

FINANCIAL MANAGEMENT

The mission of the Long Beach Financial Management Department is to manage and protect the City's financial assets while providing excellent service to the City's residents, operating departments and businesses.

Chapter Overview

This budget chapter reflects key elements of the Financial Management Department's Strategic Business Plan, which was developed as part of the City's commitment to performance management.

As part of this strategic planning process, the Department identified, with input from community stakeholders and employees, significant issues to be confronted over the next two- to five-years. Strategic objectives have also been developed as part of this effort to help guide the department in addressing these issues. The Department of Financial Management has also developed its program structure and performance measures, which serve as the basis for the City's performance-based program budget and add clarity to the City's budget by aligning department program information (purpose statement and listing of services), budget allocations, and performance information, all at the program level.

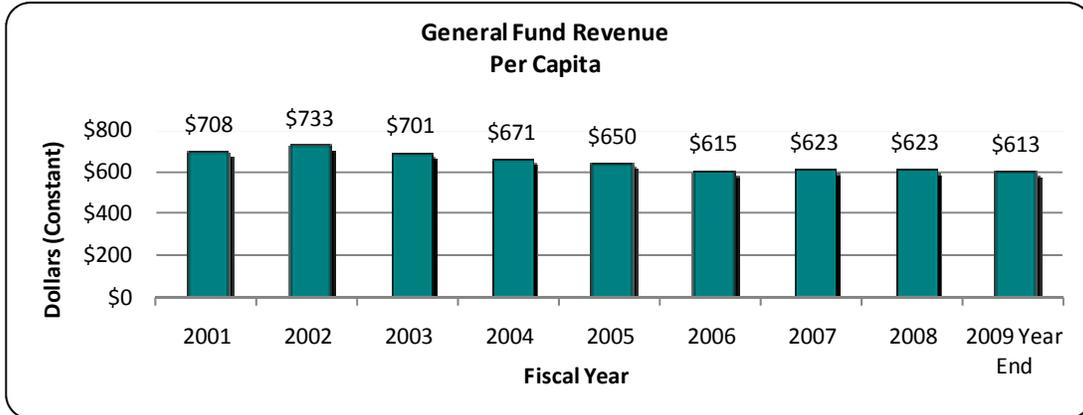
Please note that while the Department of Financial Management has completed its Strategic Business Plan, a number of the key performance measures may be new to the Department and will take time to fully develop and collect the performance information. Therefore, some performance measures are presented at this time without the corresponding performance information. As the Department is able to work toward full implementation, existing measures may be changed and/or new ones may be added.

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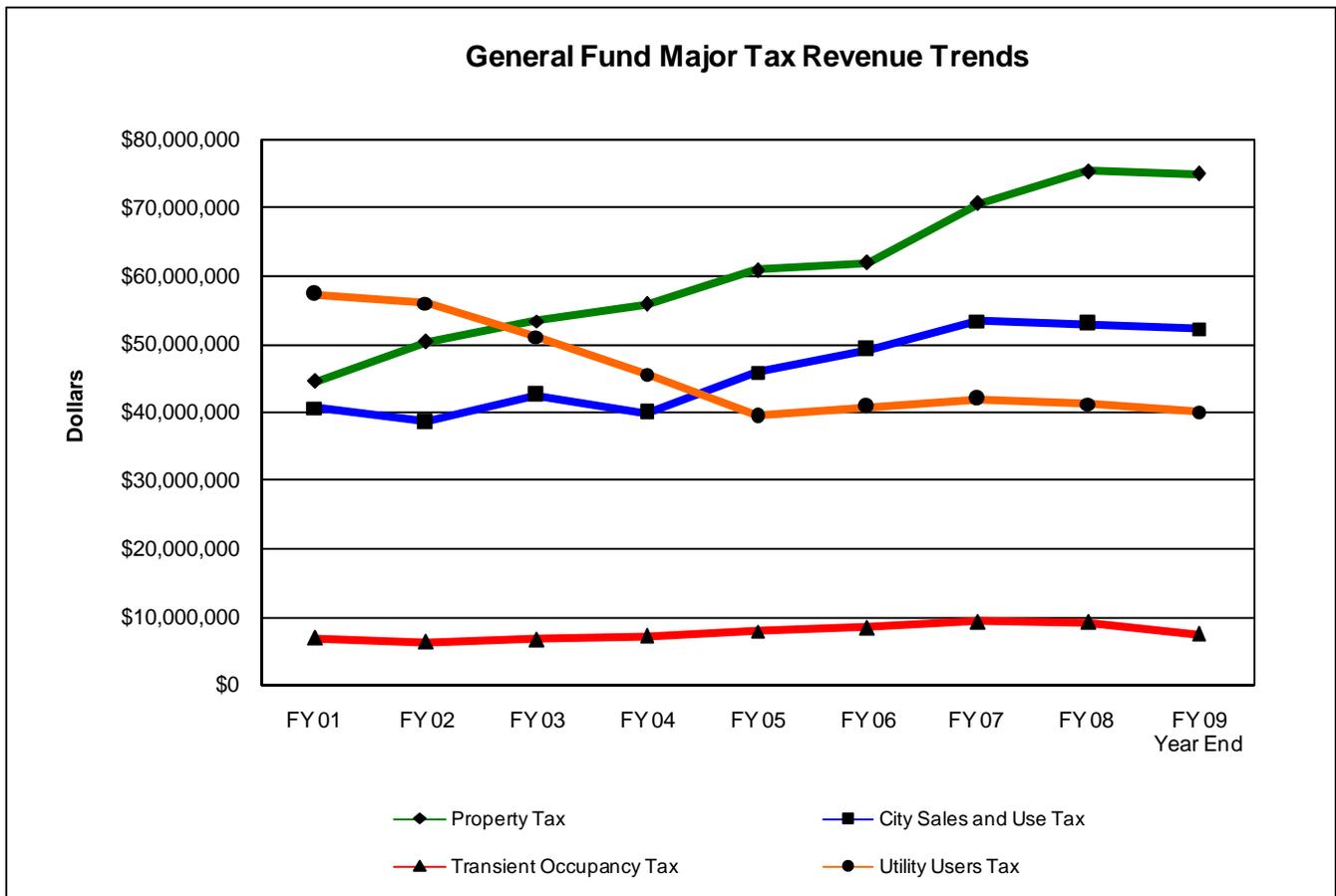
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Service Delivery Environment

The ongoing impacts of Proposition 13, which capped property tax growth at 2 percent annually plus assessment adjustments to market value upon sale, the loss of half of the City's Utility Users Tax (UUT), and the current global economic meltdown, have created an environment in which tax revenue and other resources to support General Fund services are not keeping pace with the cost to provide services. Since 2001, Long Beach has experienced a 5.5 percent increase in population and, after adjusting for inflation; per capita revenue has decreased nearly 13.1 percent.



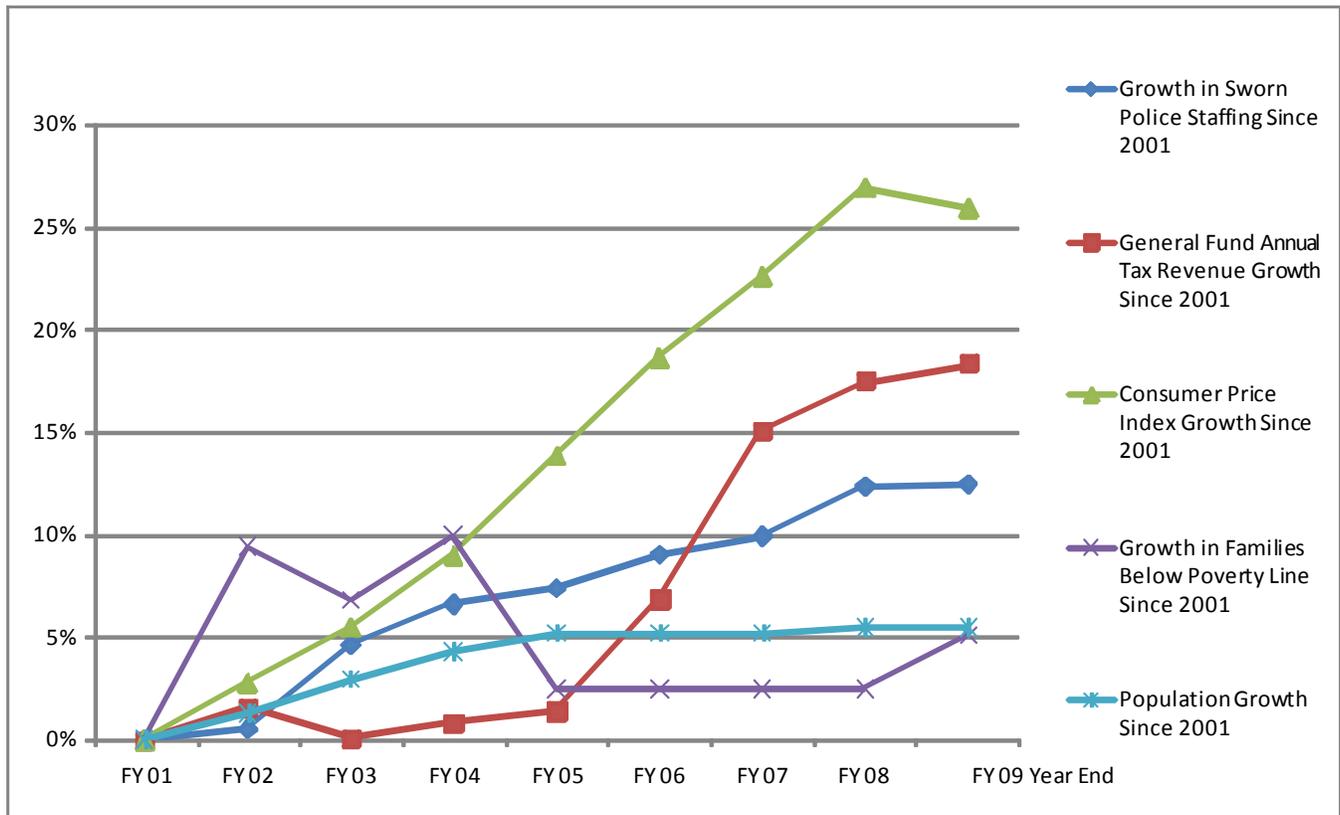
Over the past several years, the largest contributing factor to this real-dollar decline is the loss of revenue from the UUT. In 2000, voters reduced the UUT from 10 percent to 5 percent over a 5-year period. The final reduction in the UUT occurred in FY 05. The chart below breaks out four of the City's top General Fund revenue sources: Property Tax, UUT, Sales Tax and Transient Occupancy Tax (TOT) and illustrates that revenue received from the UUT is now less than the revenue received from



Service Delivery Environment

Property Tax and Sales and Use Tax. An analysis of tax revenue without the UUT indicates a growing tax base from FY 00 through FY 06. Beginning in FY 07, revenue from Property Tax, Sales Tax and Transient Occupancy Tax has declined in real dollars due to the housing market decline and slowing economy. This trend is expected to continue in FY 10.

Other persistent and emerging service delivery challenges include the increasing population density in particular areas of the City and continued high levels of poverty in specific districts. Approximately 19 percent of the population in Long Beach lives below the poverty line, underscoring the critical need for investments in neighborhoods, infrastructure, education and better-paying jobs. In contrast, there are also sections of the City that have high-income levels and property values. The priorities of residents in these areas are understandably divergent from the concerns of those in poverty-impacted neighborhoods, which present yet another fiscal challenge to City officials.



As the chart above demonstrates, the cost of providing services to the community, as represented by the Consumer Price Index, has grown by approximately 26 percent since 2001. However, the growth in the General Fund annual tax revenue has only been approximately 18 percent over the same period. This disparity in resource usage over income has fed the persistent structural imbalances the City faces each year, requiring the development of non-tax revenue sources, or the downsizing of the organization and the reduction of services to ensure the General Fund remains balanced. The outfall of the current global financial crisis will also continue to suppress Property Tax, Transient Occupancy Tax revenues, sales taxes and other sources of income.

Significant Issues

- Due to current fiscal constraints, and changing operational requirements, the Department has difficulty recruiting, training and retaining a skilled workforce (average vacancy rate is 9 percent), compounding current challenges to meet increasingly sophisticated customer expectations, protect the City's assets and maintain compliance with increasing regulatory requirements and accounting rules.
- The reliance on 27-year-old mainframe financial systems limits the availability of high-quality financial reports for the City Manager's Office, Mayor, City Council, City departments and the community within timeframes necessary for them to make informed decisions.
- Outdated technology and non-integrated systems impact the Department's ability to efficiently and effectively process, analyze and report critical information to manage and meet the City's budget, assist departments in properly accounting for its transactions and meet legal mandates.
- Pressure to provide unfunded services, combined with competing citywide priorities and practices, will continue to put core community services and long-term fiscal sustainability at risk by overextending finite resources.
- With implementation of Performance-based budgeting, the organization must effectively integrate, manage and report financial and performance information for elected officials, City management, City staff and the community to promote accountability and ensure government services are aligned with community priorities.
- Advances in customer service business practices have created the expectation that the Department will provide multiple modes of access (24 hour/7 day, internet-based, self-service, etc.) and immediate information (business license information, utility bill information, business resources and procurement, etc.).
- The Department continues to support City departments with improved revenue monitoring and collection processing and establishing consistent cost accounting in support of fee/rate setting methodologies. The Department will provide the financial expertise and training to help ensure City departments have adequate financial controls to protect City assets.
- Ongoing weakness in the overall economy, decreased property values and resultant significantly reduced revenues, coupled with the State's financial crisis will challenge the Department's budget management strategies for years to come.
- Continued downsizing of the organization and the Department is impacting the Department's ability to effectively run its day-to-day operations, which may increase the number of future audit findings as fewer staff are available to ensure the appropriate segregation of duties.

Strategic Objectives

1. The Department will continue to promote responsible decision-making and fiscal responsibility to achieve:
 - 100% of recurring expenses in the General and related funds are supported by recurring revenues (Budget Management);
 - Revenue projections that are within 2% of actuals for the top five revenue sources (Budget Management);
 - Maintain a Moody's implied bond rating of (AA-) with a stable outlook (Treasury); and
 - Ensure the City continues to receive the Government Finance Officers' Association's Certificate of Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report (CAFR).

Focus Area: Leadership, Management and Support

City Manager's Key Outcome: Strengthen the City's Fiscal Sustainability

2. The City will strive to make Long Beach more friendly to local business, so that:
 - By FY 12, the City will work with local businesses to capture 90% of projected business license revenue (Business Licensing and Permits)
 - By FY 12, 75% of contracts (products and services) are purchased through the competitive bid process (Purchasing); and
 - By FY 12, registered local businesses will account for 35% of bids submitted (Purchasing).

Focus Area: Business and Economic Assistance

City Manager's Key Outcome: Make Long Beach the Most Business Friendly Community in Southern California

3. The City will strive to provide excellent support, increased self-service options and rapid response to utility customers so that:
 - By FY 12, 55% of utility customer transactions are handled through automated options (phone and internet) (Utility Customer Support); and,
 - By FY 12, 85% of customer calls are answered within 1 minute (timely customer service) (Utility Customer Support).

Focus Area: Utilities

City Manager's Key Outcome: Enhance Customer Service and Response Time

4. The Department will support the organization with effective performance and financial controls and systems so that:
 - By FY 12, 100% of Federal Single Audit findings are corrected within two fiscal years (per previous fiscal year report) (Accounting); and,
 - BY FY 12, 75% of system users report that the financial systems training and support allows them to achieve their information management and reporting goals (Financial Systems).

Focus Area: Leadership, Management and Support

City Manager's Key Outcome: Increase Use of Performance Information and Benchmarks in Management and Decision Making

Strategic Objectives

5. To recruit, train and retain a qualified workforce with the knowledge and ability to protect and manage the City's financial assets:
 - By FY 12, 90% of Financial Management Employees receive a scheduled annual review on time (Administration); and
 - Ensure that opportunities for career development and advancement are available to all employees.

Focus Area: Leadership, Management and Support

City Manager's Key Outcome: Enhance Recruitment and Retention of Qualified City Employees

Budget by Fund and FY 09 Key Accomplishments

FY 10 Budget by Fund

Fund	Expenditures	Revenues	Net Fund Support
General	9,982,400	19,597,456	(9,615,056)
Gas	7,829,406	4,980,105	2,849,301
General Services	491,459	414,972	76,487
Insurance	268,993	-	268,993
Employee Benefits	1,450,911	-	1,450,911
Redevelopment Agency	387,907	-	387,907
Health	8,123	-	8,123
Housing Development	83,946	-	83,946
Community Development Grants	312,889	-	312,889
Tidelands Operations	219,206	-	219,206
Marina	65,082	-	65,082
Rainbow Area Harbor Fund	50,389	-	50,389
Total	21,150,711	24,992,533	(3,841,822)

FY 09 Key Accomplishments

Treasury Program

- Received AAA rating from the Standard and Poor's rating agency for the City's investment portfolio in March 2008, September 2008 and June 2009.
- Received affirmation of AA- with a Stable Outlook rating from Standard and Poor's rating agency, while many states, counties, and cities have received downgrades due to the recession.
- Created a \$20 million Sewer Fund Commercial Paper program.
- Gas Prepay Bond Tender Solicitation of \$230.9 million captured present value savings of \$22.7 million for Gas Capital projects.
- Reduced the City's banking expenses by \$130,000 or \$11,000 per month. The Treasury Bureau negotiated with Union Bank to design a new higher interest government money market account, dedicated to offsetting banking fees. The Bank now markets this new product to its other clients.
- FY 10 TRAN produced a 0.47% yield on \$54 million. A comparable credit issuer, Contra Costa County Transit Authority, issued in the same period at a 0.50% yield.
- Completed and implemented a Gas Prepay Remediation Tracker and reporting system.
- Developed in-house mark-to-market of investment portfolios using existing vendor software saving \$16,000 in annual custodial costs of providing the service.
- Formed Belmont Shore CFD 2007-2 to fund increased parking spaces. Now in the process of issuing CFD bonds.

General Billing and Collections Program

- Implemented a state-of-the art medical billing system to bill ambulance transports and meet changing billing standards and complex regulations established by State and federal programs such as Medicare and Medi-Cal.
- Established a process of accepting delinquent accounts from an ambulance billing contractor to increase collections revenue annually due to efforts by in-house collections staff.

Administration Program

- Participated on the City's Green Team to develop/implement environmentally consistent policies.
- Successfully managed and concluded the management recruitment of both the City Controller and the CIP/Tidelands Accounting Operations Officer.

Budget by Fund and FY 09 Key Accomplishments

- Successfully administered the Safety and Health & Wellness programs for the Department including ergonomic compliance for all employees.

Budget & Performance Management Program

- Delivered a structurally balanced General Fund budget for the fourth consecutive year, continuing to strive for the key objective of ensuring the fiscal sustainability of the City.
- Implemented mid-year budget reductions to eliminate a projected \$19 million General Fund shortfall created by the economic recession.
- Established a \$9 million Budget Stabilization Fund to meet unanticipated financial challenges.
- Received national recognition for the City's monthly PerformanceNews newsletter for creating a culture of accountability within the City of Long Beach.
- Increased the sales tax base for the City of Long Beach by entering into a Location Agreement with General Petroleum and creating local sales offices for the Clean Truck vendors supporting the Ports of Long Beach and Los Angeles.
- Supported over 50 public budget meetings (City Council Budget Workshops and Hearings, Budget Oversight Committee meetings and community presentations) and provided responses to 88 individual inquiries by the Budget Oversight Committee and City Council to enhance transparency and the ability of our policy-makers to make informed decisions.
- For the fourth straight year earned a national Certificate of Distinction/Excellence from the International City/County Management Association for the City's performance management efforts.
- Supported efforts to recover property tax payments withheld by the County of Los Angeles as well as legal action against on-line travel agencies to collect under-reported Transient Occupancy Tax revenues.
- Introduced a City Cost Index to curtail fee subsidies and increase General Fund revenue.
- Developed a Community Budget Book and implemented an online community Budget Inbox to enhance communication about the budget.

Accounting Program

- For the first time since 1996, received the Government Finance Officers' Association's Certificate of Achievement for Excellence in Financial Reporting for the City's FY 08 CAFR.
- Completed FY 08 Comprehensive Annual Financial Report (CAFR) with an unqualified opinion.
- Received unqualified opinions in all audited grants in the Federal Single Audit.
- Successfully monitored capital improvements projects for maximum grant/proposition funding.
- Implemented GASB 45, a new accounting rule governing unfunded liability for Other Post Employment Benefits, reporting an \$87 million liability.

Utility Program

- Revamped training program so that all customer contact staff are fully trained on all aspects of gas, water, sewer, and refuse billing, allowing greater flexibility in reallocating staff as needed.
- Developed a streamlined Interactive Voice Response (IVR) system with three options thereby facilitating customer service and responsiveness.
- Developed procedures to comply with new Federal FACT Act regarding identity theft "Red Flags" on utility accounts.
- Signed, sealed and delivered a three-year extension on the Low-Income Home Energy Assistance Program (HEAP) contract to increase direct revenue receipts to the City.

Administration Program

Focus Area: Leadership, Management and Support

Line of Business: Administration

Program Purpose Statement: To provide central administrative support, coordination and direction for the entire Department.

Key Services Provided: Human Resources, Training, Risk Management, Employee Safety, Workers' Compensation, Budget Monitoring, Personnel, Public Communications, Records Management and Executive Leadership

FY 10 Funding Source: General Fund 100%

Administration	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	418	(1,532)	486	(32%)	26,252
Revenues	-	-	-	-	-
FTEs	5.00	6.00	6.00	100%	5.00

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
June Expenditure Estimates-to-Close as Percentage of Year End Actual	101%	100%	100%	100%	100%
June Revenue Estimates-to-Close as Percentage of Year End Actual	102%	100%	103%	103%	100%
Department Vacancy Rate	9%	8.1%	9%	111%	8.1%
Overtime as Percentage of Total Salaries	1.4%	0.97%	1.1%	115%	0.96%
Number of Workers' Comp. Claims Involving Lost Time	3	2.7	1	(a)	2
Number of Lost Work Hours (Expressed in Full Time Equivalents) from Workers' Comp. During Fiscal Year	0.7	0.6	0.2	(a)	0.3

(a) Tracking systems are being developed to capture this data going forward and/or data not available

Results Narrative:

With the adopted budget, the Department of Financial Management will continue to manage and protect the City's financial assets while providing excellent service to the City residents, departments, and businesses. The Administration Program will maintain the Department's excellence in supporting budget preparation, personnel, wellness and safety programs and special projects for a Department with a budget of \$21.2 million and approximately 160 employees. The Administration Program is integral to the efficient and effective operation of the Department.

Administrative costs are distributed to other Programs within the Department. The Administration Program is exploring new methods for maximizing efficiencies and reducing ongoing costs including centralizing the acquisition and distribution of office supplies and closely monitoring Departmental overhead expenses such as training and equipment purchases.

One clerk Typist III position was eliminated from the Administrative Program mid-year in FY 09 to achieve structural salary savings.

Budget and Performance Management Program

Focus Area: Leadership, Management and Support

Line of Business: Fiscal Planning and Oversight

Program Purpose Statement: To provide budget preparation, monitoring, oversight and reporting and support services to the City Manager, Mayor, City Council, and City departments so they can set and achieve clear revenue, expenditure and service delivery goals and make better informed decisions to create a balanced budget, while providing for effective services that are in alignment with community priorities.

Key Services Provided: Citywide Financial Policies, Budget Instructions, Financial Strategic Plan, Master Fee and Charges Schedule and Department Cost Allocation Plans, Proposed/Adopted Budgets, Revenue Enhancement and Cost Recovery, Personnel and Operational Performance Analyses, responses to City Council/Budget Oversight Committee requests, Performance Management Trainings, Community Outreach and Presentations.

FY 10 Funding Sources: General Fund 73% and Employee Benefits Fund 22%, Tidelands Operations 5%

Budget and Performance Management	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	1,534,105	1,698,068	1,657,633	98%	1,631,291
Revenues	-	-	80	-	-
FTEs	13.00	12.00	12.00	100%	12.00

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Percentage of recurring expenses in the General and related funds supported by recurring revenues	100%	100%	100%	100%	100%
Number of participant training hours provided	1,700	1,300	1,300	100%	1,300
Maintain revenue projections within 2 percent of actuals for the top five revenue sources	100%	100%	100%	100%	100%

Results Narrative:

There are no significant changes in resources to this Program and no substantial change expected in the performance of key outcomes. A structural balance in the General Fund, a key performance objective for this program, was achieved for the fourth consecutive fiscal year, requiring \$20 million in General Fund savings and \$18 million in negotiated savings in labor costs. The Program continues to streamline its processes while providing a full menu of services citywide, including the two new budget processing databases, the Budget Expense and Revenue (BEAR) Tracker and the Fee Revenue Entry Database (FRED) to facilitate interdepartmental communication and enhance transparency with the community. Offering over 50 community budget presentations to ensure direct transparency in the budget process as well as provide increased information to both the City Council and the Budget Oversight Committee will be a major goal of the Program. Major accomplishments include the development of the City's first "Community Based Budget" in concert with the City Manager's Office that provided an easy-to-read booklet highlighting major changes in the budget for the community.

Additionally, the Budget and Performance Management Program tracks and forecasts the City's key revenue streams. Revenue staff continues to explore opportunities to increase revenue for the City, including full implementation of current taxes, cost recovery through fees, department cost allocation plans, nexus studies and contracting-in opportunities. This Program supports the City Manager's Key Outcome to strengthen the City's fiscal sustainability.

Accounting Program

Focus Area: Leadership, Management and Support

Line of Business: Fiscal Planning and Oversight

Program Purpose Statement: To provide accounting, financial reporting, and technical consulting services to City departments so they can complete accurate financial transactions, and provide timely and accurate financial information to regulation and funding agencies.

Key Services Provided: Comprehensive Annual Financial Report, Federal Single Audit, Citywide Annual and Quarterly Financial Reports, Audit Adjustments and Responses, Vendor Payments, Employee Payroll/Paychecks, Vendor and Payroll Tax Filings, Citywide Document Reviews and Approvals, Account Code Updates, Daily and Monthly System Reconciliation and Error Corrections, Monthly and Year-End Internal Financial System Reports, Accounting Consultations, Financial Policies and Procedures, Grant and Capital Project Reports and Reimbursement Requests/Invoices, Bank Reconciliation, Retirement and Pension Plan Analyses and Recommendations, Community Development/Redevelopment Agency Accounting Services; Tidelands Accounting and Financial Reporting, and Fixed Asset Management.

FY 10 Funding Sources: General Fund 46%, Employee Benefits Fund 24%, Redevelopment Funds 9%, Community Development Grants Fund 7%, Insurance Fund 6%, Tidelands Funds 3%, Housing Development Fund 2%, Health Fund, Marina Fund and Rainbow Harbor Area Fund <3%

Accounting	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	4,370,840	4,603,587	4,399,734	96%	4,492,510
Revenues	580,225	652,100	700,360	107%	602,276
FTEs	37.99	35.00	35.00	100%	36.00

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Percentage of Federal Single Audit findings corrected within two fiscal years	100%	75%	75%	100%	80%
Total number of Federal Single Audit findings resolved in current fiscal year	5	5	5	100%	4

Results Narrative:

The Accounting Program continues existing service levels to the City's 22 distinct departments and its subsidiaries (e.g. Aquarium of the Pacific). The Accounting's Program's main focus is to ensure compliance with statutes, regulations, Generally Accepted Accounting Principles, Governmental Accounting Standards Board (GASB) pronouncements and governmental auditing standards. The receipt of the GFOA Certificate for Excellence in Financial Reporting for both FY 07 and FY 08 demonstrates the Accounting Program personnel's dedication, competence and focus despite ongoing cuts in critical personnel. The receipt of The GFOA award is the first accomplishment of this magnitude in twelve years.

New governmental accounting standards, such as GASB 51 through 56, create additional reporting and accounting requirements. One of which, GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions, will have a significant impact on financial statement presentation. These new standards, along with the need to maintain the stability of core accounting and financial reporting functions, require well-trained and highly skilled staff. Improving the overall skill set of program staff will remain a challenge with continued vacancies, employee retirements and turnover. This Program supports the City Manager's Key Outcome to strengthen the City's fiscal sustainability.

Treasury Program

Focus Area: Leadership, Management and Support

Line of Business: Fiscal Planning and Oversight

Program Purpose Statement: To provide cash, investment and debt management services to City departments, the City Manager and City Council that provide safety, liquidity, adequate yield and reasonable debt financing.

Key Services Provided: Debt Financings and Debt Obligations; Portfolio Investments; Bond Compliance/Disclosure Reports; Management Reports, Assessment District Administrative Services, Defined Contribution and Deferred Compensation Retirement Plans, Cash Management Services (Bank Contracts, ATM, Armored Car, Merchant Cards, Vault Service, Check Stock)

FY 10 Funding Source: General Fund 100%

Treasury	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	1,325,445	1,343,230	1,206,539	90%	1,199,425
Revenues	1,235,916	1,282,350	1,346,034	105%	1,269,321
FTEs	8.00	8.00	8.00	100%	8.00

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Standard and Poor's Investment Portfolio Rating	AAA/SI	AAA/SI	AAA/SI	N/A	AAA/SI
Long-Term General Fund Rating	AA-	AA-	AA-	N/A	AA-

Results Narrative:

The Treasury Program's adopted budget of \$1.20 million in FY 10 continues the current level of service delivery. These resources will allow for the effective management of an estimated \$1.7 billion investment portfolio as well as managing outstanding City debt obligations currently totaling almost \$2.4 billion in compliance with bond covenants and optimal financing options.

The Treasury Department is responsible for managing the City's investments, cash and debt management ensuring compliance with internal and external polices and regulations. The City of Long Beach received affirmation of a "AA-" issuer credit rating with a stable outlook from Standard & Poor's rating agency, while many states, counties, and cities have received downgrades due to the recession. Additional duties include providing optimal solutions to ensure safety and liquidity in support of the City's cash requirements for its operations as well as potential emergency situations and assistance in financing instruments for infrastructure, airport, sewer and marina capital programs and capital leasing. This Program supports the City Manager's Key Outcome to strengthen the City's fiscal sustainability.

Financial Systems Program

Focus Area: Leadership, Management and Support

Line of Business: Fiscal Planning and Oversight

Program Purpose Statement: To provide system administration, reporting, training, technical and project management consultation services to City employees and departments so they can improve business processes and effectively manage financial information.

Key Services Provided: Advanced Technical Consultations, Vendor and Committee Technical Liaison, Financial Systems Enhancements, Upgrades and Status Tracking/Reports, Financial System Interface, Integration Projects, User Access and Workflow Authorizations, Standard and Custom Reports, Help Desk Responses and Training Classes

FY 10 Funding Source: General Services Fund 100%

Financial Systems	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	353,946	528,815	458,560	87%	491,459
Revenues	453,525	414,972	406,278	98%	414,972
FTEs	2.00	3.00	3.00	100%	3.00

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Number of Users Served/Supported	1,058	1,055	1,042	99%	1,040
Number training participant hours	1,401	240	1,405	585%	600
Percentage of system users who report financial systems training and support sufficiently supports them in achieving their information management goals	(a)	(a)	(a)	(a)	75%

(a) Tracking systems are being developed to capture this data going forward and/or data not available

Results Narrative:

The Financial Systems Program supports the City's accounting, purchasing, budgeting and fixed assets systems and their over 1,000 users Citywide. These mainframe-based applications have become increasingly outdated and difficult to support. One of the biggest challenges has been the difficulty for end users to access or view financial data or reports specific to their needs. To address this issue, in FY 08 the Financial Systems Program began implementation of a web-based software tool, EZ FAMIS, to allow all financial system users access to mainframe data by performing simple, intuitive queries that generate financial and transactional reports in an almost unlimited variety of formats. In FY 09 we continued these efforts, significantly improving the user interface and increasing the accounting data available for users to query. Also in FY 09 we added budgeting system data and queries to EZ FAMIS, significantly improving the budget preparation process. This EZ FAMIS project continues to be implemented with no increase to the budget, as its costs are completely offset by negotiated reductions to other technical support contracts.

For FY 10, the Financial Systems Program is proposing enhancements to the EZ FAMIS systems to better support the development of the City's Comprehensive Annual Financial Report (CAFR), purchasing and invoicing functions, with no significant changes to the budget.

Purchasing Program

Focus Area: Leadership, Management and Support

Line of Business: Financial Services

Program Purpose Statement: To provide bid development and processing, local business outreach, cost savings, citywide support on all procurement related issues and award contracts in a legal, ethical and transparent manner to support departments in obtaining the best value for core products and services, in a timely manner, as required to best serve the community.

Key Services Provided: Bid Documents, Requests for Proposals, Vendor Contract Awards, Diversity Outreach Presentations/Events, Local Business Preference Outreach Information, Internal and External Purchasing Training Workshops, Long Beach Proposition "L" (outsourcing) Contracting Cost Savings Analyses, Purchasing Cards (Credit Cards), HUD Section 3 Monitoring

FY 10 Funding Source: General Fund 100%

Purchasing	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	808,362	822,128	837,834	102%	667,044
Revenues	135,127	92,661	110,594	119%	67,000
FTEs	8.00	7.00	7.00	100%	9.00

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Percentage of "Purchasing money" going to local businesses	15%	15%	36%	240%	25%
Percentage of registered local businesses that submit bids	4	10%	23%	230%	15%
Total Purchasing dollars spent with local businesses	\$1,500,000	\$3,500,000	\$2,365,922	68%	\$3,000,000
Training participation hours	26	N/A	N/A	N/A	N/A

Results Narrative:

The Purchasing Program's adopted budget for FY 10 reflects a slight decrease from FY 09 funding levels with the elimination of the Purchasing Agent position. Purchasing will continue to utilize and maintain an electronic bidder database that is available to vendors via the City's website. This bidder database management program increases the number of available bidders, creating competition for the City's businesses, resulting in better pricing of goods and services. In FY 09, an upgrade to the bidder management system was made to allow for the certification of Small Business Enterprises (SBE), Very Small Business Enterprises (VSBE), and Long Beach Small Business Enterprises (LSBE). The projected goal of this program is 20 percent participation with the Department of Public Works, Department of Parks, Recreation and Marine, and the Department of Gas and Oil. In addition, Purchasing has provided on-going contract compliance for HUD Section 3 related construction contracts.

The Purchasing Program conducted a variety of competitive bids for citywide services during FY 09: custodial services, landscape services, uniform rental services, citywide fuel supply services, and tires and related services. Throughout the bid process, Purchasing improved specifications and scope of services descriptions to optimize the delivery of services and goods, while reducing costs to reflect budget savings. Purchasing has proactively addressed bids with an approach that represents local outreach, SBE, Section 3, and the continuous improvements to the overall bid process. The estimated amount of cost savings attributed to the competitive bid process for FY 09 is \$580,207.

Utility Customer Support Program

Focus Area: Leadership, Management and Support

Line of Business: Financial Services

Program Purpose Statement: To provide utility account establishment, customer service, billing, payment processing, and collection services to utility users in the Long Beach so they can receive timely and accurate bills and customer service.

Key Services Provided: In-Person, Telephone, Internet and 24-Hour Automated Customer Service Responses, Applications for Service Establishment and Termination Orders, Statement Reviews for Accuracy, Payment Processing, High Bill Reviews, Billing Inquiries Response Resolutions, Meter Readings Service, Payment Plan Options, Debt Recovery Collections, Interagency/Intergovernmental Referrals, New Meter Installation Application and Fees, Remote Pay Stations

FY 10 Funding Sources: Gas Fund 97%, General Fund 3%

Utility Customer Support	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	7,854,776	8,136,591	7,676,790	94%	7,684,895
Revenues	4,862,701	5,252,899	4,857,750	92%	4,980,590
FTEs	53.09	53.15	53.15	100%	42.17

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Utility Bill Collection Rate	4%	4%	4%	100%	4.5%
Number of Customer Inquiry Responses Completed	636,058	650,000	717,861	110%	725,000

Results Narrative:

The number of customer contacts to Utility Customer Services increases yearly; in FY 09 contacts of 717,861 reflected an increase of 4 percent over the prior year. Contacts utilizing internet and automated phone (IVR) options made up 57 percent of all contacts. Automation has allowed costs to remain constant as demand has increased. Also in planning is a streamlined IVR to make the customer call experience easier, with fewer menu options.

Staff bill in excess of \$210 million per year on a 30 year-old mainframe billing system. Limited resources are available to maintain and modify the system and the level of detail and new technology demanded by the community is not currently available. FY 09 saw the release of an RFP for a new customer information system (CIS), with vendor demonstrations scheduled for early FY 10, in anticipation of a contract later in the year.

The City was notified by Southern California Edison that its meter reading contract with the City would not be extended. As a result, an extensive search to procure an experienced company to read the City's 242,000 gas and water meters was conducted. Once completed, the City will provide monthly meter readings to residents and businesses in Long Beach.

The discrepancy between revenue and expenditures is attributed to the fact that all utility related expenditures are passed through to Long Beach Gas & Oil (LBGO), and all the revenues represent the amounts reimbursed to LBGO from the Water and Public Works Departments for water, sewer, and refuse services.

General Billing and Collections Program

Focus Area: Leadership, Management and Support

Line of Business: Financial Services

Program Purpose Statement: To provide invoicing, customer service, payment processing and debt recovery services to residents and businesses so they can have accurate information and convenient payment options for City Services.

Key Services Provided: Accounts Receivable Billings and Collections (Medical/Ambulance Bills, Property Damage, False Alarms, Marina Slip Rentals, NSF, Third Party Claims), Process Payments and Deposits, Debt Recovery Services (Small Claims Actions, Skip Tracing, Collection Payment Plans), Customer Inquiry Responses, Parking Violation Notifications, Coordinated Citation Disputes, and Administrative Hearings

FY 10 Funding Source: General Fund 100%

General Billing and Collections	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	2,737,737	3,413,049	3,252,781	95%	2,788,895
Revenues	5,081,908	5,594,130	5,655,265	101%	5,435,463
FTEs	22.45	22.17	22.17	100%	25.86

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measure	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Ambulance Billing Collection Rate	62%	63%	67%	106%	67%
Parking Citation Collection Rate	80%	80%	91%	114%	90%
Number of Parking Citations Processed	382,434	370,000	354,377	96%	340,000
Cost Per Parking Citation Processed	\$3.01	\$4.33	\$4.33	100%	\$4.15

Results Narrative:

The Program projects an ambulance bill collection rate of 67 percent, net of Medicare/Medi-Cal discounts and a parking citation collection rate of 90 percent with an estimated 375,000 citations processed. The proposed revenue reflects increased collections efforts of delinquent parking citations (\$65,000) and over \$700,000 in additional revenue from fee increases approved in the Quarterly Fee resolution. In addition, the Program participated in the State Franchise Tax Offset Program to recover bad debts from debtors' State income tax refunds. This is a proven method of collection and the City has received over \$64,000 in 2009 through these efforts.

Parking Citation manages parking permit programs, enforces parking regulations, and administers recordkeeping and collection of parking fines. The Parking Citation Section saw a reduction in the number of citations written in FY 09. The reduction has a corresponding effect on the number of payments received. With the addition of a new contract for collection services, Parking Citations has seen an increase in its collection rate. This Program continues to support the City Manager's Key Outcome to enhance customer service and response time.

Business Licensing and Permits Program

Focus Area: Business and Economic Assistance

Line of Business: Financial Services

Program Purpose Statement: To provide application processing, information, registration and enforcement services to Long Beach businesses and residents so they can receive fair and timely, uninterrupted approval to operate in the City.

Key Services Provided: Transient Occupancy Tax Collections, Accounts Receivable and Collections, Business Licenses and Permits, Alarm Permits, Entertainment Permits, Garage Sale Permits, Compliance Investigations and Audits, Business Information Reports, Customer Inquiry and Complaint Responses, Business District Assessments, Administrative Hearings (Permits, Licenses)

FY 10 Funding Source: General Fund 100%

Business Licensing and Permits	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	1,887,706	1,852,009	2,159,187	117%	2,168,940
Revenues	12,031,830	11,933,727	12,017,394	101%	12,222,911
FTEs	14.50	14.50	14.50	100%	18.53

* Unaudited

**Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Dollar Amount of Transient Occupancy Tax Collected	\$17,969,700	\$18,000,000	\$14,635,295	81%	\$14,500,000
Number of Business License and Permits Processed	52,103	52,000	55,899	107%	52,500
Number of Active Business License and Permits	41,400	44,500	49,472	111%	45,000
Cost Per Business License and Permit Processed	\$25.97	\$32.00	\$32.00	100%	\$32.00

Results Narrative:

The Business Licensing and Permits Program budget in FY 10 is a continuation of FY 09 funding levels and the increase of FTEs reflects an internal reallocation of staff. The current budget includes a Business License Inspector that works on Saturdays to investigate complaints on illegal yard sales and businesses, as well as to work on any Special Events for revenue collection.

However, total revenue to be generated by the Business License and Permits Program is a slight decrease of just under one percent of FY 08 year-end revenue. This reflects the current state of the economy and the struggle businesses are facing to keep their operations viable.

Business License key responsibilities are issuing licenses and permits including business license permits, alarm permits, entertainment permits, special events vendor permits and garage sales permits, providing support to Long Beach businesses, maintaining a minimal delinquency rate on renewals, collecting Transient Occupancy Taxes (TOT), and ensuring compliance of the municipal code within the business community. The Business License and Permits Program fully supports the City Manager's Key Outcome to make Long Beach the most business friendly community in Southern California.

Citywide Financing Program

Focus Area: Leadership, Management and Support

Line of Business: Citywide Financing

Program Description: To provide non-operating departmental financial processing services to departments, joint powers authorities, assessment districts, and current and former City employees so they can receive timely and accurate payments.

Key Services Provided: Major Revenue Deposits (Property Tax, Sales Tax, Utility Users Tax, Transit Occupancy Tax, Vehicle License Fee, Other Major Revenues); Sales Tax Rebates; General Debt Service Payments; Indirect Cost Allocations; Revenue Audits; Pass Through Transactions (Joint Power Activity payments, Public Employee Retirement System (PERS) Payments, Employee Health Insurance Payments, Workers Compensation Payments, Citywide Pension Obligation Bond Payment, Police and Fire Pension Plan Receipts and Payments)

Citywide Financing	Actual FY 08	Adjusted FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	312,841,863	374,650,668	335,236,890	89%	319,216,081
Revenues	676,294,970	729,160,670	703,888,859	97%	655,712,194
FTEs	-	-	-	-	-

* Unaudited

**Amounts exclude all-years carryover.

Results Narrative:

As part of the Strategic Business Planning process, a new and separate Program for Citywide Financing was developed. The Program is implemented jointly amongst Budget, Accounting and Treasury staff. Since this Program provides non-operating financial processing citywide that is not department-specific, the overall Program totals for expenditure and revenue are not included in the financial information for the Department of Financial Management.

This Program supports the City Manager's Key Outcome to strengthen the City's fiscal sustainability.

Citywide Summary by Character of Expense

Citywide activities are included on the Financial Management Department and Citywide Activities Summary page. This summary includes Financial Management's operating budget as well as the following activities: "XC" Citywide contains certain citywide revenues, transfers and expenditures that are not linked to a specific operating department including the old Police and Fire Pension Plan. Citywide receipt of property taxes and citywide payments for Pension Obligation Bonds are examples. "XI" contains interfund transfers for the indirect cost allocation plan. "XJ" Joint Powers Authority contains expenditures for City-involved joint power activities.

The second Department summary page strictly includes the Department of Financial Management's operating budget.

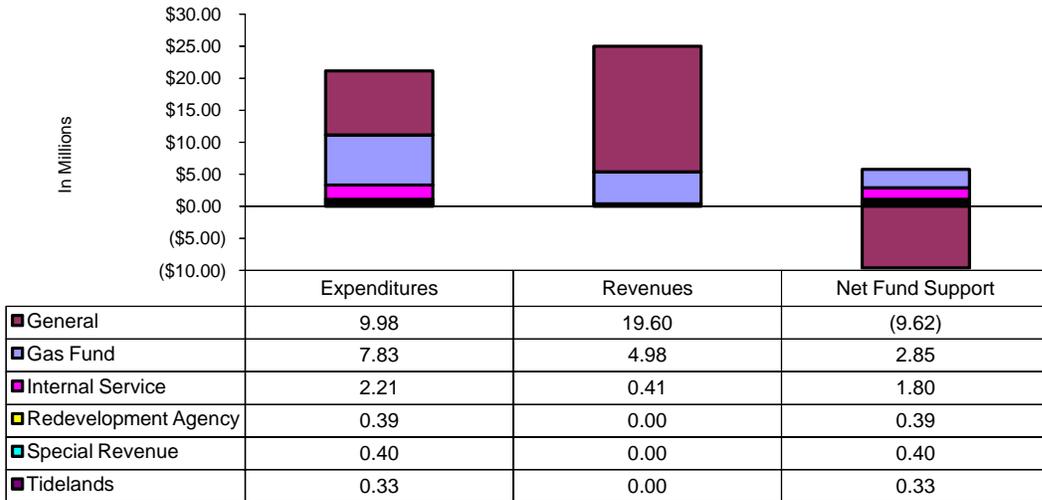
	Actual FY 08	Adopted* FY 09	Adjusted FY 09	Year End** FY 09	Adopted* FY 10
Expenditures:					
Salaries, Wages and Benefits	196,895,383	230,402,947	229,491,887	209,527,887	227,681,575
Materials, Supplies and Services	24,099,254	67,735,291	48,702,553	32,806,985	3,115,226
Internal Support	4,976,014	6,191,699	6,192,030	5,516,888	4,507,041
Capital Purchases	214,495	-	1,376	141,459	-
Debt Service	96,664,238	52,328,134	100,943,527	97,115,191	93,852,914
Transfers from Other Funds	10,865,813	11,715,240	11,715,240	11,778,023	11,210,036
Prior Year Encumbrance	-	-	-	-	-
Total Expenditures	333,715,198	368,373,311	397,046,613	356,886,434	340,366,793
Revenues:					
Property Taxes	75,257,317	75,873,500	75,873,500	78,515,096	74,700,000
Other Taxes	135,699,729	137,332,991	137,332,991	126,108,735	136,632,655
Licenses and Permits	1,222,244	1,543,718	1,543,718	587,656	551,256
Fines and Forfeitures	599,523	1,252,512	378,700	550,205	313,000
Use of Money & Property	32,227,740	32,766,610	33,516,610	23,788,953	25,253,109
Revenue from Other Agencies	79,255,017	82,011,320	89,816,479	80,249,837	77,764,891
Charges for Services	31,084,470	30,316,792	57,577,792	56,783,241	30,647,656
Other Revenues	8,535,993	7,058,679	7,058,679	33,194,095	7,103,483
Interfund Services - Charges	234,708,754	266,803,923	266,803,923	245,418,745	264,059,597
Intrafund Services - GP Charges	1,460,593	1,644,294	1,644,294	1,668,421	1,522,521
Harbor P/R Revenue Transfers	-	-	-	-	-
Other Financing Sources	-	-	-	-	-
Operating Transfers	100,624,823	82,836,822	82,836,822	82,117,630	62,156,559
Total Revenues	700,676,202	719,441,161	754,383,509	728,982,613	680,704,727
Personnel (Full-time Equivalents)	N/A	N/A	N/A	N/A	N/A

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

** Unaudited

Summary by Character of Expense

Adopted* FY 10 Budget by Fund



	Actual FY 08	Adopted* FY 09	Adjusted FY 09	Year End** FY 09	Adopted* FY 10
Expenditures:					
Salaries, Wages and Benefits	12,786,979	14,047,046	13,861,897	13,050,415	13,654,325
Materials, Supplies and Services	3,011,862	3,143,944	3,242,319	3,038,756	3,031,775
Internal Support	4,901,261	5,382,137	5,382,468	5,423,147	4,498,261
Capital Purchases	214,495	-	1,376	141,459	-
Debt Service	168,844	101,037	136,430	156,559	155,216
Transfers to Other Funds	(210,107)	(228,544)	(228,544)	(160,793)	(188,865)
Prior Year Encumbrance	-	-	-	-	-
Total Expenditures	20,873,334	22,445,620	22,395,945	21,649,543	21,150,711
Revenues:					
Property Taxes	-	-	-	-	-
Other Taxes	11,681,711	11,627,589	11,627,589	11,647,042	11,848,700
Licenses and Permits	340,758	320,718	320,718	375,354	326,256
Fines and Forfeitures	599,523	1,252,512	378,700	550,205	313,000
Use of Money & Property	(1,056)	1,000	1,000	3,182	-
Revenue from Other Agencies	4,364	-	-	-	-
Charges for Services	1,850,366	1,291,422	1,291,422	1,315,522	1,395,286
Other Revenues	2,522,046	3,553,005	3,553,005	3,556,033	3,537,387
Interfund Services - Charges	5,888,071	6,371,253	6,371,253	5,943,136	6,014,525
Intrafund Services - GP Charges	1,460,593	1,644,294	1,644,294	1,668,421	1,522,521
Harbor P/R Revenue Transfers	-	-	-	-	-
Other Financing Sources	-	-	-	-	-
Operating Transfers	34,857	34,858	34,858	34,858	34,858
Total Revenues	24,381,232	26,096,651	25,222,839	25,093,754	24,992,533
Personnel (Full-time Equivalents)	165.55	162.56	162.56	162.56	159.56

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

** Unaudited

Personal Services

Classification	FY 08 Adopt FTE	FY 09 Adopt FTE	FY 10 Adopt FTE	FY 09 Adopted Budget	FY 10 Adopted Budget**
Director of Financial Management	1.00	1.00	1.00	170,070	176,872
Accountant III	11.00	10.00	10.00	675,360	698,969
Accounting Clerk II	3.00	3.00	-	126,326	-
Accounting Clerk III	8.00	6.00	9.00	254,865	395,311
Accounting Operations Officer	3.00	3.00	4.00	285,952	383,921
Accounting Technician	3.00	3.00	3.00	150,973	153,971
Administrative Analyst II	1.00	2.00	2.00	129,656	135,839
Administrative Analyst III	3.00	3.00	2.00	242,417	164,843
Administrative Analyst III - Confidential	5.00	6.00	7.00	471,088	561,375
Administrative Intern - NC/H40	1.00	-	-	-	-
Administrative Services Officer	1.00	1.00	1.00	94,093	94,131
Assistant Administrative Analyst I	-	1.00	1.00	45,486	46,432
Assistant Administrative Analyst II	1.00	2.00	2.00	113,863	112,033
Budget Management Officer	1.00	1.00	1.00	103,523	103,523
Business Services Officer	1.00	1.00	-	96,201	-
Business System Specialist III	2.00	2.00	2.00	137,113	142,249
Buyer I	3.00	3.00	3.00	180,445	178,820
Buyer II	2.00	2.00	2.00	139,472	152,685
City Controller	1.00	1.00	1.00	135,199	135,254
City Treasurer	1.00	1.00	1.00	122,424	135,254
Clerk III	1.00	1.00	1.00	31,863	34,120
Clerk Typist II	1.00	-	-	-	-
Clerk Typist III	4.60	3.50	2.50	141,349	107,773
Community Development Analyst	1.00	-	-	-	-
Customer Service Representative II	12.00	12.76	11.76	459,532	458,478
Customer Service Representative II-NC	5.96	5.30	5.30	155,214	170,135
Customer Service Representative III	50.00	50.00	50.00	2,261,347	2,297,530
Customer Services Officer	1.00	1.00	1.00	67,756	90,037
Customer Services Supervisor I	6.00	6.00	6.00	339,262	342,497
Customer Services Supervisor II	3.00	3.00	3.00	175,529	160,810
Executive Assistant	1.00	1.00	1.00	56,123	60,051
Financial Services Officer	1.00	1.00	1.00	90,177	90,214
License Inspector I	3.00	3.00	3.00	153,850	156,927
License Inspector II	1.00	1.00	1.00	53,933	55,012
Manager-Budget and Performance Mgmt*	1.00	1.00	1.00	121,138	135,254
Manager- Business Relations	1.00	1.00	1.00	121,587	120,000
Manager-Commercial Services	1.00	1.00	1.00	123,659	123,710
Payroll/Personnel Assistant II	1.00	1.00	1.00	45,667	44,024
Payroll Specialist I	3.00	3.00	2.00	157,834	108,408
Payroll Specialist II	-	-	1.00	-	59,359
Purchasing Agent	1.00	1.00	-	105,574	-
Subtotal Page 1	----- 151.56	----- 148.56	----- 145.56	----- 8,335,920	----- 8,385,822

* FY 10 adjustment reflects reclassification of position to Assistant Director of Financial Management.

** Reflects changes in compensation due to prior fiscal year adjustments, new hires or promotions not known prior to the adoption of the FY 09 Budget.

Key Contacts

Lori Ann Farrell, Director of Financial Management/CFO

David Wodynski, Assistant Director/Manager, Budget and Performance Management Bureau

Stephen Hannah, City Controller

David Nakamoto, City Treasurer

Pamela Horgan, Manager, Commercial Services Bureau

Erik Sund, Manager, Business Relations Bureau/Purchasing Agent

John Zanier, Administrative Services Officer

Elizabeth Haynes, Financial Systems Officer

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