





City of Long Beach
Working Together to Serve

Memorandum

Date: October 17, 2014

To: Patrick H. West, City Manager 

From: John Gross, Director of Financial Management 

For: Mayor and Members of the City Council

Subject: **Carryover of Unspent Appropriation**

During the FY 15 budget hearings, a question was raised about whether or not it would be a good idea to adopt a City budget practice that encourages departments to save money by allowing them to carry over into the next budget year a percentage of the savings the department has, e.g., 50 percent or 100 percent. Staff does not recommend any form of carry-over of budgeting. This technique of trying to encourage budget savings has been tried from time to time in other governments, but in Long Beach it is felt that it would have the opposite impact and not be consistent with good financial practices that City Council follows. The following provides the background for this recommendation.

- Long Beach Departments typically do save money each year and end the year with savings. Carryover attempts to fix a problem that does not exist.
- The City needs end of year savings to help address its budgetary issues and provide financial flexibility. Carryover reduces or eliminates those savings and increases spending, the opposite of what should be done.
- Carryover allows spending that has not been reviewed and approved through the budget process by the City Council or City Manager. This is not good financial policy and reduces the ability to manage the budget and control the City's financial situation.
- Managing a carryover budget process is usually time consuming and diverts staff from more important budget management functions. It also often creates fairness and equity issues that should be avoided.

If you have any questions, please contact Budget Manager Lea Eriksen at 8-6533 or Director of Financial Management John Gross at 8-6427.

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