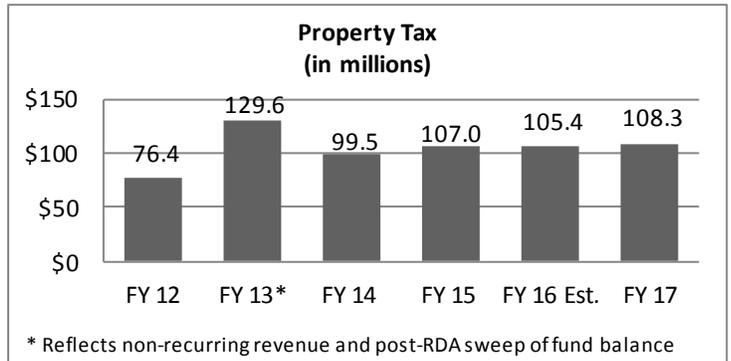


General Fund Revenue

General Fund Revenue

PROPERTY TAXES

Approximately 24.2 percent or \$108.3 million of the City's structural General Fund revenue is derived from local property taxes, which includes secured real property tax and unsecured personal property tax, former RDA project area property taxes and delinquencies. Property, primarily land and buildings, is valued by the County Assessor and taxed at 1 percent of assessed value. Cities and other local agencies, such as schools, special districts, and the County of

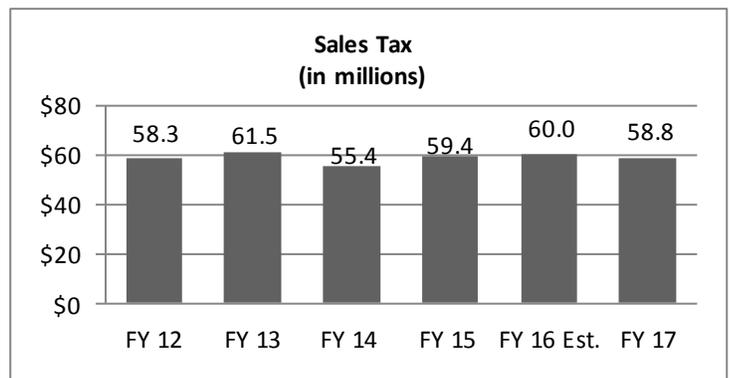


Los Angeles, share in the countywide property tax assessment. On average, the City of Long Beach only receives 22 percent of property taxes paid by City property owners in non-redevelopment designated areas of the City. FY 17 property tax estimates assume a 4.6 percent increase in structural revenues. This estimate assumes increases in assessed valuations and does not include prior year payments or other non-recurring revenues, which are included in the FY 16 estimates-to-close. The projections include \$16 million in structural revenues to the General Fund that are directly attributed to the dissolution of Redevelopment Agencies by the State. Over time, as the obligations of the former Redevelopment Agency are completed and activity slows, funds remitted to the Successor Agency Fund will decrease and General Fund property tax revenue will increase.

Property tax is a major source of revenue for City services such as police, fire, public works, recreation and library services. Prior to the passage of Proposition 13 in 1978, property tax revenues accounted for approximately 28 percent of all General Fund revenues as compared to 24.2 percent now.

SALES TAX

Sales and use tax receipts and in-lieu sales and use tax payments are expected to account for \$58.8 million, or 13.2 percent, of structural General Fund revenues in FY 17. Effective January 1, 2013, all taxable retail sales in Long Beach are charged a 9.0 percent tax. This amount includes 1.75 percent that goes to the County of Los Angeles, and 6.25 percent that is retained by the State. Only 0.75 percent is currently returned to the City by the State. Sales tax revenue varies from year-to-year due to



fluctuations in the economy. Through Proposition 57, the State has “flipped” 0.25 percent of Sales and Use Tax from the City to the State in exchange for an equal amount of ERAF Property Tax to help fund the State's Economic Recovery Bonds. The replacement property tax, titled “In Lieu Sales and Use Tax”. FY 16 was the last year for which the state has authority to swap sales tax in this manner.

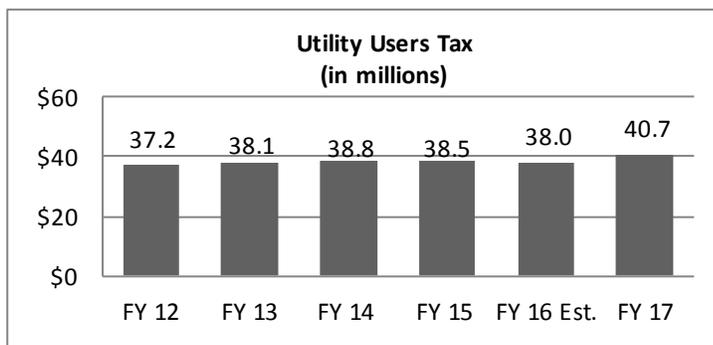
MEASURE A – TRANSACTION & USE TAX

Sales tax revenue projections, above, do not include the Transaction and Use Tax, known as Measure A approved by voters in June 2016. The Measure added a transactions and use (sales) tax on the sale and/or use of all tangible personal property sold at retail in the City for a 10 year period. The first six years of the tax will be at a rate of one cent for every dollar spent (or one percent), and then decline to one-half cent for every dollar spent (or one-half percent) for the remaining four years. Initial estimates at the one-percent level assume Measure A will generate approximately \$36 million in FY 17. Exact revenue projections will not be possible until after Measure A is implemented and actual revenue is received. The tax will automatically terminate after the tenth year.

General Fund Revenue

UTILITY USERS TAXES

The City applies a utility users tax (UUT) to customers' electricity, gas, telephone, and water bills. These four revenue sources account for \$40.7 million, or 9.1 percent, of the City's structural General Fund revenues. The UUT was the General Fund's largest revenue source before a voter-approved initiative reduced the utility user tax rate from 10 percent to 5 percent. The rate for FY 17 is 5 percent, effective since October 1, 2004. These taxes do not apply to low-income senior citizens who are over 62 years of age or disabled low-income individuals.



OTHER TAXES

The City receives revenue from the Transient Occupancy Tax (TOT) assessed on guests of all City hotels and motels, and from the Business License Tax assessed on all those doing business in Long Beach. Both taxes have experienced growth in recent years. Transient Occupancy Tax reflects significant growth from pre-recession revenue levels. Business License tax reflects growth due to improvements in collection methods and staffing.

LICENSES AND PERMITS

This revenue comes to the City from a variety of licenses and permits. Emergency ambulance, first responder fee, fire inspection and animal license fees generate the largest revenues.

FINES, FORFEITURES AND PENALTIES

Revenue received by the City in this category is primarily from parking citations and vehicle code fines.

REVENUE FROM USE OF MONEY AND PROPERTY

The City is able to generate income from its current assets. This includes interest earned on investments, land and facility rental, and parking meter revenue within the City.

REVENUE FROM OTHER AGENCIES

The General Fund receives revenue from other cities, the County of Los Angeles and the State. Revenue is received for the maintenance of traffic signals and parking meters under contract with smaller cities neighboring Long Beach, as well as unincorporated parts of Los Angeles County. Other miscellaneous State funds are provided for maintenance of State highways, fire and peace officer training, and police extradition reimbursements.

OTHER CHARGES AND REVENUES

These miscellaneous charges include library fines and fees, police reports and sale of used equipment and vehicles. Per the City Council's adopted Financial Policies, the City has redoubled its efforts to improve cost recovery through all appropriate user fees for services to better preserve General Fund services that would otherwise face reduction and to maintain a structurally balanced budget.

INTER- AND INTRA-FUND CHARGES

Programs within the City that are funded by sources other than the General Fund often receive services from General Fund supported departments. This category includes reimbursement for these services.

General Fund Revenue

"GANN" APPROPRIATIONS LIMIT

In November 1979, the voters of the State of California approved Proposition 4, commonly known as the "Gann Initiative." The Proposition created Article XIII B of the State Constitution, placing certain limits on the amount of revenue that can be appropriated each fiscal year. The limit is based on actual appropriations during FY 79. Only those revenues that are considered "proceeds of taxes" are subject to the limit. The limit is recalculated each fiscal year based on certain inflation and population factors. Proceeds of taxes are, however, allowed to be spent on several types of appropriations that do not count against the limit, including voter approved debt, the costs of complying with court orders and federal mandates, and expenditures for qualified capital outlays.

The "Gann" Appropriations Limit for the City of Long Beach for FY 17 will be included in the FY 17 Appropriations Ordinance and Adopted Budget materials. No GANN Limit issue is anticipated.