



FY 24 Budget Context and Approach

Budget Study Session – January 17, 2023

Budgetary Accomplishments and Achievements



Successfully navigated an unprecedented global pandemic, while **maintaining service levels** to the community

Managed resources strategically, **restoring \$21 million of reserves** that had been utilized to address FY 20 pandemic-impacted General Fund shortfall



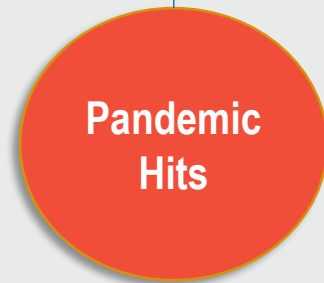
Allocated significant funds for the community (\$144 million for Healthy Community and \$70.7 million for Economic Recovery) through the Long Beach Recovery Act

Prepared for and addressed **General Fund liability risks** such as the Measure M litigation outcome without budget cuts or service level reductions



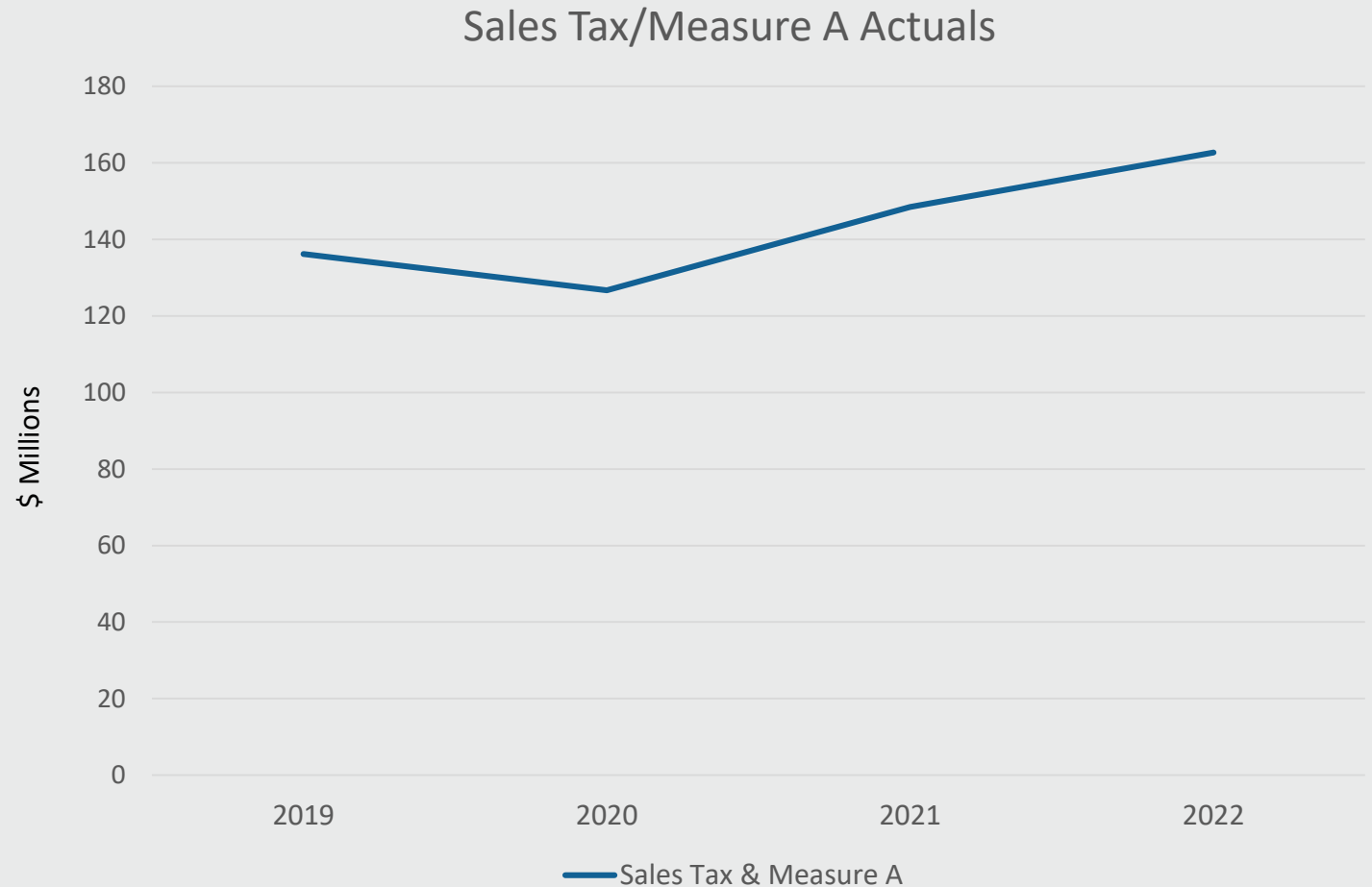
The General Fund Projection Journey Since the Pandemic

	FY 20	FY 21	FY 22	FY 23
PROJECTION AT ADOPTION	Balanced	\$8 m shortfall	\$30 m shortfall	\$20 m shortfall
ACTUAL YEAR-END RESULT	\$21 m shortfall	\$2 m surplus	<i>Known in Feb 2023</i>	<i>Known in Feb 2024</i>



Notable Trend: General Fund Revenues have had a Sharp Rebound

- During/post pandemic, revenue had been projected to rebound gradually
- However, it has rebounded sharply
- Many revenue streams projected to have recovered or exceed pre-pandemic levels by FY 22 year-end
- More information to be provided in the February report



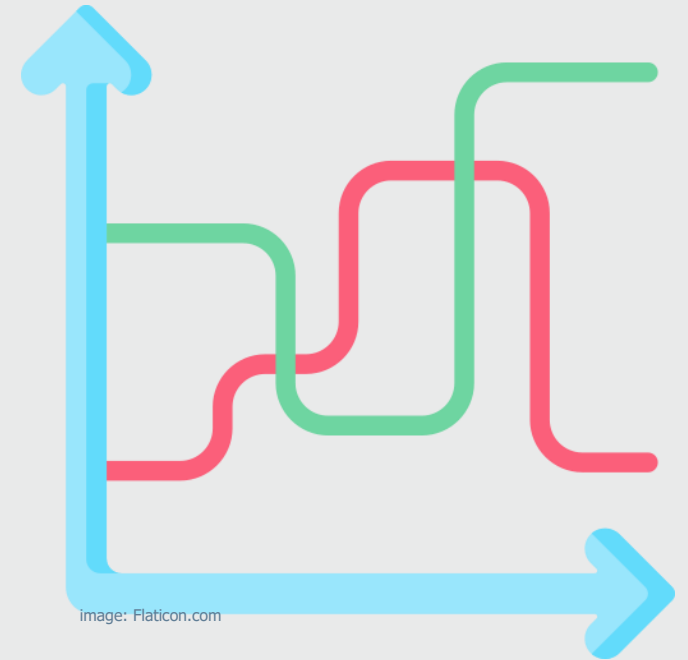
What does this mean for FY 24 Budget Development?

- At the time of the Adopted FY 23 Budget, the FY 24 General Fund projection was a shortfall of \$27 million
- Adding in the POA and FFA negotiated contracts, and assuming no other changes, the shortfall was projected to increase to \$43 million
- A new forecast will be developed in January/February and presented to Council in March 2023 and it is expected that there will still be a shortfall but not as large



Could the General Fund Shortfall Resolve Itself Over Time?

- Expenses are still expected to increase, particularly with labor related negotiated cost increases; personnel costs make up more than three-fourths of expenditures
- Variables such as investment returns for CalPERS pension plans and industry-specific impacts (e.g. oil) add to projection volatility
- Revenues would need to continue to increase at a faster pace than expense increases
- It does not seem likely that any future shortfall will completely go away on its own without intervention



What Should We Do With Any One-Time Resources?

- The City is experiencing higher levels of vacancies than typical impacted by tight labor market, contributing to some temporary expenditure savings
- One-times resources are typically utilized for one-time priority projects and investments. Since the pandemic, however, one-times have also been utilized to mitigate shortfalls on a temporary basis to help avoid service cuts
- There is an opportunity cost when one-time resources are used to cover shortfalls: taking away from funds that could be used towards investments and initiatives that could generate future revenue or cost savings; less funding support for unfunded liabilities and reserves; and only a temporarily solution where the shortfall is pushed out to the next year.



How to Best Position Ourselves for Future Success

- Maintain good fiscal habits and discipline to avoid exacerbating the underlying structural shortfall situation (e.g. avoid overall enhancements without offsets)
- The use of one-times is a short-term strategic approach but not something to incorporate as a long-term solution
- Explore new ideas to expand the economy and grow revenue

Financial Policies

Total of 21 financial policies

- Budget will be structurally balanced
- Budgeting is annual – mid-year changes to be minimized
- User fees set at cost of service
- Emergency and operating reserves will be maintained
- Revenue projections are to be reasonably expected
- Fiscal impact statements are required
- One-times are for one-time uses
- 5 percent unfunded liability set aside
- Debt will be at appropriate levels
- The rest found in the Budget Book

Early Community Engagement



- Early community engagement is planned prior to proposed budget decisions, which was done for the first time last year
- Community Meetings and General Survey will be conducted in January/February

Thursday, Jan. 19 6:00 p.m. to 7:30 p.m.	Monday, Jan. 23 6:30 p.m. to 8:00 p.m.	Wednesday, Jan 25 6:00 p.m. to 7:30 p.m.	Tuesday, Jan. 31 6:00 p.m. to 7:30 p.m.	Monday, Feb. 6 6:00 p.m. to 7:30 p.m.
Stephens Middle School 4000 Building, Gymnasium 1830 W Columbia St.	El Dorado Park West Teen Center 2800 N Studebaker Rd.	Billie Jean King Main Library Meeting Room A 200 W Broadway	Michelle Obama Library Community Room 5870 Atlantic Ave.	Zoom Webinar

- Community feedback will be reported to City Council prior to the release of the Proposed FY 24 Budget in August
- More information can be found here:
<http://www.longbeach.gov/fy24>

What to Expect Next?

- January-February: Staff work on FY 24 Projection Updates
- January-February: Early Community Engagement
- February: FY 22 Year End Performance Report to City Council
- March: FY 24 Projection Update to City Council

A nighttime photograph of a city skyline, likely Long Beach, California. The image shows several illuminated buildings, including a prominent tall skyscraper on the left and a large, brightly lit building in the center. The city lights are reflected in a body of water in the foreground, creating a mirror-like effect. A semi-transparent white rectangular box is overlaid on the left side of the image, containing the text "Thank You".

Thank You