



Date: March 22, 2018
 To: Patrick H West, City Manager *PU*
 From: John Gross, Director of Financial Management *JG*
 For: Mayor and Members of the City Council
 Subject: **FY 18 Reimbursements for Public Safety**

This memo responds to the January 9, 2018 direction from the City Council to conduct a management review and report on potential options for a Memorandum of Understanding (MOU) between public safety and the Gas and Oil and Water Departments (enterprises).

In summary, staff believes the City is fully recovering costs, whether public safety-related or not, from the enterprises and external agencies, and does not presently recommend any additional actions on this matter other than to continue fully recovering costs. There are minor exceptions for which there are reasons, or the exceptions are being worked on and/or negotiated.

Based on the FY 18 budget, cost recovery from enterprises and external agencies is a very impressive \$109 million annually, as shown below in Table 1. These totals demonstrate a very active and thorough reimbursement and transfer practice.

Table 1: Total Reimbursements From Enterprises and External Agencies

Item	FY 18 Budget (\$ in Millions)
Public Safety cost recovery from enterprise funds	39.6
Public Safety cost recovery from external agencies	<u>12.3</u>
Total – Public Safety cost recovery	51.9
Non-Public Safety cost recovery	18.4
Transfer of funds from Water, Gas and Harbor*	<u>39.0</u>
Total Non-Public Safety and Transfer	57.4
Total – All reimbursements and transfers	109.3

**Harbor transfer is Tidelands, not General Fund*

The balance of this memo provides additional information on the respective categories. Also attached is an April 25, 2013 memo providing additional detail.

Reimbursement for Public Safety Services to Enterprise Operations

Police and Fire Departments fully charge for services through internal MOUs with the City’s enterprises. During the annual budget process, the Police and Fire Departments work with the City’s enterprises to review and recalculate MOUs to include projected service levels,

updated personnel costs, and overhead. Table 2 below reflects the FY 18 MOUs with enterprise operations.

Table 2: Public Safety Cost Recovery from Enterprise Funds

Item	FY 18 Budget (\$ in Millions)
Airport	
Security Detail Services	4.1
Fire Protection, EMS, and fire inspection	<u>5.3</u>
Total—Airport	9.4
Gas and Oil	
Fire Boat Services to Long Beach Gas and Oil for Oil Islands	0.1
Police Harbor Patrol Detail of Oil Islands	<u>0.2</u>
Total—Gas and Oil	0.3
Harbor	
Police Services	11.2
Fire marine inspections, routine patrol, and emergency services, includes fleet charges for the rescue boat	0.3
Fire protection, emergency medical services, and fire inspection services to the Harbor District	<u>18.5</u>
Total—Harbor	30.0
Total— Public Safety Cost Recovery from Enterprise Funds	39.7

Reimbursement for Public Safety from External Agencies

The Police and Fire Departments also recoup costs from external agencies. The agreements with the agencies and amounts are shown below in Table 3.

Table 3: Public Safety Cost Recovery from External Agencies

Item	FY 18 Budget (\$ in Millions)
Police Services	
Metro	5.5
Long Beach City College	3.0
Long Beach Transit	2.4
Long Beach Unified School District	0.6
Carmelitos Housing Development	0.4
Towne Center	<u>0.1</u>
Total—Police Services	12.0
Fire Services*	
Mutual aid reimbursements for deployments outside of the City	<u>0.2</u>
Total—Fire Services	0.2
Total—Revenues from Outside Agencies	12.2

**FY 17 actuals include \$2 million related to statewide emergencies.*

Reimbursement for Non-Public Safety Costs from Enterprise Funds

The City’s enterprises pay annually for their share of Citywide overhead and non-public safety services provided to their operations. These costs are recalculated on an annual basis. The FY 18 budgeted costs are reflected in Table 4 below.

Table 4: Reimbursements for Citywide overhead and non-public safety services

Service/Cost	FY 18 Budget (\$ in Millions)				
	Airport	Water & Sewer	Gas	Harbor	Total
Citywide Support Services	0.3	1.2	1.0	2.6	5.1
Technology Services	0.7	1.6	2.9	0.8	6.0
Fleet Services	0.6	0.0	1.9	0.0	2.5
Billing & Collections	0.0	0.7	1.9	0.0	2.6
Financial Systems	0.1	0.1	0.1	0.3	0.6
General Liability	0.0	0.7	0.8	0.0	1.5
Property Insurance	0.0	0.1	0.0	0.0	0.1
Total—Support for Non-Public Safety Services	1.7	4.4	8.6	3.7	18.4

Revenue Transfers from Enterprise Funds

In addition to all other direct and indirect charges, the City also receives \$39 million in transfers from the water, sewer, gas and port enterprises. These revenues are not direct reimbursements for services provided. However, these transfers offset general operating costs in both the General and Tidelands Funds. The water and sewer utility transfers were recently litigated and the gas transfer is currently being litigated; all for being too high. The FY 18 Budgeted transfers are reflected in Table 5 below.

Table 5: Enterprise Fund Transfers to General Fund and Tidelands Funds

Transfer	FY 18 Budget (\$ in Millions)
Water & Sewer Funds	11.0
Gas Fund	9.4
Harbor Fund (5 percent of gross revenue) to Tidelands Operations	18.7
Total—Revenue Transfers	39.1

Conclusion

The City collects almost \$52 million a year for public safety from enterprises and external agencies. In addition, another \$57 million is collected for cost recovery and fund transfers. Based on an independent study done last year, at most, there may be a few hundred thousand dollars in other minor miscellaneous costs that are not charged to the enterprises – but there is little documentation to support charging those costs. At the same time, it is also likely that the reverse situation may also be true – the enterprises are not always charging the General Fund. Even if both sets of costs could be well documented, they may offset each

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other. In any event, the size of the annual revenue transfer from the key enterprise funds could be considered to include any of those charges. For non-enterprise operations, there are some ancillary operations where full cost recovery is not done although incremental costs are being recovered. However, these are relatively incidental, and most are being renegotiated for full cost recovery.

Based on these facts, it is recommended that there be no immediate change in the City's cost recovery practices from enterprise and external agencies. However, the City will continue to review for opportunities. A successful June 5, 2018 voter approval of the Charter amendment to allow the water, sewer and gas utility transfers to be retained is important to maintain the balance for these enterprise transfers.

If you have questions regarding any of this information, please feel free to contact me (562) 570-6427.

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ATTACHMENT

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
KEVIN J. JACKSON, DEPUTY CITY MANAGER
REBECCA G. GARNER, ASSISTANT TO THE CITY MANAGER
MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #18-0019)
DEPARTMENT HEADS



Date: April 25, 2013
 To: Patrick H West, City Manager
 From: John Gross, Director of Financial Management
 For: Mayor and Members of the City Council
 Subject: **General City Support from Enterprise Funds**

In response to Agenda Item R-21, sponsored by Councilmembers O'Donnell, Austin, Neal and Vice Mayor Garcia, from the February 5, 2013 meeting, below is a summary of the ways in which the City's Enterprise departments, Harbor, Water and Airport, reimburse for public safety and non-public safety services and overhead. The total FY 13 transfers from these departments as described below equal \$38.4 million. These funds cover both direct and indirect costs of City services to the enterprise departments for both normal and special services. The enterprise departments are fully reimbursing the costs of services provided by other City departments.

Recovery Type	Harbor	Water	Airport	Totals
Citywide Support Services	\$ 771,997	\$ 819,825	\$ 410,905	\$ 2,002,727
Fire Services	12,851,129	-	5,431,400	18,282,529
Police Services	8,542,499	-	3,571,719	12,114,218
Billing & Collections	-	3,555,995	16,451	3,572,446
Fleet Services	-	-	166,537	166,537
Financial Systems	237,849	74,158	59,458	371,465
Technology Services	652,708	546,787	659,726	1,859,221
Department Totals	\$ 23,056,182	\$ 4,996,765	\$ 10,316,196	\$ 38,369,143

Recovery for Citywide Administrative Support – \$2.0 million

The City Full Cost Allocation Plan (CAP) is a comprehensive analysis undertaken to identify the appropriate distribution of Citywide administrative and support costs to all City operating departments, divisions and programs. Centralized finance, budget and accounting divisions are examples of administrative and support costs included in the Citywide CAP. Expenses are spread among Enterprise, Internal Service and Tidelands (excluding Tidelands Operating) funds. The City's General Fund is budgeted to recover \$8.9 million in FY 13 as a result of the CAP. The Harbor, Water and Airport departments contribute \$2.0 million or 23 percent of the total costs recovered as part of the Full Cost Allocation Plan.

Recovery for Public Safety Services to Enterprise Departments - \$30.4 million

The Fire Department maintains and staffs separate fire stations with specialized equipment and training to meet the needs of the Harbor and Airport departments. The expenses incurred for these specialized stations located onsite at the Harbor and Airport are defined and agreed upon in an annual Memorandum of Understanding Service Agreement (MOU). The MOUs are designed to achieve full cost recovery for fire

protection, emergency medical services and fire inspection services. The MOUs are based upon prior year charges and include a "true-up" component, which serves to reimburse the City or the receiving department if costs had not been sufficiently recovered.

Fire and Harbor Department - \$12.9 million. In FY 13, the agreed upon recovery for fire protection, emergency medical services and inspection services to the Harbor District is \$12,482,092. The MOU includes specialty skill expense for Urban Search and Rescue and Hazardous Materials programs. The preponderance of costs is attributed to responses from Stations No. 6 and No. 24 with a smaller allocation for non-Port station responses and full cost recovery of the costs for Boat Station No.15 and Swing Station No.20. The Harbor Department also provides funding for a dedicated Fire Plan Checker at a cost of approximately \$159,000. In addition to these two Fire/ Harbor service agreements, there is a separate MOU with the Harbor Department for Marine Safety. Recovery for the Marine Safety activities occurs in the Tidelands Fund. The Marine Safety MOU for \$210,037 includes service levels for marine inspections, routine patrols and emergency services in the Harbor District waterways.

Fire and Airport - \$5.4 million. In FY 13, the agreed upon recovery for fire protection, emergency medical services and inspection services to the Airport is \$5,386,400. The majority of costs are attributed to responses from Station No.16 with a proportional allocation from other responding stations (Stations 9, 17, 19 and 23) and a smaller allocation for non-airport station responses. Additionally, the Airport reimburses Fire Department for the annual live burn training at a cost of \$45,000.

Police and Harbor - \$8.5 million. The Police Department provides services to the Harbor Department via a MOU Service Agreement. The Police Departments aims for full cost recovery of their services provided and FY 13 reflects the first year of this agreement. The costs in the MOU change from year to year based on personnel costs and updated Citywide cost allocations plans (CAP). \$6.4 million for Police services to the Harbor Department are budgeted in the Tidelands Fund. \$2.2 million in expense and revenue, which represent the indirect costs incurred by the Police Department for providing accounting, budgeting and personnel functions, is budgeted in the General Fund.

Police and Airport - \$3.6 million. The Police Department and Airport Department MOU Service Agreement reflects 100% full cost recovery for 13 Police Officers and five Sergeants through April 5, 2013 and seven Police Officers and one Sergeant for the remainder of FY 13. These staffing levels are contingent upon sufficient Airport Security staffing levels to maintain mandated coverage. Additionally, the agreement includes 10,000 hours of overtime, Police K9 detail services and Police Department indirect charges for providing accounting, budgeting and personnel functions as detailed in the Citywide cost allocations plans. The \$3,571,719 in revenue is budgeted in the General Fund for these services.

Recovery for Utility Billing and Collection Services - \$3.6 million

The Commercial Services MOU charges user departments for the Utility Billing and Billing and Collection Services performed by the Commercial Services Bureau in the

Department of Financial Management. The Commercial Services Bureau provides a range of customer and financial services to the City and its residents, including billing, payment processing, collections, and central cashiering. The Bureau provides collection activities for ambulance billing, alarm permits, business licensing, parking citations, marina slip payments and utility services. The FY 13 Adopted Budget MOU charges for Water and Airport total \$3.6 million. There are no charges for Harbor.

Recovery for Acquiring and Maintaining Fleet Vehicles and Equipment - \$166,537

The Fleet Services MOU charges user departments for costs related to maintaining and acquiring the City's fleet, including fuel charges, leases, replacement charges, maintenance, and underground storage tank charges. Harbor and Water do not regularly use Fleet uses, but may incur charges occasionally for miscellaneous work of the Fleet Bureau.

Recovery for Maintaining Citywide Financial Systems - \$371,465

The Financial Systems MOU charges user departments for costs related to supporting the City's accounting, purchasing, budgeting and fixed assets systems, including the web-based software tool, EZ FAMIS, that allows all financial system users access to mainframe data and reports by performing simple queries. The FY 13 Adopted Budget MOU amount for the combined Airport, Harbor and Water departments is \$371,465.

Recovery for Citywide Technology Related Services - \$1.9 million

Through the annual Technology Services MOU, the Technology Services Department (TS) charges client departments to fully recover its costs associated with providing Citywide services and support. Services include operation, maintenance and replacement of all the City's information systems, telecommunications equipment and software, in addition to the variety of Citywide services including equipment installation/maintenance, Help Desk and mail services. Allocations are budgeted by service received by each client department. Depending on the service, budgeted amounts are determined by factors such as total departmental users, frequency of system use and types of software. In FY 13, \$1.89 million is budgeted from the City's Enterprise departments.

Conclusion

As summarized above, the City's enterprise departments contribute over \$38.4 million annually in support of Citywide support services and special services specific to their needs or requirements. Reimbursement for public safety services accounts for 63 percent of the total costs recovered. The service agreements through which these costs are reimbursed are intended to ensure the City achieves full cost recovery for services rendered.

If you have questions regarding any of this information, please feel free to contact me at extension 8-6427.

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CC: SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD I. HARRISON, DEPUTY CITY MANAGER