

PROPOSED ORDINANCE OF MEASURE B

AN ORDINANCE OF THE PEOPLE OF THE CITY OF LONG BEACH, CALIFORNIA, ADDING CHAPTER 3.94 TO THE LONG BEACH MUNICIPAL CODE TO ESTABLISH A BUDGET STABILIZATION (“RAINY DAY”) FUND

The City Council of the City of Long Beach ordains as follows:

Section 1. Chapter 3.94 is hereby added to the Long Beach Municipal Code to read as follows:

Chapter 3.94

BUDGET STABILIZATION (“RAINY DAY”) FUND

3.94.010 Establishment of the fund.

There is hereby established within the City of Long Beach the “Budget Stabilization Fund”, which shall be either a subfund within the City’s General Fund or in a separate fund (the “Budget Stabilization Fund”).

3.94.020 Purpose.

The Budget Stabilization Fund shall be used to fund future City operations and activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in General Fund structural revenues, whether caused by economic recession or other financial hardship of the City. For purposes of this Subsection, the phrase “General Fund structural revenues” means on-going revenues which are available to fund on-going General Fund operations.

3.94.030 Transfers into and from the Budget Stabilization Fund.

A. Automatic Deposit of New General Tax Revenues into the Budget Stabilization Fund. The Budget Stabilization Fund shall be funded by an automatic deposit/transfer of one percent (1%) of any new general tax revenues generated each year, commencing with Fiscal Year 2017. For purposes of this subsection, the phrase “new general tax revenues” means all revenues generated from any new or increased general tax which has been approved by the voters of the City on or after the effective date of this Chapter including, but not limited to revenues from the Transactions and Use Tax which was submitted to the voters concurrently with this ordinance.

B. Discretionary Deposits into Budget Stabilization Fund not Prohibited. Nothing in this Chapter shall prohibit the City Council, as part of the budgeting process, from contributing additional revenues to the Budget Stabilization Fund, as determined in the City Council’s sound legislative discretion.

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C. Expenditures from the Budget Stabilization Fund. The City Council may expend up to fifty percent (50%) of funds available from the Budget Stabilization Fund in any single fiscal year if the City Council declares a fiscal hardship requiring the use of such resources to maintain current levels of City services and programs. For purposes of this section, a “fiscal hardship” shall be deemed to occur whenever the City Manager, in the proposed budget for a fiscal year, projects a level of General Fund structural revenues that will result in a two percent (2%) or greater reduction in funding for general City services, as compared to the base budget that would be needed to maintain existing services. For purposes of this subsection, the phrase “base budget” means the projected on-going costs needed to maintain the same level of General Fund operations as the prior fiscal year’s budget. The City Council may not draw down from the Budget Stabilization Fund more than three (3) consecutive years, after which the City Council must consider alternative revenue sources or permanent reductions in general City services for the ensuing fiscal year. An assessment of the City’s long-term financial outlook should be considered when making decisions about how much to expend from the Budget Stabilization Fund, including a projection of how Budget Stabilization Fund resources are expected to be used and at least partially replenished over the following years..

D. Maximum balance for Budget Stabilization Fund. At no time shall the balance of the Budget Stabilization Fund exceed five percent (5%) of the City’s General Fund structural revenues forecast in the adopted budget for the subsequent fiscal year. Automatic transfers of revenues into the Budget Stabilization Fund as required by Subsection A shall be made only to the extent that the Fund balance does not exceed the five percent (5%) threshold, as calculated above, and any automatic transfer that would result in such an excess balance shall be suspended.

E. Suspension of automatic transfer. The automatic transfer described in Subsection A shall be temporarily suspended when revenue forecasts underlying the adopted budget anticipate a decline in General Fund structural revenues, as compared to the structural revenue underlying the adopted or amended budget, whichever is greater, for the fiscal year immediately prior. Automatic transfers shall remain suspended until positive revenue growth is reflected in the structural revenue forecasts underlying the adopted budget. The automatic transfer described in Subsection A shall also be temporarily suspended in any year where the Council authorizes an expenditure from the Budget Stabilization Fund.

F. Resumption of automatic transfer. In the first fiscal year during which positive General Fund structural revenue growth is again forecast, and during which the Council does not authorize an expenditure from the Budget Stabilization Fund, the automatic transfer shall resume, and shall continue in each fiscal year thereafter, unless (i) the City again forecasts a nominal decline

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in General Fund structural revenues, (ii) the Budget Stabilization Fund reaches five percent (5%) of the City's General Fund revenues, or (iii) the City Council again authorizes an expenditure from the Budget Stabilization Fund.

Section 2. Approval by the City Council. This ordinance was duly introduced on February 23, 2016 and approved upon second reading for placement on the ballot by the City Council on March 1, 2016.

Section 3. Approval by the Voters – Transactions and Use Tax Measure Contingency. Pursuant to California Elections Code Section 9217, this ordinance shall be deemed adopted and take effect only if approved by a majority of the eligible voters of the City of Long Beach voting at the Regular Election of June 7, 2016. Notwithstanding the above, this ordinance shall only become effective if the City's Transactions and Use Tax Measure, which is on the ballot for the same Election, is also approved by the eligible voters of the City of Long Beach.

Section 4. Severability. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.