

R-15

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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

August 17, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve the Fiscal Year 2010 third quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy. (Citywide)

DISCUSSION

On September 15, 2009, the City Council adopted the Appropriations Ordinance governing the City's Adopted Budget for Fiscal Year 2010 (FY 10). Periodically, changes in revenue or operating conditions require appropriation adjustments. For example, in certain cases these adjustments enable departments to expend recently awarded 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 and Attachment B for a recap of FY 10 General Fund Expenditure Budget Adjustments.

This matter was reviewed by Assistant City Attorney Heather A. Mahood on July 20, 2010.

TIMING CONSIDERATIONS

The following requests for adjustments to FY 10 departmental and fund appropriations are necessary to reflect changes in operating conditions. City Council action is requested on August 17, 2010 to enable the timely processing of payments.

FISCAL IMPACT

Airport

On an annual basis, the Airport Department will budget operating funds in the Airport Capital Improvement Program to be able to provide matching grant funds, accomplish required design for projects to be able to apply for Federal Aviation Administration (FAA) grants, and have available budget to make emergency facility and airfield repairs at the Airport. As projects have been completed, unused excess appropriation has accumulated. In addition, a \$6,710,000 reserve the Airport was required to

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establish as part of its 2009 Senior Airport Revenue Bond has reduced amounts available to spend; hence, a decrease of \$5,910,271 is needed to align capital budgets with current available resources.

- Decrease appropriations in the Airport Enterprise Fund (EF 320) in the Long Beach Airport Department by \$5,910,271.

As the Airport received approval from the FAA to spend Passenger Facility Charge (PFC) fees on various capital projects, the project costs were budgeted. With the most recent approved PFC application, the Airport increased appropriation based on the FAA approved amount, which allows the Airport to impose and use PFCs collected through 2025. Since these future revenues are not on hand, an appropriation decrease of \$9,545,815 is requested to align budgets with current available PFC revenues. The appropriations will be increased if necessary in FY 11 once the revenue has been received.

- Decrease appropriations in the Airport Fund (EF 320) in the Long Beach Airport Department (AP) by \$9,545,815.

Community Development

The Enterprise Zone Program (EZ) revenue actuals have been coming in higher than budgeted for FY 10. As of May 31, 2010, additional revenue of \$100,000 has been posted above the budgeted amount of \$160,000. Operating costs have also been increasing along with the increased revenue. An appropriation increase is requested for costs associated with EZ vouchers, as the expenditure increase will be offset by the increase in revenue.

- Increase appropriations in the General Fund (GP) in the Department of Community Development (CD) by \$100,000.

On August 5, 2009, the Long Beach Housing Development Company (LBHDC) approved a loan to the Redevelopment Agency of the City of Long Beach (RDA) to assist in meeting the \$30 million SERAF payment required by the State in FY 10. The LBHDC will loan the FY 10 set-aside amount of \$19,355,486 to the RDA. Between FY 11 and FY 15, the RDA will pay back this loan to the LBHDC in installments at no interest. The LBHDC and the RDA have signed a Memorandum of Understanding outlining this agreement. An appropriation increase is requested for LBHDC to provide the loan to the RDA. 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 \$19,355,486.

The U.S. Department of Housing And Urban Development (HUD) announced the renewal funding allocation for the Housing Choice Voucher (HCV) Program in a notice dated February 12, 2010. The notice confirmed an increase in funding eligibility for the HCV Program as well as the eligibility amount for the Veteran's Affairs Supportive Housing (VASH) vouchers that were leased in 2008. In addition, on April 29, 2010, HUD provided notification of the disbursement schedule for the current VASH

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allocation. An appropriation increase of \$3 million is requested to support additional voucher payments. This increase will be offset by the additional Housing Assistance Revenue payments (HAP) from HUD. There is no impact to the General Fund.

- Increase the appropriation in the Housing Authority Fund (SR 151) in the Department of Community Development (CD) by \$3,000,000.

The FY 10 MOU covering real estate service agreements between CD and Development Services-Redevelopment provided an expenditure budget of \$308,068. This amount was not fully captured in the FY 10 budget as the MOU was not completed at that time. In addition, the FY 10 budget for the Redevelopment Agency Fund incorrectly included a negative appropriation in the amount of \$159,320. An appropriation increase is requested to correct the negative appropriation and to align the budget with the FY 10 MOU. There is no impact to the General Fund.

- Increase appropriations in the Redevelopment Agency Fund (RD) in the Department of Community Development (CD) by \$262,597.

Development Services

In FY 10, the Redevelopment Bureau took on responsibility for operating the Business Assistance Fund (SR 149). This fund is self-sustaining via loan repayments, interest and contributions from redevelopment project areas, and loans are disbursed as revenues are available. An appropriation increase is requested to allow for the full use of available revenues.

- Increase appropriations in the Business Assistance Fund (SR 149) in the Development Services Department (DV) by \$300,000.

Health

On September 14, 1990, the City Council approved an ordinance establishing the Mayor's Fund for the Homeless (Mayor's Fund). Since January of 1992, a solicitation envelope for the Mayor's Fund has been included in the City's utility bill each year. The Mayor's Fund receives an average of \$25,000 in contributions annually. The balance of the Mayor's Fund, as of June 30, 2010, is \$140,468. On May 5, 2009, the City Council authorized the allocation of \$75,000 of the Mayor's Fund to seven community agencies providing services to the homeless in Long Beach. Although half of the allocation was to be spent in FY 09 and the other half in FY 10, only \$5,000 was spent for Century Village at Cabrillo in FY 09 because the other agencies could not meet all of the administrative requirements on time. Therefore, an appropriation increase of \$70,000 is requested to allocate the remaining amount to the selected agencies in FY 10.

- Increase appropriations in the General Fund (GP) in the Department of Health and Human Services (HE) by \$70,000.

Legislative Department

The Fourth Council District has been designated \$6,525 in additional funds for FY 10 from the Fourth Council District's FY 09 budget savings. The desired use of these

funds are to redesign Councilmember O'Donnell's website through Smolarcorp. The increase in appropriation is offset by the reserved General Fund fund balance.

- Increase appropriations in the General Fund (GP) in the Legislative Department (LD) by \$6,525.

Parks, Recreation and Marine

The Department of Parks, Recreation and Marine (PR) was designated additional funds in FY 10 from the Sixth Council District's existing General Fund budget. These funds include \$8,540, which has been designated for departmental costs related to the 2009 Gospel Fest event. The increase in appropriations in PR is offset by the associated decrease in the Sixth Council District's General Fund budget.

- Decrease appropriations in the General Fund (GP) in the Sixth Council District (LD) by \$8,540.
- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$8,540.

Public Works

On June 1, 2010, the City Council authorized the City Manager to execute a contract with the Hood Corporation for the Toledo Undergrounding Project in an amount not to exceed \$744,200 subject to the closing of the bond sales for City of Long Beach Assessment District No. 08-01. In addition to the contract cost, other project related costs for staff time and inspection costs estimated at \$292,785 must be covered by assessment district funds for total project related costs of \$1,036,985. An appropriation increase is required to spend the bond proceeds on this project.

- Increase appropriations in the Special Assessment District Capital Projects Fund (CP 202) in the Department of Public Works (PW) by \$1,036,985.

The City receives Proposition A and Proposition C funds from Los Angeles County Metropolitan Transportation Authority (MTA). These funds are used exclusively to construct, improve, and maintain mass transit services and facilities. During each budget preparation cycle, the County provides estimated revenues for the upcoming fiscal year. Since estimated and actual amounts vary, an appropriation decrease is requested to align the budget to actual revenue realized. The reduction in appropriations to balance the Proposition A and Proposition C funds is \$2,450,000 and \$1,100,000, respectively.

- Decrease appropriations in the Transportation Fund (SR 182) Proposition A in the Department of Parks, Recreation, and Marine (PR) by \$950,000 and in the Department of Public Works (PW) by \$1,500,000.
- Decrease appropriations in the Transportation Fund (SR 182) Proposition C in the Department of Public Works (PW) by \$1,100,000.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,




LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

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ATTACHMENTS

APPROVED:



PATRICK H. WEST
CITY MANAGER

Effect of 3rd Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<u>General Fund (GP)</u>			
Beginning Fund Balance			\$ 351,510
<i>Does not include the \$37.1 million Emergency Fund Balance Reserve</i>			
Unreserving/(Reserving) of Restricted Fund Balance			1,865,508
FY 10 Adopted Budget	384,333,510	385,334,914	1,001,404
Carryover Appropriations/Encumbrances	1,774,172	603,082	(1,171,090)
Proposed 3rd Quarter Adjustments:			
Enterprise Zone Program vouchers	100,000	100,000	-
Mayor's Fund for the Homeless	70,000	70,000	-
Fourth Council District Website Redesign	6,525	-	(6,525)
Special Events Gospel Fest Event Bgt from Sixth District	-	-	-
Adjusted Budget Including 3rd Quarter Adjustments	\$ 386,284,206	\$ 386,107,995	\$ 2,040,807
<u>Housing Development Fund (SR 135)</u>			
Beginning Fund Balance			\$ 45,032,733
Unreserving/(Reserving) of Restricted Fund Balance			100,721
FY 10 Adopted Budget	21,386,907	26,537,144	5,150,237
Estimated All-years Carryover Budget	67,423,986	69,293,589	1,869,603
City Council Approved Adjustments to Date	102	-	(102)
Proposed 3rd Quarter Adjustments:			
LBHDC Loan to RDA	19,355,486	-	(19,355,486)
Adjusted Budget Including 3rd Quarter Adjustments	\$ 108,166,481	\$ 95,830,733	\$ 32,797,705
<u>Business Assistance Fund (SR 149)</u>			
Beginning Fund Balance			\$ 150,032
Unreserving/(Reserving) of Restricted Fund Balance			-
FY 10 Adopted Budget	675,996	830,900	\$ 154,904
Estimated All-years Carryover Budget	(234,209)	(234,209)	\$ -
City Council Approved Adjustments to Date	-	-	\$ -
Proposed 3rd Quarter Adjustments:			
DV adjustments for full use of available revenues	300,000	100,000	(200,000)
Adjusted Budget Including 3rd Quarter Adjustments	741,787	696,691	104,936

Effect of 3rd Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<u>Housing Authority Fund (SR 151)</u>			
Beginning Fund Balance			\$ 3,281,875
Unreserving/(Reserving) of Restricted Fund Balance			43,213
FY 10 Adopted Budget	69,413,372	69,203,760	(209,612)
Estimated All-years Carryover Budget	764,004	924,779	160,775
City Council Approved Adjustments to Date	-	-	-
Proposed 3rd Quarter Adjustments:			
Funding for HCV and VASH Vouchers	3,000,000	3,000,000	-
Adjusted Budget Including 3rd Quarter Adjustments	\$ 73,177,376	\$ 73,128,539	\$ 3,276,251
<u>Airport Fund (EF 320)</u>			
Beginning Fund Balance			\$ 42,478,012
Unreserving/(Reserving) of Restricted Fund Balance			(42,722,318)
FY 10 Adopted Budget	37,204,261	38,177,876	\$ 973,615
Estimated All-years Carryover Budget	30,129,568	18,449,480	\$ (11,680,088)
All-Years Carryover Budget Adjustments	(44,326,143)	23,272,371	\$ 67,598,514
City Council Approved Adjustments to Date	53,851,570	61,440,000	\$ 7,588,430
Proposed 3rd Quarter Adjustments:			
Aligning Capital Improvement Program with current resources	(5,910,271)	-	5,910,271
Aligning Passenger Facility Charges with current resources	(9,545,815)	-	9,545,815
Adjusted Budget Including 3rd Quarter Adjustments	\$ 61,403,170	\$ 141,339,727	\$ 79,692,251
<u>Transportation (SR 182)</u>			
Beginning Fund Balance			\$ 22,382,073
Unreserving/(Reserving) of Restricted Fund Balance			(38,943.07)
FY 10 Adopted Budget	15,463,493	17,143,898	\$ 1,680,405
Estimated All-years Carryover Budget	23,872,736	15,401,179	\$ (8,471,557)
City Council Approved Adjustments to Date	17,475	-	\$ (17,475)
Proposed 3rd Quarter Adjustments:			
Balancing Prop A funds	(2,450,000)	(2,450,000)	-
Balancing Prop C funds	(1,100,000)	(1,100,000)	-
Adjusted Budget Including 3rd Quarter Adjustments	36,903,704	30,095,077	15,534,503

Effect of 3rd Quarter Budget Adjustments on Fund Balance

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Budgeted Fund Balance</u>
<u>Capital Projects (CP)</u>			
Beginning Fund Balance			\$ 25,878,603
Unreserving/(Reserving) of Restricted Fund Balance			1,742,520.33
FY 10 Adopted Budget	5,019,201	6,161,767	\$ 1,142,566
Estimated All-years Carryover Budget	49,500,270	30,442,162	\$ (19,058,108)
All-Years Carryover Budget Adjustments	(68,591,027)	26,792,379	\$ 95,383,406
City Council Approved Adjustments to Date	6,794,570	6,794,569.24	\$ (0)
Proposed 3rd Quarter Adjustments:			
Toledo Undergrounding Project Contract	1,036,985	1,036,985	-
Adjusted Budget Including 3rd Quarter Adjustments	(6,240,001)	71,227,862	105,088,987
<u>Redevelopment Agency</u>			
Beginning Fund Balance			\$ 24,341,290
Unreserving/(Reserving) of Restricted Fund Balance			1,742,599
FY 10 Adopted Budget	153,775,370	106,686,615	(47,088,755)
Estimated All-years Carryover Budget	55,218,212	55,218,212	-
City Council Approved Adjustments to Date	48,162	-	(48,162)
Proposed 3rd Quarter Adjustments:			
FY 10 MOU - Real Estate Service Agreements and Clean Up	262,597	-	(262,597)
Adjusted Budget Including 1st Quarter Adjustments	\$ 209,304,341	\$ 161,904,827	\$ (21,315,625)

**General Fund
FY 10 Budget Adjustment Recap**

	<u>Budgeted Expenditure</u>	<u>Budgeted Revenue</u>	<u>Net Impact</u>
<u>Previous City Council Actions</u>			
Carryover of Prior Year Encumbrances (Beginning Fund Balance is Net of this Amount)	315,404	-	(315,404)
Fund Balance Adjustment	1,730,000	-	(1,730,000)
Revenue Adjustments	-	-	-
Subtotal - Ad Hoc Council Action	2,045,405	-	(2,045,405)
<u>1st Quarter Approved Budget Adjustments</u>			
City Prosecutor Civil Gang Injunctions	24,792	24,792	-
First Council District FY 09 Savings for CD	16,012	-	(16,012)
Seventh Council District FY 09 Savings for Library	10,000	-	(10,000)
Council Districts' FY 09 Savings for Parks, Rec and Marine	17,792	-	(17,792)
Sixth Council District FY 08 Savings for Parade	20,000	-	(20,000)
Reimbursement for Police Firearms	458,500	458,500	-
Crime Lab Digital Imaging System	94,790	94,790	-
Seventh Council District FY 09 Savings for Public Works	10,000	-	(10,000)
Third Council FY 09 Savings for Infrastructure Improvements	22,301	-	(22,301)
Rancho Los Cerritos Parking Lot	66,087	-	(66,087)
Consolidation of Web Support Services in Tech Services	(67,797)	-	67,797
Rebate to Portside Partners of TOT Revenue	24,270	-	(24,270)
Subtotal - 1st Quarter	696,746	578,082	(118,665)
<u>2nd Quarter Proposed Budget Adjustments</u>			
Legal & Contract Mgmt Costs with McDonnell Douglas Corp	25,000	25,000	-
Fourth Council Districts' FY 09 Savings for Parks Dept	25,667	-	(25,667)
City Prosecutor Reduction of TSD MOU	(30,151)	-	30,151
General Petroleum Sales Tax Rebate	336,505	-	(336,505)
DLBA payment for sharing of Parking Meter revenue	375,000	-	(375,000)
Underground Storage Tank payment booked in FY 09	(1,700,000)	-	1,700,000
Subtotal - 2nd Quarter	(967,979)	25,000	992,979
<u>3rd Quarter Approved Budget Adjustments</u>			
Enterprise Zone Program vouchers	100,000	100,000	-
Mayor's Fund for the Homeless	70,000	70,000	-
Fourth Council District Website Redesign	6,525	-	(6,525)
Sepecial Events Bgt for Gospel Fest from Sixth District	-	-	-
Subtotal - 3rd Quarter	176,525	170,000	(6,525)
Total FY 10 Budget Adjustments to Date	(94,708)	773,082	867,789
General Fund Adjusted Budget	\$ 386,284,206	\$ 386,107,995	\$ (176,211)