

September 6, 2022

BH-13

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 2023 budget as listed in Attachment A. (Citywide)

DISCUSSION

On August 2, 2022, the City Manager's Proposed Budget for Fiscal Year 2023 (FY 23) was delivered by Mayor Garcia to the City Council and the community for consideration. The City Council budget hearings were held on December 7, 2021, as well as on March 8, August 2, August 9, August 16, August 23, and September 6, 2022. Additionally, Budget Oversight Committee (BOC) meetings and citywide community town hall meetings were also held in the months of January and August 2022, at which the Proposed FY 23 Budget was discussed. As a result of these meetings, there were 17 scheduled opportunities for public feedback, deliberation, and input. Additionally, input was solicited through the Long Beach Budget Priority Survey to obtain feedback on desired City priorities. The survey was promoted on the City of Long Beach (City) website, Twitter, Instagram, Facebook, and at community meetings.

At the conclusion of the September 6, 2022 hearing, the City Council will amend the Proposed FY 23 Budget as it deems appropriate and adopt the proposed budget as amended. Since the publication of the Proposed FY 23 Budget, a few updates were made to the proposed revenue and expenditure budgets, which primarily address technical corrections and are listed by fund group and department in Attachments B, C, and D. The reasons for these budget adjustments are discussed at the end of this letter.

As part of the FY 23 Budget Adoption, there are two Ordinances to be considered for approval in Attachment A. The first Ordinance amends the Departmental Organization of the City (A-6). The second is the Appropriations Ordinance (A-15), which officially appropriates the funding for the Adopted Budget (approved in A-3) and authorizes expenditures in conformance with the Adopted Budget. For the Appropriations Ordinance to become effective on October 1, 2022, the City Council must first declare an emergency to exist (A-14) before adopting the Ordinance. Historically, the City Council declares an Ordinance to approve a Resolution establishing the rates and charges for the water and sewer services as part of the budget adoption actions. This year, on May 10, 2022, the City Council approved said Ordinance and because no further changes to water or sewer rates are being proposed, there is no need for the ordinance to be declared again with the FY 23 budget adoption actions.

There are also five Resolutions to approve the budget for the Long Beach Harbor Department (A-8); approve the budget for the Water Department (A-9); approve the Master Fees and Charges Schedule (A-4); establish the Gann Appropriations Limit (A-12); and amend the Salary

Resolution (A-7). There are also the following motions: approve the FY 23 One-Year Capital Improvement Program (A-5); approve the FY 23 Budget for the Long Beach Community Investment Company (A-10); approve the Harbor Fund Group transfer (A-11); approve the amended Financial Policies (A-13); approve the Mayor's Recommendations (A-1); approve the BOC Proposed Funding Recommendations (A-2); and amend the Proposed FY 23 Budget (A-3).

This matter was reviewed by Deputy City Attorney Monica Kilaita on August 16, 2022, and by Budget Manager Grace H. Yoon on August 9, 2022.

TIMING CONSIDERATIONS

In accordance with the City Charter, the Proposed FY 23 Budget must be adopted by September 15, 2022. Should the City Council fail to adopt the budget by that date, the City Manager's Proposed FY 23 Budget will be deemed the budget for the 2023 Fiscal Year. The Mayor has five calendar days from the City Council adoption of the budget to use his veto authority. The City Council would then have until September 30, 2022, to override the veto action by the Mayor with a two-thirds supermajority vote (six Councilmembers).

FISCAL IMPACT

The City Charter requires that the Appropriations Ordinance govern and control the expenditure and commitment amounts stated therein relating to City departments, offices, and agencies during each fiscal year. The total Proposed FY 23 Budget for all departments and fund groups is \$4,088,571,947, which comprises of \$3,177,225,467 in new appropriation and \$911,346,480 in estimated carryover from FY 22 for multi-year grants and projects. Attachments B, C, and D provide the financial overview by Fund Group and Department, and Citywide revenue by Fund Group, respectively.

The Appropriations Ordinance, included as Attachment A-15, totals \$3,267,581,693 for all fund groups except Harbor, Sewer, and Water fund groups, and \$3,269,788,542 for all departments except Harbor and Water Departments. The \$2,206,850 difference between fund groups and departments 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 groups.

The proposed Harbor, Water, and Sewer Fund Group budgets are in separate City Council Resolutions included as Attachment A-8 and A-9, respectively, and total \$820,990,254. The Board of Harbor Commissioners adopted the budget for the Harbor Department by minute order on May 23, 2022. The Board of Water Commissioners adopted the budget for the Water Department by Resolution on June 23, 2022.

User fees and charges in the Master Fees and Charges Schedule, included as Attachment A-4, have been adjusted due to changes in service and other factors. For details regarding these proposed new fees and adjustments, please see the List of Proposed Fees Adjustments for FY 23 that has been incorporated as Exhibits B and C to the Master Fees and Charges Resolution.

Other requested City Council actions include:

- Approving the FY 23 One-Year Capital Improvement Program (CIP) budget, included as Attachment A-5, which is contained in the Appropriations Ordinance.
- Amending the Departmental Organization Ordinance included as Attachment A-6. This amendment incorporates changes to departments, bureaus, and divisions for FY 23. These organizational changes are necessary to implement changes reflected in the Proposed FY 23 Budget. A redline version of the changes is also provided.
- Adopting the amended Salary Resolution for FY 23, which creates and establishes positions of employment while fixing and prescribing the compensation for officers and employees, is included as Attachment A-7. Historically, the Salary Schedule has been included alongside the Salary Resolution, for review by the City Council. This year the Department of Human Resources will return to the City Council at a later date for approval of the Salary Schedule to ensure accuracy and inclusion of new/updated classifications.
- Adopting the FY 23 Long Beach Community Investment Company (LBCIC) budget, included as Attachment A-10. The LBCIC budget is prepared annually for City Council approval and is a subset of the Housing Development Fund. The LBCIC oversees the delivery of housing and neighborhood revitalization services. The LBCIC approved its FY 23 Budget on May 18, 2022.
- Adopting a Resolution, included as Attachment A-12, establishing the Gann Appropriations Limit (Limit) for general purpose expenditures. In November 1979, the voters of the State of California (State) 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 prevents overspending proceeds of taxes. Only those revenues that 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 45.38 percent of the 2022-2023 Appropriations Limit and, therefore, do not exceed the Limit. The City Auditor reviews this calculation for conformance to the law.
- Adopting the amended Financial Policies for the City, included as Attachment A-13. Changes have been made to the Revenue Projection Policy (Policy 10), which adjusts the Revenue Estimation Methodology from Reasonably Conservative to Reasonably Expected.

After the City Manager delivered the Proposed FY 23 Budget to the Mayor, technical adjustments were made to complete the budget. These changes are shown in Attachments B, C, and D. Changes include the following:

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1. An expense decrease in the Energy Resources Department in the SERRF Fund Group of \$49,342 as a technical correction to align the budget more accurately with anticipated expenditures in FY 23.
2. A revenue decrease in the Public Works Department in the Refuse and Recycling Fund Group by \$3,826,066 to adjust the budget to align with the anticipated impacts of the proposed rate increase to Solid Waste and Recycling fees.
3. An expense decrease of \$1,930,776 and a revenue increase of \$25,000 in the Development Services Department in the Community Development Grants Fund Group as a technical correction to align anticipated expense and revenue to actuals for multiyear grant reimbursements in FY 23.

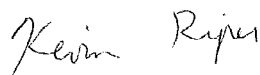
The remaining changes were minor, technical adjustments made to various funds and departments resulting in no bottom line changes at the fund level.

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

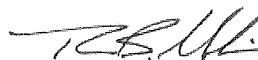
Approve recommendation.

Respectfully submitted,



KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



THOMAS B. MODICA
CITY MANAGER

ATTACHMENTS

List of Requested Fiscal Year 2023 Budget Adoption Actions

1. Adopt the Mayor's proposed budget recommendations, as amended, to the Proposed FY 23 Budget. (A-1)
2. Adopt the Budget Oversight Committee's proposed funding recommendations, as amended, to the Proposed FY 23 Budget. (A-2)
3. Adopt the expenditures and revenues as identified in the Proposed FY 23 Budget, as amended. (A-3)
4. Adopt the Resolution amending the Master Fees and Charges Schedule for specified City services for Citywide fees and charges for the City of Long Beach. (A-4)
5. Approve the FY 23 One-Year Capital Improvement Program. (A-5)
6. 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-6)
7. Adopt the amended Salary Resolution for FY 23. (A-7)
8. Adopt the Resolution approving the FY 23 budget for the Long Beach Harbor Department as adopted by the Board of Harbor Commissioners on May 23, 2022. (A-8)
9. Adopt the Resolution approving the FY 23 budget of the Long Beach Water Department as adopted by the Board of Water Commissioners on June 23, 2022. (A-9)
10. Adopt a motion approving the FY 23 budget for the Long Beach Community Investment Company in the amount of \$14,085,000. (A-10)
11. Adopt a motion approving the estimated transfer of \$22,786,322 from the Harbor Fund Group to the Tidelands Operations Fund Group. (A-11)
12. Adopt the Resolution establishing the Gann Appropriations Limit for FY 23 pursuant to Article XIII (B) of the California Constitution. (A-12)
13. Adopt a motion approving the Financial Policies, as amended. (A-13)
14. Declare an emergency to exist. (A-14)
15. Declare the Appropriations Ordinance for FY 23, creating and establishing the fund groups 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-15)

FISCAL YEAR 2023 APPROPRIATIONS ORDINANCE BY FUND GROUP
(Does not include Harbor, Water and Sewer Fund Groups)

<u>FUND GROUP</u>	<u>FY 23 PROPOSED EXPENDITURES</u>	<u>CHANGES*</u>	<u>FY 22 ESTIMATED CARRYOVER**</u>	<u>FY 23 APPROPRIATIONS</u>
GENERAL FUND	669,663,209	-	-	669,663,209
UPLAND OIL FUND	9,352,752	-	-	9,352,752
GENERAL GRANTS FUND	9,962,155	-	55,975,057	65,937,212
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	2,693,369	-	-	2,693,369
HEALTH FUND	61,744,891	-	79,687,415	141,432,307
CUPA FUND	2,808,924	-	-	2,808,924
SPECIAL ADVERTISING & PROMOTION FUND	11,555,107	-	-	11,555,107
HOUSING DEVELOPMENT FUND	16,000,104	-	5,521,505	21,521,610
BELMONT SHORE PARKING METER FUND	786,388	-	-	786,388
BUSINESS ASSISTANCE FUND	756,036	-	3,611,418	4,367,454
COMMUNITY DEVELOPMENT GRANTS FUND	18,615,453	(1,930,776)	50,982,198	67,666,874
HOUSING AUTHORITY FUND	108,252,290	-	7,497,681	115,749,972
GASOLINE TAX STREET IMPROVEMENT FUND	14,139,365	-	10,766,569	24,905,933
CAPITAL PROJECTS FUND	175,830,408	-	478,584,363	654,414,772
SUCCESSOR AGENCY OPERATIONS	4,248,628	-	27,749,468	31,998,096
CIVIC CENTER FUND	24,102,627	-	1,761,484	25,864,111
GENERAL SERVICES FUND	74,747,226	-	18,396,319	93,143,545
FLEET SERVICES FUND	50,478,684	-	4,037,711	54,516,395
INSURANCE FUND	67,547,362	-	-	67,547,362
EMPLOYEE BENEFITS FUND	389,690,381	-	-	389,690,381
TIDELANDS OPERATIONS FUND	113,192,489	-	87,570,506	200,762,995
TIDELANDS AREA FUNDS	32,864,381	-	19,861,771	52,726,152
TIDELANDS OIL REVENUE FUND	90,037,870	-	-	90,037,870
RESERVE FOR SUBSIDENCE	-	-	-	-
DEVELOPMENT SERVICES FUND	30,222,823	-	(425,687)	29,797,135
GAS FUND	167,147,399	-	22,384,350	189,531,749
AIRPORT FUND	53,715,400	-	37,320,898	91,036,299
REFUSE/RECYCLING FUND	67,121,695	-	63,453	67,185,148
SERRF FUND	49,113,263	(49,342)	-	49,063,921
SERRF JPA FUND	-	-	-	-
TOWING FUND	6,945,988	-	-	6,945,988
DEBT SERVICE FUND	8,134,944	-	-	8,134,944
SUCCESSOR AGENCY - DEBT SERVICE	26,743,719	-	-	26,743,719
TOTAL	2,358,215,331	(1,980,118)	911,346,480	3,267,581,693

*Please refer to the Fiscal Impact section of the City Council Letter for a general description of notable changes.

**Reflects estimated carryover for accounts with projects and grants as of 5/31/22.

FISCAL YEAR 2023 APPROPRIATIONS ORDINANCE BY DEPARTMENT
(Does not include Harbor and Water Departments)

<u>DEPARTMENT</u>	<u>FY 23 PROPOSED EXPENDITURES</u>	<u>CHANGES*</u>	<u>FY 22 ESTIMATED CARRYOVER**</u>	<u>FY 23 APPROPRIATIONS</u>
MAYOR AND COUNCIL	6,157,142	-	(138)	6,157,004
CITY ATTORNEY	12,792,312	-	-	12,792,312
CITY AUDITOR	3,450,581	-	-	3,450,581
CITY CLERK	4,205,416	-	-	4,205,416
CITY MANAGER	19,116,930	-	1,442,277	20,559,207
CITY PROSECUTOR	6,554,887	-	1,556,596	8,111,483
CIVIL SERVICE	3,715,317	-	-	3,715,317
AIRPORT	53,262,491	-	36,794,196	90,056,687
DISASTER PREPAREDNESS & EMERGENCY COMMUNICATIONS	13,863,912	-	1,235,426	15,099,338
DEVELOPMENT SERVICES	92,150,228	(1,930,776)	81,956,929	172,176,381
ECONOMIC DEVELOPMENT	22,821,694	-	12,092,461	34,914,154
FINANCIAL MANAGEMENT***	729,844,020	-	105,379,333	835,223,353
FIRE	153,467,070	-	3,405,592	156,872,662
HEALTH AND HUMAN SERVICES	182,091,970	-	87,210,542	269,302,512
HUMAN RESOURCES	25,270,577	-	(678,337)	24,592,240
LIBRARY SERVICES	18,102,153	-	4,974,134	23,076,286
ENERGY RESOURCES	267,529,467	(49,342)	22,384,350	289,864,475
PARKS, RECREATION AND MARINE	74,030,641	-	27,193,075	101,223,716
POLICE	293,003,779	-	8,968,565	301,972,345
PUBLIC WORKS	308,971,291	-	497,687,774	806,659,065
TECHNOLOGY & INNOVATION	70,020,303	-	19,743,704	89,764,008
TOTAL	2,360,422,180	(1,980,118)	911,346,480	3,269,788,542

*Please refer to the Fiscal Impact section of the City Council Letter for a general description of notable changes.

**Reflects estimated carryover for accounts with projects and grants as of 5/31/22.

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

FISCAL YEAR 2023 REVENUES BY FUND GROUP
(Does not include Harbor, Water and Sewer Fund Groups)

<u>FUND GROUP</u>	<u>FY 23 PROPOSED REVENUES</u>	<u>CHANGES*</u>	<u>FY 23 PROPOSED BUDGETED REVENUES</u>
GENERAL FUND	621,283,066	-	621,283,066
UPLAND OIL FUND	11,811,475	-	11,811,475
GENERAL GRANTS FUND	9,701,912	-	9,701,912
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT FUND	2,693,369	-	2,693,369
HEALTH FUND	61,770,617	-	61,770,617
SPECIAL ADVERTISING & PROMOTION FUND	8,584,444	-	8,584,444
HOUSING DEVELOPMENT FUND	15,237,500	-	15,237,500
BELMONT SHORE PARKING METER FUND	898,884	-	898,884
BUSINESS ASSISTANCE FUND	728,199	-	728,199
COMMUNITY DEVELOPMENT GRANTS FUND	10,691,548	25,000	10,716,548
GASOLINE TAX STREET IMPROVEMENT FUND	13,491,359	-	13,491,359
CAPITAL PROJECTS FUND	171,610,605	-	171,610,605
CIVIC CENTER FUND	24,975,297	-	24,975,297
GENERAL SERVICES FUND	74,592,189	-	74,592,189
FLEET SERVICES FUND	56,958,170	-	56,958,170
INSURANCE FUND	76,808,762	-	76,808,762
EMPLOYEE BENEFITS FUND	390,119,981	-	390,119,981
TIDELANDS OPERATIONS FUND	110,893,919	-	110,893,919
TIDELANDS AREA FUNDS	30,242,344	-	30,242,344
TIDELANDS OIL REVENUE FUND	98,787,714	-	98,787,714
RESERVE FOR SUBSIDENCE	980,000	-	980,000
DEVELOPMENT SERVICES FUND	30,462,627	-	30,462,627
GAS FUND	165,712,559	-	165,712,559
GAS PREPAY FUND	-	-	-
AIRPORT FUND	61,065,806	-	61,065,806
REFUSE/RECYCLING FUND	77,200,000	(3,826,066)	73,373,934
SERRF FUND	43,794,850	-	43,794,850
SERRF JPA FUND	-	-	-
TOWING FUND	7,256,458	-	7,256,458
HOUSING AUTHORITY FUND	105,236,185	-	105,236,185
SUCCESSOR AGENCY OPERATIONS	4,219,567	-	4,219,567
CUPA FUND	1,866,016	-	1,866,016
DEBT SERVICE FUND	6,543,779	-	6,543,779
SUCCESSOR AGENCY DEBT SERVICE	30,162,041	-	30,162,041
TOTAL	2,326,381,241	(3,801,066)	2,322,580,175

*Please refer to the Fiscal Impact section of the City Council Letter for a general description of notable changes.

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No supporting documents.