2016 Accomplishments

- Construction started on a modern-era Civic Center development project
- Opened the Michelle Obama Library
- Issued building permits totaling more than $421 million
- Record percentages for live animal releases and pet adoptions
- 9,600 inspections of multi-family properties
- 6,400 low-income families received rental assistance totaling $59 million
2016 Accomplishments

- 57.5 lane miles of streets rehabilitated
- 2.65 million commercial passengers passed through the Long Beach Airport
- Removed 176 (over 40%) nonconforming billboards in neighborhoods and along corridors
- 93% of the City’s beaches received “A” and “B” grades from Heal the Bay
- 17,600 responses to illegally dumped items, including 7,800 mattresses
Innovation & Efficiency

- Changed street sweeping routes to reduce time frames from four to two hours
- Created the Project Management Division in Public Works to facilitate the delivery of projects
- Implemented the first phase of the City’s new e-Plan Check program
- Launched “Inspector Gadget,” online building inspection scheduling platform
- Continued the LED streetlight retrofit and advanced metering infrastructure projects
- Engaged the FUSE Corps to assist with the challenges of homelessness and My Brother’s Keeper
- New technology systems underway such as LB COAST (ERP: Financial and HR systems) and business license system
Economic Development

- BizPort website launched to assist entrepreneurs
- Initiated a process to prepare an Economic Development Blueprint
- Bought $88 million in goods and services from Long Beach-based businesses
- Long Beach unemployment rate dropped to a nine-year low in March 2016
- Added an ombudsman position to support economic development activity
- Approved the 266,000 sf Long Beach Exchange project at Douglas Park
- 585 filming production days; 75% of TV productions return to the City
Measure A for Public Safety and Infrastructure!

- Maintains public safety services: saves the equivalent of 108 sworn positions
- Enhance and restore public safety services: 37 public safety positions
- Part of a $150 million investment for infrastructure

Use of Measure A by Year

<table>
<thead>
<tr>
<th></th>
<th>FY 17</th>
<th>FY 18</th>
<th>FY 19</th>
<th>FY 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain public safety</td>
<td>3.2</td>
<td>8.3</td>
<td>13.1</td>
<td>17.1</td>
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<tr>
<td>Restore public safety*</td>
<td>5.9</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
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<tr>
<td>Invest in capital/one-times</td>
<td>26.6</td>
<td>32.4</td>
<td>27.8</td>
<td>24.1</td>
</tr>
<tr>
<td>Total expenditures (equal to available revenue)</td>
<td>35.6</td>
<td>47.7</td>
<td>47.9</td>
<td>48.2</td>
</tr>
</tbody>
</table>

*Restoration includes some costs for the required Measure B rainy day fund and for administration
Projected Costs Growing Faster Than Revenues

- Revenues are continuing to increase
- Basic problem remains that costs are generally increasing faster than revenues
- Problem is faced by many California cities and, on the cost side, is led by pension costs
Key Factors For Projection

- Higher CalPERS pension costs because of the investment market and its risk
- Compensation increases for recruitment and retention
- Health insurance cost savings
- Higher projected price of oil:
  - $45 a barrel in FY 18
  - $50 a barrel in FY 19
History of Long Beach Oil Price

Wilmington (Long Beach) Oil Price ($ per barrel)
Other Key Projection Assumptions

- No change in service levels
- The economy will continue to be good
- Any outstanding labor negotiations will follow expected patterns
- Use of Measure A for maintaining and restoring public safety services, and infrastructure (but not for wage increases or non-public safety)
- Early payment of CalPERS pension contribution (July 2017)
- More optimistic insurance and revenue budgeting
- Fewer one-time dollars projected
Uncertainties

- Measure A is a new type of tax - revenues could vary from estimates
- Medical marijuana ordinance tax revenues and enforcement costs - could vary from estimates
- There is active litigation concerning revenues to the General Fund – if the City loses, could be a significant adverse impact
- County Measure H will bring more funds for homeless – uncertain how much additional funds will be available
- Potential passage of State transportation legislation – could result in additional funds for transportation
A number of solutions are included in the projection and will be incorporated into the City Manager’s Proposed Budget

- Manage medical marijuana enforcement so that costs are less than marijuana revenue
- Recognize new funding from County Transportation Measure M and County Parks Measure A
- Include additional revenue in FY 19
- Increase funding from other eligible funds
- Include savings from natural turnover in filling positions
Fiscal Outlook for FY 18

FY 18 Budget is BALANCED!

- No budget shortfall projected
  - Measure A, revenue growth, and initial budget balancing solutions of $6.9 million cover expense growth
  - Assumes no new costs or services are added
Fiscal Outlook for FY 19

- Projected shortfall of $7.7 million for FY 19

<table>
<thead>
<tr>
<th>Surplus/(Shortfall) (In million of $)</th>
<th>FY 18</th>
<th>FY 19</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Surplus/(Shortfall)</td>
<td>0.0</td>
<td>(7.7)</td>
<td>(7.7)</td>
</tr>
</tbody>
</table>

- Includes budget balancing solutions of $3.5 million for FY 19
- A key cost driver is pension growth; A key revenue driver is property tax growth
- Staff will develop strategies to eliminate the projected shortfall in FY 19
- Updated three-year projections, including FY 20, will be in the FY 18 Proposed Budget
FY 17 (Current Year) Approach

- Preliminary projection is that FY 17 budget remains balanced
- A year-end surplus or availability of new one-time funding is not expected and first dollars need to go to medical marijuana implementation
- To ensure the year ends in balance:
  - Minimize out-of-cycle budget requests, especially new structural costs
  - Minimize actions that increase costs, divert staff, or adversely impact revenues
  - Implement department savings targets equivalent to 1% for remainder of year
  - Revenues and spending will be closely monitored
  - Will consider potential budget adjustments if issues become apparent
FY 18 Budget Approach

- Incorporate development of an even more robust approach to homelessness
- Departments will be asked to anticipate more difficult budget years in the future
- The FY 18 year will include a focus on developing solutions and approaches to address and eliminate currently projected future shortfalls
- Offset budget increase requests with savings or new revenue
- Continue to develop efficiencies and cost reductions
- Focus any one-time expenditures on reducing costs and meeting priority needs
Various factors will impact the City’s future budget situations and will be monitored and taken into account as appropriate, including:

- Impact of continued economic development
- Impact of Measure A and Measure MA (Marijuana)
- The price of oil, pension costs, future employee bargaining agreements
- Occupancy of the new civic center and associated development
- New initiatives
- Federal and State actions
- Cost saving or cost incurring actions
- Litigation outcomes
Summary and Next Steps

- FY 18 will be focused on public safety, homelessness, and core services
- Staff will continue to refine financial projections and budget balancing options
- Continue focus on economic development, increasing revenues and managing ongoing costs
- Departments will receive budget instructions tomorrow
- Community engagement through normal budget meetings, hearings, a community survey, and social media communications
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 14</td>
<td>Fiscal Outlook City Council Presentation</td>
</tr>
<tr>
<td>March 15</td>
<td>Instructions to Departments</td>
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<tr>
<td>By July 3</td>
<td>Submittal of Proposed Budget to Mayor</td>
</tr>
<tr>
<td>By August 2</td>
<td>Mayor Submits Proposed Budget to City Council</td>
</tr>
<tr>
<td>August</td>
<td>Community Budget Meetings (TBD)</td>
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<tr>
<td>August</td>
<td>Budget Oversight Committee Meetings (TBD)</td>
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<td>August 8</td>
<td>Budget Meeting (tentative)</td>
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<td>August 15</td>
<td>Budget Meeting (tentative)</td>
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<tr>
<td>August 22</td>
<td>Budget Meeting (tentative)</td>
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<tr>
<td>September 5</td>
<td>Budget Hearing; 1st adoption date</td>
</tr>
<tr>
<td>September 12</td>
<td>Budget Hearing; 2nd adoption date</td>
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FISCAL OUTLOOK

Study Session - March 14, 2017