

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-33

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

January 23, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve the Fiscal Year 2007 first quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy. (Citywide)

DISCUSSION

On September 19, 2006, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2007 (FY 07). From time to time, changes in revenue or operating conditions call for appropriation adjustments. For example, in some cases these adjustments 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 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 07 General Fund Budget Adjustments.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on January 8, 2007.

TIMING CONSIDERATIONS

The following requests for adjustments to FY 07 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on January 23, 2007 to authorize the timely processing of payments.

FISCAL IMPACT

City Prosecutor

During the City Prosecutor's FY 07 budget presentation to City Council, the City Prosecutor recommended that his office be allowed to fill positions previously held vacant as a source of savings towards the City's structural deficit. During the adoption of the FY 07 budget, these positions remained unfunded. The City Prosecutor's Office is requesting \$186,661 in General Fund appropriation to fill these vacancies. In addition, a portion of the increased labor costs for FY 07 were not included in the FY 07 Adopted Budget. The City Prosecutor's Office is requesting \$142,597 in General Fund appropriation for the increased labor costs.

- Increase appropriations in the General Fund (GP) in the City Prosecutor's Office (CP) by \$329,258.

Community Development

Responsibility for the removal of graffiti on private property was transferred from the Department of Public Works to the Community Development Department's Property Services Bureau in November 2006. This budget adjustment is necessary to decrease appropriation for this program in Public Works and increase appropriation in Community Development.

- Decrease appropriations in the General Fund (GP) in the Public Works Department (PW) by \$301,455.
- Increase appropriations in the General Fund (GP) in the Department of Community Development (CD) by \$301,455.

Fire

In November 1999, the City of Long Beach entered into a Joint Powers Agreement with the City of Avalon and the City of Signal Hill, known as the Los Angeles County Disaster Management Area F (Area F), for the purpose of coordinating disaster management preparedness with the County of Los Angeles. In March 2005, the City received notification from the Los Angeles County Office of Emergency Management of final approval for \$48,332 in Emergency Management Program Grant (EMPG) funds. At that time only half of the award, \$24,166, was dispersed and subsequently appropriated in May 2005. In November 2006, the remaining \$24,166 was paid. These funds will be utilized for the purpose of disaster management efforts in Area F including planning, training and equipment as approved by the Area F Governing Board. As the additional grant amount of \$24,166 is currently unbudgeted an appropriation increase is necessary.

- Increase appropriations in the General Grants Fund (SR 120) in the Fire Department (FD) by \$24,166.

An urgently needed renovation of Fire Station #1 was originally included in the Public Safety Building Bond as part of the Public Safety Building's seismic retrofit. Due to higher than expected construction costs, funds in this project were depleted before the final renovations could be completed. This appropriation increase will fund electrical work, construction and installation of firefighting gear cabinets, staff lockers and storage cabinets, completion of a drop ceiling and flooring and carpeting requirements. General Fund balance created by the Department's operational savings during FY 06 will be used to cover these one-time costs.

- Increase appropriations in the General Fund (GP) in the Fire Department (FD) by \$155,000.

Human Resources

On October 24, 2006, the City Council approved the execution of an agreement with Alliant Insurance Services, Inc., in the amount of \$310,000 to provide employee healthcare benefits program consulting and actuarial services for a period of one year, effective November 1, 2006 through October 31, 2007.

Since these services were previously provided as part of the City's Health Insurance agreement, appropriations were included in the Employee Benefits Fund in the Citywide Activities Department and need to be transferred to the Human Resources Department to allow the Department of Human Resources to make the payment to Alliant Insurance Services, Inc. Therefore, a budget adjustment is required to shift appropriation between departments.

- Decrease appropriations in the Employee Benefits Fund (IS 391) in the Citywide Activities Department (XC) by \$310,000.
- Increase appropriations in the Employee Benefits Fund (IS 391) in the Department of Human Resources (HR) by \$310,000.

Library

The Friends of the Long Beach Public Library, a nonprofit organization, has again provided a donation to the Library Services Department totaling \$37,500 for the purchase of books and material resources. To allow the Department to expend these funds, a budget adjustment is required.

- Increase appropriations in the General Grants Fund (SR 120) in the Department of Library Services (LS) by \$37,500.

Parks, Recreation and Marine

Beginning in FY 07, as part of the City's renewed efforts to conserve water, all water-related charges formerly paid for by the Water Fund are now billed to General Fund department users including Parks, Recreation and Marine. Appropriations to cover the costs of potable water use were included in impacted departments' budgets but appropriations for reclaimed water usage was inadvertently left out of Parks, Recreation and Marine's budget. This budget adjustment increases appropriations to appropriately capture reclaimed water usage costs. Through investments in irrigation infrastructure and increased conservation, it is anticipated that both potable and reclaimed water usage will decrease over time.

- Increase appropriations in the General Fund (GP) in the Parks, Recreation and Marine Department (PR) by \$600,000.

The Park Ranger Station located in El Dorado Regional Park was recently declared uninhabitable by the City Safety Officer and has since been removed. A new trailer has been installed in its place to house park ranger staff as well as El Dorado regional staff. A budget adjustment is necessary to fund construction related costs for the new facility.

General Fund balance created by the Department's operational savings during FY 06 will be used to cover these costs.

- Increase appropriations in the General Fund (GP) in the Parks, Recreation and Marine Department (PR) by \$80,488.

Police

On August 16, 2005, the City Council approved a Memorandum of Understanding (MOU) with the Police Officers Association that covered wages, benefits and other terms and conditions of employment from October 1, 2005 through September 30, 2009. The MOU provides an increase in base compensation, plus a guaranteed adjustment to the median pay rate of Long Beach Police Department's (LBPD) ten comparable agencies.

On November 21, 2006, the City Council approved an amendment to the MOU providing an additional 5 percent increase in FY 07, retroactive to October 1, 2006, for police officers with 10 years or more of service. The cost to fund this longevity incentive in FY 07 is \$2.35 million in the General Fund and \$75,000 in the Tidelands Fund. Additionally, some amount of the costs would be reimbursed by the Harbor and Airport Funds, based on actual costs incurred to provide services to those funds. As these costs were not included in the FY 07 Adopted Budget, an appropriation increase is being requested. Because this action results in adding structural expense to the budget, in order to maintain a structural balance the City must reallocate a like amount of its ongoing commitment to its infrastructure budget to be funded by one-time resources. In the event that one-time funds do not materialize, other ongoing resources would need to be identified or the infrastructure program would have to be deferred.

- Increase appropriations in the General Fund (GP) in the Police Department (PD) by \$2,350,000.
- Increase appropriations in the Tidelands Fund (TF) in the Police Department (PD) by \$75,000.

The Police Department experienced higher than usual overtime charges during FY 06, due in large part to year-end task forces requested in the wake of a shooting in north Long Beach. To provide adequate funding for this overtime overage, grant funds were used, and as a result other projects were put on hold. This budget adjustment provides General Fund support for these formerly grant-funded projects, including a dedicated DNA Laboratory Technician at the Los Angeles County Sheriff's Crime Lab and crime-fighting overtime projects. The estimated cost for these projects is \$300,000. As these costs are not currently budgeted, an appropriation increase is being requested. It is anticipated that General Funds formerly earmarked for the purchase of additional radio bandwidth which is no longer fully needed, will be used to offset this one-time budget adjustment.

- Increase appropriations in the General Fund (GP) in the Police Department (PD) by \$300,000.

- Decrease appropriations in the General Fund (GP) in the Citywide Activities Department (XC) by \$300,000.

Public Works

The City Council authorized the City Manager to apply for Federal grant funds from the Federal Emergency Management Agency (FEMA) under the Hazard Mitigation Grant Program (HMGP). In August 1998, the City of Long Beach accepted a \$9.9 million HMGP grant to mitigate the seismic hazards and to structurally retrofit the Public Safety Building.

During the construction process, the City encountered several unforeseen conditions commonly associated with the seismic retrofit of older buildings. As a result, the City requested additional grant funding through the Governor's Office of Emergency Services (OES). The City received a letter from OES dated April 17, 2006, stating that FEMA has approved the request to increase reimbursement grant funding in the amount of \$1,104,000. Since the \$1,104,000 is currently unbudgeted, an appropriation increase is requested. These additional project costs were temporarily covered using Civic Center Bond monies; therefore, this reimbursement will enable the replenishment of the Civic Center Bond monies for use on additional Civic Center projects.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$1,104,000.

The City has historically applied for and received grant funding for various projects. When the projects are complete, any remaining appropriation must be reduced in order to match actual program expenditures and off-setting grant revenue. Therefore, an appropriation decrease of \$504,425 is being requested.

- Decrease appropriations in the Gas Tax Street Improvement Fund (SR 181) in the Department of Public Works (PW) by \$504,425.

On June 20, 2006, the City Council authorized the City Manager to execute, accept and amend a grant from the Federal Aviation Administration (FAA) Airport Improvement Program (AIP) for entitlement and discretionary funds. In September 2006, the FAA increased the grant award by \$1,900,000 for the initial preplanning costs for the Rehabilitation of Taxiway K. An appropriation increase of \$1,900,000 and \$100,000 in matching funds from the Airport Fund is necessary to allow the Department to expend these funds.

- Increase appropriations in the Airport Fund (EF 320) in the Department of Public Works (PW) by \$2,000,000.

Interest has been earned in the amount of \$33,358 in various Proposition 12 and Redevelopment Agency funded Capital Improvement projects. To allow the Department to expend these funds, a budget adjustment is required.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$33,358.

In October of 2006, the Main Library re-opened its doors on Sundays, requiring additional security services provided by the Long Beach Police Department. In March of 2007, the Main Library will also be open on Mondays, further increasing the required Security Officers. The existing City Hall/Library security staff is not able to accommodate these additional hours; therefore, an appropriation increase is requested to cover the increased security costs. Costs for security services are provided through an MOU with the Department of Public Works as manager of operations of the Civic Center.

- Increase appropriations in the Civic Center Fund (IS 380) in the Department of Public Works (PW) by \$45,330.

During deliberations and adoption of the City's FY 07 budget, the City Council approved an additional \$2,300,000 in General Fund appropriation to be allocated for street rehabilitation. For expedience, these funds were budgeted in the Department of Public Works, General Fund budget. Historically, General Fund transfers to the Capital Projects Fund are budgeted and tracked from the Citywide Activities Department (XC); therefore, a budget adjustment is requested to consistently budget this General Fund contribution. This budget adjustment moves the appropriation to the Citywide Activities Department and increases appropriations in the Capital Projects Fund to allow the Department of Public Works to accept and expend these funds for citywide residential street repair projects.

- Decrease appropriations in the General Fund (GP) in the Department of Public Works (PW) by \$2,300,000.
- Increase appropriations in the General Fund (GP) in the Citywide Activities Department (XC) by \$2,300,000.
- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$2,300,000.

On October 13, 2006, Arbitrator George D. Calkins signed the final settlement of Allied Engineering (Allied) vs. City of Long Beach. The final award reflects the \$743,115 settlement between the City and Allied for costs incurred in the Cesar Chavez Recreation Center project. As these additional costs are unbudgeted in FY 07, a budget adjustment is required to pay the costs and to reimburse the Capital Projects Fund from the General Fund. As the settlement was anticipated, a reserve in the amount of \$743,115 was established in FY 06.

- Increase appropriations in the General Fund (GP) in the Citywide Activities Department (XC) by \$743,115.
- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$743,115.

Technology Services

The Harbor Department recently negotiated an MOU with the Department of Technology Services Video Communications Division to produce 12, 30-minute television programs entitled "Pulse of the Port" to be broadcast on the City's cable channel, LBTV Channel 8. The monthly program is composed of three segments featuring various activities related to Port operations, intended to provide information and to be distributed throughout Southern California. In addition, it is hoped that the program will receive national airplay. Since the estimated annual program production costs of \$83,160 are currently unbudgeted, an appropriation increase is necessary. Existing appropriation in the Harbor Fund will be used to make payments to the Technology Services Department per the MOU.

- Increase appropriations in the General Services Fund (IS 385) in the Department of Technology Services (TS) by \$83,160.

Citywide

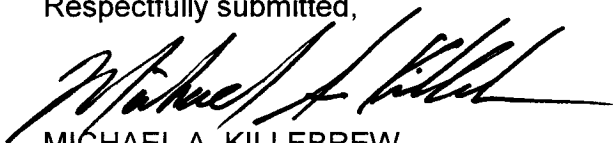
Beginning in FY 07, the Planning and Building Department is segregating revenues it receives from fees charged for services. This allows the Department to show that funds received are being utilized appropriately. To accomplish this, a separate fund was created, the Development Services Fund. However, the Department had deposited revenues in the General Fund during FY 06. The revenues are restricted for use for planning and building services specific to the fees collected. Those services are budgeted in the new Development Services Fund. It is required that these funds be transferred from the General Fund to the Development Services Fund. As this transfer is unbudgeted, an appropriation increase is necessary. A reserve in the amount of \$600,000 was created in FY 06 to pay for this anticipated transfer.

- Increase appropriations in the General Fund (GP) in the Citywide Activities Department (XC) by \$600,000.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

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ATTACHMENTS

APPROVED:



GERALD R. MILLER
CITY MANAGER

Effect of 1st Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<u>General Fund (GP)</u>			
Beginning Fund Balance*			\$ 4,802,975
* Does not include the \$36.1 million Emergency Fund Balance Reserve)			
Unreserving/(Reserving) of Restricted Fund Balance			733,372
FY 07 Adopted Budget	377,404,000	377,406,152	2,152
Prior Year Adjustment to Actuals			576
City Council Approved Adjustments to Date (521/522 and 511)	1,274,209	2,250,000	975,791
Proposed 1st Quarter Adjustments:			
Fire Station #1	155,000	-	(155,000)
Reclaimed Water Usage	600,000	-	(600,000)
Park Ranger Station	80,488	-	(80,488)
Police Longevity Pay	2,350,000	-	(2,350,000)
Allied Engineering Settlement	743,115	-	(743,115)
Transfer to Development Services Fund	600,000	-	(600,000)
Adjusted Budget Including 1st Quarter Adjustments	\$ 383,206,812	\$ 379,656,152	\$ 1,986,263
<u>Airport Fund (EF 320)</u>			
Beginning Fund Balance			\$ 10,726,842
Unreserving/(Reserving) of Restricted Fund Balance			7,548,954
FY 07 Adopted Budget	31,859,545	25,317,952	(6,541,593)
Prior Year Adjustment to Actuals			-
Estimated All-years Carryover Budget	31,733,983	25,946,220	(5,787,764)
All-Years Carryover Budget Adjustments	-	-	-
City Council Approved Adjustments to Date (521/522 and 511)	2	-	(2)
Proposed 1st Quarter Adjustments:			
FAA Grant Increase	2,000,000	1,900,000	(100,000)
Adjusted Budget Including 1st Quarter Adjustments	\$ 65,593,530	\$ 53,164,172	\$ 5,846,438
<u>Capital Projects (CP)</u>			
Beginning Fund Balance			\$ 4,641,248
Unreserving/(Reserving) of Restricted Fund Balance			16,215,265
FY 07 Adopted Budget	10,229,804	13,683,484	3,453,680
Prior Year Adjustment to Actuals			-
Estimated All-years Carryover Budget	61,711,427	37,401,235	(24,310,192)
All-Years Carryover Budget Adjustments	-	-	-
City Council Approved Adjustments to Date (521/522 and 511)	1,171,000	1,171,000	-
Proposed 1st Quarter Adjustments:			
FEMA Reimbursement	1,104,000	1,104,000	-
Interest Earned	33,358	33,358	-
Citywide Residential Street Repair Projects	2,300,000	2,300,000	-
Allied Engineering Settlement	743,115	743,115	-
Adjusted Budget Including 1st Quarter Adjustments	\$ 77,292,704	\$ 56,436,192	\$ 0

Effect of 1st Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<u>Civic Center Fund (IS 380)</u>			
Beginning Fund Balance			\$ 15,606,637
Unreserving/(Reserving) of Restricted Fund Balance			15,977,320
FY 07 Adopted Budget	1,412,576	1,232,394	(180,182)
Prior Year Encumbrance/Adjustment to Actuals			-
Estimated All-years Carryover Budget	13,066,492	301,244	(12,765,248)
All-Years Carryover Budget Adjustments	-	-	-
City Council Approved Adjustments to Date	150,148	16,721	(133,427)
Proposed 1st Quarter Adjustments:			
Additional Security for Increased Library Hours	45,330	-	(45,330)
Adjusted Budget Including 1st Quarter Adjustments	\$ 14,674,546	\$ 1,550,359	\$ 18,459,770
<u>Gasoline Tax Street Improvement (SR 181)</u>			
Beginning Fund Balance			\$ 5,371,513
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	16,218,563	16,960,667	742,104
Prior Year Adjustment to Actuals			-
Estimated All-years Carryover Budget	16,352,885	10,371,859	(5,981,025)
All-Years Carryover Budget Adjustments	-	-	-
City Council Approved Adjustments to Date (521/522 and 511)	-	-	-
Proposed 1st Quarter Adjustments:			
Reduce Caltrans Grant	(504,425)	(504,425)	-
Adjusted Budget Including 1st Quarter Adjustments	\$ 32,067,023	\$ 26,828,101	\$ 132,591
<u>General Grants (SR 120)</u>			
Beginning Fund Balance			\$ 63,734
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	8,594,063	8,594,063	-
Prior Year Adjustment to Actuals			-
Estimated All-years Carryover Budget	5,032,586	5,044,547	11,961
All-Years Carryover Budget Adjustments	-	-	-
City Council Approved Adjustments to Date (521/522 and 511)	1,124,733	1,122,911	(1,822)
Proposed 1st Quarter Adjustments:			
Emergency Management Program Grant Funds	24,166	24,166	-
Donation from the Friends of the Long Beach Public Library	37,500	37,500	-
Adjusted Budget Including 1st Quarter Adjustments	\$ 14,813,047	\$ 14,823,187	\$ 73,874

Effect of 1st Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<u>General Services (IS 385)</u>			
Beginning Fund Balance			\$ 2,728,203
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	34,499,612	32,706,890	(1,792,722)
Prior Year Adjustment to Actuals			-
Estimated All-years Carryover Budget	35,523	35,523	-
All-Years Carryover Budget Adjustments	-	-	-
City Council Approved Adjustments to Date (521/522 and 511)	7,033	-	(7,033)
Proposed 1st Quarter Adjustments:			
Video Segments for Harbor Department	83,160	83,160	-
Adjusted Budget Including 1st Quarter Adjustments	\$ 34,625,329	\$ 32,825,573	\$ 928,447
<u>Tidelands Fund (TF)</u>			
Beginning Fund Balance			\$ 1,613,502
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 07 Adopted Budget	113,191,473	113,033,981	(157,491)
Prior Year Adjustment to Actuals			-
Estimated All-Years Carryover Budget	17,829,523	18,007,075	177,552
All-Years Carryover Budget Adjustments	-	-	-
City Council Approved Adjustments to Date (521/522 and 511)	779,395	(700)	(780,095)
Proposed 1st Quarter Adjustments:			
Police Longevity Pay	75,000	-	(75,000)
Adjusted Budget Including 1st Quarter Adjustments	\$ 131,875,392	\$ 131,040,357	\$ 853,467

**General Fund
FY 07 Budget Adjustment Recap**

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Net Impact</u>
<u>Previous City Council Actions</u>			
Carryover of Prior Year Encumbrances (Beginning Fund Balance is Net of this Amount)	1,274,209	-	(1,274,209)
Revenue Adjustments	-	2,250,000	2,250,000
Subtotal - Ad Hoc Council Action	1,274,209	2,250,000	975,791
<u>1st Quarter Approved Budget Adjustments (Pending)</u>			
Fire Station #1	155,000	-	(155,000)
Reclaimed Water Usage	600,000	-	(600,000)
Park Ranger Station	80,488	-	(80,488)
Police Longevity Pay	2,350,000	-	(2,350,000)
Allied Engineering Settlement	743,115	-	(743,115)
Transfer to Development Services Fund	600,000	-	(600,000)
Subtotal - 1st Quarter	4,528,603	-	(4,528,603)
<u>2nd Quarter Approved Budget Adjustments</u>			
Subtotal - 2nd Quarter	-	-	-
<u>3rd Quarter Approved Budget Adjustments</u>			
Subtotal - 3rd Quarter	-	-	-
<u>4th Quarter Approved Budget Adjustments</u>			
Subtotal - 4th Quarter	-	-	-
Total FY 07 Budget Adjustments to Date	5,802,812	2,250,000	(3,552,812)