

**BH-19****CITY OF LONG BEACH**

DEPARTMENT OF FINANCIAL MANAGEMENT

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

September 9, 2008

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 2009 budget as listed in Attachment A of this letter. (Citywide)

DISCUSSION

On August 1, 2008, the City Manager's Proposed Budget for Fiscal Year 2009 (FY 09) was delivered by the Mayor to the City Council and community with recommended amendments for consideration. Subsequent workshops and hearings were set for August 5, August 12, August 19, August 26, September 2, September 4 and September 9, 2008 along with approximately three Budget Oversight Committee (BOC) meetings and ten community meetings at which the FY 09 Proposed Budget was discussed. We are pleased to report that through the scheduled workshops, hearings, BOC and community meetings, presentations have been made by multiple City departments resulting in 23 separate opportunities for public feedback, deliberation and 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 09 Proposed Budget, updated estimates of revenue and expense, which address technical corrections as well as decisions made by elected offices, are listed by fund and department in Attachments B and C to this letter, respectively.

The Appropriations Ordinance officially adopts the FY 09 budget and authorizes expenditures in conformance with the adopted budget. To become effective October 1, 2008, this Ordinance must include a finding of emergency. Specific resolutions provide for approval of the budgets for the Harbor, Sewer and Water funds; and certain fee adjustments. Requests for approval include the FY 09 Capital Improvement Program; acknowledgment of the updated Financial Strategic Plan; the Mayor's Recommendations; and the Budget Oversight Committee's Recommendations to the FY 09 Proposed Budget.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on August 21, 2008.

TIMING CONSIDERATIONS

In accordance with the Long Beach City Charter, the FY 09 budget must be adopted by September 15, 2008, following at least one public hearing. Should the City Council fail to adopt the budget on or by that date, the City Manager's FY 09 Proposed Budget shall be deemed the budget for the 2009 fiscal year. The Mayor then has five calendar days from City Council adoption of the budget to use a line-item veto to reduce or eliminate expenditures. The City Council would then have until September 30, 2008, to override any line-item veto with a two-thirds supermajority vote.

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 09 budget for all departments and funds is \$3,468,910,455, which comprises \$3,096,273,192 in new appropriation and \$372,637,263 in estimated carry-over from FY 08 for multi-year grants and projects.

The Appropriations Ordinance, included as Attachment A-17 to this letter, totals \$2,343,846,799 for all funds except Harbor, Water and Sewer, and \$2,348,005,027 for all departments except Harbor and Water. The \$4,158,228 difference between funds and departments in the Appropriations Ordinance is due to general City indirect costs budgeted in the Department of Financial Management but charged to the Harbor, Water and Sewer funds, which are not included in the Appropriation Ordinance by fund.

The proposed Harbor, Water and Sewer Fund budgets are in separate City Council ordinances included as Attachment A-1 and A-4 to this letter, respectively, and total \$1,125,063,656. The budget for the Harbor Department was adopted by the Board of Harbor Commissioners by minute order on June 16, 2008. The budget for the Water Department was adopted by the Board of Water Commissioners by resolution on July 10, 2008.

The City Council is also requested to bring the Municipal Code into uniformity with the FY 09 budget by amending Municipal Code (section 15.20.060) establishing the maintenance for all sewer laterals to be the sole responsibility of the property owner. The Memorandum of Understanding with the Water Department to provide sewer lateral repair services related to tree root damage has been eliminated. This action will bring Long Beach's sewer lateral policy in-line with other local jurisdictions, including the City of Los Angeles.

The recommendations in this letter include various fee adjustments, as highlighted in the FY 09 Proposed Budget book, and are included in the attached Master Fee Resolution. The fee changes are necessary for full cost recovery and are summarized in Attachment A-6, Exhibit A to this letter.

Other requested City Council actions include approval of the FY 09 One-Year Capital Improvement Program (CIP) budget, which is contained in the Appropriations Ordinance. The Planning Commission, at its meeting of August 15, 2008, approved the CIP for FY 09 for conformance with the General Plan. Any projects that are not in conformance with the Plan will be highlighted by Development Services staff and steps to secure conformance will be outlined.

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

The City Council is also requested to adopt the 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 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 41.05 percent of the 2008-2009 Appropriations Limit and, therefore, does not exceed the Limit. This calculation is reviewed by the City Auditor for conformance to the law.

SUGGESTED ACTON:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:



PATRICK H. WEST
CITY MANAGER

List of Requested Fiscal Year 2008 Budget Adoption Actions

1. Adopt the Resolution approving the FY 09 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on June 16, 2008 (A-1).
2. Declare an emergency to exist (A-2).
3. Declare the Ordinance approving the Resolution establishing the rates and charges for water and sewer service to all customers, as adopted by the Board of Water Commissioners on July 24, 2008, 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 09 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on July 10, 2008 (A-4).
5. Declare the Ordinance to amend the Long Beach Municipal Code by amending section 15.20.060 relating to maintenance of sewers, read the first time and laid over to the next regular City Council meeting for final reading (A-5).
6. Adopt the Resolution establishing a master fee and charges schedule for specified city services for the Departments of Airport, City Clerk, City Prosecutor, Community Development – Code Enforcement, Development Services, Financial Management, Fire, Gas & Oil, Health and Human Services, Library Services, Parks, Recreation and Marine, Police, and Public Works. (A-6).
7. Approve the FY 09 One-Year Capital Improvement Program (A-7).
8. Adopt a motion approving the budgets for the Redevelopment Agency's Project Area Committees in the amounts of \$50,000 for Central Long Beach, \$80,000 for West Long Beach Industrial and \$44,558 for North Long Beach (A-8).
9. Adopt a motion approving the budget for the Long Beach Housing Development Company in the amount of \$30,424,612, which is included in the budget of the Department of Community Development (A-9).
10. Adopt a motion approving the transfer of \$16,059,464 from the Harbor Revenue Fund to the Tidelands Operating Fund (A-10).
11. Adopt the Resolution adopting an appropriations limit (Gann) for FY 09 pursuant to Article XIII(B) of the California Constitution (A-11).
12. Adopt the Mayor's proposed funding recommendations, as amended, to the FY 09 Proposed Budget (A-12).
13. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the FY 09 Proposed Budget (A-13).
14. Acknowledge the updated Financial Strategic Plan (A-14).
15. Adopt a motion amending the proposed budget (A-15).
16. Declare an emergency to exist (A-16).
17. Declare the Appropriations Ordinance for FY 09, 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-17).

FISCAL YEAR 2009 APPROPRIATIONS ORDINANCE BY FUND

| <u>FUND</u> | <u>FY 09 PROPOSED EXPENDITURES</u> | <u>CHANGES</u> | <u>FY 08 ESTIMATED CARRYOVER*</u> | <u>FY 09 APPROPRIATION</u> |
|---|--|------------------|---------------------------------------|--------------------------------|
| GENERAL FUND | 404,223,243 | (329,134) | - | 403,894,110 |
| GENERAL GRANTS FUND | 6,657,583 | - | 10,880,124 | 17,537,707 |
| POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND | 4,756,444 | - | - | 4,756,444 |
| HEALTH FUND | 44,706,112 | 212,069 | 36,281,335 | 81,199,515 |
| PARKING & BUSINESS AREA IMPROVEMENT FUND | 7,031,088 | - | - | 7,031,088 |
| SPECIAL ADVERTISING & PROMOTION FUND | 6,930,787 | 7,502 | - | 6,938,289 |
| UPLAND OIL FUND | 28,650,709 | - | - | 28,650,709 |
| HOUSING DEVELOPMENT FUND | 26,684,889 | 19,826 | 66,657,962 | 93,362,677 |
| BELMONT SHORE PARKING METER FUND | 669,532 | - | - | 669,532 |
| DEVELOPMENT SERVICES FUND | 13,917,848 | (78,020) | - | 13,839,827 |
| BUSINESS ASSISTANCE FUND | 1,473,381 | (258,849) | (48,155) | 1,166,377 |
| COMMUNITY DEVELOPMENT GRANTS FUND | 26,598,907 | 60,751 | 32,256,190 | 58,915,849 |
| PARK DEVELOPMENT FUND | 1,056,174 | 1,479 | - | 1,057,653 |
| GASOLINE TAX STREET IMPROVEMENT FUND | 17,354,032 | - | 16,292,095 | 33,646,127 |
| TRANSPORTATION FUND | 16,920,015 | 2,659 | 17,318,712 | 34,241,387 |
| CAPITAL PROJECTS FUND | 10,790,141 | - | 53,652,719 | 64,442,860 |
| CIVIC CENTER FUND | 1,635,040 | 9,546 | 2,962,504 | 4,607,090 |
| GENERAL SERVICES FUND | 36,842,828 | 33,973 | 2,138,513 | 39,015,315 |
| FLEET SERVICES FUND | 36,311,834 | 27,523 | 359,703 | 36,699,059 |
| INSURANCE FUND | 36,290,954 | 80,631 | - | 36,371,584 |
| EMPLOYEE BENEFITS FUND | 226,004,478 | 1,093,568 | - | 227,098,045 |
| TIDELANDS FUNDS | 131,033,622 | 3,640,255 | 19,850,396 | 154,524,273 |
| TIDELAND OIL REVENUE FUND | 363,131,614 | 57,348 | - | 363,188,961 |
| RESERVE FOR SUBSIDENCE | - | - | - | - |
| GAS FUND | 144,771,416 | 63,086 | 3,736,684 | 148,571,186 |
| AIRPORT FUND | 34,789,571 | 149,081 | 48,127,643 | 83,046,295 |
| REFUSE/RECYCLING FUND | 49,529,322 | 22,713 | (127,537) | 49,424,498 |
| SERRF FUND | 53,701,873 | 1,511,097 | - | 55,212,970 |
| SERRF JPA FUND | 11,394,998 | - | - | 11,394,998 |
| TOWING FUND | 9,821,496 | 4,120 | - | 9,825,615 |
| PARKING AUTHORITY FUND | - | - | - | - |
| HOUSING AUTHORITY FUND | 67,445,005 | 12,613 | 792,013 | 68,249,631 |
| REDEVELOPMENT FUND | 142,414,052 | 51,934 | 61,506,361 | 203,972,347 |
| CUPA FUND | 1,289,158 | 5,621 | - | 1,294,779 |
| TOTAL | 1,964,808,145 | 6,401,391 | 372,637,263 | 2,343,846,799 |

* Carryover of multi-year grants and CIP funds.

FISCAL YEAR 2009 APPROPRIATIONS ORDINANCE BY DEPARTMENT

| <u>DEPARTMENT</u> | <u>FY 09 PROPOSED EXPENDITURES</u> | <u>CHANGES</u> | <u>FY 08 ESTIMATED CARRYOVER*</u> | <u>FY 09 APPROPRIATION</u> |
|------------------------------|--|---------------------|---------------------------------------|--------------------------------|
| MAYOR AND COUNCIL | \$ 5,215,817 | \$ (151,354) | \$ - | \$ 5,064,463 |
| CITY ATTORNEY | 9,708,745 | 0 | - | 9,708,745 |
| CITY AUDITOR | 2,682,333 | 137,717 | - | 2,820,050 |
| CITY CLERK | 3,911,718 | -57,978 | - | 3,853,740 |
| CITY MANAGER | 8,087,496 | 33,935 | - | 8,121,430 |
| CITY PROSECUTOR | 5,492,110 | 0 | (16,989) | 5,475,121 |
| CIVIL SERVICE | 2,224,506 | 0 | - | 2,224,505 |
| AIRPORT | 27,384,959 | 149,081 | 3,384,161 | 30,918,201 |
| COMMUNITY DEVELOPMENT | 145,578,033 | 5,337,385 | 98,559,410 | 249,474,828 |
| DEVELOPMENT SERVICES | 160,342,492 | 83,912 | 63,039,954 | 223,466,358 |
| FINANCIAL MANAGEMENT** | 367,300,622 | 539,998 | (1,752,019) | 366,088,602 |
| FIRE | 93,793,784 | 113,754 | 3,174,090 | 97,081,628 |
| HEALTH AND HUMAN SERVICES | 50,832,388 | 242,579 | 38,853,555 | 89,928,522 |
| HUMAN RESOURCES | 8,123,010 | 38,189 | - | 8,161,199 |
| LIBRARY SERVICES | 13,271,115 | 30,592 | - | 13,301,707 |
| LONG BEACH GAS AND OIL | 579,572,123 | 1,631,531 | 3,736,684 | 584,940,339 |
| PARKS, RECREATION AND MARINE | 57,997,862 | 193,840 | 19,437,940 | 77,629,642 |
| POLICE | 207,431,124 | -465,867 | 5,098,889 | 212,064,147 |
| PUBLIC WORKS | 184,574,235 | -1,876,419 | 137,183,074 | 319,880,890 |
| TECHNOLOGY SERVICES | 35,441,901 | 420,497 | 1,938,513 | 37,800,911 |
| TOTAL | \$ 1,968,966,373 | \$ 6,401,391 | \$ 372,637,263 | \$ 2,348,005,027 |

* Carryover of multi-year grants and CIP funds.

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

RESOLUTION NO. RES-08-0065

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH MAKING CERTAIN FINDINGS AND DETERMINATIONS AND REQUESTING THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH TO APPROVE A TRANSFER OF \$16,059,464 FROM THE HARBOR REVENUE FUND TO THE TIDELAND OPERATING FUND PURSUANT TO THE PROVISIONS OF CITY CHARTER SECTION 1209(C)(4)

WHEREAS, City Charter Section 1209(c)(4) authorizes the transfer of monies deposited to the credit of the Harbor Revenue Fund to the Tideland Operating Fund under certain conditions; and

WHEREAS, the City Council finds and determines that the lawful obligations of the Tideland Operating Fund for the fiscal year commencing October 1, 2008 and ending September 30, 2009 will exceed the anticipated revenues to and reserves of the Tideland Operating Funds by an amount approximating \$16,059,464 and

WHEREAS, the net income of the Harbor Department for the fiscal year commencing October 1, 2006 and ending September 30, 2007 as shown on the financial statements prepared by the Harbor Department and audited by KPMG LLP, is the sum of \$160,594,640 and ten percent (10%) thereof is the sum of \$16,059,464;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. The lawful obligations of the Tideland Operating Fund for the fiscal year commencing October 1, 2008 and ending September 30, 2009 will exceed the total reserves and anticipated revenues of the Tideland Operating Fund for the same period.

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Section 2. That ten percent (10%) of the net income of the Harbor Department as shown on the most recent available independently audited financial statements for the period ending September 30, 2007 is the sum of \$16,059,464.

Section 3. The City Council by a vote of two-thirds (2/3) of all its members requests that the Board of Harbor Commissioners approve the transfer of the sum of \$16,059,464 from the Harbor Revenue Fund to the Tideland Operating Fund which transfer shall be made by journal entry on the books of the City of Long Beach.

Section 4. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of May 20, 2008, by the following vote:

| | | |
|-------|-----------------|--|
| Ayes: | Councilmembers: | <u>B. Lowenthal, S. Lowenthal, DeLong,</u> |
| | | <u>O'Donnell, Schipske, Andrews,</u> |
| | | <u>Reyes Uranga, Gabelich.</u> |

| | | |
|-------|-----------------|--------------|
| Noes: | Councilmembers: | <u>None.</u> |
|-------|-----------------|--------------|

| | | |
|---------|-----------------|---------------|
| Absent: | Councilmembers: | <u>Lerch.</u> |
|---------|-----------------|---------------|



City Clerk

HAM:fl
4/18/08
#A08-01187