



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

BH-1

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6425 • Fax (562) 570-5836

September 8, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive supporting documentation into the record, conclude the public hearing and take the actions necessary to adopt the Fiscal Year 2016 budget as listed in Attachment A of this letter. (Citywide)

DISCUSSION

On July 28, 2015, the City Manager's Proposed Budget for Fiscal Year 2016 (FY 16) was delivered by Mayor Garcia to the City Council and community with recommended amendments for consideration. Budget meetings were set for March 3, June 16, July 28, August 4, August 11, August 18, September 1, September 8, September 15, along with five Budget Oversight Committee (BOC) meetings, and nine community meetings at which the FY 16 Proposed Budget was discussed. We are pleased to report that through the scheduled hearings, BOC and community meetings, there have been 23 separate opportunities for public feedback, deliberation and input. In addition, this year, the City has solicited input through two informal survey mechanisms. The first is the Budget Challenge, which is an interactive simulation that provides citizens with the opportunity to balance the City's budget, while also deciding if funding levels should be changed. The second is the Budget Priority Survey to obtain input on what the City's General Fund priorities should be. These were both promoted, along with OpenLB, which shows the budget visually, on the City's website, through Twitter and Facebook, and at the community meetings.

At the conclusion of the hearings, the City Council will amend the proposed budget as it deems appropriate, and adopt the proposed budget as amended. Since the publication of the FY 16 Proposed Budget, updated estimates of revenue and expense, which primarily address technical corrections, are listed by fund and department in Attachments B and C to this letter, respectively. The reasons are discussed at the end of this letter.

There are two Ordinances in Attachment A; one is an Ordinance approving Resolution No. WD-1341 (A-3), which establishes the rates and charges for the water and sewer service, and the other is the Appropriations Ordinance (A-16), which officially adopts the FY 16 budget and authorizes expenditures in conformance with the adopted budget. In order for these two Ordinances to become effective October 1, 2015, the City Council must first declare an emergency to exist before adopting each Ordinance (A-2 and A 15). Specific Resolutions provide for approval of the budgets for the Harbor, Water and

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Sewer funds, which are not in the Appropriations Ordinance and certain fee adjustments. There will also be motions that request approvals for the following: the Master Fee and Charges Schedule; the FY 16 Capital Improvement Program; the Mayor's Recommendations; the Budget Oversight Committee's Recommendations; the Departmental Organization Ordinance; and the Salary Resolution for the FY 16 Proposed Budget.

This matter was reviewed by City Attorney Charles Parkin on August 26, 2015.

TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 16 budget must be adopted by September 15, 2015. Should the City Council fail to adopt the budget by that date, the City Manager's FY 16 Proposed Budget will be deemed the budget for the 2016 fiscal year. The Mayor has five calendar days from City Council adoption of the budget to use his veto authority. The City Council would then have until September 30, 2015, to override veto action by the Mayor with a two-thirds supermajority vote (six Councilmembers).

FISCAL IMPACT

The City Charter requires that the Appropriations Ordinance shall govern and control the expenditure and commitment amounts stated therein relating to the City's departments, offices and agencies during each fiscal year. The total FY 16 budget for all departments and funds is \$3,123,674,238, which comprises \$2,673,694,658 in new appropriation and \$449,979,580, in estimated carry-over from FY 15 for multi-year grants and projects.

The Appropriations Ordinance, included as Attachment A-16 to this letter, totals \$2,168,945,541 for all funds except Harbor, Sewer, and Water, and \$2,174,310,315 for all departments except Harbor and Water. The \$5,364,774 difference between funds and departments in the Appropriations Ordinance is due to general City indirect costs budgeted in the Financial Management Department, but charged to the Harbor, Water and Sewer funds; which are not included in the Appropriations Ordinance by fund.

The proposed Harbor, Water and Sewer fund budgets are in separate City Council Resolutions included as Attachment A-1 and A-4 to this letter, respectively, and total \$954,973,379. The Board of Harbor Commissioners adopted the budget for the Harbor Department by minute order on May 27, 2015. The Board of Water Commissioners adopted the budget for the Water Department by Resolution on June 18, 2015.

User fees and charges in the Master Fee and Charges Schedule Attachment A-5 have been adjusted due to changes in service and other factors. For details regarding these proposed new fees, deletions and adjustments, please see the List of Proposed Fee Adjustments for FY 16 that has been incorporated as Exhibit C to the Master Fee and Charges Resolution.

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Other requested City Council actions include approval of the FY 16 One-Year Capital Improvement Program (CIP) budget, included in Attachment A-6, which is contained in the Appropriations Ordinance. The Planning Commission, at its meeting of August 20, 2015, approved the CIP for FY 16 for conformance with the General Plan.

The City Council is also requested to adopt the Resolution, included as Attachment A-9, 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" (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 and guards against overspending proceeds of taxes. Only those revenues which are considered as "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 42.17 percent of the 2015-2016 Appropriations Limit and, therefore, does not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.

A motion is also being requested to amend the Departmental Organization Ordinance, included as Attachment A-12. This amendment incorporates changes to departments, bureaus, and divisions for FY 16. These organizational changes are necessary to implement changes reflected in the Proposed FY 16 budget. (A redline version is also provided). A motion is also being requested to adopt the Salary Resolution, included as Attachment A-13.

After the City Manager delivered the FY 16 Proposed Budget to the Mayor, technical adjustments in nature were made to the budget. These changes are generally not substantive and are shown in Attachment B and C of this letter. Since the release of the FY 16 Proposed Budget, a few changes have occurred. The Civic Center rent allocation was revised to incorporate the addition of the Tidelands Capital Project Management group on the 5th Floor of City Hall. This addition resulted in a net increase of \$841 and \$51,354 to the Development Services Fund and Tidelands Operations Fund, respectively and a decrease of \$52,195 to the General Fund. The second item is a decrease of \$79,289 and an increase of \$1,666,194 to the Tidelands Operations Fund and the Tidelands Marina Fund, respectively, that relates to the Marina Fund debt service changes resulting from the issuance of the 2015 Marina Revenue Bonds, and the prepayment of previous State Department of Boating and Waterways loans. Additionally, the Capital Projects Fund was also decreased by \$230,000 due to timing of a project being completed earlier in FY 15 instead of FY 16. Also, a \$6,000 increase in the General Fund for an interdepartmental service charge related to parking validations for the Legislative Department was made to reflect actual charges. Revenue changes were made since the release of the budget and are reflected in Attachment D. Most of the changes were related to grants and a capital improvement project. A significant change included in Attachment D is the Department of Public Works postponing the proposed restructuring of the refuse rates. This has no impact on the Refuse operating budget, but will impact revenues for the Refuse Fund. The remaining changes were minor technical adjustments made to various funds and departments in order to align the budget with grants and/or revenues.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



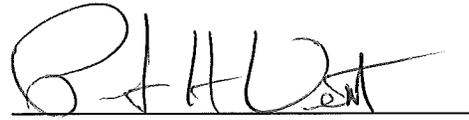
JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

JG/LE/RAG

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ATTACHMENTS

APPROVED:



PATRICK H. WEST
CITY MANAGER

List of Requested Fiscal Year 2016 Budget Adoption Actions

1. Adopt the Resolution approving the FY 16 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on May 27, 2015. (A-1)
2. Declare an emergency to exist. (A-2)
3. Declare the Ordinance approving the Resolution No. WD-1341 establishing the rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on June 18, 2015, as an Emergency Ordinance, read, and adopted as read and laid over to the next regular meeting of the City Council for final reading. (A-3)
4. Adopt the Resolution approving the FY 16 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on June 18, 2015. (A-4)
5. Adopt the Resolution amending the Master Fee and Charges Schedule for specified City services for Citywide fees and charges for the City of Long Beach. (A-5)
6. Approve the FY 16 One-Year Capital Improvement Program. (A-6)
7. Adopt a motion approving the FY 16 budget for the Long Beach Community Investment Company (formerly known as the Long Beach Housing Development Company) in the amount of \$5,318,500. (A-7)
8. Adopt a motion approving the estimated transfer of \$17,737,000 from the Harbor Revenue Fund to the Tidelands Operating Fund. (A-8)
9. Adopt the Resolution establishing the "Gann Appropriations Limit" (Limit) for FY 16 pursuant to Article XIII (B) of the California Constitution. (A-9)
10. Adopt the Mayor's proposed budget recommendations, as amended, to the FY 16 Proposed Budget. (A-10)
11. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the FY 16 Proposed Budget. (A-11)
12. Declare the Ordinance amending the Departmental Organization Ordinance read the first time and laid over to the next regular meeting of the City Council for final reading. (A-12)
13. Adopt the amended Salary Resolution for FY 16. (A-13)
14. Adopt a motion amending the proposed FY 16 budget. (A-14)
15. Declare an emergency to exist. (A-15)
16. Declare the Appropriations Ordinance for FY 16, 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 and laid over to the next regular meeting of the City Council for final reading. (A-16)

FISCAL YEAR 2016 APPROPRIATIONS ORDINANCE BY FUND
(Does not include Harbor, Water and Sewer Funds)

| <u>FUND</u> | <u>FY 16 PROPOSED EXPENDITURES</u> | <u>CHANGES</u> | <u>FY 15 ESTIMATED CARRYOVER*</u> | <u>FY 16 APPROPRIATIONS</u> |
|---|------------------------------------|------------------|-----------------------------------|-----------------------------|
| GENERAL FUND | 427,892,742 | (46,195) | - | 427,846,547 |
| UPLAND OIL FUND | 13,799,272 | - | - | 13,799,272 |
| GENERAL GRANTS FUND | 8,962,538 | 68,690 | 7,422,489 | 16,453,717 |
| POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND | 3,232,643 | - | - | 3,232,643 |
| HEALTH FUND | 42,827,615 | - | 30,013,223 | 72,840,839 |
| PARKING & BUSINESS AREA IMPROVEMENT FUND | 7,968,757 | - | - | 7,968,757 |
| SPECIAL ADVERTISING & PROMOTION FUND | 7,821,689 | - | - | 7,821,689 |
| HOUSING DEVELOPMENT FUND | 6,944,495 | - | 19,393,340 | 26,337,836 |
| BELMONT SHORE PARKING METER FUND | 830,879 | - | - | 830,879 |
| BUSINESS ASSISTANCE FUND | 694,119 | - | 40,948 | 735,067 |
| COMMUNITY DEVELOPMENT GRANTS FUND | 20,653,503 | 6,000 | 1,253,640 | 21,913,142 |
| GASOLINE TAX STREET IMPROVEMENT FUND | 16,074,663 | - | 36,406 | 16,111,069 |
| TRANSPORTATION FUND | 20,576,303 | - | 26,891,072 | 47,467,375 |
| CAPITAL PROJECTS FUND | 7,756,280 | (230,000) | 63,672,787 | 71,199,067 |
| CIVIC CENTER FUND | 10,880,804 | - | 5,431,439 | 16,312,243 |
| GENERAL SERVICES FUND | 48,400,286 | (114,400) | 23,244,294 | 71,530,180 |
| FLEET SERVICES FUND | 45,115,791 | - | 875,000 | 45,990,791 |
| INSURANCE FUND | 42,402,722 | - | 139,683 | 42,542,405 |
| EMPLOYEE BENEFITS FUND | 248,910,324 | - | - | 248,910,324 |
| TIDELANDS FUNDS | 99,507,841 | 1,638,259 | 163,590,938 | 264,737,038 |
| TIDELAND OIL REVENUE FUND | 158,463,652 | - | - | 158,463,652 |
| RESERVE FOR SUBSIDENCE | - | - | - | - |
| DEVELOPMENT SERVICES FUND | 18,968,059 | 841 | 1,354,310 | 20,323,209 |
| GAS FUND | 105,680,210 | - | 30,063,817 | 135,744,027 |
| GAS PREPAY FUND | 39,128,641 | - | - | 39,128,641 |
| AIRPORT FUND | 42,608,676 | - | 28,907,613 | 71,516,288 |
| REFUSE/RECYCLING FUND | 45,102,765 | - | 73,381 | 45,176,147 |
| SERRF FUND | 51,145,981 | - | - | 51,145,981 |
| SERRF JPA FUND | 11,218,558 | - | - | 11,218,558 |
| TOWING FUND | 5,730,049 | - | - | 5,730,049 |
| HOUSING AUTHORITY FUND | 71,953,593 | - | 14,993,664 | 86,947,257 |
| SUCCESSOR AGENCY | 75,500,522 | - | 32,581,531 | 108,082,053 |
| CUPA FUND | 1,658,451 | - | 5 | 1,658,456 |
| DEBT SERVICE FUND | 9,230,342 | - | - | 9,230,342 |
| TOTAL | 1,717,642,766 | 1,323,195 | 449,979,580 | 2,168,945,541 |

*Carryover of multi-year grants and CIP funds.

FISCAL YEAR 2016 APPROPRIATIONS ORDINANCE BY DEPARTMENT
(Does not include Harbor and Water)

| <u>DEPARTMENT</u> | <u>FY 16 PROPOSED EXPENDITURES</u> | <u>CHANGES</u> | <u>FY 15 ESTIMATED CARRYOVER*</u> | <u>FY 16 APPROPRIATIONS</u> |
|--|------------------------------------|------------------|-----------------------------------|-----------------------------|
| MAYOR AND COUNCIL | 5,319,212 | 6,000 | - | 5,325,212 |
| CITY ATTORNEY | 9,981,695 | - | - | 9,981,695 |
| CITY AUDITOR | 3,046,904 | - | - | 3,046,904 |
| CITY CLERK | 4,795,431 | - | - | 4,795,431 |
| CITY MANAGER | 13,800,703 | (40,635) | 114,947,208 | 128,707,276 |
| CITY PROSECUTOR | 5,007,241 | - | 295,048 | 5,302,289 |
| CIVIL SERVICE | 2,427,489 | - | - | 2,427,489 |
| AIRPORT | 41,891,004 | - | 28,907,613 | 70,798,617 |
| DISASTER PREPAREDNESS & EMERGENCY COMMUNICATIONS | 11,874,348 | - | 105,830 | 11,980,178 |
| DEVELOPMENT SERVICES | 115,002,537 | 6,000 | 62,693,417 | 177,701,954 |
| ECONOMIC & PROPERTY DEVELOPMENT | 25,772,537 | - | - | 25,772,537 |
| FINANCIAL MANAGEMENT** | 470,653,976 | 1,586,905 | 2,032,859 | 474,273,741 |
| FIRE | 98,041,760 | - | 176,008 | 98,217,768 |
| HEALTH AND HUMAN SERVICES | 115,719,022 | - | 30,519,563 | 146,238,584 |
| HUMAN RESOURCES | 10,826,039 | - | 5,884,275 | 16,710,314 |
| LIBRARY SERVICES | 13,160,257 | - | 1,500,000 | 14,660,257 |
| LONG BEACH GAS AND OIL | 324,917,682 | - | 30,109,116 | 355,026,798 |
| PARKS, RECREATION AND MARINE | 55,354,629 | 109,325 | 30,708,176 | 86,172,131 |
| POLICE | 209,158,622 | - | 3,977,547 | 213,136,168 |
| PUBLIC WORKS | 139,782,391 | (230,000) | 114,878,625 | 254,431,016 |
| TECHNOLOGY & INNOVATION | 46,474,062 | (114,400) | 23,244,296 | 69,603,958 |
| TOTAL | 1,723,007,539 | 1,323,195 | 449,979,580 | 2,174,310,315 |

*Carryover of multi-year grants and CIP funds.

**Department of Financial Management includes internal service charges that are contained in the resolutions of the Harbor, Water, and Sewer funds for accounting, budgeting and treasury functions, and other citywide activities such as debt service.

FISCAL YEAR 2016 REVENUES BY FUND
(Does not include Harbor, Water and Sewer Funds)

| <u>FUND</u> | <u>FY 16 PROPOSED REVENUES</u> | <u>CHANGES</u> | <u>FY 16 PROPOSED BUDGETED REVENUES</u> |
|---|------------------------------------|--------------------|---|
| GENERAL FUND | 413,203,378 | - | 413,203,378 |
| UPLAND OIL FUND | 14,217,809 | - | 14,217,809 |
| GENERAL GRANTS FUND | 8,907,641 | 123,586 | 9,031,228 |
| POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND | 2,914,420 | - | 2,914,420 |
| HEALTH FUND | 43,347,104 | - | 43,347,104 |
| PARKING & BUSINESS AREA IMPROVEMENT FUND | 7,968,757 | - | 7,968,757 |
| SPECIAL ADVERTISING & PROMOTION FUND | 7,596,000 | - | 7,596,000 |
| HOUSING DEVELOPMENT FUND | 11,598,238 | - | 11,598,238 |
| BELMONT SHORE PARKING METER FUND | 701,734 | - | 701,734 |
| BUSINESS ASSISTANCE FUND | 871,838 | (194,000) | 677,838 |
| COMMUNITY DEVELOPMENT GRANTS FUND | 20,523,305 | - | 20,523,305 |
| GASOLINE TAX STREET IMPROVEMENT FUND | 11,853,372 | - | 11,853,372 |
| TRANSPORTATION FUND | 20,367,912 | - | 20,367,912 |
| CAPITAL PROJECTS FUND | 7,642,049 | 160,000 | 7,802,049 |
| CIVIC CENTER FUND | 11,193,610 | - | 11,193,610 |
| GENERAL SERVICES FUND | 48,279,036 | - | 48,279,036 |
| FLEET SERVICES FUND | 35,797,973 | - | 35,797,973 |
| INSURANCE FUND | 49,283,048 | - | 49,283,048 |
| EMPLOYEE BENEFITS FUND | 247,348,843 | - | 247,348,843 |
| TIDELANDS FUNDS | 102,295,240 | 401,538 | 102,696,778 |
| TIDELAND OIL REVENUE FUND | 158,580,567 | - | 158,580,567 |
| RESERVE FOR SUBSIDENCE | 1,480,000 | - | 1,480,000 |
| DEVELOPMENT SERVICES FUND | 18,109,086 | - | 18,109,086 |
| GAS FUND | 106,764,572 | - | 106,764,572 |
| GAS PREPAY FUND | 41,475,391 | - | 41,475,391 |
| AIRPORT FUND | 42,209,669 | - | 42,209,669 |
| REFUSE/RECYCLING FUND | 45,318,927 | (2,717,222) | 42,601,705 |
| SERRF FUND | 47,819,036 | - | 47,819,036 |
| SERRF JPA FUND | 11,250,285 | - | 11,250,285 |
| TOWING FUND | 5,691,849 | - | 5,691,849 |
| HOUSING AUTHORITY FUND | 70,532,437 | - | 70,532,437 |
| SUCCESSOR AGENCY | 75,610,413 | - | 75,610,413 |
| CUPA FUND | 1,607,180 | - | 1,607,180 |
| DEBT SERVICE FUND | 9,230,342 | - | 9,230,342 |
| TOTAL | 1,701,591,062 | (2,226,098) | 1,699,364,964 |

No supporting documents.