



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-15

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

July 13, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Fiscal Year 2004 Third Quarter Budget Appropriation Adjustments (Citywide)

DISCUSSION

On September 16, 2003, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2004 (FY 04). From time to time, changes in revenue or operating conditions call for appropriation adjustments. In some cases, these changes enable departments to expend newly received 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 existing City Council policy, various adjustments are presented quarterly to the City Council for consideration. The third quarter appropriation adjustment requests for FY 04 are listed below alphabetically by department. Please see **Attachment A** for a Fund Balance Analysis of impacted City funds.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on July 2, 2004.

TIMING CONSIDERATIONS

City Council action is requested on July 13, 2004, as the following requests for adjustments to FY 04 departmental and fund appropriations are necessary to reflect changes in operating conditions and to authorize the timely processing of payments related to expanded activities.

FISCAL IMPACT

Community Development

The City Manager's Office has requested that Community Development take the lead in the negotiation procedures between the City of Long Beach and Queen's Seaport Development, Inc., relating to the rent credit dispute for the Queen Mary. The anticipated cost for consulting fees and staff time is \$53,000. Funding for this project is currently unbudgeted; therefore, an appropriation increase is requested. The funding source will be Tidelands Fund balance.

- Increase appropriations in the Tidelands Fund (TF) in the Department of Community Development (CD) by \$53,000.

Fire Department

On August 5, 2003, the City Council authorized application and receipt of the Urban Area Security Initiative II Grant from the U.S. Department of Homeland Security to fund planning, equipment, training, and personnel costs associated with the protection of critical infrastructure in and around the Long Beach Urban Area. Subsequently, on November 18, 2003, the funds for Phase I, \$887,420, were appropriated to the Long Beach Fire Department.

Phase II monies have not been budgeted; therefore, an appropriations increase is being requested. The Phase II grant award of \$5,580,443 will be used to address the unique equipment, training, planning, and exercise needs of large high-threat urban areas. The funding will also provide assistance to build enhanced and sustainable capacity to prevent, respond to, and recover from acts of terrorism.

Due to administrative personnel limitations in the Long Beach Fire Department, it was determined that the most efficient means to procure the necessary items would be to directly appropriate the funds within those City Departments that did not have adequate appropriations. They include the following:

Fire	\$3,749,191
Health and Human Services	388,908
Public Works	<u>1,442,344</u>
Total	\$5,580,443

- Increase appropriations in the General Grants Fund (SR 120) in the Fire Department (FD) by \$3,749,191.
- Increase appropriations in the General Grants Fund (SR 120) in the Department of Health and Human Services (HE) by \$388,908.
- Increase appropriations in the Airport Fund (EF 320) in the Department of Public Works (PW) by \$1,363,000.
- Increase appropriations in the General Grants Fund (SR 120) in the Department of Public Works (PW) by \$79,344.

Oil Properties

Due to the continued increase in oil prices during the first half of the fiscal year, it is requested that the appropriations be increased for related oil operations expenditures which include, payment to the State, transfer to Tidelands Operating Fund (NX 420) and transfer to the General Fund from the Upland Oil Fund (SR 134); this appropriation will be offset by an equal increase in forecasted crude oil revenues.

The Department of Oil Properties used an estimate of \$20/bbl of oil to forecast crude oil revenues in the FY 04 Adopted Budget. In April 2004, due to higher oil prices, the Department recalculated its budget requirements using \$26/bbl for the remaining of the fiscal year. Oil prices, however, are continually increasing. Wilmington oil prices are currently posting an average price of \$36.70/bbl as of June 1, 2004 while actual oil prices in the whole Wilmington oil field, as of April 30, averaged at \$28.36/bbl. The Department has, therefore, revised its estimates upward using \$30/bbl of oil for the last five months of the fiscal year, resulting in an additional request for appropriations in the amount of \$72.3 million.

The following are the estimated payments to the State, and transfer to the Tidelands Operating Fund and the General Fund through the remainder of the fiscal year:

	<u>FY 04 Adopted Budget</u>	<u>April 2004 Forecast</u>	<u>June 2004 Forecast</u>	<u>Requested Q3 Increase</u>
Payment to the State	\$21.5 m	\$72.4 m	\$87.1 m	\$65.6 m
Transfer to TOF	3.2 m	5.9 m	6.5 m	3.3 m
Transfer to General Fund	4.0 m	6.6 m	7.1 m	3.1 m
Totals	\$27.7 m	56.2 m	\$100.7 m	\$72.3 m

Should oil prices appear to be sustaining a long-term price above the estimated \$30/bbl for the remainder of the fiscal year, additional budget appropriations will be requested.

- Increase appropriations in the Tidelands Oil Revenue Fund (NX 420) in the Department of Oil Properties by \$68,397,227.
- Increase appropriations in the Upland Oil Fund (SR 134) in the Department of Oil Properties by \$3,917,518.

Parks, Recreation and Marine

The Department of Parks, Recreation and Marine established a tennis trust account, per the City's agreement with First Serve Tennis, to fund improvements to City tennis facilities. The City deposits permit fees paid from tennis operations into this trust account. In an effort to upgrade the tennis facilities throughout the community, the Department is planning to make the following tennis facility improvements: Install new fencing, windscreens, nets and court lighting at Billie Jean King, install new lighting at Scherer and Deforest Parks, resurface ten courts at El Dorado and replace all windscreens. The City's current budget for tennis improvements is \$45,000 and actual costs will be approximately \$130,000. At this time, an appropriation increase in the amount of \$85,000 is needed. Revenue to offset the increased appropriation will be transferred from the tennis trust accounts.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$85,000.

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Per the City's lease agreement with El Dorado Food Services, two percent of the El Dorado Golf Course Restaurant's gross receipts are deposited into a trust account held by the City for improvements to the El Dorado Golf Course restaurant. Improvements are inspected and approved by the Department's Superintendent of Golf Operations. Restaurant improvements that have recently been completed include: upgrading the existing restaurant ceiling to match the new addition, including skylights and relocating three air conditioning vents for the entire restaurant (\$26,700); upgrading the formica counters to granite (\$6,291); installing oak paneling and trim detail (\$12,920); and supplying planter boxes for safety barriers on the dining patio and terrace (\$6,147). An appropriation increase in the amount of \$52,058 is needed to fund these improvements. Funds from the El Dorado trust account, totaling \$52,058, will be recorded to revenue to offset the improvement costs.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$52,058.

The Department of Parks, Recreation, and Marine is requesting a Third Quarter Budget Adjustment to increase appropriations for utilities, especially electricity, in the Tidelands Funds. Electricity costs have increased substantially since December 2000. For fiscal year 2002, the General Fund budget was increased in recognition of this problem. In fiscal year 2003, the budget was increased in the Marina Fund. However, the Tidelands Operations and Rainbow Harbor Area Fund budgets were not adjusted. The increase in costs can no longer be absorbed without substantial reductions in programming, maintenance and operations at the Belmont Pool, beaches, launch ramps and Rainbow Harbor.

- Increase appropriations in the Tidelands Fund (TF) in Department of Parks, Recreation and Marine (PR) by \$212,481.

Public Works

A payment of \$185,000 has been received from Catellus Residential Group for liability it incurred for the private development at Spinnaker Bay/Boathouse Lane. These funds have been approved for street improvements in that area. An appropriations increase in the Capital Improvement Program is needed to recognize this payment, which will offset the expense of approved street improvements.

- Increase appropriations in the Tidelands Fund (TF) in the Department of Public Works by \$185,000.

An appropriation increase of \$90,726 is necessary to recognize interest earnings from the 2001 Plaza Parking Facility Bonds proceeds for use in the Capital Improvement Program. This appropriation increase is needed to fund software upgrades for the GIS and MicroPaver Systems in the Major and Secondary Highway Improvement program.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$90,726.

In FY 2001, \$531,180 of Intermodal Surface Transportation Efficiency Act (ISTEA) grant funding was appropriated for the Palo Verde and Stearns Street Improvement project. This project was completed for only \$482,035. A technical correction is needed to decrease appropriations in the Gas Tax Street Improvement Fund (SR 181) by \$49,145 to match the actual grant expense.

- Decrease appropriations in the Gas Tax Street Improvement Fund (SR 181) in the Department of Public Works (PW) by \$49,145.

On September 16, 2003, City Council authorized the appropriation of \$44,485 interest earnings from the Temple/Willow Bond proceeds to the Capital Projects Fund for approved purchases for the Emergency Communications and Operations Center (ECOC). This requested appropriation increase, however, should have been authorized for the Fleet Services Fund. Therefore approval is requested to correct the September action and increase appropriations in the Fleet Services Fund and decrease appropriations in the Capital Projects Fund.

- Decrease appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$44,485.
- Increase appropriations in the Fleet Services Fund (IS 386) in the Department of Public Works (PW) by \$44,485.

An appropriation increase of \$470,000 is necessary to recognize interest earnings from the 2002 Public Safety Facilities Bond proceeds. This appropriation increase is needed to fund improvements associated with the Public Safety Building project.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$470,000.

An appropriation increase of \$1,120,000 is necessary to recognize interest earnings from the Civic Center LBBFA 1997 Bond proceed and the actual funds reported by the City's fiscal agent. This appropriation increase will fund ongoing improvements to the Civic Center complex.

- Increase appropriations in the Civic Center Fund (IS 380) in the Department of Public Works (PW) by \$1,120,000.

On October 1, 2002 the City of Long Beach began receiving grant funds for Traffic Congestion Relief provided for in Assembly Bill 2928. An appropriation increase of \$16,000

is necessary to recognize interest earnings that will offset expenditures for approved street projects.

- Increase appropriations in the Gas Tax Street Improvement Fund (SR 181) in the Department of Public Works (PW) by \$16,000.

On July 15, 2003 and March 16, 2004, the City Council authorized the acceptance and execution of grants from the Federal Aviation Administration's (FAA) Airport Improvement Program. These grant funds were provided for use on airport security, airport rescue and fire fighting, and Runway 12/30 rehabilitation at the Long Beach Airport.

On April 20, 2004, the City Council increased appropriations in the Airport Fund (EF 320) by \$9,027,731 for the grant and \$1,003,081 for the Airport's matching fund obligation. The Federal Aviation Administration subsequently increased the grant award by \$30,000, and the Airport's matching fund obligation by \$3,333. An appropriation increase is necessary to recognize these unbudgeted funds. This increase will be offset by the FAA grant and \$3,333 from Airport Passenger Facility Charges (PFC).

- Increase appropriations in the Airport Fund (EF 320) in the Department of Public Works (PW) by \$33,333.

Technology Services

Tidelands Fund expenditures in the Technology Services Department for FY 04, totaling \$2.18 million, support the operation of the Aquarium and the Pike parking structures. When the FY 04 budget was being formulated, the Pike parking structure was not complete nor was the Pike development open. Therefore, Technology Services and the Budget Office agreed to establish a proposed budget of \$600,000 in expense and revenue for Pike parking structure operations, and to revisit this amount after the first three months of fiscal year. It was also agreed that appropriation levels might need to be adjusted during the year if the Pike development was leased and more businesses opened.

The primary expenditures related to the Pike parking structure operations are payments to DDR for the services of the parking operator, ACE Parking, as well as for power. Year-to-date expenditures through April 2004 for the Pike parking structure are \$523,235, which only reflects payments made to DDR. Total expenses for the Pike Garage through the end of the fiscal year are estimated to be \$952,820, approximately \$352,820 higher than originally budgeted.

The Adopted Budget for Aquarium parking structure operations is \$1.59 million. Increased Aquarium parking structure expenses have been incurred related to additional staffing and security required as a result of the opening of the Pike. Total expenses through the end of the fiscal year are estimated to be \$1,677,065, approximately \$87,634 higher than originally projected.

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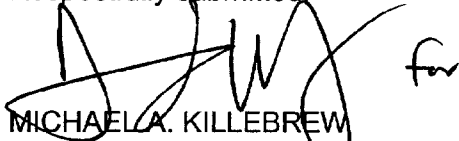
An appropriation increase is requested to pay for the additional expenses related to the Pike and Aquarium parking structures. There will be sufficient parking garage revenue to offset total expenditures.

- Increase appropriations in the Tidelands Fund (TF) in the Department of Technology Services (TS) for \$440,454.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Approve the aforementioned adjustments to FY 04 departmental and fund appropriations in accordance with existing City Council policy.

Respectfully submitted,


MICHAELA A. KILLEBREW
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:


GERALD R. MILLER
CITY MANAGER

Attachment