



## Legislation Text

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**File #:** 10-0141, **Version:** 1

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Recommendation to approve the Fiscal Year 2010 first quarter departmental and fund budget appropriation adjustments in accordance with existing City Council policy. (Citywide)

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, Attachment B for a recap of FY 10 General Fund Expenditure Budget Adjustments, and Attachment C for departmental budget adjustments to account for the salary freezes.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on January 19, 2009.

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 February 9, 2010 to enable the timely processing of payments.

### **City Attorney**

During the FY 10 Budget Adoption process, a Deputy City Attorney was budgeted in the Employee Benefits Fund (IS 391) rather than the Insurance Fund (IS 390). To accurately reflect the correct distribution of staff and appropriately fund the position, it is necessary to move the budget into the appropriate fund. Sufficient funds are available in the Insurance Fund to support this appropriation increase.

- Decrease appropriations in the Employee Benefits Fund (IS 391) in the City Attorney Department (LW) by \$169,101.
- Increase appropriations in the Insurance Fund (IS 390) in the City Attorney Department (LW) by \$169,101 .

### **City Manager**

During the FY 10 Budget Adoption process, appropriation to fund the contractual obligations between the City and the Convention and Visitors Bureau (CVB) was under-budgeted by \$70,000. To fund the contract with the CVB at approved levels, it is necessary to increase appropriation in the amount of \$70,000. This appropriation is offset by fund balance in the Special Advertising and Promotions Fund.

- Increase appropriations in the Special Advertising and Promotions Fund (SR 133) in the City Manager Department (CM) by \$70,000.

### **City Prosecutor**

The City Prosecutor Department (CP) has reserved grant funds to be used for the purpose of preparing and obtaining civil gang injunctions in order to promote public safety in the City of Long Beach. The increase in appropriation will be supported in full by the reserved grant funds and will have no impact on the General Fund fund balance.

- Increase appropriations in the General Fund (GP) in the City Prosecutor Department (CP) by \$24,792.

### **Community Development**

The Department of Community Development was designated \$16,012 in additional funds for FY 10 from the First Council District's FY 09 budget savings. The desired use of these funds are for Neighborhood Services to plant trees in the First District. The increase in appropriation is offset by the associated General Fund fund balance.

- Increase appropriations in the General Fund (GP) in the Department of Community Development (CD) by \$16,012.

### **Financial Management**

On November 3, 2009, the City Council authorized the City Manager to execute a contract with Corix Utilities Inc. (Corix) to provide manual meter reading services for the City. The cost of this contract in FY 10 is \$717,973 and an appropriation increase of \$387,705 was approved in the Gas Fund (EF 301) for the Department of Long Beach Gas and Oil's (EN) portion of the contract cost. However, since the entire payment to Corix will be made by Financial Management (FM), a technical adjustment is requested to transfer the appropriation increase that was given to the Gas Fund in EN to the Gas Fund in FM and to increase appropriations to the full authorized contract amount.

- Decrease appropriations in the Gas Fund (EF 301) in the Department of Long Beach Gas and Oil (EN) by \$387,705.
- Increase appropriations in the Gas Fund (EF 301) in the Department of Financial Management (FM) by \$717,973.

### **Fire Department**

In November 1999, the City of Long Beach entered into a Joint Powers Agreement with the City of Avalon and the City of Signal Hill, known as the Los Angeles County Disaster Management Area F (Area F), for the purpose of coordinating disaster management preparedness with the County of Los Angeles. In November 2009, the City received \$43,504 in Emergency Management Program Grant (EMPG) funds for grant year 2008 from the Los Angeles County Office of Emergency Management. These funds will be utilized for the purpose of disaster management efforts in Area F including planning, training and equipment as approved by the Area F Governing Board. As the 2008 grant amount of \$43,504 is currently unbudgeted, an appropriation increase is necessary. In addition, an increase of \$20,891 is requested to appropriate net interest earnings to date. There is no impact to the General Fund.

- Increase appropriations in the General Grants Fund (SR 120) in the Fire Department (FD) by \$64,395.

### **Library Services**

The Long Beach Public Library was designated \$10,000 in additional funds for FY 10 from the Seventh Council District's FY 09 budget savings. Funds were designated to the Dana and Bret Harte libraries at \$5,000 each to supplement their materials and supplies allocations. The increase in appropriation is offset by the associated General Fund fund balance.

- Increase appropriations in the General Fund (GP) in the Department of Library Services (LS) by \$10,000.

### **Long Beach Gas and Oil**

In 2007, the City entered into a 3D-year gas prepay agreement with Merrill Lynch for its supply of natural gas. This resulted in annual savings to the Gas Fund of \$7.2 million for ongoing funding of the Long Beach Gas and Oil Department's (EN) longterm infrastructure and pipeline replacement projects. An appropriation increase of \$17,725,327 is being requested to repay outstanding debt (Commercial Paper), the Oil Properties building relocation and other LBGO capital projects, including the Huntington Beach pipeline relocation project. This appropriation is necessary to effectuate the transfer to the Gas Fund to support these projects

- Increase appropriations in the Gas Prepay Fund (EF 303) in the Department of Citywide Activities (XC) by \$17,725,327.

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

The Department of Parks, Recreation and Marine (PR) was designated additional funds from various Council Districts' FY 09 budget savings, which currently reside in the General Fund's FY 10 fund balance. These additional funds include the following: \$10,000 from the Seventh Council District to be designated for park facilities improvements; \$6,750 from the Fourth Council District for the cost of snow at a Snow Day scheduled for February 20, 2010 at Whaley Park; and \$1,042 from the Sixth Council District to be designated for McBride Park. The increase in appropriations is offset by the associated General Fund fund balance.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$17,792.

On September 23, 2008, the City Council authorized the creation of a \$20,000 reserve in the General Fund for PR, utilizing savings from the Sixth Council District's FY 08 operating budget. The reserve was earmarked for the future purchase of a mobile stage for use at multiple City events. A budget adjustment to expend this reserve is now being requested to utilize these reserved funds; however, the desired use is for City expenses related to the prior year Cambodian Day Parade costs. The requested budget increase will be fully offset by the release of reserved funds.

- Increase appropriations in the General Fund (GP) in the Department of Parks, Recreation and Marine (PR) by \$20,000.

In February 1989, the City Council established the Park Impact Fee (PIF) imposed on new residential development to mitigate the impact of increased population on parks and park facilities. Based on expected PIF revenue, appropriation for several capital projects was created. Due to industry declines in new residential development, Park Impact Fee revenue has also declined. In addition,

\$243,085 of Park Impact Fee revenue is pledged to the annual Open Space bond payment obligation. In order to cover the 2010 payment obligation, discretionary dollars remaining from completed projects such as Scherer Park Community Building Design, Silverado Pool, and MLK Pool will be used.

- Decrease appropriations in the Capital Projects Fund (CP) in the Department of Parks, Recreation and Marine (PR) by \$89,159.
- Decrease appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$153,926.

## **Police**

The Marina Pacifica Reserve was established in 1999 as part of a legal requirement of the loan agreement associated with the issuance of the Marina Pacifica Bond for the purchase of residential land at Marina Pacifica. The Marina Pacifica Homeowners Association (Association) entered an agreement with the City to purchase the bond and, in return, the Association would pay the City \$25,000 annually as long as the bonds were outstanding. These payments were reserved to pay for expenses related to public safety or other municipal purposes. The remaining balance of the Marina Pacifica Reserve is \$50,105. The Police Department requests use of the funding for overtime to conduct the Spanish Language Community Police Academy (\$2,000); roof replacement of the Long Beach Search and Rescue Explorer Unit's facility located at the Long Beach Fire Academy (\$8,375); Neighborhood Watch signs for installation throughout the City (\$10,000); and for the cost of shipping for 200 excess property military rifles (\$13,465). With the exception of the shipping cost, the Department of the Army is distributing the surplus rifles to local jurisdictions at no charge.

- Increase appropriations in the General Grants Fund (SR 120) in the Police Department (PO) by \$33,840.

In the new Memorandum of Understanding with the Long Beach Police Officers' Association for the period October 1, 2009 to September 30, 2014, it was agreed in Article Six Section VIII that, "All permanent police officers on payroll as of October 1, 2009 shall receive five hundred dollars (\$500) on the first pay check of December 2009 for providing their own firearm. Future police officers shall receive five hundred dollars (\$500) for providing their own firearm upon successful completion of their initial probation period." A total of 917 permanent police officers were reimbursed for their firearms. Funding for this reimbursement will come from the release of reserved Asset Forfeiture Funds.

- Increase appropriations in the General Fund (GP) in the Police Department (PO) by \$458,500.

The City of Los Angeles, the administrator of the Urban Area Security Initiative (UASI) 2006 Grant, will be awarding the City of Long Beach an additional \$211,940 in remaining UASI 06 funds which must be expended no later than March 31, 2010. The Police Department will purchase approximately 52 vehicle radios with these funds. By using the existing Technology Services Department's contract with Motorola, this purchase can be executed within the time constraints of the UASI 06 grant.

- Increase appropriations in the Special Revenue Fund (SR 120) and in the Police Department (PO) by \$ 211,940.

The Chief of Police approved the use of Asset Forfeiture Funds to upgrade the Police Crime Lab from

film photography to digital photography. The Lab's film development equipment is over ten years old and at the end of its useful life; in addition, photography film has become more expensive. This upgrade includes new digital imaging software that will be used to process digital photographs and to ensure the integrity of the photographs so they will be legally admissible as evidence in court. The Medio Systems software cost is \$94,790 and will be offset by the release of reserved Asset Forfeiture funds.

- Increase appropriations in the General Fund (GP) and in the Police Department (PO) by \$ 94,790.

### **Public Works**

On September 22, 2009, the City Council approved a request to set aside \$10,000 in additional funds for the Department of Public Works (PW) FY 10 Budget from the Seventh Council District's FY 09 General Fund savings. These funds will be used for tree planting and community gardens support in the Seventh Council District. The increase in appropriation is offset by the associated General Fund fund balance.

- Increase appropriations in the General Fund (GP) in the Department of Public Works (PW) by \$10,000.

The Adopt-A-Waterway grant is an agreement with EcoMedia, LLC, that provides revenue for Storm Water-related functions. The current expenditure budget exceeds anticipated funds to be realized through this fiscal year. This action brings the allocated amount in line with the anticipated funds.

- Decrease appropriations in the General Grants Fund (SR 120) in the Department of Public Works (PW) by \$275,000.

On February 20, 2007, the City Council accepted and authorized an increase in appropriation for two grants from the State of California in the Sixth Cycle of the State Safe Routes to Schools Program in the amount of \$618,300. These State Caltrans funds

were subsequently exchanged by the State for federal highway funds. .

- Decrease appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$618,300.
- Increase appropriations in the Gas Tax Street Improvement Fund (SR 181) in the Department of Public Works (PW) by \$618,300.

As a condition of development for the North Long Beach Target Store located at 6750 Cherry Avenue, the developer was required to provide \$80,000 in neighborhood traffic mitigation measures to address project related traffic impacts in the general vicinity of the new Target store. These funds will be administered by the City Traffic Engineer for future projects, with project completion expected in late Spring 2010.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$80,000.

The City received and is requesting appropriation for \$620,000 in American Recovery and

Reinvestment Act of 2009 (ARRA) Community Development Block Grant-Recovery (CDBG-R) Funds. These funds will be used for FY 10 Sidewalk Improvement Program, to backfill the CDBG funds that were shifted from the Sidewalk Improvement Program to the 14th St. Skate Park project. Also, an additional \$100,000 in new CDBG Funds is being allocated for, and appropriated in, the Skate Park project.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$720,000.

The Termino Avenue Drain Project was appropriated as a result of a City-County Cooperative Financial Agreement. In the agreement, the County agreed to provide \$60,000 for the landscape restoration along the former Pacific Electric Railroad right-of-way. However, the project was put on hold and a revised agreement was executed on March 3, 2009. The revised agreement supercedes the original and does not include funding for landscape restoration.

- Decrease appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$60,000.

The Department of Public Works was designated \$22,301 in additional funds for FY 10 from the Third Council District's FY 09 budget savings. The funds will be used for curb, gutter and sidewalk improvements in the Third District. The increase in appropriation is offset by the associated General Fund fund balance.

- Increase appropriations in the General Fund (GP) in the Department of Citywide Activities (XC) by \$22,301.
- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$22,301.

Transportation Development Act (TDA) grant funds need to be adjusted to finance projects in the Parks, Recreation and Marine and Public Works Departments. There is no change in the overall appropriation.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Parks, Recreation and Marine (PR) by \$65,053.
- Decrease appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$65,053.

On December 15, 2009, City Council approved construction of a visitor education center and restoration of the arroyo at Rancho Los Cerritos. FY 09 General Fund budget savings of \$50,000 achieved by the Department of Parks, Recreation and Marine was reserved for parking lot upgrades related to the construction. In addition, \$16,087 remains from the estate of Helen L. Stearns, whose 1993 bequest to the City was earmarked for improvements at Rancho Los Cerritos. A budget increase is necessary to proceed with these improvements, and will be fully offset by the release of reserved funds.

- Increase appropriations in the General Fund (GP) in the Department of Citywide Activities (XC) by

\$66,087.

- Increase appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$66,087.

### **Technology Services**

On July 20, 2006, the Department of Technology Services (TS) received \$115,000 from the Fire Department for the Ambulance Billing system and placed the revenue into a reserve. It has been determined that these funds should be used in part to pay annual debt service costs of \$34,858, with the balance to be spent for other ambulance billing system related charges. An appropriation increase is requested to pay the debt service. The increase is fully offset with revenue previously reserved. There is no impact on the General Fund.

- Increase appropriations in the General Services Fund (IS 385) in the Department of Technology Services (TS) by \$34,858.

Pursuant to the City Manager's direction to consolidate the City's multi-departmental Web Support Services into TS, a Community Information Specialist II position in the Police Department was transferred to TS retroactive to October 1, 2009. Since loaded position costs of \$67,797 are currently unbudgeted, an appropriation increase is necessary to support this activity. The increase is offset by an appropriation decrease in an equivalent amount in the General Fund (GP) in the Police Department.

- Increase appropriations in the General Services Fund (IS 385) in the Department of Technology Services (TS) by \$67,797.
- Decrease appropriations in the General Fund (GP) in the Police Department (PO) by \$67,797.

### **Citywide**

On July 19, 2008, the City Council approved a 10-year agreement with Portside Partners, LLC, for the development of the Residence Inn, an eleven-story 178-room hotel at 600 Queensway Drive. As part of the contract, the City agreed to annually rebate to Portside Partners, 25 percent of the Transient Occupancy Tax (TOT) generated by the hotel's operations or \$150,000 plus interest, whichever is less. TOT revenue for this project is split evenly between the General Fund and the Special Advertising and Promotions Fund. An appropriation increase in each fund is needed to support the rebate payment due for FY 10. The first rebate due to Portside Partners under this agreement is \$48,540.

- Increase appropriations in the General Fund (GP) in the Department of Citywide Activities (XC) by \$24,270.
- Increase appropriations in the Special Advertising and Promotions Fund (SR 133) in the Department of the City Manager (CM) by \$24,270.

On November 8, 2009, the City Council awarded a contract to Manson Construction Company to provide dredging services at the Catalina Landing Marina in order to ensure the safe passage of vessels. An appropriation increase is needed in order to expend an existing Tidelands Fund reserve that set aside funds to pay for the dredging work.

- Increase appropriations in the Tidelands Fund (TF) in the Department of Citywide Activities (XC) by \$1,024,655.

### **Negotiated Salary Freezes**

In preparation for the FY 10 Budget, City management representatives held negotiations with all of the City's labor organizations to generate an estimated \$18 million in General Fund wage and/or benefit reductions to balance the budget. The City was successful in achieving savings for FY 10 from negotiations with the Police Officers Association; however, the FY 10 Budget was adopted on September 15, 2009, before agreements had been reached with all of the City's remaining labor organizations. As negotiations were not concluded with the remaining unions at that time, an estimated 14 days of furlough savings, with the reduction of \$6.7 million in the General Fund and \$13.1 million in all funds, was included in the Adopted FY 10 Budget to offset the cost of the FY 10 negotiated increases for the International Association of Machinists and Aerospace Workers (IAM), the Long Beach Firefighters Association (LBFFA), the Long Beach City Attorneys Association (LBCCA), and the Long Beach Prosecutors Association (LBPA).

Since then, the City has reached agreements with these labor organizations, who have agreed to defer their FY 10 general salary increases in light of the fiscal challenges facing the City. As a result, the FY 10 Adopted Budget must be adjusted to remove the previously negotiated salary increases, the offsetting furlough savings and adjust budgeted salary levels to reflect the new agreements with the labor organizations.

Given the nature of the negotiated increases, department budgets included the 2 percent general salary increases for the IAM, with the 2 percent equity adjustment set aside in the Citywide Activities Department for future allocation based on the final results of the pending Classification and Compensation Study. The required furlough savings for the entire 4 percent increases, however, were budgeted in the operating departments. Therefore, the requested adjustments reflect increases in the operating department budgets and decreases in the Citywide Activities Department budget for a net neutral effect at the fund level. The attached adjustment (Attachment C), by department and fund, will align budgets with the new labor agreements.

No adjustments are requested for the Legislative Department budget, as the FY 10 Adopted Budget for this department anticipated a salary freeze and did not include furlough savings. City Council district budgets will remain at the equalized \$413,975 levels. Additionally, no appropriation adjustments are requested for the Water and Harbor Departments as furlough savings were not budgeted to offset negotiated compensation increases.

### **Revised FY 10 General Fund Revenue**

The FY 10 Adopted Budget included myriad solutions to address the projected \$38.3 million General Fund structural deficit created by the global financial downturn, the collapse of the national economy and negotiated compensation increases. While the economic outlook shows early signs the recession may be abating somewhat, the economy still remains weak and the much-awaited economic recovery will be slow and arduous. General Fund revenues are heavily dependant upon those sectors of the economy hardest hit by the recession - the real estate market and consumer spending. With respect to Property Tax revenue alone, a three to four percent reduction in receipts is anticipated from FY 09 levels largely due to the most recent data issued by the Los Angeles County Assessor's Office indicating that the Assessed Valuations for the City have declined by 2.9 percent. In



addition, \$10,799,560 of the City's FY 10 property tax revenue is being "borrowed" by the state to help reduce their budget deficit. The first property tax take-away occurred on December 18, 2009, for a total of \$5,399,780. Fortunately, the City was able to negotiate a solution to this takeaway that will allow us to borrow up to 3 years of Subsidence Fund interest to make the City whole.

Similarly, Sales and Use Tax is projected to decrease by 4 percent from FY 09 actual revenues based on recent performance. The State has also informed us that they will be withholding \$1,757,755 of In-Lieu Sales Tax in FY 10 to recoup an overpayment of In-Lieu Sales tax to the City in FY 09 due to worse than expected sales tax performance in FY 09. In addition, the hotel industry has also been impacted by the economic downturn with lower occupancy rates than last year as well as reduced hotel room rates. Year-over-Year Transient Occupancy Tax revenue (December 2008 versus December 2009) is down 20 percent, with little relief in sight.

Based on these trends, an adjustment to the FY 10 General Fund Revenue Budget is recommended to more accurately reflect current revenue performance. In sum, General Fund revenue is currently projected to come in approximately \$6 million under budget. However, on a positive note, the current price per barrel of oil is \$68/bbl. The budgeted price of oil per barrel is \$40/bbl. An increase in the Upland Oil transfer to the General Fund will provide much needed revenue to balance the budget without cutting departmental programs and services to the public. If necessary, an increase in the budgeted Upland Oil transfer to the General Fund will be requested in the second quarter departmental and fund budget appropriation adjustments City Council letter.

Approve recommendation.

LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:

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PATRICK H. WEST  
CITY MANAGER