

# Understanding the City's Budget

# The Budget Document

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The Budget document is divided into seven sections: Understanding the Budget, Government Reform, Budget Summaries, Department Budgets by Bureau, Fund Summaries, the Capital Improvement Program and Appendices.

## **Understanding the Budget**

This section provides information on the budget document, the budget process, and the fundamentals of the City's financial management. It also provides information on demographic and other information on the City's government, educational sector, economy and other information to provide a context for the City's service environment and priorities.

## **Innovation and Efficiency**

This section details the City's continuous focus on becoming efficient and innovative. Initiatives are outlined within several categories such as technology, economic development, public safety, infrastructure, mobility, city services, finance, sustainability, organizational changes and administration.

## **Budget Summaries**

Several summaries of department and fund budgets are provided, with multi-year comparisons of expenditures and revenue. Also included is a three-year schedule of Full-Time Equivalent (FTE) staffing for each department, skill pays and benefits by department and the City's Top 40 General Fund revenue sources.

## **Department Budgets**

Each Department Budget chapter includes an organizational chart, overview of the core services and areas of focus of the upcoming fiscal year, key measures, FY 15 accomplishments, revenues, expenses and FTEs by fund, and an overview of proposed changes by fund.

## **Fund Summaries**

The Budget includes spending from 37 different "funds" that are required to be reported by State or federal law, the City Charter, and/or proper accounting practice. A fund consists of a separate set of accounts used to monitor the accomplishment of specified purposes, or uses, of restricted revenue. Depending on the type of service provided, department expenditures may be authorized from a number of funds. Most traditional City services are funded through the General Fund.

## **The Capital Improvement Program**

The Capital Improvement Program (CIP) represents expenditures for major construction and infrastructure projects or for repair of City facilities and buildings. During the year, the Department of Public Works solicits, and the City Manager approves, projects to be funded and administered in the next fiscal year. The CIP, as presented in this section of the budget book, is adopted annually by the City Council as part of the budget process. A separate CIP document, the FY 16 Adopted CIP, provides greater detail about ongoing and adopted CIP projects.

## **Appendices**

The Appendices include the Budgetary and Financial Policies, a Glossary of most commonly used terms in the book and an Index to assist in locating specific sections.

# The Budget Document

## FINANCIAL INFORMATION

### Adjustments to the Budget

During a fiscal year, special circumstances may result in changes to department spending priorities. At the beginning of each fiscal year, appropriations are made at the fund and department level and are authorized by City Council's adoption of an Appropriations Ordinance. Budget adjustments that require a modification to the amounts authorized by the Appropriations Ordinance require the approval of the City Council in accordance with the City Council's Financial Policy on Mid-Cycle Adjustments. During the Fiscal Year, transfers between programs or "characters of expense," not affecting any funds or a department's total appropriation, only require City Manager approval.

### Basis of Accounting\*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

*\*This information is taken from the Comprehensive Annual Financial Report (CAFR) of the City of Long Beach, California - September 30, 2014. For further information regarding the City's accounting and debt management practices, please consult the CAFR.*

### (Accounting) Basis of the Budget

The (accounting) basis for the budget document is designed so that the reported "bottom line" of a fund in the budget generally reflects how much remaining money City Council has available to spend in a future budget cycle. The bottom line or change in funds available is generally the difference between all sources (revenues) of a fund and all uses (expenses) of a fund. The basis of budget is similar to, but is not the same as, looking at transactions on a cash basis. Revenues are recognized when received or when they are earned and due within two months. Expenditures are recognized when the liability for the expense occurs, whether or not the cash has been immediately paid out. Generally, non-cash transactions that are recognized on an accounting basis and reported in the City's financial reports as revenues and expenses are NOT shown as revenue and expenses in the budget. A typical example for an accounting revenue that is not a budgetary revenue is unrealized gains and losses on investments. A typical example of an accounting expense that is not a budgetary expense is depreciation. An example of a budgetary expense that is not an accounting expense is the part of debt services costs that pays down the principal part of debt.

### Investment Management

This function's primary goal is safeguarding principal and ensuring liquidity levels necessary to pay for budgeted expenses while optimizing return on investment. The City maintains general bank accounts for daily business requirements, but the majority of the City's funds are held in an investment pool administered by the City Treasurer. As of September 30, 2014, the Treasurer's investment pool was approximately \$1.5 billion divided into short-term, intermediate-term, and long-term portfolios. To measure performance, the City uses three benchmarks: the 91-Treasury Bill benchmark for the short-term component, the one-year constant maturity Treasury for the intermediate component, and the Merrill Lynch 1-3 year Treasury/Agency Index for long-term component. The long-term component is managed by Chandler Asset Management.

# The Budget Process

The Fiscal Year 2016 (FY 16) Budget covers the period of October 1, 2015 through September 30, 2016. The following is a description of the City’s multi-dimensional Budget Process, which is designed to promote transparent communication with community stakeholders and provide multiple opportunities for direct community input.

## THE BUDGET PROCESS

The annual Budget is the most important policy document the City produces. The program and financial decisions it embodies must reflect the will of the community through the policy direction of the City Council. This can only be achieved through a development process that encourages communication and transparency, seeking input from a diverse cross-section of the community, while offering opportunities for review and revision. The following describes the general budget preparation process.

The City Manager, through the Department of Financial Management, provides clear budget development instructions to departments. The City Manager then reviews and makes a presentation on the City’s financial status, including projections for the coming three years. The projections inform the Manager’s goals for the Proposed Budget.

By April, departments complete their budget proposals, including updated revenue and expenditure recommendations. The proposals are guided by the goals and direction identified by the City Manager. In June, the City Manager assembles department proposals into a coherent Proposed Budget that reflects the economic environment, fiscal condition, and the City’s needs.

Then, the City Manager submits the Proposed Budget to the Mayor. The City Charter, as modified on May 1, 2007, requires that the City Manager submit the Proposed Budget to the Mayor “not later than ninety (90) days prior to the beginning of each fiscal year,” or July 3.

A series of events designed to encourage active public dialogue regarding the Budget is initiated in March, culminating in the Budget’s adoption by the City Council in September. Activities include Special Meetings of the City Council, Budget Oversight Committee meetings, City Council budget hearings, and requested neighborhood, board, committee, and commission briefings.

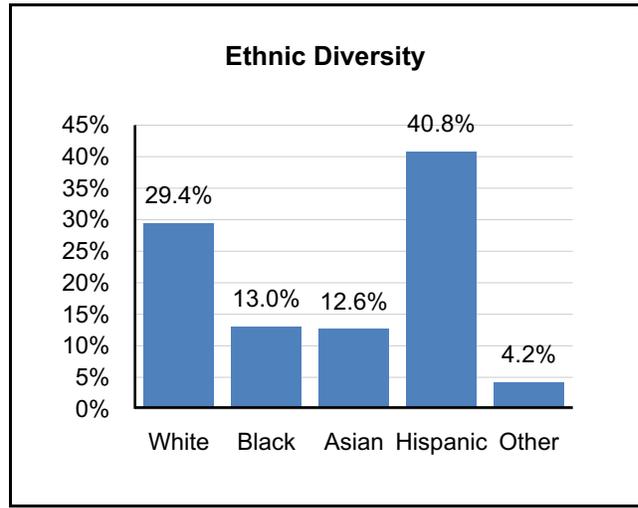
The City Charter requires that the Mayor transmit the Proposed Budget to the City Council “not later than sixty (60) days prior to the beginning of the fiscal year,” or August 2. The City Council must adopt the budget “not later than fifteen (15) days prior to the end of the current fiscal year,” or September 15, at which time the Mayor will have an additional five (5) days to review the Adopted Budget. The Mayor may concur or exercise a line-item veto of any expenditure. The City Council has until the end of the fiscal year to concur with the Mayor’s changes, or override any veto.

<b>FY 15 BUDGET PREPARATION CALENDAR</b>	
Dec	City Manager issues budget preparation policies and instructions to departments
Jan – Mar	Review of City’s financial status and three-year projection presented; Manager describes goals for Proposed Budget
Mar- June	Special Meetings of the City Council on the budget are initiated; including the Budget Oversight Committee
April	Departments complete their budget recommendations
May – June	City Manager develops, reviews, and finalizes Proposed Budget structure.
Jul 3*	City Manager submits proposed budget and CIP budget to Mayor
Aug 2*	Mayor submits proposed budget and recommendations to City Council and community
Aug	Weekly budget hearings are held; Recommendations are submitted to the City Council by the BOC
Sept 15*	Deadline for City Council to adopt the Budget  Mayor has five days to concur with adopted budget or exercise line-item veto of any expenditure
Sept 30*	Budget Adopted
*On or before	

# City of Long Beach Demographics

## GOVERNMENT

The City of Long Beach, California covers approximately 52 square miles on the southern coast of Los Angeles County. With a current population of 462,257 US Census Bureau's Annual Estimates of the Resident Population for Incorporated Places of 50,000 or More, Ranked by July 1, 2013 Population: April 1, 2010 to July 1, 2013 - United States -- Places Over 50,000 Population, Long Beach is the second largest city in Los Angeles County and the seventh largest city in the State. It is a diverse and dynamic city that, based on the 2010 US Census, has the following ethnic breakdown: 40.8% Hispanic, 29.4% White, 13.0% Black, 12.6% Asian, and 4.2% all other ethnicities.



Long Beach was originally incorporated in 1888. After a short period of disincorporation, the City was reincorporated on December 3, 1897. Since 1921, Long Beach has been governed as a charter city, and operates under a Council-Manager form of government.

The City Council is made up of nine members, elected by district. The Mayor is chosen in a citywide election to serve as the full-time chief legislative officer of the City. Although the Mayor does not vote, the Mayor presides over City Council meetings, presents the annual budget to the City Council and has veto power over City Council actions, including line-item veto authority over the budget. The Vice Mayor is elected by the City Council from among its members.

The City has three other full-time elected officials: City Attorney, City Auditor and City Prosecutor. The City Council appoints the City Clerk and City Manager. The Mayor nominates, and the City Council approves, members to various boards and commissions. The Civil Service Commission, Board of Water Commissioners and Board of Harbor Commissioners oversee operations of their respective departments while all other City departments report directly to the City Manager.

The City Manager serves at the discretion of the City Council. As head of the municipal government, the City Manager is responsible for the efficient administration of all departments, with the exception of the elective offices, City Clerk, and the three semi-autonomous commission-led departments. The City currently employs approximately 5,235 full- and part-time staff within 23 departments.

In addition to the usual municipal services of police, fire, parks and recreation, public works, and library, the City of Long Beach owns and operates a leading deep-water port, offshore and onshore oil production, a local health department, a gas utility, a water utility, a convention and entertainment center, aquarium, museum, two historic ranchos, a commercial airport, marinas and golf courses.

# City of Long Beach Demographics

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## EDUCATION

The Long Beach Unified School District is the third largest public school system in California serving over 80,000 kindergarten through twelfth grade students in 2015. The District's 86 schools are located in Long Beach, Signal Hill, Lakewood, and on Catalina Island. Additionally, Long Beach also offers a City College, educating approximately 30,000 students. The college offers 70 Associate of Arts/Science degree programs, 60 Career Certificate programs and the opportunity to complete up to two years in any of 44 baccalaureate programs for transfer to a four-year college or university.

California State University, Long Beach (CSULB) is the State University system's second largest campus. With over 36,000 students enrolled in the 2014-2015 school year, CSULB offers 85 baccalaureate majors, 64 master's degree programs, four doctoral degrees, and a host of certificate programs stretching across disciplines.

## BUSINESS AND INDUSTRY

The City of Long Beach is a center for aerospace, petroleum, shipping and tourism, along with a wide variety of office and retail opportunities. Downtown alone is home to over 4.2 million square feet of commercial office space.

Currently, the largest employer within the City is the Long Beach Unified School District, which operates 86 regular, one continuation and three charter schools. The District's workforce ensures the success of students by maintaining high standards, a commitment to excellence and by offering a comprehensive scholastic program.



*Downtown Long Beach overlooking the Port.*

Long Beach Memorial Medical Center is the second largest employer in Long Beach, followed by the City of Long Beach and the Boeing Corporation. With over 100 years in the community, Long Beach Memorial is recognized as a regional leader in medical and surgery services, including being named as one of the top 100 U.S. hospitals by numerous medical and consumer publications. Exhibit 1, on the next page, provides a list of the top ten employers in Long Beach as of fiscal year 2014.

Oil production, private and municipally-owned, continues to be an important business in Long Beach with both offshore and onshore facilities. Approximately 12 million barrels of oil are produced annually from facilities in Long Beach. The Long Beach Unit Optimized Water-Flood Injection Process, authorized by State legislation, has improved oil recovery and lengthened field life in the Wilmington Oil Field. Continued application of new technology is expected to further increase oil recovery.

# City of Long Beach Demographics

Exhibit 1: Top 10 Employers in Long Beach

Rank	Employer
1	Long Beach Unified School District
2	Long Beach Memorial Medical Center
3	City of Long Beach
4	The Boeing Company
5	California State University Long Beach
6	Veterans Affairs Medical Center
7	Long Beach City College
8	California State University Long Beach Foundation St. Mary Medical Center
9	Molina Healthcare, Inc.
10	United States Postal Service

Source: Dept of Financial Management, Business License Bureau, *Comprehensive Annual Financial Report (CAFR) 2014*

The Port of Long Beach is one of the world's busiest container cargo ports. In 2014, the Port handled approximately 6.8 million twenty-foot-long containers (TEUs) carrying 82.3 million metric tons of cargo. International trading partners include the Pacific Rim nations of China, Japan, South Korea and Taiwan. In addition to container cargoes such as electronics, clothing, toys and shoes, the Harbor facility handles crude and refined petroleum products, petroleum coke, automobiles, lumber, steel and scrap metal. Three infrastructure projects currently underway, the Gerald Desmond Bridge, the Middle Harbor Project, and Pier G Modernization. These projects generate thousands of jobs and ensure that the Port will remain competitive for years to come.

Tourism continues to be a growing industry in Long Beach, and the City attracts over 5.5 million visitors a year. A vital part of that industry is the Long Beach Convention and Entertainment Center. The Center's facilities include a 224,000 square-foot exhibit hall, 83,000 square feet of meeting room space, a ballroom able to comfortably seat 1,600, a 13,600-seat arena and two theaters in the elegant Long Beach Performing Arts Center. Additionally, over 2,500 hotel rooms are within walking distance of the Convention Center.



*The Aquarium of the Pacific*

The world-class Long Beach Aquarium of the Pacific, on Rainbow Harbor, is located across the water from the Convention Center, Shoreline Village and the historic Queen Mary. The Aquarium is home to 12,500 marine animals from over 1,000 species indigenous to the Pacific Rim. It is a milestone in design, architecture and technology for the 21st century.

The City of Long Beach supports large and small industries through a holistic approach to economic development. All employees, regardless of their position descriptions, are, at their core, economic development ambassadors and are expected to provide excellent customer service. This provides the foundation for a strong, welcoming, and well-run city. In addition, the City supports targeted programs that impact businesses. These programs include workforce development services provided by Pacific Gateway, a City-operated non-profit organization; business improvement districts; streamlined permitting, inspection, and licensing services; low costs business license tax structure; and direct financial assistance through several loan and rebate programs.

