



BH-19

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

September 9, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive supporting documentation into the record, conclude the public hearing and take the actions necessary to adopt the Fiscal Year 2009 budget as listed in Attachment A of this letter. (Citywide)

DISCUSSION

On August 1, 2008, the City Manager's Proposed Budget for Fiscal Year 2009 (FY 09) was delivered by the Mayor to the City Council and community with recommended amendments for consideration. Subsequent workshops and hearings were set for August 5, August 12, August 19, August 26, September 2, September 4 and September 9, 2008 along with approximately three Budget Oversight Committee (BOC) meetings and ten community meetings at which the FY 09 Proposed Budget was discussed. We are pleased to report that through the scheduled workshops, hearings, BOC and community meetings, presentations have been made by multiple City departments resulting in 23 separate opportunities for public feedback, deliberation and input.

At the conclusion of the hearings, the City Council will be asked to amend the proposed budget as it deems appropriate, and to adopt the proposed budget as amended. Since the publication of the FY 09 Proposed Budget, updated estimates of revenue and expense, which address technical corrections as well as decisions made by elected offices, are listed by fund and department in Attachments B and C to this letter, respectively.

The Appropriations Ordinance officially adopts the FY 09 budget and authorizes expenditures in conformance with the adopted budget. To become effective October 1, 2008, this Ordinance must include a finding of emergency. Specific resolutions provide for approval of the budgets for the Harbor, Sewer and Water funds; and certain fee adjustments. Requests for approval include the FY 09 Capital Improvement Program; acknowledgment of the updated Financial Strategic Plan; the Mayor's Recommendations; and the Budget Oversight Committee's Recommendations to the FY 09 Proposed Budget.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on August 21, 2008.

TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 09 budget must be adopted by September 15, 2008, following at least one public hearing. Should the City Council fail to adopt the budget on or by that date, the City Manager's FY 09 Proposed Budget shall be deemed the budget for the 2009 fiscal year. The Mayor then has five calendar days from City Council adoption of the budget to use a line-item veto to reduce or eliminate expenditures. The City Council would then have until September 30, 2008, to override any line-item veto with a two-thirds supermajority vote.

FISCAL IMPACT

The City Charter requires that the Appropriations Ordinance shall govern and control the expenditure and commitment amounts stated therein relating to the City's departments, offices and agencies during each fiscal year. The total FY 09 budget for all departments and funds is \$3,468,910,455, which comprises \$3,096,273,192 in new appropriation and \$372,637,263 in estimated carry-over from FY 08 for multi-year grants and projects.

The Appropriations Ordinance, included as Attachment A-17 to this letter, totals \$2,343,846,799 for all funds except Harbor, Water and Sewer, and \$2,348,005,027 for all departments except Harbor and Water. The \$4,158,228 difference between funds and departments in the Appropriations Ordinance is due to general City indirect costs budgeted in the Department of Financial Management but charged to the Harbor, Water and Sewer funds, which are not included in the Appropriation Ordinance by fund.

The proposed Harbor, Water and Sewer Fund budgets are in separate City Council ordinances included as Attachment A-1 and A-4 to this letter, respectively, and total \$1,125,063,656. The budget for the Harbor Department was adopted by the Board of Harbor Commissioners by minute order on June 16, 2008. The budget for the Water Department was adopted by the Board of Water Commissioners by resolution on July 10, 2008.

The City Council is also requested to bring the Municipal Code into uniformity with the FY 09 budget by amending Municipal Code (section 15.20.060) establishing the maintenance for all sewer laterals to be the sole responsibility of the property owner. The Memorandum of Understanding with the Water Department to provide sewer lateral repair services related to tree root damage has been eliminated. This action will bring Long Beach's sewer lateral policy in-line with other local jurisdictions, including the City of Los Angeles.

The recommendations in this letter include various fee adjustments, as highlighted in the FY 09 Proposed Budget book, and are included in the attached Master Fee Resolution. The fee changes are necessary for full cost recovery and are summarized in Attachment A-6, Exhibit A to this letter.

Other requested City Council actions include approval of the FY 09 One-Year Capital Improvement Program (CIP) budget, which is contained in the Appropriations Ordinance. The Planning Commission, at its meeting of August 15, 2008, approved the CIP for FY 09 for conformance with the General Plan. Any projects that are not in conformance with the Plan will be highlighted by Development Services staff and steps to secure conformance will be outlined.

Further, motions approving the budgets of the Redevelopment Agency's (RDA) Project Area Committees (PACs) for the Central Long Beach, the West Long Beach Industrial and the North Long Beach Project Areas and the Long Beach Housing Development Company (HDC) are requested. The PAC budgets are included in the budget of the Development Services Department, while the budget of the HDC is included in the budget of the Community Development Department.

The City Council is also requested to adopt the Resolution establishing the "Gann Appropriations Limit" (Limit) for general purpose expenditures. In November 1979, the voters of the State of California approved Proposition 4, also known as the "Gann Initiative." The Initiative places certain limits on the amount of tax revenue that can be appropriated each fiscal year. The Limit is based on actual appropriations during FY 79 and guards against overspending proceeds of taxes. Only those revenues which are considered as "proceeds of taxes" are subject to the Limit. The Limit is recalculated each fiscal year based on certain inflation and population factors provided by the State. The proposed budget includes tax revenue estimates that are at 41.05 percent of the 2008-2009 Appropriations Limit and, therefore, does not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.

SUGGESTED ACTON:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:



PATRICK H. WEST
CITY MANAGER

List of Requested Fiscal Year 2008 Budget Adoption Actions

1. Adopt the Resolution approving the FY 09 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on June 16, 2008 (A-1).
2. Declare an emergency to exist (A-2).
3. Declare the Ordinance approving the Resolution establishing the rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on July 24, 2008, as an Emergency Ordinance, read and adopted as read and laid over to the next regular meeting of the City Council for final reading (A-3).
4. Adopt the Resolution approving the FY 09 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on July 10, 2008 (A-4).
5. Declare the Ordinance to amend the Long Beach Municipal Code by amending section 15.20.060 relating to maintenance of sewers, read the first time and laid over to the next regular City Council meeting for final reading (A-5).
6. Adopt the Resolution establishing a master fee and charges schedule for specified city services for the Departments of Airport, City Clerk, City Prosecutor, Community Development – Code Enforcement, Development Services, Financial Management, Fire, Gas & Oil, Health and Human Services, Library Services, Parks, Recreation and Marine, Police, and Public Works. (A-6).
7. Approve the FY 09 One-Year Capital Improvement Program (A-7).
8. Adopt a motion approving the budgets for the Redevelopment Agency's Project Area Committees in the amounts of \$50,000 for Central Long Beach, \$80,000 for West Long Beach Industrial and \$44,558 for North Long Beach (A-8).
9. Adopt a motion approving the budget for the Long Beach Housing Development Company in the amount of \$30,424,612, which is included in the budget of the Department of Community Development (A-9).
10. Adopt a motion approving the transfer of \$16,059,464 from the Harbor Revenue Fund to the Tidelands Operating Fund (A-10).
11. Adopt the Resolution adopting an appropriations limit (Gann) for FY 09 pursuant to Article XIII(B) of the California Constitution (A-11).
12. Adopt the Mayor's proposed funding recommendations, as amended, to the FY 09 Proposed Budget (A-12).
13. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the FY 09 Proposed Budget (A-13).
14. Acknowledge the updated Financial Strategic Plan (A-14).
15. Adopt a motion amending the proposed budget (A-15).
16. Declare an emergency to exist (A-16).
17. Declare the Appropriations Ordinance for FY 09, creating and establishing the funds of the Municipal Government and appropriating money to and authorizing expenditures from said funds and for said fiscal year as an Emergency Ordinance, read and adopted as read and laid over to the next regular meeting of the City Council for final reading (A-17).

FISCAL YEAR 2009 APPROPRIATIONS ORDINANCE BY FUND

<u>FUND</u>	<u>FY 09 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 08 ESTIMATED CARRYOVER*</u>	<u>FY 09 APPROPRIATION</u>
GENERAL FUND	404,223,243	(329,134)	-	403,894,110
GENERAL GRANTS FUND	6,657,583	-	10,880,124	17,537,707
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	4,756,444	-	-	4,756,444
HEALTH FUND	44,706,112	212,069	36,281,335	81,199,515
PARKING & BUSINESS AREA IMPROVEMENT FUND	7,031,088	-	-	7,031,088
SPECIAL ADVERTISING & PROMOTION FUND	6,930,787	7,502	-	6,938,289
UPLAND OIL FUND	28,650,709	-	-	28,650,709
HOUSING DEVELOPMENT FUND	26,684,889	19,826	66,657,962	93,362,677
BELMONT SHORE PARKING METER FUND	669,532	-	-	669,532
DEVELOPMENT SERVICES FUND	13,917,848	(78,020)	-	13,839,827
BUSINESS ASSISTANCE FUND	1,473,381	(258,849)	(48,155)	1,166,377
COMMUNITY DEVELOPMENT GRANTS FUND	26,598,907	60,751	32,256,190	58,915,849
PARK DEVELOPMENT FUND	1,056,174	1,479	-	1,057,653
GASOLINE TAX STREET IMPROVEMENT FUND	17,354,032	-	16,292,095	33,646,127
TRANSPORTATION FUND	16,920,015	2,659	17,318,712	34,241,387
CAPITAL PROJECTS FUND	10,790,141	-	53,652,719	64,442,860
CIVIC CENTER FUND	1,635,040	9,546	2,962,504	4,607,090
GENERAL SERVICES FUND	36,842,828	33,973	2,138,513	39,015,315
FLEET SERVICES FUND	36,311,834	27,523	359,703	36,699,059
INSURANCE FUND	36,290,954	80,631	-	36,371,584
EMPLOYEE BENEFITS FUND	226,004,478	1,093,568	-	227,098,045
TIDELANDS FUNDS	131,033,622	3,640,255	19,850,396	154,524,273
TIDELAND OIL REVENUE FUND	363,131,614	57,348	-	363,188,961
RESERVE FOR SUBSIDENCE	-	-	-	-
GAS FUND	144,771,416	63,086	3,736,684	148,571,186
AIRPORT FUND	34,789,571	149,081	48,127,643	83,046,295
REFUSE/RECYCLING FUND	49,529,322	22,713	(127,537)	49,424,498
SERRF FUND	53,701,873	1,511,097	-	55,212,970
SERRF JPA FUND	11,394,998	-	-	11,394,998
TOWING FUND	9,821,496	4,120	-	9,825,615
PARKING AUTHORITY FUND	-	-	-	-
HOUSING AUTHORITY FUND	67,445,005	12,613	792,013	68,249,631
REDEVELOPMENT FUND	142,414,052	51,934	61,506,361	203,972,347
CUPA FUND	1,289,158	5,621	-	1,294,779
TOTAL	1,964,808,145	6,401,391	372,637,263	2,343,846,799

* Carryover of multi-year grants and CIP funds.

FISCAL YEAR 2009 APPROPRIATIONS ORDINANCE BY DEPARTMENT

<u>DEPARTMENT</u>	<u>FY 09 PROPOSED EXPENDITURES</u>	<u>CHANGES</u>	<u>FY 08 ESTIMATED CARRYOVER*</u>	<u>FY 09 APPROPRIATION</u>
MAYOR AND COUNCIL	\$ 5,215,817	\$ (151,354)	\$ -	\$ 5,064,463
CITY ATTORNEY	9,708,745	0	-	9,708,745
CITY AUDITOR	2,682,333	137,717	-	2,820,050
CITY CLERK	3,911,718	-57,978	-	3,853,740
CITY MANAGER	8,087,496	33,935	-	8,121,430
CITY PROSECUTOR	5,492,110	0	(16,989)	5,475,121
CIVIL SERVICE	2,224,506	0	-	2,224,505
AIRPORT	27,384,959	149,081	3,384,161	30,918,201
COMMUNITY DEVELOPMENT	145,578,033	5,337,385	98,559,410	249,474,828
DEVELOPMENT SERVICES	160,342,492	83,912	63,039,954	223,466,358
FINANCIAL MANAGEMENT**	367,300,622	539,998	(1,752,019)	366,088,602
FIRE	93,793,784	113,754	3,174,090	97,081,628
HEALTH AND HUMAN SERVICES	50,832,388	242,579	38,853,555	89,928,522
HUMAN RESOURCES	8,123,010	38,189	-	8,161,199
LIBRARY SERVICES	13,271,115	30,592	-	13,301,707
LONG BEACH GAS AND OIL	579,572,123	1,631,531	3,736,684	584,940,339
PARKS, RECREATION AND MARINE	57,997,862	193,840	19,437,940	77,629,642
POLICE	207,431,124	-465,867	5,098,889	212,064,147
PUBLIC WORKS	184,574,235	-1,876,419	137,183,074	319,880,890
TECHNOLOGY SERVICES	35,441,901	420,497	1,938,513	37,800,911
TOTAL	\$ 1,968,966,373	\$ 6,401,391	\$ 372,637,263	\$ 2,348,005,027

* Carryover of multi-year grants and CIP funds.

** Department of Financial Management includes internal service charges that are contained in the resolutions of the Water, Sewer and Harbor funds for accounting, budgeting and treasury functions, and other citywide activities such as debt service.

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Proposed/Projected Financial Strategic Plan
Fiscal Year 2009-2011

(In structural increments, in millions)			
<u>Fiscal Year</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
Proposed/Projected Structural Revenue	\$398.7	\$407.2	\$411.3
Includes:			
<i>Property Tax</i>		2.7	2.8
<i>Sales Tax and In-Lieu Sales Tax (Backfill)</i>		1.6	1.6
<i>Utility Users Tax</i>		0.8	0.8
<i>Vehicle License Fees and In-Lieu VLF (Backfill)</i>		0.9	0.8
Proposed/Projected Structural Expenditures	\$395.8	\$416.8	\$431.9
Includes:			
<i>Negotiated POA Salary Increases</i>		9.7	3.0
<i>Negotiated FFA & IAM Salary Increases</i>		6.3	7.5
<i>General Liability Cost Change</i>		0.9	1.0
<i>Workers' Compensation Cost Change</i>		0.6	0.6
Proposed/Estimated Structural Surplus/(Deficit)	<u>2.91*</u>	<u>(\$9.6)</u>	<u>(\$20.6)</u>
<i>*FY 09 Proposed Surplus is programmed to support one-time expenses in FY 09.</i>			
Further Projected Potential Cost Increases on the Horizon			
Underground Storage Tanks			\$7.5
Estimated Annual Set-aside to Fund new GASB Liabilities			\$3.6
Possible General Liability Payments			\$9.0