

R-1

February 1, 2023

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to work with the Long Beach Utilities Department to promptly implement a Natural Gas Price-Spike Relief Program for the City's residential gas customers most in need of payment assistance. (Citywide)

DISCUSSION

Late last year, the wholesale natural gas prices in California began to climb steeply. The Cost of Gas price passed through to Long Beach customers increased 84 percent from November 2022 to December 2022. Immediately following in January 2023, Cost of Gas price increased an additional 168 percent from the December 2022 cost. The pass-through amount billed to customers for January this year is three times the price that was charged in January of 2022. This price spike has led to dramatic and burdensome increases in monthly gas bills for all California residents, including in Long Beach. The unfortunate result has been almost two months of unaffordable natural gas bills for many economically burdened households in Long Beach.

The City of Long Beach (City) General Fund revenue from the utility users tax (UUT) on natural gas is also spiking from the five percent UUT rate which is applied each month to every customer's total gas bill amount. As gas bills increase to customers, so does revenue the General Fund receives from the UUT. As explained in the Fiscal Impact section below, staff project that the December/January spike in natural gas prices may produce \$1.5 million more in UUT revenue during Fiscal Year 2023 (FY 23) than the Adopted Budget assumes.

Therefore, staff recommend that City Council redirect unexpected General Fund revenue from the UUT on natural gas to residential Long Beach customers most in need for a program through the Long Beach Utilities Department. We recommend that the program be developed as quickly as possible and with an equity lens, so as to best reach those truly most in need, and with the resources available help as many of those in need as possible. While the Long Beach Utilities Department will craft the final program, it is the intent of the program to focus on residential customers, particularly those who are low income, disabled, and seniors on fixed income.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony, Financial Management Director Kevin Riper, and Revenue Management Officer Geraldine Alejo on January 30, 2023.

TIMING CONSIDERATIONS

City Council action at the Special Meeting of February 1, 2023 is requested due to the urgency of providing the City's residential customers most in need of some financial relief from high monthly gas bills caused by the spike in the wholesale price of natural gas.

FISCAL IMPACT

With an unusually wide margin of error – due to the inherent uncertainty surrounding future natural gas prices, consumption levels, and bill-payment rates -- the Financial Management Department, in consultation with Long Beach Utilities, estimates that \$1.5 million of unexpected General Fund revenue from the UUT on natural gas will be available this fiscal year for redistribution to residential gas customers most in need of payment assistance.

Last summer, the FY 23 Adopted Budget assumed \$5.3 million of revenue from the UUT on natural gas. Staff's current projection, in the wake of the price spike, is \$6.8 million, hence the \$1.5 million of estimated unexpected revenue. Of course, if natural gas prices later plunge steeply (or if natural gas consumption falls sharply), the resulting welcome financial relief to Long Beach customers will be accompanied by a similar decline in revenue from the UUT. If the recommended action is approved, then the estimated \$1.5 million will already have been put back into the community by the time final revenue figures are known in late autumn 2023. Thus, it is possible that actual FY 23 revenue from the UUT on natural gas will end up differing noticeably from the Adopted Budget assumption of \$5.3 million. As such, City staff are asking the City Council for the authority to use best available estimates to calculate the amount collected in excess of normal budget and transfer those dollars to the Long Beach Utilities department. Later in the year, staff will report on the specific impact to the budget. Provided the estimates are reasonably accurate, staff do not expect any significant financial impact to the General Fund as the program will be crafted using funding that is only available due to high gas prices. If successful, Long Beach will have used any tax generated due to the abnormal increase in prices to assist those most in need during this high price crisis.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KEVIN RIPER
DIRECTOR
FINANCIAL MANAGEMENT

APPROVED:



THOMAS B. MODICA
CITY MANAGER