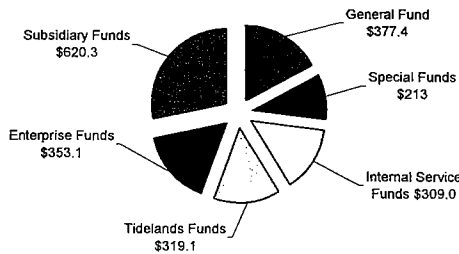


**The City of Long Beach
Financial Strategic Plan:
Ensuring a Sustainable Fiscal Future**

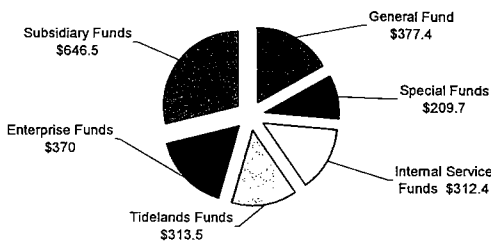
Since Fiscal Year 2000 (FY 00), tax revenue and other resources to support General Fund services have declined dramatically as expenditures increased. The General Fund makes up approximately 18.7 percent of the total City budget, and is funded through revenue from taxes, fees and other sources to support many core City functions. The top General Fund revenues include: Property Taxes, Sales Taxes, Utility Taxes, Vehicle License Fees and Transient Occupancy Taxes. In FY 07, the current fiscal year, General Fund revenue sources are expected to total approximately \$377.4 million. This revenue is used to pay for many critical City services, such as Police, Fire, Emergency Medical Response, Libraries, Parks, Recreation, Code Enforcement, Sidewalk Replacement, and Facility and Infrastructure Maintenance.

**FY 07 Adopted Revenues
All Funds (in millions)
(Total = \$2.2 billion)**



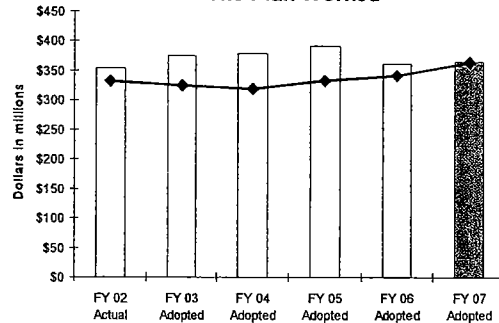
The reduction in General Fund revenue over the past several years was the result of many factors, including a voter-approved reduction in the Utility Users Tax (from 10 percent to 5 percent), which resulted in a loss of over \$40 million, State shifts in revenue from local governments and the continuing effects of lagging economic conditions. Complicating matters were increasing General Fund expenses, primarily due to escalating workers' compensation, retirement, employee health benefit and general liability insurance costs. These shifts in revenue and expense led to a structural deficit in the General Fund, which four years ago was projected to grow as large as \$102 million (or almost 30 percent of the General Fund). In FY 07, the General Fund expenditure budget is \$377.4 million.

**FY 07 Adopted Expenditures
All Funds (in millions)
(Total = \$2.2 billion)**



As you will notice from the pie charts, in FY 07 the General Fund's adopted revenues and expenses are structurally balanced. After four difficult years, through great sacrifice, teamwork and dedication, the City eliminated the projected \$102 million structural deficit through its Financial Strategic Plan (Plan). Under the leadership of the Mayor and City Council, and with clear and consistent input from community stakeholders, hundreds of difficult decisions were made which comprise \$73.4 million in cost reductions and \$28.6 million in revenue adjustments, including the elimination of over 400 positions, reduced service levels, optimization of service delivery and increased participation by employees in paying a portion of benefits costs. During this time of downsizing, most core services were protected; however, the organization's ability to provide the full extent and array of service was significantly impacted. The following chart demonstrates the dramatic impact the Plan had on the City's General Fund structural deficit. The vertical bars represent ongoing expenditures, while the horizontal line represents ongoing revenue.

The Plan Worked



City Operations Have Changed As A Result

As a result of the evolution required by this downsizing, the organization now has a focus on optimized service delivery, cost recovery, performance management and prioritization of City services; four essential mechanisms to ensure the public's limited resources are utilized in as efficient and as meaningful a way as possible. These mechanisms will be critical to maintaining fiscal sustainability; however, the ongoing effort continues to be challenged by budgetary, service delivery and other demands.

Financial Challenges Remain

Though the FY 07 adopted General Fund was balanced, it was only tenuously so. There are many competing service demands on the horizon for the City, with desperately needed investments in our streets, alleys, sidewalks and City facilities. There also continues to be a desire to increase funding for public safety services. Recently negotiated public safety pay increases, designed to retain police officers in a highly competitive labor market will, encumber anticipated revenue growth in the General Fund for the next three years. In addition, community interest remains in increasing the size of the police force.

Beyond these needs is the requirement to address deferred employee salary adjustments, a shrinking labor pool and a robust job market, making it very difficult to attract and retain the quality workforce required to provide the programs and services the community expects and deserves.

Without continued restraint, planning and thoughtful decision-making about these emergent issues, the City could again find itself with its commitments far outstripping the resources required to pay for them. The City is managing a razor thin budget and must proactively take steps to be prepared for changes, whether they are within its control or not.

It is a critical objective that the FY 08 Budget be developed with the same dedication and adherence to the principles of fiscal responsibility and cost recovery, as they were the past four years. The City must continue to listen to the community about its priorities for the future. Building on this critical feedback, the Mayor and City Council can then provide clear policy direction around which staff can prepare the FY 08 budget. Using performance management, departments must further align these priorities and department objectives with the resources available.

The Community's Voice Remains At The Heart of Budget

Community outreach continues to be an essential component of the City's budget development process and the Plan. Each year, City Manager and Financial Management staff attend over 60 City commission, committee and neighborhood association meetings to brief the community on the condition of the budget and obtain their feedback on service priorities.

In an effort to get even further community input on current City services and the development of next year's budget, a Community Survey was initiated to solicit telephone feedback from across the city, in every City Council district. The survey will provide additional information on satisfaction with services, prioritization of programs and overall importance of key community issues like neighborhood safety, quality of life and infrastructure. The results will be delivered in full to the Mayor and City Council and used by City staff to develop the City Manager's Proposed Budget.

In addition, City Council's Budget Oversight Committee holds monthly meetings to monitor budget performance and discuss ideas for future budgets. The chart above highlights several upcoming opportunities for public discussion of the City's budget.



Event	When
Budget Oversight Committee Meetings	3 rd Tuesday of every month at 3:00 pm in Council Chambers beginning January 2007
Neighborhood Commission, Committee and Board Meetings	April, May, and June 2007
Budget Workshop: Preview of the FY 08 Proposed Budget	June 12, 2007*
Citywide Budget Summit	July 14, 2007*
Proposed Budget to Mayor	August 1, 2007*
Proposed Budget to City Council	August 14, 2007*
Budget Workshops and Hearings	August 21, 2007*
	September 4, 2007*
	September 11, 2007**
	September 18, 2007**

* Dates are tentative; could change if Charter amended

** If needed

We Must Continue to Maintain Our Fiscal Stability

In 2004, the City Council adopted financial policies aimed at ensuring the use of sound financial practices to prevent future deficits. These policies provide a framework for policy makers and staff that ensure greater transparency, the effective allocation of resources and a continued focus on keeping expenses in line with resources.

In addition, the Plan continues to be the City's primary tool to ensure expenditures do not exceed the revenue required to fund them. The Plan provides a continued three-year outlook on the General Fund's budget requirements and projected resources to inform decisions about future needs and limitations. As a planning tool, the Plan will continue to be updated continually to reassess the condition of the General Fund, address changes in the financial and service delivery environment, and to make appropriate adjustments to ensure it reflects the City Council and community's priorities.

For FY 08, the City Manager has committed to submitting a structurally balanced budget to the Mayor and City Council, one that provides options to the Mayor and City Council for desired changes. Staff will recommend maintaining the current investment in our infrastructure, and to continue to fund police services at a level that produced the lowest crime rate since Long Beach began tracking these statistics over 36 years ago.

The City Council must then make some difficult decisions about desired service levels and investing the City's limited resources; without additional resources, it will be impossible to address the full extent of the needs and priorities of the community. Therefore, your voice in upcoming deliberations will be critical to ensure the General Fund budget best reflects the community's informed priorities.

For more information on the FY 07 Budget and the Financial Strategic Plan please visit our website at: www.longbeach.gov/finance/budget. Alternatively, you may register for instant City Budget and Financial updates via the City's email notification system at www.longbeach.gov/enotify.