

# **Understanding the City's Budget**

# Budget Document

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The Budget document is divided into eight sections: Understanding the Budget, City Ballot Measures, Innovation and Efficiency, 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.

## **City Ballot Measures**

In 2016, the City passed Ballot Measures including Measure A Transactions and Use Tax, Measure MA Medical Marijuana Tax, and Measure B Budget Stabilization "Rainy Day" Fund. This section describes each of these ballot initiatives and their status in the budget.

## **Innovation and Efficiency**

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

## **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 17 accomplishments, revenues, expenses and FTEs by fund, and an overview of adopted changes by fund.

## **Fund Summaries**

The Budget includes spending from 38 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 Public Works Department 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 18 Proposed CIP provides greater detail about ongoing and proposed CIP projects.

## **Appendices**

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

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## 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 prepared on a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded 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, 2016. 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 service 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, 2016 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-Day 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.

## Budget Process

The Fiscal Year 2018 (FY 18) Budget covers the period of October 1, 2017 through September 30, 2018. 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 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 Financial Management Department, 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 years. The projections inform the Manager’s goals for the development of 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.

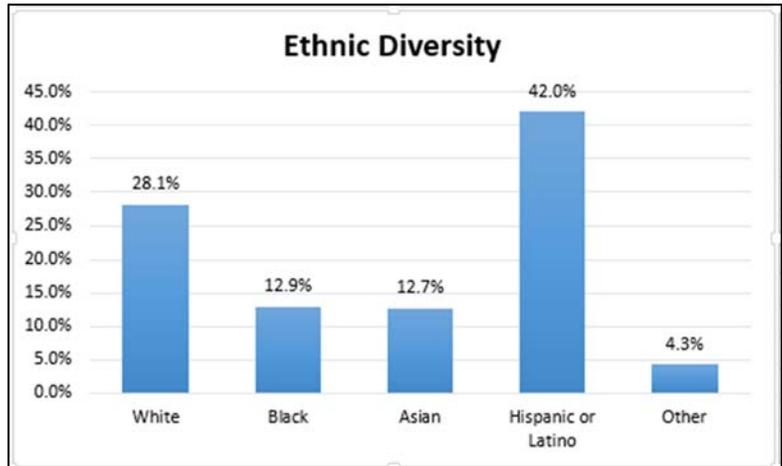
The City Charter requires that the Mayor transmit the Proposed Budget to the City Council “not later than sixty (60) days prior to the beginning of the fiscal year,” or August 2. The City Council must adopt the budget “not later than fifteen (15) days prior to the end of the current fiscal year,” or 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 18 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
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
July - Sept	Special Meetings of the City Council on the budget are initiated; including the Budget Oversight Committee
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. Long Beach has a population of approximately 485,000 residents (from the American Community Survey), making the City the second largest city in Los Angeles County and the seventh largest city in the State. The City celebrates its vibrant diversity. According to the American Community Survey, the City has the following ethnic breakdown: 42 percent Hispanic, 28.1 percent White, 12.9 percent Black, 12.7 percent Asian, and 4.3 percent 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.

Nine members who represent electoral geographic districts compose the City Council. 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 City Council elects a Vice Mayor from among its members.

The City has three other full-time elected officials: City Attorney, City Auditor and City Prosecutor. In addition to the these elected positions, three semi-autonomous commission-led departments exist: 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. Other advisory boards and commissions compose the city government. The Mayor nominates, and the City Council confirms the Mayoral nominations.

The City Council appoints the City Clerk and 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 5,461.32 full time equivalent 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 container cargo 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.

## EDUCATION

The Long Beach Unified School District is the third largest public school system in California, serving nearly 75,000 pre-kindergarten through twelfth grade students. The District's 84 schools are located in Long Beach, Signal Hill, Lakewood and on Catalina Island. Additionally, Long Beach also offers a City College, educating approximately 25,000 students. The college offers a full range of degree and transfer programs for students who want to earn degrees in dozens of field. Long Beach City College also has

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over 90 Career and Technical Certificate programs which prepare students for entry into a broad range of careers.

California State University, Long Beach (CSULB) is the State University system's third largest campus. With over 37,000 graduate and undergraduate students enrolled in the 2016-2017 school year, CSULB offers 85 baccalaureate degrees, 67 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 approximately 4.3 million square feet of commercial office space.

Currently, the largest employer within the City is the Long Beach Unified School District, which operates 84 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. 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.

The third largest employer is the Long Beach Unified School District and followed by the City of Long Beach. The City of Long Beach operates many award-winning facilities and services. The City's has been recognized as having one of the Top 25 Best Parks systems in the U.S., the 10<sup>th</sup> Most Bike Friendly City in America and the 10<sup>th</sup> most walkable city in the United States. The City was recognized as a Top 10 Digital City for the sixth year in a row. Exhibit 1, on the next page, provides a list of the top 10 employers in Long Beach as of Fiscal Year 2016.

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.

The Port of Long Beach is one of the world's busiest container cargo ports and was the number two-ranked container port in the nation in terms of container cargo. In 2016, the Port handled approximately 6.95 million Twenty-Foot Equivalent Units (TEUs) of container cargo. International trading partners include China, Hong Kong, Japan, South Korea Taiwan, Vietnam, Panama, and Ecuador. In addition to container cargoes such as motor vehicle parts, electronics, apparel, furniture, machinery, and toys, the Harbor facility handles bulk petroleum products, petroleum coke, mineral ores and ash, automobiles, lumber, chemicals, plastics, and scrap metal. The Port of Long Beach has commenced a decade-long, approximately \$4 billion capital improvement program to increase efficiency by upgrading terminals, waterway, bridges, rail lines, marine safety and other vital infrastructure. Some major infrastructure

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projects underway include the Gerald Desmond Bridge replacement, the Middle Harbor Terminal Redevelopment Project which is a model for green cargo operations, and rail program. These projects generate thousands of jobs and ensure that the Port, a leading economic engine for this region, the state and the nation, will remain competitive for years to come.

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	California State University, Long Beach
5	Veterans Affairs Medical Center
6	Long Beach City College
7	The Boeing Company
8	California State University Long Beach Research Foundation
9	Molina Healthcare, Inc.
10	St. Mary Medical Center Verizon United States Postal Service
Source: Department of Financial Management, Business License Bureau, <i>Comprehensive Annual Financial Report (CAFR) 2016</i>	

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 offers more than 400,000 square feet of meeting and exhibit space, including a 224,000 square-foot exhibit hall, 34 newly redesigned meeting rooms, a fully customizable, 13,500-seat arena and two theaters in the elegant Long Beach Performing Arts Center.

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 the fourth most-attended aquarium in the nation and it is home to over 11,000 marine animals in over 50 exhibits. Each year more than 1.7 million people visit the Aquarium for its world-class animal exhibits, hands-on activities and lectures by leading scientists. This past year, the Aquarium held a groundbreaking ceremony for the Pacific Visions wing, the first major expansion to the facility since its opening. The expansion will include a state-of-the-art interactive theater, a larger changing exhibit gallery with live animals and an art gallery. When the Pacific Visions expansion is complete, the Aquarium will have the capacity to serve 2 million visitors annually.



*The Aquarium of the Pacific: Pacific Visions Wing*

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

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that impact businesses. These programs includes 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.