

July 1, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Fiscal Year 2017 Proposed Budget

Over the past several years, the City has effectively managed large and increasingly difficult structural shortfalls as we endured the effects of the Great Recession. We have had to make many difficult, but necessary, choices to balance the budget. Though Long Beach City government has become leaner and more efficient, we have had to focus on providing urgent public safety services and other core services to the community. There was little investment in our infrastructure and our public safety services have become stressed to meet demand. The Fiscal Year 2017 (FY 17) Budget reflects a departure from those times. For the first time in more than 30 years, the residents of Long Beach have made a historic choice to invest in our community through the passage of Measure A. Measure A will go into effect on January 1, 2017 and is estimated to generate approximately \$35.6 million in FY 17.

I am pleased to present a budget that uses our new Measure A revenue to initiate the first phase of the largest public infrastructure plan in a generation. In addition, Measure A revenue will be used to maintain public safety services, as well as enhance public safety through the restoration of the South Police Division and Fire Engine 8, improving response times throughout the City. Without Measure A, we would have faced reductions in public safety services and no additional funding to address our growing infrastructure needs.

The City's other sources of revenue are also improving. As a result, the previously projected shortfall of \$5.9 million for FY 17 decreased to \$4.8 million, a \$1.1 million improvement. While Measure A eliminated the shortfall in public safety services, some reductions were needed to cover the non-public safety portion of that shortfall. Care was taken to maintain City services as much as possible, fund previous City Council priorities, and make strategic investments.

This budget also looks to the future, making several investments that will improve the lives of our residents now and into the future. This budget invests in livability, culture and arts, and tourism through the support of our City partners. We will invest in economic development to further increase our efforts to attract new businesses and retain our current businesses, and significantly increase staffing in our Development Services Department to support the boom of development we are currently experiencing. Through the Language Access Plan, we will assist residents who need

assistance in languages other than English. We will also enhance our ability to keep our City clean through additional Clean Team resources, and supplement our response to homelessness, which is an ever increasing concern.

Furthermore, our investment in innovation and efficiency will continue through the efforts of the Innovation Team as they complete their work on economic development and begin to move to a new focus area in FY 17. Departments have several new initiatives in this budget, including climate change adaptation, GIS-based open data enhancement, cyber security, ePlan check, document imaging, and many more as we continue to be a local government leader in the area of technology and innovation.

This budget has much to celebrate as detailed further below, but we must also continue to prepare for the challenges that continue to face us.

INVESTMENT IN PUBLIC INFRASTRUCTURE

Historically, the City has not had a dedicated source to fund general infrastructure. Long Beach residents have not authorized an infrastructure bond/tax measure since the early 1960s. In the past, the City relied on state and federal funds and one-time infusions such as the dissolution of the Redevelopment Agency (RDA) to provide funding for investing in the City's infrastructure. The passage of Measure A allows the City to make an investment of \$27.2 million in FY 17 to address the City's aging and deteriorating infrastructure. These funds will supplement the City's Capital Improvement Program (CIP) of \$49 million for FY 17. In FY 17, the focus will include streets, sidewalks, parks and various facilities citywide. Staff will also be developing designs for work in FY 18 when additional Measure A funds become available. The Capital Improvement Program section of this document provides the full list of planned projects. The following section highlights infrastructure initiatives that will be undertaken in FY 17:

Marinas, Beaches & Waterways. The Marinas, Beaches & Waterways budget includes a total of \$3.2 million in new funding. This funding includes preliminary work for the Belmont Beach & Aquatics Center, repair of the wave fountain at the Aquarium Plaza, upgrades to Bayshore and Mother's Beach docks and Rainbow Lagoon footbridge repairs.

Street Rehabilitation. The Street Rehabilitation budget includes a total of \$39.6 million in new funding. Measure A funds total \$19.5 million, of which \$13.1 million is for Residential Street Repair throughout the City. This investment in preventative maintenance will ensure that we invest in our residential streets before they degrade further, leading to an even higher replacement costs in the future. There is also \$4.8 million for Arterial Street improvements, which in FY 17 will focus on a complete overhaul of Broadway, one of our highly travelled corridors

in the City. We will also complete the City's first Alley Management Plan and begin the efforts to improve our alleys. Lastly, \$1.2 million in Measure A funds are budgeted to improve the parking experience in the City Place Parking Garages and surrounding areas and \$100,000 for Naples Bridge improvements are also included in this category.

In addition to Measure A, Street Rehabilitation also receives local and state funding totaling \$20.1 million for major and secondary streets, residential street repair, sidewalks, bridge rehabilitation and related improvements provided in the FY 17 Capital Budget.

Public Facilities. The Public Facilities budget totals \$6.6 million in new funding. The City's public facilities including fire stations, police facilities and libraries will receive \$1.6 million in new Measure A funding. This includes Fire Station 9 rehabilitation and Fire station roof repairs, work on the Police Crime Lab and Public Safety building, improvements at five library branches, improvements to the Expo Building, improvements to the Animal Care Services facility and a continued investment in smart street light technology. Non-Measure A funds have been provided for improvements to the Queen Mary, Civic Center, general city building infrastructure improvements and upgrades to regional fuel storage stations.

Parks & Recreation. Parks & Recreation budget totals \$6.7 million in new funding. This budget proposes \$6.1 million in new Measure A funds for critical improvements and repairs to six parks, four playgrounds, and two athletic fields as well as investments in citywide irrigation upgrades, community center restroom upgrades, senior center improvements and urban forestry in our parks. Both Rancho Los Alamitos and Rancho Los Cerritos will receive \$500,000 each to continue their improvement plans for our historic buildings. The Parks, Recreation and Marine Department will continue to implement critical citywide irrigation upgrades, converting our current manual irrigation system to an electronically controlled system, saving significant amount of staff time and providing better control and data for making irrigation decisions in our parks. Non-Measure A funds have been provided for the continued restoration of the Train Depot at Willow Springs park and the continued upgrades of park bike paths.

Transportation Improvements. This budget also invests Measure A funds in replacing our traffic signs with an initial investment of \$50,000. Non-Measure A funding has been provided for completion of 6th St Bike Boulevard, installation citywide livability projects, update of traffic impact fees and installation of new traffic signals.

A full accounting of the uses of Measure A, including the list of FY 17 Measure A projects, is included as Attachment A to the Executive Summary. For FY 18, it is

estimated that an additional \$37 million in Measure A funds will be available for infrastructure and a tentative list of FY 18 projects is also shown in Attachment A.

ENHANCE PUBLIC SAFETY

Public safety is Long Beach's highest priority. Consistent with City Council's policy direction on the use of Measure A funds, Measure A will reestablish the South Police Division at a cost of \$2.4 million in FY 17. This includes the addition of eight sworn positions, including a Police Commander and a Directed Enforcement Team, as well as two civilians to support the Division and one-time resources for start-up costs. The reestablishment of the South Division will increase the ability for officers to practice community oriented policing and provide resources to enhance established partnerships with community stakeholders. South Police Division is a top priority for the Police Chief, and is expected to be reestablished in the first quarter of FY 17.

Using Measure A, the budget restores Fire Engine 8, which includes 12 sworn fire positions, at a cost of \$2.3 million. While this Engine is located in Belmont Shore, this restoration will help the Fire Department improve citywide response times for both fire and EMS responses. Restoration of Fire Engine 8 is the top priority for the Fire Chief, and is expected to be restored in early October 2016.

This budget also includes other public safety investments from non-Measure A sources. Overall, public safety remains at approximately 69 percent of the General Fund departmental budget. This budget includes a Police recruit academy for new police sworn personnel and two Fire recruit academies for new fire sworn personnel. The second Fire recruit academy will be funded using funds set aside for the Rapid Medic Deployment (RMD) program termination, which are no longer needed for this purpose as First Responder Fee revenue is projected to cover the RMD additional costs. In addition, the proposed budget provides both the Police and Fire Departments with improved capacity and oversight to manage training operations for both new recruits and current personnel.

The proposed budget includes a reduction of three civilian staffing positions in the Police Department due to efficiencies gained by a staffing reorganization. The savings from these positions have been used to bolster the Police Department's overtime budget. In addition, the proposed budget also includes a strategic investment of one-time funds of \$2.2 million for overtime to patrol, suppress, investigate and prosecute violent crime activities. Overtime will be allocated to gang enforcement, violent crime suppression, homicide investigations and other priorities as determined by the Chief of Police. This funding supplements the nearly \$7.3 million in funding for Police overtime included in the base budget.

For the Fire Department, five additional positions have been added to meet the State-mandated fire and life safety residential annual inspections of multi-family properties with three or more units. These positions are offset by inspection revenue paid by the properties.

BUDGET APPROACH

While Measure A has allowed the City to invest in infrastructure and support public safety, reductions in non-public safety functions were necessary to balance the budget. To develop this year's proposed budget, we again used a proportionate share methodology, as we have the last six years, to set modest reduction targets. Proportionate share ensures that police, fire and emergency response services continue to receive most of the General Fund resources (69 percent), while ensuring funding is available for other core City operations, without which a city either cannot function or must significantly reduce quality of life services to residents. For FY 17, departments submitted reductions that minimized the impact of budget reductions on services. However, some impact on services was unavoidable, particularly because of the cumulative effects of budget reductions in prior years. We believe these to be the most prudent course of action to preserve our core services and ability to operate effectively, while enacting the necessary reductions to ensure fiscal health.

The key elements of this budget are described below:

Preservation of Services. In general, the proposed budget maintains last year's proportionate share budget allocation, but some adjustments have been made to address the City's prior year commitments and obligations. The proposed budget includes use of Measure A to fund the proportionate share of Police and Fire reductions at the level of \$2.3 million and \$0.9 million, respectively. All of the non-City Manager departments participated in the proportionate share reductions and their budgets are included in the proposed budget, as submitted. The details of the budget reductions are contained within the department chapters and are attached to the Executive Summary in Attachment C.

The goal in developing this budget was to maintain overall services to the extent possible and to specifically address a number of Mayor and City Council identified priorities and initiatives, with available resources.

Funding Other City Council Priorities. Over the past few years, the City Council has made programmatic changes and additions, such as the Language Access Plan, the Violence Prevention Plan and Homeless prevention. The FY 17 budget recognizes those priorities and provides the following structural or one-time solutions to continue funding them:

- *Language Access Plan (LAP) Implementation:* Includes an additional \$80,000 in ongoing support to continue to implement LAP.
- *Homeless Services:* Includes an additional \$100,000 in one-time funds to fund outreach to the homeless and meet requirements for the storage of removed belongings.
- *Be SAFE:* Includes an additional \$176,385 in one-time funds to continue the current locations of this program. These locations include: King Park, Silverado Park, Admiral Kidd Park, Scherer Park, Houghton Park, Drake Park, and Seaside Park.
- *Sunday Library Hours:* Includes an additional \$203,000 in one-time funds to continue Sunday library hours at the existing three libraries: Michelle Obama Library, Bay Shore Library, and Burnett Library.
- *Park Maintenance:* Includes \$100,000 to fund maintenance costs for park enhancements provided through Council District funding.
- *LA River Study:* Includes the remaining \$250,000 needed to complete the City's match for the LA River Study led by Frank Gehry.

The Belmont Beach and Aquatics Center (BBAC) will be an important regional asset that will enhance public recreation and will also have the potential to generate economic impact for the City through the hosting of competitive events. This economic impact will result in increased tax revenue such as hotel transient occupancy taxes to the City once it is built. The BBAC is allocated an additional \$1 million in Tidelands funds for FY 17 and \$500,000 in Measure A funds for FY 18. In addition, I am proposing to use \$500,000 of the first additional General Fund year-end surplus from FY 16 (beyond that budgeted in FY 17) to go to the BBAC as a contingent appropriation for FY 17.

There are other City needs that will require funding in future years such as Police body cameras, Police and Fire radio replacement, etc. As in prior years, I will be proposing additional uses for any additional FY 16 year-end surplus once the final amount has been determined following year-end close.

Funding Our Current and Future Commitments. The proposed budget includes \$475,000 in one-time funding to implement the local Minimum Wage should the City Council pass a local minimum wage ordinance, in addition to the existing new State minimum wage law. This implementation will provide for initial education and enforcement for failing to properly implement any new City ordinance. The budget also establishes a labor compliance function to include oversight of the City's labor contract compliance, including oversight for minimum wage enforcement, and compliance for City contracts for Section 3, prevailing wage, and Project Labor Agreements (PLA).

The proposed budget also includes \$370,000 in one-time funding for water conservation and water needs. These investments will help reduce ongoing water consumption, which will help to reduce water costs. It also includes one-time funds necessary to comply with new federal permit requirements for water quality.

In addition, the proposed budget includes a \$150,000 investment in tree maintenance for emergency tree response throughout the Park system. The proposed budget also includes \$50,000 in one-time funds for training of City employees in order to address identified audit issues.

The budget also includes use of Sustainability funds from the Construction and Demolition Debris Forfeiture account in the amount of \$200,000 to conduct a Climate Action Plan. This plan will help the City comply with State requirements for greenhouse gas mitigation by establishing a baseline City inventory of greenhouse gas emissions and identify strategies on the local, state and national level for reducing greenhouse gas emissions and enhancing the City's long-standing commitment to leading in area of climate change.

Lastly, the budget adheres to the City Council policy of setting aside 5 percent of one-time revenue to fund unfunded liabilities. This 5 percent will be calculated and reserved when FY 16 is closed out. It will then be incorporated as a budget adjustment for FY 17.

Marketing and Promotions. FY 15 was again a record year for hotel occupancy taxes. This additional revenue has boosted the Special Advertising and Promotions Fund, and will allow the City to make some strategic investments in this area. First, the budget includes \$500,000 in one-time funds to conduct two Beach Streets events in FY 17. These enormously popular events not only improve our livability and bikeability efforts in the City, but also serve as an economic development tool by exposing both Long Beach residents and visitors from the region to our local businesses. The Long Beach Museum of Art will receive ongoing support of \$150,000 for promotion and marketing of this important Long Beach attraction, helping to restore their funding closer to previous levels. The Long Beach Convention and Visitors Bureau (CVB) will receive an additional \$380,000 in ongoing support to enhance its successful efforts to bring needed business to the City's convention center and hotels, as well as promotion of the center and CVB-hosted special events.

Focus on Economic Development. Economic development in Long Beach is part of our strategy to continue to grow the revenue base and help balance future budgets. To that end, this budget provides for increased ability to support economic development in Long Beach. The budget includes funding to add an ombudsman position to assist with the small business loan program, location

assistance for new and existing businesses, and reporting and data analysis. Also, the Economic and Property Development Department (EPD) includes two positions to support the necessary administrative functions of the department, which will result in additional staff available for direct service to our businesses. These costs are offset by additional revenue received in this department.

The Development Services Department is adding positions for the Permit Center, Plan Check, Engineering and Inspections due to economic development workload increases and to help ensure prompt responses to, and support for, development activity that expands the City's economic base. These positions are supported by increased permit revenue from the increased workload, and are critical to our ability to timely respond to service and enhance our capability in areas such as solar projects, electric vehicle infrastructure, water conservation, engineering check for complex developments, increase use of technology, and deter unpermitted construction activity. The Fire Department is adding a Deputy Fire Marshall to enhance customer service and oversee Fire plan checkers. This position is also supported by permit revenue.

At the request of the Mayor and City Council, the City's Economic Development Commission, with the assistance of City staff, will prepare an Economic Development Blue Print. The purpose of this plan is to coordinate economic activity across City departments and sectors to foster investment and development in the City. This will involve a number of recommendations about how the City can maximize use of property and infrastructure to grow economic activity; implement new technologies to improve services and opportunities for residents; and, partner with the private sector to become a center for innovation and entrepreneurship. This plan will involve extensive outreach across categories of initiatives - economic opportunity, planning, land use, technology, mobility, energy distribution and use, natural resources, utilities, public safety, among others. Plan completion is expected in early FY 17.

Clean Team Operations and Funding. As mentioned in previous budgets, after multiple years of identifying and implementing various efficiency measures, the Refuse Fund continues to operate with a structural imbalance. Staff evaluated strategies to address the structural deficit and is proposing a fee increase for FY 17 and FY 18 with the goal of structurally balancing the fund. In addition, the rates will be restructured based on a study, which is being conducted by an outside consulting firm. These rates will better reflect the full cost of service to the rate payer. The average monthly increase for a single-family home is still being determined based on the study, but it is our intent that the fee will be increased over multiple years and Long Beach's refuse rates will still remain lower than comparable full-service cities like Los Angeles, Burbank, Pasadena, Santa Monica, and San Jose. The rate increase is estimated to be in the range of 5 to 7 percent for FY 17 and will also fully-fund two Clean Teams to conduct more

proactive beautification efforts and trash clean-up throughout the City. With these teams in place, over the past two years we will have added significant dedicated resources to our proactive trash efforts, with daily corridor checks, two teams for collection efforts, a position dedicated to homeless cleanup activities, a citywide Clean Team branding strategy, and five dedicated vehicles.

Innovation and Efficiencies. In February 2015, the City accepted a \$3 million three-year Bloomberg Philanthropies Innovation Team grant. The grant is designed to improve the capacity of City Halls to effectively design and implement new approaches that improve the lives of residents. The grant provides cities with dedicated in-house Innovation Team (i-team) members to identify and design solutions to pressing issues. The i-team is made up of a new Innovation Team Director, Mayor's Innovation Deputy, a social scientist researcher, a data programmer, a designer, project managers, and Civic Innovation Interns. In FY 16, the i-team undertook a number of initiatives. Two of the more notable are described below:

- *BizPortal:* Currently, a prospective small business owner in Long Beach must navigate multiple agencies, departments, and application forms to register their business. To make this easier, the City was awarded a Code for America Fellowship and a Small Business Administration prize to develop a web-based application called BizPortal. The portal helps entrepreneurs easily navigate the steps to start, manage and grow a business by consolidating and simplifying key steps required to start a business. In addition, resources are available to current business owners seeking to grow their companies.
- *Inspector Gadget:* Over 87,000 building inspections were scheduled and completed last year. To make this process more efficient for customers and staff, the i-team worked with Code for America and the Development Services Department to develop the Inspector Gadget application. This launched a new application this year that allows for inspections to be entered online for both residential and commercial properties. Online submission automate the mapping, scheduling, and tracking process for inspections saving time for both customers and staff.

In FY 17, the i-team will take on several new initiatives, including the two described below:

- *Innovation Hubs & Spaces:* In order to help entrepreneurs start and grow their businesses throughout the City, the i-team will work with City departments and local partners to establish innovation spaces as hubs for networking, education, and business support resources. The City will utilize a combination of outside grants and the Innovation Fund to pilot a range of spaces and programs in different parts of the City and measure which programs have the greatest impact on the creation and growth of business citywide.

- *Business Navigators*: To address the needs of entrepreneurs that face language, technology, or funding challenges, the i-team will work with City departments and outside partners to establish a pilot program and measure the impacts of a volunteer-based Business Navigators program. In FY 16, through a partnership with CSULB Design School, the i-team identified a number of unique obstacles that underrepresented and immigrant business owners face when trying to start their businesses. The City will utilize the Innovation Fund to launch, measure and monitor the impacts of this program.

In addition, the City continues to look to improve on its service delivery. This budget makes several changes throughout the organization to improve service delivery and become more efficient and innovative. Several of these changes are described below:

- In a partnership between the Technology and Innovation Department and i-team, the City is currently crafting a long-term “High Tech Infrastructure Master Plan” to maximize City technology assets (e.g. fiber, WiFi, cameras, sensors) to support the development of high tech (a) government, (b) businesses, (c) communities, and (d) residents, in order to improve civic engagement and access to government services. The plan includes an assessment of current assets, an assessment of current and future technology needs, financial projections for expanding the high tech infrastructure, and a business plan for implementation. The project is expected to be completed in early FY 17.
- In FY 17, the City will engage FUSE Corps to assist the City with two major projects. FUSE Corps is a nonpartisan, nonprofit organization that enables local government to more effectively address the biggest challenges facing urban communities. FUSE partners with civic leaders to identify pressing strategic challenges and then recruits entrepreneurial, mid-career professionals to serve in executive-level fellowships across local government. One FUSE Fellow will develop a strategic roadmap for best serving the City’s homeless population. The other FUSE Fellow will develop a coordinated implementation plan for achieving the goals of the *Safe Long Beach* vision.
- In FY 17, the Public Works Department will restructure the Engineering Bureau to create a “Project Management (PM)” division. The PM division will help the City and department in several ways. The division will have a dedicated group of Capital Project Coordinators responsible for delivery of capital improvement projects. These employees will focus on project delivery from initial planning through the completion of construction. The areas of focus will be varied from tidelands, parks, facilities (City buildings), storm drains, environmental, and fleet projects. The new division will also

have a second group focused towards supporting private development. This support group will ensure that private development occurs in a manner that both protects the public rights-of-way, but also encourages development with transparency and predictability towards the development community. The development support group will be led by an “ombudsman,” which will be tasked with interfacing with both clients and the general public, as well as tracking trends within the development community.

- In FY 16, the Development Services Department kicked off an electronic plan submittal/plan check pilot program. Electronic plan submittal and review provides several benefits:
 - Eliminates paper plan submittal by permit applicants – reduces cost, time and effort for permit applicants and enables them to submit from the comfort of their homes and offices;
 - Eliminates paper plans during staff review and City plan retention – reduces the need for the bins, plan room and storage space at City Hall;
 - Makes it easier to find projects and plans since they are electronically archived;
 - Provides the ability for plan check staff to see each other’s work, learn from each other, and collaborate on comments; and,
 - Standardizes review comments and formats across various City departments.

Working in partnership with three local design firms, the pilot program will allow the Department to beta test electronic plan submission/plan check. If successful, the pilot program will be expanded to a broader customer base in FY 17. The proposed budget includes additional resources to facilitate this expansion.

- In March 2016, the City initiated a process to change street sweeping times, beginning with the parking impacted neighborhoods. This was a major initiative of the City Council during the adoption of the FY 16 Budget, as street sweeping times had not been changed in approximately 30 years. The changes include eliminating 4:00 a.m. sweeping times, moving most sweeping times to after 8:00 a.m. in parking impacted areas, and shortening the sweeping “windows” from four hours to two hours in parking impacted areas. Over the next year, the City will implement the street sweeping parking reforms citywide, including attempting to change street sweeping days from trash pickup days. To make these changes, thousands of street signs will be changed to reflect new street sweeping times. The Street

Sweeping Division sweeps approximately 150,000 miles, and collects nearly 11,000 tons of debris each year. The costs to replace the remainder of the street sweeping signs is included in the General Capital budget.

BUDGET CHALLENGES AND OUR PLAN FOR STRONG FINANCIAL MANAGEMENT

While the revenue situation has improved since the Fiscal Outlook was presented in March 2016, long-term revenues are not expected to be sufficient to maintain service increases outside of the use of Measure A to maintain and enhance public safety. As the next chart indicates, expenses are projected to continue to outpace revenues. The three-year outlook below shows that we were facing a starting shortfall of \$15.9 million over the three-year period (FY 17 – FY 19) before balancing this budget. However, due to the City use of Measure A to maintain public safety we are facing much more modest shortfalls in future years of \$1.4 million in FY 18 and \$1.9 million in FY 19. These shortfalls will need to be resolved within non-public safety operations without the use of Measure A dollars. The projections do not include the impact of MOU agreements with all employee bargaining units as the negotiations are in process. These agreements could have a material impact on the projections.

General Fund Surplus /Shortfall (\$ in Millions)				
	FY 17 Projection	FY 18 Projection	FY 19 Projection	Cumulative
Surplus / (Shortfall) Before Balancing*	(4.8)	(4.3)	(6.8)	(15.9)
Proposed Budget*	0.07	(1.4)	(1.9)	(3.3)

* This assumes that the shortfalls are structurally solved each year and any structural surplus is assumed to carry over to help address any structural issues in the following year.

It is anticipated that the City Council will continue to use strong financial management to address our budget challenges in order to reduce the shortfall for non-public safety departments. We have already taken many steps that have helped to address previous budget challenges. We anticipate continued use of the proportionate share approach to balance future budgets and will use Measure A to help maintain public safety services. However, during FY 17 and beyond, we will continue to work to close the gap by continuing our focus on innovations and efficiencies, exploring cost reductions on the expense side, finding ways to maximize existing revenues, and growing new revenues through a continued focus on economic development. Specific challenges and our approaches to addressing them are described below:

CalPERS Rate Increases. The single largest expense driver is in the area of pension costs and is due to the City paying off our unfunded liabilities. As

discussed during the March presentation to the City Council, the CalPERS board began to change its investment strategy in order to minimize the risk of potentially huge employer costs in the future if there are large investment losses. The result of this change is that the City will need to pay more to fund the plan in the future. This will mean that instead of our pension cost increases peaking in FY 20, it is now expected to peak in FY 31 and then decrease slowly thereafter. However, it will ultimately save money in the long-term as the City pays down its unfunded liability. This situation would have been much worse if not for the pension reform that was agreed to by all bargaining units. This is saving the City \$13.8 million per year in the General Fund (\$24.7 million in All Funds).

The City has also prudently led the way in creating and funding a CalPERS Stabilization Fund to address the concern that actual amounts owed to CalPERS can, and will, vary from projections, potentially significantly, depending on a variety of factors, primarily investment returns. Therefore, as a result of the use of the CalPERS Stabilization Fund, costs over the next three years are locked in for the City's General Fund, providing stability in budget planning.

Healthcare Costs Increases. Another large cost driver is the City's Healthcare costs, which have increased year over year. The City is actively working to mitigate the costs of health care and lower the rate of growth. Efforts include a Request for Proposals (RFP) process for health care, which is currently underway and should be completed prior to the next open enrollment period. The goal of the RFP process is to ensure that we are getting the best value for our healthcare plans from the marketplace. We are also conducting a dependent eligibility verification review, which is a best practice that has led to savings for other entities. These cost mitigation strategies, along with the City's emphasis on preventative measures, such as convenient access to health care, flu shots, and a workplace wellness program, should lead to cost savings for both the City and our employees.

Memorandum of Understanding (MOU) Agreements. The City is a service provider and, as such, labor costs are the largest expenditure for the City. The MOUs between the City and seven employee groups expired at the end of FY 15, and Police and Fire MOUs expire at the end of FY 16. The City is currently in negotiation with all groups to reach MOU agreements. The City is committed to developing a sustainable workforce for the long-term by working with our labor partners to secure fair agreements that recognize the incredible value of our employees, as well as address the City's largest cost drivers. As negotiations are still underway, the impacts of employee agreements are not reflected in this proposed budget. Any financial impacts will be treated as one-time in nature for costs in FY 17, and on-going costs will be built into the budget structurally for FY 18 and beyond, as appropriate.

Price of Oil and Production in Long Beach. The City's oil revenues are impacted by both price and production efforts. For FY 15 and beyond, the current price drop of oil has led to a dramatic reduction in both Uplands revenue, which partially funds General Fund operations and one-time investments, and in Tidelands revenue, which is a major funding source for both operations and capital investment in the Tidelands area. In addition, the oil property-based property taxes in the General Fund are impacted, and oil production-based taxes for both the City's General Fund and Police and Fire Public Safety Oil Production Act Fund (Prop H) are projected to be impacted. FY 16 is on track to meet the projection of \$35 per barrel used in March 2016. For FY 17, we are continuing to forecast revenues using the assumption that oil production will be at least at the \$35 per barrel level. For budget purposes, we are projecting that oil prices will rise slowly after FY 17. It is anticipated that one-time capital investments using both Uplands Funds and Tidelands Funds will continue to be very limited as there are no indications that oil prices will return to the \$100 level of a few years ago.

In light of declining oil prices for FY 16, I had asked departments to participate in savings targets to ensure that we ended FY 16 in balance. However, although some revenues have not done as well as initially projected, other revenues did better and overall, revenues are better than projected for FY 16. The combination of expenditure savings and additional revenues has created FY 16 savings that then provide one-time resources that can be spent in FY 17. Those resources will allow us to continue to make strategic investments in FY 17 in addition to our Measure A infrastructure investments, which are listed in Attachment B to the Executive Summary.

There are some reductions to Tidelands operations budgets in FY 17 in order to adjust to the reduced oil revenue, as well as to provide resources to fund prior year commitments and obligations. These reductions are detailed in Attachment D to the Executive Summary and in the Department Budget Chapters. The reductions were done in a manner to minimize service impacts for FY 17.

Unfunded Liabilities. The City currently has \$1.0 billion in employee-related unfunded liabilities for pensions, retiree sick leave (to pay retiree health insurance premiums), retiree health insurance subsidies, and workers' compensation. The City is on track to pay off the CalPERS pension liability over the next 30 years, which, at \$723 million, is the City's largest unfunded liability. Although the City Council has addressed the unfunded liability for pensions and has taken beginning steps for other unfunded liabilities, there remains underfunding of the current costs to provide for the retiree health subsidy and sick leave costs.

Therefore, the City will need to explore a variety of alternatives in addition to increased funding and reducing costs. This budget takes an additional step towards the reduction in unfunded liabilities by continuing the City Council policy

to deposit 5 percent of one-time revenues into the reserve for unfunded liabilities, which will be calculated and reserved at the end of FY 16. Also, 5 percent of any additional one-time revenues realized during FY 17 will similarly be allocated to this reserve. Previous City Council actions have deposited \$3.4 million in this reserve.

In addition, we have worked diligently to ensure that the emergency and operating reserves are funded within the City Council-approved policy levels. The emergency reserve stands at \$43.5 million which, at 10 percent, is in compliance with the City Council policy level of 10 percent, and the operating reserve stands at \$10.5 million which, at 2.4 percent, is within the 2 to 7 percent policy level.

The voters also passed Measure B, which dedicates 1 percent of the new Measure A revenue to be deposited in a Budget Stabilization Fund (Rainy Day Fund). This fund will provide greater flexibility to the City to help maintain services during economic recessions that cause temporary budget shortfalls.

Measure A Status. Measure A has an effective date of January 1, 2017, due to State requirements. An estimated \$35.6 million is anticipated to be received in FY 17 after accounting for the State Board of Equalization (BOE) administrative costs of approximately 1 percent of the tax collections. As half of the tax will sunset after six years, \$11.9 million is considered one-time in FY 17, the remaining \$23.8 million is considered available for structural or one-time purposes in this budget. Pursuant to Measure B, approximately \$360,000 will be deposited into the Budget Stabilization Fund. This leaves \$23.4 million in FY 17 available for either structural operations or one-time purposes. A full year of Measure A revenue in FY 18 is estimated to generate approximately \$47.7 million net of BOE costs. As the end of the ten years approaches, the City will need a plan to account for the end of the tax since structural public safety operations will have been funded using this tax. I have no doubt that this will be accomplished.

CONCLUSION

Due to the support of Long Beach residents, this is a budget that allows us to make needed investments in Long Beach and to maintain and enhance public safety services. I want to thank the Mayor and City Council for having the courage to place this measure on the ballot, and to the residents of Long Beach for their confidence in the City and for making the choice to invest in Long Beach's future. This budget uses Measure A in a manner consistent with the City Council resolution supporting Measure A. We welcome review of Measure A actual spending by the to-be-formed Citizens' Advisory Committee.

While this budget has much to celebrate with the infusion of funding for infrastructure and public safety, we still have challenges ahead in future budgets and we need to continue the discipline that has allowed Long Beach to maintain long-term services

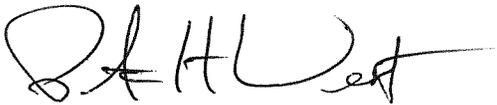
and its financial health. A key foundation of the City's financial health is the adherence to sound financial policies, most notably the requirement for a structurally balanced budget, where recurring revenue must meet or exceed recurring expenditures. This budget continues to uphold this key City Council policy. It is one of the best ways to preserve long-term services and the City's long-term health.

The Executive Summary, immediately following this transmittal letter, provides a summary of the budget and its significant changes (Attachments C and D). The balance of the proposed budget document provides details and additional explanations for the General Fund, as well as all other funds.

My appreciation to the Mayor and City Council for your fiscally prudent leadership and to staff and the departments for all of the difficult work required to develop and submit this budget. I would also like to thank the City Attorney, City Prosecutor, City Auditor, City Clerk, Civil Service Executive Director, Harbor Department Executive Director and Water Department General Manager for their continued cooperation.

We look forward to working with you as you consider this proposed budget, which has much to celebrate.

Respectively submitted,

A handwritten signature in black ink, appearing to read "P. H. West". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Patrick H. West
City Manager

Executive Summary

EXECUTIVE SUMMARY

The Fiscal Year 2017 (October 1, 2016 through September 30, 2017) All Funds budget for the City of Long Beach totals \$2.6 billion, including \$593.8 million for the Capital Improvement Plan. The table below shows the total proposed budget for the City's General Fund, including one-time expenditures, enterprise funds (Gas, Refuse, Water, Airport, Development Services, etc.) and all other (Harbor, Successor Agency (Redevelopment fund), Debt Service, Internal Service, etc.) funds. Of the total budget, Harbor constitutes 30 percent, or approximately \$774.3 million, of all proposed spending. The overall 3 percent decrease in the total budget from the FY 16 Adopted Budget to the FY 17 Proposed Budget is due primarily to the lower price of oil which impacts the General Fund, Uplands Funds, Tidelands, and Tidelands Oil Funds.

Total Budget (\$ in millions)					
		<u>FY 16 Adopted</u>	<u>FY 17 Proposed</u>	<u>% of Total</u>	<u>% Change</u>
General Fund - Recurring	\$	411.9	\$ 430.5	17%	5%
General Fund - One-Time	\$	17.9	\$ 39.2	2%	119%
Enterprise Funds		445.3	\$ 432.3	17%	-3%
All Others		<u>1,809.1</u>	<u>\$ 1,688.7</u>	<u>65%</u>	<u>-7%</u>
Total	\$	2,684.3	\$ 2,590.7	100%	-3%

GENERAL FUND

The General Fund, which accounts for approximately 17 percent of the total budget, provides much of the resources for critical core City services. This includes police patrol, fire response, parks, streets and sidewalks repair, and library services. Most other funds and resources are restricted by law for other purposes and cannot be used to support these basic functions.

While the revenue situation has improved since the Fiscal Outlook was presented in March 2016, long-term revenues are not expected to be sufficient to increase service levels outside of the use of Measure A to maintain and enhance public safety. As the next chart indicates, expenses are projected to continue to outpace revenues. The three-year outlook below shows the City was facing a starting shortfall of \$15.9 million over the three-year period (FY 17 – FY 19) before balancing this budget. However, due to the City use of Measure A to maintain public safety the City is facing much more modest shortfalls in future years of \$1.4 million in FY 18 and \$1.9 million in FY 19. These shortfalls will need to be resolved within non-public safety operations without the use of Measure A dollars. The projections do not include the impact of MOU agreements with all employee bargaining units as the negotiations are in process. These agreements could have a material impact on the projections.

General Fund Surplus / (Shortfall) (\$ in Millions)				
	FY 17 Projection	FY 18 Projection	FY 19 Projection	Cumulative
Surplus / (Shortfall) Before Balancing*	(4.8)	(4.3)	(6.8)	(15.9)
Proposed Budget*	0.07	(1.4)	(1.9)	(3.3)

* This assumes that the shortfalls are structurally solved each year and any structural surplus is assumed to carry over to help address any structural issues in the following year.

Executive Summary

There are a multitude of drivers that impact the three-year forecast as shown in the following chart.

General Fund Surplus / (Shortfall) Drivers				
(\$ in Millions)				
Changes	FY 17 Proposed	FY 18 Projected	FY 19 Projected	3-Year Total
Uplands Oil Transfer	(5.7)	.3	.3	(5.1)
Property Tax	4.6	4.0	3.2	11.9
Transient Occupancy Tax	3.3	.6	.2	4.0
Sales Tax	.3	1.7	1.2	3.2
Utility Users Tax	1.3	.6	.4	2.3
Other Revenue Change (e.g. VLF, Electric/Pipeline Franchise)	3.7	.8	1.6	6.1
Total Revenue Impact	7.6	8.0	6.9	22.5
Natural Salary Growth	.9	.8	.8	2.5
CalPERS Pension Changes	6.1	5.0	7.2	18.3
Health Benefit Related Increases	1.8	1.3	1.3	4.4
Council Approved Initiatives (e.g. Maintenance, Min Wage, Civic Center)	.5	.3	1.7	2.5
Other Miscellaneous Changes (e.g. RMD, Debt Service, MOUs, Liabilities)	3.7	4.8	2.7	11.3
Total Expense Impact	13.1	12.2	13.8	39.0
City Manager Budget Proposals for Non-Public Safety	1.7			1.7
Measure A Structural Net Revenue**	23.4	(.1)	.1	23.4
Measure A Enhancement/Administration	(4.0)			(4.0)
Measure A Infrastructure	(16.2)	(13.3)	(8.5)	(38.0)
Saved Surplus from Previous Year	.7	16.3	13.3	30.2
Projected Surplus / (Shortfall)*	.07	(1.4)	(1.9)	(3.3)

* Shortfalls are assumed to be structurally solved each year.

** This amount is net of the Measure B Rainy Day Fund contribution

*** Any structural surplus is assumed to carry over to help address any structural issues in the following year.

As the chart above indicates, the CalPERS changes are driving the growth in expenses, which, while costly, puts the City on the path towards fully funding the pension unfunded liability and ultimately reducing costs in the future.

Proposed FY 17 Changes By Department

The next table summarizes the FY 17 proposed changes, excluding one-times, to departmental budgets along with the net impact of those changes on budgeted positions. As shown in the table, the FY 17 Proposed Budget maintains the relative priorities established by the Mayor and Council during previous budget cycles by funding departments at a level that matches their overall share of General Fund resources compared to prior years. Public safety will continue to

Executive Summary

receive approximately 69 percent of the overall General Fund budget, with other departments receiving the remaining share.

Significant changes in FY 17 include the reestablishment of the South Police Division and the restoration of Fire Engine 8. Non-public safety departments submitted reductions that minimized the impact of budget reductions on services. However, some impact on services was unavoidable, particularly because of the cumulative effects of budget reductions in prior years. Significant changes by department are detailed in Attachment A to this Executive Summary and in the Department Budget Chapters.

FY 17 General Fund Impacts by Department				
Departments	FY 17 Proposed Changes	Position Changes	FY 16 Proportion of General Fund	FY 17
Police ⁽¹⁾	1,445,900	7.70	47.4%	46.7%
Fire ⁽¹⁾	2,294,523	20.00	18.4%	18.9%
Disaster Preparedness and Emergency Communications	70,000	1.00	3.0%	2.9%
Public Works	(663,504)	1.45	8.8%	9.2%
Parks, Recreation and Marine	(374,403)	(7.16)	8.0%	7.9%
Library Services	(134,925)	1.50	3.2%	3.1%
Elected & Appointeds	(299,839)	(0.58)	5.0%	5.0%
All Others ⁽²⁾	(16,008)	5.56	6.1%	6.4%
TOTAL	2,321,745	29.47	100.0%	100.0%

(1) The majority of proposed changes relate to enhancements funded by Measure A

(2) Includes City Manager, Citywide Activities, Development Services, Financial Management, Health & Human Services and the Economic and Property Development Departments.

Major General Fund Revenue Trends

Typical day-to-day local government functions such as police, fire, library and parks and recreation services are largely funded by the General Fund. The overall trend in General Fund revenue is better than in recent years. Revenues in the General Fund are unrestricted in their use and predominantly derived from local taxes. In FY 16 and FY 17, taxes accounted for 67 and 71 percent of General Fund revenues, respectively. Property Taxes, Sales Tax (including Measure A), Property Tax in Lieu of Vehicle License Fees (VLF) and Utility Users Taxes, alone account for 63 percent of General Fund revenue. Growth in these revenue streams has been moderate. In the regional economy, Property Taxes continue to rebound from the recession. In particular, growth in property tax is being driven by the growth in assessed valuation of properties in the former Redevelopment Agency (RDA) project areas. Positive growth is also seen in Property Tax in Lieu of VLF, which is tied to changes in citywide assessed valuation. The pace of growth in Long Beach has been moderated by the decline in oil-related property taxes. It is anticipated reassessments of oil-related property will continue to negatively impact Long Beach's property tax growth through 2018, unless there is significant change in the price of oil. Due to the nature of the retail base in Long Beach, sales tax revenue (not including Measure A) is projected to be flat in FY 17 and is only anticipated to experience moderate growth in the coming

Executive Summary

years. Moderate growth is projected in Utility Users Tax revenue due to recent and expected electric utility rate increases by Southern California Edison. In addition to the major tax revenues, the General Fund is also experiencing growth in Transient Occupancy Tax (TOT), which is charged on hotel room stays. Occupancy and average revenue per available room have increased by double digits since the end of 2014 and as a result TOT revenues have realized significant growth, which is reflected in the FY 17 budget.

On June 7, 2016, the electorate added a Transactions and Use (sales) Tax, known as Measure A, on the sale and/or use of all tangible personal property sold at retail in the City for a ten-year period. The first six years of the tax will be at a rate of one cent for every dollar spent (or 1 percent), and then decline to one-half cent for every dollar spent (or one-half percent) for the remaining four years. The tax will automatically terminate after the tenth year. The new sales tax will go into effect on January 1, 2017 and is projected to generate \$35.6 million in FY 17, which will be deposited in the General Fund. This new revenue will be used to maintain and enhance public safety and provide significant critical investments in the City infrastructure.

Oil Revenue

As discussed during the March 8, 2016 Budget presentation, the City’s oil revenues are impacted by both price and production efforts. The continued low price of oil has led to a dramatic reduction in both Uplands revenue, which covers General Fund operations and one-time investments, and in Tidelands revenue, which covers both operations and capital investment in the Tidelands area. FY 17 assumes continued declines in production and an effective price per barrel of \$35. It is anticipated that prices will rise slowly from there, as shown in the following table. If production continues to decline, the oil production-based taxes in both the City’s General Fund and Police and Fire Public Safety Oil Production Act Fund (Proposition H) will also be impacted. Given the dramatic decline since the FY 16 Budget was adopted, one-time capital investments using Uplands and Tidelands funds are severely limited.

In millions of \$	FY 14 Actual	FY 15 Actual	FY 16 Proj.	FY 17 Proj.	FY 18 Proj.	FY 19 Proj.
Barrel Price Estimate	~\$99/bbl	\$55/bbl	\$35/bbl	\$35/bbl	\$40/bbl	\$45/bbl
Uplands	\$ 32.3	\$ 15.7	\$ 7.4	\$ 5.8	\$ 6.1	\$ 6.4
Tidelands	\$ 42.7	\$ 18.0	\$ 9.4	\$ 9.9	\$ 12.7	\$ 13.0

In addition, reductions to Tidelands operations budgets were necessary in FY 17 in order to adjust to the reduced oil revenue. These are described in the section on Summary of Significant Changes at the end of this Executive Summary in Attachment D and in the Department Budget Chapters. These reductions were done in a manner to minimize service impacts for FY 17.

Major General Fund Expense Trends

The City’s FY 17 incremental expense increase was mostly due to higher pension costs and health benefits for City employees. This difference between annual increases in revenues and rising costs to provide services is what drives the City’s structural deficit. In FY 17, various structural cost escalators have once again, outpaced revenues collected and small reductions in

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non-public safety departments were necessary to balance the budget. With the passage of Measure A police and fire services were maintained, as promised, which comprised a large portion of the structural deficit.

The City is currently in negotiation with all groups to reach MOU agreements. The MOUs between the City and seven employee groups expired at the end of FY 15, and Police and Fire MOUs expire at the end of FY 16. The City is committed to developing a sustainable workforce for the long-term by working with our employees to secure fair agreements that recognize the incredible value of our employees, as well as address the City's largest cost drivers. As negotiations are still underway, the impacts of employee agreements are not reflected in this proposed budget. Any financial impacts will be treated as one-time in nature for costs in FY 17, and on-going costs will be built into the budget structurally for FY 18 and beyond, as appropriate. As the next section on CalPERS rate changes will highlight, the employer contribution rates for pensions are expected to rise significantly, underscoring the importance of saving any short-term surpluses.

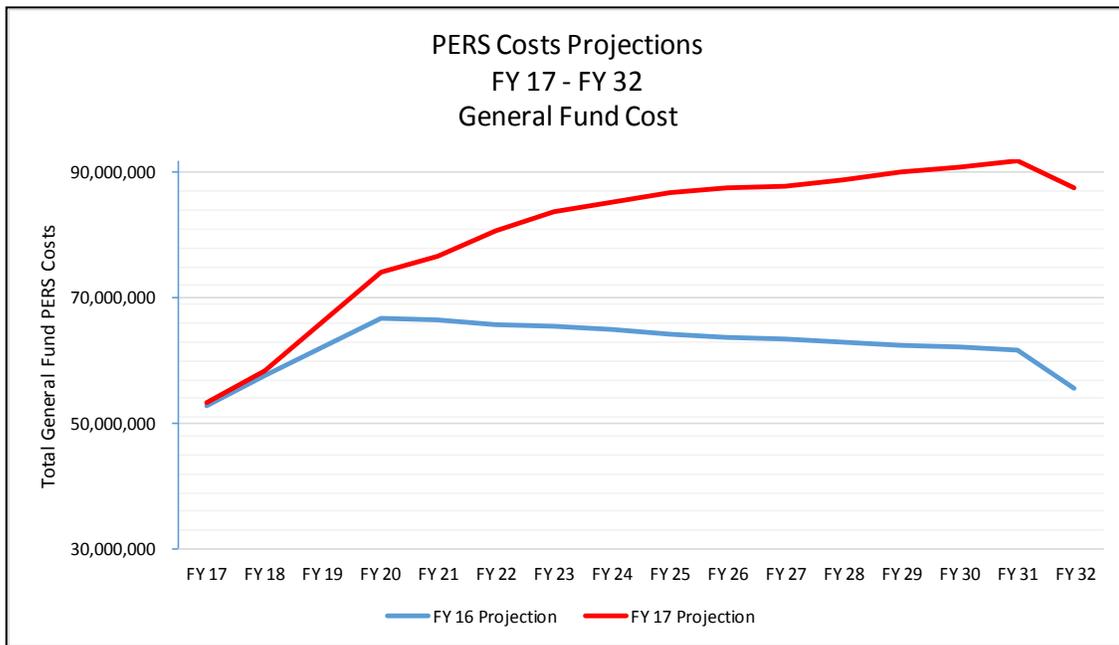
Pension Costs Increases

A key reason for budgetary issues in FY 17 is that large CalPERS pension costs increases are scheduled to begin in FY 17. These increases are a result of changes to the rate smoothing policy and mortality assumptions adopted by CalPERS. Previous amortization and smoothing policies spread investment gains or losses and paid for them over a 15-year smoothing and a rolling 30-year amortization period. This methodology helped local governments avoid large rate volatility in normal years and better plan ahead for changes in pension costs. However, it also contributed to the underfunding of the City's pension plans. The new amortization and smoothing policy pays for all gains and losses over a fixed 30-year period, with increases or decreases in the rate smoothed over only a five-year period. This new methodology will eliminate the City's unfunded liability in approximately 30 years, but also increases costs and exposes the City to a higher volatility in the annual costs. The higher volatility of the City's pension costs will be offset by the City's CalPERS Stabilization Fund, but will still require higher payments each year by the City to CalPERS to pay the higher rates.

The mortality rate and other demographic assumptions were also changed based on recent studies that reflected a population that is living longer and, thus, collecting pension benefits over longer time periods. This will also increase costs to more accurately reflect pensions paid to retirees for a longer period of time.

Also, as discussed during the March presentation to the City Council, the CalPERS board began to change its investment strategy in order to minimize the risk of potentially huge employer costs in the future if there are large investment losses. The result of this change is that the City will need to pay more to fund the plan in the future. This will mean that instead of our pension cost increases peaking in FY 20, it is now expected to peak in FY 31 and then decrease slowly thereafter. The following chart shows the previous (FY 16) projection and updated (FY 17) projection using the new investment strategy.

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Since the smoothing methodology change is much more volatile and sensitive to CalPERS investment earning rates than in the past, the CalPERS Stabilization Fund was created in FY 14 to address these potential fluctuations due to varying rates of return among other factors. Should there be lower than expected investment earnings, the City could face service decreases in the future. The innovative CalPERS Stabilization Fund will help mitigate these potential service reductions that may result due to fluctuations in market returns and other factors, and may even serve as a model for other cities in California facing the same types of challenges. The CalPERS Stabilization Fund has sufficient funds to lock in the projected CalPERS rates and associated General Fund costs for the next three years.

Unfunded Liabilities

There are four major employee-related unfunded liabilities: pensions, retiree sick leave (to pay retiree health insurance premiums), retiree health insurance subsidies, and workers' compensation. The City currently has \$1.0 billion in these unfunded liabilities, summarized by the following table:

Current Unfunded Liabilities \$ in Millions	
Pension	\$ 723
Sick Leave	130
Retiree Health Subsidy	43
Worker's Compensation	114
Total	\$1,010

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Unfunded liabilities are costs for services already delivered, but not paid for in full. When applied to employee benefits, which are the major components of service costs, the unfunded liability represents the unfunded portion of the cost of benefits that employees will accrue over their working careers with an employer. The principal causes of unfunded liabilities for employee benefits generally are lower than expected investment earnings on system assets, benefit enhancements that are made retroactive, and under-funding. The amounts of the unfunded liabilities will vary from year to year based on these factors.

With the recent changes to the CalPERS amortization, smoothing and demographic assumption policies, the City will be on track to pay off the unfunded pension liability in approximately 30 years through increased contributions that will result in an additional ongoing cost of \$50 million to the General Fund by FY 31. For the other unfunded liabilities, however, the current annual funding for the associated employee benefits is not large enough to reduce the unfunded liabilities.

The City will need to explore a variety of alternatives in addition to increased funding and reducing costs. This budget takes an additional step towards the reduction in unfunded liabilities by setting aside 5 percent of non-recurring revenue that will be calculated and reserved as part of FY 16 Year-End close, and then incorporated as a budget adjustment in FY 17.

STATUS OF OTHER FUNDS

In addition to the General Fund, the City maintains 36 other funds. Many are narrowly focused and restricted to specific business activities. This section discusses issues impacting other key City funds and highlights funds that have Citywide impact.

Fleet Services Fund

The Fleet Services Fund is used to account for the City's purchase, maintenance, fueling and replacement of vehicles and equipment, except those owned by the Water and Harbor Departments. The major sources of revenue for this fund are charges to user departments, including capital replacement, preventive maintenance, repair, and fueling charges. Fleet's replacement budget is \$32.9 million for FY 17, which represents a \$13.3 million increase from FY 16 Adopted Budget due to a change in the procedures for budgeting the purchase of replacement equipment and continued focus on fleet recapitalization. In prior years, budget allocations were based on the amount of the City Manager's approved Replacement Plan for the current year. However, in practice, the quantity of vehicles listed in each Replacement Plan are purchased and placed into service over a two to three fiscal year period. Therefore, the budget methodology has been changed in FY 17 to reflect Fleet's estimates on replacements that will be purchased and placed into service during FY 17 only, which include vehicles from prior year Replacement Plans. Alternative fuel vehicles are estimated at 50 percent of the total replacements in FY 17, continuing our goals to reduce greenhouse gas emissions and provide cleaner burning, more fuel efficient vehicles to City departments.

SERRF Fund

The SERRF Fund is used to maintain the Waste to Energy Program and provide regional disposal services for residential and commercial refuse delivered by the City and various private haulers.

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In FY 15, SERRF began to draw from its fund balance to cover the ash disposal costs, as well as to partially cover other operating expenses. As provided for in its Joint Powers Authority (JPA) agreement, the SERRF Fund had built up a fund balance over the years to cover its anticipated negative cash flow over the next few years as it nears the point in 2018 when its bonds are completely paid off, and the electrical generation contract between the City and Southern California Edison expires. Based on certain funding criteria in the JPA agreement, there is a 50-50 revenue sharing of Net Facility Revenue between the City's JPA partner, the Los Angeles County Sanitation Districts, and the City's General Fund. SERRF will continue to draw down its funds available in FY 17. As a result, the General Fund is not expected to receive a transfer of Net Facility Revenue from SERRF.

Staff has begun the process of negotiating agreements with California Independent System Operator (CALISO) and Southern California Edison to sell power after the expiration of the current electrical generation contract. Staff has also pursued an aggressive policy to increase its private hauler refuse disposal fees to align with market rates and offset higher operational costs. Staff continue to explore these and other solutions to address the potential long-term viability of the SERRF facility and extend operations beyond 2018.

Gas Fund

The Gas Fund finances the provision of reliable and cost-competitive natural gas service to customers in Long Beach and Signal Hill, while ensuring continued pipeline infrastructure integrity. Ninety percent of the Gas Fund's revenues are received directly from gas ratepayers through metered gas sales. These sales are primarily affected by national gas commodity market prices and winter weather conditions. Improved extraction technologies have recently resulted in an abundance of additional gas supplies nationwide, causing continued downward pressure on natural gas commodity prices. These price benefits are passed directly through to gas customers.

To ensure the safe operation of the nation's natural gas pipeline system, federal regulators in the Office of Pipeline Safety have significantly increased on-site audits and regulatory reporting requirements of natural gas utilities. The City is now required to prepare a Distribution Integrity Management Plan (DIMP) that delineates potential threats to the safe operation of the Long Beach pipeline gas system and describes the City's high priority focus on replacing gas pipelines installed between the years 1920 and 1950.

In FY 14, the City Council authorized Long Beach Gas and Oil (GO) to enter into contracts with various entities to implement the Advanced Metering Infrastructure (AMI) system for customers of Long Beach and Signal Hill. AMI is an integrated network of smart meters, communication collectors and data management systems that enable seamless communication between utilities and their customers. There are many benefits of AMI, including, but not limited to, elimination of the existing meter reading contract for \$1.4 million, reduced vehicle trips to manually read meters, meter reading accuracy, and customer privacy and security. Implementation of the project will continue through FY 17 and result in the deployment of 150,000 smart gas meters to utility customers across the city. The total project cost is \$22.1 million, of which the majority is being financed under an equipment lease-purchase agreement and paid for with Gas Fund reserves designated for this project.

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Continued monitoring of the Gas Fund's financial health is needed to ensure that customers are appropriately served, pipeline integrity is being maintained with an adequate level of repair and replacement, and a reasonable transfer to the General Fund is sustained.

Successor Agency Fund

In FY 12, the Successor Agency Fund was created in response to California statute AB1X26, which mandated the dissolution of the City's Redevelopment Agency (RDA). Effective February 1, 2012, the City Council adopted a resolution designating the City of Long Beach as the Successor Agency to the RDA and transferred all former RDA functions and assets to the City. The purpose of the Successor Agency is to dispose of the assets and discharge the obligations of the former Redevelopment Agency. Pursuant to AB1X26, the revenue source for the Successor Agency funds consists of bi-annual distributions from the Redevelopment Property Tax Trust Fund (RPTTF). These revenues are then used to make payments against the Successor Agency's Recognized Obligation Payment Schedules (ROPS). The ROPS are the obligations and commitments created by the City's former Redevelopment Agency for a given one-year period. Additionally, the Successor Agency Fund receives an annual administrative allocation equal to 3 percent of its RPTTF distributions. Over time, as the obligations of the former RDA are met and activity slows, funds remitted to the Successor Agency Fund will decrease. Funds available at the end of FY 16 will be approximately \$16.9 million, including remaining bond proceeds and RPTTF distributions, which are needed to cover future costs for existing committed projects.

Property tax that was formerly remitted to the RDA is now paid to all the taxing entities, including the City of Long Beach General Fund, where the City receives approximately 21 percent as residual property tax. In FY 16, there was more residual property tax revenue that flowed to the City due to an increase in assessed values and supplemental taxes. FY 17 revenue projections reflect the higher assessed valuation and additional one-time revenue in FY 16 have been budgeted to support one-time projects.

Towing Fund

The Towing and Lien Sales Division plans to continue its optimization efforts in FY 17 through implementation of a new Towing Operations software system to better manage operations and recapitalization of unserviceable tow trucks. After several years of lower revenues from declining tow volumes, these have now stabilized and are projected to support a \$1.0 million ongoing transfer to the General Fund. While tow volumes have improved, significantly reduced scrap pricing has impacted lien sale revenue. Therefore, continued monitoring of the Towing Fund is necessary.

Refuse Fund

The primary source of revenue for the Refuse Fund is from refuse and recycling charges, which account for approximately 93 percent of total revenues. This fund is also supported by grant money from the State for various public outreach efforts (recycling, litter reduction, used motor oil collection, etc.), revenues from the sale of recyclables collected through the City's residential recycling program, fees paid by the City's licensed private refuse haulers for AB 939 compliance, and interest income. The fund previously had a substantial funds available balance, which has been declining over the last few years due to annual operating shortfalls, as rates have not changed to match increasing costs. After multiple years of identifying and implementing various

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efficiency measures, the fund continues to operate with a structural imbalance. Staff evaluated strategies to address the structural deficit and is proposing a rate increases for FY 17 and FY 18 with the goal of structurally balancing the fund. Rates will be restructured based on a study, which is being conducted by an outside consulting firm. Revised rates will better reflect the full cost of service to the ratepayer. The average monthly increase for a single-family home is still being determined based on the study, but it is the City's intent that rates will be adjusted over multiple years and that Long Beach's refuse rates will still remain lower than comparable full-service cities like Los Angeles, Burbank, Pasadena, Santa Monica, and San Jose. The overall rate increase is estimated to be in the range of 5 to 7 percent for FY 17. It is anticipated that the rate study will be finalized in the fall and followed by a Proposition 218 hearing. Final approval of the revised rates is expected by the end of calendar year 2016.

Airport Fund

The Airport Fund wholly finances Long Beach Airport's operations, including the safety and security of the Airport, the highest level of customer service to passengers, the improvement of quality of life in the surrounding community, and providing a fair and reasonable operating cost to our business partners. Airline fees, parking concessions, and long-term ground leases of Airport property support the Airport Fund. The Federal Aviation Administration also provides revenue to the Airport Fund through its Airport Improvement Program (AIP). The Fund also receives Passenger Facility Charges (PFC) and Customer Facility Charges (CFC) from air carriers and car rental agencies, respectively. The Fund does not receive any General Fund dollars.

In FY 17, the Airport Fund expects to receive additional revenue of \$4.9 million due to nine new carrier slots that will result in additional revenue from landing fees, ramp charges, parking operations and concession sales. The new slots will conform to all of the provisions in the Airport Noise Compatibility Ordinance, which currently allows for a total of 50 flight slots.

Uplands Oil Fund

The Uplands Oil Fund accounts for oil revenue outside the Tidelands area and accounts for all costs and revenues for the City's proprietary oil interests, including accumulating reserves for the City's portion of well abandonment and site clearance liabilities. Revenues are derived from participation in oil operations and overhead fees received by the City as Unit Operator for the Tidelands Oil operations. The price of oil has shown frequent oscillations and occasional sharp drops. The price of oil was relatively stable for the last few years, and then began a sharp decline, from \$100 per barrel in July 2014, to a low of \$21 per barrel in January 2016. Key drivers for the lower price are low demand and high production by the Organization of the Petroleum Exporting Countries (OPEC), by non-OPEC producers, and by the United States. There is no current indication that the price of oil will increase in the foreseeable future to previously budgeted levels. In recent years, a "reliable" base for oil revenue had been budgeted at \$55 per barrel, or \$11.5 million structurally, to the General Fund annually. Revenue generated over the reliable base was considered one-time in nature and budgeted for critical infrastructure, innovation and efficiency projects. The low price of oil has greatly reduced the oil revenue that the City can rely on receiving. The FY 17 Proposed Budget includes a projected price of oil of \$35 per barrel, or \$5.8 million structurally, to the General Fund. No revenue over that projected base amount is currently

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projected. Staff continually monitors and reports on oil markets and production for any changes that might impact the City's finances.

Tidelands Operating Funds

Tidelands Operating Funds are comprised of the Tidelands Operations, Marina, Queen Mary and the Rainbow Harbor Area funds. Tidelands operations along the beaches and waterways remain heavily dependent on base oil revenue and an annual transfer from the Harbor Revenue Fund to support Aquarium debt payments, lifeguards, waterfront maintenance, and the Convention Center. Surplus revenue generated by marina boat slip rental is pledged to repay the 2015 Marina Revenue Bonds issued for waterside improvements to the Alamitos Bay Marina.

Similar to the Uplands Fund, Tidelands Operating Funds are very dependent on oil revenue. The FY 17 Proposed Budget includes a projected price of oil of \$35 per barrel, which equates to \$9.9 million, to the Tidelands Operations Fund. No revenue over that base amount is currently projected to be available for capital expenditures in FY 17. However, additional funds for capital projects have been identified through anticipated FY 16 ending funds available in the Tidelands Operating Fund. A list of projects being proposed that utilize the FY 16 year-end balance is included in the FY 17 CIP Budget Book.

Police and Fire Public Safety Oil Production Act Fund

On May 1, 2007, the voters approved the Police and Fire Public Safety Oil Production Tax (Proposition H), a special tax of 25 cents, with an annual CPI increase on every barrel of oil produced, and restricted to fund police and fire services. The tax assessed through June 30, 2015 was \$0.29/barrel oil produced, and will remain at \$0.29/barrel oil produced effective July 1, 2016. This fund will be closely monitored in FY 17, since oil production is impacted by the price of oil and will, therefore, impact Proposition H revenue as production declines. The FY 17 projected revenues are still sufficient to cover the budgeted expenditures, therefore the Proposed Budget does not include any budget reductions for the Police and Fire Departments. If oil production declines continue to negatively impact Proposition H, future year budgets may require reductions.

Gas Tax Street Improvement Fund

The Gasoline Tax Street Improvement Fund is used to account for the receipt and expenditure of gasoline tax funds apportioned under the State Streets and Highways code, as well as other sources dedicated to street improvements such as grant revenue. Expenditures may be made for any street-related purpose on the City's system of streets, including reimbursement to the General Fund for eligible street maintenance costs. For FY 17, the proposed budget includes \$10.6 million in expenditures; \$5.3 million in capital street improvements and \$5.3 million for street maintenance.

Due to the continued decline in the City's gasoline tax apportionment, revenue was reduced from \$16.9 million in FY 15 to \$11.8 million in FY 16, and further reduced to \$11.1 million in FY 17. The Governor's FY 2016-17 Proposed Budget included a proposal for additional transportation funding for local streets and roads. It was hoped that this would restore a portion of the gas tax revenues lost in recent years; however, the proposed funding was removed from the budget by

Executive Summary

the State Senate and Assembly Budget Subcommittees. To mitigate the decline in funding for local streets and roads Measure A funds will be used to supplement current funding.

Insurance Fund

The Insurance Fund was created to finance and account for the City's general liability and workers' compensation activities. The Fund is primarily supported through charges to City departments and funds, with approximately 60 percent of its revenue derived from the General Fund. Although the number of workers' compensation claims has been reduced, the cost of claims has risen and is expected to increase in future years. This is due to the erosion in the SB 899 reforms that will result in further cost increases and future medical care for life for accepted body parts (which is awarded on most claims). The City's long-term workers' compensation liability is currently valued at \$114.4 million. The City will be challenged to keep workers' compensation costs from increasing without reforms from the State.

Employee Benefits Fund

The Employee Benefits Fund (EBF) is used to support employee benefits such as paid time off, CalPERS benefits, employee healthcare and pension obligation bond payments, among other costs. The EBF is primarily supported through charges to departments for their employees' estimated benefit costs. The City's outstanding unfunded liability for benefits, not including pensions, is currently valued at \$173 million.

SUMMARY OF SIGNIFICANT CHANGES

The attachments that follow include: a summary of the revenue and uses for Measure A and a list of infrastructure projects (Attachment A), a list of Strategic Investments (Attachment B), and the significant budget changes in General Fund departments (Attachment C) and other funds (Attachment D). Presented in these significant budget changes are the fiscal impacts, as well as the position changes, for related activities within departments. For ease of review, all reallocations of resources within departments, offset adjustments, and minor changes have not been included. As figures reflect the net impact to a fund, an increase in expense is shown as a positive number (cost/hit to fund) and a decrease in expense is shown as a negative number (savings/benefit to fund). Accordingly, a decrease in revenue is shown as a positive number (cost/hit to fund), and an increase in revenue is shown as a negative number (savings/benefit to fund).

Summary of FY 17 Measure A Revenue and Expenditures

ATTACHMENT A

	Total	Structural Portion*	One-time Portion*	Sworn FTE Added	Non-Sworn FTE Added
Total Measure A Revenue in FY 17	\$35,640,000	\$ 23,760,000	\$11,880,000		
<i>Estimate Net of State Board of Equalization Fees</i>					
Uses of Measure A					
Invest in Infrastructure	\$27,239,000		\$27,239,000	-	-
Reestablish Police's South Division	2,372,829	1,538,272	834,557	8.00	2.00
Restore Fire Engine 8	2,296,881	2,296,881	-	12.00	-
Maintain Police Services	2,254,496	2,254,496	-	-	-
Maintain Fire Services	909,853	909,853	-	-	-
Contribute to Rainy Day Fund (Measure B)	360,000	360,000	-	-	-
Administer Measure A Tax	206,942	206,942	-	-	1.00
Total Uses of Measure A	\$35,640,000	\$ 7,566,443	\$28,073,557	20.00	3.00

** Structural portion is available for either ongoing operations or one-time purposes. The \$28,073,557 in infrastructure projects is funded from the \$11,880,000 one-time Measure A funds and the FY 17 unused structural portion of \$16,193,557.*

Measure A - Funding
Year One Infrastructure Project List

ATTACHMENT A

Street Rehabilitation	\$ 19,520,000
Arterial Street Improvements	\$ 4,840,000
Residential Street Repair	\$ 13,080,000
Alley Management Plan	\$ 300,000
Naples Bridge Improvements	\$ 100,000
Parking Garage Improvements	\$ 1,200,000

Public Facilities	\$ 1,571,000
Fire Station 9	\$ 125,000
Fire Station Roofs	\$ 150,000
Police Crime Lab	\$ 200,000
Public Safety Building	\$ 150,000
Expo Building Improvements	\$ 200,000
Brewit Branch Library Improvements	\$ 62,000
Los Altos Branch Library Improvements	\$ 47,000
Harte Branch Library Improvements	\$ 62,000
Dana Branch Library Improvements	\$ 103,000
Burnett Branch Improvements	\$ 172,000
Animal Care Improvements	\$ 150,000
Smart Street Light Technology	\$ 150,000

Parks & Recreation	\$ 6,098,000
Rancho Los Alamitos Ranch House Upgrades	\$ 500,000
Rancho Los Cerritos Improvements	\$ 500,000
Bixby Park Community Center	\$ 200,000
MacArthur Park Roof Repair	\$ 56,000
MLK Community Center Roof Repair	\$ 42,000
Jackson Park Improvements	\$ 50,000
PE Right of Way Park Improvements	\$ 150,000
Pan American Park Improvements	\$ 100,000
Silverado Park Improvements	\$ 100,000
Silverado Field Turf Improvements	\$ 160,000
Heartwell Field Turf Improvements	\$ 320,000
Urban Forestry - Tree Trimming Parks	\$ 350,000
Drake Park Playground	\$ 700,000
Los Cerritos Park Playground	\$ 700,000
Veterans Park Playground	\$ 700,000
Whaley Park Playground	\$ 700,000
Citywide Park Irrigation Upgrades	\$ 350,000
Community Center Restroom Upgrades	\$ 170,000
Senior Center Improvements	\$ 250,000

Transportation Improvements	\$ 50,000
Citywide Street Signage Program	\$ 50,000

Total \$ 27,239,000

Measure A - Funding
Year Two Infrastructure Project List

ATTACHMENT A

Street Rehabilitation	\$ 24,605,828
Arterial Street Improvements	\$ 14,405,828
Residential Street Repair	\$ 5,500,000
Sidewalk Repair	\$ 2,700,000
Alley Reconstruction	\$ 2,000,000

Marinas, Beaches & Waterways	\$ 500,000
Belmont Pool	\$ 500,000

Public Facilities	\$ 3,879,500
Fire Training Center Improvements	\$ 325,000
Police Academy Building Improvements	\$ 900,000
Fire Station Roof Repairs	\$ 200,000
Emergency Operations Center	\$ 450,000
Fire Station 7 Improvements	\$ 120,000
Fire Station 10 Improvements	\$ 125,000
Fire Station 17 Improvements	\$ 35,000
Bach Library Improvements	\$ 67,000
Twain Library Improvements	\$ 47,000
Library Roof Improvements	\$ 250,000
Health Department Building Improvements	\$ 650,000
Convention Center	\$ 500,000
Smart Street Light Technology	\$ 210,500

Storm Water	\$ 1,550,000
Stormwater Protection (Pump Station Improvements)	\$ 1,550,000

Parks & Recreation	\$ 6,445,000
Rehabilitate 4th Street Senior Center	\$ 250,000
Rancho Los Alamitos Ranch House Upgrades	\$ 500,000
Rancho Los Cerritos Improvements	\$ 500,000
Veterans Field Turf Improvements	\$ 160,000
Hudson Field Turf Improvements	\$ 160,000
Admial Kidd Field Turf Improvements	\$ 160,000
Citywide Automated Irrigation Controllers	\$ 715,000
Houghton Park Community Center	\$ 4,000,000

Transportation Improvements	\$ 50,000
Citywide Street Signage Program	\$ 50,000

Total \$ 37,030,328

General Fund Strategic Investments - Non Measure A

ATTACHMENT B

Title and Description	Amount
<u>Overtime to Impact Violent Crime Activity</u> To fund overtime to patrol, suppress, investigate and prosecute violent crime activities. Overtime will be allocated to gang enforcement, violent crime suppression, homicide investigations and other priorities as determined by the Chief of Police.	\$ 2,200,000
<u>Watershed Monitoring and Compliance</u> To cover required Storm Water NPDES permit/MOU participation.	\$ 693,000
<u>Minimum Wage</u> To fund initial education and enforcement related to any new City Minimum Wage	\$ 475,000
<u>Parks Water Conservation Needs</u> To support the increasing costs of water and assist in the conversion to drought tolerant landscaping in medians.	\$ 370,000
<u>LA River Study</u> To fund the required match needed to complete the study led by Frank Gehry.	\$ 250,000
<u>Sunday Library Hours</u> To fund continued Sunday library hours at the existing three libraries: Michelle Obama Library, Bay Shore Library, and Burnett Library.	\$ 203,000
<u>Be SAFE Program</u> To provide structured activities for our young people in our parks during the summer. Locations include: King Park, Silverado Park, Admiral Kidd Park, Scherer Park, Houghton Park, Drake Park, and Seaside Park.	\$ 176,385
<u>Tree Maintenance</u> To fund emergency tree response throughout the Park system.	\$ 150,000
<u>Proactive Homeless Initiative</u> To fund outreach to the homeless and meet requirements for the storage of removed belongings.	\$ 100,000
<u>Training</u> To support training for City employees to address audit issues.	\$ 50,000
Total Strategic Investments - General Fund	\$ 4,667,385

Summary of Significant Changes: General Fund

For ease of review, all reallocations of resources within funds, offset adjustments, and minor changes have not been included. As figures reflect the net impact to a fund, an increase in expense is shown as a positive number (cost/hit to fund) and a decrease in expense is shown as a negative number (savings/benefit to fund). Accordingly, a decrease in revenue is shown as a positive number (cost/hit to fund), and an increase in revenue is shown as a negative number (savings/benefit to fund).

Department and Item	Impact	Positions
City Attorney		
Implement various organizational and materials budget changes to assist with operational and budget management.	(34,231)	-
City Auditor		
Reduction in budget for audit services, studies and investigations.	(36,557)	-
City Clerk		
Reduction to materials and supplies budget.	(40,250)	-
City Manager		
Implement various organizational, staffing, and materials budget changes to assist with operational and budget management.	(53,216)	0.57
City Prosecutor		
Implement various organizational, staffing, and materials budget changes to assist with operational and budget management, including aligning budget to current operations.	(75,425)	(0.58)
Civil Service		
Reduction to materials and supplies budget.	(33,365)	-
Align budget for materials and supplies with actual expenses needed to perform the department's recruitment functions, to be offset by overhead.	-	-
Development Services		
Create a new Code Enforcement Bureau and add a Code Enforcement Bureau Manager to provide leadership and oversight.	54,723	0.25
Increase budget to support Language Access Policy (LAP) implementation.	80,000	-
Combine the Housing & Community Improvement and Neighborhood Services Bureaus into one Housing & Neighborhood Services Bureau and convert a Manager of Housing Services to a Housing & Neighborhood Services Bureau Manager responsible for the new combined Bureau.	10,945	0.05
Reallocate funding for the Deputy Director to better align with current departmental functions.	(12,521)	(0.05)
Reallocate fleet maintenance costs of vehicles used by Proactive Rental Housing Inspection Program (PRHIP) to align with PRHIP budget.	(53,165)	-
Eliminate the weekend code enforcement program, which includes a Combination Building Inspector Aide II, overtime funding for supervision, and materials and supplies.	(103,528)	(1.00)
Disaster Preparedness & Emergency Communications		
Transfer budget from the Police Department to fund a Payroll Personnel Analyst II to support payroll and basic personnel functions.	70,000	1.00
Reclassification of Public Safety Dispatcher I, II and III positions to better reflect the additional duties of a consolidated emergency communications operation and to incentivize staff to complete the necessary training for consolidation. Increase offset by reduction in overtime.	-	-
Economic & Property Development		
Add a Development Project Manager II to serve as an ombudsman and an Administrative Officer and Payroll Personnel Assistant II to provide personnel, administrative and financial oversight and support. All positions are offset by additional revenue.	-	1.81
Reduce property management expenses at selected City-owned vacant land/properties	(32,412)	-
Financial Management		
Add Special Projects Officer to oversee various communications projects, including the Small Business Incentive program, Budget Outreach, Minimum Wage and Measure A.	161,001	1.00
Add a Administrative Analyst IV and budget for printing, materials, and supplies to support Measure A administration and Citizens' Advisory Committee oversight.	206,942	1.00
Add a Labor Compliance Officer to oversee citywide contract labor compliance including Section 3, Project Labor Agreements (PLA) and Minimum Wage.	161,001	1.00

Department and Item	Impact	Positions
Add a Customer Service Representative Non-Career to Commercial Services utility functions to manage the utility billing system, offset through the Commercial Services MOU.	-	0.73
Downgrade an Accountant III to an Accounting Technician in order to create efficiencies and realign staffing costs across multiple funds to reflect current operations and provide additional support to the Enterprise Resource Planning (ERP) project.	(110,997)	0.20
Increased revenue from improved collection of Business License taxes.	(324,000)	-
Fire		
Restore Fire Engine 8. Restoration includes three Fire Captains, three Fire Engineers, and six Firefighters and associated materials and overtime budgets.	2,296,881	12.00
Add four Combination Building Inspector Aide II positions and one Clerk Typist II position for the Residential Inspection Program, offset by new program revenue.	-	5.00
Add a Fire Captain to provide "in-service" Fire training and a Assistant Administrative Analyst I to provide grants management support, offset by revenue from Instructional Services Agreement with Long Beach City College.	-	2.00
Add a Deputy Fire Marshal to oversee Fire Plan Checkers at the Permit Center, offset by Development Services fee revenue.	-	1.00
One-time funding for a second Fire Academy in FY 17 required to fill current and projected vacancies including the restored positions on Fire Engine 8, funded by a release of a reserve set aside for Fire.	1,344,711	-
Library Services		
Add Library Page hours in the Main Library to enhance patron access to new and returned materials.	83,238	3.00
Reclassify non-career Administrative Interns to Library Aides and add non-career Library Aides in the Main Library to assist with youth programming.	34,732	1.50
Upgrade seven Department Librarian I's to Department Librarian II's system-wide and change the title to Senior Librarians.	61,428	-
Implement various organizational, staffing and materials budget changes to assist with operational and budget management.	(20,983)	-
Reduce a vacant General Librarian position in the Main Library and reallocate duties to other Librarians.	(114,776)	(1.00)
Reclassify various Library Clerk positions in the Automated Services Bureau and eliminate two Library Clerks in the Main Library Services Bureau.	(150,155)	(2.00)
Reallocate and realign the Youth Services Officer budget to better reflect the organization structure.	(28,409)	-
Mayor and Council		
Implement various organizational, staffing and materials budget changes to assist with operational and budget management.	(80,011)	-
Parks, Recreation and Marine		
Add staffing to ensure full coverage for the El Dorado Gate Attendant booths, offset by revenue.	-	1.00
Increase budget for maintenance costs for park enhancements provided through Council District funding.	100,000	-
Eliminate the summer season of youth sports at approximately half of the program sites. Historically summer is the most underutilized season for youth sports.	(55,746)	(2.25)
Implement various organizational, staffing and materials budget changes to assist with operational and budget management.	(9,808)	(1.16)
Reallocate staff costs and add an Administrative Aide II to support parks-related capital projects and grants.	(4,987)	0.25
Reduce Silverado and Veterans Parks Day Camp budget to align with historical participation. This will have no operational impact.	(55,169)	(1.87)
Restructure Long Beach Senior Center supervision to create efficiency. Reduce Recreation Assistant hours and redistribute responsibilities.	(81,024)	(1.00)
Restructure Sports Field Permit Program by reassigning duties and reducing non-career Recreation Assistant hours.	(50,045)	(1.53)

Department and Item	Impact	Positions
Restructure the Department's document delivery process to create efficiency and maximizing technology resources. Current courier service will be reduced from five days a week to two days.	(58,326)	(0.60)
Reduce mowing frequency during the winter at City parks and use reclaimed water at park lakes.	(90,000)	-
Reallocate funding of Los Cerritos Wetlands Stewardship contract to reflect actual operations.	(24,480)	-
Restructure budget for property maintenance, including reducing park facility maintenance contract services and administrative budget.	(47,287)	-
One-time funding for department needs including equipment for the improvement of community center floor care, park plumbing services and the transition to multi-year pet licenses.	60,000	-
Police		
Reestablish the framework for Police South Station. This includes the addition of a Police Commander, seven Patrol Officers, an Administrative Analyst II and a Clerk Typist III to support the Division.	1,538,272	10.00
Reclassify one Police Corporal position to Police Officer and add non-career Police Investigator hours to the Investigations Bureau.	-	0.70
Implement various organizational, staffing and materials budget changes to assist with operations and budget management.	-	(3.00)
Transfer of budget from Police Department to Disaster Preparedness and Emergency Communication to support payroll and basic personnel functions.	(70,000)	-
One-time carry forward Police Department savings from FY 16 to FY 17 for the FY 17 portion of Police Academies.	4,000,000	-
One-time funding for South Station. This includes space planning, reconfiguration of Public Safety Building, tenant improvements, furniture, moving costs for existing staff, signage, and community education, etc.	834,557	-
Public Works		
Increase budget to reflect increased costs for personnel operations.	58,701	-
Add a Development Project Manager to supervise the new Development Engineering Group and support private development, offset by the elimination of a vacant Engineering Technician II.	15,175	-
Increase Public Service staffing to address additional workload related to deferred maintenance, offset by work order revenue.	-	2.00
Add an Accounting Clerk III to provide clerical support for capital projects, offset by revenue.	-	1.00
Implement various organizational, staffing and materials budget changes to assist with operational and budget management. These changes include reduction in overtime, increases to revenue and staffing for the Hazardous Communications Program.	(377,045)	0.20
Transfer Survey Group staff to Capital Projects Fund to align budget with work performed, offset by funds from Long Beach Gas and Oil.	(360,335)	(1.75)

Summary of Significant Changes: Other Funds

For ease of review, all reallocations of resources within funds, offset adjustments, and minor changes have not been included. As figures reflect the net impact to a fund, an increase in expense is shown as a positive number (cost/hit to fund) and a decrease in expense is shown as a negative number (savings/benefit to fund). Accordingly, a decrease in revenue is shown as a positive number (cost/hit to fund), and an increase in revenue is shown as a negative number (savings/benefit to fund).

Department and Item	Impact	Positions
Airport		
Add Administrative Interns to assist the Engineering and Finance and Administration Divisions.	190,199	3.04
Add an Administrative Analyst III to manage the Department's personnel and administrative functions.	31,150	1.00
Add six Special Services Officer III positions to reduce overtime and respond to emergency and non-emergency calls for service in and around the Airport property.	454,061	6.00
Increase budget to purchase and implement new scheduling software, Telestaff, to improve coordination of staff resources.	23,106	-
Increase budget for the ongoing maintenance of three vehicles to support Airport security, engineering and operations.	26,340	
Increase revenues to reflect higher projections for landing fee and ramp charges from new air carrier slots.	(4,900,000)	-
Increase revenues from fees related to filming permits, security badging and Live Scans for Airport personnel and tenants.	(29,560)	-
One-time funding for Airport Terminal Area improvements including emergency repairs and non-scheduled equipment replacement.	1,000,000	-
One-time funding for new Airport Rental Car Facility.	572,524	-
One-time funding for Airfield Pavement Rehabilitation.	1,000,000	-
One-time funding for the purchase of three vehicles to support Airport operations and ongoing budget for maintenance of those vehicles.	78,143	-
One-time funding to host the 2,000+ attendee American Association of Airport Executives annual conference in May 2017. Total \$450,000 over three years.	150,000	-
City Auditor		
Reduction in budget for audit services, studies and investigations.	(7,301)	-
City Manager		
Transfer the Tidelands Projects Division to the Public Works Department to better coordinate coastal, and Tidelands area and capital projects.	(2,182,419)	(7.00)
Increase ongoing support to promote the Long Beach Museum of Art.	150,000	-
Increase ongoing support for the Convention and Visitors Bureau to support promotion of the City for conventions and tourism.	380,000	-
One-time funding to conduct two Beach Street events.	500,000	-
City Prosecutor		
Implement various organizational, staffing, and materials budget changes to assist with operational and budget management, including aligning budget to current operations.	-	0.58
Development Services		
Create a new Code Enforcement Bureau and add a Code Enforcement Bureau Manager to provide leadership and oversight.	164,168	0.75
Combine the Housing & Community Improvement and Neighborhood Services Bureaus into one Housing & Neighborhood Services Bureau and convert a Manager of Housing Services to a Housing & Neighborhood Services Bureau Manager responsible for the new combined Bureau.	14,679	(0.05)
Convert a position from a non-career Administrative Analyst I to an Administrative Analyst II in the Communications Division to support PRHIP, Safe Long Beach and long range Planning studies, such as the Mobility Element.	15,389	-
Implement various organizational, staffing, and materials budget changes to assist with operational and budget management, including aligning budget to current operations.	18,780	0.23
Reallocate funding for the Deputy Director to better align with current departmental functions.	12,521	0.05
Add an Administrative Analyst II position in the Building Permit Center to provide coordination of technological systems.	105,078	1.00

Department and Item	Impact	Positions
Add an Electrical Plan Checker II in the Building Bureau to accommodate increased electrical plan review services.	132,007	1.00
Add a Civil Engineering Associate and a Civil Engineering Assistant to review housing plans and structural designs for compliance.	216,451	2.00
Add a Senior Combination Building Inspector and a Combination Building Aide for Deputy Inspections and Building Code Enforcement.	206,770	2.00
Add a Senior Combination Building Inspector to oversee the Construction and Demolition and Oil Well programs.	107,833	1.00
Add a Combination Building Inspector to address increased inspections needed for solar projects and electric vehicle charging stations.	98,937	1.00
Add an Administrative Analyst II to manage the Construction & Demolition program.	105,078	1.00
Add a Combination Building Inspector Aide II, Planner III, and Planning Aide to support the State's Model Water Efficient Landscape Ordinance (MWELO).	264,765	3.00
Add funding for the services of a Deputy Fire Marshall at the Development Services Permit Center.	150,972	-
Add Two 0.77 FTE Non-Career Clerk Typists in Planning Bureau to assist with record scanning.	60,199	1.54
Increase budget for implementation of an Electronic Plan Check system and ongoing Land Management revenue system.	256,000	-
Add an Accounting Technician in the Administrative & Financial Services Bureau to perform needed accounting tasks.	84,752	1.00
Reclassify Clerk Typist IV to a Secretary and Combination Building Inspector Aide I positions to a Combination Building Inspector in support of the new Code Enforcement Bureau.	42,492	-
Add a Civil Engineer to manage the increased volume of complex development projects.	137,658	1.00
Reallocate fleet maintenance costs of vehicles used by Proactive Rental Housing Inspection Program (PRHIP) to align with PRHIP budget.	53,165	-
Increase Housing Development Fund budget to expend revenue earned in FY 16.	6,712,053	-
Reallocate funding for a Development Project Manager III and Clerk Typist III to better align with current departmental functions.	(12,780)	(0.23)
Convert Combination Building Inspector Aide I positions to a Combination Building Inspector in support of the new Code Enforcement Bureau.	(36,000)	(0.50)
Increase the revenue for the Proactive Rental Housing Inspection Program (PRHIP) to ensure full cost recovery.	(160,324)	-
Increase budgeted Development Services fee revenue to align with historical actuals and offset requested budget increases.	(1,526,655)	-
Increase budgeted revenue for permit fee revenue anticipated as a result of the upcoming Civic Center project.	(4,000,000)	-
One-time funding for a benchmarking study on the development process.	200,000	-
One-time funding of \$700,000 to add sustainability components to currently planned initiatives, such as preparation of a Climate Action Plan, offset by Construction and Demolition (C&D) Forfeiture funds.	-	-
Economic & Property Development		
Add an Administrative Officer responsible for personnel, financial, and other administrative functions for the Department, offset by reallocation of other costs.	7,323	0.09
Add an Administrative Officer and Payroll Personnel Assistant II to provide personnel, administrative and financial oversight and support.	45,487	0.30
Add a Payroll Personnel Assistant II to support personnel and administrative services in the Department.	62,544	0.80
Financial Management		
Add a Buyer I for Fleet Acquisitions and Maintenance, a Mechanical Equipment Stock Clerk II in the Vehicle Maintenance Stockroom, an Administrative Intern- non-career, and move a Fleet Services Supervisor and a Maintenance Assistant II from Towing to Fleet Services to align with current operations.	367,929	4.50
Add Customer Service Representative Non-Career to Commercial Services utility functions to manage utility billing system.	16,520	-
Add two Buyer IIs and one Assistant Administrative Analyst I to support estimated capital projects activities.	-	3.00

Department and Item	Impact	Positions
Add a Garage Service Attendant III for Towing supervision and move a Fleet Services Supervisor and a Maintenance Assistant II from Towing to Fleet Services to align with current operations.	(111,320)	(1.00)
Fire		
Add one Plan Checker I, upgrade a Clerk Typist II to a III, and upgrade a Plan Checker I to a II in the CUPA Program.	146,183	1.00
Add one-time fleet acquisition expenses in the CUPA Program.	30,504	-
Health and Human Services		
Reallocate positions from the Health Fund to the CUPA fund in the Environmental Health Bureau to provide adequate resources to meet regulatory requirements identified by the California Environmental Protection Agency (Cal EPA).	109,626	0.75
Reclassify a Hazardous Materials Specialist I to a Hazardous Waste Coordinator and reallocate positions from the Health Fund to the CUPA fund in the Environmental Health Bureau to provide adequate resources to meet regulatory requirements identified by California Environmental Protection Agency (Cal EPA).	(117,866)	(0.80)
Add a Medical Assistant I to support the implementation of the newly required electronic health record system as identified by the Center for Medicare / Medicaid Services.	(2,494)	(0.50)
Reduction of multiple vacancies across all Bureaus, including Case Manager III, Outreach Worker I/II and Community Worker - NC positions, which are no longer funded by grants.	(245,433)	(5.07)
Reclassify a Public Health Associate III to a Public Health Professional II to increase mosquito surveillance and public outreach activities and properly align duties with the appropriate classification, offset by reduction of Community Worker-NC positions.	-	(0.20)
Human Resources		
Add a Human Resources Officer to oversee the day-to-day personnel operations, Equal Employment Opportunity (EEO), and employee benefits operations.	161,062	1.00
Add a Personnel Analyst III (Conf) to manage the Flexible Spending Account (FSA) Program, the 457 Deferred Compensation Plan and the Wellness Program, offset by revenue.	-	1.00
Add an Administrative Analyst III (Conf) to oversee the day to day operations in Risk Management, offset by reductions in expense.	-	1.00
Long Beach Gas & Oil		
Upgrade an Assistant Administrative Analyst II to a II to conduct personnel investigations and recruitment and upgrade two Construction Inspector I's to II's to support contract construction inspections.	33,114	-
Add two half-time unclassified Clerk Typist IIIs to support the Call Center and Safety divisions.	66,112	1.00
Reduce budget to represent Allowance for Transitional Vacancies anticipated in Gas operations.	(1,638,210)	-
Upgrade an Assistant Administrative Analyst II to a Administrative Analyst II to support personnel investigations and recruitment, reclassify a Petroleum Engineering Associate II to a Senior Surveyor and eliminate one Oil Field Guager II.	(109,341)	(1.00)
Increase revenue to align budget to reflect operational activity.	(3,896,000)	-
Adjust SERRF expense budget to reflect operational activity.	(191,000)	-
Parks, Recreation and Marine		
Reallocate staff costs and add an Administrative Aide II to support parks-related capital projects and grants.	86,357	0.75
Increase funds for water and irrigation at Tidelands area facilities.	66,497	-
Increase budget to reflect costs for the Los Cerritos Wetland Stewardship contract. Stewardship services are provided at the Golden Shore Marine Biological Reserve, Jack Dunster Marine Biological Reserve, Colorado Lagoon Marine Stadium and Bluff Park Slope.	159,060	-
Increase budget for the City Light & Power contract for the operation and maintenance of streetlights in the Tidelands area.	19,931	-
Increase revenue from Tidelands operations to reflect actual revenue received.	(90,000)	
Reduce the power budget for the Belmont Pool Complex to reflect actual costs.	(98,900)	-
Reduce the materials and supplies budget in the navigational aides program.	(25,000)	-

Department and Item	Impact	Positions
Reduces materials and supplies budget for grounds landscape repairs in the Tidelands areas.	(10,000)	-
One-time funding to purchase a Scrubber/Sweeper for the Belmont Pier.	84,719	-
Public Works		
Increase budget to reflect a 1.6 percent CPI increase in refuse disposal costs at the Southeast Resource Recover Facility (SERRF).	426,398	-
Add two Capital Project Coordinator (CPC) II and a one CPC III to guide project team through design, bidding construction, and commission and close out phases of a capital projects. Also add an Administrative Analyst III and enhance Engineering staffing to address additional capital projects workload, offset by charges to capital projects.	-	9.00
Transfer Survey Group staff to Capital Projects Fund to align budget with work performed, offset by funds from Long Beach Gas and Oil.	-	1.75
Increase budget in Parking Management Division to align budget with current operations, offset by revenue.	247,320	-
Add permanent staffing to support two recently implemented Clean Teams. The Clean Teams will facilitate the coordination of the collection of dumped items and clean-ups citywide.	570,818	5.00
Add an Administrative Analyst III to support Civic Center Project administration.	112,309	1.00
One-time funding for cost related to compliance monitoring and work related to the Stormwater National Pollution Discharge Elimination System (NPDES) Permit.	491,655	-
Transfer of the Tidelands Projects Division to the Public Works Department to better coordinate coastal, Tidelands area and capital projects. Includes reclassification of a Clerk Typist II to an Assistant Administrative Analyst I.	2,012,301	7.00
Increase revenue to reflect a portion of the anticipated Refuse and Recycling rate change resulting from the Rate Study currently underway. The anticipated increase will be implemented over multiple years beginning in 2017.	(860,556)	-
Add Safety Specialist I to oversee the Hazard Communication and Waste Management program, offset by reduction of one Clerk Typist IV.	(10,795)	(0.20)
Implement various organizational and materials budget changes to assist with operational and budget management.	(6,692)	-
Technology & Innovation		
Add one Business Systems Specialist III to support Laserfiche's current needs & assist with document imaging project.	112,290	1.00
Increase budget for ESRI maintenance costs in Geographical Information Services (GIS) and Customer Information System (CIS) software maintenance costs, offset by charges to user departments.	101,000	-
Add one Business Systems Specialist III to support EPlan Check software application, offset by charges to user departments.	112,290	1.00
Add one Cyber Security Officer who will proactively establish all necessary security controls, set policies and procedures and ensure all existing configurations and future changes are appropriately secure, offset by charges to user departments.	184,833	1.00

