



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-24

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

September 14, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Fiscal Year 2004 Fourth Quarter Budget Appropriation Adjustments (Citywide)

DISCUSSION

On September 16, 2003, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2004 (FY 04). From time to time, changes in revenue or operating conditions call for appropriation adjustments. In some cases, these changes 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 existing City Council policy, various adjustments are presented quarterly to the City Council for consideration. The fourth quarter appropriation adjustment requests for FY 04 are listed below alphabetically by department. Please see **Attachment A** for a Fund Balance Analysis of impacted City funds.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on September 8, 2004.

TIMING CONSIDERATIONS

City Council action is requested on September 14, 2004, as the following requests for adjustments to FY 04 departmental and fund appropriations are necessary to reflect changes in operating conditions and to authorize the timely processing of payments.

FISCAL IMPACT

Community Development

Redevelopment property tax increment revenues have increased during the fiscal year, resulting in larger AB1290 Statutory Pass-Through payments required from the Central and North Project Areas to the General Fund and other taxing entities. In order to accommodate the full required statutory pass-through payments and County administrative charges, an appropriations increase, offset by additional tax increment revenues, is required. This will provide approximately \$800,000 in General Fund revenue and was incorporated into the FY 04 estimates-to-close.

- Increase appropriations in the Redevelopment Fund (RD) in the Department of Community Development (CD) by \$3,279,300.

During the course of the fiscal year, there have been a number of new and on-going projects approved by the Redevelopment Agency Board that need additional appropriation for completion. These projects, which total \$19,931,106, include:

. Village Community Center	\$ 750,000
. Central Strategic Guide for Development	\$ 145,000
. Jamboree Housing Project	\$ 1,334,915
. Senior (Menorah) Housing Project	\$ 1,300,000
. West Gateway Projects	\$ 7,656,450
. East Village, 4 th and Alamitos	\$ 672,000
. Chestnut Garage Demolition Lien	\$ 322,796
. Property Acquisitions	\$ 7,421,445
. Chapter 8 Defaulted Properties	\$ 328,500

The projects will be funded through a number of sources, including existing fund balance, a line of credit with Bank of America, additional tax increment revenues, and a transfer from the Housing Development Fund. There is no impact on the General Fund.

- Increase appropriations in the Redevelopment Fund (RD) in the Department of Community Development (CD) by \$19,931,106.

Financial Management - Citywide

An appropriation increase of \$2,000,000 is necessary in the Insurance Fund to cover general liability claim and legal expenditures through the end of the fiscal year. This increase will be paid from fund balance in the Insurance Fund, and has been included in the FY 04 estimates-to-close.

- Increase appropriations in the Insurance Fund (IS 390) in the Department of Financial Management (XC) by \$2,000,000.

Long Beach Energy

In accordance with the Second Amended and Restated Joint Powers Agreement for the Southeast Resource Recovery Facility (SERRF) Authority, after the City and Los Angeles County Sanitation District (District) have recovered their respective shares of total costs plus accrued interest thereon, and the Adjusted Annual Opening Fund Balance for the Fiscal Year has been realized, the Net Facility Revenue shall be divided and paid to the City and District in equal proportion. Distribution to the City is done via Operating Transfer to the General Fund and to the District via check payment.

For Fiscal Year 2004, the transfer to the City and the payment to the District were originally estimated to be \$2.5 million each. However, due to higher revenues and lower costs, the distribution amounted to \$4,701,735 each. Therefore, an appropriation increase of \$2,201,735 in the Operating Transfer to the General Fund and an equal amount for the payment to the Los Angeles County Sanitation is needed. The higher than anticipated transfer is incorporated into the General Fund's estimates-to-close.

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- Increase appropriations in the SERRF Fund (EF 331) in the Long Beach Energy Department (EN) by \$4,403,470.

Long Beach Energy incurred security expenses for towing lien sales beyond its originally appropriated levels. These expenses, in the form of direct charges by the Police Department, require additional appropriation and were necessary to staff higher than anticipated lien sales activities.

As a result of the Three-Year Financial Strategic plan, towing operations will generate savings totaling \$719,239. In order to benefit the General Fund, an increased transfer must be budgeted in the Towing Fund as included in the FY 04 estimates-to-close.

- Increase appropriations in the Towing Fund (EF 340) in the Long Beach Energy Department (EN) by \$785,324.

Library Services

An appropriation increase is necessary to cover expenses associated with the Loraine and Earl Burns Miller Special Collections Room (Miller Room) located in the Main Library. All expenses for the Miller Room are offset by an annual withdrawal of revenue from a trust account set up for the money donated by Loraine Miller Collins. In 1979, the City received a donation from Ms. Collins for the purpose of supporting the Miller Room. The agreement between the City and Ms. Collins allows for expenses for the Miller Room to be covered by income from the trust account. Allowable expenses include staff costs, the procurement of rare books, manuscripts, cultural artifacts and furnishings, and maintenance costs.

- Increase appropriations in the General Fund (GP) in the Department of Library Services (LS) by \$6,702.

The Library was awarded \$3,000 from the Association for Library Service to Children and Book Wholesalers, Inc., to enhance the existing Long Beach Public Library's 2004 Summer Reading Program. The funds are being used to implement an off-site, multi-lingual version of the Library's traditional in-house summer reading program. One of the enhancements is to make the materials available in Spanish and Khmer, as well as English. The off-site partners are: Long Beach Family Literacy (through the Long Beach Unified School District School for Adults); Families in Good Health (through St. Mary Medical Center); Good Beginnings Never End (through Long Beach City College); Communities Organizing Resources to Advance Learning (CORAL) at Stevenson, Whittier and Willard Long Beach elementary schools; and the Department of Parks, Recreation and Marine – Mobile Recreation Program. The number of youth expected to participate in this off-site program is 3,000.

- Increase appropriations in the General Fund (GP) in the Department of Library Services (LS) by \$3,000.

Oil Properties

In July 2004, the Department of Oil Properties requested additional appropriations in the amount of \$72.3 million, based on an estimated oil price of \$30 per barrel during the first seven months of the fiscal year. Since then, oil prices have continually risen. With the Wilmington Field oil prices currently posting at an average price of \$39.95/bbl.

Oil traders, however, are predicting prices to fall. The Department has therefore revised its estimates using \$36/bbl of oil for the last two months of the fiscal year, resulting in an additional request for appropriations in the amount of \$21.2 million. This increase will cover required payments to the State of \$19.1 million, the transfer to the Tidelands Operating Fund of \$1.6 million, and the transfer to the General Fund of \$600,000. This latest request for appropriation will result in the following:

	FY 04 Adopted Budget	FY 04 Adjusted Budget	September 2004 Forecast	Requested Q4 Increase
Payment to the State	\$21.5 m	\$87.1 m	\$106.2 m	\$19.0 m
Transfer to TOF	3.2 m	6.5 m	8.1 m	1.6 m
Transfer to General Fund	4.0 m	7.1 m	7.6 m	0.6 m
Totals	\$28.7 m	\$100.7 m	\$121.9 m	\$21.2 m

- Increase appropriations in the Tidelands Oil Revenue Fund (NX 420) in the Department of Oil Properties (OP) by \$20,577,514.
- Increase appropriations in the Upland Oil Fund (SR 134) in the Department of Oil Properties (OP) by \$608,904.

Parks, Recreation and Marine

The Department of Parks, Recreation and Marine established a trust account, per the City's agreement with the Long Beach Rowing Association, to fund improvements to the City's rowing center. The City deposits Long Beach Rowing Association's monthly rent into this trust account. At this time, an appropriation increase in the amount of \$15,000 is needed per the agreement to reimburse the Long Beach Rowing Association for improvements made. Revenue to offset the increased appropriation will be released from the trust account.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation, and Marine (PR) by \$15,000.

Police

On April 27, 2004, the City of Long Beach received a \$7,803 grant from the State of California Office of Emergency Services Coverdell 03 Training Program. The purpose of the grant is to provide for professional training in technical and personal skills for crime laboratory forensic scientists. To utilize the funds, a budget adjustment is necessary to increase appropriations.

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- Increase appropriations in the General Grants Fund (SR 120) in the Police Department (PD) by \$7,803.

On March 12, 2002, the City Council authorized the City Manager to accept \$175,958 from the State of California Law Enforcement Technology Equipment Purchase Program Grant to be used by the Police Department to purchase equipment and a classroom trailer for a computer-training lab at the Long Beach Police Academy. Appropriations need to be increased by \$3,290 which is the amount carried-over from FY 03.

- Increase appropriations in the General Fund (GP) in the Police Department (PD) by \$3,290.

On December 17, 2002, the City Council authorized the City Manager to accept a grant award from the State of California Office of Traffic Safety to implement a Driving Under the Influence Impact Program. On January 9, 2004, the City Council authorized the City Manager to increase appropriations in the General Grants Fund (SR 120) and in the Police Department (PD) by \$115,880. Appropriations need to be increased by \$39,169, which is the remaining amount carried-over from FY 03.

- Increase appropriations in the General Grants Fund (SR 120) in the Police Department (PD) by \$39,169.

Public Works

On October 17, 2000 the City Manager was authorized to execute an agreement with the State Coastal Conservancy for restoration of the Belmont Pier. An appropriation was established in the Tidelands Operating Fund at \$525,000. The actual grant award was \$525,150; therefore, an appropriation increase of \$150 is necessary to recognize the additional unbudgeted funds.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Public Works (PW) by \$150.

An appropriation increase is necessary to recognize \$65,357 of restricted interest earnings from Local Agency 2002 Special Assessment Revenue bond proceeds. The interest earnings will offset approved expenditures for the Cherry Avenue/Wardlow Road Intersection improvement project.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$65,357.

The City entered into two grant agreements with the State of California Department of Boating and Waterways (DBAW) for improvements to the Long Beach Marine Stadium. An appropriation increase is needed to recognize \$75,953 of restricted interest earnings, which will offset approved expenditures for this project.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Public Works (PW) by \$75,953.

An appropriation increase is required to recognize \$12,502 of additional restricted interest earnings from 2002 Pike Community Facility District #6 revenue bonds issued for the Pike Development Project. The earnings offset expenditures for Queensway Bay Parking Facilities and other improvements.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Public Works (PW) by \$12,502.

An appropriation increase is required to recognize \$10,383 of restricted interest earnings from Traffic Congestion Relief Fund monies (AB 2928). The earnings will offset approved expenditures for various street improvement projects.

- Increase appropriations in the Gasoline Tax Street Improvement Fund (SR 181) in the Department of Public Works (PW) by \$10,383.

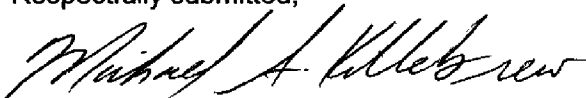
Over time, the wall that has been used for target practice at the Long Beach Police Department Pistol Range has become riddled with bullets, and without routine bullet mining, presents an increased hazard. An appropriation increase is requested to fund a capital improvement project to install a containment wall, which will deflect any ricocheting bullets. The appropriation increase will be offset by a transfer from the Police Department's current General Fund appropriation and has been included in the FY 04 estimates-to-close.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$300,000.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Approve the aforementioned adjustments to FY 04 departmental and fund appropriations in accordance with existing City Council policy.

Respectfully submitted,



MICHAEL A. KILLEBREW
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER

Attachment