



**City of Long Beach**  
*Working Together to Serve*

**Memorandum**

Date: January 20, 2016

From: Patrick H. West, City Manager *T.M.*

For: Mayor and Members of the City Council

Subject: **Ballot Initiative FAQ Summary and Community Presentation**

---

Attached for your reference is a "Frequently Asked Questions (FAQ)" summary concerning the Transaction and Use Tax measure appearing on the June 7 ballot. Also attached, as an informational document, is a copy of the community presentation the Mayor and City staff have been sharing with residents and the business community. Both the FAQ summary and the community presentation have been reviewed and approved by the City Attorney, and they can be used to provide information regarding the ballot measure. City staff are not permitted to advocate for the measure, or use City resources for the purposes of advocacy, but are permitted to provide unbiased information.

Please let me know if you require additional information, or if you would like a staff member to give the presentation to a group of residents or business owners.

PHW:TM:gh

ATTACHMENTS

CC: CHARLES PARKIN, CITY ATTORNEY  
LAURA L. DOUD, CITY AUDITOR  
TOM MODICA, ASSISTANT CITY MANAGER  
ARTURO SANCHEZ, DEPUTY CITY MANAGER  
REBECCA JIMENEZ, ASSISTANT TO THE CITY MANAGER  
DEPARTMENT HEADS

## June 7 Ballot Measure

### City of Long Beach Transaction and Use Tax (Sales Tax) Frequently Asked Questions

#### How does the City spend its current tax revenues?

- The City spends 69% of its General Fund departmental budget on public safety, and the remaining on services such as parks, libraries, public works, and general government services. City services require people to provide them, and as a result 79% of the City's costs are personnel costs.

#### What has Long Beach done to control its costs?

- Since 2007, the City has reduced spending by \$134 million, cutting over 700 positions. As an example, the City eliminated the South Police Division (reduced from 4 divisions to 3) and several specialty policing units, eliminating 208 police officer positions. The City has also eliminated 84 Firefighter positions since 2004, including 5 Fire engines, 1 Fire truck, and 1 911 Paramedic Unit. Departments throughout the City have all taken reductions, including parks, libraries, public works, city management, support departments, and elected officials. The City has also held the line on new spending, invested in efficiency improvements, and invested in economic development initiatives.

#### What has the City done about its pension costs?

- The city has partnered with our employee groups to reform pensions and save the City \$250 million over the next 10 years. Long Beach is the largest CalPERS City in the State to have our employees now pay their full share of the employee's pension costs. Additionally, all new employees now enter the City at a lower pension plan, which is more financially sustainable in the long term.

#### How much does the City spend on infrastructure a year?

- The City currently spends on average \$68 million per year on infrastructure. These funds are from the City budget, along with County, State and Federal grant funds. The City recently released a report identifying an outstanding infrastructure need of \$2.8 billion over the next 10 years. To meet that need, the City would need to spend \$280 million per year, or \$212 million per year more than currently available.

#### What is the future financial outlook for the City?

- In November 2015, the City Council received a report that the City is facing a budget shortfall of \$5.1 million in 2017 and an additional \$5.2 million shortfall in 2018. This is a combined shortfall of \$10.3 million over the next two years. These numbers will be updated for the City Council in March 2016.

#### What did the City Council put before the voters for their consideration?

- A 1 cent (1%) general transaction and use tax, declining to half a cent (0.5%) after 6 years. This tax requires a majority vote of the electorate to pass (50% plus one), and would sunset after 10 years (the tax ends after year 10).
- A Rainy Day Fund to help balance future shortfalls, with 1% of the new tax going into the Fund.
- A Citizens Advisory Committee to review the expenditures from the tax measure proceeds and their compliance with the ballot question and City Council intent.
- A resolution expressing the City Council's intent to prioritize public safety and infrastructure funding.

#### What exclusions or exemptions apply to the new tax?

- When it comes to exclusions or exemptions, the new tax is the same as the old tax. These exclusions continue to include categories such as Necessities of life (food, medical, housing) and General Public Benefit (alternative energy, museums, public art, nonprofit, religious, and education organizations).

## June 7 Ballot Measure

### City of Long Beach Transaction and Use Tax (Sales Tax) Frequently Asked Questions

#### **When was the last time general taxes were increased for the City of Long Beach?**

- There has not been a new City tax on the general population in 25 years, when the Utility Users Tax (UUT) increased from 5% to 10% in 1991. In 2000, voters reduced the UUT back to 5%, eliminating \$38 million in revenue. No general obligation bonds for City infrastructure have been issued since the 1960's. In 2008, voters considered Measure I, a tax-supported bond to fund City infrastructure. That bond received support from 53% of the voters, but required 66% to pass so it failed.

#### **How much money would the ballot measure raise?**

- The temporary 1% tax generates approximately \$48 million per year for six years. When it drops to 0.5% in the remaining four years, it generates approximately \$24 million per year. Long Beach total sales tax rate would be 10% for 6 years, then drops to 9.5% for the remaining four years, then drops to 9% after year 10. The new tax would be paid by everyone, including the City's 6.5 million visitors. Additional tax on a \$1 item would be 1 cent.

#### **How would the funds be spent?**

- The tax is a general tax to fund municipal services. The Mayor and City Council have stated their funding priority as public safety and infrastructure. The Police Department's top priority is the restoration of the South Police Division, and the Fire Department's top priority is restoration of Fire Engine 8 in Belmont Shore to help improve response times citywide. The funds would also support millions of dollars of infrastructure projects, including streets, sidewalks, stormwater protection, and water conservation.

#### **Where would this new tax place the City compared to other Cities?**

- Cities levy various taxes including property tax, sales tax, and the utility users tax (UUT). While the new 1% sales tax in Long Beach would temporarily make the sales tax rate one of the highest in the region, the overall burden for taxes in Long Beach would be only slightly above average with the new tax. Long Beach surveyed 27 small, medium and large cities for average total tax paid for property, sales and UUT. Long Beach currently ranks 14<sup>th</sup> of 27 cities for total average tax paid. With a 1% increase, total tax paid would rank Long Beach 12<sup>th</sup> of 27 cities. The total tax burden would increase by about \$68 per year for a person (\$5.67 a month).

#### **What will happen next with the proposed tax?**

- Taxes can only be raised by a vote of the people. Voters will decide on June 7 whether to approve or reject the tax measure. Either way, the City will develop a balanced budget and manage the City's expenses. Any funds approved will be reviewed the Mayor and City Council each year through the annual budget with community participation.

#### **How was this placed on the ballot?**

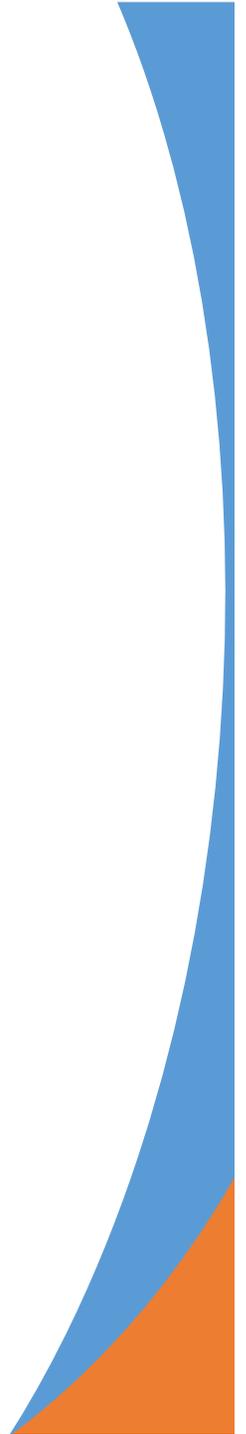
- Mayor Garcia proposed the measure to the City Council, along with former Mayor Bob Foster and former Mayor Beverly O'Neill. The City Council voted 8-0 to place the measure in front of the voters.

#### **I have questions about information I received from a campaign. Who can I talk to about that?**

- City staff are unable to answer questions about any campaign. They can only provide neutral information and facts about the measure, such as this fact sheet. For questions regarding the campaign, please contact the individual campaigns for or against the measure (contact information to be provided once available).

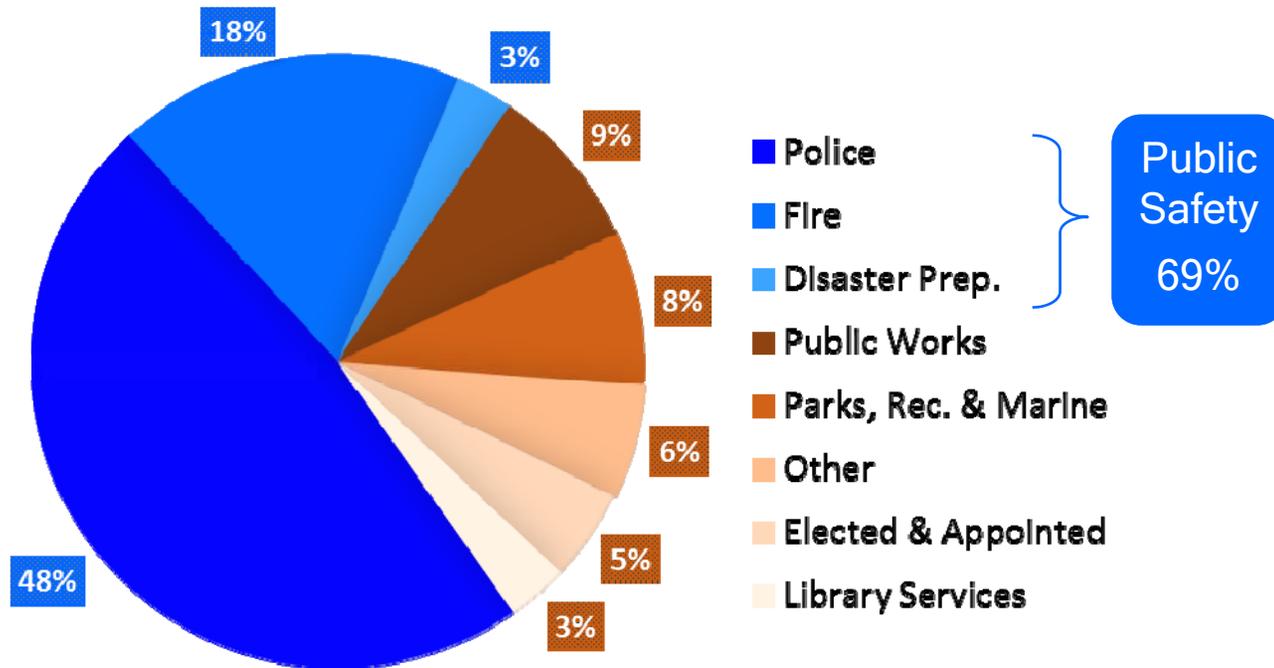
A Conversation About the  
**Future of Long Beach**

February 2016



# General Fund Budget

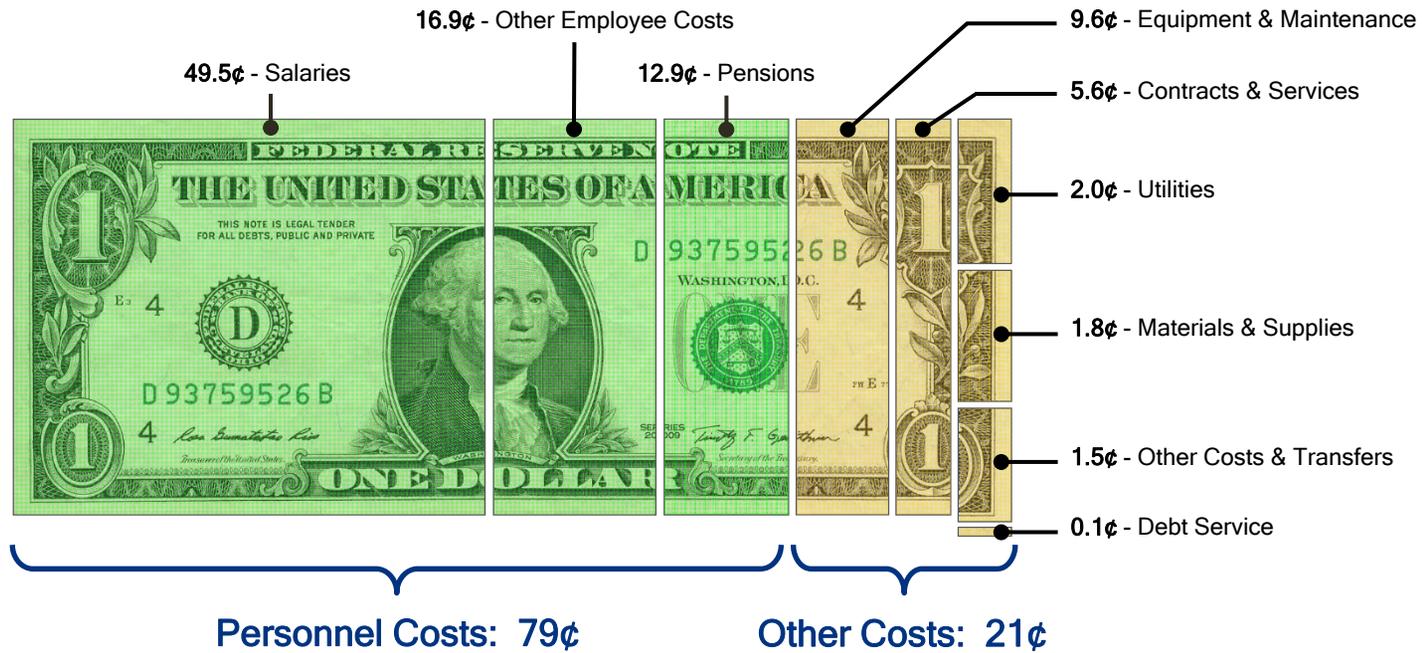
\$412 Million



Expenditures by Department

# General Fund Budget

\$412 Million



## Expenditures by Type

# Strong Fiscal Discipline

- \$134 million in General Fund cut since FY 07
- Almost 700 General Fund positions cut since FY 07
- Partnered with employees to save \$250 million in pension costs over 10 years
- Held line on new spending to minimize future budget issues
- Invested in efficiency improvements, critical infrastructure, technology, and innovation to reduce operating costs
- Focused on economic development – new businesses and housing
- Saved FY 14 and FY 15 surpluses to strengthen future finances

# Infrastructure Needs

| Project Category     | Amount        |
|----------------------|---------------|
| Transportation       | \$1.4 billion |
| Civic Infrastructure | \$1 billion   |
| Maintenance          | \$400 million |

**\$2.8 BILLION**

*(over 10 years)*

# Infrastructure Needs

Annual Need (for 10 Years)

| SOURCE                                    | AMOUNT                 |
|---|------------------------|
| Infrastructure Needs                      | \$280 million          |
| Current Infrastructure Budget for FY 2016 | - \$67.6 million       |
| <b>TOTAL SHORTAGE PER YEAR</b>            | <b>\$212.4 MILLION</b> |

# Public Safety Facts

- Eliminated 208 Police Officer positions:
  - South Division
  - Specialty Units
- Violent crimes and property crimes are on the increase
- Eliminated 5 Fire engines, 1 truck, and 1 911 Paramedic Unit (84 Firefighter positions)
- Calls for service for both Police and Fire are increasing

# Fiscal Outlook

- Deficits are projected to return beginning in FY 17

| FY 16 | FY 17 | FY 18 | Total  |
|-------|-------|-------|--------|
| 0.7   | (5.1) | (5.2) | (10.3) |

- Shortfalls likely to continue through FY 20 due to decreased oil prices and increased pension costs

# What the Future Holds

- While the City Council has managed the budget well, the City's infrastructure and public safety needs require additional investments:
  - Have \$2.8 billion in infrastructure needs. Our streets, sidewalks, and alleys are degraded. We are falling behind every year, and our costs to upgrade public infrastructure increases
  - Huge need to upgrade City water systems for conservation and storm drain systems for neighborhood protection and improved water quality
  - Need additional police to combat increasing crime rates that are happening across the City, State, and Nation
  - Need to restore fire staffing to maintain 911 response time and public safety at stations citywide

# Revenue Measure History

- No new tax on the general population in 25 years, when the UUT increased from 5% to 10% in 1991
- In 2000, voters reduced the UUT back to 5%, eliminating \$38 million in revenue
- No general obligation bonds for City infrastructure have been issued since the 1960's; though voters have approved several tax measures for City schools and colleges
  - Measure I approved by 53% of the voters in 2008; required 66% for passage
- Unlike some other cities, Long Beach has cut expenditures rather than raise revenues through tax measures to manage its costs

# What did the City Council Put Before Voters?

- February 23, 2016 City Council took action to ask voters to consider the following in two ballot measures:
  - A 1% general transaction and use tax, declining to 0.5% after 6 years. Requires 50% + 1 to pass
  - A sunset after 10 years (tax ends after year 10)
  - A Rainy Day Fund to help balance future shortfalls, with 1% of the new tax going into the fund
  - A Citizens' Advisory Committee to review the tax expenditures, with additional City Council direction on the requirements of reporting and financial review
- Additionally, the Council approved resolution expressing the City Council's intent to prioritize public safety and infrastructure funding

# Transaction and Use Tax Facts

- A 1% tax generates \$48 million per year
- When it drops to 0.5% it generates \$24 million per year
- Estimated per capita tax is \$68 a year (\$5.67 a month)
- Long Beach total sales tax rate would be 10% for 6 years, then drop to 9.5%, then drop to 9% by year 10
- Sales tax would be paid by everyone, including the City's 6.5 million visitors
- Additional Tax on a \$10 item would be 10 cents

# How Would Long Beach Compare?

- Cities have varied tax rates, including different property tax, sales tax and Utility Users Tax (UUT) Rates
- Long Beach surveyed 27 small, medium and large cities for average total tax paid for property, sales and UUT
- Long Beach currently ranks 14<sup>th</sup> of 27 cities for total average tax paid
- With a 1% increase, total tax paid would rank Long Beach 12<sup>th</sup> of 27 cities
- Experts say that buyers are looking for the best overall price, experience, and the convenience of local shopping and have not historically been particularly sensitive to the tax rate

# What Do You Get For The Money?

- Mayor and City Council have stated the priority is public safety and infrastructure
  - Police Department Priority: South Police Division restoration
  - Fire Department Priority: Fire Engine 8 restoration
  - Infrastructure projects
    - Streets, sidewalks, stormwater protection, water conservation
  - Specific projects and programs reviewed each year in the budget

# What's Next?

- Taxes can only be raised by a vote of the people
- Voters will decide on June 7 whether to approve or reject the measure
- The City will develop a balanced budget and manage the City's expenses
- Any funds approved will be reviewed by the Mayor and City Council each year through the annual budget with community participation and review from Citizens Advisory Committee



A Conversation About the  
**Future of Long Beach**

February 2016