



MAYOR
REX RICHARDSON

NB-28

Date: March 7, 2023

To: Members of the City Council

From: Mayor Rex Richardson
Vice Mayor Cindy Allen, Economic Development and Opportunity
Committee Chair
Councilmember Dr. Joni Ricks-Oddie, Budget Oversight Committee Chair

Subject: **Grow Long Beach Initiative - A Strategy to Increase Local Revenues and Catalyze Economic Growth to Prepare for the Transition from Fossil Fuel Production**

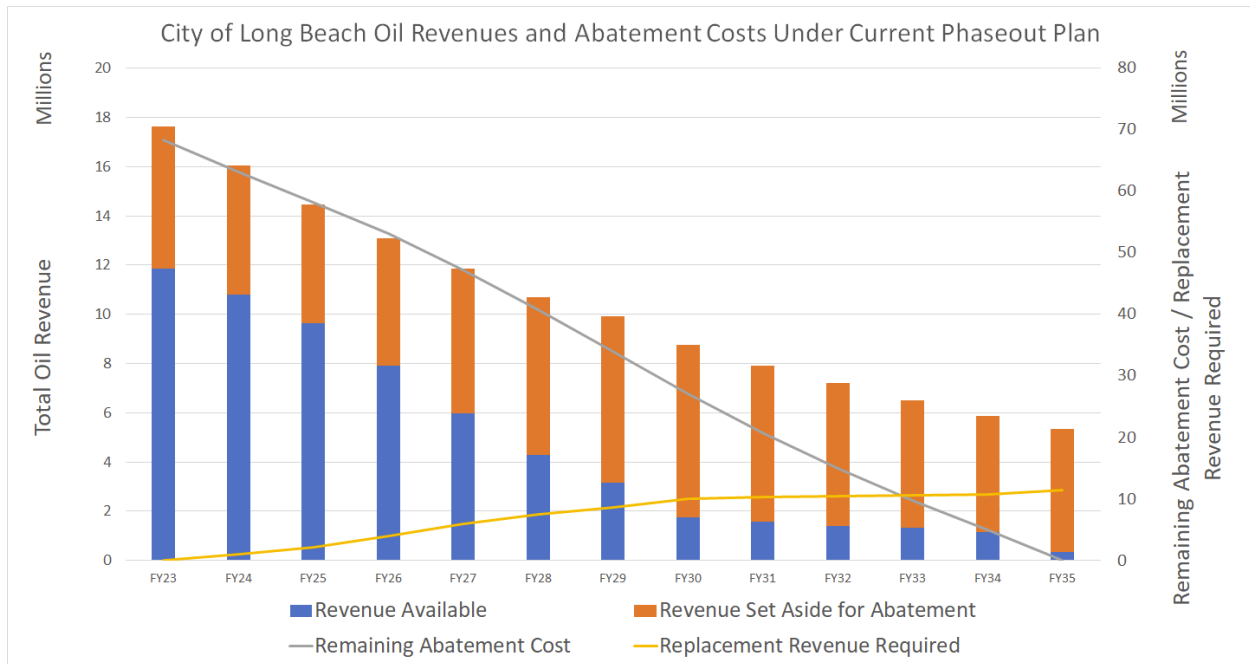
RECOMMENDATION:

Request the City Manager to work with the Economic Development Department to develop targeted strategies, policies, and benchmarks to propel the growth of key growth sectors in Long Beach - including aerospace and aviation, ports and supply chain, entertainment and hospitality (arts, culture, tourism, restaurants), healthcare and hospitals, and education - and refer to the Economic Development and Opportunity Committee for input and discussion. These strategies should include sector-specific revenue targets that will help secure Long Beach's financial future as well as analysis on how the City can support the recruitment, growth, retention, and success of the City's leading growth sectors, and;

Request the City Manager to work with the Financial Management Department to identify a menu of alternative revenue generating strategies and opportunities to offset projected reductions in oil revenues and its associated impacts over the next decade and grow the City of Long Beach's revenues in the short, medium, and long term, and refer to the Budget Oversight Committee for input and discussion.

Discussion

During the 2023 State of the City Address, Mayor Richardson outlined some fundamental shifts in the way the City of Long Beach funds its public services, as outlined as part of the Opportunity Beach Agenda. For generations, Long Beach has provided critical city services that have relied on revenue streams tied to the production of oil and fossil fuels. As we enter the 2030s and begin to plan for a more climate sustainable economy, this practice will gradually come to an end. It is clear that relying on fossil fuels as a local revenue source to support core city services in perpetuity is not feasible, not only from a community health perspective, but also from a financial perspective.



According to current city staff projections (as shown in the graph above), Long Beach’s oil revenues will see declines of 9-10% each year until 2035. Because the City must set aside a portion of each year’s revenue to cover eventual abatement costs (the orange portion of the blue bar) associated with closing down oil wells (plugging wells, cleanup, etc.), the revenue available for city services will actually decline faster than the total revenue, at closer to 20-25% each year, on average, though with significant variation year-to-year. This presents a significant challenge to the city’s fiscal outlook, as nearly \$12 million of existing General Fund city services are funded directly by revenues tied to the production of oil.¹

If the City wants to avoid cuts to these oil-funded services, which include the Fire Department, Police Department, Office of Youth Development, and implementation of the City’s Climate Action and Adaptation Plan, new structural revenue streams will need to be identified to offset or raise revenues beyond the eventual \$12 million gap. There is also a need to better understand the additional costs and impacts of oil infrastructure abandonment and environmental cleanup efforts in the Tidelands areas and throughout the City. In order to ensure that Long Beach has a secure financial future and the means not only to continue delivering quality city services, but improve and expand those services, the City will have to focus on growing Long Beach’s economy in new and more sustainable directions. This is a central focus of Mayor Richardson’s Opportunity Beach Agenda.

The strategy of promoting the phased-in growth of other revenue-generating sectors of the local economy is well-suited to replace the phasing-out of oil revenue. This strategy

¹ “Reducing Reliance on City Revenue from Oil Production” Memo to the Mayor, Council, and City Manager from Energy Resources and Financial Management. Oct. 2021. <https://www.longbeach.gov/globalassets/city-manager/media-library/documents/memos-to-the-mayor-tabbed-file-list-folders/2021/october-25--2021---reducing-reliance-on-city-revenue-from-oil-production>

has precedent as this is not the first time that Long Beach has undergone a major transition in the structure of its local economy. In the early 1990's, the Navy began its withdrawal from the City of Long Beach. Mayor Beverly O'Neill successfully led the city through a major transition by focusing on the "Three T's" (Trade, Tourism, and Technology), paving the way for the City to continue offering the public services Long Beach still relies on today.

To make way for this sustainable economic future, the City needs to double-down on the sectors that will be key to Long Beach's future economic prosperity, including aerospace and aviation, ports and supply chains, arts tourism and hospitality, health care, and education. The Long Beach of tomorrow will attract emerging companies, industries, and technologies in clean and renewable energy, setting in motion a transition towards a more sustainable economy and away from our dependence on diminishing revenue sources.

Each of these five sectors present clear opportunities to grow Long Beach's revenues, from the electrification of our trade infrastructure at the Port of Long Beach to support Utility User's Tax revenue, to a resurgence of Long Beach's arts and tourism scene and its associated Transient Occupancy Tax revenue, to the expansion of the space industry in Long Beach providing new property and sales tax revenue, to a thriving health and education sector with the capacity to bring new talent and taxpayers to our city in search of well-paying union jobs. Although oil revenues will diminish overtime, making strategic investments in our local economy and unleashing the potential of our key growth sectors will ensure the long-term financial health and prosperity of Long Beach.

Now is the time for the City of Long Beach to take its place as a global leader in curbing the effects of climate change and carbon-emissions by creating a climate sustainable economy. The City will need to part ways with the Long Beach of the past that relies heavily on the production of oil and fossil fuels at the expense of our community's health.

Instead, Long Beach will lay a foundation for the future: a global, sustainability-centered hub that attracts emerging industries in clean and renewable energy such as wind and solar power, all while generating thousands of safe and well-paying jobs that improve the health of all Long Beach residents.

Statement of Urgency

Due to the need to initiate planning discussions to prepare for Long Beach's financial future in advance of the upcoming FY24 budget process, urgency is requested for this item.

Fiscal Impact

No Financial Management review was able to be conducted due to the urgency and time sensitivity of this item.

Suggested Action

Approve recommendation.



City of Long Beach Memorandum
Working Together to Serve

REQUEST TO ADD AGENDA ITEM

Date: March 7, 2023

To: Monique De La Garza, City Clerk

From: Mayor Rex Richardson
Vice Mayor Cindy Allen, Economic Development and Opportunity
Committee Chair
Councilmember Dr. Joni Ricks-Oddie, Budget Oversight Committee
Chair

Subject: **Request to Add Agenda Item to Council Agenda of March 7**

Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

Request the City Manager to work with the Economic Development Department to develop targeted strategies, policies, and benchmarks to propel the growth of key growth sectors in Long Beach - including aerospace and aviation, ports and supply chain, entertainment and hospitality (arts, culture, tourism, restaurants), healthcare and hospitals, and education - and refer to the Economic Development and Opportunity Committee for input and discussion. These strategies should include sector-specific revenue targets that will help secure Long Beach's financial future as well as analysis on how the City can support the recruitment, growth, retention, and success of the City's leading growth sectors, and;

Request the City Manager to work with the Financial Management Department to identify a menu of alternative revenue generating strategies and opportunities to offset projected reductions in oil revenues and its associated impacts over the next decade and grow the City of Long Beach's revenues in the short, medium, and long term, and refer to the Budget Oversight Committee for input and discussion.

Council District	Authorizing Councilmember
9	Joni Ricks-Oddie
2	Cindy Allen
1	Mary Zendejas

cc: Office of the Mayor