



FISCAL OUTLOOK

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

- 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

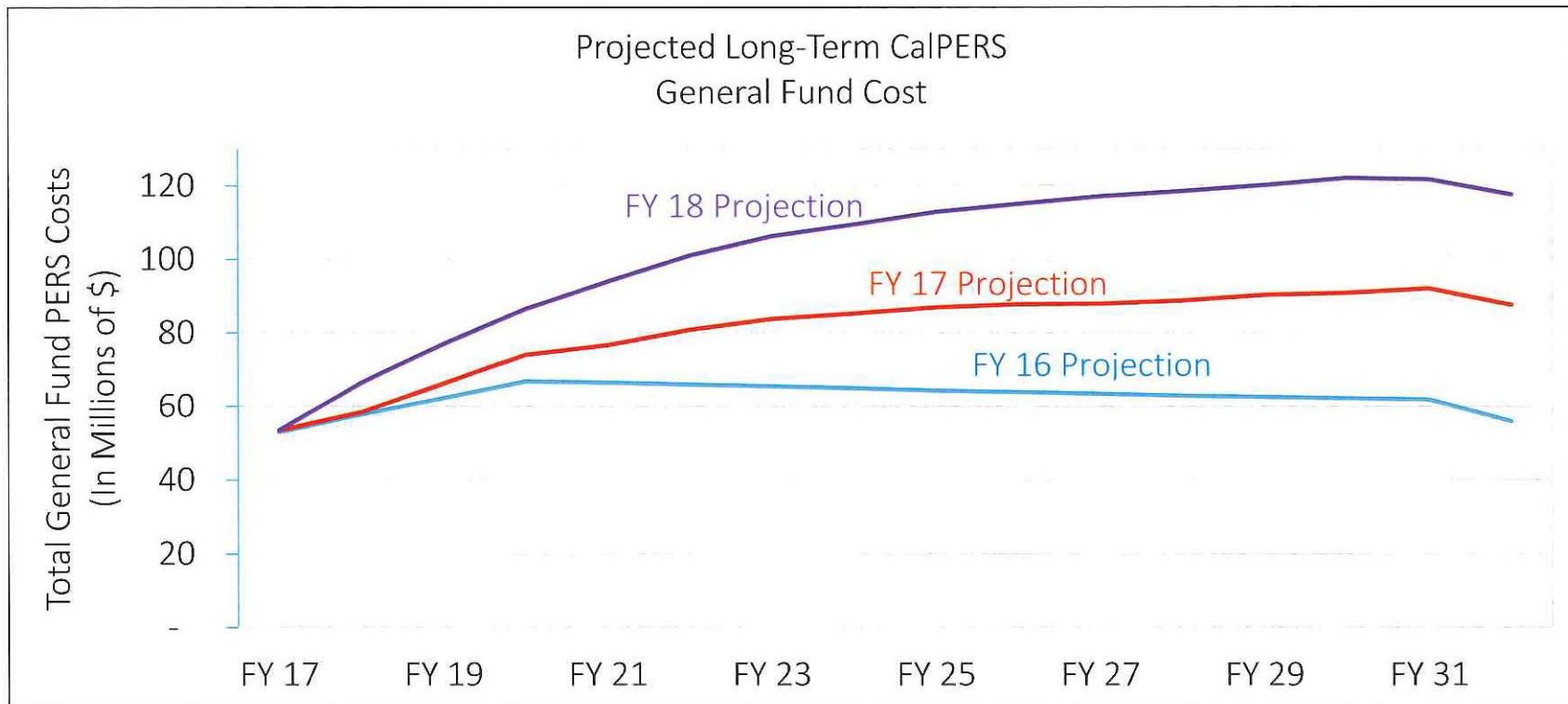
Projected Costs Growing Faster Than Revenues

- 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

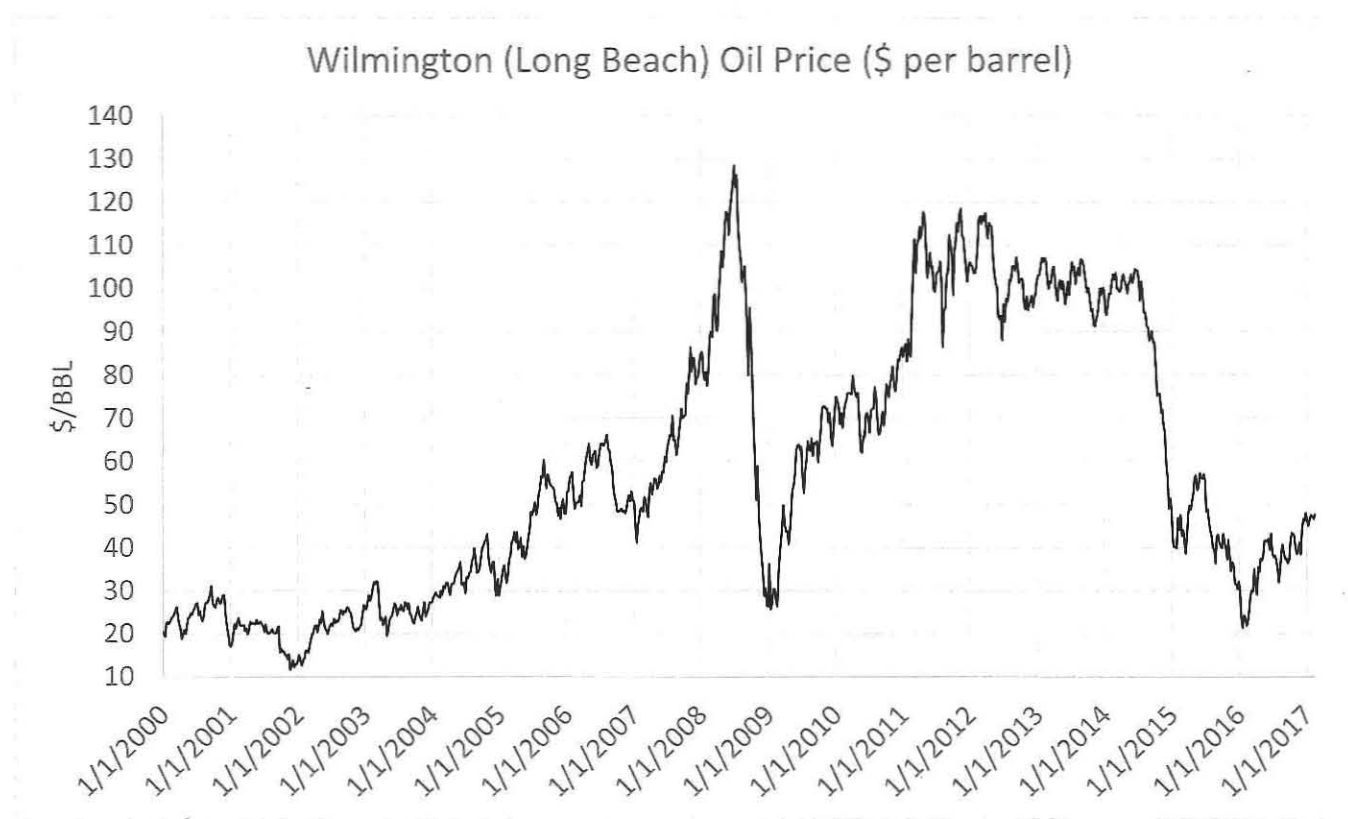
Key Factors For Projection

- 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

- 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

- 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

- 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

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

- 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

- 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

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

- 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

- 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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