



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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

September 7, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Fiscal Year 2005 Budget Adoption

DISCUSSION

On August 12, 2004, the proposed budget for Fiscal Year 2005 (FY 05) was delivered by the Mayor to the City Council and community for consideration. Workshops and hearings were set for August 17, August 24, and September 7, 2004. Should they be necessary, hearings are also scheduled for September 14, September 21, and September 28, 2004. During the scheduled workshops and hearings, budget presentations were made by departments, and the community was provided opportunities for input.

At the conclusion of the hearings, the City Council will be asked to amend the proposed budget as it deems appropriate, and to adopt the proposed budget as amended. Since the publication of the FY 05 Proposed Budget, further adjustments have been made including those needed to address the financial actions of the State, and to revise revenue and expenditure projections. Necessary expense changes addressing technical corrections and omissions are listed in Attachments A and B of the Appropriations Ordinance.

The Appropriations Ordinance officially adopts the FY 05 budget and authorizes expenditures in conformance with the adopted budget. To become effective October 1, 2004, this Ordinance must include a finding of emergency. Specific Resolutions also provide for approval of the budgets for the Harbor, Sewer and Water funds; certain fee adjustments; FY 05 Capital Improvement Projects budget; request for the Redevelopment Agency to accelerate \$1.3 million of loan repayments to the General Fund; endorsement of the Updated Three-Year Financial Strategic Plan; and, approval of the Mayor's and the Budget Oversight Committee's recommended amendments to the FY 05 Proposed Budget.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on August 30, 2004.

TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 05 budget must be adopted by September 30, 2004, following at least one public hearing. Should the City Council not adopt the budget on or by that date, the City Manager's FY 05 Proposed Budget shall be deemed the budget for the 2005 fiscal year.

FISCAL IMPACT

The Appropriations Ordinance totals \$1,577,273,069 for all funds except for Harbor, Water and Sewer funds, and \$1,579,823,699 for all departments except for Harbor and Water. The proposed Harbor and Water Department budgets are included in separate City Council Ordinances attached to this letter. The Appropriations Ordinance totals include funds carried over from FY 04 for multi-year grants and projects of \$266,400,547. Detailed summaries of appropriations by fund and by department are included in Attachments A and B.

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The \$2,550,630 difference between the Appropriations Ordinance by Fund and the Appropriations Ordinance by Department is the result of general City indirect costs charged directly to the Harbor, Water and Sewer funds through the non-operating budget of the Department of Financial Management. Again, the Harbor, Water and Sewer Fund budgets are included in separate Ordinances and are not included in the Appropriations Ordinance by Fund. The general City indirect cost charges to those funds are in the Department of Financial Management budget in the Appropriations Ordinance by Department.

The FY 05 proposed budget for the Harbor Department is \$450,784,616, and the proposed budget for the Water Department is \$86,068,957. The Water Department budget comprises the Water Fund at \$75,437,962 and the Sewer Fund at \$10,630,995. As noted above, the Harbor and Water Department budgets differ from their fund budgets due to the general City indirect cost charges charged to those funds directly through the non-operating budget of the Department of Financial Management.

The Harbor Fund budget was adopted by the Board of Harbor Commissioners on July 12, 2004. The Water Fund and Sewer Fund budgets were adopted by the Board of Water Commissioners on July 15, 2004.

The State of California's recently adopted FY 05 Budget will negatively impact certain City General Fund revenues. These include a net one-time loss of approximately \$1.3 million of Vehicle License Fee revenue, and the first of two annual \$5 million contributions to the State General Fund through reduced Property Tax In Lieu payments. The two \$5 million contributions were agreed to in exchange for the Governor's support of the proposed amendment to the State Constitution that is intended to protect local government revenues in the future. The combined \$6.3 million loss is proposed to be mitigated by an anticipated \$1 million of proceeds from the sale of surplus City-owned property, a \$1.3 million request to the Redevelopment Agency to accelerate repayment of a portion of their General Fund loans, and from borrowing \$4 million of annual interest earnings from the Subsidence Fund.

The recommendations in this letter include various fee adjustments that are included in the attached Resolutions. The fee changes are necessary to better cover program costs and are summarized in Attachment C to this letter. Other fees listed in the attached Resolutions remain unchanged from FY 04. Some fees and rates charged by the City are automatically adjusted based on measures such as the Consumer Price Index (CPI).

It is also proposed that downtown parking meter rates be increased from \$0.50 per hour to \$1.00 per hour. In addition, it is recommended that \$100,000 of the increased revenue be dedicated to fund promotions and marketing by the Downtown Long Beach Association (DLBA). An action has been included for approval of an agreement with the DLBA for this purpose. In addition, an action is included for the City Council to request the Redevelopment Agency to establish and fund a future downtown parking facilities reserve at \$143,000 per year.

As required in the City Charter, the Parks and Recreation Commission approves all recreation fees and charges outside of the Tidelands area. Attachment D to this letter includes the Fee Resolution adopted by the City's Parks and Recreation Commission, and is provided for informational purposes only. No action by the City Council is necessary to enact these fee changes.

Approval is requested to adopt the FY 05 One-Year Capital Improvement Program (CIP) budget, which is incorporated into the Appropriations Ordinance. The Planning Commission, at its meeting of September 6, 2004, will be asked to determine that the CIP for FY 05 is in conformance with the General Plan.

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Further, a motion approving the budgets of the Redevelopment Agency's Project Area Committees (PACs) for the Central Long Beach, the West Long Beach Industrial and the North Long Beach Project Areas is requested. A motion approving the budget of the Housing Development Company (HDC) is also requested. The PAC budgets and the HDC budget are included in the Community Development Department budget.

The City Council is also requested to adopt a Resolution establishing the "Gann Appropriations Limit" (Limit) for general purpose expenditures. In November 1979, the voters of the State of California approved Proposition 4, also known as the "Gann Initiative." The Initiative places certain limits on the amount of tax revenue that can be appropriated each fiscal year. The Limit is based on actual appropriations during FY 79. Only those revenues considered "proceeds of taxes" are subject to the Limit. The Limit is recalculated each fiscal year based on certain inflation and population factors provided by the State. The proposed budget includes tax revenue estimates that are at 39.30 percent of the 2004-2005 Appropriations Limit, and, therefore, does not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

- (1) Adopt the Resolution approving the FY 05 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on July 15, 2004.
- (2) Declare the Ordinance approving the Resolution fixing rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on July 15, 2004, read the first time and laid over to the next regular meeting of the City Council for final reading.
- (3) Adopt the Resolution approving the FY 05 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on July 12, 2004.
- (4) Request the City Attorney to amend the Ordinance concerning meter reading to continue to bill utilities each month, but to allow an option to read meters every other month and estimate the interim month based upon usage for the same period of the prior year.

The following fee increases will generate revenues offsetting new costs or existing departmental program expenses proposed for FY 05 as summarized in Attachment C:

- (5) Adopt the Resolution increasing various parking enforcement fees.
- (6) Adopt the Resolution setting rates of parking meter fees.
- (7) Authorize the City Manager to enter into an agreement with Downtown Long Beach Business Association to fund promotional and marketing activities totaling \$100,000.
- (8) Request the Redevelopment Agency Board to establish and fund a Future Downtown Facilities Parking Reserve, totaling \$143,000 annually.
- (9) Adopt the Resolution increasing late fees on utility bills from 1.5 percent to 4.0 percent.
- (10) Adopt the Resolution establishing and increasing various Health Services fees.
- (11) Adopt the Resolution establishing and increasing Special Events fees.
- (12) Adopt the Resolution establishing and increasing Long Beach Marina fees.
- (13) Adopt the Resolution amending and restating the schedule of fees for use of the Leeway Sailing Center.

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- (14) Adopt the Resolution amending Long Beach Marina rules and regulations.
- (15) Adopt the Resolution increasing general gas services fees and miscellaneous fees.
- (16) Adopt the Resolution establishing and increasing Library Services fees.
- (17) Adopt the Resolution establishing and increasing Emergency Ambulance Transportation Services fees.
- (18) Adopt the Resolution establishing tree planting and vehicle inspection services fees.
- (19) Adopt the Resolution establishing Long Beach Airport services rates and fees.
- (20) Approve the FY 05 One-Year Capital Improvement Program.
- (21) Adopt a motion approving the budgets for the Redevelopment Agency's Project Area Committees in the amounts of \$45,695 for Central Long Beach, \$68,000 for West Long Beach Industrial and \$42,000 for North Long Beach.
- (22) Request the Redevelopment Agency Board to consider increasing its budget by \$1.3 million to repay to the General Fund a portion of the outstanding loans in order to assist the General Fund with revenue impacts imposed by the State's FY 05 budget.
- (23) Adopt a motion approving the budget for the Long Beach Housing Development Company in the amount of \$11,249,952, which is included in the budget of the Department of Community Development.
- (24) Adopt a motion approving the transfer of \$6,850,777 from the Harbor Fund to the Tidelands Operating Fund.
- (25) Adopt a resolution adopting an appropriations limit (Gann) for FY 05 pursuant to Article XIII(B) of the California Constitution.
- (26) Adopt the Mayor's proposed funding recommendations, as amended, to the FY 05 Proposed Budget.
- (27) Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the FY 05 Proposed Budget.
- (28) Endorse the Updated Three-Year Financial Strategic Plan.
- (29) Adopt a motion amending the proposed budget.
- (30) Declare an emergency to exist.
- (31) Declare the Appropriations Ordinance for FY 05, creating and establishing the funds of the Municipal Government and appropriating money to and authorizing expenditures from said funds and for said fiscal year as an Emergency Ordinance, read and adopted as read.

Respectfully submitted,



MICHAEL A. KILLEBREW
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

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Attachments

APPROVED:

for 
GERALD R. MILLER
CITY MANAGER