

August 24, 2021

**BH-22**

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 2022 budget as listed in Attachment A;

Approve the revised Long Beach Recovery Act program allocations and approve the Fiscal Year 2021 departmental and fund budget appropriation adjustments for the Long Beach Recovery Act in accordance with existing City Council Policy; and,

Set September 7, 2021 as the hearing date for a continued budget hearing to take the necessary actions to adopt the Fiscal Year 2022 Master Fees and Charges Schedule and establish the rates and charges for water and sewer service. (Citywide)

**DISCUSSION**

On July 16, 2021, the City Manager's Proposed Budget for Fiscal Year 2022 (FY 22) was delivered by Mayor Garcia to the City Council and community for consideration. The City Council budget hearings were held on March 16, July 20, August 3, August 10, August 17, and August 24, 2021. Additionally, Budget Oversight Committee (BOC) meetings and citywide community town hall meetings were also held in the months of April, July, and August, at which the Proposed FY 22 Budget was discussed. As a result of these meetings, there were 15 scheduled opportunities for public feedback, deliberation, and input. An additional budget hearing will be held on September 7, 2021, to discuss the Water and Sewer Rates and the Master Fees and Charges Schedule. Additionally, input was solicited through the Long Beach Budget Priority Survey to obtain feedback on desired City priorities. The survey was promoted on the City's website, Twitter, Instagram, Facebook, and at community meetings.

At the conclusion of the August 24, 2021 hearing, the City Council will amend the Proposed FY 22 Budget as it deems appropriate and adopt the proposed budget as amended. Since the publication of the Proposed FY 22 Budget, a few updates were made to the proposed revenue and expenditure budgets, which primarily address technical corrections and are listed by fund group and department in Attachments B, C, and D. The reasons for these budget adjustments are discussed at the end of this letter.

As part of the FY 22 Budget Adoption, there are two Ordinances to be considered for approval in Attachment A. The first Ordinance amends the Departmental Organization of the City (A-6). The second is the Appropriations Ordinance (A-14), which officially appropriates the funding for the Adopted Budget (approved in A-3) and authorizes expenditures in conformance with the Adopted Budget. For the Appropriations Ordinance to become effective on October 1, 2021, the City Council must first declare an emergency to exist (A-13) before adopting the Ordinance.

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There are also four Resolutions that provide for approval to amend the Salary Resolution (A-7), approve the budget for the Long Beach Harbor Department (A-8), approve the budget for the Long Beach Water Department (A-9), and establish the Gann Appropriations Limit (A-12). There are also the following motions: approve the Mayor's Recommendations (A-1); approve the BOC Proposed Recommendations (A-2); amend the Proposed FY 22 Budget (A-3); approve the revised program allocations for the Long Beach Recovery Act and increase the associated fund and departmental appropriations in FY 21 (A-4), approve the FY 22 One-Year Capital Improvement Program (A-5); approve the FY 22 Budget for the Long Beach Community Investment Company (A-10); and, approve the Harbor Fund Group transfer (A-11).

This matter was reviewed by Deputy City Attorney Amy R. Webber on August 5, 2021 and by Budget Manager Grace H. Yoon on August 9, 2021.

TIMING CONSIDERATIONS

In accordance with the City Charter, the Proposed FY 22 Budget must be adopted by September 15, 2021. Should the City Council fail to adopt the budget by that date, the City Manager's Proposed FY 22 Budget will be deemed the budget for the 2022 Fiscal Year. The Mayor has five calendar days from the City Council adoption of the budget to use his veto authority. The City Council would then have until September 30, 2021, to override the veto action by the Mayor with a two-thirds supermajority vote (six Councilmembers).

FISCAL IMPACT

The City Charter requires that the Appropriations Ordinance govern and control the expenditure and commitment amounts stated therein relating to City departments, offices, and agencies during each fiscal year. The total Proposed FY 22 Budget for all departments and fund groups is \$3,787,587,675, which comprises of \$3,013,475,444 in new appropriation and \$774,112,231 in estimated carryover from FY 21 for multi-year grants and projects. Attachments B, C, and D provide the financial overview by Fund Group and Department, and Citywide revenue by Fund Group, respectively.

The Appropriations Ordinance, included as Attachment A-14, totals \$2,981,588,012 for all fund groups except Harbor, Sewer, and Water fund groups, and \$2,985,342,096 for all departments except Harbor and Water Departments. The \$3,754,084 difference between fund groups and departments is due to general City indirect costs budgeted in the Financial Management Department but charged to the Harbor, Water, and Sewer Funds, which are not included in the Appropriations Ordinance by fund groups.

The proposed Harbor, Water, and Sewer Fund Group budgets are in separate City Council Resolutions included as Attachment A-8 and A-9, respectively, and total \$805,999,662. The Board of Harbor Commissioners adopted the budget for the Harbor Department by minute order on May 24, 2021. The Board of Water Commissioners adopted the budget for the Water Department by Resolution on June 24, 2021.

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User fees and charges in the Master Fees and Charges Schedule and Water and Sewer Rates will be presented to the City Council on September 7, 2021, to allow for sufficient time for noticing and public hearing requirements. Should adjustments be made to the Master Fees and Charges Schedule, the FY 22 budget may be impacted. Any items impacting the FY 22 budget would be brought to the City Council in the first citywide departmental and fund budget appropriation adjustments.

Other requested City Council actions include:

- Adopting the program allocations of the revised Long Beach Recovery Act and increase the FY 21 departmental and fund budget appropriations accordingly, included as Attachment A-4. The allocations are being discussed and approved as part of the FY 22 budget process, but the action is to appropriate the funds beginning in FY 21 to start spending on priority projects that are ready as soon as possible. Unspent funds at the end of FY 21 will be carried over to FY 22 and beyond as necessary.
- Approving the FY 22 One-Year Capital Improvement Program (CIP) budget, included as Attachment A-5, which is contained in the Appropriations Ordinance.
- Amending the Departmental Organization Ordinance included as Attachment A-6. This amendment incorporates changes to departments, bureaus, and divisions for FY 22. These organizational changes are necessary to implement changes reflected in the Proposed FY 22 Budget. A redline version of the changes is also provided.
- Adopting the amended Salary Resolution for FY 22, which creates and establishes positions of employment while fixing and prescribing the compensation for officers and employees, is included as Attachment A-7.
- Adopting the FY 22 Long Beach Community Investment Company (LBCIC) budget, included as Attachment A-10. The LBCIC budget is prepared annually for City Council approval and is a subset of the Housing Development Fund. The LBCIC oversees the delivery of housing and neighborhood revitalization services. The LBCIC approved its FY 22 Budget on June 23, 2021.
- Adopting a Resolution, included as Attachment A-12, establishing the Gann Appropriations Limit (Limit) for general purpose expenditures. In November 1979, the voters of the State of California (State) approved Proposition 4, also known as the Gann Initiative (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 prevents overspending proceeds of taxes. Only those revenues that 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 46.03 percent of the 2021-2022 Appropriations Limit and, therefore, do not exceed the Limit. The City Auditor reviews this calculation for conformance to the law.

After the City Manager delivered the Proposed FY 22 Budget to the Mayor, technical adjustments were made to complete the budget. These changes are shown in Attachments B, C, and D. Changes include the following:

1. An expense and revenue budget increase in the Public Works Department in the Capital Projects Fund Group by \$8,000,000, offset by a transfer from the General Fund to support the infrastructure funding necessary to comply with legal ADA obligations related to sidewalk and curb requirements. This is required and planned for spending in the Proposed FY 22 budget that was inadvertently left out of the budget. The increase in the Citywide Activities Department in General Fund Group of \$8,000,000 to reflect the transfer to the Capital Projects Fund Group will be offset by a release of \$7,200,000 from reserves previously set aside for liabilities and required mandates (not part of the General Fund Operating or Emergency Reserves), and by \$800,000 from anticipated FY 21 Measure A year-end surplus.
2. A revenue decrease in the Long Beach Airport Department in the Airport Fund Group by \$4,611,627 as a technical correction to align budget more accurately with the Airport Cares Act funding to be expended in FY 22.
3. An expense increase in the Development Services Department in the Development Services Fund Group by \$167,990 to align budget with anticipated expenditures for the Fire Department Plan Check MOU.
4. A revenue increase in the Tidelands Fund Group in the Citywide Activities Department by \$1,772,497 to correctly reflect the anticipated FY 22 transfer amount from the Harbor Department to the Tidelands Fund Group based on an estimate of 5 percent of Harbor's FY 21 gross operating revenue. The previous budgeted amount was \$18,809,414 but updated projections are now \$20,581,911, which was inadvertently not updated in the Proposed Budget.

The remaining changes were minor, technical adjustments made to various funds and departments to align budget with grants, revenues, and/or personnel benefit corrections.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully submitted,



JOHN GROSS  
INTERIM DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



THOMAS B. MODICA  
CITY MANAGER

**List of Requested Fiscal Year 2022 Budget Adoption Actions**

1. Adopt the Mayor's proposed budget recommendations, as amended, to the Proposed FY 22 Budget. (A-1)
2. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the Proposed FY 22 Budget. (A-2)
3. Adopt the expenditures and revenues as identified in the Proposed FY 22 Budget, as amended. (A-3)
4. Adopt the allocations of the Long Beach Recovery Act Plan and increase FY 21 appropriations in relevant departments and funds. (A-4)
5. Approve the FY 22 One-Year Capital Improvement Program. (A-5)
6. Declare the Ordinance amending the Departmental Organization Ordinance read the first time and laid over to the next regular meeting of the City Council for final reading. (A-6)
7. Adopt the amended Salary Resolution for FY 22. (A-7)
8. Adopt the Resolution approving the FY 22 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on May 24, 2021. (A-8)
9. Adopt the Resolution approving the FY 22 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on June 24, 2021. (A-9)
10. Adopt a motion approving the FY 22 budget for the Long Beach Community Investment Company in the amount of \$755,934. (A-10)
11. Adopt a motion approving the estimated transfer of \$20,581,911 from the Harbor Fund Group to the Tidelands Operations Fund Group. (A-11)
12. Adopt the Resolution establishing the Gann Appropriations Limit for FY 22 pursuant to Article XIII (B) of the California Constitution. (A-12)
13. Declare an emergency to exist. (A-13)
14. Declare the Appropriations Ordinance for FY 22, creating and establishing the fund groups 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-14)

**FISCAL YEAR 2022 APPROPRIATIONS ORDINANCE BY FUND GROUP**  
 (Does not include Harbor, Water and Sewer Fund Groups)

<u>FUND GROUP</u>	<u>FY 22 PROPOSED EXPENDITURES</u>	<u>CHANGES*</u>	<u>FY 21 ESTIMATED CARRYOVER**</u>	<u>FY 22 APPROPRIATIONS</u>
GENERAL FUND	625,026,268	8,037,890	-	633,064,159
UPLAND OIL FUND	10,186,475	-	-	10,186,475
GENERAL GRANTS FUND	8,883,278	-	18,928,957	27,812,235
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	2,960,556	(37,890)	-	2,922,666
HEALTH FUND	59,077,572	-	100,609,201	159,686,773
CUPA FUND	2,604,353	-	-	2,604,353
SPECIAL ADVERTISING & PROMOTION FUND	11,225,241	-	-	11,225,241
HOUSING DEVELOPMENT FUND	2,767,047	-	8,253,731	11,020,778
BELMONT SHORE PARKING METER FUND	787,034	-	-	787,034
BUSINESS ASSISTANCE FUND	758,675	-	977,548	1,736,223
COMMUNITY DEVELOPMENT GRANTS FUND	16,970,907	-	75,606,085	92,576,992
HOUSING AUTHORITY FUND	107,028,544	-	7,930,167	114,958,711
GASOLINE TAX STREET IMPROVEMENT FUND	11,139,365	-	9,200,891	20,340,257
CAPITAL PROJECTS FUND	152,945,509	8,000,000	328,161,425	489,106,934
SUCCESSOR AGENCY OPERATIONS	4,293,771	-	26,027,373	30,321,144
CIVIC CENTER FUND	25,133,122	-	5,042,839	30,175,961
GENERAL SERVICES FUND	79,131,044	-	16,753,913	95,884,957
FLEET SERVICES FUND	46,544,859	16,316	3,457,907	50,019,081
INSURANCE FUND	67,033,336	-	-	67,033,336
EMPLOYEE BENEFITS FUND	361,028,146	-	-	361,028,146
TIDELANDS OPERATIONS FUND	103,514,429	-	92,009,048	195,523,477
TIDELANDS AREA FUNDS	30,912,793	-	16,530,244	47,443,036
TIDELANDS OIL REVENUE FUND	91,662,713	-	-	91,662,713
RESERVE FOR SUBSIDENCE	-	-	-	-
DEVELOPMENT SERVICES FUND	27,857,236	167,990	1,205,023	29,230,250
GAS FUND	147,820,821	-	18,915,598	166,736,420
AIRPORT FUND	50,408,435	-	44,522,932	94,931,366
REFUSE/RECYCLING FUND	58,712,949	-	(20,650)	58,692,299
SERRF FUND	46,043,433	-	-	46,043,433
SERRF JPA FUND	-	-	-	-
TOWING FUND	6,755,469	-	-	6,755,469
DEBT SERVICE FUND	8,132,197	-	-	8,132,197
SUCCESSOR AGENCY - DEBT SERVICE	23,945,898	-	-	23,945,898
<b>TOTAL</b>	<b>2,191,291,476</b>	<b>16,184,305</b>	<b>774,112,231</b>	<b>2,981,588,012</b>

\*Please refer to the Fiscal Impact section of the City Council Letter for a general description of notable changes.

\*\*Reflects estimated carryover for accounts with projects and grants as of 6/30/21.

**FISCAL YEAR 2022 APPROPRIATIONS ORDINANCE BY DEPARTMENT**  
**(Does not include Harbor and Water Departments)**

<u>DEPARTMENT</u>	<u>FY 22 PROPOSED EXPENDITURES</u>	<u>CHANGES*</u>	<u>FY 21 ESTIMATED CARRYOVER**</u>	<u>FY 22 APPROPRIATIONS</u>
MAYOR AND COUNCIL	6,003,222	-	(138)	6,003,084
CITY ATTORNEY	12,264,464	-	(2,054)	12,262,410
CITY AUDITOR	3,394,335	-	-	3,394,335
CITY CLERK	5,048,482	-	-	5,048,482
CITY MANAGER	17,569,256	-	3,060,221	20,629,477
CITY PROSECUTOR	6,339,562	-	682,397	7,021,959
CIVIL SERVICE	3,350,703	-	-	3,350,703
AIRPORT	50,059,931	-	44,310,151	94,370,082
DISASTER PREPAREDNESS & EMERGENCY COMMUNICATIONS	13,502,134	-	1,234,509	14,736,643
DEVELOPMENT SERVICES	71,416,230	167,990	98,741,975	170,326,196
ECONOMIC DEVELOPMENT	20,223,033	-	10,259,359	30,482,392
FINANCIAL MANAGEMENT***	684,136,037	8,016,316	51,849,232	744,001,585
FIRE	150,128,598	-	917,661	151,046,260
HEALTH AND HUMAN SERVICES	172,317,492	-	108,873,571	281,191,063
HUMAN RESOURCES	16,642,679	-	(253,684)	16,388,995
LIBRARY SERVICES	16,632,492	-	4,280,418	20,912,910
ENERGY RESOURCES	249,894,575	-	18,915,598	268,810,173
PARKS, RECREATION AND MARINE	65,422,325	-	27,828,775	93,251,100
POLICE	285,444,775	(0)	8,485,005	293,929,780
PUBLIC WORKS	270,284,954	8,000,000	377,246,138	655,531,092
TECHNOLOGY & INNOVATION	74,970,281	-	17,683,094	92,653,375
<b>TOTAL</b>	<b>2,195,045,560</b>	<b>16,184,305</b>	<b>774,112,231</b>	<b>2,985,342,096</b>

\*Please refer to the Fiscal Impact section of the City Council Letter for a general description of notable changes.

\*\*Reflects estimated carryover for accounts with projects and grants as of 6/30/21.

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

**FISCAL YEAR 2022 REVENUES BY FUND GROUP**  
**(Does not include Harbor, Water and Sewer Fund Groups)**

<u>FUND GROUP</u>	<u>FY 22 PROPOSED REVENUES</u>	<u>CHANGES*</u>	<u>FY 22 PROPOSED BUDGETED REVENUES</u>
GENERAL FUND	591,016,636	-	591,016,636
UPLAND OIL FUND	11,811,475	-	11,811,475
GENERAL GRANTS FUND	8,599,759	-	8,599,759
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	2,960,556	(37,890)	2,922,666
HEALTH FUND	59,116,501	-	59,116,501
SPECIAL ADVERTISING & PROMOTION FUND	9,690,625	-	9,690,625
HOUSING DEVELOPMENT FUND	1,697,500	-	1,697,500
BELMONT SHORE PARKING METER FUND	898,884	-	898,884
BUSINESS ASSISTANCE FUND	728,199	-	728,199
COMMUNITY DEVELOPMENT GRANTS FUND	10,803,424	-	10,803,424
GASOLINE TAX STREET IMPROVEMENT FUND	11,267,258	-	11,267,258
CAPITAL PROJECTS FUND	153,713,826	8,000,000	161,713,826
CIVIC CENTER FUND	25,481,441	-	25,481,441
GENERAL SERVICES FUND	80,551,225	-	80,551,225
FLEET SERVICES FUND	51,184,797	-	51,184,797
INSURANCE FUND	75,967,483	-	75,967,483
EMPLOYEE BENEFITS FUND	361,457,746	-	361,457,746
TIDELANDS OPERATIONS FUND	99,729,931	1,772,497	101,502,428
TIDELANDS AREA FUNDS	30,499,656	-	30,499,656
TIDELANDS OIL REVENUE FUND	98,787,714	-	98,787,714
RESERVE FOR SUBSIDENCE	1,480,000	-	1,480,000
DEVELOPMENT SERVICES FUND	24,793,271	-	24,793,271
GAS FUND	148,356,226	-	148,356,226
GAS PREPAY FUND	-	-	-
AIRPORT FUND	60,206,822	(4,611,627)	55,595,195
REFUSE/RECYCLING FUND	56,469,579	-	56,469,579
SERRF FUND	40,853,000	-	40,853,000
SERRF JPA FUND	-	-	-
TOWING FUND	6,845,982	-	6,845,982
HOUSING AUTHORITY FUND	105,236,185	-	105,236,185
SUCCESSOR AGENCY OPERATIONS	4,219,567	-	4,219,567
CUPA FUND	1,866,016	-	1,866,016
DEBT SERVICE FUND	6,536,532	-	6,536,532
SUCCESSOR AGENCY DEBT SERVICE	30,162,041	-	30,162,041
<b>TOTAL</b>	<b>2,172,989,856</b>	<b>5,122,980</b>	<b>2,178,112,836</b>

\*Please refer to the Fiscal Impact section of the City Council Letter for a general description of notable changes.