

September 8, 2020

R-16

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve the Fiscal Year 2020 (FY 20) One-Times departmental and fund budget appropriation adjustments to help mitigate the FY 20 financial shortfall in accordance with existing City Council policy. (Citywide)

DISCUSSION

The COVID-19 pandemic (pandemic) has significantly altered the focus and trajectory of the City's finances in FY 20 and the outyears. Previously, the City had been projecting surpluses for FY 20 in various funds, but with the unexpected and deep revenue losses resulting from the Stay at Home orders and business closures, many funds are facing shortfalls, including the General Fund, Special Advertising and Promotions Fund (SAP), and the Tidelands Operating Fund.

The latest projection has the General Fund potentially facing a shortfall ranging from \$25 to \$41 million, if no corrective action is taken. Heavy revenue losses are anticipated for the year in areas such as sales tax, oil revenue, and Transient Occupancy Tax (TOT). The recently approved allocation from the State CARES Act of \$40.3 million will allow the City to cover some of the City's expenses related to the pandemic but it is uncertain how much of the shortfall this will resolve as costs continue to be incurred due to the unpredictable nature of the pandemic response. The pandemic is also occurring at a time when there are significant one-time funding needs, and trends and factors indicate significant shortfalls in the out-years, including a projected \$30 million shortfall that needs to be resolved for FY 21.

The SAP fund has also been severely impacted as the TOT, the fund's main source of revenue, is experiencing severe losses from the dramatic slowing of the tourism industry. TOT revenue is historically volatile. Past history indicates a pattern where revenue losses from a downturn usually take several years to recover. The revenue losses from FY 20 alone could potentially require up to \$5 million from SAP funds available and, without corrective action, all the remaining operating reserves could be depleted by FY 22 or FY 23.

The Tidelands Operating Fund is also experiencing heavy revenue losses in FY 20 due to low oil prices and reduced oil revenues. At one point during the year, the price of oil was negative. The Fund is also expected to need to pay debt service on one or more bond issues that would normally be covered by other revenue sources such as rent paid to Tidelands by the Aquarium Corporation and passenger fees paid by Carnival Cruise Lines. These normal revenues are either not available or reduced due to the pandemic. In addition, the temporary closing of the Convention Center is expected to cost the fund over \$5 million in FY 20.

In response to these unprecedented fiscal challenges and the changed fiscal outlook due to the pandemic, the City is taking actions to reduce spending in the current fiscal year and to better position the funds as the City heads into additional financial challenges in the upcoming years. One such budget action in FY 20 is the suspension and reduction of selected one-time non-Capital Improvement Plan (CIP) projects and expenditures that were approved by the City Council in the Adopted FY 20 Budget and in the first citywide departmental and fund budget appropriation adjustments on March 17, 2020. While reducing one-time non-CIP projects is not a desirable action, the magnitude of the revenue losses and the fiscal challenges faced by the City requires strong action to generate as much one-time savings as possible. It is already anticipated that various operating reserves will need to be utilized for the General Fund, SAP, and Tidelands Operating Fund to balance the year, depending on the final year-end status. Without additional action such as the reduction of projects as recommended in this action, more reserves will potentially need to be evaluated, putting these funds at greater financial risk in the future.

Departments with City Council-approved one-time appropriations were asked to evaluate and identify whether the project was critical in nature, if the funds were already expended, and if the project could practically be held or suspended. In addition to generating savings, a key goal of this process was to strike a balance between immediate savings and strategic investments that may save the City money or liability in the future. Based on the review and analysis conducted, staff proposes the reduction of select one-time funds for the General Fund Group, the Special Advertising and Promotions Fund Group, and the Tidelands Operating Fund Group. The final decisions were based on the following criteria:

GENERAL FUND, SAP, AND TIDELANDS OPERATING ONE-TIMES

Status	Criteria
Do not reduce	Funds have already been expended; project is not discretionary and costs will be incurred; project cannot be practically suspended and is already being implemented; project supports critical City Council and City priorities.
Reduce	Project is complete and there were savings; project funding can be scaled back due to the City's fiscal challenges and still maintain the core services/goals; project scope has changed and no longer needs the funding; project has been impacted by pandemic and is not able to be implemented as originally anticipated; project deemed a lower priority in light of City's fiscal challenges.

A summary of proposed adjustments by fund and department for one-time projects to be reduced can be found in Attachment A. A list of projects that were reviewed but are not being recommended for reduction at this time can be found in Attachment B.

In addition, staff is reviewing projects in the CIP to determine how best to move forward. In general, CIP projects are categorized into one of three groups as detailed in the following table.

CIP PROJECTS

Status	Criteria
Moving Forward	Projects already in construction, set to begin construction, or funded by a grant with deadlines that cannot be adjusted.
Temporarily Paused	Projects in design but not yet bid for construction.
Temporarily Suspended	Projects that have not begun design, EIR, or not completely funded.

Investment in the City’s infrastructure is a priority and all efforts are being made to ensure projects can move forward. Any projects that are temporarily paused or suspended can resume once more information is available about overall funding. Staff continues to advocate for state and federal funding to address the City’s infrastructure needs.

This matter was reviewed by Deputy City Attorney Amy R. Webber on July 29, 2020.

TIMING CONSIDERATIONS

The request for adjustments to the FY 20 departmental and fund appropriations are necessary to reflect changes in the budget status. City Council action is requested on September 8, 2020, to enable the timely processing of budget adjustments.

FISCAL IMPACT

The following appropriation adjustments are recommended to generate savings to help reduce the FY 20 shortfall. The detail for one-time appropriation reductions can be found in Attachment A. Should future budget status or other actions require a change to the FY 20 one-times being reduced or one-times moving forward, adjustments will be brought back to the City Council for review. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. Below is a breakdown of the fiscal impact by fund group:

General Fund Group

- Decrease appropriations in the General Fund Group in various departments by \$3,933,423 of which \$2,135,985 are from non-Measure A one-times and \$1,797,438 are from Measure A one-times, to reduce the FY 20 financial shortfall.

Special Advertising and Promotion Fund Group

- Decrease appropriations in the Special Advertising and Promotion Fund Group in various departments by \$761,655, to reduce the FY 20 financial shortfall.

Tidelands Operating Fund Group

- Decrease appropriations in the Tidelands Operating Fund Group in various departments by \$2,496,735, to reduce the FY 20 financial shortfall.

SUGGESTED ACTION:

Approve recommendation.


Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

ATTACHMENT A – FY 20 ONE-TIMES RECOMMENDED FOR REDUCTIONS
ATTACHMENT B – FY 20 ONE-TIMES LIST NOT RECOMMENDED FOR REDUCTION

APPROVED:



THOMAS B. MODICA
CITY MANAGER

General Fund Group Non-Measure A	Reduction Amount
<p>City Auditor <u>FY 19 City Auditor Department Savings</u> - In FY 20 on January 14, 2020, City Council approved carryover of \$288,000 to support various contracted audits in FY 20 utilizing the City Auditor's FY 19 year-end operating savings. In light of the City's fiscal challenges, the City Auditor is offering to return \$135,843 of these funds.</p>	<p>135,843</p>
<p>Economic Development <u>Armory and 4th & Atlantic</u> - In the FY 20 budget, one-time funds of \$440,000 was appropriated for security and property maintenance for the Armory and parking lot repairs at 4th and Atlantic. Based on current spending trends, it is estimated that the actual costs will be less and the department is proposing to defund \$100,000 of these funds in light of the City's financial challenges. <u>CSULB Foundation Support for Downtown Campus</u> - In the first citywide budget adjustment letter in FY 20, \$1 million was appropriated to support development of a Downtown campus for CSULB through the CSULB Foundation, focused on continuing education and workforce development. Since then, it has been determined that the project is not going to proceed due to financial uncertainty at CSULB and their indication that they are not able to proceed at this time.</p>	<p>100,000 1,000,000</p>
<p>Fire <u>Fire Diversity Recruitment Pilot Program</u> - In the FY 20 first citywide budget adjustment, \$250,000 was allocated from FY 19 year-end surplus funds to implement a comprehensive recruitment strategy focused on hiring highly-qualified candidates that represent the City's diverse population. Per the department, \$40,000 is not needed as one of the staff supporting this program was not hired until March, generating some vacancy savings.</p>	<p>40,000</p>
<p>Financial Management <u>Minimum Wage Education Program</u> - \$400,000 was appropriated in FY 20 as part of one-time carryover funding from previous years for a minimum wage education and information program. With the significant passage of time since the new minimum wage laws have gone into effect, there is less current need for education at the new law and this is now recommended for defunding given the large shortfall the City faces. The City's minimum wage education and information webpage and phone line will continue to be maintained with existing resources.</p>	<p>400,000</p>
<p>Library Services <u>Expanded Library Hours</u> - As part of the Adopted FY 20 budget, one-time funds of \$88,133 were appropriated for Sunday library hours at select libraries (Bay Shore and Michelle Obama) which were determined by utilization data and recent library patron survey. \$36,000 of the funds remaining are being proposed to be defunded given the City's fiscal challenges, as it is not anticipated these will be utilized with the closure of libraries as impacted by the pandemic.</p>	<p>36,000</p>

<p>Parks Recreation and Marine <u>Funding for water needs in City Parks</u> - \$600,000 was appropriated in FY 20 as part of one-time carryover funding from previous years. It is proposed to scale back some of these finds in order to generate savings needed for the General Fund. The majority of the funds are still needed for critical water needs.</p>	<p>25,000</p>
<p>Citywide Activities <u>FY 19 Year-End Surplus 5% Reserve for Unfunded Liabilities</u> - Per policy, 5% of any year-end surplus is put into a reserve for unfunded liabilities at the end of the year. This is the amount that was set to be reserved based on FY 19 year-end surplus. Given the shortfall situation in the General Fund, it is proposed that this amount stays in the General Fund to help funds available rather than to transfer it into the reserve. It is a potential that these unfunded liability reserve funds will be needed to be drawn down anyway to help the shortfall situation.</p>	<p>399,142</p>
<p>General Fund Group Non-Measure A Total</p>	<p>2,135,985</p>

General Fund Group Measure A	Reduction Amount
<p>Police <u>Police Recruit Academy Support</u> - In the FY 20 first citywide budget adjustment, \$1.8 million was allocated from FY 19 year-end Measure A surplus funds to help fully fund costs for class #95 set to begin July 2020. Due to delay in the start of this academy to a later date, this funding is no longer needed for FY 20.</p>	<p>1,797,438</p>
<p>General Fund Group Measure A Total</p>	<p>1,797,438</p>

Special Advertising and Promotion Fund Group	Reduction Amount
City Manager	
<p><u>Beach Streets Matching Funds</u> - As part of the Adopted FY 20 budget, one-time funds of \$108,000 was appropriated for the City match needed to utilize Metro grant funds for Beach Streets University and Beach Streets Downtown events in FY 20. With the pandemic, events have been cancelled but some costs have already been incurred. The remaining funding of \$31,500 is proposed to be defunded.</p>	31,500
<p><u>Civic Center Commemorative History Book</u> - As part of the Adopted FY 20 budget, one-time funds of \$50,000 was appropriated to support a commemorative history book for the new Civic Center. This book has been completed with savings of \$33,000.</p>	33,000
<p><u>Historical Plaques</u> - As part of the Adopted FY 20 budget, one-time funds of \$50,000 was appropriated for historical plaque installation throughout the City. These funds remain unspent, and are identified for reduction to support the overall health of the Special Advertising and Promotion Fund.</p>	50,000
<p><u>Percent for the Arts Nexus Study</u> - \$100,000 was appropriated in FY 20 as part of one-time carryover funding from previous years. These funds were intended to explore expanding the One Percent for the Arts program to include private development, through conducting a nexus study. This nexus study was put on hold while staff conducted an inclusionary housing analysis, which would help determine the ability of private developers to pay a fee to support the arts. However, given the current status of the Special Advertising and Promotions Fund, staff has identified this item for reduction. The City Council has the option to fund a nexus study at a future date. In the interim, additional funding has been identified to provide ongoing support for local arts programs through Measure B, which increased the transient occupancy tax from 6% to 7% for this purpose.</p>	100,000
<p><u>Summer Olympic Game Support</u> - As part of the Adopted FY 20 budget, one-time funds of \$200,000 was appropriated to support the efforts of co-hosting the Summer Olympic games, including qualifying Olympic events and planning consultants. This is proposed to be defunded as there were no Olympic qualifying events in FY 20 and staff are not able to dedicate time to Olympics planning.</p>	200,000
<p><u>Support for 3 Smaller Corridor Activations</u> - \$200,000 was appropriated in FY 20 as part of one-time carryover funding from previous years. This funding was part of the FY 19 adopted budget to fund 3 small corridor activations. This is proposed to be defunded as these open street activations did not occur in FY 20.</p>	200,000
Technology and Innovation	
<p><u>Civic Center Video Wall Programming Support with a focus in the new Civic Center</u> - As part of the Adopted FY 20 budget, one-time funds of \$150,000 was appropriated. \$50,000 has already been spent. With City Hall closed due to Safer at Home Order, the remaining funds can be defunded.</p>	100,000
<p><u>Videos for City Departments Produced by LBTV</u>. \$47,155 was appropriated in FY 20 as part of one-time carryover funding from previous years. With video production demands scaled back during Safer at Home order, these funds can be defunded.</p>	47,155
Special Advertising and Promotion Fund Group Total	761,655

	Reduction Amount
<p>Tidelands Operating Fund Group</p> <p>City Auditor <u>FY 19 Budget Savings Carry Forward</u> - In FY 20 on January 14, 2020, City Council approved carryover of \$65,000 to support various contracted audits in FY 20 utilizing the City Auditor's FY 19 year-end operating savings. In light of the City's fiscal challenges, the City Auditor is offering to return back \$5,000 of these funds that are remaining.</p>	5,000
<p>Parks Recreation and Marine <u>Crane for Hydraulic Pump for Sand Renourishment</u> - \$73,735 was appropriated in FY 20 as part of one-time carryover funding from previous years. This was originally appropriated as part of the FY 19 budget for one-time funding for a crane to transport the hydraulic pump for the Sand Renourishment Program. The pilot program was completed in February but Beach Maintenance is re-evaluating the program and thus it is proposed that this purchase of additional equipment can be postponed.</p> <p><u>Club Car Golf Cart</u> - As part of the Adopted FY 20 budget, one-time funds of \$18,000 was appropriated to purchase a club car golf cart for the custodial staff in the Marina area. With the current fiscal challenges the City is facing, this is proposed to be defunded to generate savings needed in the Tidelands Operating Fund.</p>	73,735 18,000
<p>Public Works <u>Beach Stairway Artwork and Historical Markers</u> - In the FY 20 first citywide budget adjustment, \$300,000 was allocated from FY 19 year-end surplus to fund artwork on the Cities stairways leading from the bluff to the beach. With the current fiscal challenges the City is facing, this project is proposed to be defunded to generate savings needed in the Tidelands Operating Fund. The project has not yet started and while a unique project for our City, it is not critical to providing safe beach access.</p> <p><u>Crime Prevention Through Environmental Design</u> - In the FY 20 first citywide budget adjustment, \$300,000 was allocated from FY 19 year-end surplus to fund efforts related to security cameras and associated fiber optic cabling. With the current fiscal challenges the City is facing, this is proposed to be defunded to generate savings needed in the Tidelands Operating Fund. The design is complete for a shovel ready project when funding becomes available.</p> <p><u>Electrical Infrastructure and LED Lighting on Queensway Bay Bridge</u> - In the FY 20 first citywide budget adjustment, \$1.7 million was allocated from FY 19 year-end surplus to fund electrical infrastructure to upgrade the outdated bridge lighting. With the current fiscal challenges the City is facing, this is proposed to be defunded to generate savings needed in the Tidelands Operating Fund. The design is complete for a shovel ready project when funding becomes available.</p> <p><u>Water Playground at Alamitos Beach</u> - In the FY 20 first citywide budget adjustment, \$300,000 was allocated from FY 19 year-end surplus to install inflatable play equipment within the East San Pedro Bay adjacent to Alamitos Beach. With the current fiscal challenges the City is facing, this is proposed to be defunded to generate savings needed in the Tidelands Operating Fund. The design is complete for a shovel ready project when funding becomes available.</p>	300,000 100,000 1,700,000 300,000
<p>Tidelands Operating Fund Group Total</p>	2,496,735

**Appropriated
Amount****General Fund Group Non-Measure A**

	Appropriated Amount
City Clerk	
Election & Special Election Costs	1,225,000
Redistricting Costs	337,850
City Manager	
Affordable Housing Plan	38,380
Office of Civic Innovation Homeless Efforts	200,000
One-time Critical Needs	156,585
Language Access for Community Based Organizations	15,000
Strategic Vision 2030	100,000
City Prosecutor	
Expungement Fund	100,000
Priority Access Diversion Program	130,000
Economic Development	
Atlantic Farms Acquisition	449,320
Business Development Programs	183,591
Business District Corridor Improvements - Anaheim Street	86,549
Business District Corridor Improvements - Pacific Ave	150,000
Business District Corridor Improvements - Santa Fe	150,000
Community Development Corporation (CDC)	125,000
Community Hospital	1,000,000
PLA Consultant	20,000
Virginia Village Improvements and Acquisition	800,000
Fire	
3-Month Pilot for Weekend Homeless Outreach	19,350
Health and Human Services	
3-Month Pilot for Weekend Homeless Outreach	36,550
Citywide Outreach Model for Homelessness	118,000
Funding to Leverage Grants	83,310
Homeless Services Interdepartmental Work Group	255,000
Homeward Bound Program	30,000
Language Access Policy (LAP) Program	33,395
Language Access Program Operations	80,000
Navigation Center Improvements	80,000
Office of Aging	73,000
STD Outreach, Mobile Center & Testing	30,000
Cannabis Public Health and Safety Education Program	48,939
Winter Shelter Extension	120,000
Library Services	
Assistance for the Library Foundation to Acquire a Fundraising Software	22,000
Police	
Homelessness Outreach	55,000
Records Management System Upgrade	2,000,000
Bodyworn Camera Data Release Function	100,000
3-Month Pilot for Weekend Homeless Outreach	16,800
FY 20 Costs for FY 21 Police Academy	800,000
Sensitivity Training	13,566

**Appropriated
Amount****Parks Recreation and Marine**

Be SAFE Program	49,000
Animal Care Services Strategic Plan	9,375
Donation Support for Animal Care Services	100,000
Daisy Lane Tree Project	153,000
Deforest Wetlands Project	243,000
Grounds Utility Cart and Storage Unit	11,000
11th Week of Summer Day Camp	40,610
Parks Programming Strategic Plan	56,701
Partners of Parks Management Support	50,000
Senior Programming at the Expo	15,000
Senior Programming	93,515
Transition to Multi-Year Pet Licenses	10,000
Week 11 of Summer Fun Days	47,400
Youth Strategic Plan	60,000
Trashcan Lids	10,000

Public Works

3-Month Pilot for Weekend Homeless clean-up	42,300
Citywide Outreach Model for Homelessness	127,000
Diseased Magnolia Trees	900,000
Tree Stump Removal	96,989
Tree Trimming Program	230,000
Vehicle for the Micro-mobility Program	34,223

Citywide Activities

Census Outreach and Redistricting	600,000
Council District 1 FY 19 Year End Surplus	1,288
Council District 2 FY 19 Year End Surplus	58,662
Council District 3 FY 19 Year End Surplus	10,964
Council District 4 FY 19 Year End Surplus	245,119
Council District 5 FY 19 Year End Surplus	68,722
Council District 6 FY 19 Year End Surplus	69,594
Council District 7 FY 19 Year End Surplus	13,525
Council District 8 FY 19 Year End Surplus	7,588
Council District Priority Funds	225,000
Emergency, As-Needed Facility Repairs	1,000,000
LBCOAST Project Costs	1,500,000
Sidewalk Program	500,000

General Fund Group Non-Measure A Total**15,961,761**

**Appropriated
Amount****General Fund Group Measure A****Fire**

Set aside for Engine 17	2,300,000
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Police

Neighborhood Safe Streets	2,200,000
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Purchase and Implementation of Body Worn Cameras	1,358,104
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Remaining Costs of 2nd FY 19 Police Academy	1,400,000
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Police Jail Clinician	100,000
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Parks Recreation and Marine

Irrigation Pumps	100,000
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Public Works

Magnolia Tree Program and Removal	100,000
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Tree Stump Removal	100,000
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Citywide Activities

Infrastructure Projects	19,541,896
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El Dorado Field Turf	1,500,000
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Fire Station 9	4,514,645
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Remediation at Davenport Park	800,000
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General Fund Group Measure A Total**34,014,645****Special Advertising and Promotion Fund Group****City Manager**

Additional Arts Council Support	25,000
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Advertising and Media Consulting Services	100,000
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African American Cultural Center	50,000
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Arts Council for Long Beach Support Subject to One-for-One Matching Funds	50,000
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Economic Development Corporation	100,000
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Latino Community Center	50,000
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Martin Luther King, Jr. Celebration	35,000
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Neighborhood Engagement & Citywide Communications Plan	80,000
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Security Costs for Various Community Events	121,458
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Support for Pow! Wow! Art Murals	50,000
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Youth Poet Laureate Program	20,000
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Women's Suffrage	10,000
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Citywide Activities

Council District Priorities Divided Between All Nine Districts	235,000
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Special Advertising and Promotion Fund Group Total**926,458**

**Appropriated
Amount****Tidelands Operations Fund Group**

City Manager	
Homeless Response Program Services	100,000
Fire	
Fire Rescue Boat Repair	375,000
Financial Management	
LB Coast Program Services	457,406
Parks Recreation and Marine	
Beach Sand Renourishment Hydraulic Pump Pilot Program	106,404
Trash Containers	70,400
11th Week of Summer Day Camp	31,500
In-Water Storm Debris Collection System	106,696
Trashcan Replacement	50,000
Public Works	
Alamitos Bay Pump System & Related Water Quality Improvements	300,000
Junior Lifeguard Facility	200,000
LED Lighting at 72nd Place	150,000
Security Cameras and LED Lighting at the Long Beach Convention Center	600,000
Citywide Activities	
Homeless Rapid Response Along the Beachfront Area	150,000
Tidelands Operations Fund Group Total	2,697,406
