

Performance Management Initiatives



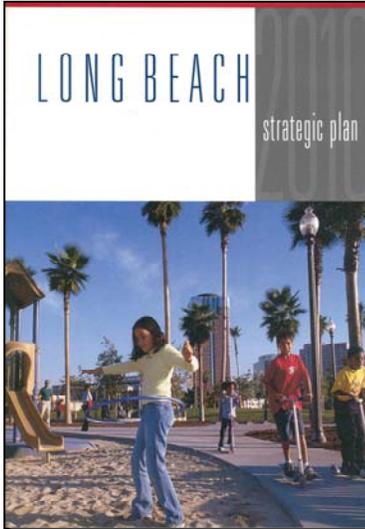
Performance Management Initiatives

Meeting the needs and expectations of the community by providing diverse programs and services is one of the primary goals of the City. Such value can only be realized in an environment that encourages and rewards excellence, creativity, continuous improvement, accountability, customer service and greater efficiency and effectiveness in daily work practices. During the past few years, the City has initiated a number of Performance Management Initiatives (PMI) with the goal of maximizing the efficiency and effectiveness of government services and programs, and to provide standards based upon desired outcomes by which the City Council, community and City staff can measure and evaluate the costs and benefits of agreed upon operational goals. The City's PMI not only address improving service delivery and assist in identifying issues, partnerships and collaborations beyond organizational boundaries, but they also align the City's major business processes and provide a framework for identifying needed resource reallocation.

Utilizing greater policy clarity from the City Council and the community, the City will continue to evolve its PMI, and elevate the organization into a more effective provider of services – one with the flexibility to adapt and respond to the community's needs, and one with the business intelligence to efficiently meet program objectives. There are several components of the City's PMI, each of which will be described in more detail throughout this section:

- *2010 Strategic Plan*
- *Three-Year Financial Strategic Plan*
- *Department Business Plans*
- *Performance-Based Program Budgets*
- *Service Optimization*
- *Department Reorganization*
- *National Civic League Stakeholders Group*
- *ICMA Comparative Performance Measurement – Benchmarking*
- *City Manager's Annual Report to the Community*
- *Annual Budget Development Process*
- *Community Involvement*

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2010 Strategic Plan – The City’s Strategic Plan, developed with intensive community involvement in 1999 and 2000, provides a ten-year, citywide vision for Long Beach that hundreds of individuals and organizations from throughout the city helped to create. That vision reflects a community of neighborhoods focused on youth and education, with safety and economic opportunities for all, and a responsive, accountable government, in a healthy, sustainable environment. The Strategic Plan serves as the basis for long-range policy-making as well as annual goal setting for the City in the following six areas: Neighborhood Development, Education & Youth, Community Safety, Business Growth & Workforce Development, Environment, and Network Technology.

The Strategic Plan provides the City with a future vision of Long Beach and recommends activities believed necessary to get there. Such a comprehensive approach to the community’s future development requires the concerted efforts of local government, community-based organizations, the business community and the education sector at all levels. Therefore, the City continuously strives to establish partnerships and programs that achieve the goals of the Strategic Plan applicable to its scope of responsibility. The City’s PMI will further assist in measuring the appropriateness of municipal programs and services against their progress in fulfilling the Strategic Plan’s desired outcomes.

Not only is it important for the City to have a Strategic Plan, it is equally important to monitor and report back to the community on the progress of its implementation. The Report to the Community is a means of benchmarking progress and communicating successes on an annual basis (please refer to the City Manager’s Annual Report to the Community subsection below for more detail), which is called for in the 2010 Strategic Plan, and articulates the City’s success in achieving Strategic Plan objectives each fiscal year.

Furthermore, the City details specific Strategic Plan achievements made by its departments each fiscal year in the Annual Budget document to encourage greater understanding about department resource allocations and the effectiveness of their programs.

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Three-Year Financial Strategic Plan – The Three-Year Financial Strategic Plan (Plan) was developed to provide a framework through which the City could bring its ongoing revenues and expenditures into structural balance in a logical and balanced manner over a three year time period (Fiscal Years 2004, 2005 and 2006). The Plan was developed with direct input received through the Voice Your Choice community survey. Over 13,000 responses were received that prioritized General Fund services and offered ideas to cut costs and enhance revenues.

FY 05 marks the second year of the Plan's implementation. The City Council endorsed the Plan in March 2003 and an updated Plan was adopted as part of the FY 05 budget (please see the Three-Year Financial Strategic Plan section of the budget book for more details). The City Council's Budget Oversight Committee has been given the primary task to work with the City Manager and staff to evaluate the

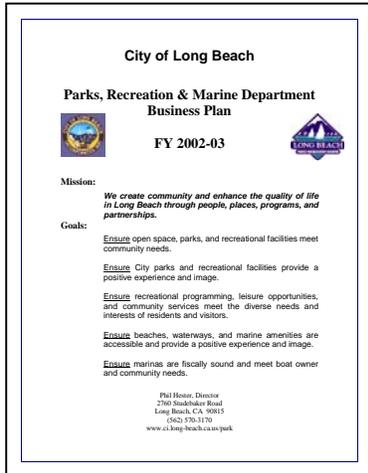
City's progress in achieving the goals of the Plan. The recommendations contained in the Plan focus the organization on its core services and programs, and outline deliberate expenditure reduction and revenue enhancing measures to gradually downsize and align the organization based upon input from the community.

Cost reductions represent the primary direction of the Plan, while revenue enhancements and increased return on municipal assets also factor into the Plan's proposed structural deficit solutions. Furthermore, the Plan explores potential areas for service restructuring, organizational consolidation and other cost saving measures that will allow the City to bridge its budgetary gap while maintaining core services and investments in critical infrastructure. To this end, the Plan called for review of several municipal services, which are explained in further detail in the Service Optimization section below.

The Plan also calls for exploring opportunities to become more efficient and cost-effective through partnering with other agencies. To this end, the City has established a dialogue with the Long Beach Unified School District and the local nonprofit community to identify areas where collaboration and partnering can reduce costs and eliminate duplication of efforts. The City has also partnered with the local arts and culture community to develop a long-term funding strategy.

Development of Plan initiatives are linked to Strategic Plan goals, taking community priorities into account, while trying to minimize the negative impacts on established goals of the Strategic Plan. The Plan was also designed to be a working document where assumptions must be continually reassessed to ensure they reflect the changing economic, social and financial realities of Long Beach. As such, the updated Plan was developed to address increasing costs and refined City Council priorities regarding certain programs and services.

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Department Business Plans – In FY 05, City Manager departments will continue to develop comprehensive Business Plans for their organization. The Business Plan is a means by which a department identifies its mission, primary challenges and strategic goals in relation to the City's overarching goals and objectives, which correlate to the 2010 Strategic Plan.

The Business Plans will assist departments in identifying strategies and activities that will support the achievement of its goals. The Business Plans will be updated periodically to reflect customer needs and the changing service delivery environment.

Performance-Based Program Budgets – The City is continuing to orient itself toward the programs it provides, rather than its

organizational structure (departments and bureaus) as has been the traditional practice. To facilitate this process, each City Manager-directed department performed a Service/Program Prioritization, which identified each department's activities, aggregated by its Business Plan goals.

Building on the prioritization process, the City is developing a new approach to budgeting for the next year's FY 06 budget. Instead of maintaining only the traditional organizational, line-item budget, the City is working to align budget information along program areas. It is expected that each program budget will include the description and goal of the program, in addition to specific performance measures to track the efficiency and effectiveness of the program. These measures will further provide insight into the performance of current programs and ensure that scarce resources are being allocated to priority areas that promote the City's goals.

Progress is already being made in the migration toward a performance-based program budget. City departments have already begun the process of aligning budget data with program information. The full transition, however, will take time. The City's budget and financial systems will need to be reconfigured to accurately account for program information. Additionally, departments need to begin the process of developing meaningful performance measures.

Service Optimization – The City is committed to identifying opportunities to lower the costs of municipal services without jeopardizing the public value that they create. To that end, the study and review of City programs, operations, and work practices has become a standard practice throughout the organization. The reviews are intended to identify cost savings and service optimization opportunities.

Each year, a number of key operations and work practices are identified for review based on input from the City Council, employees, and the community. All optimization efforts will include a study of best practice approaches from other agencies, in addition to financial reviews. Employee participation in optimization reviews will also be an integral component. Using their subject matter knowledge and expertise, employees will be asked to convene work groups to conduct a review of their operation and provide recommendations for improvement. It is anticipated that the best practices and employee optimization reviews will likely result in any number of recommendations for operational improvement. Potential areas for optimization include, but are not limited to; reengineering of internal processes, consolidation of existing program/service activities, technology improvements, broadbanding of employee classifications, or the exploration of contracting opportunities.

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In FY 04, reviews were conducted in such areas as Workers' Compensation, Occupational Health and Safety, Code Enforcement and Nuisance Abatement, Fire Services and Emergency Dispatch, Fleet Services, and Reprographics and Mail Services, just to name a few. These comprehensive reviews provided recommendations that improved the efficiency and quality of each program, while providing critical financial savings to the City. In FY 05, potential study areas include, but are not limited to, Citywide Youth Services, Gang Prevention and Intervention, Billing and Collections, Information and Technology, Towing Operations, Health Insurance, Purchasing, Street Sweeping, Parking Management, and Property Sales. These reviews are essential to achieving the City's objective of greater accountability, efficiency and effectiveness of the services we provide as a municipal organization.

Department Reorganization – As City departments continue to prioritize core services and work to optimize service delivery; opportunities for reorganization or consolidation may be identified. These changes to City's departments should reflect the shrinking economic environment and streamlined service priorities of the community, by downsizing management and other staffing through consolidation or elimination of unnecessary or redundant functions, focusing each department on its core services.

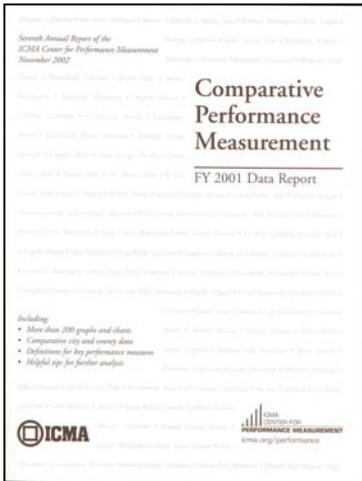
The FY 05 budget reflects several departmental reorganizations. For example, the Fleet Services Bureau and the Environmental Services Bureau have moved from Long Beach Energy Department to the Department of Public Works to allow Long Beach Energy to focus on its core function as a utility. The Departments of Oil Properties and Long Beach Energy have consolidated senior management to more effectively guide the City's energy-related resources. These reorganizations should help the departments involved focus their efforts, achieve greater operational efficiency, and reduce administrative costs. As implementation of the Plan continues, additional reorganization opportunities may be identified.

National Civic League Stakeholders Group – In April 2000, the National Civic League (NCL), in cooperation with the International City/County Management Association (ICMA) and with support by a grant from the Alfred P. Sloan Foundation, selected Long Beach as one of three U.S. cities to participate in a project to develop local government performance measures that are meaningful to citizens. The City Council approved a list of community representatives to serve on a Stakeholders Group to provide feedback and input during this process.

The City partnered with NCL and the Stakeholders Group to identify community-oriented outcomes based on the goals of the 2010 Strategic Plan. These outcome statements provide targets upon which the City and community measure its progress toward achieving the Strategic Plan's overall objectives, which in turn provides a results-based means to determine if resources invested in City programs and services are producing the expected maximum value for the community.

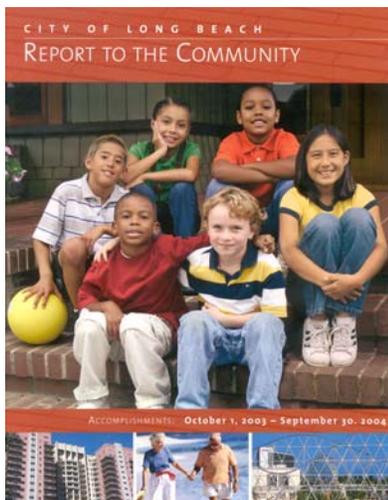
As we begin to develop the City's performance-based program budget, the City Manager's Report to the Community and other performance reports will utilize and feature the outputs developed by the Stakeholders Group.

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ICMA Comparative Performance Measurement - Benchmarking – Since 1995, the City of Long Beach has participated in ICMA’s Center for Performance Measurement annual survey of municipal service providers. ICMA’s Comparative Performance Measurement Project was established to assist local jurisdictions in collecting, analyzing and applying performance information. Over 100 cities and counties participate in the project and use the data collected from participating agencies to improve the way they conduct business.

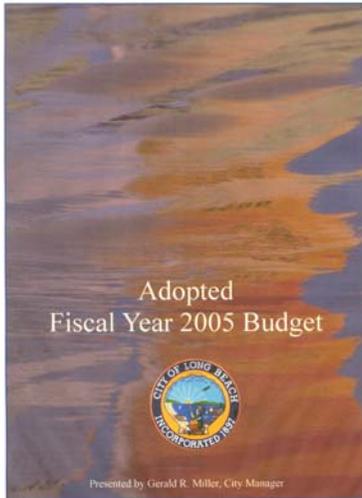
This survey puts Long Beach’s performance into a regional and national context, providing insight into how the City compares with benchmark jurisdictions in primary service areas. Benchmarks have proven to be an important tool as they allow the organization to make comparisons between industry leaders, conduct full analysis of performance gaps between the City and best-in-class performers, identify process differences and adopt changes in procedures required to make the City more competitive. Data collected by ICMA is used by department heads to help assess where improvements in service delivery can be achieved.



City Manager’s Annual Report to the Community – The Annual Report to the Community is a key communication tool used by the City Manager to disseminate information on the City’s progress during the past fiscal year towards accomplishing the goals of the 2010 Strategic Plan. The report highlights accomplishments grouped within each of the six major areas of the Strategic Plan – Business Growth & Workforce Development, Community Safety, Education & Youth, Neighborhood Development, Environment, and Network Technology, in addition to a section highlighting the City’s other significant accomplishments.

The annual Report to the Community specifically compares direct Strategic Plan inputs from the community and provides specific examples of how the City has responded. Since achieving the Strategic Plan’s objectives will be a multilateral process requiring the mobilization of Long Beach’s diverse community and business resources, the Report also identifies where non-governmental support is still required and how members of the community can help. It is envisioned that the Report to the Community will evolve into an annual Scorecard that uses the outcome indicators and other performance measures developed by the NCL Stakeholders Group as its basis.

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Annual Budget Development Process – The Budget is the most important policy document the City produces on an annual basis. The program and financial decisions it embodies must reflect the will of the community through the policy direction of the City Council. By developing an annual Budget based on agreed upon goals, strategies, priorities and principles that are shaped by community input, the City will be able to better focus its resources and efforts on those areas of the highest importance to the city.

This can only be achieved through a process that is open and transparent, that seeks and utilizes input from a diverse cross-section of the community, and offers ample opportunities for review and revision. The FY 05 annual budget process embodied these principles. Through a series of community outreach activities that began during the spring and extended through budget adoption on September 7, 2004 (over 60 public events, including Budget 101 workshops, Budget Summit II Community Voices and Budget Choices, a series of targeted Budget Oversight Committee meetings, neighborhood, board, committee and commission meetings, budget workshops and hearings, etc.) coupled with the early preview of the City Manager's Proposed FY 05 Budget, there has been an unparalleled number of opportunities for the community to review and comment on the basic assumptions of the FY 05 budget.

Going forward, through the increased use of department business plans, performance data, organizational and program financial models, policy guidance from the City Council and an even greater emphasis on community input, the Annual Budget Process will become the ultimate reflection of the City's commitment to Performance Management.

Community Involvement – Civic participation is a key factor in the quality of life for our community. One of the greatest challenges for public officials, especially given the current environment of public despondency with government, is to interact meaningfully with the residents and stakeholders it serves. Without an engaged public, it is difficult to create the partnerships needed between community and government to identify and address the diverse service needs of a large, multi-ethnic community. The City has learned through the development of the Strategic Plan 2010, the Plan and other community initiatives that connecting and consulting with the community enhances the City's ability to serve its various constituencies.

Creating a relationship between the community and its government that is meaningful, collaborative and mutually beneficial is one of the top priorities for the City Manager. While this may be a difficult task under the best of circumstances, it is important that the City take proactive strides toward bridging the gap in trust, cooperation and understanding that has developed in Long Beach over the past several years. An informed and active community providing critical feedback will ensure that all City activities are in alignment with the strategic objectives of the community, and are being implemented in a way that promotes transparency, deliberation and the health of the City for all residents.

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To this end, City Manager-directed departments have performed an internal review of how they communicate, solicit input and encourage interaction with the community in decision-making processes. Through the City's Speakers Bureau, I-710 community meetings, Airport workshops, interviews on Channel 8 – LBTV, special staff and program features in the *Long Beach Business Journal* and the extended budget process described above, significant steps have been taken to offer opportunities for the City and community to work together to solve neighborhood issues. The City is also working to develop an annual community survey. This survey will serve as a consistent measure for community satisfaction with the direction of the City and its services.

Once participatory mechanisms are firmly rooted within the City of Long Beach's business practices, as well as in the fabric of the community, the goals of transparency and accountability will become all the more achievable. All of these Performance Management Initiatives together form a coherent system of management practices that further promote transparency, accountability and enhanced public value in the services and programs the City provides.

Three-Year Financial Strategic Plan



Three-Year Financial Strategic Plan

I. Background

The City's Three-Year Financial Strategic Plan (Plan) is designed to be a fluid document that must be updated each year to reassess the projected structural deficit, confirm the validity of proposed reductions, add new ideas to address changes in the structural deficit, and make appropriate adjustments to ensure that the Plan reflects the input from the City Council and the community. This section is designed to provide an overview of the Plan, discuss what has changed since the Plan was first endorsed, and provide detailed information on the Plan's direction for the next two fiscal years. **Attachment A** to this section shows the Updated Plan model, and **Attachment B** contains detail by Plan reduction. Both attachments reflect restored programs as approved by the City Council on September 7, 2004.

II. Formation of the Three-Year Financial Strategic Plan

As the City Council adopted the FY 03 Budget in September 2002, they directed the City Manager to create the Plan to address the City's burgeoning structural deficit. The FY 03 Budget was adopted using \$43 million in one-time resources, and the City projected the deficit to reach approximately \$90 million over the next three years if the City took no action. Anticipated revenue losses from a declining economy and the voter-approved Utility Users Tax (UUT) reduction, coupled with increased costs such as insurance, retirement benefits, health care, and spending on City programs would contribute to this increased gap between ongoing revenues and expenditures. The Plan would need to eliminate the City's reliance on one-time revenues to balance its budget over a three year period by rationally and responsibly bringing spending in line with revenues. From the outset, the City Council was supportive of creating an inclusive process to develop the Plan, where all stakeholders could participate in devising strategies to reduce the deficit, while protecting core services and optimizing the organization.

The City Council called for the development of the Plan within three months. Departments began immediately evaluating their operations, defining their programs and services and determining the cost of each service. Employees were asked for their ideas through the Voluntary Idea Program (VIP) which garnered over 360 ideas from employees at every level of the organization. The City launched the Voice Your Choice Community Survey, gathering over 13,500 responses in an unprecedented community outreach campaign to educate the public on the situation and solicit their ideas and feedback. Departments used all this information to generate over 1,600 options to reduce the deficit, which the City Manager and his Executive Management Team used to build the Plan for the City Council's consideration.

The Plan was unveiled to the City Council on January 7, 2003. It contained proposals to solve approximately \$86 million of the then \$90 million structural deficit by 2006, with 83 percent of the solution derived from reductions in expenses, and the balance from increased fees, taxes or other revenue. Over the three years, approximately 487 positions were expected to be reduced, while every effort was made to enact structural changes to the internal organization before reducing services to the community. The Plan called for a 25 percent reduction in management over three years in the General and related funds (related funds are those that directly impact the General Fund), and \$11.3 million reduction in general administration and management costs by FY 06.

Since over 70 percent of all costs in the General Fund are related to employee salaries and benefits, employees were asked to be a part of the solution by setting a target of \$23.4 million in savings through changes in employee compensation, benefits and work practices. Optimization was a key aspect of the Plan, with a goal of \$6.9 million in changes in internal operations and organizational changes, and \$3.8 million in potential contracting-in/out opportunities.

Despite sizeable savings from internal City changes in operations, some non-core services were planned for reduction or elimination in the Plan. The Plan included reductions to: library services;

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public safety and support services; nominal reductions to non-critical public safety costs; arts and cultural programs; recreation services; communications, promotions and special events; and business services and attraction.

The Plan also included a number of outside reviews to solicit information on best-practices and help the City become more cost-effective in areas such as Fire Services, Workers' Compensation and Code Enforcement. Finally, the Plan recommended increases in fees to help recover costs, increased marketing and return on City assets, and select voter-approved taxes to help maintain an adequate level of core services. Some use of one-time resources was also recommended in the Plan to help the City make difficult changes over three years without having to devastate services or the organization in the process.

The City Manager and his staff presented the Plan to the City Council and held over 80 community meetings to brief community stakeholders on the potential impacts and to answer questions and collect input for the City Council's consideration. After two months of intense review, the City Council officially endorsed the Plan on March 25, 2003. For more information on the Three-Year Financial Strategic Plan please go to the following Internet website: www.longbeach.gov/finance.

III. Plan Accomplishments in FY 04

The City Manager used the first year of the Plan as the guide to create the FY 04 Budget. Departments were granted limited leeway to submit alternative reductions that might best reflect the feedback from the City Council, but the Budget was to very closely reflect the first year of the Plan. With the adoption of the FY 04 Budget, the City Council reduced \$41 million of the structural deficit, including solutions to mitigate City revenue losses from State of California's FY 04 Budget.

In FY 04, the City reduced \$28 million in expenses and realized \$13 million in new revenue for a total of \$41 million in reduced structural deficit, while decreasing reliance on one-time revenues from \$43 million in FY 03 to \$19.6 million in FY 04. The City successfully negotiated \$3.4 million in General Fund savings with the public safety unions, redeployed police officers back into patrol functions while saving significant dollars on overtime, and eliminated over 170 positions, (including 28 management positions), while avoiding layoffs. Other examples of reductions to the organization included eliminating over 225 vehicles in the City's fleet, and hundreds of thousands of dollars worth of cell phones, pagers and other equipment. The City also deferred some funding for capital projects and facility maintenance.

As recommended in the Plan, the FY 04 Budget included reductions in non-core City services. The City reduced recreation spending to outside agencies such as the Forklorico youth dance program, Pools of Hope swimming program, and the Long Beach Unified School District's summer recreational playground program. Other recreational reductions included the staffing at the Nature Center, Senior Olympics and OlympiKid programs. The City also began reductions in support of the arts, with \$530,000 in total reductions to the Public Corporation for the Arts, the Long Beach Museum of Art, the Municipal Band and related arts support costs. The City implemented a rolling closure model for libraries, where each branch library strategically reduced one day of service on the day that other libraries in the area would be open. This model saved significant dollars while mitigating the impact to the community by providing an opportunity for library patrons to utilize other libraries in the area. The Library also eliminated Sunday service at Bay Shore and Main Libraries

Higher fees were implemented for certain services to better recover costs and to avoid increasing taxes on the community. Revenue targets were determined for marketing and sponsorship opportunities, which staff began developing over the last year. Finally, increases in parking citations and fees to match those of comparable cities generated additional revenue for the City, and the City's General Fund benefited from the South East Resource Recovery Facility's (SERRF) increased profits.

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IV. Increase in the Structural Deficit

Since the City Council endorsed the Plan and as communicated during the FY 04 Budget adoption process, the City has experienced growth in its structural deficit projections. The Endorsed Plan had calculated a three-year deficit of approximately \$90 million. In March 2003, the City communicated that deficit had increased by approximately \$15 million to \$105 million. This increase was almost entirely attributed to additional growth in skyrocketing national health care costs, high premiums for general liability insurance and workers' compensation expenses. However, during FY 04 the City benefited from approximately \$3 million in structural deficit relief through State legislative changes in workers' compensation laws as well as reduced debt service. This brought the three-year projected deficit down to approximately \$102 million. After accounting for the \$41 million in structural reductions the City Council implemented in FY 04 as part of the first year of the Plan, the City currently estimates the remaining structural deficit at approximately \$61 million to be solved in FY 05 and FY 06. Table 1 shows numerically how the structural deficit has changed over the past two years.

Table 1: Changes in the Structural Deficit Since March 2003

\$90 million	Projected Three-Year Deficit in January 2003
+\$15 million	Plus Higher Workers' Comp and Insurance Costs as Communicated in Spring 2003
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\$105 million	Projected Three-Year Deficit in June 2003
- \$3 million	Savings From Legislative Changes, Reduced Debt Service
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\$102 million	Projected Three-Year Deficit in June 2004
-\$41 million	Plan Year One: City Council-Directed Deficit Reductions Implemented in FY 04 Budget
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\$61 million	Deficit to be Solved FY 05 and FY 06

V. Updating the Plan

As mentioned earlier, the Plan is designed to be a fluid document that must be updated each year to reassess the structural deficit, confirm the validity of proposed reductions, add new ideas to address changes in the structural deficit, and make appropriate adjustments to ensure that the Plan reflects the input from the City Council and the community. In January 2004, the City Manager directed his departments to review items in the Plan and develop new ideas to solve the incremental increase in the structural deficit. Departments used the City Council's stated goals, the community's input and the City Manager's goals as a general guide to update the Plan and to ensure that the Updated Plan would be representative of stakeholder interests.

Each department designed an employee involvement mechanism, with the goal of including employees in the creation of new Plan solutions. In some smaller departments, staff met with each employee on an individual basis to brainstorm ideas. In others, departments sent out surveys and comments cards to employees to solicit their input. Other departments set up focus groups with employee representatives to generate ideas. Since each department is unique in how they are structured, the City Manager afforded each department the ability to structure this employee outreach process to best fit their unique needs.

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The City Manager and his Executive Management Team used this input to generate an updated Plan for the City Council. The updated Plan maintains to a large extent the direction of the Endorsed Plan, yet incorporates approximately \$12 million in new ideas spread over FY 05 and FY 06 to account for much of the incremental structural deficit. Where the Endorsed Plan solved all but \$4 million of the original \$90 million, the updated Plan solves all but \$671,000 of the projected \$102 million structural deficit by the end of FY 06. Given the number of ballot initiatives on the November 2004 ballot and the likelihood of achieving voter approval, the updated Plan also defers almost all revenue resulting from voter-approved taxes to FY 07 and does not count them as part of the solution, as April 2006 would be the next available opportunity for general tax increases to appear on the ballot.

A status report on the Plan was presented to the City Council on March 16, 2004 and the updated Plan was presented to the City Council on June 15, 2004. This provided an opportunity for the City Council to hear the City Manager's recommendations, ask questions and provide input on the updated Plan as a preview of the FY 05 Budget.

VI. Budget Summit and Community Involvement

On July 10, 2004 the City previewed the FY 05 Proposed Budget for the community at the second annual *Budget Summit II: Community Voices and Budget Choices* workshop. This event was designed as an opportunity to inform the community on upcoming changes to the Budget before it is officially presented to the City Council in August, answer questions and solicit feedback. Approximately 120 members of the community attended the three-hour workshop to discuss core services maintained through the FY 05 Proposed Budget as well as reductions recommended in the updated Plan. Community members also had the opportunity to ask direct one-on-one questions to department directors and City officials in areas including the following service areas:

- Community safety
- Employee impacts, service optimization and resource development
- City maintenance, physical and technological infrastructure
- Neighborhoods business and health communities
- Arts, recreation and library services
- Utility operations

This community Budget Summit was only one component of the outreach efforts scheduled during the FY 05 budget process. From May through August, the City Council and the Budget Oversight Committee scheduled public meetings to discuss the updated Plan and FY 05 Proposed Budget in detail. The Mayor and City Council held additional public budget workshops and hearings in August and September to discuss the Plan's impacts, make recommendations and adopt the updated Plan with the FY 05 Budget.

VII. Changes Since the Presentation of the Proposed Updated Plan

Since the presentation to the City Council on June 15, 2004, the City Manager has recommended changes to the updated Plan and FY 05 Budget. The Endorsed Plan called for \$23.4 million in employee contributions, benefits and work practices reductions, spread over the three years. In FY 04, the City was successful in partnering with the public safety and management employee unions to generate the targeted \$3.4 million in savings. The target for FY 05 was originally set for \$15 million, as this year the City resumes payments into the PERS retirement system, estimated at \$33 million for the General Fund. At the community Budget Summit, the City Manager announced a plan to defer \$10 million of this goal to FY 06, in order to allow the organization to focus on several other key changes and optimization efforts that are included in the FY 05 Budget. Employees are still expected to partner with the City to find \$5 million in savings this year, particularly in the area of health insurance reform, and the target for employee contributions remains at \$23.4 million over the

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three years, with a new goal of \$15 million for FY 06. The City Manager used unexpected one-time increases in revenues from FY 04 oil and SERRF profits, combined with increased statutory property tax pass-through revenue in FY 05, and accelerating one-time resources planned for FY 06 (such as early repayment of the Airport loan) to balance the impact of this realignment of the Plan. This realignment equalizes changes over three years, allows the City to work this year on health care costs with the employees, and maintains the three-year goal of having employees be an integral part of the solution to the structural deficit.

VIII. Structural Deficit Reductions for FY 05

FY 05 will be one of the most challenging for the City. Last year the City was able to make significant reductions to the structural deficit through reductions in administration, internal operations and non-core services. In FY 05, the City continues to make reductions in internal City operations, administration and management, yet impacts to non-core services will be greater than last year. The updated Plan also recommends eliminating approximately 191 positions in FY 05. While the City eliminated over 170 positions in FY 04, most positions were vacant and the City was able to reduce positions without impacting employees. The City has identified that of the 202 positions identified for reduction next year, approximately 80 percent are either an elimination of a vacancy or a vacancy exists in another classification into which the individual can transfer. The City Manager has developed an Employee Transition Team and has dedicated resources to enhance transition efforts, but transition will be a more challenging task in the future. The City is committed to working with every impacted employee to either transition them to a new position within the City or help them achieve outside employment if no internal opportunities exist.

The City also expects to achieve significant savings in FY 05 through continued optimization of City services. Increasing return on assets will also provide new revenue that is not generated by fees or taxes paid by the community. The City will continue to adjust fees to more appropriately recover costs, which will allow the City to continue to provide quality services. Core services also remain protected in the FY 05 Budget. The community will continue to enjoy excellent police and fire protection, planning and building services, health services, street and traffic services, refuse, and many other core municipal services.

To see a more detailed description of the reductions included for FY 05 by category, please see **Attachment B** of this section or refer to the individual department chapters in the Budget book for department-specific reductions.

IX. Structural Deficit Reductions for FY 06

The FY 05 Budget will address \$22.8 million of the \$58 million structural deficit for the year. Approximately \$25.1 million in unsolved deficit will carry forward into FY 06, coupled with a projected \$3.2 million in additional cost growth. Together, this creates a projected \$28.3 million deficit to solve in FY 06.

In order to address the FY 06 structural deficit, the updated Plan envisions \$25.2 million in cost reductions and \$2.5 million in new revenue for a total structural deficit reduction of \$27.7 million in FY 06. In the area of general administration and management the City will save \$1.1 million through additional management reductions, support staff and contract expenses. In employee compensation, benefits and work practices the City will partner with employees to find \$15 million in savings, as well as reducing or eliminating the City's retirement counseling and employee assistance programs. The Plan has set a goal of \$1,000,000 in optimization or contracting in/out opportunities for FY 06, and will work this year to continue and improve the collaborative process with employees to hit this target.

Three-Year Financial Strategic Plan

Operational and organizational changes continue to be a focus for the City, and the Plan sets a goal of \$1.7 million through additional savings from the Workers' Compensation study, changes in Financial Management utility meter reading and billing operations, and other changes in multiple departments. The City will find an additional \$648,000 savings in reductions in Capital improvement projects, either through reductions in non-core projects or exploring alternative funding sources. Staff will reexamine the recommendations from the Fleet study this year and will work to identify an additional 230 vehicles that can be eliminated from the City's fleet in FY 06, saving approximately \$817,000.

In Recreation Services, the Plan calls for \$171,000 in various reductions to contract classes, Discover Long Beach parks programs, camp programs, and other recreational programs. The Main Library is expected to be closed an additional day each week, saving \$238,000. For public safety support and related services, the Police Department will continue to make reductions in non-sworn staffing; and in Parks, Recreation and Marine a reduction of the citywide Park Ranger Program back to historical levels will save a total of \$3 million. Support of arts and cultural programs will continue to be reduced, as the City completes the planned reduction amounts to the Public Corporation for the Arts and the Museum of Art. The updated Plan also recommends the restructuring of the Municipal Band from a group of City employees to one which utilizes a diverse pool of local talent to play each week throughout the city during the 6-week summer program. These arts and cultural reductions are expected to generate \$677,000 in savings in FY 06. In the area of code enforcement the City will continue to implement the recommendations of the Code Enforcement Study, and expect to achieve \$750,000 through continued optimization and reengineering of this service.

The updated Plan calls for \$1.1 million in new revenue from an increase in the Transient Occupancy Tax (TOT) from 12 percent to 15 percent, with 1 percent going into the City's General Fund. This tax increase requires a vote of the community.

While budget reductions will require reassessment as the FY 06 Proposed Budget goes into development, it is clear that if the City stays true to the course established through the Endorsed and updated Plans, the City will have eliminated \$101 million of its \$102 million projected budget deficit by the end of FY 06. This will be accomplished through a measured strategy that protects core services, is centered in the interests of the community and City Council, involves employees at all levels of the organization in the solution, and minimizes the impacts on City employees to the greatest extent possible. At the end of FY 06, the City will be operating in a more optimized and focused manner, and in a much better position to secure and protect the City's services and assets well into the future.

Updated Three-Year Financial Strategic Plan Model

Category	FY 04		FY 05		FY 06		Three Year Total		% of the Solution
	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
<i>Estimated New Structural Budget Gap</i>	\$16,755,000		\$39,000,000		\$3,200,000		\$101,955,000		
<i>Structural Deficit Remaining from Prior Year</i>	\$43,000,000		\$18,930,534		\$25,128,584				
Total Structural Budget Gap	\$59,755,000		\$57,930,534		\$28,328,584				
<i>Carry-over from Previous Year</i>	(\$9,500,000)		(\$10,069,017)		(\$1,916,000)				
<i>Backfill from State VLF Loss</i>			(\$7,700,000)						
Current Year Budget Gap	\$50,255,000		\$40,161,517		\$26,412,584				
General Administration and Management	(\$7,153,614)		(\$3,873,069)		(\$1,143,071)		(\$12,169,754)		12.0%
Employee Compensation, Benefits & Work Practices	(\$3,383,498)		(\$5,109,290)		(\$14,994,316)		(\$23,487,104)		23.2%
Contracting Opportunities	(\$1,199,229)		(\$1,791,500)		(\$1,000,000)		(\$3,990,729)		3.9%
Operational and Organizational Changes	(\$5,384,697)		(\$4,710,695)		(\$1,739,392)		(\$11,834,784)		11.7%
Capital Projects and Infrastructure	(\$163,200)		(\$2,241,568)		(\$647,736)		(\$3,052,504)		3.0%
Maintenance Reductions	(\$518,365)		(\$1,578,226)				(\$2,096,591)		2.1%
Materials, Supplies and Equipment	(\$3,948,483)		(\$1,683,036)		(\$816,600)		(\$6,448,119)		6.4%
Recreation Services	(\$590,352)		(\$598,546)		(\$170,740)		(\$1,359,638)		1.3%
Library Services	(\$853,964)		(\$394,060)		(\$238,426)		(\$1,486,450)		1.5%
Public Safety Support and Related Services	(\$3,443,499)		(\$1,399,729)		(\$2,991,246)		(\$7,834,474)		7.7%
Public Safety Emergency Services	(\$155,009)		(\$1,826,906)				(\$1,981,915)		2.0%
Arts and Cultural Programs	(\$529,194)		(\$50,000)		(\$677,462)		(\$1,256,656)		1.2%
Communication, Promotions and Special Events	(\$203,253)		(\$144,739)				(\$347,992)		0.3%
Business Services and Attraction	(\$275,605)		(\$71,326)				(\$346,931)		0.3%
Code Enforcement	(\$223,656)		(\$464,217)		(\$750,000)		(\$1,437,873)		1.4%
TOTAL EXPENDITURE REDUCTIONS	(\$28,025,618)	-174	(\$25,936,907)	-202	(\$25,168,989)	-68	(\$79,131,514)	-444	78.1%
Return on Assets & Marketing Opportunities	(\$6,032,068)		(\$2,289,630)		(\$1,388,371)		(\$9,710,069)		9.6%
Implementation of New Fees	(\$225,440)		(\$3,400)				(\$228,840)		0.2%
Increases in Existing Fees	(\$6,541,340)		(\$4,572,013)				(\$11,113,353)		11.0%
New or Increased Taxes					(\$1,100,000)		(\$1,100,000)		1.1%
TOTAL REVENUE ADJUSTMENTS	(\$6,766,780)		(\$4,575,413)		(\$1,100,000)		(\$12,442,193)		12.3%
Impact to the Structural Deficit	(\$40,824,466)		(\$32,801,950)		(\$27,657,360)		(\$101,283,776)		100.0%
One-time Revenues/Transfers	(\$19,581,119)		(\$11,361,910)		(\$300,000)		(\$31,243,029)		
Total Cost/Revenue Adjustments (including one-time)	(\$60,405,585)		(\$44,163,860)		(\$27,957,360)		(\$132,526,805)		
FY 04 One-Time State VLF Shift	\$7,700,000								
Funding of Infrastructure Reserve			\$200,000						
Carry-over Fund Balance Target	(\$10,069,017)		(\$1,916,000)		(\$1,544,776)				
STRUCTURAL DEFICIT REMAINING	\$18,930,534		\$25,128,584		\$671,224				

*This model includes the proposed reinstatements and additional structural deficit reductions recommended in the City Manager's memo of September 7, 2004.

Description of Three-Year Plan Implementation: Year Two (FY 05)

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
General Administration and Management	(\$3,873,069)	-30.6	10.8%

In the first year of the Plan, the City reduced general administration and management costs by approximately \$7.2 million. For FY 05, the City Manager proposes to reduce an additional \$3.9 million and 31 positions (FTE) through reductions in supervisory and administrative staffing, training, technology, contracts, and management positions.

Specifically, the FY 05 Budget continues to reduce overtime, contracts and other non-personnel expenses in multiple City departments saving approximately \$384,000. Examples include reducing consulting services for the update of the General Plan; legal, insurance, and legislative advocacy consulting services; and overtime in the Departments of Technology Services and Human Resources. Reductions in technology related expenses such as voice communications and Internet-related savings is expected to generate \$203,000 in savings, as well as \$300,000 savings in the renegotiated local service agreement with Verizon.

Reductions in citywide employee training programs will save \$62,000 and include significantly less funding for the Executive Training Program and employee customer service training. Reductions in supervisory, administrative and clerical staff throughout the City compose the majority of the reductions in this area, as the City Manager continues to direct departments to consolidate positions and optimize administrative functions. FY 05 changes in this area will save \$1.5 million and eliminate 22 positions. Examples include reductions in administrative and investigative support for the Citizen Police Complaint Commission (CPC); elimination of the volunteer supervisor and support for the Maintenance Bureau in the Parks, Recreation and Marine Department; downgrading various positions to lower classifications; eliminating supervisory positions in Financial Management customer service; reductions in various administrative positions in the Police Department such as records clerks and photographers; and reducing a Clerk Typist in the Civil Service Department.

Reductions in management throughout the organization continue to makeup a significant portion of overall cost reductions in the FY 05 Budget. The Plan called for management positions to be reduced by 25 percent, or approximately 48 positions, in General and Related fund programs over the three year period. For FY 05, the City Manager will eliminate approximately eight management positions through reorganization and consolidation of department responsibilities and collapsing single-focused management positions with other managerial responsibilities. Examples include consolidating the Directors of Energy and Oil Properties into one position, eliminating a General Superintendent in the Recreation Bureau, reorganizing the Long Beach Energy Department and eliminating the Manager of Energy Services, and downgrading a number of management positions to classified positions, such as the Financial Management Revenue Officer, Emergency Medical Services Officer in the Fire Department, an Administrative Assistant to the City Manager, and the Office Services Officer overseeing Reprographics in Technology Services.

The City will experience impacts from reductions in these areas. Fewer administrative support staff will create increasing workload for remaining staff. In some cases, work previously performed may have to be deferred, delayed or discontinued. It is anticipated that reductions in this area will result in increased response times to requests for information and special studies. Ad hoc analyses currently performed on a routine basis for the Mayor and City Council, City Manager and other departments will have to be prioritized, as resources currently in place to perform these will be reduced. Departments will also have fewer opportunities for training employees for FY 05, as the

City looks to maximize training resources to continually provide opportunity for employee development.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Employee Benefits and Work Practices	(\$5,109,290)	-0.9	15.5%

The Plan calls for a total of \$23.5 million in reductions in employee benefits and work practices over three years. This reduction was a direct result of the input received from the "Voice Your Choice" survey. A vast majority of the written comments suggested that employees provide a greater contribution to the benefits they receive, or that some benefits should be curtailed to be more inline with current market conditions. The goal for FY 05 was originally \$15 million; however, the City Manager felt it necessary to defer \$10 million of this target to FY 06 to allow the organization to focus on the other changes and challenges outlined in the FY 05 Budget and provide adequate time to negotiate the significant changes being recommended. For this fiscal year, the City will work with the employee unions with a target to achieve \$5.1 million in General and Related Fund savings, primarily focused on the area of health insurance. Any changes of this nature must be reached through negotiation with the labor unions and negotiating teams will be meeting with each union to discuss potential options. In addition, a reduction in special training, clerical and consulting expenses for the City's Employee Assistance Program (EAP) will achieve \$73,890 and reduce 0.9 of a position in FY 05.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Contracting Opportunities	(\$1,791,500)	71.6	5.4%

Past experience with contracting of services has proven to be an effective means of reducing costs not only without negatively impacting service levels, but in some cases actually improving service delivery. The FY 05 Budget suggests further contracting of functions that have been successful for the City in the past, as well as other areas where contracting will allow the City to staff for normal workload while contracting for peak loads.

Opportunities for contracting in FY 05 include facility maintenance, park grounds and street island landscaping. In FY 04, the City Council approved contracting the remainder of parks grounds and street island landscaping. As a result, \$822,000 in annual savings will be realized and approximately 27 positions are removed from the FY 05 Budget. This service was contracted after months of intense review, including multiple employee meetings that afforded the opportunity for employees to submit a proposal to provide the services on a competitive basis. The City Council decided to contract the service and employees in impacted positions were transitioned to other positions.

Contracting or optimizing facility maintenance is another option which is expected to save \$813,000 and reduce 42 positions. This would cover multiple sites including the Companion Animal Village, the Multi-Service Center for the Homeless, the Health Facilities Center, City Hall, City Hall East and park facilities. The Health Department plans to optimize occupational health physician services to save \$37,000 by also reducing one City physician and contracting for private physician services in order to more cost-effectively handle peak loads. Finally, the Public Works Department will reduce minor in-house cement repair and contract with the private sector to provide the service saving \$119,000 and reducing two positions.

The Contracting Committee, established in FY 04, is tasked with overseeing contracting opportunities, and is working with an Employee Transition Committee to ensure that potentially affected employees be given an opportunity to participate in the contracting evaluation and work-process review. In addition, should these functions be contracted-out, every effort will be made to transition impacted employees to other City operations. The City has been diligent in holding positions vacant citywide in an attempt to provide as many transition opportunities as possible. The City Manager has also dedicated a staff member to work closely with employees during this review and transition process. Efforts are also being made to explore options to optimize or contract-in services that could generate revenue to offset overhead costs. These include functions such as refuse, select fleet services and wireless communications for the Long Beach Unified School District.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Operational and Organizational Changes	(\$4,710,695)	24.12	14.3%

Streamlining operations and reducing duplication in the organization are also key elements necessary to realize savings called for in the updated Plan. Examples of operational changes in FY 05 include reorganizations, shifting eligible General Fund costs to alternative funding sources, optimization opportunities, reduction in technological support, reduction in energy costs and structural changes in City operations.

In FY 05 the City will continue to reorganize to save money and provide streamlined services to the community. Reorganization opportunities in FY 05 are projected to save approximately \$328,000. For example, in FY 04 the City Manager approved redesigning the Long Beach Energy Department through consolidation with the Department of Oil Properties and moving Environmental Services and Fleet Bureaus back to the Department of Public Works. Other examples include moving the Diversity Outreach Officer from Financial Management to Community Development and reorganizing facility center supervision in the Department of Health and Human Services.

Ensuring full cost recovery from eligible alternative funding sources will save approximately \$1.5 million through directing charges to other City funds to better assess and recover costs. Examples include allocating the full costs of helicopter services to the Tidelands and Harbor Funds in proportion to services they receive, and shifting administrative costs in the Public Works Department to Transportation and Airport funds.

Optimization of City services continues to be at the forefront of the updated Plan, and the FY 05 Budget includes \$1.4 million in such opportunities. Candidates in FY 05 include optimizing school crossing guards to save at least \$200,000 in FY 05 and \$650,000 in FY 06, changing the City's utility meter reading cycle from monthly to bi-monthly saving \$150,000, and optimizing the Fleet Services parts room for a structural deficit savings of \$180,000. The City will also continue to implement the recommendations from the Workers' Compensation study and have set a target of \$500,000 of savings from installing a new computer management system and changing the way claims are handled. The City will continue to use examples of best practices from other cities, employee review, suggestions and innovative ideas to maximize optimization efforts throughout the City to reduce costs and improve efficiencies.

The City Manager proposes further reductions in technological support services such as application support, software maintenance, wireless communications, document imaging and the City's internal

computer Help Desk, saving approximately \$500,000. The Technology Services Department will continue to provide quality service to City departments, but may experience some delays in service.

Finally, the City Manager will reduce energy costs and make reductions in certain internal operations to achieve structural savings in FY 05. Reducing energy costs at City Hall East and City Parking Garages by installing more efficient lighting, turning off lights after working hours and installing motion detector lights is expected to save \$210,000. Various reductions in operational costs such as debt service, staffing reductions in the Department of Financial Management Commercial Services Bureau and the continuation of the three-year phase out of the costly compressed natural gas program is expected to save approximately \$784,000 and reduce five positions.

These operational and organizational changes may impact current service levels, particularly to other City departments and functions, but will result in significant cost savings with minimal impacts in service to the community. The main goal of these changes is to reduce operating costs so that core and critical services continue to receive funding priority.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Capital Projects and Infrastructure	(\$2,241,568)	-2.5	6.8%

In FY 05 the City will reduce approximately \$2.2 million in General and Related Fund dollars for capital projects and infrastructure. Almost half of this amount comes from identifying alternative funding sources such as Business License Tax and Community Development Block Grant (CDBG) funds to supplant General Fund dollars in the \$3 million sidewalk program. Under this proposal, the sidewalk program remains fully funded, but the City will utilize other funding sources to fund this critical capital need.

Other reductions in this category include deferring non-critical gas infrastructure maintenance, reducing funding for Park irrigation systems and playground equipment, reductions to wireless infrastructure, and eliminating 2.5 positions in inspection and project management. Also included for FY 05 is the suspension of funding for the \$250,000 mini-park development program, to avoid reductions to programs that are more core to Parks, Recreation and Marine Department's mission.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Maintenance Reductions	(\$1,578,226)	-19.0	5.4%

In FY 05, the City will implement a new maintenance strategy that will rely less on specialized positions, implement improved central planning, shift resources to other City funds, and provide critical maintenance needs with fewer staff for City facilities. To achieve savings in these areas, it is proposed to reduce vacancies in the plumbing, heating, venting and air conditioning (HVAC), electrical, painting and carpentry services. City staff will provide for the core needs of facilities, but the City will contract for specialty maintenance requirements. Reductions in these areas will save approximately \$1.26 million and eliminate 19 vacant positions. The City Manager also proposes to shift maintenance positions to the airport to service HVAC units, provide back-up to the Airport electrician in helping maintain a working airfield lighting system, and provide general maintenance services. This transfer to the Airport will save the General Fund \$319,000 and help address the Airport's current maintenance requirements.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Materials, Supplies and Equipment	(\$1,683,036)	0	5.1%

The City will make reductions in technology expenses and fleet services totaling \$1.7 million for FY 05. A comprehensive outside review of the City's fleet by an expert consultant was conducted during FY 04, and over 225 vehicles were identified for reduction in FY 04. This year, another \$272,000 in savings from downsizing and/or eliminating certain vehicles will be achieved, while giving departments the goal of reducing another 230 or \$816,000 in vehicles in FY 06.

A large majority of the savings in this area will come from reductions in technology equipment and debt service, personal computers, printers and further savings from extending the computer replacement cycle implemented in FY 04. These reductions total \$1.4 million and will not affect any positions. Departments will need to plan better for their technology needs, and also evolve operations to better utilize cost-effective technology.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Recreation Services	(\$598,546)	-21.6	2.2%

Reductions to recreation programs total \$598,546 in FY 05, though direct impacts to youth programs have been minimized or alternatives have been identified in response to the City Council's expressed desire to limit program reductions affecting this population. At the core of these reductions is an effort to restructure programming in community parks with a greater emphasis on neighborhood needs and equitable distribution of resources. Over the years, park budgets have been increased by enhancements and/or past discretionary funds, which has led to a significant inconsistency between park budgets. For FY 05, the Department of Parks, Recreation and Marine categorized each park into one of three categories based on square footage of the community center, levels of programming, and amenities. Each type of park was allocated an equal amount of staff and non-personal costs based on these criteria. An emphasis was placed on keeping parks open for after school and summer recreation, and youth sports were also reorganized to be more park-centered. Staff's approach will help each park site become a neighborhood-centered facility and create an identity with the surrounding community, while saving \$128,000.

According to the direction of the Mayor, Budget Oversight Committee and individual Councilmembers during the budget adoption process, the Gang Prevention Program will be optimized to focus on the involvement of youth in positive recreational and community service activities, generating approximately \$382,000 in savings.

For FY 05 the City will also provide less support for Rancho Los Cerritos, saving a total of \$40,000. These reductions would curtail the budget for supplies and materials, horticultural services, and staff responsible for public relations, marketing and providing weekend support to the Rancho. The Rancho will have to supplement this reduction in funding by reallocating existing staff and potentially increasing fundraising efforts. Finally, the City will reduce the Discover Long Beach Program from ten schools to five, reducing an enhancement to this service in FY 02 that was never fully implemented. This reduction will generate \$49,000 in structural savings and no adverse impact is expected.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Library Services	(\$394,060)	-1.5	1.7%

The FY 05 Proposed Budget includes further reductions to library services funding. While no reductions in library services were originally planned for FY 05 in the Endorsed Plan, the increased structural deficit made it necessary to explore other reductions in the Library while continuing to provide core services to the community. For FY 05, cost saving measures include further reductions in materials and book purchases; utilization of non-General Fund support for library technology needs; and reductions in Library administrative support staffing. The reduction in materials and book purchases represents \$187,000 and a 14 percent reduction from FY 04 levels. The Library will continue to have a budget of \$1.2 million for the next fiscal year, but due to the reduction is expected to purchase 16,000 fewer items. Using non-General Fund dollars to fund technology needs such as theft-detection systems, self-checkout machines and wireless computer networks will save \$142,000. Finally, reducing administrative staffing will save \$64,000 but will impact the Department's coordination of the Community Resource File (CRF) project and may delay the availability of materials for library patrons.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Public Safety Support and Related Services	(\$1,399,729)	-22.2	5.6%

While every effort has been made to hold funding for emergency response intact, public safety functions comprise well over 60 percent of the City's General Fund budget, with just over 1,900 of the General Fund's 3,200 employees assigned to the Police and Fire Departments. Given the size of the deficit it is not possible to reduce the gap without reducing public safety department budgets. In order to realize needed savings without reducing sworn police and fire emergency response staffing, support staff, non-personnel costs, and non-core programs must be reduced. Civilian reductions in these departments will be closely monitored to ensure minimal impact on core services.

The Police Department will employ a different service provision model for Police substations in the evening hours, by automating service with a direct telephone connection to the main police station for visitors between the hours of 7:00 p.m. and 7:00 a.m. and eliminating staff during this typically low demand period of walkup customers. The Police Department will also reduce security guards at City Hall by approximately 50 percent for FY 05. It is expected that with the return of the Police Department to the Public Safety Building adjacent to City Hall, this will not have any effect on their ability to quickly respond to potential incidents. Together these changes in service delivery will save approximately \$980,000.

Other reductions in this category include reducing non-sworn Police Investigator Non-Careers that help support the academy's background and pre-employment investigation efforts, and elimination of the in-house food services staff for the jail by continuing the current food services contract. The City Council approved enhancement to the FY 04 budget of \$200,000 for the Graffiti Abatement Program remains fully funded in FY 05. In FY 06, the update Plan recommends the elimination of the PAL and DARE programs, funding for which was maintained by the Mayor and City Council for FY 05.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Public Safety Emergency Services	(\$1,826,906)	-3.0	5.5%

The only reductions in public safety emergency services relate to optimization of the Long Beach Fire Department, which is projected to save at least \$1.8 million in FY 05. The City is currently engaged in a Fire Services study which will be presented to the City Council in January 2005. This study is designed to generate specific recommendations to optimize Fire operations, with a target of saving \$1.5 million for FY 05. This comprehensive review examines staffing, station locations, support services, employee and management practices, revenue and a multitude of other areas in an effort to provide appropriate cost-effective Fire Services to the community.

One area of optimization that the Department feels can be implemented immediately in FY 05 is the standardization of ladder truck staffing citywide. During the last year, the Department operated one of four ladder trucks with five staff on the apparatus, while the other three trucks operated with the standard four personnel. For FY 05, the Department will standardize all trucks to operate with four personnel and reassign the fifth person to other floor vacancies in the City. This will save \$291,000, while not negatively impacting service levels or employees, as other trucks are already operating on this model.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Arts and Cultural Programs	(\$50,000)	0	0.2%

In FY 04, the City worked with the arts community to develop a Community Arts Funding Strategy to identify non-City funding sources and entities that can assist in stable, long-term funding for their programs. For FY 05, the City will reduce its annual support to the Public Corporation for the Arts (PCA) and the arts and culture community by \$50,000. In the Endorsed Plan this FY 05 reduction was contemplated for \$300,000. The updated Plan shifts \$250,000 of the reduction into FY 06, allowing the arts community more time to implement the Community Arts Funding Strategy to help supplement funding for the arts in Long Beach. Remaining PCA funding will total \$600,000 for FY 05, which represents a 10 percent reduction from FY 04.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Communication, Promotions and Special Events	(\$144,739)	-1.0	0.4%

The City Manager will reduce the Business Development section in the Long Beach Energy Department saving \$145,000 and reducing one position. This section is one of many that handles requests for information from the community regarding their natural gas bills and produces publications for distribution to the community. Through the reorganization of the Department, this service will be delivered by the Gas Services and Business Operations Bureaus as well as the Department of Financial Management's Commercial Services Bureau.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Business Services and Attraction	(\$71,326)	0	0.2%

Retention of existing businesses and attraction of new businesses is a high priority goal for the City. The City's 2010 Strategic Plan and economic development policy both stress having a proactive economic development effort. Given this policy direction, proposed reductions in this category are modest, saving approximately \$71,000 in FY 05. The Department of Community Development will reduce General Fund spending on financial feasibility analysis in the Project Development Division, and in the Economic Development Bureau, the Department proposes to make modest reductions of \$40,000 in General Fund funding for international trade and retail marketing. Despite these reductions, there are many other sources of funding for Business Services and Attraction, which the City will use to encourage and support retention and attraction of business in our community.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Code Enforcement	(\$464,217)	-4.4	1.4%

The FY 05 Budget incorporates the findings of the Code Enforcement and Nuisance Abatement Study, one of the major optimization initiatives undertaken during FY 04. The report recommends realigning the organization around a neighborhood-based enforcement approach, combining proactive and reactive strategies to improve accountability, streamline prioritization, eliminate duplicative efforts and improve overall resource management. Next year the City will begin to phase-in a new classification of generalist code enforcement aides to handle simple property maintenance cases, which comprise the majority of all cases. The City will also consolidate staffing from the departments of Planning and Building and Health and Human Services within a new Code Enforcement Division in the Department of Community Development. This will reduce administrative and inspection duplication, encourage better collaboration, and will utilize non-General Fund resources to support on-going and expanded proactive Code Enforcement programs. In time, a new Inspection On Sale Program will be created to leverage real estate transactions to compel abatement. After realignment of the organization and inspection programs, the City expects to be able to provide code enforcement services with fewer staff than under the current model.

While it will take up to three years to achieve all of these recommendations, immediate steps are underway to begin the organizational and service delivery transformations to begin achieving positive results toward meeting the study's objectives. Implementing the first phase of these recommendations is expected to generate \$464,000 in savings during FY 05.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Return on Assets & Marketing Opportunities	(\$2,289,630)	0	6.3%

The City Manager has increased efforts over the past year to find areas to maximize the return on City-owned assets. These efforts will generate substantial revenue for the City that are not new fees or taxes paid by the community. For the next fiscal year, the City will receive an additional \$846,000 from the Water Department through Pipeline Permit Fee revenue; receive additional

\$40,000 from a Community Hospital Loan repayment; and \$800,000 in additional Redevelopment Agency property tax increment pass-through money. The City will also benefit from increased ongoing Los Angeles County Bond subsidy for parks maintenance, and plans to work with developers to help support the Department of Community Development's Project Development Division, who directly benefit from their services. Other opportunities include revenue from the Boeing parking lot, increased structural towing transfer, and leasing clinic space at the West Facility center will generate a combined \$425,000. Finally, the City will generate approximately \$85,000 in street sweeping revenue by filling vacant revenue generating positions. These items will help the City reduce the structural deficit by \$2.3 million, and are not expected to have any negative impact on services or City operations.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
New Fees	(\$3,400)	0	0.0%

The FY 05 Budget includes only \$3,400 in new fees for service in the next fiscal year. While the City is actively reviewing the City's fees through the Fee Study, almost all of the recommendations thus far have concentrated on increasing existing fees rather than implementing new fees. The new fees for next year at the Library include charging for new color printing abilities at public libraries, searching for obituaries in City databases, and fees associated with faxing or mailing a piece of music. The Animal Control Division in the Department of Health and Human Services will charge a new fee for disposal of trapped wildlife for commercial trappers, and court-related fees that will recover costs associated with investigations for animal-related court cases such as cruelty, vicious animals, and noise.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
Existing Fees	(\$4,572,013)	0	13.3%

In order to achieve reductions to the structural deficit, increases in some penalties and fees are included for FY 05. No existing taxes will be increased in FY 05. The fee increases included are designed to recover the cost of providing the associated service, and in no cases would the fees exceed such costs. Consideration has also been given to comparable fees charged by surrounding cities.

As part of a review of other jurisdiction's fees, the City Manager proposes increasing street sweeping parking citations by \$2.00 to a total of \$37.00 per infraction, which is the average amount for comparable beach cities and would generate \$300,000. Increasing miscellaneous parking citations such as "No Current Registration Tags", "Parking in an Intersection", "Parking Across a Driveway", "Parking on a Sidewalk" and "Exceeding the Time Limit" for parking meters is expected to generate \$170,000. The FY 05 Budget also includes imposing late fee penalties for parking tickets to double the original fine, with a limit of \$50 generating \$250,000 in revenue. The City will also increase the utility late payment fee from the current 1.5 percent of the bill to approximately 4 percent, with the intention of encouraging customers to pay on time. Until personal behaviors change, the increased fee is expected to generate an additional \$407,000. Raising the Downtown parking meter rate by \$.50 is expected to net the City an additional \$485,000 in revenue.

The Long Beach Energy Department also recommends increasing the general natural gas rate to be in-line with comparable gas companies' rates, generating \$2,000,000. The Parks, Recreation

and Marine Department is recommending adjusting golf fees to generate \$400,000 through cost-of-living adjustments, implementing a new fee structure for the newly reconstructed Skylinks Golf Course and increasing non-resident fees.

As recommended in the code enforcement study, the City will be increasing code enforcement fees for Health and Human Services related to inspection and permitting fees translating into \$120,000 of new revenue, allowing less General Fund support for the Health Fund. Also, expanding the administrative code enforcement citation program is expected to generate \$130,000 in revenue to the City to help offset the costs of this important program.

Setting Advanced Life Support ambulance rates to be consistent with Los Angeles County rates will generate \$146,000. Increasing facility reservation fees for community center to levels comparable with similar cities in the area is expected to raise \$97,000 in revenue, and increasing El Dorado vehicle entry fees for annual passes and bus entries will generate \$30,000.

For a complete listing of proposed FY 05 Fee Adjustments, including those mentioned above that relate to the Plan, please refer to **Attachment D** of the City Manager's Proposed Budget Message.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
New or Increased Existing Taxes	\$0	0	0.0%

The FY 05 Budget does not include any new taxes or increases in existing taxes.

Category	FY 05 Dollars	FY 05 FTE	Percent of the Solution
One-time Revenues/Transfers	(\$11,361,910)	0	N/A

While the City is determined to rightsize the budget, eliminate the structural deficit and reduce the City's reliance on one-time funds, prudent uses of one-time resources can be a useful tool to implement this multi-year strategy while maintaining core services to the community. Examples of uses of one-time resources in FY 05 include transfers from the General Services, Employee Benefits and Insurance funds, full repayment of the Airport loan, and additional oil revenue generated by the spike in oil prices. The City also plans to release unrestricted General Fund reserves, budget an additional one-time transfer from the Gas Fund and utilize a credit from Verizon for long-distance overcharges for FY 05.

A major goal of the updated Plan is to eliminate reliance on one-time revenue to balance the budget and much progress is being made toward that goal. The FY 03 Budget required \$43 million in one-time resources, the FY 04 Budget (Year One of the Plan) required only \$19.6 million and the Proposed FY 05 Budget recommends only using \$11.4 million.



Budget Summaries

Notes:

The FY 04 Year End Actuals in this document are unaudited and not completely final.

Summary of Budgets by Department All Funds

Fiscal Years 2003 to 2005
(Includes operating, debt service and capital improvement program)

	FY 03 Actual	FY 04 Adopted**	FY 04 Adjusted	FY 04 Year End***	FY 05 Adopted**
OPERATIONS					
Mayor and Council	\$ 3,892,607	\$ 4,045,433	\$ 4,053,366	\$ 3,905,000	\$ 4,312,710
City Attorney	7,526,197	8,272,640	8,277,430	7,925,120	9,201,901
City Auditor	1,984,233	2,301,493	2,371,108	2,041,612	2,571,990
City Clerk	2,213,340	3,092,043	3,367,043	2,997,787	2,677,630
City Manager	9,215,691	8,176,309	8,288,589	7,536,377	8,133,923
City Prosecutor	3,936,943	3,886,247	3,922,475	3,749,538	4,131,504
Civil Service	2,217,427	2,451,545	2,486,036	2,393,445	2,503,837
Community Development	207,603,742	160,759,751	207,312,506	184,023,101	180,940,088
Financial Management	17,688,904	18,295,168	18,574,176	17,528,137	18,698,946
Interfund and Non-Operating *	240,430,920	238,576,654	252,849,963	234,822,240	282,239,962
Police and Fire Pension Plan	5,865,059	5,898,000	5,898,000	5,507,282	5,425,000
Fire	68,013,358	69,441,643	77,484,523	72,308,649	76,805,241
Harbor	319,881,457	400,268,283	400,268,283	307,990,699	448,961,292
Health and Human Services	40,481,515	43,414,177	46,217,579	42,789,255	42,718,227
Human Resources	6,740,268	7,389,904	7,527,994	6,681,227	7,531,839
Library Services	11,606,214	11,428,849	11,656,698	11,478,667	12,840,154
Long Beach Energy	200,629,109	196,188,361	211,784,004	205,306,331	140,994,331
Oil Properties	74,834,640	44,937,572	138,520,833	110,969,299	93,723,460
Parks, Recreation and Marine	42,507,419	46,308,226	57,510,891	53,343,296	44,379,362
Planning and Building	10,629,654	11,477,117	11,989,120	10,802,691	12,590,717
Police	149,531,179	150,259,965	152,823,801	151,343,918	168,047,499
Public Works	170,755,183	105,573,936	134,526,768	173,511,660	160,734,008
Technology Services	31,779,903	34,800,697	35,915,441	32,065,747	34,285,686
Water	79,159,293	83,575,623	83,575,623	75,179,945	85,341,650
TOTAL	\$ 1,709,124,255	\$ 1,660,819,634	\$ 1,887,202,249	\$ 1,726,201,024	\$ 1,849,790,956
<hr/>					
Full-Time Equivalent Employees	N/A	5,850.46	N/A	N/A	5,613.95
<hr/>					
		FY 04 Adopted**	FY 04 Adjusted	FY 04 Year End***	FY 05 Adopted**
All Funds by Character					
Salaries, Wages and Benefits	\$	558,835,016	\$ 561,430,428	\$ 519,456,095	\$ 641,061,790
Materials, Supplies and Services		505,668,442	684,689,415	793,672,048	567,693,672
Capital Purchases		248,820,462	263,421,867	20,872,694	289,427,395
Debt Service		173,316,139	186,485,822	178,516,946	175,896,807
Transfers From Other Funds		66,765,418	83,740,295	85,699,967	71,892,207
Prior Year Encumbrance		-	-	-	-
Subtotal	\$	1,553,405,477	\$ 1,779,767,826	\$ 1,598,217,750	\$ 1,745,971,870
Internal Support		107,414,157	107,434,422	127,983,274	103,819,085
TOTAL ALL FUNDS		\$ 1,660,819,634	\$ 1,887,202,249	\$ 1,726,201,024	\$ 1,849,790,956

* Interfund and Non-Operating include pass through transactions, debt service on revenue anticipation notes, etc.

** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

*** Unaudited

Summary of Full-Time Equivalents (FTEs) by Department

Fiscal Years 2003 to 2005

DEPARTMENT	FY 03 Adopted	FY 04 Adopted	FY 05 Adopted
Mayor and Council	55.60	52.17	53.13
City Attorney *	75.00	75.00	75.00
City Auditor *	22.00	22.00	22.00
City Clerk	29.00	29.00	19.50
City Manager	31.00	27.00	25.50
City Prosecutor *	42.00	42.00	42.00
Civil Service	24.00	23.00	22.00
Community Development	332.05	262.63	243.64
Financial Management	172.86	162.62	154.66
Fire	556.25	554.36	540.36
Harbor	376.30	380.90	377.20
Health and Human Services	489.33	486.08	451.04
Human Resources	28.51	24.71	24.80
Library Services	165.16	158.44	155.11
Long Beach Energy	546.26	519.76	197.25
Oil Properties	41.25	41.25	42.00
Parks, Recreation and Marine	564.87	568.52	522.77
Planning and Building	118.17	117.75	119.00
Police	1,498.33	1,497.83	1,460.60
Public Works	438.16	425.46	700.22
Technology Services	165.50	153.50	145.00
Water	232.31	226.48	221.17
TOTAL FTEs	6,003.91	5,850.46	5,613.95

* The City Attorney, City Auditor and City Prosecutor have committed to leaving 4.00, 3.00 and 3.90 positions vacant, respectively, in FY 05.

Summary of General Fund Budgets by Department

Fiscal Years 2003 to 2005
(Includes operating, debt service and capital improvement program)

	FY 03 Actual	FY 04 Adopted**	FY 04 Adjusted	FY 04 Year End***	FY 05 Adopted**
OPERATIONS					
Mayor and Council	\$ 3,892,607	\$ 4,045,433	\$ 4,053,366	\$ 3,905,000	\$ 4,312,710
City Attorney	2,676,281	2,943,657	2,944,604	2,802,565	3,266,774
City Auditor	1,929,798	2,066,908	2,136,523	1,993,986	2,328,700
City Clerk	2,213,340	3,092,043	3,367,043	2,997,787	2,677,630
City Manager	4,379,286	3,853,356	3,923,374	3,650,991	3,800,950
City Prosecutor	3,936,943	3,886,247	3,857,209	3,687,278	4,067,586
Civil Service	2,196,014	2,431,069	2,465,560	2,387,019	2,481,445
Community Development	2,475,341	3,081,234	3,089,179	2,222,907	3,353,600
Financial Management	14,794,112	15,327,145	15,495,457	14,803,435	15,815,008
Interfund and Non-Operating *	38,331,679	10,689,242	22,787,374	25,628,689	2,962,590
Police and Fire Pension Plan	5,865,059	5,898,000	5,898,000	5,545,000	5,425,000
Fire	63,092,368	63,930,087	65,512,534	64,924,743	71,188,849
Health and Human Services	4,436,233	4,833,704	4,841,951	4,761,531	4,599,774
Human Resources	355,837	338,145	378,280	280,730	319,482
Library Services	11,480,574	11,262,950	11,486,640	11,343,243	12,662,984
Long Beach Energy	5,304,886	5,711,817	8,635,856	7,988,394	-
Parks, Recreation and Marine	26,157,401	28,792,037	28,737,822	28,001,797	25,502,274
Planning and Building	10,629,654	11,477,117	11,989,120	10,802,691	12,590,717
Police	147,072,053	147,350,467	146,967,792	147,014,708	162,265,854
Public Works	26,906,620	28,548,221	28,692,044	24,368,352	34,505,412
Technology Services	744,287	1,002,636	1,002,745	984,214	881,719
TOTAL	\$ 378,870,373	\$ 360,561,514	\$ 378,262,472	\$ 370,095,059	\$ 375,009,055

Full-Time Equivalent Employees	N/A	3,366.33	N/A	N/A	3,134.94
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	FY 04 Adopted**	FY 04 Adjusted	FY 04 Year End***	FY 05 Adopted**
General Fund by Character				
Salaries, Wages and Benefits	\$ 265,233,623	\$ 264,974,627	\$ 252,192,446	\$ 282,833,115
Materials, Supplies and Services	44,108,178	46,036,415	50,206,017	44,436,401
Capital Purchases	1,642,990	6,133,674	6,786,054	1,309,404
Debt Service	10,355,423	22,716,510	20,884,327	11,147,749
Transfers From Other Funds	2,655,280	2,558,240	5,267,493	95,802
Subtotal	\$ 323,995,494	\$ 342,419,467	\$ 335,336,336	\$ 339,822,471
Internal Support	36,566,020	35,843,005	34,758,722	35,186,584
TOTAL GENERAL FUND	\$ 360,561,514	\$ 378,262,472	\$ 370,095,059	\$ 375,009,055

* Interfund and Non-Operating include pass through transactions, debt service on revenue anticipation notes, etc.

** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

*** Unaudited

Summary of Resources & Expenditures by Fund

Fiscal Year 2005

	Estimated Fund Balance 10/1/2004	Unreserving/ (Reserving) Restricted Fund Balance*	Total Revenues	Estimated All-years Carryover Revenue	Total Resources
GENERAL FUNDS					
General	\$ 10,937,921	\$ 1,921,620	\$ 363,475,254	\$ -	\$ 376,334,795
Total	\$ 10,937,921	\$ 1,921,620	\$ 363,475,254	\$ -	\$ 376,334,795
SPECIAL FUNDS					
General Grants (a) (b)	\$ 11,789	\$ 52,493	\$ 3,951,986	\$ 5,745,144	\$ 9,761,411
Health (a)	2,685,610	-	36,059,102	22,066,239	60,810,951
Parking And Business Area Improvement	321,822	-	2,517,517	-	2,839,339
Special Advertising & Promotion	315,645	-	5,119,737	-	5,435,382
Upland Oil	3,536,109	-	11,080,786	-	14,616,895
Housing Development (a)	16,274,960	-	11,424,905	5,525,364	33,225,229
Belmont Shore Parking Meter	302,428	-	445,500	-	747,928
Business Assistance	771,572	-	3,300,000	-	4,071,572
Community Development Grants (a)	2,807,062	-	26,758,252	31,819,636	61,384,951
Park Development	743,506	-	1,715,000	-	2,458,506
Gasoline Tax Street Improvement (a) (b)	-	7,081,952	10,849,972	8,637,330	26,569,254
Transportation (a)	21,839,217	-	13,474,330	333,845	35,647,392
Capital Projects (a)	19,019,071	21,948,465	10,734,387	49,091,728	100,793,651
Total	\$ 68,628,791	\$ 29,082,911	\$ 137,431,474	\$ 123,219,287	\$ 358,362,462
INTERNAL SERVICE FUNDS					
Civic Center (a)	\$ 17,768,215	\$ -	\$ 1,302,000	\$ 913,656	\$ 19,983,872
General Services	7,858,324	-	30,355,248	-	38,213,572
Fleet Services (a)	11,784,791	-	22,795,035	2,085,257	36,665,083
Insurance	1,299,567	-	35,460,968	-	36,760,535
Employee Benefits	4,347,919	(410,765)	177,645,689	-	181,582,843
Total	\$ 43,058,816	\$ (410,765)	\$ 267,558,940	\$ 2,998,913	\$ 313,205,904
TIDELANDS FUNDS					
Tidelands Funds (a)	\$ 8,331,300	\$ 3,810,398	\$ 79,898,260	\$ 30,220,451	\$ 122,260,409
Tideland Oil Revenue	50,480,673	-	85,436,703	-	135,917,376
Reserve For Subsidence	148,588,531	-	4,001,826	-	152,590,357
Total	\$ 207,400,504	\$ 3,810,398	\$ 169,336,789	\$ 30,220,451	\$ 410,768,141
ENTERPRISE FUNDS					
Gas (a)	\$ 8,738,051	\$ -	\$ 91,578,414	\$ (874,000)	\$ 99,442,466
Energy Services	-	-	-	-	-
Water	5,551,711	-	75,206,800	-	80,758,511
Sewer	4,565,496	-	9,468,900	-	14,034,396
Airport (b)	11,105,053	(1,832,891)	28,294,466	18,520,091	56,086,719
Refuse/Recycling	12,932,115	-	32,080,281	(343,369)	44,669,027
SERRF	38,154,774	-	41,781,000	-	79,935,774
SERRF-JPA	79,338	3,730,000	10,703,982	-	14,513,320
Towing	1,481,514	-	6,416,838	-	7,898,352
Total	\$ 82,608,053	\$ 1,897,109	\$ 295,530,681	\$ 17,302,722	\$ 397,338,565
SUBSIDIARY AGENCIES-FUNDS					
Harbor	\$ 367,528,132	\$ -	\$ 336,621,000	\$ -	\$ 704,149,132
Parking Authority	358,293	-	578,830	-	937,123
Housing Authority	1,248,735	-	61,606,001	904,159	63,758,895
Redevelopment (a)	71,541,414	-	48,886,953	16,020,544	136,448,910
CUPA	315,104	-	839,515	-	1,154,619
Total	\$ 440,991,677	\$ -	\$ 448,532,299	\$ 16,924,703	\$ 906,448,679
TOTAL	\$ 853,625,762	\$ 36,301,272	\$ 1,681,865,437	\$ 190,666,075	\$ 2,762,458,546

* Reserving fund balance is the setting aside of restricted funds when received, while unreserving is the making available of these restricted funds as prescribed expenditures are incurred.

(a) Fund balance may include appropriations for grants and projects in all-year subfunds that are committed, thus not available.

(b) Fund balance includes amounts to be received from approved grant proceeds to cover open contracts.

	Operating Expenditures	Capital Improvement Expenditures		Debt Service	Total Expenditures	Estimated All-years Carryover Expense	Estimated Fund Balance 9/30/2005	
	\$ 359,257,347	\$ 4,603,959	(a)	\$ 11,147,749	\$ 375,009,055	\$ -	\$ 1,325,739	(b)
	\$ 359,257,347	\$ 4,603,959		\$ 11,147,749	\$ 375,009,055	\$ -	\$ 1,325,739	
	\$ 3,951,985	\$ -		\$ -	\$ 3,951,985	\$ 5,809,427	\$ 0	
	36,693,595	-		412,000	37,105,595	22,674,475	1,030,881	
	2,480,000	-		-	2,480,000	-	359,339	
	5,066,720	-		-	5,066,720	-	368,662	
	11,001,246	-		-	11,001,246	-	3,615,649	
	14,561,715	-		612,000	15,173,715	10,939,532	7,111,982	
	361,337	-		215,325	576,662	-	171,266	
	3,645,966	-		-	3,645,966	-	425,606	
	26,238,190	-		-	26,238,190	31,289,995	3,856,765	
	1,748,600	-		-	1,748,600	-	709,907	
	6,308,973	4,541,000		-	10,849,973	13,929,578	1,789,704	
	8,010,822	5,250,544		-	13,261,366	17,692,479	4,693,546	
	702,122	13,233,003		-	13,935,125	74,418,907	12,439,619	
	\$ 120,771,271	\$ 23,024,547		\$ 1,239,325	\$ 145,035,143	\$ 176,754,394	\$ 36,572,925	
	\$ (2,297,509)	\$ -		\$ 3,670,667	\$ 1,373,158	\$ 13,633,828	\$ 4,976,885	
	35,030,602	-		1,167,116	36,197,718	-	2,015,854	
	22,727,372	-		2,500,839	25,228,211	1,695,460	9,741,411	
	36,191,300	-		-	36,191,300	-	569,235	
	170,633,213	-		8,392,113	179,025,326	-	2,557,517	
	\$ 262,284,978	\$ -		\$ 15,730,735	\$ 278,015,713	\$ 15,329,288	\$ 19,860,903	
	\$ 65,821,061	\$ 1,060,000		\$ 15,151,733	\$ 82,032,794	\$ 36,962,828	\$ 3,264,787	
	83,108,551	-		-	83,108,551	-	52,808,824	
	4,000,000	-		-	4,000,000	-	148,590,357	
	\$ 152,929,612	\$ 1,060,000		\$ 15,151,733	\$ 169,141,345	\$ 36,962,828	\$ 204,663,968	
	\$ 91,199,650	\$ 2,235,000		\$ 1,037,021	\$ 94,471,671	\$ 3,837,097	\$ 1,133,697	
	-	-		-	-	-	-	
	58,581,912	13,505,000		3,351,050	75,437,962	-	5,320,550	
	7,023,995	3,607,000		-	10,630,995	-	3,403,402	
	20,584,403	6,225,000		1,282,178	28,091,581	24,248,800	3,746,338	
	30,767,841	-		-	30,767,841	-	13,901,186	
	47,299,140	-		-	47,299,140	-	32,636,633	
	-	-		14,433,982	14,433,982	-	79,338	
	6,381,892	-		-	6,381,892	-	1,516,461	
	\$ 261,838,833	\$ 25,572,000		\$ 20,104,231	\$ 307,515,064	\$ 28,085,898	\$ 61,737,604	
	\$ 52,193,027	\$ 302,871,000		\$ 95,720,589	\$ 450,784,616	\$ -	\$ 253,364,515	
	6,928	-		498,440	505,368	-	431,755	
	62,396,214	-		-	62,396,214	887,746	474,935	
	44,209,000	-		16,304,004	60,513,004	8,380,393	67,555,513	
	875,433	-		-	875,433	-	279,186	
	\$ 159,680,603	\$ 302,871,000		\$ 112,523,033	\$ 575,074,636	\$ 9,268,139	\$ 322,105,904	
	\$ 1,316,762,643	\$ 357,131,506		\$ 175,896,807	\$ 1,849,790,956	\$ 266,400,547	\$ 646,267,043	

(a) General Fund CIP total of \$4,603,959 is included in the Capital Projects total of \$357,131,506. It is shown in the General Fund line to illustrate the General Fund's contribution to citywide CIPs.

(b) Excludes the General Fund Emergency Reserve of \$35.4 million and other Restricted Reserves.

Comparison of Revenues by Fund Fiscal Years 2003 to 2005

	FY 03 Actual	FY 04 Adopted*	FY 04 Adjusted	FY 04 Year End**	FY 05 Adopted*
GENERAL FUNDS					
General	\$ 366,850,248	\$ 350,820,529	\$ 366,720,705	\$ 366,980,703	\$ 363,475,254
Total	\$ 366,850,248	\$ 350,820,529	\$ 366,720,705	\$ 366,980,703	\$ 363,475,254
SPECIAL FUNDS					
General Grants	\$ -	\$ -	\$ 10,444,800	\$ 3,670,544	\$ 3,951,986
Health	33,891,133	37,100,996	39,445,292	38,238,273	36,059,102
Parking and Business Area Improvement	1,669,125	2,482,517	2,482,517	1,898,659	2,517,517
Special Advertising & Promotion	4,376,110	5,015,637	5,015,637	4,906,327	5,119,737
Upland Oil	11,587,466	8,866,921	12,526,420	13,274,234	11,080,786
Housing Development	13,719,004	12,756,096	13,844,096	16,739,889	11,424,905
Belmont Shore Parking Meter	458,510	430,500	430,500	466,857	445,500
Business Assistance	2,541,597	2,625,000	2,625,000	2,088,405	3,300,000
Community Development Grants	34,559,070	24,744,308	26,048,746	29,638,239	26,758,252
Park Development	1,737,208	765,000	765,000	378,323	1,715,000
Gasoline Tax Street Improvement	13,459,743	10,748,972	10,842,162	12,027,775	10,849,972
Transportation	13,162,935	13,374,612	13,374,612	14,489,847	13,474,330
Capital Projects	30,225,428	15,221,580	30,493,306	25,294,448	10,734,387
Total	\$ 161,387,328	\$ 134,132,139	\$ 168,338,088	\$ 163,111,818	\$ 137,431,474
INTERNAL SERVICE FUNDS					
Civic Center	\$ 1,690,853	\$ 1,254,636	\$ 2,527,848	\$ 1,673,793	\$ 1,302,000
General Services	35,296,689	34,252,386	34,252,386	34,150,863	30,355,248
Fleet Services	26,863,278	26,201,157	27,345,642	25,408,742	22,795,035
Insurance	24,030,592	34,246,330	34,246,330	34,456,500	35,460,968
Employee Benefits	113,528,521	126,639,002	126,639,002	111,945,135	177,645,689
Total	\$ 201,409,932	\$ 222,593,511	\$ 225,011,208	\$ 207,635,033	\$ 267,558,940
TIDELANDS FUNDS					
Tidelands Funds	\$ 79,905,007	\$ 74,054,022	\$ 85,008,460	\$ 86,908,081	\$ 79,898,260
Tideland Oil Revenue	85,839,138	55,442,002	128,226,840	117,987,035	85,436,703
Reserve For Subsidence	4,802,243	3,505,280	3,505,280	3,875,177	4,001,826
Total	\$ 170,546,388	\$ 133,001,304	\$ 216,740,580	\$ 208,770,293	\$ 169,336,789
ENTERPRISE FUNDS					
Gas	\$ 76,678,375	\$ 92,404,358	\$ 86,404,358	\$ 89,665,499	\$ 91,578,414
Energy Services	1,927	-	-	-	-
Water	71,452,365	73,171,000	73,171,000	67,572,004	75,206,800
Sewer	9,293,317	9,793,900	9,793,900	9,469,709	9,468,900
Airport	27,900,109	39,300,659	49,542,448	43,109,613	28,294,466
Refuse/Recycling	31,351,163	30,919,432	30,919,432	32,749,959	32,080,281
SERRF	42,810,794	42,755,671	42,755,671	43,432,860	41,781,000
SERRF-JPA	2,893,599	11,365,083	11,365,083	9,841,344	10,703,982
Towing	5,686,803	5,677,870	5,677,870	6,824,734	6,416,838
Total	\$ 268,068,452	\$ 305,387,973	\$ 309,629,762	\$ 302,665,722	\$ 295,530,681
SUBSIDIARY AGENCIES-FUNDS					
Harbor	\$ 308,187,597	\$ 308,900,000	\$ 308,900,000	\$ 474,650,303	\$ 336,621,000
Parking Authority	581,907	577,758	577,758	579,524	578,830
Housing Authority	52,173,381	49,723,895	65,944,488	64,825,677	61,606,001
Redevelopment	99,288,829	45,107,760	70,465,987	60,883,623	48,886,953
CUPA	836,205	917,387	917,387	785,348	839,515
Total	\$ 461,067,920	\$ 405,226,800	\$ 446,805,620	\$ 601,724,475	\$ 448,532,299
TOTAL	\$ 1,629,330,268	\$ 1,551,162,256	\$ 1,733,245,962	\$ 1,850,888,043	\$ 1,681,865,437

* Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

** Unaudited

Comparison of Expenditures by Fund Fiscal Years 2003 to 2005

	FY 03 Actual	FY 04 Adopted*	FY 04 Adjusted	FY 04 Year End**	FY 05 Adopted*
GENERAL FUNDS					
General	\$ 378,870,373	\$ 360,561,514	\$ 378,262,472	\$ 370,095,059	\$ 375,009,055
Total	\$ 378,870,373	\$ 360,561,514	\$ 378,262,472	\$ 370,095,059	\$ 375,009,055
SPECIAL FUNDS					
General Grants	\$ -	\$ -	\$ 10,444,800	\$ 3,931,797	\$ 3,951,985
Health	34,376,526	37,561,016	39,967,263	36,741,237	37,105,595
Parking and Business Area Improvement	1,671,601	2,445,000	2,445,000	1,881,260	2,480,000
Special Advertising & Promotion	5,314,046	5,056,349	5,078,094	4,653,614	5,066,720
Upland Oil	12,515,655	8,681,527	13,207,949	13,082,558	11,001,246
Housing Development	8,227,309	12,019,350	17,471,557	15,644,771	15,173,715
Belmont Shore Parking Meter	377,020	574,137	574,145	397,046	576,662
Business Assistance	2,117,466	2,739,431	2,742,006	1,794,343	3,645,966
Community Development Grants	31,718,184	24,703,049	26,007,487	30,359,461	26,238,190
Park Development	544,818	1,245,907	1,245,907	1,243,098	1,748,600
Gasoline Tax Street Improvement	16,559,553	10,748,973	10,842,163	12,606,022	10,849,973
Transportation	14,058,000	15,485,060	16,085,060	14,091,661	13,261,366
Capital Projects	50,123,605	15,817,121	30,438,846	70,255,890	13,935,125
Total	\$ 177,603,784	\$ 137,076,920	\$ 176,550,276	\$ 206,682,759	\$ 145,035,143
INTERNAL SERVICE FUNDS					
Civic Center	\$ 13,470,494	\$ 846,282	\$ 2,148,437	\$ (643,874)	\$ 1,373,158
General Services	32,599,195	36,513,893	36,651,760	35,294,836	36,197,718
Fleet Services	31,644,030	24,377,379	30,807,823	27,965,589	25,228,211
Insurance	40,308,335	37,393,207	39,588,741	37,701,443	36,191,300
Employee Benefits	108,836,346	133,698,147	133,825,290	118,129,402	179,025,326
Total	\$ 226,858,400	\$ 232,828,908	\$ 243,022,050	\$ 218,447,395	\$ 278,015,713
TIDELANDS FUNDS					
Tidelands Funds	\$ 108,215,390	\$ 78,864,362	\$ 91,374,893	\$ 87,840,737	\$ 82,032,794
Tideland Oil Revenue	62,426,789	36,731,429	125,788,268	98,187,125	83,108,551
Reserve For Subsidence	2,401,122	2,089,473	2,089,473	441,005	4,000,000
Total	\$ 173,043,300	\$ 117,685,264	\$ 219,252,634	\$ 186,468,867	\$ 169,141,345
ENTERPRISE FUNDS					
Gas	\$ 83,853,534	\$ 84,725,707	\$ 85,787,506	\$ 89,609,106	\$ 94,471,671
Energy Services	-	-	-	-	-
Water	66,333,507	73,608,520	73,608,520	68,163,963	75,437,962
Sewer	13,625,579	10,831,707	10,831,707	7,880,586	10,630,995
Airport	22,962,868	36,938,880	48,368,439	52,465,572	28,091,581
Refuse/Recycling	28,317,773	30,792,557	30,818,519	28,133,052	30,767,841
SERRF	53,475,032	46,348,060	50,751,880	46,681,555	47,299,140
SERRF-JPA	2,425,672	10,927,492	10,927,492	7,990,998	14,433,982
Towing	5,370,095	5,970,173	6,764,239	6,774,642	6,381,892
Total	\$ 276,364,059	\$ 300,143,097	\$ 317,858,303	\$ 307,699,474	\$ 307,515,064
SUBSIDIARY AGENCIES-FUNDS					
Harbor	\$ 322,005,486	\$ 402,488,513	\$ 402,488,513	\$ 310,210,934	\$ 450,784,616
Parking Authority	505,349	507,437	507,437	522,520	505,368
Housing Authority	53,337,409	49,599,237	66,099,237	65,101,572	62,396,214
Redevelopment	99,792,556	59,063,988	82,296,571	60,229,456	60,513,004
CUPA	743,539	864,756	864,756	742,988	875,433
Total	\$ 476,384,340	\$ 512,523,930	\$ 552,256,513	\$ 436,807,470	\$ 575,074,636
TOTAL	\$ 1,709,124,255	\$ 1,660,819,634	\$ 1,887,202,249	\$ 1,726,201,024	\$ 1,849,790,956

* Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

** Unaudited

Comparison of Revenues by Fund Group and Source Fiscal Years 2003 to 2005

	FY 03 Actual	FY 04 Adopted*	FY 04 Adjusted	FY 04 Year End**	FY 05 Adopted*
GENERAL FUNDS					
General Revenues					
Property Taxes	\$ 53,330,797	\$ 56,735,000	\$ 56,735,000	\$ 55,677,155	\$ 61,483,000
Taxes Other Than Property Taxes					
Sales and Use Taxes	42,345,525	41,287,000	41,287,000	39,784,896	32,325,000
Oil Production Taxes	2,243,394	2,077,000	2,077,000	2,247,267	2,240,000
Franchises	13,363,209	13,996,184	13,996,184	14,458,873	11,230,494
Utility Users Taxes	50,882,646	44,511,000	44,511,000	45,341,715	40,425,000
Business License Taxes	8,430,454	9,165,217	9,165,217	9,283,796	9,616,000
Transient Occupancy Taxes	6,566,720	6,829,000	6,829,000	7,044,122	7,200,000
Other Taxes	2,330,402	1,855,623	1,855,623	3,136,621	7,740,000
Fines and Forfeitures	11,017,387	12,503,050	12,519,487	13,569,639	13,525,790
Use of Money and Property					
Interest on Investments	5,606,101	3,999,205	3,996,205	3,684,571	3,671,667
Other Use of Money and Property	11,287,280	10,215,585	10,267,643	11,731,119	13,031,277
Subventions From Other Agencies					
State Prop. Tax Exempt. Replace.	675,950	700,000	700,000	666,322	719,000
In-Lieu Sales and Use Tax	-	-	-	-	8,064,680
Motor Vehicle In-Lieu	27,240,583	28,249,000	28,249,000	20,963,264	3,700,000
Other	9,252,077	8,332,419	8,155,542	8,671,048	34,802,800
City Utilities In-Lieu	16,529,403	11,578,634	11,578,634	11,578,634	15,497,360
Sundry Revenues	7,104,589	4,562,968	20,443,369	21,251,006	7,599,331
Interfund Transfers	28,123,888	27,490,397	27,490,397	29,438,965	23,372,131
Reimbursements and Charges for Services					
Licenses and Permits	15,733,616	14,502,757	14,502,757	17,161,348	16,860,995
From Other Governmental Agencies	6,182,481	1,986,323	1,918,310	1,127,024	-
Charges to Other City Funds	36,863,702	37,533,182	37,533,182	37,450,464	38,310,848
Other Reimbursements and Chgs for Svcs	11,740,046	12,710,985	12,910,155	12,712,853	12,059,880
	\$ 366,850,248	\$ 350,820,529	\$ 366,720,705	\$ 366,980,703	\$ 363,475,254
TOTAL - GENERAL FUNDS					
SPECIAL FUNDS					
Taxes Other Than Property					
Transient Occupancy Taxes	\$ 3,789,210	\$ 4,442,000	\$ 4,442,000	\$ 4,144,917	4,342,000
Parking and Business Improvement Taxes	699,774	869,000	869,000	740,717	815,000
Other Taxes	3,478,102	4,080,026	4,080,026	3,635,448	4,169,026
Use of Money and Property					
Interest on Investments	2,745,338	1,928,789	1,940,282	2,325,005	1,852,472
Other Use of Money and Property	12,408,801	9,618,221	13,277,720	14,106,244	11,872,086
Fines and Forfeitures	-	-	-	11,638	-
Reimbursements and Charges for Services					
Licenses and Permits	5,022,686	3,592,142	3,592,142	4,184,988	5,068,145
Employment and Training Grants	10,866,767	4,964,020	6,049,608	5,967,253	5,006,902
Capital Improvement Projects	30,225,428	15,221,580	30,493,306	25,294,448	10,734,387
CDBG	9,103,754	11,208,480	11,208,480	15,413,476	10,996,115
Proposition A & C	11,437,329	12,144,612	12,144,612	13,243,193	12,374,330
Other Government Agencies	38,286,941	45,535,652	57,975,911	46,892,220	49,251,859
Charges for Current Services	1,522,442	1,661,032	1,661,032	1,649,830	1,601,453
Interfund Charges	501,394	672,013	672,013	466,863	653,713
Other	31,299,362	18,194,572	19,931,956	25,035,577	18,693,985
	\$ 161,387,328	\$ 134,132,139	\$ 168,338,088	\$ 163,111,818	\$ 137,431,474

INTERNAL SERVICE FUNDS

Use of Money and Property

Interests on Investments	\$ 2,126,980	\$ 1,530,000	\$ 2,694,485	\$ 1,769,115	\$ 1,303,000
Other Use of Money and Property	2,238,466	2,335,200	2,335,200	2,221,796	2,265,200

* Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

** Unaudited

INTERNAL SERVICE FUNDS (continued)	FY 03 Actual	FY 04 Adopted*	FY 04 Adjusted	FY 04 Year End**	FY 05 Adopted*
Charges for Current Services					
Civic Center	609,525	609,436	762,648	886,245	726,800
General Services	34,812,444	33,807,386	33,807,386	32,921,111	30,127,061
Fleet	23,925,284	23,893,025	24,993,025	22,868,832	20,423,903
Insurance	22,591,043	32,882,007	32,882,007	32,880,566	34,343,468
Employee Leave Time and Other Benefits	109,639,478	126,033,002	126,033,002	110,899,865	177,013,089
Sundry & Other Revenues	5,466,712	1,503,455	1,503,455	3,187,505	1,356,419
Interfund Transfers	-	-	-	-	-
TOTAL - INTERNAL SERVICE FUNDS	\$ 201,409,932	\$ 222,593,511	\$ 225,011,208	\$ 207,635,033	\$ 267,558,940

TIDELANDS FUNDS

Use of Money and Property

Interest on Investments	\$ 8,954,784	7,293,721	7,917,696	7,623,127	8,170,806
Other Use of Money and Property	108,706,778	79,432,115	152,517,258	146,304,162	111,036,864

Other Revenues

Sundry	243,302	50,699	214,032	1,797,911	52,356
Interfund Charges/Transfers	26,033,178	20,436,552	30,036,552	25,894,912	23,919,435
From Other Agencies	2,688,599	574,322	841,146	1,250,370	617,960
Licenses and Permits	68,971	-	-	61,824	30,000
Charges for Services	23,702,991	25,032,895	25,032,895	25,596,778	25,260,848
Fines & Forfeitures	147,784	181,000	181,000	241,209	248,520
TOTAL - TIDELANDS FUNDS	\$ 170,546,388	\$ 133,001,304	\$ 216,740,580	\$ 208,770,293	\$ 169,336,789

ENTERPRISE FUNDS

Use of Money and Property

Interest on Investments	\$ 3,143,729	\$ 2,743,392	\$ 2,743,392	\$ 3,357,851	\$ 2,363,791
Other Use of Money and Property	26,989,846	35,164,959	50,968,723	37,577,839	39,295,016
Licenses and Permits	2,500,427	1,669,250	1,669,250	1,751,781	1,569,250

Charges for Services

Gas	76,007,910	92,101,472	86,101,472	84,480,230	91,276,128
Energy Services	-	-	-	-	-
Refuse/Recycling	28,045,633	27,960,993	27,960,993	29,344,005	29,121,842
SERRF	40,380,773	40,313,671	40,313,671	41,225,712	39,834,000
SERRF-JPA	-	-	-	-	-
Towing	5,593,845	5,636,483	5,636,483	6,732,952	6,375,451
Sewer	7,879,724	8,911,400	8,911,400	8,754,500	7,986,400
Water	69,701,672	69,670,000	69,670,000	65,229,242	71,755,800
Airport	4,191,197	15,889,948	13,539,423	14,918,053	92,598
Interfund Transfers	-	-	-	-	750,000
Other/Misc Revenues	3,633,698	5,326,405	2,114,955	9,293,558	5,110,405
TOTAL - ENTERPRISE FUNDS	\$ 268,068,452	\$ 305,387,973	\$ 309,629,762	\$ 302,665,722	\$ 295,530,681

SUBSIDIARY AGENCIES - FUNDS

Property Taxes	\$ 27,520,935	\$ 26,873,000	\$ 40,689,601	\$ 41,765,503	\$ 39,150,000
Taxes Other than Property	3,362,657	3,708,726	3,708,726	3,430,204	3,780,000

Use of Money and Property

Interest on Investments	22,472,397	17,605,661	17,605,661	16,535,795	12,806,561
Other Use of Money and Property	21,619,572	20,410,840	20,410,840	30,137,102	27,720,236
Charges for Services	250,268,849	241,500,000	241,500,000	281,061,615	275,400,000
From Other Governmental Agencies	52,136,388	78,402,065	91,722,658	61,599,096	81,116,081
Sundry Revenues	79,072,097	8,282,640	20,609,456	156,543,759	5,912,240
Licenses and Permits	872,350	896,703	896,703	816,979	826,760
Interfund Transfers	3,742,675	7,547,165	9,661,975	9,834,422	1,820,421
TOTAL - SUBSIDIARY AGENCIES	\$ 461,067,920	\$ 405,226,800	\$ 446,805,620	\$ 601,724,475	\$ 448,532,299

TOTAL - REVENUES

	\$ 1,629,330,268	\$ 1,551,162,256	\$ 1,733,245,962	\$ 1,850,888,043	\$ 1,681,865,437
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* Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

** Unaudited



Budgets By Department

