



# R-21

## CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802

May 22, 2012

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

### RECOMMENDATION:

Approve the Fiscal Year 2012 second quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy. (Citywide)

### DISCUSSION

On September 6, 2011, the City Council adopted the Appropriations Ordinance governing the City's Adopted Budget for Fiscal Year 2012 (FY 12). Periodically, changes in revenue or operating conditions require appropriation adjustments. For example, in certain cases these adjustments enable departments to expend recently awarded 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 the City's practice, these adjustments are presented quarterly to the City Council for consideration. Please see Attachment A for a Fund Balance Analysis of impacted City funds and Attachment B for a recap of FY 12 General Fund Expenditure Budget Adjustments.

This matter was reviewed by Assistant City Attorney Charles Parkin on April 30, 2012.

### TIMING CONSIDERATIONS

The following requests for adjustments to FY 12 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on May 22, 2012 to enable the timely processing of payments.

### FISCAL IMPACT

#### **Fire**

On October 19, 2010, the City Council authorized the City Manager to receive and expend Department of Homeland Security grant funds for the 2009 Urban Area Security Initiative Grant (UASI 09) at an amount of \$5,000,692. Adjustments to departments' current allocations are necessary to align the Fire and Police

Departments' share of the modified grant allocation; \$487,000 of the Harbor portion of the grant will be reallocated to Fire and Police. The funds will be used for the following items: aerial imaging data for the City's geographic information system (GIS), public safety dive equipment, tactical response equipment, completion of the helicopter downlink project and automatic license plate reader trailer. As these increases are not budgeted, budget adjustments are necessary and will be fully offset by grant revenue. There is no net impact to the grant or to the General Grants Fund.

- Increase appropriations in the General Grants Fund (SR 120) in the Fire Department (FD) by \$211,708 from a reduction in Harbor appropriation.
- Increase appropriations in the General Grants Fund (SR 120) in the Police Department (PD) by \$275,292 from a reduction in Harbor appropriation.

In April 2007, the City Council established the Fire Facilities Impact Fee. The Fee is imposed on new development to mitigate the impact of new development on fire facilities. As mentioned in the March 20, 2012 City Council letter on development impact fees, the Fire Department anticipates using some of the fee revenue for furniture and equipment for Fire Station 12. A budget adjustment is requested to fund this project and will come from existing fund balance.

- Increase appropriations in the Capital Projects Fund (CP) in the Fire Department (FD) by \$30,000 from fee revenue.

### **Library Services**

The Long Beach Public Library has received funds in the amount of \$65,363. The funds have been received from the Long Beach Public Library Foundation as follows: \$35,000 from Occidental Petroleum; \$26,000 from the John Crews Estate; and \$4,263 in Gutenberg funds. These funds are designated for the purchase of Library materials; 60 percent of these funds will be used to obtain materials for branch libraries and 40 percent will be used to obtain materials for the Main Library. Additional funds of \$100 have been received through the Long Beach Public Library Foundation, designated for the purchase of materials for the Ruth Bach branch library. An appropriation increase is requested in order to expend the donations in FY 12. A budget adjustment is requested and is fully offset by a corresponding increase in revenue in the General Grants Fund.

- Increase appropriations in the General Grants Fund (SR 120) in the Department of Library Services (LS) by \$65,363 from donation revenue.

### **Long Beach Gas and Oil**

The Tidelands Oil Revenue Fund (TORF) is used to account for all oil operations occurring within the Tidelands area of the City. Revenues and expenditures fluctuate significantly due to changes in the price of oil, with pass-through payments to the

State (as required by the various operating agreements) comprising the vast majority of the expenses in the Fund. The remaining expenses support oil operations.

The FY 12 Adopted Budget was based on the base oil price of \$55/barrel, which resulted in appropriation of \$242 million and \$20 million in TORF and Uplands, respectively. Based on current prices, an appropriation increase is required for higher oil production costs and pass-through payments to the State.

- Increase appropriations in the Tidelands Oil Revenue Fund (NX 420) in the Department of Long Beach Gas and Oil (GO) by \$274,039,469 from oil revenue.
- Increase appropriations in the Uplands Oil Fund (SR 134) in the Department of Long Beach Gas and Oil (GO) by \$1,457,225 from oil revenue.

#### **Parks, Recreation and Marine**

The Department of Parks, Recreation and Marine has two Tennis Centers, Billie Jean King (BJK) and El Dorado Park. First Serve, Inc., has a permit for the operation and management of both tennis centers. All revenue derived from the tennis concession is deposited in the Tennis Trust Account. All expenditures from this trust must be expended for the purchase, maintenance, operation or improvement of grounds, buildings, structures, equipment or facilities for public tennis. Due to damage from rain and extended use, eight tennis courts at BJK require patching, resurfacing and repainting. A budget adjustment is requested to pay for the one-time improvements, and is fully offset by the Tennis Trust Account.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$27,750 from the Tennis Trust Account reserve.

#### **Public Works**

During budget preparation, revenue from outside agencies for the upcoming fiscal year are estimated and budgeted. Because of the variance between estimated and actual receipts, periodic adjustments are needed to appropriate higher revenue amounts. Measure R funds are derived from a portion of sales tax and are limited to fund transportation projects. Measure R funds, in the amount of \$2.7 million, are requested; \$400,000 of this amount is proposed to be utilized to match grant funds and \$2.3 million is proposed to be allocated to each City Council District according to the prescribed formula.

- Increase appropriations in the Transportation Fund (SR 182) in the Department of Public Works (PW) by \$2,700,000 from Measure R.

On December 3, 2007, the City Council authorized the City Manager to execute all agreements between the Rancho Los Cerritos Foundation, Inc., and Virginia Country Club to construct the overflow parking lot located on the Virginia Country Club property. The parking lot will be utilized by the Rancho and Virginia Country Club. A budget adjustment is requested to fund the project in the Capital Projects Fund and will be funded by General Fund savings in the Department of Parks, Recreation and Marine (PR).

- Increase appropriations in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) by \$98,000 from PR savings in the General Fund.

In 2007, the City applied for a federal grant from the Metropolitan Transportation Authority (MTA) from the Congestion Mitigation Air Quality (CMAQ) program to design pedestrian/streetscape improvements along Willow Street between the Los Angeles River and Atlantic Avenue. The City also applied for three grants from the State of California Safe Routes to School (SR2S) program to design and construct three bike boulevard projects in residential neighborhoods in close proximity to elementary, middle and high schools. Additionally, the City applied for a grant from the State of California Bicycle Transportation Account (BTA) program to design and construct bike lane connections and gaps in the transportation bicycle network. The grants have been awarded, and a budget adjustment is needed in order to proceed with the projects.

- Increase appropriations in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) by \$2,615,285 from new grant revenues.

#### **One-Time Uplands Oil Fund - Council Infrastructure Allocation**

On October 4, 2011, City Council authorized the allocation of \$18.4 million in one-time FY 2011 oil revenues in the Uplands Oil Fund to be used for various projects and services. Part of the \$18.4 million was a \$4.5 million dollar allocation for council districts (\$500,000 per district) to address City infrastructure needs to make improvements to streets, sidewalks, parks, and other Public Works projects. Council District 6 would like to use \$225,000 of their infrastructure allocation (\$500,000) on Property Based Improvement Districts (PBIDs), \$60,000 for indoor and outdoor cameras for King and MacArthur Parks, and \$15,000 for banners to be used in a streetscape program. City Council approval is requested for the use of these funds as described above.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

JG:SM:JDT  
K:\Budget\FY 12\Budget Adjustment\Q2\2012 Q2 memo.doc

APPROVED:



---

PATRICK H. WEST  
CITY MANAGER

## Effect of 2nd Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<b><u>General Fund (GP)</u></b>			
Beginning Fund Balance			\$ 214,581
<i>Does not include the Emergency Fund Balance Reserve</i>			
Unreserving/(Reserving) of Restricted Fund Balance*			(3,155,987)
FY 12 Adopted Budget	392,004,602	392,004,602	-
City Council Approved Adjustments to Date	8,845,356	11,745,160	2,899,804
Proposed 2nd Quarter Adjustments:			
Tennis Court Improvements	27,750	27,750	-
Budgeted Ending Fund Balance			(41,602)
Adjusted Budget Including 2nd Quarter Adjustments	\$ 400,877,707	\$ 403,777,511	
* Includes the unreserving of restricted funds to offset expense increases			
<b><u>Capital Projects (CP)</u></b>			
Beginning Fund Balance			\$ 14,471,892
Unreserving/(Reserving) of Restricted Fund Balance			11,119,813
FY 12 Adopted Budget	4,880,009	5,636,267	756,258
Estimated All-years Carryover Budget	159,084,775	159,084,775	-
All-Years Carryover Budget Adjustments	(78,223,351)	(78,223,351)	-
City Council Approved Adjustments to Date	12,500,453	12,500,453	-
Proposed 2nd Quarter Adjustments:			
Fire Station 12 Equipment and Furnishings	30,000	30,000	-
Rancho Los Cerritos Parking Lot	98,000	98,000	-
Grant Awards for Transportation Projects	2,615,285	2,615,285	-
Budgeted Ending Fund Balance			26,347,962
Adjusted Budget Including 2nd Quarter Adjustments	\$ 100,985,171	\$ 101,741,429	
<b><u>General Grants (SR 120)</u></b>			
Beginning Fund Balance			\$ 124,953
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 12 Adopted Budget	6,368,921	6,368,937	16
Estimated All-years Carryover Budget	11,051,337	22,584,746	11,533,409
All-Years Carryover Budget Adjustments	9,320,075	(2,223,377)	(11,543,452)
City Council Approved Adjustments to Date	555,868	555,868	-
Proposed 2nd Quarter Adjustments:			
UASI Funding from Harbor to Fire and Police	487,000	487,000	-
Donations for Library Materials	65,363	65,363	-
Budgeted Ending Fund Balance			114,925
Adjusted Budget Including 2nd Quarter Adjustments	\$ 27,848,564	\$ 27,838,537	

**As a matter of practice, the City does not adjust budget during the fiscal year to make the budget match actual operating experience.**

## Effect of 2nd Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<b><u>Uplands Oil Fund (SR 134)</u></b>			
Beginning Fund Balance			\$ 500,000
Unreserving/(Reserving) of Restricted Fund Balance			17,781,980
FY 12 Adopted Budget	19,650,857	19,972,580	321,723
City Council Approved Adjustments to Date	18,400,000	-	(18,400,000)
Proposed 2nd Quarter Adjustments:			
Oil Production Costs	1,457,225	1,457,225	-
Budgeted Ending Fund Balance			203,703
Adjusted Budget Including 2nd Quarter Adjustments	\$ 39,508,082	\$ 21,429,805	
<b><u>Transportation Fund (SR 182)</u></b>			
Beginning Fund Balance			\$ 26,060,750
Unreserving/(Reserving) of Restricted Fund Balance			2,923
FY 12 Adopted Budget	15,879,532	15,064,952	(814,580)
Estimated All-years Carryover Budget	18,448,967	18,492,382	43,415
All-Years Carryover Budget Adjustments	(391,301)	(16,610,292)	(16,218,991)
City Council Approved Adjustments to Date	2,923	-	(2,923)
Proposed 2nd Quarter Adjustments:			
Measure R	2,700,000	2,700,000	-
Budgeted Ending Fund Balance			9,070,595
Adjusted Budget Including 2nd Quarter Adjustments	\$ 36,640,121	\$ 19,647,042	
<b><u>Tidelands Oil Revenue Fund (NX 420)</u></b>			
Beginning Fund Balance			\$ 2,167,187
Unreserving/(Reserving) of Restricted Fund Balance			(1,548,249)
FY 12 Adopted Budget	242,069,969	243,179,666	\$ 1,109,697
City Council Approved Adjustments to Date	218,927	-	\$ (218,927)
Proposed 2nd Quarter Adjustments:			
Increased Payments to the State	274,039,469	274,039,469	-
Budgeted Ending Fund Balance			1,509,708
Adjusted Budget Including 2nd Quarter Adjustments	\$ 516,328,365	\$ 517,219,135	

**As a matter of practice, the City does not adjust budget during the fiscal year to make the budget match actual operating experience.**

**General Fund  
FY 12 Budget Adjustment Recap**

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Net Impact</u>
<b><u>Previous City Council Actions</u></b>			
Carryover of Prior Year Encumbrances (Beginning Fund Balance is Net of this Amount)	183,120	-	(183,120)
California Multi-Agency CIP Benchmarking Group	105,000	105,000	-
Renewed Contract between PD and LBCC for Security	195,327	274,007	78,680
Temporary Winter Shelter	21,000	21,000	-
Homeless Center Trust	8,500	8,500	-
Revenue Adjustments	-	-	-
<b>Subtotal - Ad Hoc Council Action</b>	<b>512,947</b>	<b>408,507</b>	<b>(104,440)</b>
<b><u>1st Quarter Approved Budget Adjustments (Pending)</u></b>			
Parking Operations Division Funding for RDA Lots	617,639	621,883	4,244
Uplands Oil Transfer for Various Projects	7,665,000	10,665,000	3,000,000
Second Council District's FY 11 Savings for PR	10,770	10,770	-
Fourth Council District's FY 11 Savings for PR	10,000	10,000	-
Sixth Council District's FY 11 Savings for PR	29,000	29,000	-
<b>Subtotal - 1st Quarter</b>	<b>8,332,409</b>	<b>11,336,653</b>	<b>3,004,244</b>
<b><u>2nd Quarter Approved Budget Adjustments</u></b>			
Tennis Court Improvements	27,750	27,750	-
<b>Subtotal - 2nd Quarter</b>	<b>27,750</b>	<b>27,750</b>	<b>-</b>
<b>Total FY 12 Budget Adjustments to Date</b>	<b>8,873,106</b>	<b>11,772,910</b>	<b>2,899,804</b>
<b>General Fund Adjusted Budget</b>	<b>400,877,707</b>	<b>403,777,511</b>	<b>\$ 2,899,804</b>