

July 3, 2021

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Proposed Fiscal Year 2022 Budget

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I am pleased to present to you the Proposed Fiscal Year 2022 (FY 22) Budget. This is a budget that was developed during and impacted by the world-wide pandemic crisis. The pandemic greatly impacted the City's finances and operations over the past year and continues to do so. As we work together to rebuild and recover from the impacts of the pandemic, the Proposed FY 22 Budget preserves the great services and amenities that support our community and provides major recovery efforts for our residents and businesses.

Over the past year, despite unprecedented challenges due to the initial and ongoing effects of the COVID-19 pandemic and associated budget shortfalls, the City has made tremendous strides in providing ongoing services and support to local residents and businesses in addition to a number of other accomplishments.

The City launched the COVID-19 Relief Payment Plan Program, providing interest-free and penalty-free payment options for business-related fees and parking citations, as well as the Long Beach Emergency Rental Assistance Program, which provides \$51.4 million in additional funding support to renters and landlords. Last fall, the City implemented Long Beach BizCare, providing additional support for local small businesses impacted by the pandemic through free one-on-one, in-person support; and last summer, the City launched a \$40.28 million comprehensive, equity-based spending plan, funded by the Coronavirus Aid, Relief and Economic Security (CARES) Act, providing \$14.4 million towards community support and \$6.75 million towards business recovery and resiliency efforts.

This past year, the City also expanded services for people experiencing homelessness through Project Room Key, which has provided non-congregate temporary housing via a 133-room facility to mitigate the spread of COVID-19 among people experiencing homelessness, as well as Project Homekey, which provides 102-rooms of interim housing and additional services for people working to transition to permanent housing solutions. The City partnered with LA County to procure two other hotels—former Holiday Inn and former Motel 6. Last year, the City also opened the 125-room Atlantic Bridge Housing Community, the City's first year-round shelter, which addresses the critical gap in the City's Continuum of Care by offering a safe living place and supportive resources for individuals experiencing homelessness.

Earlier this year the Long Beach Airport completed construction on the largest solar energy project in its history and received the Airports Council International's Airport Health Accreditation for its commitment to ensuring the health and safety of passengers and employees throughout the pandemic. The City has also continued to celebrate Long Beach's rich diversity through various virtual events honoring Hispanic Heritage Month, Black History Month, and Asian American and Pacific Islander Heritage Month. Last summer, in response to the senseless and devastating murder of George Floyd, the City implemented its multifaceted Racial Equity and Reconciliation initiative, which originated with various town halls, open forums and listening sessions with community members in a robust effort to address and end systemic racism, with one of the strategic goals leading to the development of the Youth Strategic Plan to elevate child and youth development. The City also continued providing world-class parks and recreation services through new, innovative programs to engage all members of the community.

Most importantly for the future, the City developed early in 2021, the Long Beach Recovery Act. Long Beach was one of the first cities in the country to do so and funds \$249.3 million (amount updated based on final federal funding) of major economic, public health, and fiscal initiatives for Long Beach residents, business owners and workers critically impacted by the pandemic. The Long Beach Recovery Act provides funding for additional programs for local businesses and residents funded by the American Rescue Plan Act federal funds. The Long Beach Recovery Act will also help to maintain and provide City services in FY 21 and FY 22 that otherwise would have been in jeopardy because of budget balancing issues in this pandemic environment. With the estimated \$30 million General Fund shortfall (structural and one-time) in FY 22 covered by Long Beach Recovery Act funds on a one-time basis, the proposed FY 22 Budget is able to maintain the great services the City provides with minimal changes to departmental budgets, along with the addition of few key strategic investments mainly in non-General Fund funded operations. The Long Beach Recovery Act also provides time during this coming year to develop a permanent strategy and solution for the likely substantial structural shortfall that will need to be solved for the FY 23 budget. The Proposed FY 22 Budget highlights the revised plan for these funds based on updated federal funding allocations and affirms the City's commitment to invest into the recovery and resiliency of our City and community. The Proposed FY 22 Budget maintains most services at the FY 21 level and addresses some specific issues for FY 22. Maintaining services and not proposing significant changes is by itself, a major accomplishment in this financial environment that is so adversely impacted by the pandemic.

In presenting my second proposed budget as City Manager, I continue to be committed to working together with our residents, business, community-based organizations, neighborhoods, and our Mayor and City Council as we move forward together in uncharted waters of pandemic recovery, more resilient than ever, and continue to build a City where every Long Beach resident has a safe place to live and the opportunity to thrive.

Below is a summary of attachments immediately following this transmittal memo, including Attachment A that provides detailed information on the budget. Additionally, the

Executive Summary Chapter of this Budget Book provide details on the budget's financial summaries, including revenue and expense trends and information on other funds.

- Attachment A: Detailed Summary of the Budget
- Attachment B: Long Beach Recovery Act Program Allocations
- Attachment C: General Fund Strategic One-time Investments (Non-Measure A)
- Attachment D: Summary of Budget Changes – General Fund
- Attachment E: Summary of Budget Changes – Other Funds

I want to extend my appreciation to the Mayor and City Council for your leadership in helping the City navigate through this past year of crisis. I also want to express my gratitude for the Budget staff in Financial Management and all of the City Manager Departments for their commitment and efforts to put together a proposed budget that best positions the City for the future. I am also grateful for the City Attorney, City Prosecutor, City Auditor, City Clerk, Civil Service Executive Director, Harbor Department Executive Director, and Water Department General Manager for their continued collaboration and support.

We look forward to working with you as you consider this proposed budget, which keeps the City on a path of restoration and recovery after the pandemic and moving forward into a hopeful future.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'T. B. Modica', is positioned above the printed name.

Thomas B. Modica  
City Manager

## Detailed Summary of the Budget

### **LONG BEACH RECOVERY ACT**

Since March 10, 2020, when the City Council declared a local health emergency to address the COVID-19 pandemic, the City's top priority has been to mitigate the risks to residents' health and well-being, as well as the impacts to the economy and local business community. The impacts of the pandemic have resulted in more health and economic impacts to some areas of the community than to others. Using CARES Act funding, City staff initiated five economic equity studies and conducted more than 30 listening sessions with over 350 community leaders and representatives to learn more and dig deeper into the impacts of the pandemic in order to better address those impacts as additional funding became available.

On March 16, 2021, ahead of most other cities in the country, and taking into consideration the community's feedback, the City Council approved the Long Beach Recovery Act to address the public health and economic impacts and disparities of the COVID-19 pandemic by utilizing federal, State, and county funding to provide a variety of relief programs to the community. Long Beach Recovery Act in all aspects utilizes an equity lens to identify the unique needs for the community and includes funding for specific programs, outreach, language access, and digital access to assist those in need throughout Long Beach.

The Long Beach Recovery Act was initially approved by City Council to provide \$235.5 million in COVID-19 pandemic recovery funding from several sources—American Rescue Plan Act (ARPA), Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases (ELC) grant, HUD grant to address homelessness and housing needs, Emergency Rental Assistance Program (ERAP), and funding for the Airport. Collectively, these funds are allocated over an estimated two to four years (the ARPA program ends December 31, 2024) to support three targeted categories - Economic Recovery, Healthy and Safe Community, and Securing Our City's Future.

Since the adoption of the Long Beach Recovery Act, the City has been able to secure additional recovery funding as follows: State Immunization Grant for vaccine activities at \$2.7 million; Federal Coronavirus Preparedness and Response Grant to address COVID-19 health disparities among high-risk populations at \$7.7 million; Emergency Rental Assistance Program at \$21.2 million (in addition to the original \$30.1 million) for rental assistance. Future opportunities for recovery funding are being closely tracked by staff, which include recovery funding allocated in the State budget, as well as a federal infrastructure funding. These additional funds, offset with a reduction in federal ARPA funding as described below, now brings the total Long Beach Recovery Act funding to \$249.3 million.

In terms of the federal ARPA funding portion of the Long Beach Recovery Act, the initial approval assumed that the amount of federal ARPA funding to be allocated to the City of Long Beach would be \$153.7 million, which was the initial federal estimate. That funding would have directly or indirectly provided the bulk of the funding. After the City Council

approval of the Long Beach Recovery Act, it was announced that the actual allocated to Long Beach from ARPA was \$135.8 million, a reduction of \$17.9 million from the earlier estimate. Due to the reduced funding, funding reductions have been applied on a graduated proportionate basis to the various Long Beach Recovery Act categories. Programs with initial funding allocations of \$300,000 or less were not reduced as a large percent reduction for smaller programs would result in major implementation issues; programs with an initial allocation of over \$300,000 but less than \$2 million were reduced by 10 percent; and those over \$2 million were reduced by 20 percent. In addition to reductions to the project allocations, \$6.5 million was reduced from the Restoring our Reserves allocation to lower the total impact on programs. This reallocation methodology preserves all programs approved by City Council, and better protects the smaller programs that might be more severely impacted by funding reductions by assigning smaller or no reductions to them.

To spend the Long Beach Recovery Act funds of \$249.3 million – an amount larger than the budget of many California cities – the City has initiated a temporary three-year staffing plan focused on retaining the necessary human resources, setting up financial controls, and developing collective impact programs to support Long Beach’s recovery efforts. To manage this effort, a central management team has been assembled, and additional administrative and operational staff will be hired in phases as programs are rolled out. Several Long Beach Recovery Act programs critical to addressing immediate needs in the community have been initiated, with business grants, corridor cleanups, and programs for people experiencing homelessness to be prioritized for implementation in the coming months.

The ARPA funding that will support these programs is expected to use the indirect funding method option provided for in the Interim Financial Regulations for ARPA. The regulations allow ARPA funding to be used to provide and maintain current City services. To demonstrate compliance, the City would supply the existing costs to provide current services up to the amount of ARPA funding. ARPA funding would then be used to provide the services that were originally intended to be provided directly by the General Fund. The ARPA funding provided to the City thereby offsets General Fund monies, which are then used to deliver the Council-approved programs in the Long Beach Recovery Act in March. As a result, the reporting to the US Treasury Department will show the use of ARPA directly to provide and maintain current services while the City’s Long Beach Recovery Act reports will continue to show the programs promised to residents and businesses. This reduces the substantive administrative costs associated with ARPA and substantially reduces any City grant compliance risk that could result in the return of federal funds.

The programs approved through the Long Beach Recovery Act are further described below.

### **Economic Recovery \$64 million**

The Long Beach Recovery Act focuses resources on residents, businesses most impacted by the pandemic and on relaunching business sectors hardest hit by the

pandemic to promote an effective, and inclusive economic recovery that strengthens revenue generation and leverages consumer spending to stimulate lasting economic growth. In summary, this category uses funding for:

- COVID Protection for Businesses and Non-Profits: \$13 million
- Direct Business Support: \$20.6 million
- Economic Inclusion: \$7.6 million
- Clean City: \$4 million
- Technical Assistance: \$500,000
- Economic Stability: \$1.6 million
- Micro/Public Transit Pilot: \$1.6 million
- Airport Assistance: \$15.1 million

### **Healthy and Safe Community \$108.5 million**

The Long Beach Recovery Act focuses resources on addressing the underlying social determinants of health and prioritizing basic needs and the mental and physical health of community members most adversely impacted by the pandemic. In summary, this category uses funding for:

- Public Health COVID-19 Response: \$15.7 million
- Basic Needs: \$6.3 million
- Physical and Mental Health Equity: \$12.1 million
- Early Childhood Education and Childcare Supports: \$2.8 million
- Violence Prevention and Safe Cities: \$3.6 million
- Homelessness: \$10.9 million
- Housing Support: \$56.4 million
- Language Access: \$500,000
- Long Beach Justice Fund: \$300,000

### **Securing Our City's Future \$76.7 million**

The Long Beach Recovery Act, through the use of ARPA funds, is maintaining and providing City services that otherwise would not likely have been able to be maintained due to budgetary shortfalls in both the current year (FY 21) and the proposed budget year (FY 22). The Long Beach Recovery Act is also critical in helping the City be able to weather the next financial crisis by improving the General Fund bottom line through funding normal services and thereby allowing the restoration of depleted emergency and operating reserves. Finally, the Long Beach Recovery Act provides critical time for the City to develop financial and service strategies for the future to address projected future significant operating budget shortfalls. In summary, this category uses funding for:

- Maintaining Services for Residents and Businesses in the current year (FY 21) and the coming year (FY 22): \$35.2 million
- Effectively allows depleted reserves to be restored by funding current services: \$41.5 million

**Attachment B “Long Beach Recovery Act Program Allocations”** provides a detailed list and additional descriptions of the associated programs and projects under each category and their corresponding funding amounts.

The Long Beach Recovery Act also provides a framework to guide future pandemic recovery funding to support the City’s efforts to secure long-term economic resiliency and create a healthy and safe community. Future funding is anticipated from State and/or federal sources for vaccine deployment and distribution, tenant/homeowner assistance and addressing homelessness, and infrastructure. The City will continue to monitor future funding opportunities and is well positioned to secure additional funding to support the Long Beach community on the road to recovery.

### **COVID-19 PANDEMIC RESPONSE THROUGH CARES ACT PROGRAM**

On June 30, 2020, the State Legislature approved the State budget and allocated approximately \$40.3m in CARES Act (State Cares Act) to the City. On July 14, 2020, the City Council approved a spending plan for the CARES Act allocation. Of the CARES Act Funding, \$19.1 million was dedicated to the City’s direct COVID-19 response, and \$20.1 million was allocated for business and community support programs. Through this funding, the City was able to prioritize programs that continue to assist and support communities and businesses most affected by the impacts of COVID-19 – serving over 71,000 people in these areas:

- **Community Support Programs** – Homeless Sheltering, Food Insecurity and Meals for At-Risk and Senior Populations, Black Health Education Programs, Early Childhood Support, Non-Profit Relief Program, Youth Leadership & Ambassador Programs, Digital Inclusion Program for Residents, and Older Adults Support and Basic Needs Support, among others.
- **Business Support Programs** – Small Business and Non-Profit PPE Distribution Program, COVID-19 Small Business Transition & Recovery Grants, Grants for Queuing Systems and Contactless Payment Systems and Business Improvement Districts (BIDs) Loan and Grant program, among others.

Some key achievements to date (as of May 3, 2021) of the Council- Approved programs:

- \$2.9 million leveraged to increase access to food, including 11,359 grocery boxes delivered and 74,260 prepare meals delivered
- Over \$2 million leveraged to provide shelter to individuals experiencing homelessness—ensuring 110 Project Homekey units and sheltering 115 people experiencing homelessness during the pandemic
- \$1.2 million dedicated to the Nonprofit Relief Fund, of which 16 service grants, 66 operational support grants, and 22 reimbursement grants were awarded to organizations that served communities impacted by COVID-19

- Over \$1 million to support digital inclusion initiatives, through which 1,093 internet hotspots and 1,592 tablets and chromebooks were distributed
- \$1 million dedicated to supporting the Early Childhood Supports Program, supporting 17,344 children and families
- \$500,000 to support older adults with healthcare, food, and transportation; 21,153 total households reached
- \$500,000 set aside for 155 home repairs to improve housing conditions in COVID-19 impacted areas to stop the spread
- \$1 million to support Black Health Equity, of which \$330,345 was given for direct relief and resources
- \$1.3 million for innovative youth programming and resources including 661 community learning hubs to facilitate on-line instruction and after school recreational activities serving 3,869 K-8<sup>th</sup> grade students
- \$1.5 million in direct funding to large art organizations to provide grants to smaller organizations and artists
- \$380,000 dedicated to providing access to mental health and domestic violence prevention support, where over 484 people received domestic violence services and 399 children received virtual mental health treatment
- Over \$1 million in small business outdoor dining grants, supporting 144 grants to restaurants and cafes
- Over \$1 million in small business grants in business improvement districts to provide personal protective equipment (PPE), sanitization and cleaning services to small businesses

## **THE FRAMEWORK FOR RECONCILIATION**

The Framework for Reconciliation was the City's response to health and economic disparities, augmented during the COVID-19 pandemic, as protests and civil unrest following the killing of George Floyd spurred cities, including Long Beach, to assess systemic structures that contribute to racial inequity and injustice. This effort to foster trust and mobilize for action included:

- (1) Acknowledging the existence and long-standing impacts of systemic racism in Long Beach and the country;
- (2) Listening to accounts and experiences of racial injustice, inequity, or harm to community members, while concurrently compiling local and external data on racial disparities in the community;
- (3) Convening stakeholders to analyze feedback from the listening sessions and racial disparity data to recommend initiatives that shape policy, budgetary, charter, and programmatic reform; and,
- (4) Catalyzing action that includes immediate, short-term, medium-term, and long-term recommendations for the City Council's consideration in a Racial Reconciliation Report.

On August 11, 2020, City Council unanimously adopted the Racial Equity and Reconciliation Initial Report, which consists of nearly 120 immediate, short-, medium-,

and long-term actions the City can implement to eliminate systemic racism in Long Beach. Over the last year since the initiative was approved, the Office of Equity relocated from the Department of Health and Human Services to the City Manager's Office to ensure intersection of equity across all City departments and increased its capacity by adding two full-time employees. Equity Champions have been identified in every Department to support racial equity implementation in various capacities, including facilitating Racial Equity 101 trainings to establish a foundational understanding of racial equity and systemic racism. Other priorities include developing department racial equity action plans, incorporating data tools to promote equitable decision-making, and implementing models for engaging community and institutional stakeholders to advance racial equity. In light of the COVID-19 response, the Office of Equity facilitated the Vaccine Equity & Outreach Subcommittee comprised of City staff and community partners to collaborate on providing vaccine opportunities in the neighborhoods hardest hit by the pandemic. This is one of many examples of how the Office of Equity fostered an equity lens into community serving spaces across the City.

The development of the Long Beach Recovery Act also included an equity lens. The Long Beach Recovery Act builds on City Council adopted plans to advance equity and inclusion by:

- Addressing historic economic and health inequalities that have worsened due to the pandemic,
- Focusing resources on areas of the community most impacted by the pandemic,
- Protecting public health and relaunching the service sector economy,
- Creating a more prosperous, resilient and inclusive local economy for all residents, and
- Building the economic foundation for the next generation of Long Beach residents to compete in the modern economy.

The Long Beach Recovery Act is also intersectional:

- The COVID-19 pandemic has had disparate effects on various portions of the community across Long Beach
- The Long Beach Recovery Act aims to address the intersectional impacts of the pandemic on different portions of the community
- Programs are not independent strategies but rather form a coordinated approach to support lasting economic recovery and public health equity
- Programs also seek to avoid duplication of other federal and State programs to ensure the most effective use of City funds

Long Beach Recovery Act programs will also provide support to implement actions outlined in the Racial Equity and Reconciliation: Initial Report that seek to improve health and economic outcomes for the communities most impacted by COVID-19, our Black, Latinx, Cambodian, and other communities of color. Examples of these investments include youth academic programming at libraries; youth life coaching and mentoring; youth health and safety programming, including Be SAFE expansion for park activation at night; expanding the Long Beach Activating Safe Communities interventionist team in high impact communities; re-entry program pilot to integrate services for people

reentering from incarcerated settings; economic empowerment zones; community land trust research and investment; digital inclusion programs for businesses and residents; a mental health crisis response pilot; and youth workforce development programs.

## **FY 22 BUDGET HIGHLIGHTS**

The Proposed FY 22 Budget focuses on preserving and maintaining current services as the City and community work together to recover from the pandemic's impacts. In most cases, there are no significant changes to the budget, except for few critical and strategic investments. Below are some highlights of these notable changes:

### **General Fund:**

- Diversity Recruitment, Mentorship, and Partnership Program in the Police Department – approximately \$220,000 all offset within current budget to foster a workforce that reflects the City's diverse community
- Fire Diversity Recruitment Program – approximately \$250,000 one-time funding to continue fostering diversity within the Fire Department
- Elections - \$1.8 million in one-time funds for the FY 22 primary elections
- Redistricting – \$380,000 in one-time funding for independent redistricting commission work as a result of the 2020 Census
- Funding previous commitments like maintenance for the new Wrigley Greenbelt, maintenance and programming for the new Lincoln Park (approximately \$630,000), funding for regular mandates, and budget neutral department reorganizations

### **Measure US:**

The budget includes \$1.3 million additional oil barrel production tax revenue approved by voters. The Council, through a resolution, has designated priority areas of children and youth service programs, community health, and climate change for these new funds. While there is not the financial capacity to increase services in the General Fund, Measure US provides the City with a unique opportunity to invest in these important areas (more detailed information is provided in the Ballot Measures Chapter of the Budget Book). The Council also requested that a youth fund be created as part of this spending plan. The youth fund is a designation of Measure US funding (as opposed to a standalone financial fund) but creates significant investment in youth, informed by the strategic plan, the reconciliation plan, and other youth planning efforts.

- Youth Fund – total investment of \$917,636
  - \$216,134 of one-time funding in the Health Department for direct youth community-based grants
  - \$337,337 to fund the Youth Ambassador Program in the Parks, Recreation, and Marine Department, supporting up to 20 part-time positions for local youth and training them in best practices for landscape, park maintenance, and customer service.

- \$125,080 for staffing to support STEAM (Science, Technology, Engineering, Arts and Mathematics) Ecosystem programming in the Library Department. The Department will serve as the “hub” or lead organization to assemble local STEAM experts into an ecosystem that provides STEAM workshops and Summer STEAM Institutes to middle and high school students.
  - \$49,024 for staff support to assist with the Library Department’s mental health programming and services to youth between the ages of 13 and 18
  - \$25,000 of one-time funding in the Health Department to support the annual Long Beach Youth Festival/Summit
  - \$165,061 to fund communication efforts, data management, and youth grant support in the Health and Human Services Department; supports a Data Manager who will collaborate with departments to develop, track, and report on performance metrics; and a Public Health Associate III who will be dedicated to developing youth and family focused grant proposals.
- Community Health – total investment of \$154,535
    - \$95,573 for staff support in the Health and Human Services Department for the Older Adult program and intergeneration approaches to learning and growing
    - \$58,962 for staff support in the City Manager’s Department to support racial equity efforts, including program planning, implementation, monitoring and training, as well as funds to support equity training and capacity building
  - Climate – total investment of \$243,029
    - \$80,029 to add a Program Specialist in the Office of Sustainability to implement and lead the Field Work Program
    - \$18,000 of one-time funding in the City Manager’s Department to support Community Based Organizations grants for farms, community and teaching gardens, and tools.
    - \$120,000 of one-time funding in the City Manager’s Department to support youth workers and trainees to perform field work for expanded neighborhood tree planting, urban agriculture support and urban nature stewardship training throughout the City
    - \$25,000 of one-time funding in the City Manager’s Department to support the development of an Electric Lawn Equipment program.

**Measure A:**

- Continue to support all the past restorations, public safety maintenance, and admin support
- \$2.5 million to keep Engine 17 in service for another year in the Fire Department; previously funded with one-time funds only through FY 21
- \$2.2 million for Neighborhood Safe Streets Initiative in the Police Department (part of previous out-year plan)

- \$13.6 million for Public Safety communications technology (part of previous out-year plan)
- \$1 million for Community Hospital (part of previous out-year plan)
- \$20.8 million Infrastructure, which includes past commitments and funding for Police and Fire academies and other infrastructure, as well as a new \$4 million for compliance with ADA sidewalk and curb requirements

**Other Funds:**

- Several funds have organizational and other operational changes and enhancements offset by the revenue or funds available in those particular funds

Detailed information on all General Fund and Other Fund changes in the Budget by department is provided in **Attachment C “General Fund Strategic One-time Investments,” Attachment D “Summary of Budget Changes – General Fund” and Attachment E “Summary of Budget Changes – Other Funds.”**

Detailed information on Measure A and other ballot measures can be found in the Ballot Measures Chapter of the Budget Book.

**UNFUNDED OPERATIONAL NEEDS AND MAJOR LIABILITIES**

No budget can address all the needs or services that are wanted by the wide variety of constituents and businesses in a City. What is funded is always limited by the available resources, the amount of resources the voters wish to provide, and then allocated to services by the budget. This year, with the Proposed FY 22 Budget’s \$30 million shortfall (made up of both the structural shortfall and one-time needs) covered by the Long Beach Recovery Act on a one-year temporary basis, the City was fortunate to avoid significant and adverse service reductions that would have otherwise been needed. However, while this has helped the City avoid cuts, there remain numerous operational needs that are unfunded or underfunded, as well as unfunded short-term and long-term liabilities, most of which are long-standing. This reflects the difficult choices and tradeoffs that exist in many cities as they plan their budgets as there are more needs than there are resources. Below are examples (not a comprehensive list) of these needs and liabilities:

- **Structural balancing of the budget** – The Proposed FY 22 Budget is balanced with \$30 million in one-time Long Beach Recovery Act (federal) funds. This is a temporary solution and results in the need to resolve a \$36 million shortfall in FY 23, made up of the \$27 million structural portion of the FY 22 shortfall plus an additional \$9 million projected FY 23 shortfall. The intent is to find the structural reductions, revenue enhancements and adjustments needed to structurally balance the budget in FY 23. See comments below on the Budget Balancing and Future Outlook for more details.

- **Major infrastructure maintenance and facility improvements** – In terms of infrastructure needs, the City has been conducting studies to ascertain the level of funding needed to repair and/or maintain infrastructure. Sidewalk assessment, road and street condition, and alley assessment studies have all been recently completed, identifying a \$1.7 billion need. A facilities condition assessment is under review, identifying \$647 million of maintenance or replacements costs throughout 270 City-owned structures.
- **Sidewalk ADA compliance** – The City entered into a consent decree for substantial expenditures over the years to ensure ADA compliance for curb ramps and sidewalks. This will be built into the Sidewalk Management Plan (below). The distinction is that the ADA expenditures must be made independent of the City's financial condition. The City has a requirement to spend an estimated \$189 million over 30 years towards sidewalk improvements. Substantial progress has been made with this funding and a structure for full funding has been prepared, but it is expected to take a significant portion of infrastructure funds available for general purposes.
- **Sidewalk Management Plan** – The City recently completed a comprehensive review of the City's sidewalk infrastructure. This plan found a need of over \$631 million (includes ADA curb ramps described above) for investment in the City's sidewalks.
- **Tree trimming cycles** - The City's tree management program for parks consists of emergency trimming for safety purposes only, mainly around buildings and playgrounds. The standard of arbor care indicates that regular grid trimming will enhance the longevity and safety of the urban forest. An annual funding increase of \$560,000 is needed to support a five-year tree trimming cycle to maintain healthy trees in City parks. In addition, street tree trimming is on a 6-year cycle. Going to a 5-year cycle would require an additional \$1,000,000 a year.
- **Plant water needs** – The proposed budget maintains the water budget for city plant and tree needs at 56 percent of actual water needs. Approximately \$1.3 million of additional structural funding would be needed to fully address plant and tree water needs and safety issues, such as urban tree failures.
- **Impact of using alternative weed control in City parks** – In August 2018, the City Council moved forward with the recommendation to discontinue the use of glyphosate (Round-up), an herbicide, and develop more sustainable weed control strategies. Since then, strategies have shown that alternative herbicides are less efficacious (more frequent applications and less vegetative control) and more expensive per treatment. In order to achieve the horticultural standard set in the City's landscape/grounds maintenance contracts, additional labor and increased materials are needed to accomplish what was previously done using glyphosate. The additional cost is estimated at over \$480,000. The proposed budget could not support this additional cost and the cost will be absorbed within parks maintenance

with the likely result of more weeds, including on curbs and a lower level of overall parks maintenance.

- **Additional Animal Care control medical costs** – The Adopted FY 21 Budget included an enhancement of approximately \$300,000 for a Veterinarian position and materials funding to support the “Compassion Saves” program. However, the funding required to fully support program requirements to increase the number of animal spayed/neutered by 3,000 annually and to cover the increasing cost of medical supplies and pharmaceuticals, is estimated at an additional \$400,000, which is not available in this proposed budget.
- **Armory Maintenance Costs** – Fund for property maintenance costs associated with the Armory site is currently unfunded. The Economic Development Department is responsible for this site and requires funds to provide security, utilities, landscaping, and general upkeep of the property. An estimated \$340,000 annually is needed to prevent disrepair of this community asset and to ensure the site does not become an attraction for nuisance activities. The Department is looking for alternative solutions and is actively involved with negotiations with a third party for a potential repurpose uses for the property.
- **Funding the cost of oil field abandonment** –The cost of abandoning an oil field is a natural and essential part of the total cost of oil production. When the life of the oil field ends, there typically are many wells to abandon along with other costs associated with the complete abandonment of an oil field. Funding needs to be reserved by the City on an ongoing basis to pay for its share of the oil field’s ultimate abandonment cost. Currently (for FY 21), the annual cost of creating the necessary oil abandonment reserves is \$5.7 million for the Tidelands Fund and \$1.3 million for the Uplands Oil Fund. Despite historical low oil prices in 2020, the City still prioritized funding the reserve in FY 20 and FY 21 at the estimated and recommended levels. For FY 22 and beyond, it is currently anticipated that these costs will be annually funded from oil revenues. They are anticipated to take a larger share of oil revenues over time, but assuming the funding is annually continued, the City’s portion of oil field abandonment cost are expected to be funded using this approach.
- **Potholes** – Public Works Street Maintenance division currently performs right-of-way maintenance with crews assigned to certain geographic locations for efficiencies as they respond to requests for pothole repairs. Due to the majority of the City’s street network being in fair to poor condition with a Pavement Condition Index (PCI) around 60-65, pothole complaints are continual. Often the same holes need to be refilled due to subgrade condition, as the location is referred for costlier repairs. To meet most of our residents’ standards the pothole program is underfunded by \$525,000 which is the cost of an additional pothole crew.
- **Median Maintenance** – Public Works assumed the Street Medians program from Parks, Recreation and Marine in March of 2019. This program provides

maintenance of the medians, backlots, and weed clearance primarily with the use of contractors. Only two positions are currently funded. The Median program is underfunded by \$470,000 and unable to meet current water expenditures and provide weed clearance citywide and at pump stations where homeless encampments tend to proliferate. This funding would provide a part-time workforce to respond to seasonal demands. The City is faced with a 2025 mandate to eliminate turf from the right-of-way in favor of drought tolerant landscapes. This highlights the need for a Capital Improvement Project to xeriscape the City's medians, the cost of which is currently unknown.

- **Fireworks enforcement taskforce** - Long Beach, along with many other cities, has seen a major increase in the use of illegal fireworks. In June 2020, the City Manager organized an interdepartmental Working Group comprised of Department heads or their deputies in Fire, Police, City Attorney, and the City Prosecutor to collaborate and develop a proactive strategy to address the illegal use of fireworks and explosives in the community. On September 8, 2020, Council approved a one-time allocation of \$350,000 to be used on strategies to mitigate the negative impacts of these devices in neighborhoods and sensitive populations throughout the City. These strategies are focused on efforts to interrupt the supply chain, data collection techniques to track violations in real time, increase community outreach and education, enhanced fines and penalties, as well as enforcement. This effort was funded in FY 21 but is currently unfunded in FY 22. Additionally, in support of these efforts, on June 08, 2021, City Council approved an ordinance, imposing penalties on individuals and social hosts who violate the prohibition on the possession, sale, or use of fireworks in Long Beach, including imposing administrative penalties and liability for response costs relating to the violation. While a portion of enforcement costs are intended to be recovered with these fees, the total costs to fully implement all aspects of the approved ordinance is not yet funded.
- **Pension and other post-employment benefits** – Long-term pension liabilities are a major concern. The impact of the pandemic on investment returns is anticipated to have a negative impact on pension funding needs, but the full impact of this is not yet known and will be closely monitored. Pensions are expected to be funded by the increasing annual pension costs the City is paying into the pension plan, although it is a major burden on the operating budget, in some cases approaching 50 percent of an employee's salary (the City cost share). At present the intent for other post-employment benefits is to minimize the increase in the unfunded liability by funding current costs as much as possible.
- **Implementation of the Climate Action and Adaptation Plan (CAAP)** The CAAP concludes that daily flooding due to sea level rise could cost the City an additional \$26 million in damage to transportation infrastructure on an annual basis by 2030. Other aspects of climate change also are also damaging and projected to worsen. The CAAP identifies steps the City could take but total costs are very high and are not funded, including improvements to protect city facilities from the impacts of climate change while enhancing facilities so they can serve community needs during climate events such as heat waves or flooding. The CAAP also commits

the City to greenhouse gas (GHG) reduction strategies that are currently unfunded, including switching municipal accounts to clean electricity sourced by renewable energy, which is estimated to cost around \$1 million annually. Although the City is putting a priority on steps it can take and is taking through Measure US and AB 32 funding, much of the program remains unfunded and beyond the ability of current City resources.

- **Preparation for the 2028 Olympics** – Long Beach will be hosting six events in the 2028 Olympic including Handball, Triathlon (Olympic and Paralympic), Marathon Swimming, BMX Racing, Water Polo, and Sailing. The City has identified eight important infrastructure investments to support its hosting role. The eight projects (and initial estimated costs) are as follows – Belmont/Veterans Pier Rebuild (City funded – amount to be determined); Belmont Pool (City funded, \$25 million estimated gap); Lifeguard Towers (City funded, \$1.5 million gap); Beach Concession Stands (City funded – underway, fully funded); Arena Improvements (City and Private funded, \$50 million gap); Pine & Ocean Hotel (Private Funded w/ city tax incentives assisting); Airport Improvements (Airport funded, status uncertain); Metro Blue Line Improvements (Metro and City funded; completed in 2019). There is also an expected one-time City hotel/convention center revenue loss from the Olympics that ideally should be funded in advance, so the FY 28 budget is not impacted. Reserves that could have been used for the Olympics may need to be spent down over the next few years to deal with the current financial and budget crisis.

### **STAFF REPORTS ON POTENTIAL INITIATIVES WITH UNFUNDED NEEDS**

Additionally, throughout the year, City Council requests staff to report on various potential projects and operations to determine the feasibility and fiscal impact of potential implementation. These reports have been provided through memos from the Manager to the Mayor and City Council and have articulated various considerations or requirements including funding needs to be determined before any implementation. These items are not included in the Proposed Budget as there was not an opportunity to fund them without an impact to another operation. The list of reports transmitted in FY 21 that identified additional funding that would be needed to implement, with potentially other factors to consider, are as follows:

- Ethics Commission Budget Request
- Racial Equity and Reconciliation Investments
- The Wave Gondola System Feasibility Study
- Father-Friendly Initiative: Baby Changing Stations
- Guaranteed Income Program
- Street Sweeping Mobile Application
- Dig Once Policy Implementation
- Options to Restructure Library Services
- Street Improvements Bond Issuance Study

- Contracting in Security Services
- Language Access Program
- SB 1383 Organics Waste Collection Mandate
- Library Services Performance Audit
- Long Beach One-Card
- Open Space Acquisition Study
- Human Relations Commission

## **BUDGET BALANCING AND FUTURE OUTLOOK – A YEAR FOR RECOVERY**

The City had a preliminary projected FY 22 structural shortfall of \$30 million in the General Fund. This included some of the structural shortfall that existed previously in FY 21 but resolved temporarily with one-time solutions (and thus, carrying over into FY 22). Previously it was anticipated that this shortfall would need to be resolved through department service reductions, which would have likely had a severe adverse impact to the community given the size of the shortfall. However, through the Long Beach Recovery Act, the City will be able to cover the FY 22 shortfall for an additional year, providing relief and avoiding cuts to services for the community and businesses that have already been heavily impacted by the pandemic. The final projections for the Proposed FY 22 Budget that will be covered through the Long Beach Recovery Act is \$30 million, made up of an updated \$27 million structural shortfall and \$3 million in one-time costs. Any additional enhancements added to the budget will require reductions in other operations to offset, or additional use of Long Beach Recovery Act funding if available, or the use of reserves; any adds that are not offset structurally will increase the shortfall amount needed to be resolved next year.

This projection assumes a favorable outcome regarding the Measure M litigation, but it should be noted that if that is not the case, the projection will be worse by approximately \$9 million, along with one-time funds that would be needed to make back payments. As part of contingency planning efforts, the City Manager has worked with departments to develop a list of potential service reductions. These reductions items are not part of the FY 22 budget since federal funds are covering the shortfall, but this list could be evaluated mid-year in FY 22 if needed or be part of discussions on future approaches to the budget.

The use of federal funds to cover the FY 22 shortfall is a one-time solution and the City will need to address the shortfall in FY 23 when federal funds are not expected to be available. Table 1 below shows the General Fund budget outlook for the next four years, which includes estimated impact of the pandemic on revenues and potential cost of living wage increases for employees, which will be revised based on actual negotiated employee contracts in the future.

Table 1: General Fund Surplus / (Shortfall) in \$ Millions*					
	FY 22 Proposed**	FY 23 Projection	FY 24 Projection	FY 25 Projection	Total
Surplus/(Shortfall) - Annual	-	(9)	(11)	(9)	<b>(29)</b>
<i>Additional Shortfall from Previous Year</i>	-	(27)	-	-	<b>(27)</b>
<b>Surplus/(Shortfall)***</b>	-	<b>(36)</b>	<b>(11)</b>	<b>(9)</b>	<b>(56)</b>

\* This chart assumes that any shortfalls are structurally solved each year.  
\*\* FY 22 is shown as zero as shortfall is anticipated to be covered with federal funds (LBRA)  
\*\*\* FY 23 figure includes approx. \$27 m structural shortfall from FY 22 that was balanced with one-time funds

As is always the case with projections, the Outlook will change over time as more information becomes known. There is continued uncertainty regarding the pandemic's long-term impacts on the economy, and staff will continue to carefully monitor trends.

This Outlook shows significant challenges ahead and the need for the City to be proactive in its strategic planning. Having the Long Beach Recovery Act funds available to mitigate the shortfall for FY 22 provides valuable time for the City to develop thoughtful and strategic plans to prepare for future budget challenges, working together with the Mayor and City Council and the community.

The Executive Summary chapter further describes the General Fund revenue and expense trends, as well as additional information on the status of key funds.