



Fiscal Outlook and FY 23 Budget Development Update

City Council Study Session – March 8, 2022

Strong Fiscal Management has Prepared the City for Challenges

Strong Revenue Recovery and No Reduction Targets Issued

- Long Beach economy is bouncing back very well
- No service cut targets to departments
- Important to remain fiscally prudent and disciplined

Focus on Infrastructure

- This Budget will focus on developing and investing in a transformative infrastructure plan for the City
- Looking at opportunities made available by Measure A and potential federal funding

Strong Fiscal Management has Prepared City and Many Accomplishments Achieved

- Years of strong fiscal practices positioned us to face the pandemic – with reserves that helped cover shortfalls temporarily and the ability to scale back costs to save
- This along with federal support allowed us to respond swiftly and effectively to serve the community

FY 21 - FY 22 Accomplishments and Achievements

- The City became an early leader in COVID-19 vaccine distribution – over 330,000 residents vaccinated
- Continued a robust COVID-19 testing program – 800,000+ people tested at City sites and over 1.1 million tests administered in total
- Implemented a COVID-19 booster program –16,000+ booster shots administered
- Continued to implement CARES Act programs and support in basic needs, early child supports, youth development, food access, nonprofits, local businesses, renters, etc.
- Launched the BizCare Hotline, BizCare Pop-Ups, and BizCare Outreach teams to help small businesses survive and recover
- Implemented the Emergency Rental Assistance Program assisting over 4,000 tenants and landlords with past due rent and utility payments.
- Continued Open Streets Initiative and temporary parklets
- Adopted the Long Beach Recovery Act – A nearly \$250 million dollar program, the size of an entire budget for some cities
- Safely reopened City Hall and City facilities following COVID-19 closures



FY 21-FY 22 Accomplishments and Achievements, continued



- City has managed the longest coordinated disaster response in City's history with EOC activated since March 2020
- Assisted with humanitarian family reunification efforts becoming one of several emergency shelters set up around the country
 - 1,583 migrant children were reunited with family members or sponsors
 - Partnered with LB Community Foundation to raise \$100K to enhance the experience of the children in the emergency shelter

FY 21-FY 22 Accomplishments and Achievements, continued



- Continued Progress on Homelessness Efforts
 - Atlantic Bridge Housing Community continues to provide a year-round interim housing site for 125 people experiencing homelessness
 - Project Homekey – purchased a 102-room hotel for transitional supportive housing
 - Project RoomKey – opened the temporary 47-room Days Inn for transitional supportive housing and linkage to services
 - Permanently housed 458 people and stabilized 560 people in transitional housing.
 - Served 3,512 people at the MSC in 2021 – a total of approx 33,000 total visits in the year/avg. 132 per day
 - 4,600 enrollments in different homeless services
 - More than 900 outreach contacts.
 - Conducted 860 homeless encampment cleanups

FY 21-FY 22 Accomplishments and Achievements, continued

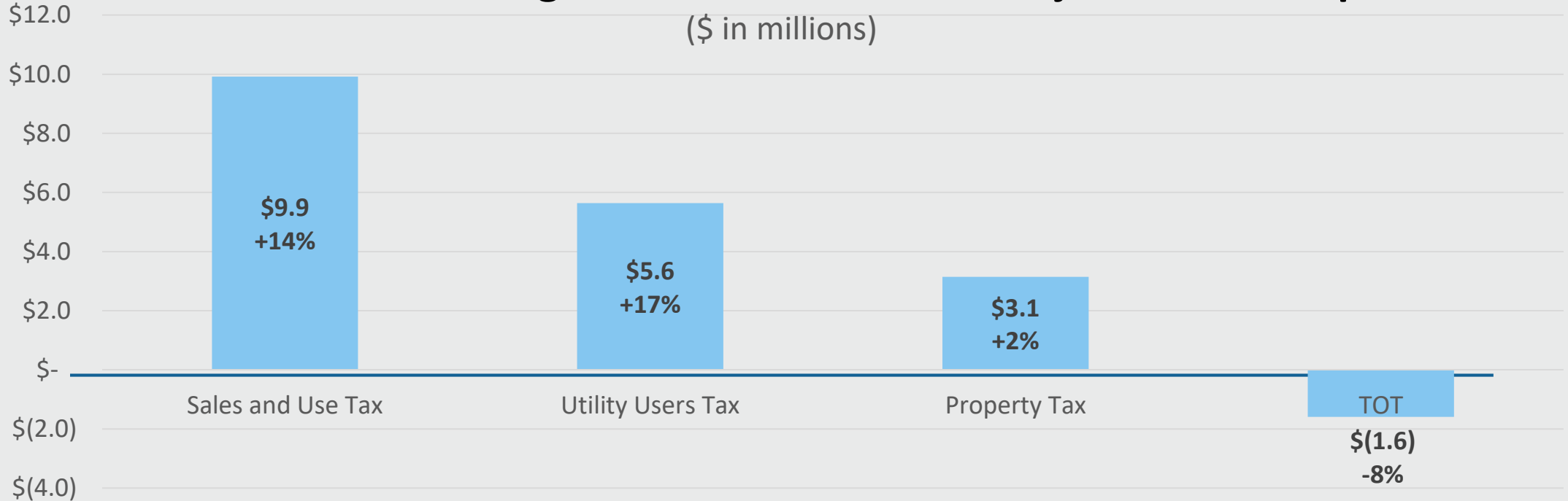
- Continued implementation of the Racial Equity and Reconciliation Initiative with Racial Equity 101 trainings, action plans, and development of tools
- The Language Access Program has managed more than 500% increase in translation requests to ensure wide-spread access to information
- Created new or re-envisioned existing programs throughout the City's parks including: 4th Street Senior Center and Bixby, Drake, El Dorado, Rancho Los Cerritos, MacArthur, Houghton and Cherry Parks
- Loaned out over 767,000 digital and physical items from City libraries, including chromebooks and hotspots as part of the new Tech To-Go service
- The Clean Team has collected 2,400+ tons of litter and illegally dumped items
- Abated nearly 1.5 million square feet of graffiti and filled 25,000 potholes
- Updated and re-launched Go Long Beach app



General Fund Trends, Forecast, & Budget Balancing Strategy

Revenues Projections have Greatly Improved

FY 23 Revenue Change from Previous FY 23 Projection – Examples



Note: Oil is budgeted at \$55/bbl for structural purposes due to volatile nature of revenue source. Any revenues above budget generated during year net of oil expenses will contribute to one-times available that may be allocated for citywide one-time purposes

FY 23 Revenue Projections Improved From Previous FY 23 Projections by \$21 million
(Increased from FY 22 Budget by \$34 million)

Notable Expenditure Trends in General Fund

General Liability Costs

No change for FY 23. General Liability Fund budgetary funds available still negative but made improvements in FY 21 and on track

Salary Changes

FY 23 projected to increase \$18 m based on negotiated agreements with bargaining units and general inflator if no contract

CalPERS

Pension Costs

\$500K increase in FY 23 – lowest in years. Currently projecting cost decrease beginning FY 24. Benefit of CalPERS 21% investment return 6/30/21

Worker's Comp Costs

Savings of \$1.4 m for FY 23 due to good performance of WC fund in FY 21 and cash available in WC Fund

Budget Alignment

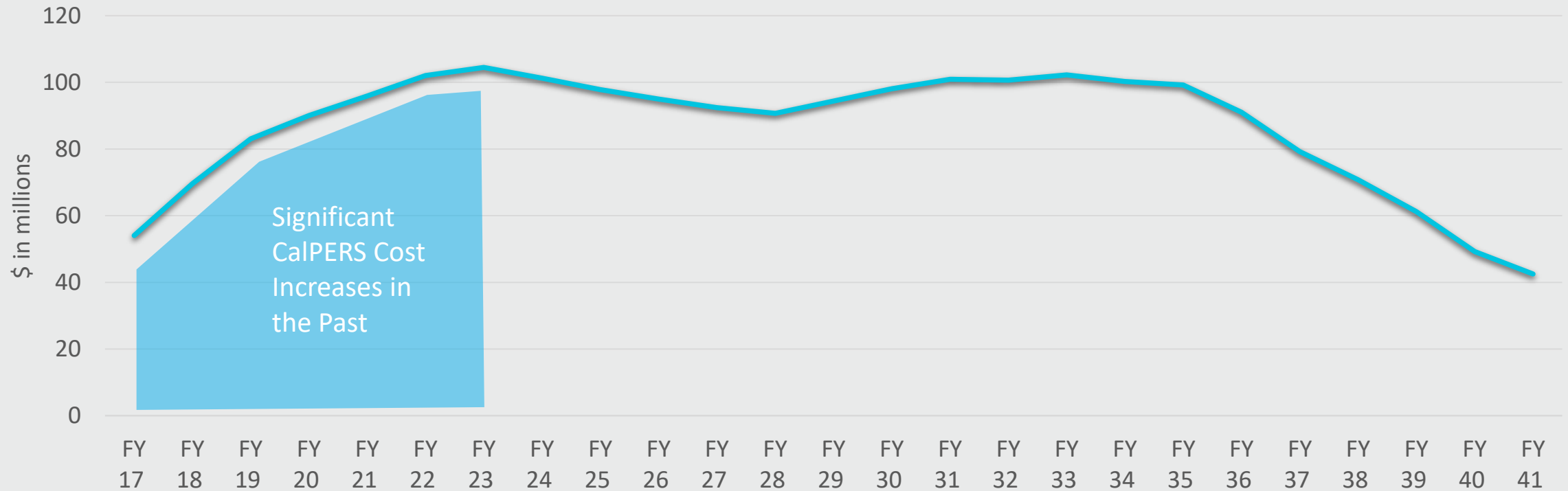
Projection includes some alignment of budget to actual costs of services and potential mandated/critical needs, offset by projected vacancy savings

FY 23 Expense Projections Stayed the Same As Previous FY 23 Projections

(Increased from FY 22 Budget by \$22 million)

CalPERS Costs Trending in Positive Direction in Outyears

CalPERS Cost History and Projection



Positive trends may fluctuate and even change back to cost increases depending on variables such as investment returns which contributes to some volatility of funding plans. Staff will continue to assess each year.

General Fund has Projected FY 23 Shortfall of \$11.9 million

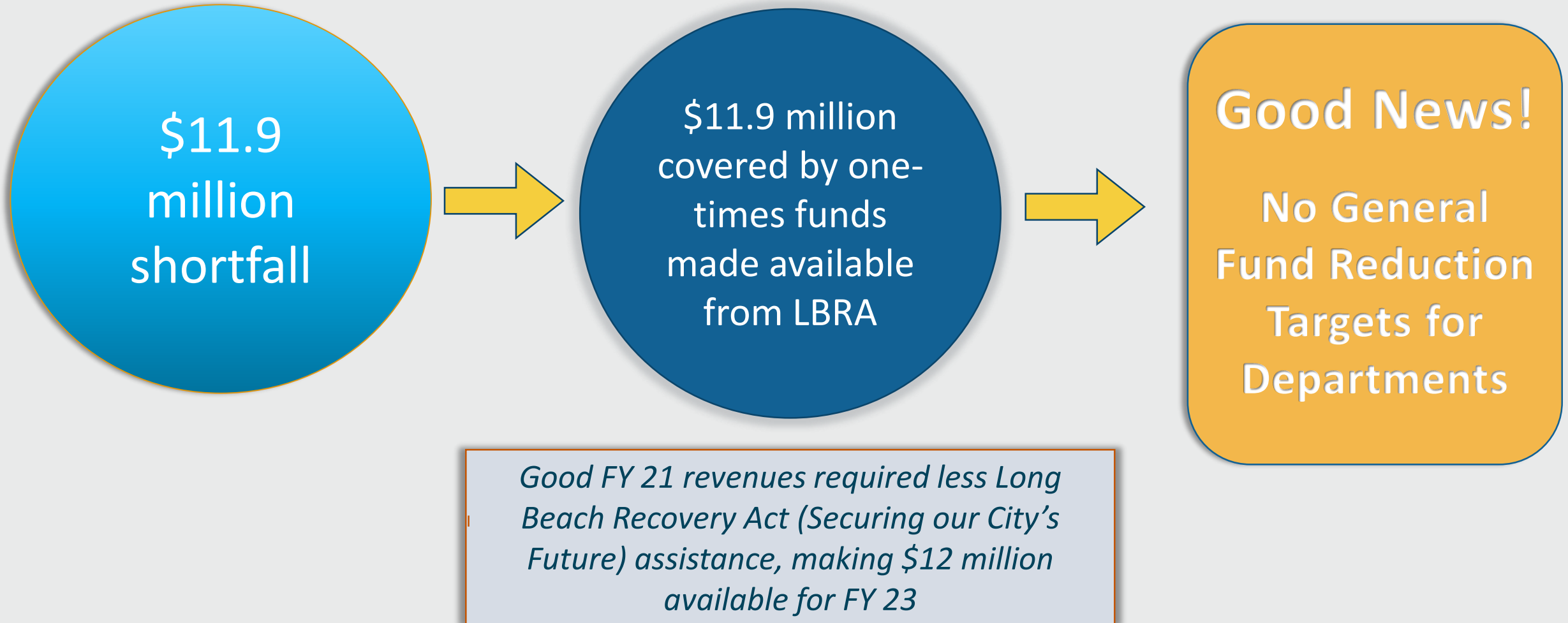
Previous Projection for FY 23: **\$35.6 million**
Updated Projection for FY 23: **\$11.9 million**

General Fund Outlook (\$ in millions)	FY 23
Previous Projection	\$(35.6)
Revised Projection	(14.9)
<i>Measure A Maintenance*</i>	3.0
Surplus/(Shortfall)	(11.9)

Change of \$21 million due to revenue projection improvement

* Measure A proposed to be used to cover eligible public safety costs

General Fund Budget Balancing Approach for FY 23



Important to Move Forward with Fiscal Prudence and Discipline

Assumptions & Uncertainties

- **Measure M litigation** – plan to cover FY 22 and FY 23 escrow requirements with one-times
- **Negotiations with Bargaining Units** – POA, FFA, LGA contracts expire in FY 22; Miscellaneous expire in FY 23
- **Future costs** that may occur but are not currently factored in, such as conversion to cleaner energy options
- **Assumes no future recession**

- **One-time solution in FY 23 increases the projected FY 24 shortfall problem**

General Fund Outlook Surplus / (Shortfall) - \$ in millions	FY 23	FY 24	FY 25
Prior to budget balancing solution	(11.9)	(8.9)	0.3
Solving FY 23 with one-times	--	(20.8)	0.3

\$11.9 m
shortfall from
FY 23 carries
over to FY 24

- Available federal funds intended for this very purpose; provides more time to stabilize

Measure A & Other Funds

Measure A Plan

- Residents voted to extend the Measure A on the March 3, 2020 ballot, authorizing the continued collection of additional revenue at a maximum annual rate of 1%
- Revenue projections below are expected to cover past structural adds and planned expenditures as part of the Measure A plan adopted in previous years

Measure A Revenue (\$ in millions)

FY 21 Actuals	FY 22 Projections*	FY 23**	FY 24	FY 25	FY 26	FY 27
\$73.5	\$79.2	\$66.5	\$63.3	\$65.2	\$67.1	\$69.1

* Adopted FY 22 was \$69m. Figure above represents updated estimates after FY 21 year-end results

**In FY 23, the rate drops from 1% to 0.75% from Jan 2023 through Sept 2027 due to County Measure H in order to stay within the tax rate limit

Measure A Plan, continued

- The Proposed FY 23 Budget will provide details of a Measure A out-year plan
- Approximately \$20 - 22 million of unallocated Measure A revenue available annually from FY 23 – FY 27 based on current projections
- Plan expected to cover past structural adds and planned expenditures as part of the Measure A plan adopted in previous years
- Significant focus on infrastructure with 3 potential bond issues (\$50m every two years)
 - Total \$150m bond-funded projects from FY 23-FY 27.
 - Annual debt service of at least \$3.5m for FY 23-FY 24; \$7.5m for FY 25-FY 26; and \$11.5m for FY 27 and beyond.
- Also cover public safety cost increases to maintain services, including Fire's carried-over budget reduction target and Police cost increases like crime lab lease.
- Other items may include things such as long-term funding of Engine 17 and Police's Neighborhood Safe Streets

Other Funds

- Related Funds that impact the General Fund are not getting reduction targets similar to the General Fund. However, looking to keep costs down in these other funds.
- Special Advertising and Promotion Fund –Transient Occupancy Tax is rebounding slowly. Currently anticipated to draw down its \$5 million budgetary funds available in FY 22. To avoid reductions in FY 23, any additional one-time funds made available should be set aside to help replenish any draw down.
- Refuse Fund –Cost of Service study underway. Significant rate increases will be needed to provide structural balance of the fund, including to cover cost of SB 1383 (Organics Collection) and meet State mandates. Study and initial rate increase anticipated to come to City Council in FY 22.

Community Engagement

Community Engagement Efforts



- For the first time, community engagement was done at the beginning of the budget process with two virtual meetings in January
- Budget Survey conducted in January
- The meetings prioritized Language Access with interpretation services and translated materials
- Detailed demographic tracking to better inform future outreach with goal to better engage with diverse and underrepresented members of community
- Equity Lens emphasized with departments requested to provide additional context on equity impacts on any budget proposal, as applicable

Virtual Meetings Participation

Survey Respondents by Council District

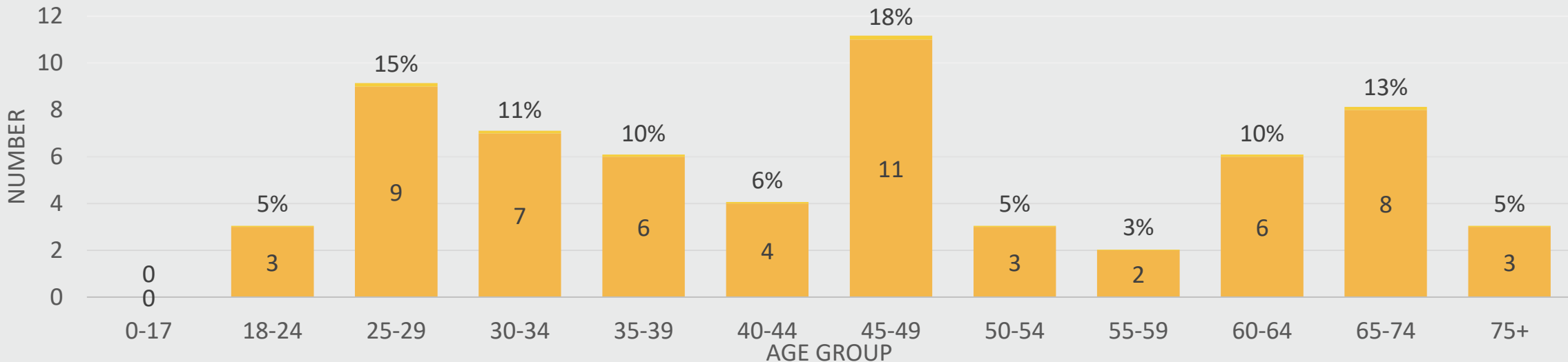
62 total responses

Council District	1	2	3	4	5	6	7	8	9	Don't Know	Non-Resident
#	14	5	8	8	9	3	3	7	3	1	1
%	22.6	8.1	12.9	12.9	14.5	4.8	4.8	11.3	4.8	1.6	1.6

141
 Total estimate of Attendees from both meetings
Not including City staff

Survey Respondents by Age

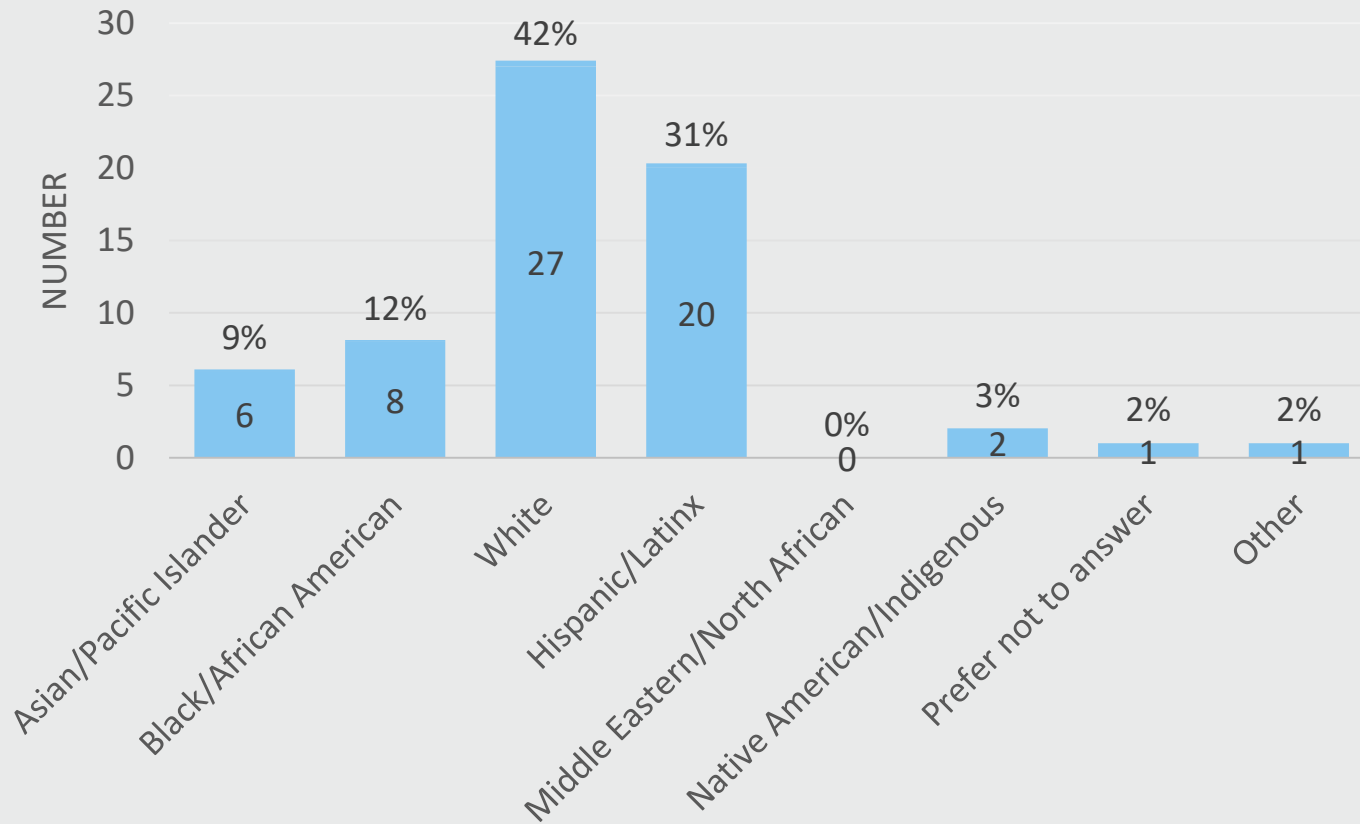
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Virtual Meetings Participation, continued

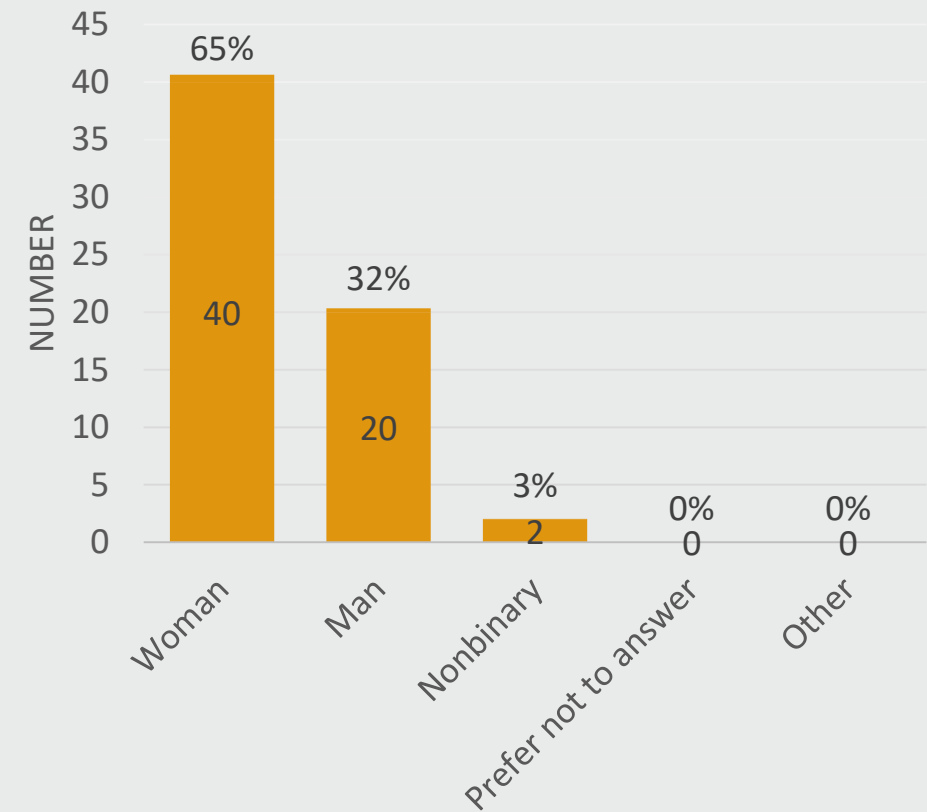
Survey Respondents by Race/Ethnicity

65 total responses



Survey Respondents by Gender Expression or Identity

62 total responses



Budget Survey Participation

723
Total Survey Respondents

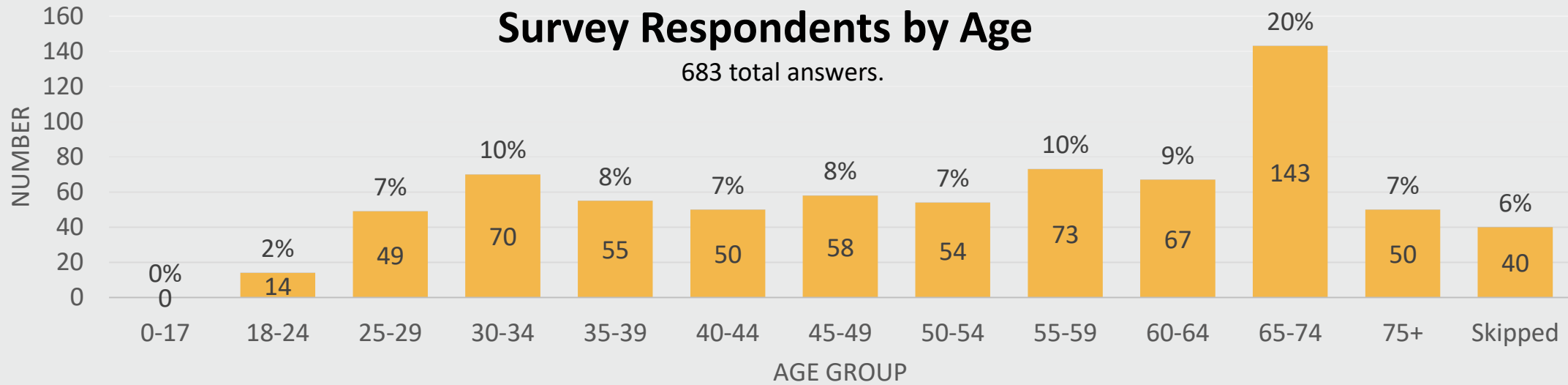
Survey Respondents by Council District

674 total answers.

Council District	1	2	3	4	5	6	7	8	9	Don't Know	Non-Resident	Skipped Question
#	47	82	210	90	105	26	25	35	19	32	3	49
%	6.5	11.3	29.0	12.4	14.5	3.6	3.5	4.8	2.6	4.4	0.4	6.8

Survey Respondents by Age

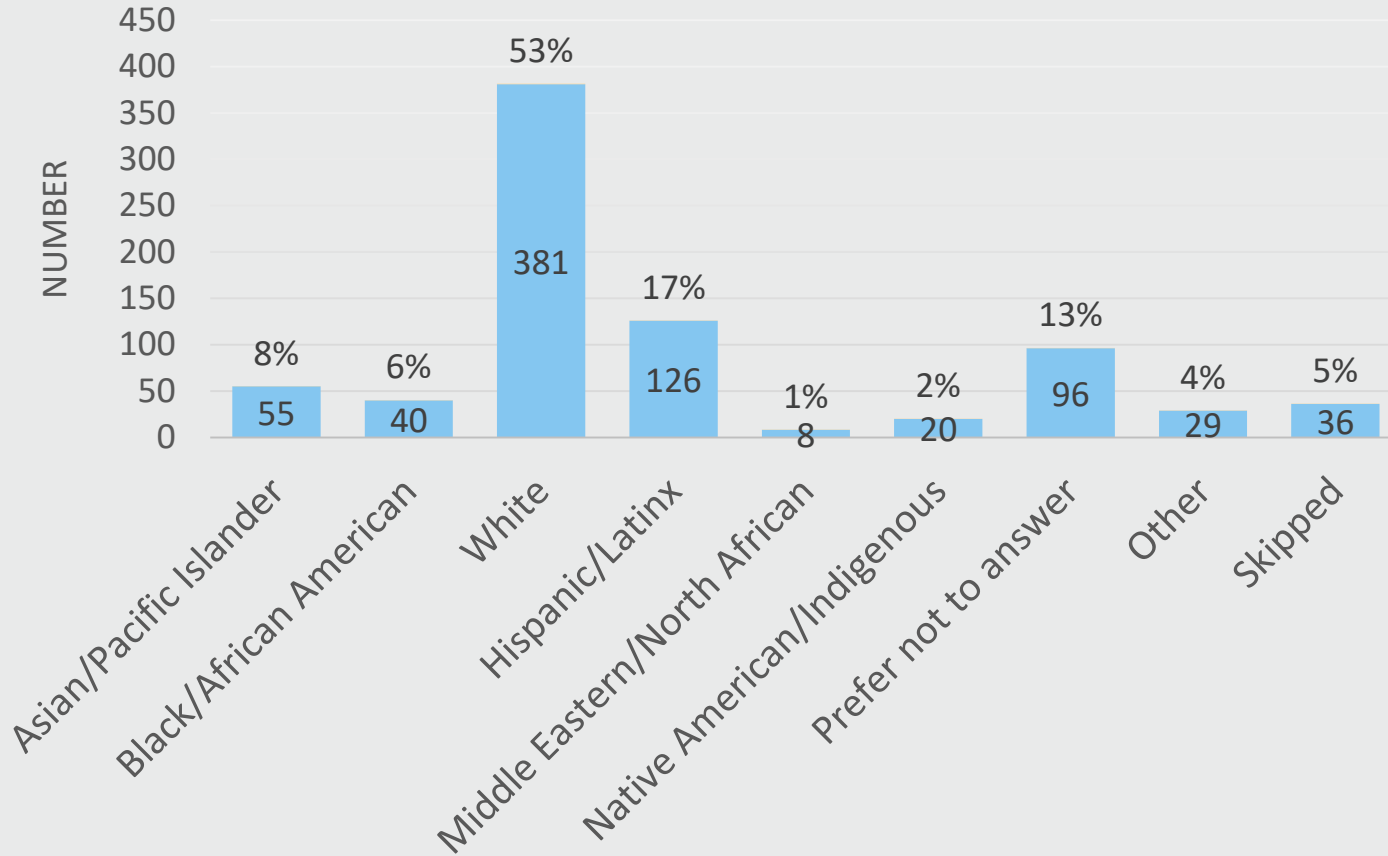
683 total answers.



Budget Survey Participation, continued

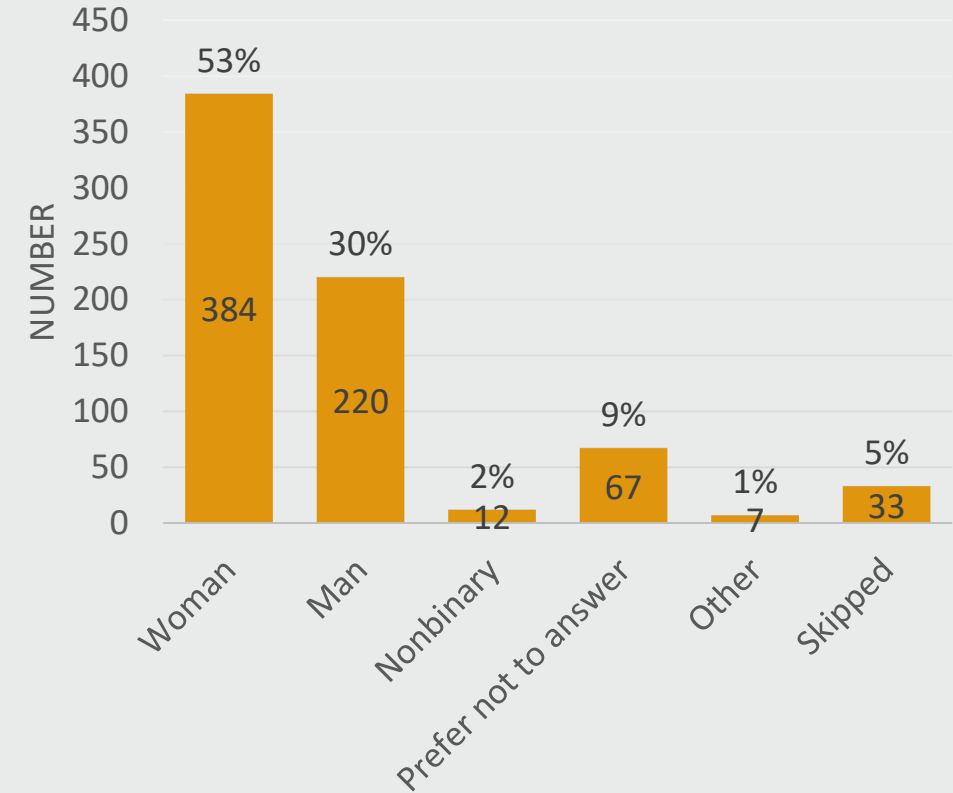
Survey Respondents by Race/Ethnicity

687 total responses. Respondents selected more than one, if applicable.



Survey Respondents by Gender Expression or Identity

690 total responses.



Most Popular Topics from Comments at Virtual Meetings

1. Addressing **homelessness** and providing necessary support
2. Providing sufficient **affordable housing** options
3. Combatting **crime** and increasing the **community's sense of safety**
4. Promoting **arts and culture** initiatives
5. Repairing and maintaining **roads and infrastructure projects**
6. **Diverting police funds** toward other services
7. Alleviating **traffic and parking issues**
8. Elevating **public health and mental health** services
9. Ensuring **equitable access and opportunity** for all communities
10. Increasing **library funding**
11. Investing in **preventive community support services**
12. Strengthening **LGBTQ support and outreach**
13. Funding **parks**

This information will be summarized in a separate memo to City Council.

Budget Survey Feedback

Top 10 Services:

Rank	January 2022 (FY 23)	August 2021 (FY 22)
1	Maintaining natural gas and water systems in good physical condition	Maintaining natural gas and water systems in good physical condition
2	Providing fire protection services	Providing fire protection services
3	Keeping streets in good repair	Keeping streets in good repair
4	Providing police patrol and response	Providing services that prevent homelessness
5	Providing ambulance services	Investing in mental health and domestic violence services and response
6	Maintaining bridges and alleys	Improving local air and water pollution
7	Providing services that address and prevent homelessness	Maintaining public parks in good physical condition
8	Maintaining wastewater and flood prevention systems	Providing ambulance services
9	Improving local air and water pollution	Maintaining bridges and alleys
10	Investing in mental health and domestic violence services and response	Investing in emergency preparedness and response for earthquakes, wildfires, and other natural and man-made disasters

Budget Survey Major Themes in Comments Submitted

- Combatting **crime**, investing in **public safety** resources, and improving the community's overall sense of safety (73 responses)
- Alleviating the **homelessness** crisis and investing in preventative measures (49 responses)
- **Road and sidewalk maintenance**, and overall improvements to the **city's infrastructure** (37 responses)
- Helping residents with **mental health and addiction** (34 responses)
- **Redirecting funds for the Long Beach Police Department** to social services and other departments (33 responses)
- Investing in the city's **library**, with many explicitly calling for extended hours (30 responses)
- Providing **sufficient affordable housing** opportunities for residents (24 responses)
- Spending more on the city's **parks** and overall beautification (21 responses).
- Fostering a more **business-friendly environment** in order to attract investment in the city (21 responses)

This information will be summarized in a separate memo to City Council.

Conclusion

Key Summary



The General Fund shortfall has narrowed enough to be covered with available one-times for FY 23 and no reduction targets for Departments



Move forward with good fiscal prudence and discipline with the recognition of uncertainties and projected out-year shortfalls



Great opportunity for investments into infrastructure and continued implementation of Long Beach Recovery Act programs



Thank You