



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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

September 20, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve the Fiscal Year 2005 fourth quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy.

DISCUSSION

On September 17, 2004, the City Council adopted the Appropriations Ordinance governing City expenditures for Fiscal Year 2005 (FY 05). 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 05 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 13, 2005.

TIMING CONSIDERATIONS

The following requests for adjustments to FY 05 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on September 20, 2005, as these adjustments must be made before the end of the fiscal year on September 30, 2005.

FISCAL IMPACT

Community Development

The Long Beach Housing Authority receives Housing Assistance payments from the Department of Housing & Urban Development (HUD), which it administers and disperses as monthly rental assistance to enrolled Section 8 tenants. The amount received by the City exceeded initial estimates. An appropriations increase is requested to receive and expend the funds to cover program expenses.

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- Increase appropriations in the Housing Authority Fund (SR 151) in the Community Development Department (CD) by \$1,000,000.

Due to the increase in the repayment of single and multi-family rehabilitation loans, actual revenues surpassed estimated revenues in the Community Development Grants Fund. Therefore, an appropriations increase is requested to enable expenditures for various program costs such as staff costs and new loans.

- Increase appropriations in the Community Development Grants Fund (SR 150) in the Community Development Department (CD) by \$4,774,217.

On January 18, 2005, the City Council approved the issuance of the 2005 Tax Allocation Bonds. The requested budget adjustment facilitates the transfer of \$1,138,886 from the Housing Development Fund, allowing the Redevelopment Agency to process the bond amortization payment on behalf of the Housing Fund. The Redevelopment Agency's costs for the amortization payment are included in the fourth quarter budget adjustment.

- Increase appropriations in the Housing Development Fund (SR 135) in the Community Development Department (CD) by \$1,138,886.

On January 18, 2005, the City Council approved the issuance of the 2005 Tax Allocation Bonds. The Costs of Issuance related to the bonds equaled \$2,090,752. Therefore, an appropriations increase is requested to enable the expenditure of bond proceeds to make this payment.

As envisioned in the Financial Strategic Plan, on May 10, 2005, the City Council approved the expenditure of \$1.3 million in Redevelopment Agency bond proceeds to assist in the development of the Mark Twain Library and the 55th Way Park. As a result, an increase in appropriations is requested in the Redevelopment Funds for these project expenditures.

During the fiscal year, Redevelopment tax increment revenues have exceeded the level budgeted. With the increased revenues come related increases in Housing Set-Aside, as well as higher expenditures for legally-mandated pass-through payments to other agencies of \$2,696,562. Additional appropriation is needed to make these payments.

Furthermore, there have been several new and on-going projects and expenditures approved by either or both the Redevelopment Agency Board and the City Council, which are not budgeted or need additional appropriation for completion, including:

- **\$4,622,414** additional appropriation in the RDA – Central Long Beach Fund (RD 228) to facilitate the acquisition of target properties in Phases III (2000 block) and IV (2100 block) of the Atlantic Avenue Corridor Revitalization project in connection with providing affordable residential units.
- **\$4,112,108** in additional appropriation in the RDA – Downtown Fund (RD 224) for the acquisition of real property (land, improvements and fixtures and equipment) at 328-338

Pacific Avenue and 131, 133 & 145 W. 3rd Street within the Downtown (DT) Long Beach Redevelopment Project Area to be used for parking.

- **\$2,701,985** in additional appropriation in the RDA – Central Long Beach Fund (RD 228) to fund the West Gateway site acquisition as part of the Replacement Housing Plan for the Jamboree Housing Project approved by the Redevelopment Agency Board on January 26, 2004.
- **\$3,146,332** for costs of issuance related to 2005 Tax Allocation Bond, as well as **\$3,762,606** in additional appropriation for payments related to the bonds.
- **\$121,980** in the RDA – Los Altos Fund (RD 227) for the repayment, using bond proceeds, of Inter-Project loans to the West Long Beach Industrial Redevelopment Project Area.
 - Increase appropriations in the Redevelopment Funds (RD) in the Community Development Department (CD) by \$24,554,740.

Fire Department

On August 5, 2003, the City Council authorized application and receipt of the Urban Area Security Initiative (UASI) II Grant from the Department of Homeland Security to fund planning, equipment, training and personnel costs associated with the protection of critical infrastructure in and around the Long Beach Urban Area. Due to an expenditure correction, the Department requests a budget adjustment to reappropriate a carryover adjustment of \$24,919. All expenditures will be offset by grant revenue. There is no impact to the General Fund.

- Increase appropriations in the General Grants Fund (SR 120) in the Fire Department (FD) by \$11,962.
- Increase appropriations in the General Grants Fund (SR 120) in the Public Works Department (FD) by \$12,957.

Budgeted appropriations in the Fire Department were reduced by \$1.5 million in anticipation of savings resulting from the Fire Services optimization study. The department successfully achieved only \$919,000 in savings during the fiscal year. It is fully intended that the remaining \$581,000 in structural savings will be achieved in FY 06. Therefore, a budget adjustment is requested to increase appropriations in the Fire Department to accurately reflect the department's General Fund budget.

- Increase appropriations in the General fund (GP) in the Fire Department (FD) by \$581,000.

Library Services

An appropriation increase is necessary to support 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. There is no impact to the General Fund.

- Increase appropriations in the Library Fund (GP 103) in the Library Services Department (LS) by \$13,000.

The Voluntary Furlough Program (Program) was implemented as part of the City's Financial Strategic Plan. The Program allows employees to donate time off without pay, accrued paid leave time, etc. to generate savings to the General Fund to supplement the purchase of material and book resources for the Library. Funds generated through this program in FY 05 equal \$26,923.

- Increase appropriations in the General Grants Fund (SR 120) in the Library Services Department (LS) by \$26,923.

Long Beach Energy

As has been widely reported, the natural gas commodity price has dramatically increased. Because this cost is passed directly through to customers, the increased cost is offset by revenue. Current estimates to close are projected to be approximately \$9,000,000 more than the current adjusted budget.

- Increase appropriations in the Gas Fund (EF 301) in the Long Beach Energy Department (EN) by \$9,000,000.

Oil Properties

Boosted by high oil prices, the latest oil revenues and expenditures estimates have exceeded the appropriations previously approved by the City Council for the Department of Oil Properties. With a fiscal year actual Wilmington Field oil price average of \$41.28 per barrel as of September, 2005, total expenditures are estimated to be \$193.1 million while the Department's approved budget, adjusted at the second quarter, is \$129.1 million. The requested Tidelands Oil Revenue Fund appropriation adjustment provides for \$57.7 million in increased payments to the State and a \$3.3 million increased transfer to the Tidelands Fund. The requested Upland Oil Fund appropriation adjustment provides for \$2.7 million increased transfer to the General Fund and \$300,000 for increased unit costs.

- Increase appropriations in the Tideland Oil Revenue Fund (NX 420) in the Oil Properties Department (OP) by \$60,963,199.
- Increase appropriations in the Upland Oil Fund (SR 134) in the Oil Properties Department (OP) by \$3,012,404.

As a result of greater than anticipated growth in Tidelands oil revenues this year, the City is proposing to utilize Tidelands Funds to cover \$1.5 million of eligible FY 05 Convention Center Bureau (CVB) contract costs. The use of one-time Tidelands Funds in FY 05 will cover the \$201,366 CVB contract increase, the first since FY 01, and will allow the Special Advertising and Promotions Fund to repay a \$1.3 million loan to the General Fund from prior years. The repayment of this loan has been incorporated into the FY 05 General Fund estimates to close.

- Increase appropriations in the Tidelands Fund (TF) in the City Manager's Office (CM) in the amount of \$1,500,000.
- Decrease appropriations in the Special Advertising and Promotions Fund (SR 133) in the City Manager's Office (CM) by \$1,300,000.

Parks, Recreation & Marine

The City of Long Beach provides liability and property insurance for the City-owned golf courses. As a result of the winter storms, there was extensive damage to the Heartwell Golf Course driving range poles and netting, requiring replacement. An insurance claim was filed to pay for the damages. In order to minimize revenue loss, the American Golf Corporation (AGC) replaced the driving range poles and netting in February 2005 at a cost of \$161,473. The City's Risk Management is now in receipt of a partial payment totaling \$44,848 from the City's insurance administrator for reimbursement. These monies will be used to reimburse AGC, in part, AGC for their expenditures. The requested budget adjustment will be fully offset by the insurance payment; there will be no net impact on the General Fund.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$44,848.

Earlier this year, the United States Tennis Association (USTA) and the National Recreation and Park Association (NRPA) collaborated to make grant funding available for the purpose of enhancing the game of tennis throughout the United States. A central focus of the USTA was to get minority communities more involved in the game. The Department submitted an on-line grant application and received notification in the spring of a \$1,500 grant award. The funds will be used to support the promotion of tennis in the Drake Park community, including advertisement and bilingual instructors. The requested adjustment will be fully offset by the grant funding; there will be no net impact on the General Fund.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$1,500.

During the FY 05 budget process, funding for several activities was not provided in an effort to reduce the structural deficit in the General Fund. Despite these budget reductions, the department was asked to provide continued support for City-sponsored parades and other activities in anticipation of new structural revenues to fund these activities. The Office of Special Events and Filming was able to generate this revenue, thus the requested budget adjustment is fully offset by additional revenues in the Special Advertising and Promotion Fund; there will be no impact on the General Fund.

- Increase appropriations in the Special Advertising and Promotion Fund (SR 133) in the Department of Parks, Recreation and Marine (PR) by \$68,000.

The Department received notification that Partners of Parks received a mural grant award of \$2,000 from the City of Long Beach Family Safety Initiative Project. The funding was designated for a pedestrian safety mural at Lafayette Elementary School. The mural is a series of four mini-murals and is installed on a fence and on wood panels posted in the ground. The requested adjustment will be fully offset by the Partners of Parks grant funding; there will be no net impact on the General Fund.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$2,000.

The Department was commissioned by the Friends of Colorado Lagoon to complete a mural on the education building, at a cost of \$4,024. The requested adjustment will be fully offset by funding from the Friends of Colorado Lagoon and Partners of Parks; there is no net impact on the Tidelands Fund.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR) by \$4,024.

On August 19, 2003, the City Council approved Resolution C-28229 authorizing acceptance of conveyance of property located at 6300-6392 Pacific Coast Highway (Sims Pond) from the Del Lago and Bay Harbour Homeowners' Associations (HOAs) for use as open space and a wildlife biological reserve. The HOAs agreed to provide \$5,000 a year, for three years, to offset the maintenance cost of the site. The second payment of \$5,000 will be received in FY 05. The requested adjustment will be fully offset by funding from the HOAs; there will be no net impact on the General Fund.

- Increase appropriation in the General Fund (GP) in the Department of Parks, Recreation, and Marine (PR) by \$5,000.

The Department incurred significant unbudgeted costs to remediate the storm damage that occurred between December 2004 and February 2005. With the addition of these costs, it is estimated that the Beach Maintenance Division needs approximately \$550,000 of additional appropriation. However, because the Department has been able to achieve some savings in the Tidelands Funds in other divisions, an appropriation increase of only \$250,000 is requested. The Department has submitted reimbursement requests for the winter storms to

the Federal Emergency Management Agency (FEMA) and anticipates reimbursing, to some extent, the Tidelands Fund in FY 06. The requested budget adjustment will be funded by Tidelands Fund balance, pending receipt of the FEMA reimbursement.

- Increase appropriations in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR) by \$250,000.

The Homeland Cultural Center will be purchasing computer software to aid in making proposals for public grants and foundation support. The software will be used to develop work samples of our programs in photo and video formats for grant proposals and reports; promotional videos; web site content and upgrades; mural designs for community projects; audio editing for dance concert scores; and certificates for participants, amongst other things. The requested adjustment of \$1,913 will be fully offset by Partner of Parks funding; there will be no net impact to the General Fund.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$1,913.

Planning and Building

Environmental consultants prepare Environmental Impact Reports (EIR) for outside projects when required. Project proponents prepay the City for the EIR review fee, plus a departmental processing fee. A budget adjustment is requested to make these payments to the environmental consultants, which are fully offset by revenue collected. There will be no net impact to the General Fund.

- Increase appropriations in the General Fund (GP) in the Department of Planning and Building (PB) by \$291,886.

Public Works

In an effort to address the poor condition of residential streets and alleys Citywide, the FY 05 Capital Improvement Program (CIP) was prepared with a \$500,000 budget for alleyways, and \$450,000 for street slurry seal. These programs were based on AB687, (tribal-state gaming compacts), with funding contingent upon a State bond issue after the November 2004 General Election. This State funding effort was not successful, and it is requested that this unfunded appropriation be deleted.

- Decrease appropriations in the Gas Tax Street Improvement Fund (SR 181) in the Department of Public Works (PW) by \$950,000.

As part of the approval for the Bixby Land Company to develop the Market Place Shopping Center at 2nd Street and Pacific Coast Highway, the company deposited funds with the City for the eventual construction of a Studebaker Road Extension project. An appropriation increase is needed to authorize the reimbursement of these deposited funds for the stated projects.

- Increase appropriations in the Gas Tax Street Improvement Fund (SR 181) in the Department of Public Works (PW) by \$425,040.

More than a year ago, Caltrans agreed to contribute to the construction costs for a Vortex Separation System (VSS) unit installation project on the Los Angeles River. This VSS unit captures the bulk of the trash and debris from the I-710 and SR 91 Highways that pollute the river. An appropriation increase is needed to expend the payment of \$216,135 received from Caltrans for this project.

- Increase appropriations in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) by \$216,135.

On August 9, 2005, City Council authorized the appropriation of \$182,400 of funding from an Environmental Justice Planning grant for the I-710 Long Beach Community Livability Plan in the Transportation Fund (SR 182). The incorrect fund was referenced in the Council letter. Therefore, a technical correction is required to decrease appropriations in the Transportation Fund and increase appropriations in the Capital Projects Fund (CP 201).

- Decrease appropriations in the Transportation Fund (SR 182) in the Department of Public Works (PW) by \$182,400.
- Increase appropriations in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) by \$182,400.

On February 1, 2005, City Council authorized acceptance of \$232,500 from Home Depot for its Fair Share contribution towards the costs of proposed improvements at the I-405 Freeway southbound ramps and Orange Avenue. These improvements were identified by a traffic study for the Home Depot development environmental impact report (EIR). An appropriation increase is needed to authorize expenditures for this project.

- Increase appropriations in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) by \$232,500.

On August 21, 2001 and September 18, 2001, the City Council authorized the City Manager to execute and accept a grant from the Federal Aviation Administration (FAA) for runway improvements. In July 2005, the FAA increased the grant award by \$657,036, increasing the Airport's matching fund obligation by \$73,004. An appropriation increase is necessary to authorize the expenditure of unbudgeted FAA grant funds and \$73,004 in matching Airport capital funds.

On September 24, 2002, the City Council authorized the City Manager to execute and accept a grant from the FAA for runway improvements. In July 2005, the FAA increased the grant award by \$607,500 and the Airport's matching fund obligation by \$67,500. An appropriation increase is necessary to recognize these unbudgeted FAA grant funds and \$67,500 in matching Airport capital funds.

On August 21, 2001, the City Council authorized the City Manager to execute and accept a grant from the FAA for runway improvements. In August 2005, the FAA increased the amount of the grant award by \$336,135 and the Airport's matching fund obligation by \$37,348. An appropriation increase is necessary to recognize these unbudgeted FAA grant funds and \$37,348 in matching Airport capital funds.

On August 9, 2005, the City Council authorized the execution and acceptance of new grants from the FAA for runway improvements. As the \$7,154,252 is not budgeted, an appropriation increase is requested. The appropriation increase will be offset by the \$6,796,539 FAA grant increase and \$357,713 increase from Airport capital funds.

- Increase appropriations in the Airport Fund (EF 320) in the Department of Public Works (PW) by \$8,932,775.

On February 10, 2004, the City Council authorized the creation of new parking meter zones for the Pike at Rainbow Harbor area for the new streets in the development. An appropriation increase is needed for operating and debt service costs associated with Pike parking zones, which will be fully offset by parking meter revenue.

- Increase appropriations in the Tidelands Operating Fund (TF 411) in the Department of Public Works (PW) by \$160,000.

Citywide

Budgeted appropriations in the Financial Management Citywide department in the General Fund were reduced by \$5.2 million in anticipation of personnel savings resulting from the City Manager's hiring freeze. The savings were achieved in all General Fund departments. Therefore a budget adjustment is requested to increase appropriations in the Financial Management Citywide department to accurately reflect the department's budget.

In addition, the Financial Management Citywide department is also used to account for certain internal charges such as those related to employee benefits and insurance. As included in the FY 05 estimates-to-close shown in the FY 06 Proposed Budget, the cost for the City's pension obligation bonds has grown in response to rising interest rates. As expected, this required additional charges by the internal service funds.

- Increase appropriations in the General Fund (GP) in Citywide (XC) by \$6,550,000.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:


GERALD R. MILLER
CITY MANAGER