



# FISCAL OUTLOOK

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Study Session - March 14, 2017



# 2016 Accomplishments

- Construction started on a modern-era Civic Center development project
- Opened the Michelle Obama Library
- Issued building permits totaling more than \$421 million
- Record percentages for live animal releases and pet adoptions
- 9,600 inspections of multi-family properties
- 6,400 low-income families received rental assistance totaling \$59 million



# 2016 Accomplishments

- 57.5 lane miles of streets rehabilitated
- 2.65 million commercial passengers passed through the Long Beach Airport
- Removed 176 (over 40%) nonconforming billboards in neighborhoods and along corridors
- 93% of the City's beaches received "A" and "B" grades from Heal the Bay
- 17,600 responses to illegally dumped items, including 7,800 mattresses





# Innovation & Efficiency

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- Changed street sweeping routes to reduce time frames from four to two hours
- Created the Project Management Division in Public Works to facilitate the delivery of projects
- Implemented the first phase of the City's new e-Plan Check program
- Launched "Inspector Gadget," online building inspection scheduling platform
- Continued the LED streetlight retrofit and advanced metering infrastructure projects
- Engaged the FUSE Corps to assist with the challenges of homelessness and My Brother's Keeper
- New technology systems underway such as LB COAST (ERP: Financial and HR systems) and business license system

# Economic Development

- BizPort website launched to assist entrepreneurs
- Initiated a process to prepare an Economic Development Blueprint
- Bought \$88 million in goods and services from Long Beach-based businesses
- Long Beach unemployment rate dropped to a nine-year low in March 2016
- Added an ombudsman position to support economic development activity
- Approved the 266,000 sf Long Beach Exchange project at Douglas Park
- 585 filming production days; 75% of TV productions return to the City





# Measure A for Public Safety and Infrastructure!

- Maintains public safety services: saves the equivalent of 108 sworn positions
- Enhance and restore public safety services: 37 public safety positions
- Part of a \$150 million investment for infrastructure

Use of Measure A by Year

(\$ in millions)	FY 17	FY 18	FY 19	FY 20
Maintain public safety	3.2	8.3	13.1	17.1
Restore public safety*	5.9	7.0	7.0	7.0
Invest in capital/one-times	<u>26.6</u>	<u>32.4</u>	<u>27.8</u>	<u>24.1</u>
Total expenditures (equal to available revenue)	35.6	47.7	47.9	48.2

\*Restoration includes some costs for the required Measure B rainy day fund and for administration

# Projected Costs Growing Faster Than Revenues

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- Revenues are continuing to increase
- Basic problem remains that costs are generally increasing faster than revenues
- Problem is faced by many California cities and, on the cost side, is led by pension costs

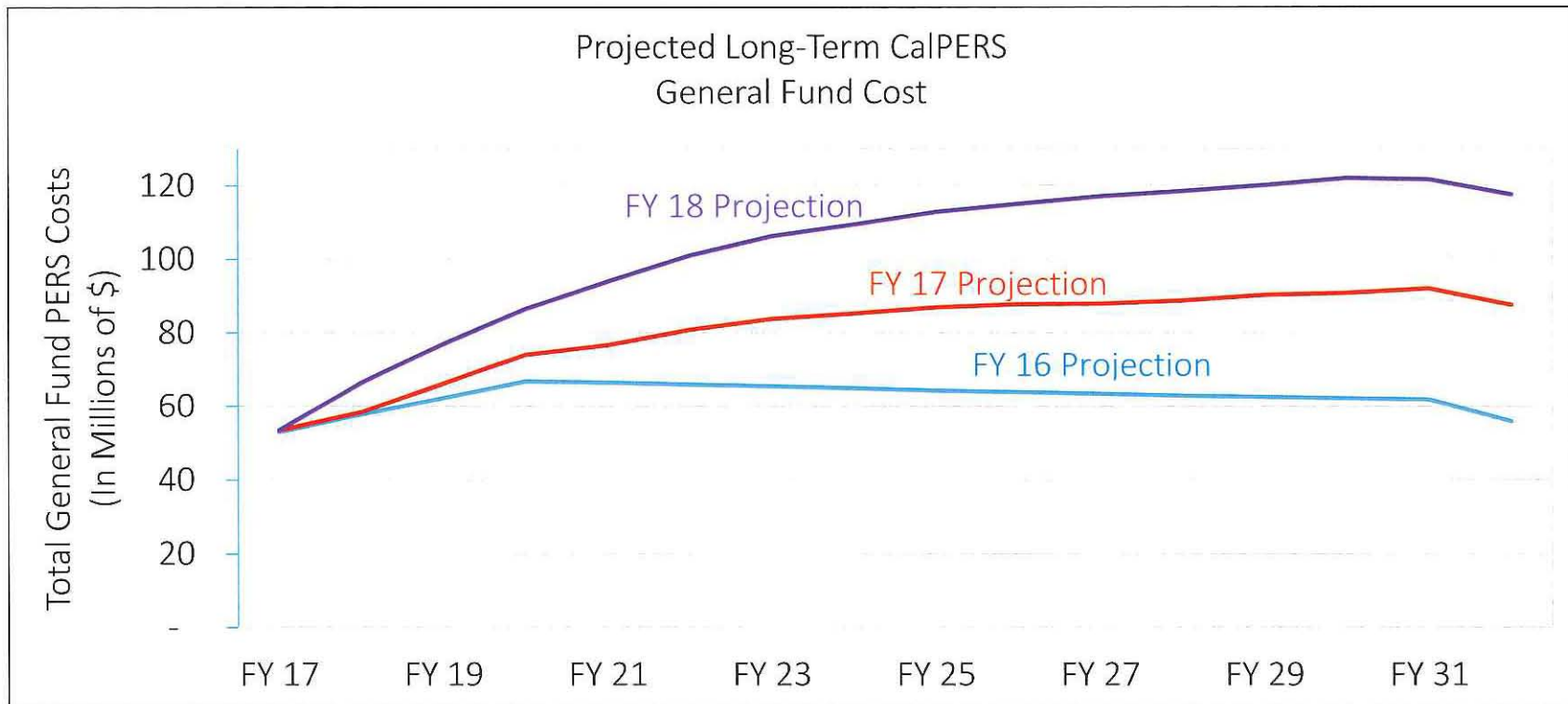
# Key Factors For Projection

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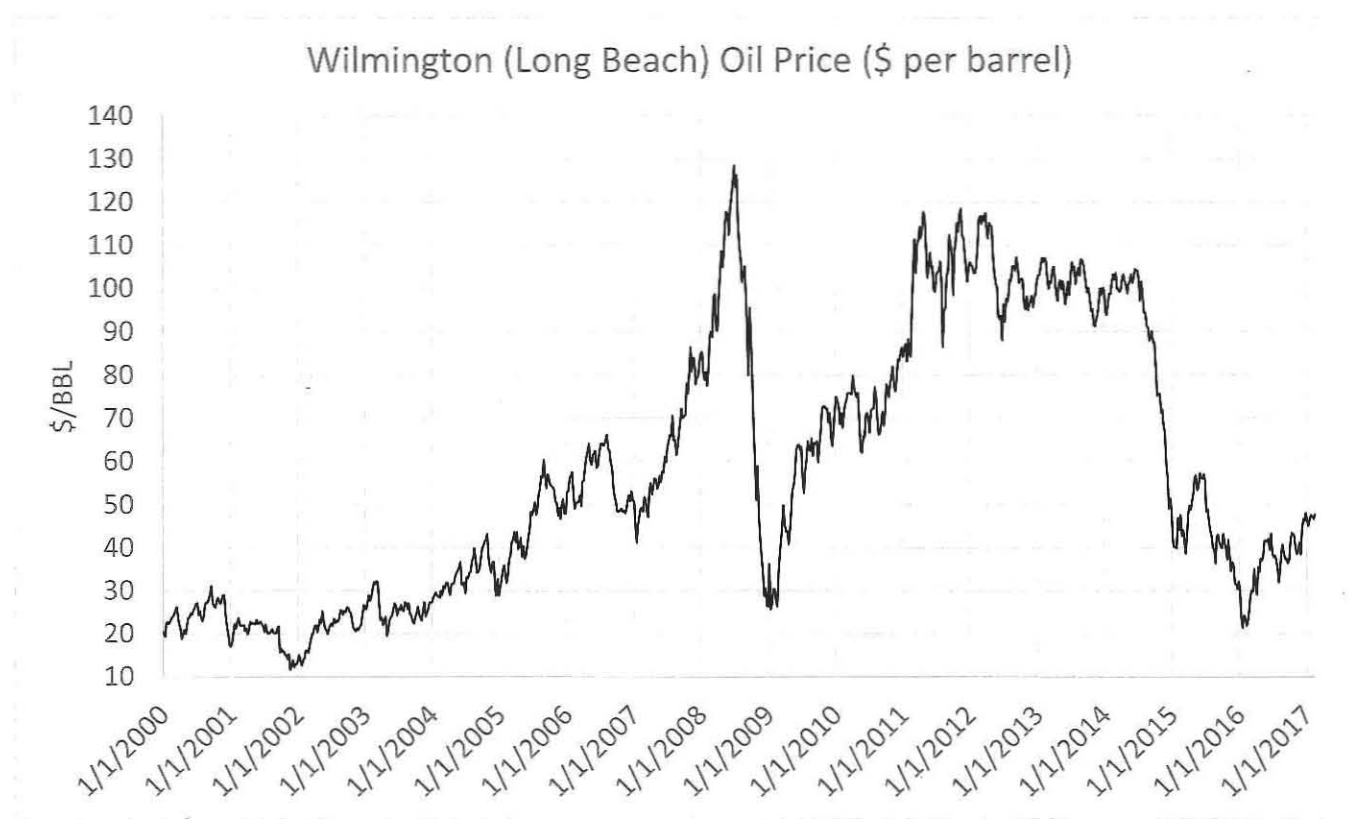
- Higher CalPERS pension costs because of the investment market and its risk
- Compensation increases for recruitment and retention
- Health insurance cost savings
- Higher projected price of oil:
  - \$45 a barrel in FY 18
  - \$50 a barrel in FY 19



# Long-Term Pension Costs



# History of Long Beach Oil Price



# Other Key Projection Assumptions

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- No change in service levels
- The economy will continue to be good
- Any outstanding labor negotiations will follow expected patterns
- Use of Measure A for maintaining and restoring public safety services, and infrastructure (but not for wage increases or non-public safety)
- Early payment of CalPERS pension contribution (July 2017)
- More optimistic insurance and revenue budgeting
- Fewer one-time dollars projected



# Uncertainties

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- Measure A is a new type of tax – revenues could vary from estimates
- Medical marijuana ordinance tax revenues and enforcement costs – could vary from estimates
- There is active litigation concerning revenues to the General Fund – if the City loses, could be a significant adverse impact
- County Measure H will bring more funds for homeless – uncertain how much additional funds will be available
- Potential passage of State transportation legislation – could result in additional funds for transportation

# Budget Balancing Solutions

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- A number of solutions are included in the projection and will be incorporated into the City Manager's Proposed Budget
  - Manage medical marijuana enforcement so that costs are less than marijuana revenue
  - Recognize new funding from County Transportation Measure M and County Parks Measure A
  - Include additional revenue in FY 19
  - Increase funding from other eligible funds
  - Include savings from natural turnover in filling positions

# Fiscal Outlook for FY 18

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## FY 18 Budget is **BALANCED!**

- No budget shortfall projected
  - Measure A, revenue growth, and initial budget balancing solutions of \$6.9 million cover expense growth
  - Assumes no new costs or services are added



# Fiscal Outlook for FY 19

- Projected shortfall of \$7.7 million for FY 19

Surplus/(Shortfall) (In million of \$)	FY 18	FY 19	Total
Projected Surplus/(Shortfall)	0.0	(7.7)	(7.7)

- Includes budget balancing solutions of \$3.5 million for FY 19
- A key cost driver is pension growth; A key revenue driver is property tax growth
- Staff will develop strategies to eliminate the projected shortfall in FY 19
- Updated three-year projections, including FY 20, will be in the FY 18 Proposed Budget

# FY 17 (Current Year) Approach

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- Preliminary projection is that FY 17 budget remains balanced
- A year-end surplus or availability of new one-time funding is not expected and first dollars need to go to medical marijuana implementation
- To ensure the year ends in balance:
  - Minimize out-of-cycle budget requests, especially new structural costs
  - Minimize actions that increase costs, divert staff, or adversely impact revenues
  - Implement department savings targets equivalent to 1% for remainder of year
  - Revenues and spending will be closely monitored
  - Will consider potential budget adjustments if issues become apparent

# FY 18 Budget Approach

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- Incorporate development of an even more robust approach to homelessness
- Departments will be asked to anticipate more difficult budget years in the future
- The FY 18 year will include a focus on developing solutions and approaches to address and eliminate currently projected future shortfalls
- Offset budget increase requests with savings or new revenue
- Continue to develop efficiencies and cost reductions
- Focus any one-time expenditures on reducing costs and meeting priority needs



# Beyond FY 18

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Various factors will impact the City's future budget situations and will be monitored and taken into account as appropriate, including:

- Impact of continued economic development
- Impact of Measure A and Measure MA (Marijuana)
- The price of oil, pension costs, future employee bargaining agreements
- Occupancy of the new civic center and associated development
- New initiatives
- Federal and State actions
- Cost saving or cost incurring actions
- Litigation outcomes

# Summary and Next Steps

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- FY 18 will be focused on public safety, homelessness, and core services
- Staff will continue to refine financial projections and budget balancing options
- Continue focus on economic development, increasing revenues and managing ongoing costs
- Departments will receive budget instructions tomorrow
- Community engagement through normal budget meetings, hearings, a community survey, and social media communications

# FY 18 Budget Timeline

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- March 14 Fiscal Outlook City Council Presentation
- March 15 Instructions to Departments
- By July 3 Submittal of Proposed Budget to Mayor
- By August 2 Mayor Submits Proposed Budget to City Council
- August Community Budget Meetings (TBD)
- August Budget Oversight Committee Meetings (TBD)
- August 8 Budget Meeting (tentative)
- August 15 Budget Meeting (tentative)
- August 22 Budget Meeting (tentative)
- September 5 Budget Hearing; 1st adoption date
- September 12 Budget Hearing; 2nd adoption date





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