

## **6. Pursue Grants that are Needed and Affordable**

Grants can provide funds for needed programs. They are also difficult to turn down. However, some grants can exacerbate the City's problems if they contain requirements for program maintenance or they change the City's priorities. When approving a grant, staff should show how the City will pay for the ongoing personnel and operating costs that will be incurred. Here are some of the issues that should be included in staff reports and publicly discussed.

- The degree to which the level of service will be increased.
- The amount of matching funds required.
- The plan to pay for the program at inception and after the City takes over the program.
- The ability to pay for expenses spilling over to other departments due to the grant program (i.e. new police officers require clerical, financial and human resource support).
- The degree to which the grant will divert money from other programs.
- Whether new or increased fees will be required.

When grant requests or offers come up during the implementation phase of the Three-Year Strategic Financial Plan, the staff should also explain the positive and negative impacts on the Plan.

## **7. Don't Attempt to Use Debt to Solve the Problem**

As described in Section I of this report, the City has kept General Fund debt relatively low. Debt service as a percentage of expenditures and revenues is within tolerable levels. However, debt increased substantially in 2003, raising General Fund debt service approximately \$6 million per year. As debt grows, a greater proportion of the General Fund operating budget must be used to service the debt.

Debt has been suggested as a method to solve the General Fund structural imbalance. Municipal debt is a good technique for long-term capital projects. It is not a good technique to bridge an operating gap. A fundamental financial principal is that debt should not be used for operating expenses. If a local government borrows to pay for operating expenses, it places a financial burden on future taxpayers without providing them any benefit. Moreover, interest and administrative expenses substantially multiply the burden on these future taxpayers who will never benefit from the debt issuance.

## **8. Continue to Publish and Improve Interim Financial Reports**

The City has implemented monthly financial reports to keep the City Council apprised of the City's financial performance. Regular monitoring of budgetary

performance provides an early warning of potential problems and gives the City Manager and City Council time to consider actions that may be needed if significant deviations in budget to actual results become evident. The key to interim financial reports are:

- Coverage of all City budget funds
- Highlighting the General Fund
- Concise, readable information
- Providing the significant information to Councilmembers
- Focusing readers on the important exceptions--both pro and con.

## **9. Long-Range Financial Plan**

Accurate forecasting is an integral part of the decision making process. Yet local government budgeting systems are incredibly limited in this regard. Systems track the flow of revenues and expenditures for the fiscal year but they do not adequately reveal the information needed to evaluate long-term financial condition. Items they do not show or inadequately show include:

- The costs that are deferred or postponed until the future
- The full ongoing impacts of grants
- The future costs of PERS commitments
- The accumulation of benefit liabilities
- The costs of new programs that are not fully funded
- The difference between ongoing and one-time expenses and revenues
- The operating costs associated with capital improvement projects
- The impact of demographic and economic changes on services, revenues and program costs

Long-term financial planning can increase the City's awareness of the above problems as well as identify the options to deal with them. Long-term financial planning identifies problems and allows the City to take corrective actions before the problems become more severe.

It is recommended that the City develop a long-term (five to ten years) financial plan that goes beyond a basic projection of revenues and expenditures. It should:

- a. Analyze financial trends
- b. Assess the problems and opportunities facing Long Beach
- c. Identify alternative strategies needed to address the issues
- d. Develop long-term forecasts of revenues and expenditures using alternative economic, planning and policy assumptions

## 10. Performance Based Budgeting

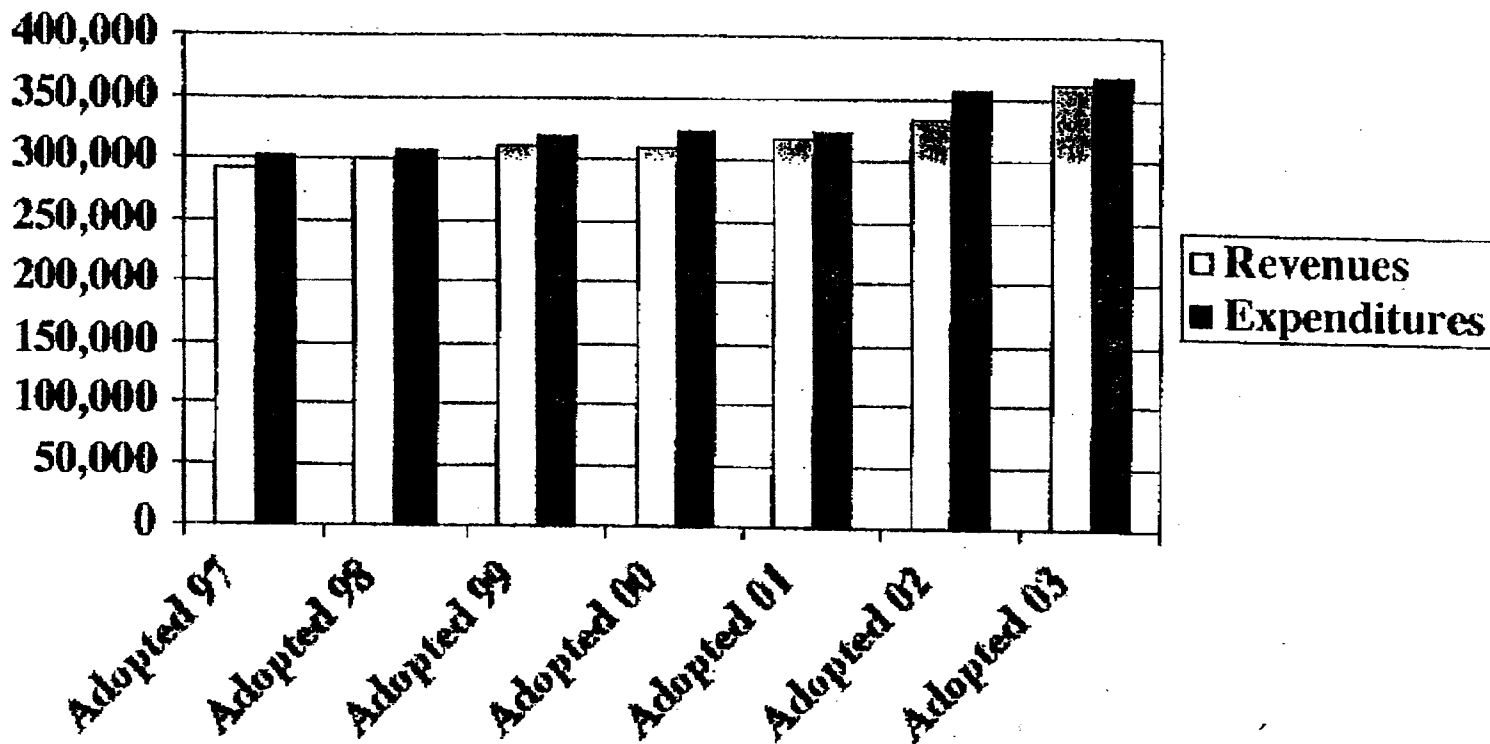
The City is looking at implementing a performance based budgeting approach. This approach will help the City Council, city staff, community, employees and other stakeholders understand the purpose and expected results from City programs and services. To be effective, the City should focus on the purpose and outcomes of each of its programs. It involves the development of objectives that tie to City Council goals and performance measures that show outcomes in addition to simple workload indicators. The key to this system is its ability to provide policy information to the City Council, management and community that allows each to assess the relative value of programs provided by the City.

### Attachments

Total General Fund Revenues Compared to Total Expenditures  
General Fund Expenditures 1997-2003  
General Fund Revenue Increases Compared to Total Revenues 1997-2003  
Revenues per Capita 1997-2002  
Expenditures per Capita 1997-2002  
Per Capita General Fund Expenditures Compared to Revenues 1997-2002  
General Fund Revenue Increases 1997-2003  
General Fund Expenditure Increases 1997-2003  
General Fund Expenditure Increase Compared to Revenue Increases 1998-2003  
Debt as a Percentage of Operating Revenues 1996-2003  
General Fund Employee Increases 1998-2003  
General Fund Employees per Capita 1998-2003

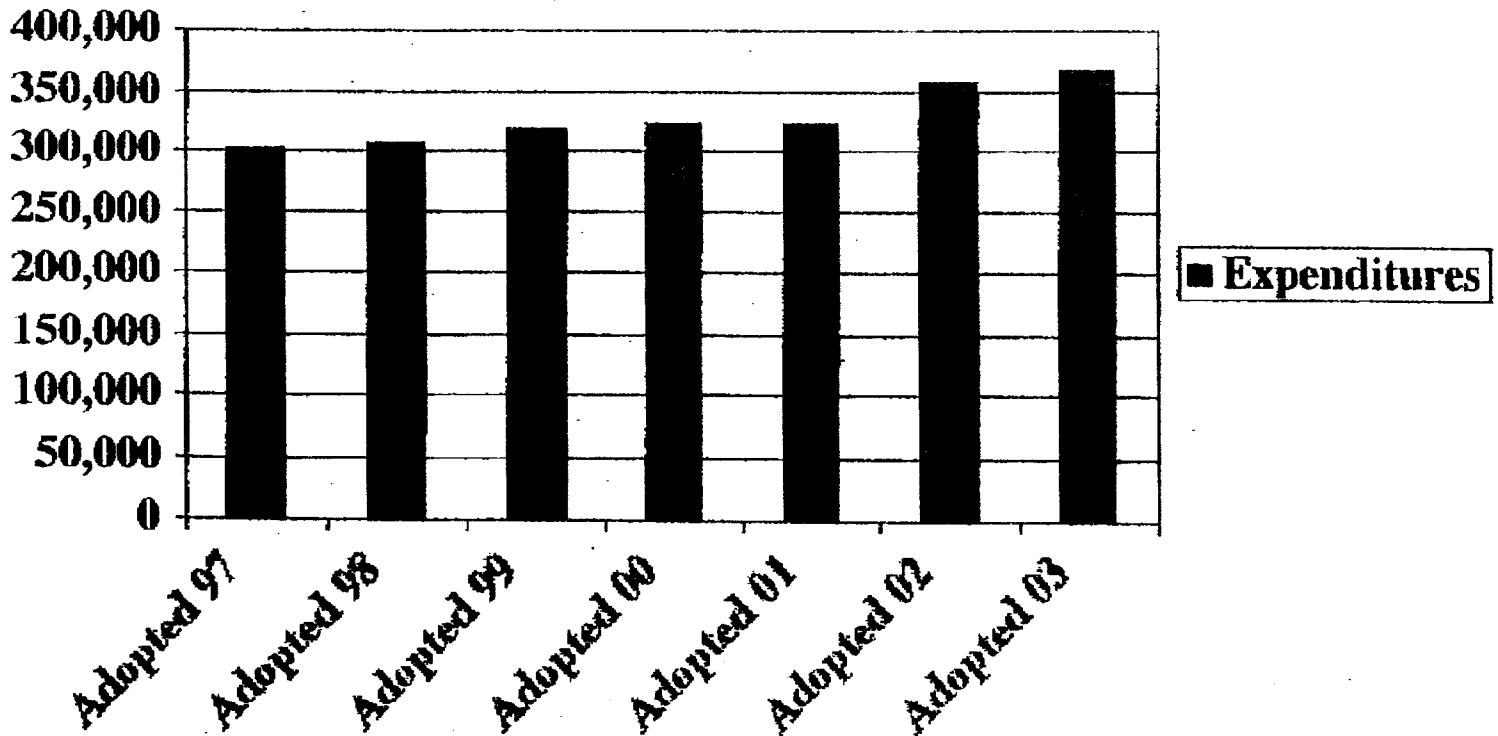
# Total Revenues Compared to Total Expenditures 1997-2003

(in thousands)



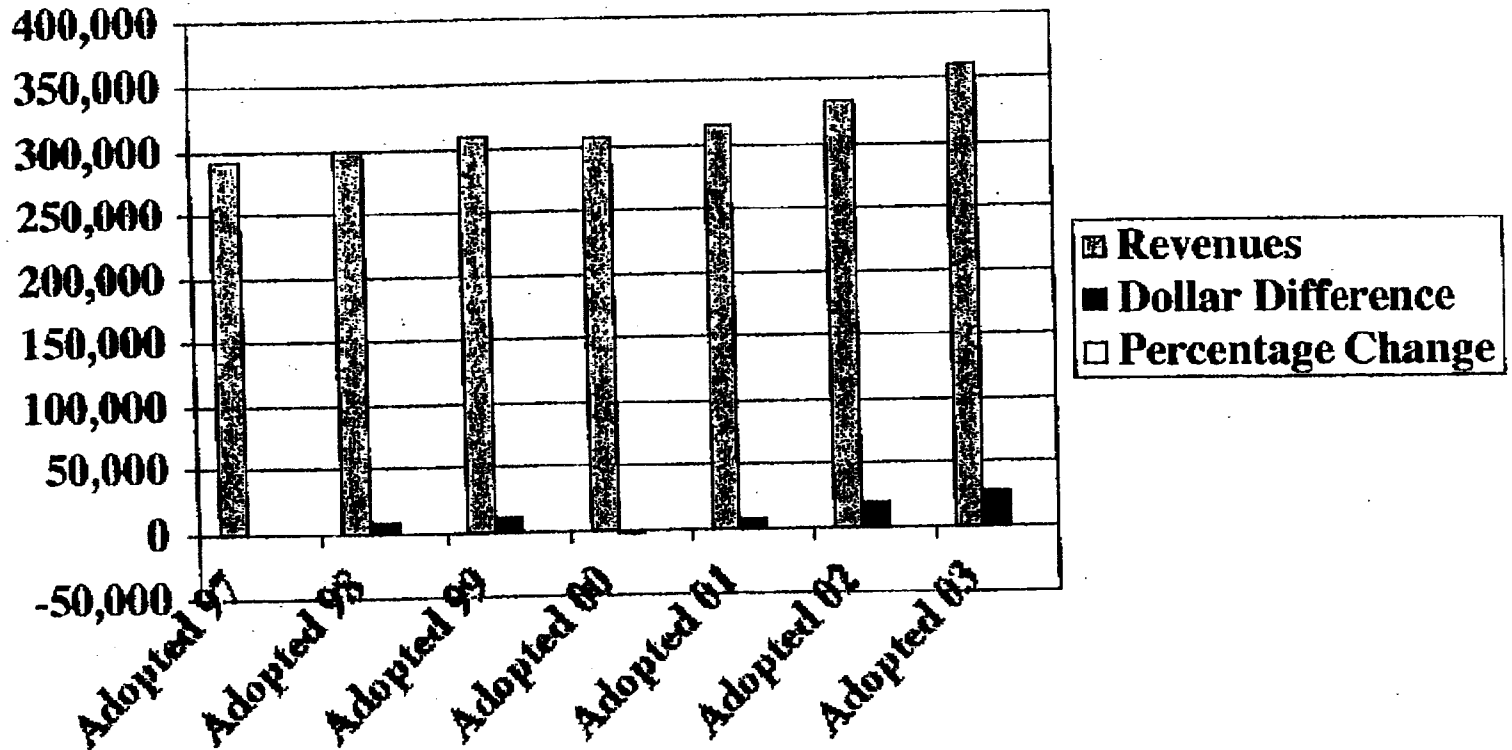
# General Fund Expenditures Adopted Budgets 1997-2003

(in thousands)



# General Fund Revenue Increases Compared to Total Revenues 1997-2003

(in thousands)



# Revenues per Capita 1997-2002 (in thousands in dollars)

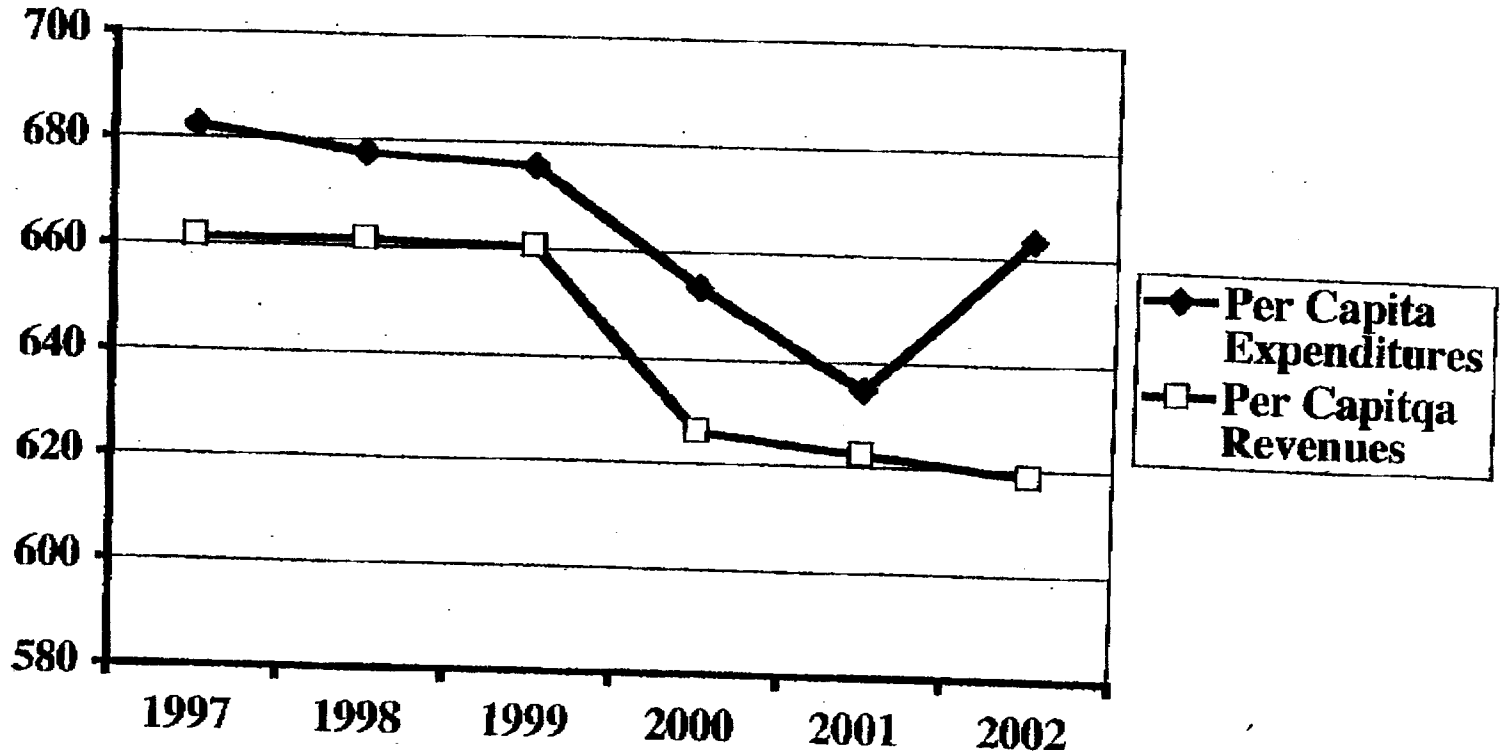
Description	1997	1998	1999	2000	2001	2002
<b>Total Revenues</b>	<b>292,260</b>	<b>299,214</b>	<b>310,412</b>	<b>308,367</b>	<b>315,407</b>	<b>333,246</b>
<b>CPI</b>	<b>100</b>	<b>101.4</b>	<b>103.8</b>	<b>107.6</b>	<b>109.8</b>	<b>113.9</b>
<b>Revenues in Constant Dollars</b>	<b>292,260</b>	<b>295,083</b>	<b>299,048</b>	<b>286,586</b>	<b>287,256</b>	<b>292,578</b>
<b>Population</b>	<b>441,718</b>	<b>446,227</b>	<b>452,905</b>	<b>457,608</b>	<b>461,522</b>	<b>473,131</b>
<b>Revenues Per Capita (constant dollars)</b>	<b>661.64</b>	<b>661.28</b>	<b>660.29</b>	<b>626.27</b>	<b>622.41</b>	<b>618.39</b>

# Expenditures per Capita 1997-2002 (in thousands)

Description	1997	1998	1999	2000	2001	2002
<b>Total Expenditures</b>	<b>301,512</b>	<b>306,642</b>	<b>317,561</b>	<b>321,737</b>	<b>321,780</b>	<b>357,562</b>
<b>CPI</b>	<b>100</b>	<b>101.4</b>	<b>103.8</b>	<b>107.6</b>	<b>109.8</b>	<b>113.9</b>
<b>Expenditures in Constant Dollars</b>	<b>301,512</b>	<b>302,408</b>	<b>305,935</b>	<b>299,012</b>	<b>293,060</b>	<b>313,926</b>
<b>Population</b>	<b>441,718</b>	<b>446,227</b>	<b>452,905</b>	<b>457,608</b>	<b>461,522</b>	<b>473,131</b>
<b>Expenditures Per Capita (constant dollars)</b>	<b>682.59</b>	<b>677.70</b>	<b>675.49</b>	<b>653.42</b>	<b>634.98</b>	<b>663.51</b>

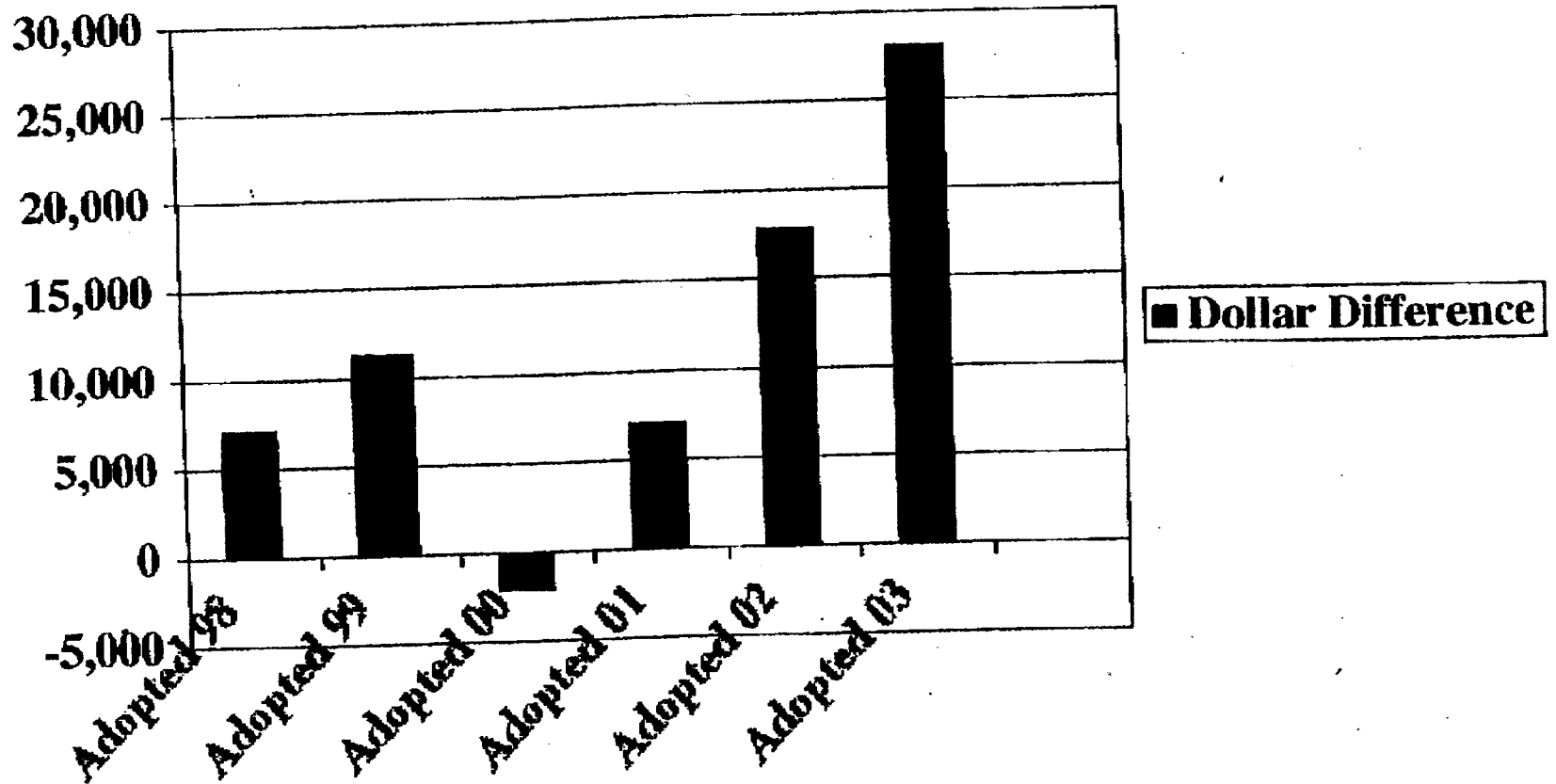


# Per Capita General Fund Expenditures Compared to Revenues 1997-2002



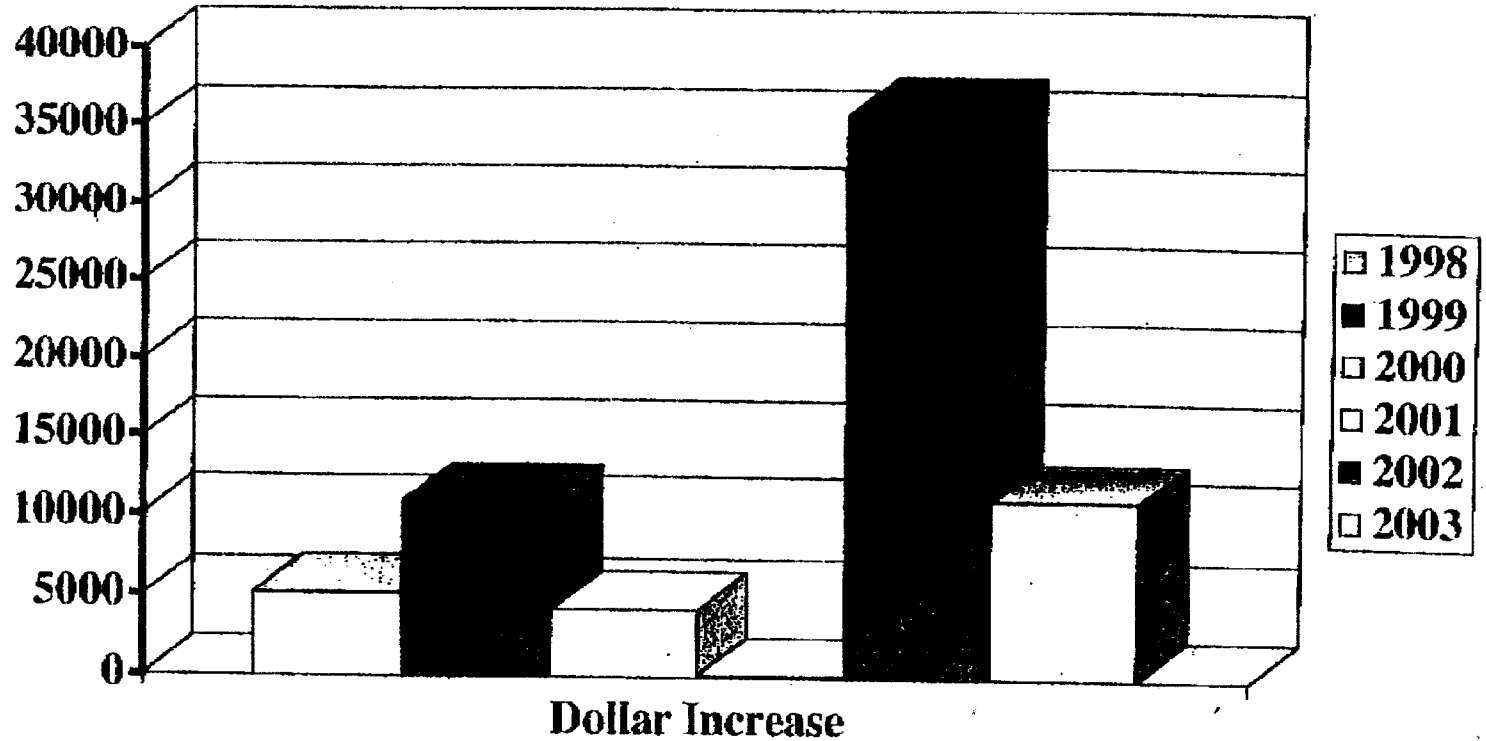
Adjusted for inflation

# General Fund Revenue Increases (in thousands of dollars) 1997-2003

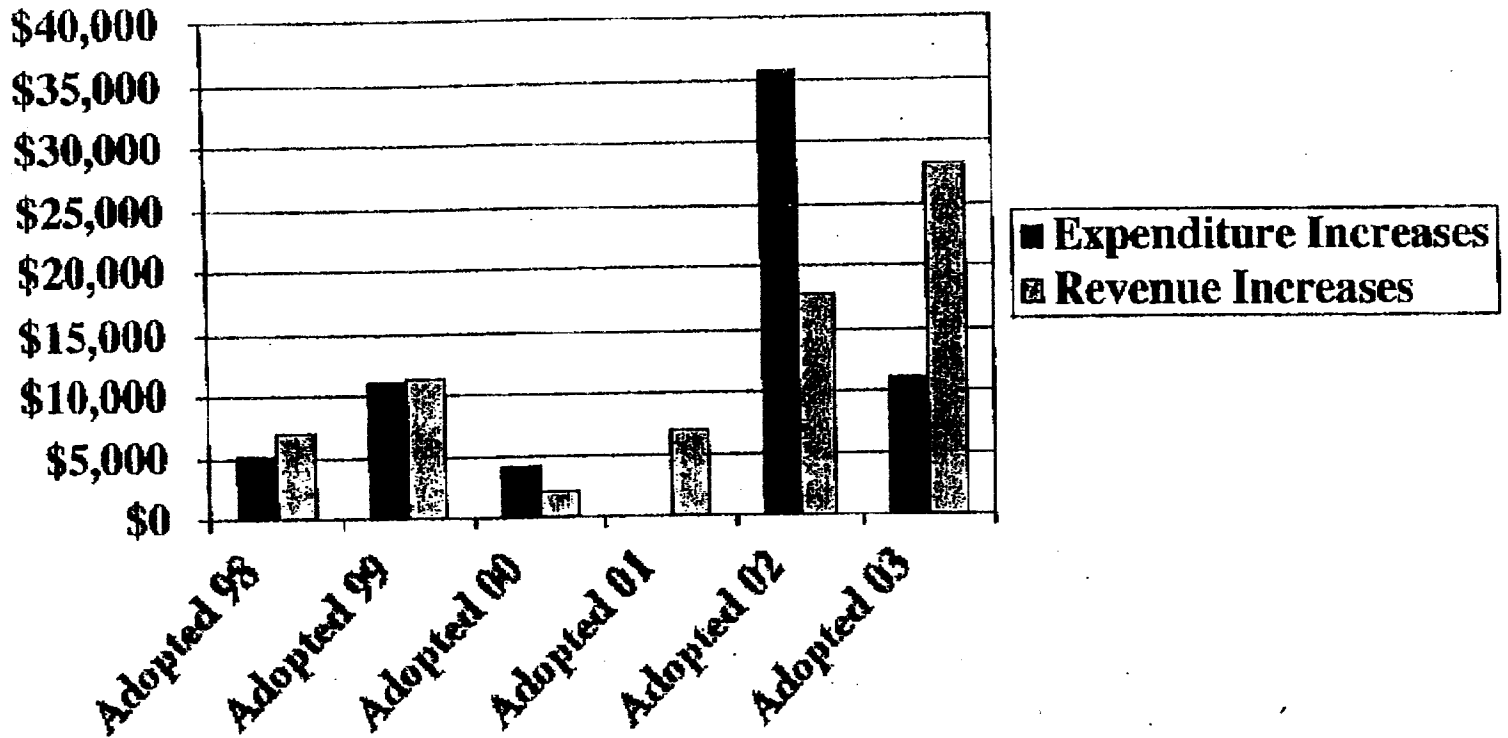


# General Fund Expenditure Increases

Adopted Budget 1997-2003 (in thousands)



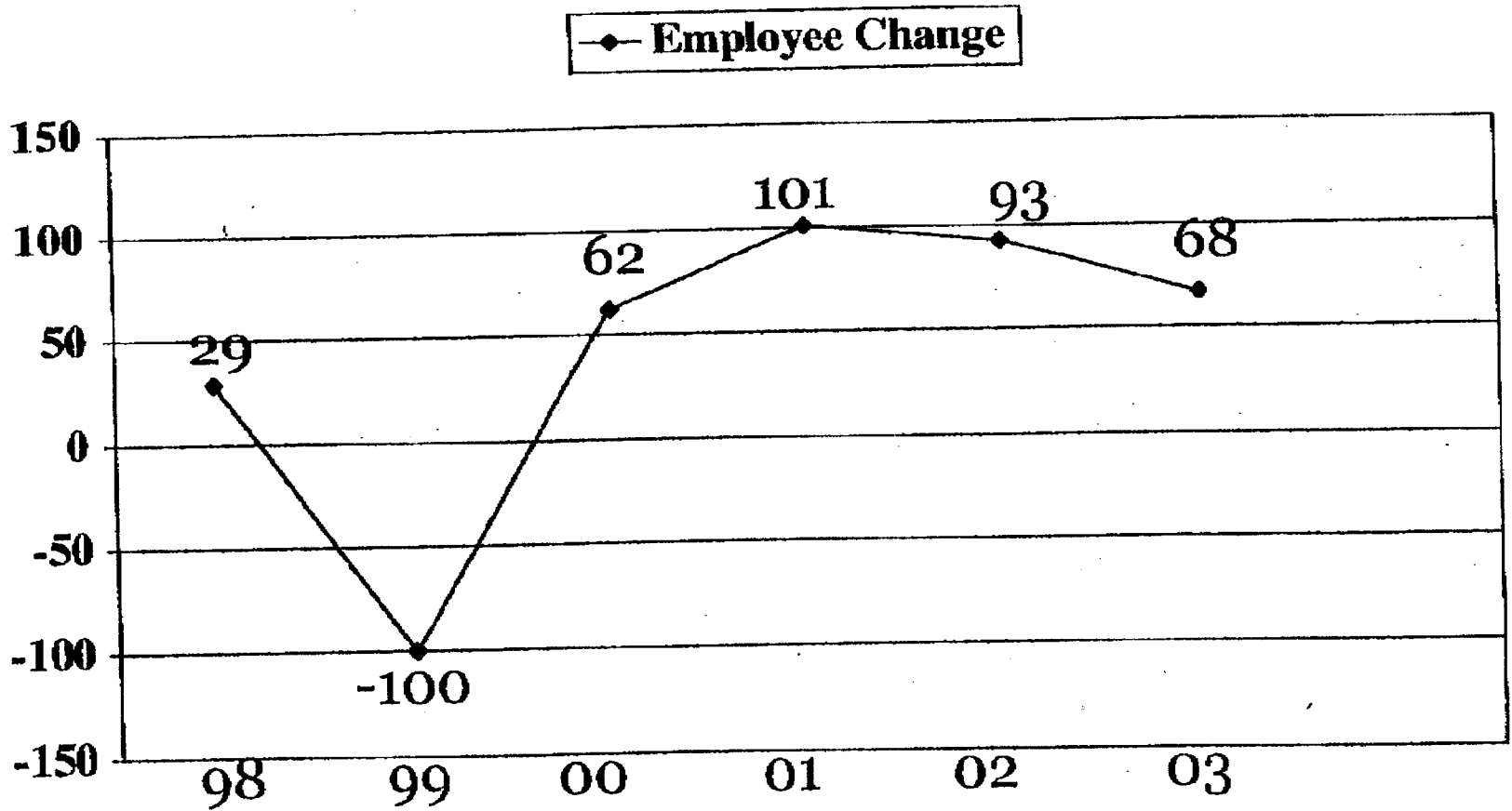
# General Fund Expenditure Increases Compared to Revenue Increases Adopted Budgets 1998-2003 (in thousands)



# Debt as a Percentage of Operating Revenues 1996-2003 (in thousands)

Description	1996 Adopted	1997 Adopted	1998 Adopted	1999 Adopted	2000 Adopted	2001 Adopted	2002 Adopted	2003 Proposed
Debt Service	3,213	2,230	2,566	2,216	2,866	3,434	2,995	8,897
Operating Revenues	356,527	292,260	299,214	310,412	308,367	315,407	333,246	359,363
Debt Service as a Percentage of Operating Revenues	.9%	.8%	.9%	.7%	.9%	1.1%	.9%	2.5%

# General Fund Employee Increases (in thousands of dollars) 1998-2003



# General Fund Employees per Capita 1998-2003

