

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-36

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

August 8, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve the Fiscal Year 2006 third quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy.

DISCUSSION

On September 13, 2005, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2006 (FY 06). 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 06 General Fund Budget Adjustments.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on August 1, 2006.

TIMING CONSIDERATIONS

The following requests for adjustments to FY 06 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on August 8, 2006 to authorize the timely processing of payments.

FISCAL IMPACT

City Prosecutor

The Community Service Worker (CSW) Program offers an alternative sentencing opportunity for individuals charged with non-violent, petty crimes committed in the City of Long Beach. In addition to mandatory participation imposed as a condition of probation, the Prosecutor's Office offers the program on a voluntary basis to select individuals as an alternative to a court appearance. Participants are required to pay a participation fee to defray the program costs (i.e., wage for part-time staff, secondary medical insurance, vests, gloves, etc.). This is a new programmatic revenue-offset expense in the General Grants Fund, which was not included in the FY 06 Adopted Budget; therefore, an appropriations increase of \$19,000 is requested at this time.

- Increase appropriations in the General Grants Fund (SR 120) in the City Prosecutor's Office (CP) by \$19,000.

Health and Human Services

The Department of Health and Human Services has received funding from outside resources to help cover existing and new program expenses including funds for Sudden Infant Death Syndrome (SIDS) education and training, increased senior health services and a reimbursement for indirect costs totaling \$732,500. A budget adjustment is required to allow the department to expend these funds and keep expenses within appropriations within the fiscal year.

- Increase appropriations in the Health Fund (SR 130) in the Department of Health and Human Services (HE) by \$732,500.

Library Services

The Friends of the Long Beach Public Library, a nonprofit organization, has again provided a donation to the Library Services Department totaling \$46,250 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 \$46,250.

The Department has received a grant in the amount of \$73,500 from the Bill and Melinda Gates Foundation to replace 49 public-use computers previously granted by the Foundation in 2000. The grant is part of the Foundation's United States Library Program to assist libraries in sustaining free, high quality access to computers and the Internet for library patrons. 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 \$73,500.

Parks, Recreation and Marine

During a severe storm in the winter of 2005, a large tree fell on the bandshell in Bixby Park, rendering it unsafe and unusable. The repairs are projected to cost \$152,000. Funding for the project will include \$50,000 from the City's Insurance Fund (anticipated to be reimbursed by the City's insurance carrier); \$44,600 from a State grant under Proposition 12, which is currently budgeted in the Department of Public Works; and \$57,400 from the Federal Emergency Management Agency (FEMA). There will be no impact on the General Fund.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Parks, Recreation and Marine (PR) by \$152,000.

Public Works

The City Council established an Infrastructure Reserve to be used as a funding source to address the deterioration of local streets and City facilities. A number of streets in the City are in need of urgent repair or reconstruction. An appropriation increase is necessary to transfer the funds from the reserve to the Capital Projects Fund, which will enable the Department to perform additional street repairs during the current fiscal year. The reserve will be depleted after this transfer.

- Increase appropriations in the General Fund (GP) in the Citywide Activities (XC) by \$200,000.
- Increase appropriations in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) by \$200,000.

On September 24, 2002, the City Council authorized the City Manager to execute and accept a grant from the Federal Aviation Administration's (FAA) Airport Improvement Program for the construction of security-related capital improvements. On November 26, 2003, the Airport was given authorization by the FAA to change the project scope to include existing terminal area repairs to address electrical demand, additional security enhancements and additional electrical loads associated with the rehabilitation of Runway 12/30. An appropriations increase is necessary to recognize these additional funds.

- Increase appropriations in the Airport Fund (EF 320) in the Department of Public Works (PW) by \$116,000.

Citywide

Additional interest earned on the reserve for subsidence contingencies for calendar year 2005 totaled \$60,548 above the \$4 million that had been budgeted and transferred to the General Fund as allowed under the Prop 1A State revenue takeaway. This loan was used to partially cover the two, \$5 million required City contributions to assist the State with its budget crisis in FY 05 and FY 06. The Department of Financial Management requests the subsequent increase in appropriations in the Subsidence Fund to accommodate the increased transfer to the General Fund. The General Fund must repay, interest-free, the Subsidence Fund in \$500,000 annual installments over 16 years beginning in FY 08, with the balance due the seventeenth year.

- Increase appropriations in the Subsidence Fund (NX 421) in the Citywide Activities (XC) by \$60,548.

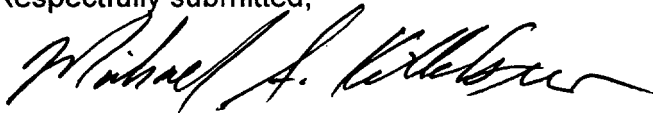
On July 25, 2006, United States Magistrate Judge, Charles F. Eick, signed the Final Judgment in Case No. CV-92-2776 E, *Shirley and Jason McClure, Plaintiffs, vs. City of Long Beach, et al., Defendants*. The Final Judgment reflects the \$20 million settlement between the City of Long Beach and the Plaintiffs approved in closed session by the City Council in June 2006. Pursuant to the agreement, the payment is to be made to the Plaintiffs within 30 days of the executed Final Judgment. The \$20 million payment will be made from cash reserves available in the Insurance Fund.

- Increase appropriations in the Insurance Fund (IS 390) in the Citywide Activities (XC) by \$20,000,000.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

MAK:DW:gs
K:\BUDGET\FY 06\BUDGET ADJUSTMENTS\Q3 BUDGET ADJUSTMENTS\Q3FY06 FINAL.DOC

ATTACHMENTS

APPROVED:



GERALD R. MILLER
CITY MANAGER