



# CITY OF LONG BEACH **R-25**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802

February 12, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Approve the Fiscal Year 2008 first quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy. (Citywide)

## DISCUSSION

On September 11, 2007, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2008 (FY 08). Throughout the year, changes in revenue or operating conditions create the need 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.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on January 25, 2008.

## TIMING CONSIDERATIONS

The following requests for adjustments to FY 08 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on February 12, 2008 to authorize the timely processing of payments.

## FISCAL IMPACT

### **City Auditor**

In the FY 08 Adopted Budget, the City Auditor's Office added a Senior Auditor to support audits in the Tidelands Areas. The position was inadvertently budgeted in the Tidelands Oil Fund instead of the Tidelands Operations Fund. As audits conducted may not be specifically related to oil operations, the position should be budgeted in the Tidelands Operations Fund to ensure that time is accounted for properly.

- Reduce appropriations in the Tidelands Oil Fund (NX 420) in the Department of the City Auditor (AU) by \$106,264.

- Increase appropriations in the Tidelands Operations Fund (TF 401) in the Department of the City Auditor (AU) by \$106,264.

### **Community Development**

The City of Long Beach was awarded California Housing Finance Agency (CHFA) Housing Enabled by Local Partners (HELP) loans totaling \$3.7 million in FY 2000 and FY 2003 for the Grisham Community Housing and North Pointe (Parwood) Apartments affordable housing projects. The loans are to be repaid within 10 years at 3 percent simple interest from the Housing Fund, using the annual residual receipt revenues from the projects. However, the projects have realized minimal residual revenue, if any, since project completion.

Therefore, to repay the HELP loans within the required 10 year period, the Housing Development Fund will advance funds to the City in each fiscal year in which there are insufficient project residual receipts to cover the loan payments. The Housing Development Fund advances will be repaid from each project's future residual receipt revenues. This budget adjustment increases appropriations in the amount of the necessary HELP loan repayment advances for the 2006, 2007, and 2008 fiscal years.

The City has chosen to repay the HELP loans using a 10-year amortization schedule rather than paying a lump sum on the 10<sup>th</sup> anniversary of each loan in order to realize an accrued interest savings of approximately \$123,000. There is no impact to the General Fund.

- Increase appropriations in the Housing Development Fund (SR 135) in the Department of Community Development (CD) by \$1,675,779.

During FY 07, the City Council adopted a resolution establishing the Andy Street Multifamily Improvement District (AMID) and approved an appropriations increase in the amount of \$95,088 in the Parking and Business Area Improvement Fund (SR 132) for the cost to administer security and safety programs for the newly formed AMID. This amount did not carry forward into the FY 08 budget, and must be appropriated. Approximately \$95,088 in revenue from business and residential assessments is expected to be generated by the AMID in FY 08 to fully support the expense. There is no impact to the General Fund.

- Increase appropriations in the Parking and Business Area Improvement Fund (SR 132) in the Department of Community Development (CD) by \$95,088.

Increase appropriations in the Housing Development Fund (SR 135) in the Department of Community Development (CD) by \$3,598,553, for affordable housing developments; Livable Places (Olive Court); and Pacific City Lights. The Long Beach Housing Development Company Board of Directors approved additional funding in the 2007 and 2008 Fiscal Years. There is no impact to the General Fund.

- Increase appropriations in the Housing Development Fund (SR 135) in the Department of Community Development (CD) by \$3,598,553.

On October 10, 2006, the City Council authorized the receipt of up to \$300,000 in grant funds from the Office of Economic Adjustment (OEA) for base reuse planning for the Schroeder Hall Army Reserve Center located at 3800 E. Willow Street. This authorization did

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not include the necessary increase in appropriation, as the specific amount of the grant was unknown at the time.

On July 9, 2007, the City Manager's Office accepted the federal assistance award from the OEA in the amount of \$164,109 and agreed to contribute \$23,033 (or 12.3 percent) of the total project cost. Sufficient funds are currently appropriated in the General Fund to support the City match requirement of \$23,033.

- Increase appropriations in the Community Development Grant Fund (SR 150) in the Department of Community Development (CD) by \$187,142.

Each year the City receives a formula allocation of Federal Workforce Investment Act (WIA) grant funds from the State Employment Development Department (EDD). Appropriations for these allocations are included in the year's adopted budget.

On June 19, 2007, the City Council authorized the receipt of WIA allocation for program year 2007-08. Included in this action is an approval for an increase of appropriations in the Community Development Grant Fund (SR 150) amounting to \$5,202,098. Consequently, with the adopted budget already in place, the appropriation associated with the FY 07 WIA allocation was duplicated. This budget adjustment is a technical correction and has no impact on the General Fund.

- Decrease appropriations in the Community Development Grant Fund (SR 150) in the Department of Community Development (PCD) by \$5,202,098.

### **Fire**

The move to the new Fire Department Headquarters location at 3205 Lakewood Boulevard is resulting in one-time costs for movers, technological changes, and equipment. In the 4<sup>th</sup> quarter of FY 07, \$450,000 in funding was appropriated for these one-time costs but not fully expended. An appropriation increase is requested to carry the remaining \$323,303 into the FY 08 budget to complete the relocation. The cost of the relocation is supported by the Tidelands Fund, therefore there is no net impact to the General Fund.

- Increase appropriations in the Tidelands Fund (TF) in the Fire Department (FD) by \$323,303.

### **Library**

The Long Beach Public Library Foundation and the Friends of the Long Beach Public Library, both nonprofit organizations, and City employees have provided donations to the Library Services Department totaling \$324,724 for the purchase of books and material resources. A budget adjustment is required to allow the Department to expend these funds. There will be no impact to the General Fund.

- Increase appropriations in the General Grants Fund (SR 120) in the Department of Library Services (LS) by \$324,724.

### **Parks, Recreation and Marine**

On July 19, 2005, the City Council authorized the receipt of a grant award from the Rivers and Mountains Conservancy. Included in this action was an approval for an increase of appropriations in the Capital Projects Fund (CP) amounting to \$622,600. Consequently, the appropriation associated with this grant allocation was duplicated. This budget adjustment is a technical correction and has no impact on the General Fund.

- Decrease appropriations in the Capital Projects Fund (CP) in the Parks, Recreation and Marine Department (PR) by \$622,600.

### **Long Beach Development Services**

As part of the Long Beach 2030 General Plan update, a Historic Element will be prepared to ensure the City's historic assets are preserved into the future and to maintain neighborhood character. The Department of Long Beach Development Services (PB) will utilize the Historic Preservation Endowment Fund to cover expenditures for this project. There is no impact to the General Fund.

- Increase appropriations in the General Grants Fund (SR 120) in the Long Beach Development Services Department (PB) by \$66,740.

In order to meet the goals and objectives of the Long Beach 2030 General Plan and fulfill the City's current needs, a Historic Survey will be conducted. The recent upswing in development and property values in areas with and without historic district designation has resulted in a growing number of rehabilitation and adaptive reuse projects that are potentially compromising the districts' integrity, or for those outside the jurisdiction of the Cultural Heritage Commission, are unable to benefit from the existing incentives and assistance programs offered by the City. The total cost for the survey is \$89,000. The Navy Heritage Memorial Association Grant (\$29,800) will cover a portion of the expenditures for this project; the Department of Long Beach Development Services (PB) will utilize the Historic Preservation Endowment Fund to cover the remaining expenditures for this project. There is no impact to the General Fund.

- Increase appropriations in the General Grants Fund (SR 120) in the Department of Long Beach Development Services (PB) by \$59,200.

### **Technology Services**

Various City Departments have requested new video production services for FY 08. Since production costs for these projects are currently unbudgeted, an appropriation increase of \$103,710 is requested. These additional expenditures will be offset by payments from the Harbor Department, Community Development Department, and the Water Department. There is no impact on the General Fund.

- Increase appropriations in the General Services Fund (IS 385) and in the Department of Technology Services (TS) by \$103,710.

### **Tidelands**

As a result of an increase in projected oil revenues and prior year cost savings, a number of deferred capital projects and operational enhancements are recommended in the Tidelands Operating Funds (TF).

Capital projects totaling \$1,135,000 have been identified as critical needs, including repairs to the Naples Seawalls, sewer upgrades at the former NAGA location, lighting upgrades along the Downtown Waterfront, and installation of security access gates at the Junipero Beach Parking Lot, among other critical repairs.

These increases will be fully supported by the Tidelands Operating Fund. There will be no impact on the General Fund.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Public Works (PW) by \$935,000.
- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR) by \$200,000.

On November 13, 2007, the City Council authorized the City Manager to receive and expend Department of Homeland Security grant funding for the 2006 UASI Grant, at an amount not to exceed \$6,367,040 and increase appropriations in the General Grants Fund (SR120) in the Fire Department, Department of Health and Human Services and Police Department. In the Fire Department and Police Department's appropriation, a total of \$3,658,071 was allocated for radio communication equipment. To ensure ease of procurement and fixed asset accountability, a budget adjustment is required to transfer \$3,658,071 to the Technology Services Department. There is no net impact to the General Grants Fund (SR120).

- Decrease appropriations in the General Grants Fund (SR120) in the Fire Department (FD) by \$1,658,071.
- Decrease appropriations in the General Grants Fund (SR120) in the Police Department (PD) by \$2,000,000.
- Increase appropriations in the General Grants Fund (SR120) in the Technology Services Department (TS) by \$3,658,071.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

ATTACHMENTS

APPROVED:



PATRICK H. WEST  
CITY MANAGER

## Effect of 1st Quarter Budget Adjustments on Fund Balance

|   | <u>Budgeted<br/>Expenditure</u> | <u>Budgeted<br/>Revenue</u> | <u>Budgeted<br/>Fund Balance</u> |
|---|---------------------------------|-----------------------------|----------------------------------|
| <b>General Fund (GP)</b>  |                                 |                             |                                  |
| Beginning Fund Balance  |                                 |                             | \$ 1,467,706                     |
| <i>Does not include the \$36.1 million Emergency Fund Balance Reserve</i> |                                 |                             |                                  |
| Unreserving/(Reserving) of Restricted Fund Balance                        |                                 |                             | (105,586)                        |
| FY 08 Adopted Budget  | 391,949,944                     | 392,627,821                 | 677,877                          |
| Prior Year Adjustment to Actuals  |                                 |                             |                                  |
| Carryover Appropriations/Encumbrances                                     | 1,247,646                       | -                           | (1,247,646)                      |
| Proposed 1st Quarter Adjustments:   | -                               | -                           | -                                |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b>                  | <b>\$ 393,197,590</b>           | <b>\$ 392,627,821</b>       | <b>\$ 792,351</b>                |
| <b>Capital Projects (CP)</b>  |                                 |                             |                                  |
| Beginning Fund Balance  |                                 |                             | \$ 33,332,431                    |
| Unreserving/(Reserving) of Restricted Fund Balance                        |                                 |                             | (13,635,139)                     |
| FY 08 Adopted Budget  | 10,762,824                      | 9,778,000                   | (984,824)                        |
| Prior Year Adjustment to Actuals  |                                 |                             | -                                |
| Estimated All-years Carryover Budget                                      | 43,454,091                      | 24,741,622                  | (18,712,468)                     |
| All-Years Carryover Budget Adjustments                                    | -                               | -                           | -                                |
| City Council Approved Adjustments to Date                                 | 100,000                         | 100,000                     | -                                |
| Proposed 1st Quarter Adjustments:   |                                 |                             |                                  |
| Rivers and Mountains Conservancy Correction                               | (622,600)                       | (622,600)                   | -                                |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b>                  | <b>\$ 53,694,314</b>            | <b>\$ 33,997,022</b>        | <b>\$ (0)</b>                    |
| <b>Community Development Grants (SR 150)</b>                              |                                 |                             |                                  |
| Beginning Fund Balance  |                                 |                             | \$ 920,172                       |
| Unreserving/(Reserving) of Restricted Fund Balance                        |                                 |                             | -                                |
| FY 08 Adopted Budget  | 25,072,582                      | 24,387,886                  | (684,696)                        |
| Prior Year Adjustment to Actuals  |                                 |                             | -                                |
| Estimated All-years Carryover Budget                                      | 34,086,141                      | 35,006,634                  | 920,493                          |
| All-Years Carryover Budget Adjustments                                    | -                               | -                           | -                                |
| City Council Approved Adjustments to Date                                 | -                               | -                           | -                                |
| Proposed 1st Quarter Adjustments:   |                                 |                             |                                  |
| Office of Economic Adjustment Grant                                       | 187,142                         | 187,142                     | -                                |
| Federal Workforce Investment Act (WIA) grant funds Adjustment             | (5,202,098)                     | (5,202,098)                 | -                                |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b>                  | <b>\$ 54,143,767</b>            | <b>\$ 54,379,564</b>        | <b>\$ 1,155,969</b>              |

**As a matter of practice, the City does not adjust budget during the fiscal year to make the budget match actual operating experience.**

## Effect of 1st Quarter Budget Adjustments on Fund Balance

|  | <u>Budgeted<br/>Expenditure</u> | <u>Budgeted<br/>Revenue</u> | <u>Budgeted<br/>Fund Balance</u> |
|--|---------------------------------|-----------------------------|----------------------------------|
| <b><u>General Grants (SR 120)</u></b>                    |                                 |                             |                                  |
| Beginning Fund Balance                                   |                                 |                             | \$ 256                           |
| Unreserving/(Reserving) of Restricted Fund Balance       |                                 |                             | (5,792)                          |
| FY 08 Adopted Budget                                     | 7,608,589                       | 7,614,381                   | 5,792                            |
| Prior Year Adjustment to Actuals                         |                                 |                             | -                                |
| Estimated All-years Carryover Budget                     | 14,813,996                      | 14,813,996                  | -                                |
| All-Years Carryover Budget Adjustments                   | -                               | -                           | -                                |
| City Council Approved Adjustments to Date                | 1,123,168                       | 1,122,911                   | (257)                            |
| Proposed 1st Quarter Adjustments:                        |                                 |                             |                                  |
| Library Donations  | 243,500                         | 243,500                     | -                                |
| Library Voluntary Furlough Program                       | 81,224                          | 81,224                      | -                                |
| Historic Element Addition                                | 66,740                          | 66,740                      | -                                |
| Historic Survey  | 59,200                          | 59,200                      | -                                |
| UASI Grant Reallocation                                  | -                               | -                           | -                                |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b> | <b>\$ 23,996,416</b>            | <b>\$ 24,001,952</b>        | <b>\$ (0)</b>                    |
| <b><u>General Services (IS 385)</u></b>                  |                                 |                             |                                  |
| Beginning Fund Balance                                   |                                 |                             | \$ 6,873,675                     |
| Unreserving/(Reserving) of Restricted Fund Balance       |                                 |                             | -                                |
| FY 08 Adopted Budget                                     | 36,464,012                      | 35,532,326                  | (931,686)                        |
| Prior Year Adjustment to Actuals                         |                                 |                             | -                                |
| Estimated All-years Carryover Budget                     | 2,128                           | 1,786                       | (342)                            |
| All-Years Carryover Budget Adjustments                   | -                               | -                           | -                                |
| Prior Year Adjustment to Actuals                         | 350,910                         | -                           | (350,910)                        |
| Proposed 1st Quarter Adjustments:                        |                                 |                             |                                  |
| Department Requested Technology Services                 | 103,710                         | 103,710                     | -                                |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b> | <b>\$ 36,920,760</b>            | <b>\$ 35,637,822</b>        | <b>\$ 5,590,737</b>              |
| <b><u>Housing Development Fund (SR 135)</u></b>          |                                 |                             |                                  |
| Beginning Fund Balance (Per Adopted Budget)              |                                 |                             | \$ 35,710,211                    |
| Unreserving/(Reserving) of Restricted Fund Balance       |                                 |                             | -                                |
| FY 08 Adopted Budget                                     | 30,667,252                      | 21,261,419                  | (9,405,833)                      |
| Prior Year Adjustment to Actuals                         |                                 |                             | -                                |
| Estimated All-years Carryover Budget                     | 40,289,317                      | 38,349,924                  | (1,939,393)                      |
| All-Years Carryover Budget Adjustments                   | -                               | -                           | -                                |
| City Council Approved Adjustments to Date                | 24,926                          | -                           | (24,926)                         |
| Proposed 1st Quarter Adjustments:                        |                                 |                             |                                  |
| HELP Loan Repayment                                      | 1,675,779                       | 1,675,779                   | -                                |
| LBHDC Approved Funding                                   | 3,598,553                       | 3,598,553                   | -                                |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b> | <b>\$ 76,255,828</b>            | <b>\$ 64,885,675</b>        | <b>\$ 24,340,059</b>             |

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## Effect of 1st Quarter Budget Adjustments on Fund Balance

|   | <u>Budgeted<br/>Expenditure</u> | <u>Budgeted<br/>Revenue</u> | <u>Budgeted<br/>Fund Balance</u> |
|---|---------------------------------|-----------------------------|----------------------------------|
| <b><u>Parking and Business Area Improvement Fund (SR 132)</u></b> |                                 |                             |                                  |
| Beginning Fund Balance (Per Adopted Budget)                       |                                 |                             | \$ 508,106                       |
| Unreserving/(Reserving) of Restricted Fund Balance                |                                 |                             | 135,082                          |
| FY 08 Adopted Budget  | 6,936,000                       | 6,292,812                   | (643,188)                        |
| Prior Year Adjustment to Actuals                                  |                                 |                             | -                                |
| Estimated All-years Carryover Budget                              | -                               | -                           | -                                |
| All-Years Carryover Budget Adjustments                            | -                               | -                           | -                                |
| City Council Approved Adjustments to Date                         | -                               | 250,000                     | 250,000                          |
| Proposed 1st Quarter Adjustments:                                 |                                 |                             |                                  |
| Andy Street Multifamily Improvement District Reallocation         | 95,088                          | 95,088                      | -                                |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b>          | <b>\$ 7,031,088</b>             | <b>\$ 6,637,900</b>         | <b>\$ 250,000</b>                |
| <b><u>Tideland Oil Revenue (NX 420)</u></b>                       |                                 |                             |                                  |
| Beginning Fund Balance (Per Adopted Budget)                       |                                 |                             | \$ 46,514,331                    |
| Unreserving/(Reserving) of Restricted Fund Balance                |                                 |                             | -                                |
| FY 08 Adopted Budget  | 127,242,413                     | 127,331,785                 | 89,372                           |
| Estimated All-years Carryover Budget                              | -                               | -                           | -                                |
| City Council Approved Adjustments to Date                         | 22,519                          | -                           | -                                |
| Proposed 1st Quarter Adjustments:                                 |                                 |                             |                                  |
| Auditor Adjustment  | (106,264)                       | -                           | 106,264                          |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b>          | <b>127,158,669</b>              | <b>127,331,785</b>          | <b>46,709,967</b>                |
| <b><u>Tidelands Fund (TF)</u></b>                                 |                                 |                             |                                  |
| Beginning Fund Balance  |                                 |                             | \$ 3,259,682                     |
| Unreserving/(Reserving) of Restricted Fund Balance                |                                 |                             | 5,355,889                        |
| FY 08 Adopted Budget  | 116,646,939                     | 115,240,228                 | (1,406,710)                      |
| Prior Year Adjustment to Actuals                                  | -                               | -                           | -                                |
| Estimated All-Years Carryover Budget                              | 15,448,595                      | 11,954,563                  | (3,494,032)                      |
| All-Years Carryover Budget Adjustments                            | -                               | -                           | -                                |
| City Council Approved Adjustments to Date                         | 1,165,064                       | -                           | (1,165,064)                      |
| Proposed 1st Quarter Adjustments:                                 |                                 |                             |                                  |
| Auditor Adjustment  | 106,264                         | -                           | (106,264)                        |
| Fire Headquarter's One-time Funding                               | 323,303                         | -                           | (323,303)                        |
| Tidelands Capital Projects  | 1,135,000                       | -                           | (1,135,000)                      |
| <b>Adjusted Budget Including 1st Quarter Adjustments</b>          | <b>\$ 134,825,164</b>           | <b>\$ 127,194,791</b>       | <b>\$ 2,549,764</b>              |

**As a matter of practice, the City does not adjust budget during the fiscal year to make the budget match actual operating experience.**