Measure A out-year plan approved in the Adopted FY 23 Budget.

Recommendations for the Use of Funds Available in Measure A

The \$9.8 million in excess of the previously allocated funds is recommended to be reserved and appropriated in FY 23, to support key priority projects identified by the City Council as part of the FY 23 budget adoption night actions approved on September 6, 2022 as well as other priority recommendations, including \$4 million for homelessness-related infrastructure projects. The recommendations for uses of Measure A surplus include the following:

FY 23 Adopted Budget - Priority Projects

- Enhancement for the Public Works Department of \$400,000 for further funding needed to install and maintain the Bluff Park Historic Lamps including upgrades, maintenance,

and installation of historic streetlamps.

- Enhancement for the Public Works Department of \$1,000,000 for further funding needed to repair and maintain the City's alley network.
- Enhancement for the Public Works Department of \$200,000 for funding needed to design and construct a new playground at Hudson Park.
- Enhancement for the Public Works Department of \$500,000 for further funding needed to complete design and construct a new all-inclusive, all-abilities playground at El Dorado Park West.

Other Priority Recommendations

- Enhancement for the Public Works Department of \$1,800,000 for the funding needed to complete design and completely rehabilitate an existing building for the Health Department's Navigation Center for people experiencing homelessness.
- Enhancement for the Public Works Department of \$250,000 for further funding needed to complete design and construct a new signature playground at Ramona Park. This is in addition to the \$1.5 million received from the State of California in FY 22.
- Enhancement for the Public Works Department of \$250,000 for the funding needed to repair and rehabilitate the roofing system at the Wardlow Park Community Center (\$200,000), and for further funding needed to complete construction of the Wardlow Park Community Center Restroom ADA Improvements (\$50,000).
- Enhancement for the Public Works Department of \$500,000 for the funding needed to address HVAC issues and other needed repairs identified in the Facility Conditions Assessment (FCA) at the Police Department's North Division facility.
- Enhancement for the Public Works Department of \$4,000,000 for funding needed to address homelessness. This can include infrastructure projects consisting of improving or creating shelter space and other related projects.

- Enhancement for the Public Works Department of \$930,786 for funding the Critical Facility Reserve, which will allow the Department to address emergency and critical building or other repairs identified in the Facility Conditions Assessment (FCA) as they arise.

These recommendations will be included in the FY 23 First Budget Adjustment Report for the City Council's formal consideration and the appropriation approval will be contingent upon confirmation by the Measure A Transactions and Use Tax 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 provides a summary of the FY 22 Measure A, including a breakdown of this budget and spending.

Long Beach Recovery Act

On March 16, 2021, the City Council approved the LB Recovery Act, becoming one of the first major cities to approve a COVID-19 recovery program utilizing federal American Rescue Plan Act (ARPA) funds. The LB Recovery Act is funded by various sources, including the General Fund as a result of the City's approach to using ARPA funds. The U.S. Department of Treasury's (U.S. Treasury) Final Rule allows ARPA funding to be used to provide and maintain current government services (e.g., provision of police, parks, and recreation services) up to the amount of the City's calculated revenue loss due to the pandemic. In compliance with the Final Rule, the City will use the majority of ARPA funds to maintain existing, eligible City services (specifically, parks and recreation and police services) for FY's 21, 22, and 23. The ARPA funding provided to the City thereby offsets General Fund monies, which are then used to deliver City Council-approved programs for the LB Recovery Act. This spending approach, consistent with the Final Rule, does not result in any increased budgetary allocations or levels of service for the Parks, Recreation and Marine (PRM) or Police (PD) Departments. The total budget for PRM and PD were unaffected by this approach.

Therefore, the City's reporting to the U.S. Treasury will show the majority of ARPA funds as being used to provide government services, while the City's Recovery Act reports will continue to show the programs promised to residents and businesses. This funding allocation method reduces the substantial administrative costs associated with ARPA compliance and reporting requirements, and substantially reduces any City grant compliance risk that could result in the U.S. Treasury's recoupment of the City's ARPA funds.

In addition to using ARPA funds to maintain eligible City services, the remaining portion of ARPA funds will be used to provide direct relief grant payments to those most impacted by the pandemic. Utilizing ARPA funds instead of General Fund monies for these direct grant payments will allow the direct relief grant payments to be tax-exempt for the beneficiaries.

The LB Recovery Act totals \$290.4 million to support programs through December 2024 in three main categories:

- Economic Recovery: \$70.7 million
- Healthy and Safe Community: \$144.0 million
- Securing Our City’s Future: \$75.7 million

The Economic Recovery programs focus resources on residents and businesses most impacted by the pandemic to promote an effective and inclusive economic recovery that strengthens revenue generation and leverages consumer spending to stimulate lasting economic growth. The Healthy and Safe Community programs focus resources on addressing the underlying social determinants of health and prioritizing basic needs and the mental and physical health of community members most adversely impacted by the pandemic. The Securing Our City’s Future category funds the restoration of City services by eliminating employee furloughs, helping the City weather the next financial crisis by replacing lost revenue, and providing critical time for the City to develop financial and service strategies to address future projected significant operating budget shortfalls.

The total of LB Recovery Act funding has grown to \$290.4 million as of the end of FY 22. The increase is due to additional funding allocated for existing grants, the addition of the Long Beach Community Foundation Grants and Youth Jobs Funding Grant, and the addition of General Fund reallocated to support LB Recovery Act programs. Attachment E provides the summary of FY 22 expenditures and revenues by department further described in the sections below. Attachment F details the revised LB Recovery Act programs, sub-programs, and the associated allocation amounts.

LB Recovery Act Sources

Since adoption of the LB Recovery Act in March 2021, the City has secured \$290.4 million from a variety of recovery-related funding sources. The table below provides detail on all funding sources supporting LB Recovery Act.

Table 4: Long Beach Recovery Act Funding Sources (in millions)

Funding Source	Total Program Allocation^o
General Fund*	\$125.8
General Fund**	2.3
American Rescue Plan Act (ARPA) Direct Relief Grants**	10.0
Airport Rescue Grants [^]	15.1
CDC Public Health Workforce Development Grant	2.8

ELC Schools Re-Opening Safety Grant	0.7
Emergency Rental Assistance Program (ERAP) - Round 1	30.2
ERAP - Round 2	34.1
ERAP - Reallocation Funds	13.0
Epidemiology and Laboratory Capacity (ELC) Grant	26.8
Health Disparities Grant	7.7
HUD Home-ARP (Homelessness)	10.2
Long Beach Community Foundation - Ballmer Group Grant	0.1
Long Beach Community Foundation - Knight Donor Grant	0.2
Vaccination Grant	5.1
Youth Workforce Development Grant	6.3
Total Funding Sources	\$290.4

- * Funds made available due to funding from ARPA covering existing City services.
- ** Funds made available due to funding from CARES covering existing City services, Police Department savings, and other sources.
- ** This represents the portion of LB Recovery Act programs funded directly by ARPA. The remaining portion of ARPA funding will be used to support existing City services.
- ^ Airport Grants are funded by ARPA as a direct allocation to the Airport Department. This is separate from the City’s direct allocation of ARPA funds.
- ° Actual amounts received in FY 22 may vary depending on actual funding received.

In terms of actual revenues and grant funds received, \$140.9 million was received in LB Recovery Act revenues in FY 22 - \$48.9 million in the General Fund made possible by the indirect funding provided by ARPA and \$92 million in other funds. A total of \$52.5 million was received from the U.S. Department of Housing and Urban Development to support the Emergency Rental Assistance Program, and \$39.5 million in grant revenues were received to support other LB Recovery Act programs.

The total LB Recovery Act funding has grown from \$252.0 million to \$290.4 million since the end of FY 21. The increase is due to revised funding amounts of existing sources and the addition of the ELC Schools Reopening Safety Grant, two grants from the Long Beach Community Foundation, the CaliforniansForAll Youth Workforce Development Program Grant, and additional funds reallocated to the City from the Emergency Rental Assistance Grant.

LB Recovery Act Uses

LB Recovery Act programs continue to evolve as additional grants and other sources are identified. The following table summarizes the updated budget and expenditures to date by Program Category.

Table 5: Long Beach Recovery Act Program Categories (in millions)

	Updated Allocations as of 09/30/2022	Actuals as of FY 21 Year-End**	Actuals as of FY 22 Year-End	Balance Remaining as of 09/30/2022
Economic Recovery*	\$70.7	\$0.3	\$29.2	\$41.2
Healthy and Safe Community*	144.0	23.6	74.3	46.1
Securing Our City’s Future	75.7	33.7	22.2	19.8
Total LB Recovery Act	\$290.4	\$57.6	\$125.7	\$107.1

* These categories include a preliminary allocation of LB Recovery Act related administrative overhead costs. Actual allocations may vary depending on future program expenditures.

** These amounts have been adjusted to reflect the actual spending by category and the applicable administrative costs since the last performance report.

Three programs accounted for more than 64 percent of the total spending - the Emergency Rental Assistance Program (\$52.5 million), Airport Operations Program (\$13.6 million), and the Epidemiology Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases (ELC) Program (\$11 million). The total spent in the General Fund was \$11.3 million. As approved as part of the Securing Our City’s Future category, \$22.2 million will be utilized for the uses listed below. An appropriation increase in the General Fund is necessary to facilitate transfers to other funds and is requested later in this report.

- \$11.5 million to cover the FY 22 General Fund budget shortfall
- \$10.7 million to fund recommended FY 23 one-time programs and projects

Additionally, the Securing Our City’s Future is slated to cover \$2.5 million of additional administrative support costs, some of which were not able to be charged to direct grant programs while others were new needs and not originally accounted for in the overall administrative allocations.

Other Funds

This section highlights key information on select funds. Attachment A provides a breakdown of citywide expenditures by fund for all of the 36 expenditure budgetary fund groups.

Civic Center Fund Group

The Civic Center Fund Group is used to maintain, improve, and operate the Civic Center complex which includes City Hall, Billie Jean King Main Library, Fire Station 1, Police Headquarters, Broadway Parking Structure, Public Safety Parking Structure, and Lincoln

Park. The ongoing revenue resources to this fund include charges from departments occupying the Civic Center facilities.

The FY 22 costs include expenses from increased security and the amended Memorandum of Understanding (MOU) with the Port. These costs include payment to the Port for licenses and easement costs located in the Port Building, including the Facilities Management Contractor Office, Reprographics, Archive Room and the Vault. The revenues for FY 22 exceeded costs for the year. The fund began FY 22 in a substantial negative budgetary funds available status of \$6.9 million but has improved to \$3 million negative budgetary funds available. Two factors are expected to bring the fund back into balance: 1) increased interdepartmental charges included in the FY 23 budget and 2) the payment by Plenary to the City of a \$6 million accounts receivable expected no later than January 31, 2024.

Gas Fund Group

The Gas Fund Group provides full natural gas utility services to residential and business customers in Long Beach and Signal Hill. During FY 22, the Gas Fund spent \$11.6 million on gas pipeline capital improvements. In FY 22, revenues from gas operations were 26 percent higher when compared to FY 21. This increase is attributed to increased prices for natural gas and continued strong demand. Due to above expected revenue performance, the Gas Fund Group transferred an additional \$5.8 million above the budgeted \$11.1 million, for a revised total transfer to the General Fund close to \$17 million. The amount is within the maximum of 12 percent of gross revenues established by the City Charter through Measure M. The December 2021 appellate court ruling against the City regarding the lawsuit that challenged the legality of the City's Measure M charter amendment centered on the City's water and sewer utility revenue transfers and did not impact the Gas Fund transfer to the General Fund.

Health Fund Group

The Health Fund Group was established to account for funds restricted for public health purposes. The fund group accounts for revenues and expenditures associated with federal, State, local and private grants, health permits, and other fees. In FY 22, the Fund continues to receive an influx of COVID-19 response grant dollars from various federal and State agencies for direct COVID-19 response, recovery and resiliency efforts, supplementing existing budget used to support programs focused on retention of existing services which promote health and wellness and provide protection from disease and injury.

In FY 22, the California Department of Public Health Immunization Program granted the City's Department of Health and Human Services (Department) an additional \$5.3 million to assist local health departments in preventing and controlling vaccine-preventable diseases and vaccination services for COVID-19 response. Additionally, the Department received an additional allocation of \$2.8 million from the Centers for Disease Control (CDC) pass through to the County to: (1) expand the public health workforce to support COVID-19 response; (2) train the public health workforce for emergency response via the Public Health Preparedness

Summit; and, (3) expand medical and testing services for students of the Long Beach Unified School District. An additional \$750,000 was also granted to focus on supporting the LBUSD school reopening by setting up test sites, contracting with test kit suppliers, and procuring personal protective equipment (PPE).

On July 19, 2021, AB 140 was signed into law by Governor Newsom authorizing funding for the Homeless Housing, Assistance and Prevention Round 3 (HHAP-3) program. HHAP-3 is a \$1 billion block grant program that provides local jurisdictions with flexible funding to continue efforts to end and prevent homelessness in their communities. Total HHAP-3 funding for the City is \$8.5 million and could be used for existing and ongoing operations or expansion of services such as: rapid rehousing, navigation center operations, sheltering for transitional age youth, sobering centers, intensive case management services (ICMS), mobile Multi Service Center (MSC) stations, modular shelter operations, and potential expansion of the MSC.

Additionally, the Los Angeles County Board of Supervisors approved the Chief Executive Office to allocate a portion of the 2021-2022 California Department of Social Services (CDSS) one-time funding in the amount of \$1.5 million to the City to address the need to house people experiencing homelessness (PEH) and to prevent the spread of COVID-19. This CDSS funding allowed the City to continue to provide Project RoomKey for PEH, permitting people in need to remain in non-congregate housing while working towards permanent housing. This grant is also being utilized for additional motel vouchers, ICMS, and rapid re-housing resources.

The Health Fund Group's permits and fees revenue base continues to recover from the negative impact of the pandemic over the past two years. The Department is currently undergoing a fee study to review fees and services provided by the Environmental Health Bureau. Based on the study's outcome, the Department will propose updates to the current fee structure.

The fund began FY 22 with a budgetary funds available of \$11.6 million but has drawn down on the funds during the year and is ending at an estimated \$9.6 million. Some of the factors impacting the draw down include higher, unbudgeted expenses related to indirect cost plan costs and costs ineligible to be covered by grant funds.

Insurance Fund Group

The Insurance Fund Group is an internal service fund and accounts for and finances all risk management-related and insurance activities citywide. The City uses self-insurance and purchases excess insurance coverage in the open market to protect against large losses. The fund is primarily supported through charges (premiums) to City departments and funds based on overhead rates and allocation of risk management costs in addition to recovery fees and reimbursements received on claims expense and other expenditures.

The workers’ compensation program offers health and lost wage benefits to employees at no cost if an employee is injured or becomes ill due to job related issues. Costs to this program are recouped by charges of overhead costs to departments. FY 22 began with \$18.3 million in budgetary funds available for the Workers’ Compensation Fund and ended the year with \$17.7 million.

The General Liability program accounts for the City’s miscellaneous insurance, settlements, judgments, and defense for all liability related activities. These charges have increased from prior years due to projected increased costs based on the most recent actuarial study. General Liability costs for settlements and judgments were increasing sharply prior to the pandemic, resulting in the depletion of cash in the General Liability Insurance Fund. The large settlements and losses were in multiple departments and appeared to be typical of high jury verdicts across the country, an issue not unique to Long Beach. In FY’s 20 and 21, settlements and judgments decreased due to the slowdown of cases making their way through the courts, but nearly doubled in FY 22. In addition, costs for miscellaneous insurance such as property insurance are rising significantly, in part due to some losses the City incurred in recent years.

The table below provides the recent history of miscellaneous insurance costs and settlements and judgments costs.

Table 5: FY 17 - FY 22 Insurance, Settlement and Judgement costs

(in millions)	Actuals					
	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
Misc Insurance	\$ 3.3	\$ 3.7	\$ 3.5	\$ 7.4	\$ 10.5	\$ 14.1
Settlements & Judgments	\$ 12.7	\$ 15.2	\$ 27.2	\$ 8.4	\$ 3.2	\$ 11.3
Combined Total	\$ 16.0	\$ 18.9	\$ 30.7	\$ 15.7	\$ 13.7	\$ 25.4

Due to the increased settlement and judgment costs incurred in FY’s 18 and 19, the General Liability fund began FY 22 with a negative \$12.8 million in budgetary funds available. Since then, the interdepartmental MOU for General Liability has been increased to recoup for these losses and bring the fund back into a healthy status, and the fund is currently on a path towards fiscal recovery. In FY 22 there was an operating surplus of \$5.8 million, improving and bringing the FY 22 ending budgetary funds available status up to an approximately negative \$7 million.

Refuse and Recycling Fund Group

The Refuse and Recycling Fund provides for refuse and recycling collection for residents and businesses of Long Beach in a timely and cost-effective manner, ensuring compliance with the State’s solid waste diversion laws. The Fund receives approximately 95 percent of its total revenues from refuse and recycling rates charged to residents and businesses receiving City

collection services. The remaining funds come from State grants for various programs and 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. Over \$4 million is transferred annually to the General Fund to reimburse for programs such as street maintenance, tree trimming, stormwater and environmental compliance that are impacted by Refuse Fund services.

Over the past two years, the amount of refuse tonnage collected has increased, as well as the costs associated with collection and disposal. These factors have contributed to expenditures continuing to outpace revenues. To comply with State-mandated organics collection, SB 1383, the Public Works Environmental Services Bureau (ESB) implemented a commercial organics pilot program in June 2021, which services over 130 commercial accounts on a weekly basis. ESB plans to expand the commercial organics collection program with full implementation set to begin mid-calendar year 2023.

A refuse rate adjustment was implemented on September 1, 2022. However, even with the adjustment, the Refuse and Recycling Fund ended FY 22 with a \$1.6 million operating deficit. Due to the operating shortfall, the Fund started FY 23 with only one month of operating reserves; far below the targeted four-month reserve balance. A second adjustment was proposed for January 1, 2023, but the City Council requested that ESB modify the proposal to have a phased-in approach. A cost-of-service study is currently underway with a focus on a two-phase rate adjustment. ESB plans to request a Proposition 218 hearing with the City Council, in the second quarter of calendar year 2023 for the rate adjustments. The proposed two-phase rate adjustment that ESB will recommend would bring up the Refuse and Recycling Fund operating reserve to the targeted amount by the end of FY 26.

Special Advertising and Promotions Fund Group

The Special Advertising and Promotions Fund Group (SAP) is a Special Revenue Fund dedicated to the specific purposes of "advertising, promotional, and public relations projects calling attention to the City, its natural advantages, resources, enterprises, attractions, climate and facilities," according to the City's municipal code. Transient Occupancy Tax (TOT), also known as the hotel bed tax, collected by Long Beach hotels and short-term rentals is the largest source of revenue for the fund. The current tax rate is 13 percent of the nightly room rent, six percent of which is allocated to the General Fund Group, and six percent to the SAP Fund Group. The remaining one percent was added per the 2020 voter approved Measure B (TOT) and is intended for the City's arts organizations and the Long Beach Convention and Entertainment Center per City Council Resolution. Other sources of SAP revenue include studio filming permits, special events licenses, and other permits and fees.

When the pandemic first hit, TOT revenue was dramatically and negatively impacted. Due to revenue lost as a result of the recession, the budgetary funds available declined in FY's 20 and 21. To mitigate this, \$5.2 million was needed to replace revenue lost during the

recession using funds made available through the LB Recovery Act - Securing Our City's Future category, which brought the budgetary funds available back to pre-pandemic levels at the end of FY 21.

In FY 22, TOT revenue has shown significant improvement, ending the year at \$9.6 million, close to \$1.3 million higher than budget (or 15 percent). With this performance, actual TOT revenue in the SAP fund group has now exceeded average pre-pandemic levels. It is still uncertain what the outyear trends will be when netting revenue growth and expenditure increases, particularly as TOT is generally a volatile revenue source even without the impact of the pandemic. City staff will continue to closely monitor and evaluate if any actions are needed to mitigate any future potential operating shortfall in the SAP Fund.

Tidelands Area Fund Group

The Tidelands Area Fund Group is comprised of the Marina and Queen Mary funds. The Marina Fund supports the City's three recreational marinas (Alamitos Bay, Long Beach Shoreline and Rainbow Marinas) including all maintenance, operations, security, fire and emergency medical technician (EMT) services. Revenue is generated through recreational and commercial use of marina property. Fees include dock/slip fees (paid by boat owners), restaurant, retail, and grounds rental leases, concession fees, park use fees, and special events and filming fees.

The Queen Mary Fund tracks the revenues and expenditures associated with the Queen Mary ship. The Queen Mary was closed during FY 21 as a result of the pandemic. Until the bankruptcy of the Queen Mary operator, Urban Commons, revenue was generated through rent from the Queen Mary master lease, which included Queen Mary base rent, sublease rent from Catalina Express, and passenger fees originating from the Carnival Cruise passengers' lines that passed through the Queen Mary operator (in accordance with the lease). These revenues were anticipated to be sufficient to offset debt service on bonds issued to help fund urgent improvements to the Queen Mary. Since the second half of FY 20, Carnival Cruise revenues have been greatly impacted by the COVID-19 pandemic (cruises were temporarily discontinued until August 2021). In addition, Urban Commons did not make all the required transfers of the revenues from Carnival Cruise and did not make all rent payments. As a result, revenues from the Queen Mary in FY 21 were not enough to pay the full debt service on the outstanding Queen Mary bonds. The lease for the Queen Mary was effectively terminated as a result of the Urban Commons bankruptcy. The amount needed from the Tidelands Operating Fund Group to cover the shortfall in Queen Mary revenue was approximately \$1.7 million in FY 21. In FY 22, the Tidelands Operating Fund Group contributed \$1.9 million towards Queen Mary critical infrastructure improvements and \$4.7 million for various Queen Mary operating expenses such as maintenance, property insurance, bond expenses, and legal costs. Additional funding for Queen Mary repairs from potential funds available in the Tidelands Operating Fund Group is being evaluated and will be presented to the City Council as applicable through the FY 23 budget development process.

Tidelands Operating Fund Group

Tidelands funds are customarily combined under the umbrella of Tidelands Operating Funds. The Tidelands Operating Fund Group, which primarily funds operations along the beaches and waterways, is heavily dependent on base oil revenue and an annual transfer from the Harbor Fund (Port) to support Tidelands operations, including lifeguards, waterfront maintenance, the Convention Center, and Aquarium bond payments.

FY 22 included a \$23.9 million transfer from the Harbor Fund (a transfer of 5 percent of the Harbor's gross revenues is required by the Charter) and a \$33.8 million transfer from the Tidelands Oil Revenue Fund Group which is \$18.8 million higher than the \$15 million budget due to high oil prices experienced this year. This revenue resulted from an actual average price of \$94 per barrel for the year instead of the budgeted amount of \$55 per barrel. These figures are net of the needed set-aside for oil field abandonment funding as planned for in the adopted budget of \$7.125 million plus an additional amount of approximately \$1.8 million representing up to 25 percent more set-aside due to funds made available from the higher oil prices, as planned for in the FY 22 Mid-Year Performance Report.

Along with higher projected revenues, the Tidelands Operating Fund also has greater costs, including \$6.6 million for various Queen Mary expenses such as critical infrastructure repairs, maintenance, property insurance, bond expenses, and legal costs. The fund also contributes to the Aquarium, Rainbow Harbor (Queensway Bay), and Pike Parking Garage debt and also receives revenues from profits of, or makes up revenue losses of, the Convention Center (profit or loss excludes utilities, which are paid separately by the Tidelands Operating Fund Group). In FY 22, the Convention Center operated at a loss and the City has had additional expenses of \$5.7 million to cover for those losses. The final audited financial statements from Spectacor Management Group (SMG), which operates the Convention Center on behalf of the City, has not yet been received, but once finalized, any financial impact will be adjusted.

Largely due to the positive impact of the improved oil revenues, \$12 million was set aside for Tidelands capital improvements as part of the Adopted FY 23 Budget. Information on those projects is listed below.

FY 23 CIP - Tidelands Projects (Included in the Adopted FY 23 Budget)			
Projects	FY 23 Amount	Projects	FY 23 Amount
Resurfacing of Pine Avenue Blvd	\$ (600,000)	Open Ocean Beach Boardwalk Planning & Design	\$ 200,000
Queen Mary Tank Investig Costs and Public Art	\$2,075,000	Marina Vista Park Improve the Colorado Lagoon One	\$ 800,000
Convention Center Promote Repair of Expansion Joints	\$3,000,000	Old Place Paver and Seawall	\$1,100,000
Rainbow Lagoon Pumps Repairs	\$1,325,000	Tidelands Playgrounds Plan	\$ 250,000
Aquarium Parking Garage	\$500,000	Beach Upgrade Belmont Door Repairs	\$ 150,000
Pride Tower Node Construction	\$150,000	Shade Structures at Alami Granada Beach Playground	\$ 200,000
Junipero Courts and Roller Construction Set Aside	\$ 500,000	Crack and Slurry Seal Beach	\$ 400,000
Bluff Sculptural Art Garden	\$ 200,000	Beach & Design Room Upgrade	\$ 300,000
Naples Seawalls Evaluation Repairs and Phase 2 Plan	\$ 500,000	Local Coastal Program Amendment	\$ 150,000
Davies Boat Launch Ramp Resurface, Lighting and EY	\$ 400,000	Island LED Lighting Corridor Design	\$ 100,000
		TOTAL	\$12,000,000

There is additional budgetary funds available of \$15.4 million as of the end of FY 22 that is being recommended for more priority projects. Information on these projects are listed below:

Additional FY 23 CIP - Tidelands Projects (FY 23 Ending Funds Available)			
Projects	FY 23 Amount	Projects	FY 23 Amount
Junior Lifeguard Facility	\$ 425,000	Homelessness Response	\$2,000,000
Peninsula Beach Nourishment	\$ 250,000	Marina Green Parking Lot	\$ 1,000,000
Junipero Courts and Roller	\$ 200,000	Security Cameras	\$ 500,000
Pride Tower Node Construction	\$150,000	Belmont Pier Joint Public-Private Exploration	\$ 100,000
Regional General Permit Renewal	\$ 200,000	Restoring Belmont Pier Repairs	\$ 300,000
Queen Mary Parking Improvement	\$ 400,000	Seawall Avenue/Convention Center	\$ 200,000
Queen Mary Operations	\$2,950,000	Convention Center ECA Construction	\$1,000,000
Belmont Pool	\$3,000,000	Tidelands Critical Facility Repairs	\$1,325,000
		Public Works	\$14,700,000
		Additional Tidelands	\$1,446,000
		Total	\$16,146,000

- Enhancement for the Public Works Department of \$425,000 to fully fund the construction of the Jr. Lifeguard Facility to develop the modular building and demolish the existing structure.

- Enhancement for the Public Works Department of \$250,000 to further the Peninsula Beach nourishment study, develop strategy and framework for short term and long-term erosion management solutions including identifying challenges and benefits with earlier pilot study efforts.
- Enhancement for the Public Works Department of \$200,000 to support permitting to expand the Junipero Sports Court active recreational uses along the waterfront.
- Enhancement for the Public Works Department of \$50,000 to support the Pride Tower placemaking and access project.
- Enhancement for the Public Works Department of \$300,000 to renew the City's Regional General Permits with the Regulatory Agencies, which allows of maintenance dredging of the City's bays, channels, and harbors.
- Enhancement for the Public Works Department of \$400,000 to transfer to the Tidelands Area Fund Group for parking repairs and upgrades to the Queen Mary Hotel parking lots to facilitate reopening approved for use by the City Council on November 15, 2022.
- Enhancement for the Economic Development Department of \$2,950,000 to provide funding for operational, maintenance and improvement expenses for the Queen Mary in preparation for a Spring 2023 re-opening, as required by the hotel management contract.
- Enhancement for the Public Works Department of \$3,000,000 for additional funding to support the development of the Belmont Pool facility.
- Enhancement for the Public Works Department of \$2,000,000 for funding needed to address homelessness within the Tidelands areas.
- Enhancement for the Public Works Department of \$1,000,000 for Marina Green Parking Lot rehabilitation needs.
- Enhancement for the Public Works Department of \$500,000 for continued efforts to install security cameras and associated electrical and data infrastructure in high-needs areas to improve public safety.
- Enhancement for the Public Works Department of \$100,000 for consulting services to explore alternative financing strategies for the delivery of the Belmont Pier project as a potential Public-Private endeavor.
- Enhancement for the Public Works Department of \$300,000 for engineering, design,

and permitting to support repairs to existing Belmont Pier.

- Enhancement for the Public Works Department of \$200,000 for planning and permitting and set aside for construction of digital signage wayfinding and message boards in the Downtown and Convention Center area.
- Enhancement for the Public Works Department of \$1,325,000 for critical facilities reserve account to support unforeseen maintenance needs across Tidelands areas.
- Enhancement for the Public Works Department of \$1,000,000 to support identified Facilities Conditions Assessment (FCA) needs, including repairs or upgrades to energy management systems, HVAC, doors, and elevators at the Long Beach Convention Center.
- A set aside of \$1,446,460 for reserve to address operational needs in the Tidelands area.

Towing Fund Group

The Towing Fund provides the City's towing and vehicle lien sale operations. It usually supports the City's General Fund Group through an annual transfer of some portion of net income. It is funded through towing fees, charges for vehicle storage, and proceeds collected from the lien sale of unclaimed vehicles.

In FY 20, the COVID-19 pandemic and associated response resulted in revenue being \$1.8 million less than budgeted. Factors contributing to the decreased revenue included a citywide moratorium on non-essential tows, a suspension of lien sales due to social distancing concerns, and a COVID-19-related storage fee waiver program. To reduce the impact of this shortfall, extensive efforts were taken to minimize expense and defer projects in FY 20 as well as cancel the planned \$1 million transfer to the General Fund. Even with these cost reduction measures, the Towing Fund Group ended FY 20 with a net annual loss, ending the year with a budgetary funds available of less than \$0.3 million.

Fees were raised as part of the Adopted FY 21 Budget to help cover costs. However, the continued COVID-19 pandemic and response in the first half of FY 21 extended revenue shortfalls. In the second half of FY 21, total revenue exceeded total expenditure by \$1.1 million. This was largely due to the stronger-than-expected revenue recovery coupled with extreme cost reduction measures and continued deferral of special projects. Even so, the \$1 million transfer to General Fund was once again not completed in FY 21, with the budgetary funds available to be used to replenish the low fund balance and fund upcoming expenses that had been previously deferred.

FY 22 began with a budgetary funds available of \$1.2 million and ended approximately the same at \$1.3 million. In FY 22, there were no residual pandemic impacts. Towing revenues

exceeded budget due to vehicle storage fees being above budget by about \$800,000. Expenditures exceeded budget due to \$500,000 in additional fleet replacement costs. Overall, revenues exceeded expenditures to help keep the fund balance in the positive. The fund succeeded in its ability to make the budgeted General Fund transfer in FY 22, which was adjusted down to \$700,000 to help address the Towing budgetary funds available challenges.

Uplands Oil Fund Group

The Uplands Oil Fund Group accounts for oil revenue outside the Tidelands area and accounts for all costs and revenues for the City's proprietary oil interests, including accumulating reserves for the City's portion of oil well abandonment and site clearance liabilities. Revenues are derived from participation in oil operations and oil production overhead fees received by the City as Unit Operator for the Tidelands Oil operations. Presently, over half of the revenue in this fund is from overhead fees and less than half is from oil sales. As previously noted, the FY 22 Budget assumed a price of \$55 per barrel; however, the average price per barrel in FY 22 was \$94. Due to higher average per barrel prices, the transfer from Uplands Oil fund to the General Fund Group was \$12.03 million, which is \$5.1 million higher than budgeted. Higher average per barrel prices also allowed for a 25 percent increase to the structural abandonment set aside amount, from \$1.6 million to \$2.03 million. Additionally, as noted previous sections, this report recommends that additional Uplands Oil Fund Group year-end surplus of \$416,369 to be allocated to the 5 percent unfunded liability per policy and the rest to the abandonment reserve. Inclusive of the year-end recommendation, this would represent a 49 percent higher (additional \$0.8 million) set aside for oil well abandonment over what was previously planned at \$1.6 million.

FY 22 Year-End Appropriation Adjustments

On August 24, 2021, the City Council adopted the Appropriations Ordinance governing the City's Adopted Budget for FY 22. 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 22 year-end are noted in the Fiscal Impact section.

This matter was reviewed by Assistant City Attorney, Gary J. Anderson on January 25, 2023.

City Council action is requested on February 7, 2023 to close the City's books for FY 22 in a timely manner.

To accurately reflect FY 22 year-end transactions and match appropriations to expenditures, the following actions are requested:

Airport

- *Increase appropriations in the Airport Fund Group in the Airport Department by \$93,634,463 as a technical correction for the series 2009 and series 2010 bond refund transaction, offset by funding from bond proceeds*

In 2022, the Airport issued the 2022 series bonds to refund the outstanding 2009 and 2010 series bonds and to fund a portion of the Phase II Terminal Area Improvements. The Airport recorded \$93,634,463 in expenses and \$91,351,455 in revenues for the refunding transaction. This is a technical correction to increase appropriations to align with the actual expenses that were recorded for the refunding transaction, offset by revenues received from bond proceeds.

City Attorney

- *Increase appropriations in the General Fund Group in the City Attorney Department by \$200,400 as a technical correction.*

The Adopted FY 22 Budget for the City Attorney Department included a negative \$200,400 budget to internally track costs related to cannabis litigation and enforcement. As the accounting of these efforts no longer requires a negative expenditure transfer in the General Fund Group, this negative budget should have been removed in the Adopted FY 22 Budget. Removal of this erroneous negative budget will result in the correct FY 22 appropriation for the City Attorney Department's General Fund Group budget.

Energy Resources

- *Increase appropriations in the Uplands Oil Fund Group in the Energy Resources Department by \$15,931 to align the budget to actual expenditures, offset by revenue.*

Expenses in the Uplands Oil Fund slightly exceeded the budget amounts. The Adopted FY 22 Budget oil projections were based on \$55 per barrel. In FY 22, the actual average price of oil was around \$94 per barrel. The higher than anticipated price of oil resulted in increased oil activity and associated expenses. As such, an appropriation increase is requested Uplands Oil Fund Groups in the Energy Resources Department to align budget to actual expenses.

Economic Development

- *Increase appropriations in the General Fund Group in the Economic Development Department by \$132,805 for closing costs related to the purchase of the Luxury Inn, offset by funds available.*

On September 13, 2022, the City Council authorized the purchase of real property at 5950 Long Beach Boulevard as a part of the Round 2 Homekey Program. The property will be converted into 78 units of interim or temporary housing for people experiencing homelessness. The City incurred \$132,805 in necessary acquisition costs to complete the purchase of the property. This amount is part of the \$500,000 match of City funds committed to this program. An appropriation increase is needed for these expenses, offset by drawing down on General Fund funds available.

- *Increase appropriations in the General Fund Group in the Economic Development Department by \$658,186 for unfunded costs associated with the maintenance or beautification of City-owned properties, offset by funds available.*

In FY 22, the Economic Development Department incurred approximately \$658,186 in unbudgeted expenditures for the maintenance, beautification, and administration of City-owned properties, which includes the holding cost for the Armory, property maintenance for Fire Station 9 and miscellaneous costs for property management. An appropriation increase is needed for these expenses, offset by drawing down on General Fund funds available.

Financial Management

- *Increase appropriations in the Towing Fund Group in the Financial Management Department by \$510,284 for the funding and purchase of tow trucks, offset by funds available.*

Fleet Services requests to increase FY 22 expense appropriation in the Towing Fund by \$510,284, for the funding and purchase of tow trucks, offset by funds available. The timely replacement of aging tow trucks is critical to meet the City and public's need for tow services and emergency response. The additional expenditure of funds, transferred to the Fleet Acquisitions Fund, will enable the purchase of three flat-bed tow trucks, which are approved as replacements to

three similar units in the tow truck fleet.

Public Works

- *Increase appropriations in the General Fund Group in the Public Works Department by \$240,604 for permit inspection costs, offset by permit inspection revenues.*

On December 13, 2022, the City Council approved an increase in appropriations in the amount of \$700,000 in the Capital Projects Fund Group in the Public Works Department for permit inspection costs as part of the FY 22 Third departmental and fund budget appropriation adjustments council letter. The Department incurred a total of \$1.1 million of additional cost, but only requested \$700,000 in attempt to cover what could not be absorbed throughout the department savings. The Department has incurred additional costs since the development of the December request and is now returning to the City Council to for appropriation for unbudgeted Permit Center cost to balance the department's FY 22 budget, offset by permit inspection revenue.

Parks, Recreation and Marine

- *Increase appropriations in the General Fund Group in the Parks, Recreation and Marine Department by \$127,619 to cover uncontrollable water needs at City Parks, offset by funds available.*

In prior years, The Parks, Recreation and Marine Department has funded Citywide water and plant needs with one-time appropriations or covered by operational savings. In FY 22, the department continued to water parks to meet irrigation needs. City staff planned to return to City Council at yearend to request a budget adjustment for any irrigation costs exceeding budget to cover the uncontrollable cost incurred. The department incurred \$517,040 of unbudgeted water related costs and was able to absorb \$389,421 due to savings recognized with departmental savings. The Department is requesting a budget adjustment in the amount of \$127,619 in the General Fund Group for the uncontrollable water costs that could not be absorbed within the fiscal year.

Citywide Activities

- *Increase appropriations in the General Fund Group in the Citywide Activities Department by \$528,864 for sales tax rebate payments, offset by higher sales tax revenue generated from business operations and received by the City.*

The City maintains eight active local sales tax sharing agreements which were created to attract new businesses, create jobs and sales tax revenue to the City. In FY 22, the City realized higher sales tax revenue generated from various types of businesses. As such, the rebate payments exceeded budget and an appropriation increase is necessary to align budget to actual expense incurred in FY 22. The appropriation increase is fully offset by sales tax revenue realized from through these agreements.

- *Increase appropriations in the General Fund Group in the Economic Development Department by \$284,186 and Health and Human Services Department by \$242,951 for indirect cost charges that were not able to be covered by grants, offset by funds available.*

The City recoups the General Fund's cost to deliver central administrative services through indirect cost rates applied to expenditures incurred across all fund groups. In accordance with federal grant requirements, indirect cost rates are calculated through the annual citywide cost allocation plans and charged to all fund groups using a consistent methodology. In FY 22, the Economic Development and Health and Human Services Departments' grants were unable to fund a portion of indirect cost plan charges within current grant awards due to expense eligibility requirements and limited administrative funding caps. Charges that could not be recouped from grants were transferred to the General Fund Group within each department and resulted in a variance between budget and actuals. An appropriation increase of \$527,137 is requested to offset transfer cost beyond what could be absorbed within each department's General Fund Group current appropriations.

- *Increase appropriations in the Reserve for Subsidence Fund Group in the Citywide Activities Department by \$107 as a technical adjustment to align budget to actual expenditures, offset by funds available.*

The City of Long Beach currently retains the services of an outside legal firm for continued representation in the

Lehman Brothers Holding Bankruptcy case. Following the conclusion of the case in 2012, ongoing services are required to monitor distribution and receipt of funds owed to the City. Annual expenditures for these services are minimal and allocated across all City fund groups. An appropriation increase is requested in the Reserve for Subsidence Fund Group in the Citywide Department to align budget to actual expenses.

Long Beach Recovery Act

· Increase appropriations in the General Fund Group in the Parks, Recreation and Marine Department by \$12,600 as a technical correction to match budget to the approved Long Beach Recovery Act Program Allocations; and

Decrease appropriations in the General Fund Group in the Health and Human Services Department by \$12,600 as a technical correction to match budget to the approved Long Beach Recovery Act Program Allocations.

A technical correction is necessary to bring the full FY 22 budgeted appropriation for the Long Beach Recovery Act programs in the General Fund Group in the Health and Human Services and the Parks, Recreation and Marine Departments to align with the approved Long Beach Recovery Act program allocations.

· Increase appropriations in the General Fund Group in the Citywide Activities Department by \$22,240,025 for a transfer to the General Fund, offset by General Fund set aside in the Long Beach Recovery Act to cover the FY 22 General Fund budget shortfall.

As part of the Long Beach Recovery Act, \$75.7 million was approved for the Securing Our City's Future category. This category is funded by General Fund monies that are available due to ARPA funding that makes up for the City's pandemic -impacted revenue loss in order to maintain current government services. This has allowed for a strengthened City fiscal standing, eliminating the need for General Fund service cuts in FY 22. This appropriation increase request is to budget for the operating transfer necessary to cover the FY 22 General Fund budget shortfall and funding for priority one-time projects.

Approve recommendation.

[Enter Body Here]

KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER