

July 3, 2023

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Proposed Fiscal Year 2024 Budget

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I am pleased to present the Proposed Fiscal Year 2024 (FY 24) Budget. This budget was developed with the forethought of enrichment, growth, and opportunity for the City of Long Beach (City) and the community. As the financial impacts of the pandemic recede further into the distance, the City is more optimistic about the opportunities at hand and stays strongly committed to providing quality public services; investing in the wellbeing of the community, small businesses, and the local economy; and building a solid infrastructure to stabilize the City today, tomorrow, and well into the future.

Since regaining full control of the Queen Mary in June 2021 for the first time in over 40 years, the City has dedicated significant funding and resources to conduct a wide variety of critical repairs that support the ship's structural integrity and historical preservation. Alongside these critical repairs, many other preservation and restoration repairs and standard ship maintenance have been and continue to be addressed. This spring, the City announced a partnership with the Port of Long Beach, which will provide additional support and investment to the ship. In consideration of the shift away from fossil fuels, this innovative partnership identified underutilized oil operations properties that could be made available to Port customers to address supply chain demand at the Port of Long Beach. Private leaseholds on these properties will generate new revenue to be used to support Port operations and the Queen Mary now and into the future. As part of the agreement, the Port will advance \$12 million to the City, which will be used to fund the Queen Mary's re-opening amenities and activities, support ongoing restoration projects, and address infrastructure needs at the site to help the Queen Mary generate revenue to support additional future restoration and ultimate development of the surrounding 43 acres. The Queen Mary is an icon of the Long Beach shoreline, is integral to the history of the city and is a huge economic driver of tourism; these investments over the last two years will continue to generate positive impacts for decades to come.

Over the last few years, including the current 2023 fiscal year, the City has made concerted, focused efforts towards expanding existing and implementing new programs, services, and initiatives to address homelessness in Long Beach. The Homeless Services Bureau budgeted outreach staff has increased significantly, from four people in 2020 to a total of 27 positions budgeted. Over the past three years, the total number of staff serving within the Homeless Services Bureau has increased from 25 to 100, once fully staffed, and the Bureau's annual budget has increased from \$10 million to nearly \$50 million with significant capital funding to create long-term interim and permanent housing capacity.

After the Mayor and City Council proclaimed a local homelessness emergency, the City launched the Mobile Access Center program to deliver Multi-Service Center services to the community; opened a new 85-bed temporary emergency shelter, an RV sanitation safe dumping site, and a Downtown site for the Safe Parking program; sited an extended Winter Shelter on the Eastside at Community Hospital; provided additional emergency shelter beds during inclement winter weather at the MSC; and reached 100 percent utilization of the City's Emergency Housing Voucher program, prioritizing those experiencing chronic homelessness. The City is also working across departments to fast track the completion of the 78-bed Luxury Inn and 33-unit modular shelters, with anticipated grand openings in early FY 24. Additionally, over the last fiscal year, the City was awarded \$1.4 million from the state for an Encampment Resolution Funding program, providing congregate shelter and permanent housing to 40 households from the MacArthur Park area. The City has now purchased a permanent Winter Shelter building at 702 E. Anaheim, as part of the emergency effort, identifying the site, securing half the cost through the County (\$6.5 million County investment), and purchasing the building all within approximately four months. This site will allow for more than 100 interim shelter beds year-round.

The City continues to expand permanent housing opportunities with the addition of new residential units throughout Long Beach. Since the start of 2023, the City's nonprofit affiliate, The Long Beach Community Investment Company, has approved \$14.7 million in loan support to four developers for property acquisition and construction of four affordable housing projects totaling 343 residential units in the Downtown and Midtown areas. In November 2022, the City celebrated the completion of Millennium Homes, a Habitat for Humanity of Greater Los Angeles (Habitat LA) project in the Midtown area that consists of 10 townhomes for low-income first-time homebuyers. In the first two months of 2023, the City entered into agreements with Habitat LA for the purchase and development of two additional 8-unit townhome projects that will also be for low-income, first-time homebuyers, one in north Long Beach and the other in the Midtown area.

Over the past five years, Long Beach has seen approximately 1,200 new accessory dwelling units (ADUs) and single-family homes constructed citywide, with a combined estimated valuation of \$111 million. Additionally, over 2,730 apartment units were completed during the same period with an estimated \$547 million valuation. A total of 424 affordable housing units were permitted in calendar year 2022, which is the highest single year total in the last decade. More recently, since the beginning of FY 23, a total of 394 building permits have been issued for improving existing ADUs and single-family homes, in a total valuation of \$31.8 million. Lastly, the City is in the process of implementing the 6th Cycle General Plan Housing Element through the Zone In initiative, a citywide rezoning effort that will help ensure sufficient zoned capacity to meet existing and future housing needs; applied for and received a Pro Housing Designation from the State; and was one of the first cities in the Southern California Association of Governments (SCAG) region to have a certified Housing Element.

This past year in the FY 23 Budget, the City dedicated \$532.97 million to be invested in citywide infrastructure improvements over the next five years. Thanks to Measure A funding, the City has the continued ability to re-connect communities, create more open

green space, and improve the quality of life for all residents through major transportation corridor improvements, park and public facility improvements, increased road maintenance, and various other projects to enhance infrastructure. Over the last fiscal year, the City broke ground on two major complete street projects: Market Street and Artesia Great Boulevard. These multi-million-dollar investments will re-imagine the corridors by prioritizing pedestrian, bicyclist, and driver safety through the construction of repaved roads, dedicated bike lanes, enhanced traffic signal synchronization, and better, more inclusive sidewalks for all to use. Market Street and Artesia Great Boulevard are two examples of how transformative the Five-Year Infrastructure Investment Plan will be for the City and community of Long Beach.

Over the course of this last year, the City has also made significant headway on the Long Beach Recovery Act. Adopted by City Council in March 2021, the Long Beach Recovery Act was one of the first comprehensive COVID-19 recovery plans in the nation and it set transformative goals for an economic and health recovery for Long Beach. Two years into this effort, the City has awarded a total of \$10.34 million in Recovery grants to small businesses and nonprofits, launched and awarded over 90 contract opportunities to community-based organizations and other partners, launched 62 programs, and launched a [data dashboard](#) to ensure resources are aimed at the communities most disproportionately impacted by the pandemic. The City has thus far issued nearly \$198 million in recovery relief to residents and businesses – utilizing \$108.29 million for Healthy and Safe Community initiatives, \$33.37 million for Economic Recovery initiatives and \$55.98 million towards Securing Our City's Future initiatives. The Recovery Act is showing strong results – stronger economic conditions for our businesses, growing tax revenues, assistance provided to residents in need, and the City has replenished its reserves and stretched the use of dollars to assist with revenue shortfalls much longer than originally anticipated. Buoyed by the progress on an equitably recovery, the City is now planning for the end of the Long Beach Recovery Act, which sunsets in December 2024. City staff are collecting data on successful programs and planning for the transition of 100+ Recovery program staff hired Citywide.

I am incredibly proud of the City's accomplishments and resiliency through a season of great uncertainty and change. As we look towards FY 24, I remain wholly committed to developing a City budget that supports our diverse community and building a future where all residents experience Long Beach as a safe, clean, and healthy place to live, learn, work, play, and thrive. To this end, the Proposed FY 24 Budget can make significant one-time investments with one-time funding available for key priority projects and initiatives. Additionally, the Budget proposes modest structural enhancements in areas of critical needs. For the General Fund, these enhancements are done in a strategic and fiscally prudent way that do not add to the starting structural shortfall and are offset through reallocations, efficiencies, and updates to projections.

Five attachments immediately follow this transmittal memo, including Attachment A that provides detailed information on the budget. Additionally, the Executive Summary Chapter of this Budget Book provides the budget's financial summaries, including revenue and expense trends and information on other funds.

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

In closing, I want to extend my appreciation to the Mayor and City Council for your unwavering leadership and dedication to Long Beach. I also want to express my gratitude for the Budget staff in Financial Management and all the City Manager Departments for their commitment and efforts in putting together a proposed budget that invests in the future of our city organization and community in an equitable, innovative, and fiscally prudent way. I am also grateful for the City Attorney, City Prosecutor, City Auditor, City Clerk, Civil Service Executive Director, Harbor Department Executive Director, and the Utilities Department General Manager for their continued collaboration and support.

We look forward to your thoughtful consideration of this proposed budget and to the continued, collaborative work of advancing the needs and future vision of our City and community.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'T. B. Modica', with a stylized flourish at the end.

Thomas B. Modica  
City Manager

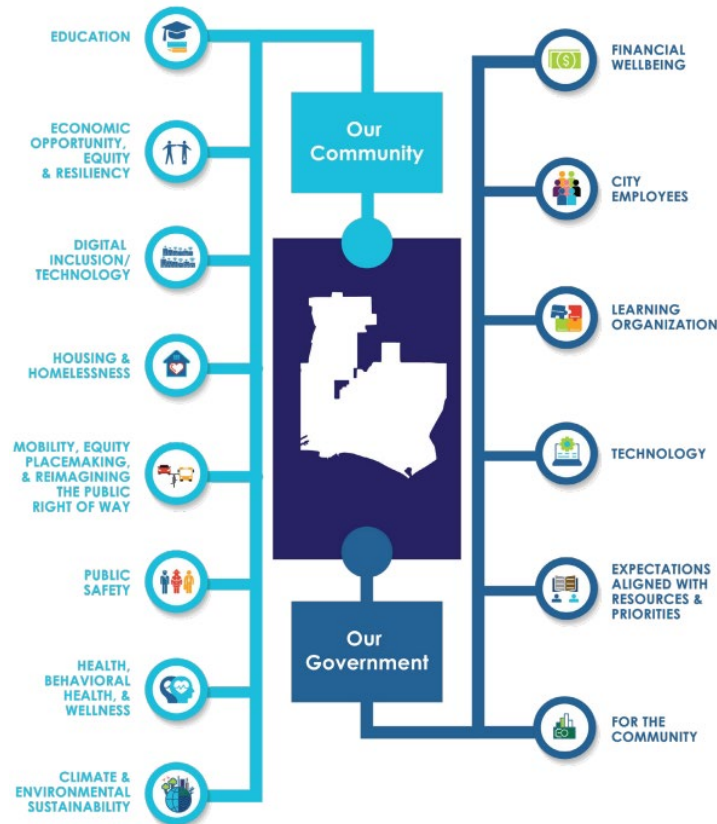
## Detailed Summary of the Budget

### **FY 24 BUDGET HIGHLIGHTS**

The Proposed FY 24 Budget embraces a comprehensive approach that provides for strategic investments in essential areas, anticipates future needs, and addresses immediate priorities without jeopardizing existing services or exacerbating the General Fund's projected structural deficit. *The Budget Balancing* section provides information on the components of budget balancing that allowed the City to essentially hold steady the \$5.8 million structural shortfall that was projected at the start of the budget development process, excluding the impacts of City Council direction regarding cannabis business license tax reduction and tax credit benefits. When cannabis related impacts are included, the shortfall is \$8.8 million. This shortfall is proposed to be covered with funds made available through the Long Beach Recovery Act, and previously set aside cannabis related and other reserves.

The Proposed Budget continues to support the City's commitment to delivering a comprehensive range of services as a full-service City administered by its 24 departments. More information on recent accomplishments, core services, and special projects can be found in the chapters dedicated to each department. This attachment focuses on the additional enhancements and efficiencies being proposed to broaden and enhance key priority focus areas of the Mayor and City Council and to fund mandated costs, in addition to supporting the wide scope of services of existing operations.

These additional enhancements and efficiencies were developed with the goal to propel the city forward towards achieving the **Long Beach Strategic Vision 2030**, which was developed with input from residents and community members on what they need to be healthy and thrive in the next decade and beyond. The proposed changes work to make meaningful progress in each of the following Strategic Vision 2030 theme areas:



In addition to weighing City Council priorities, these investments took into consideration community feedback that was received from residents early during the budget development process. As summarized in a memorandum released on April 5, 2023, City staff conducted inclusive, multi-lingual community engagement activities in January 2023, prior to the development of any budget proposals, an effort that started for the first time in 2022 for the development of the FY 23 Budget. At that time, due to community health concerns, two virtual meetings were held. This year, the City was able to conduct four in-person meetings and a virtual meeting. The engagement also included the distribution and collection of the FY 24 Budget Priority Survey.

Table 1 below outlines the community-oriented themes within the Long Beach Strategic Vision 2030, and the feedback received from the community as to the rank of importance from one through eight, with one being the most important and eight being the least important. In the Budget Priority Survey, the top ranked themes were Public Safety, Housing & Homelessness, and Education. From the in-person and virtual community meetings, the top ranked themes were Housing & Homelessness; Economic Opportunity, Equity & Resiliency; and Climate & Environmental Sustainability.

Table 1: Community Rankings on the Strategic Vision 2030 Community Themes

Strategic Vision Theme (Community)	Budget Priority Survey	Community Meetings
Housing & Homelessness	2	1
Public Safety	1	5
Economic Opportunity, Equity & Resiliency	4	2
Education	3	4
Climate & Environmental Sustainability	5	3
Mobility & Placemaking	6	7
Health & Wellness	7	6
Digital Equity, Inclusion & Technology	8	8

The City also collected open-ended comments and the synthesis of this qualitative data showed that overall, the topic of public safety dominated the responses with some comments calling to redirect Police Department funding to non-armed response programs and others noting to reinforce public safety funds in staffing, patrol, and training. Homelessness and the availability of affordable housing and rental assistance were also top priorities expressed. And lastly, mental health, public transportation, and community spaces were noted as suggestions for additional investment.

The Proposed FY 24 Budget would preserve and augment services in all these priority areas noted by the community. Additionally, investments are proposed in other themes as well, including the themes under Our Government to have a healthy and effective government that is fiscally resilient, adequately staffed, technologically up-to-date, continually learning, and transparent and fully engaged with the whole community. These proposals were developed considering community feedback as well as balancing the citywide need to manage a projected General Fund shortfall.

The sections below provide details on the proposed budget changes and investments within the Long Beach Strategic Vision 2030 and priority areas that is in addition to the full scope of diverse services currently being provided by the City. The narratives below are highlights of proposed changes and do not include every budget proposal. A full list of all General Fund and Other Fund changes in the Budget by department and fund is provided in **Attachment B “General Fund Strategic One-time Investments,” Attachment C “Summary of Budget Changes – General Fund”** and **Attachment D “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.

## HOUSING & HOMELESSNESS

Part of the Long Beach Strategic Vision 2030 is to provide safe and quality housing that is available and affordable for residents across all income levels. The Proposed FY 24 Budget continues to support the City’s existing services, the Homelessness Emergency

Response efforts, and recommends additional enhancements – some of which are highlighted below.

This theme was identified as the number one priority theme from the community engagement meetings and the number two priority from the Budget Priority Survey. This was identified as a top City Council priority during a recent priority setting process. Within this theme, the services that were indicated as highest two priorities when combining feedback from both the Budget Priority Survey and community meetings were addressing and preventing homelessness through emergency shelter and wrap-around services, and rapid response and homeless encampment cleanups. The Proposed FY 24 Budget includes additional investments in both of these service areas as well as others.

- **One-time funding of \$550,000 in the General Fund Group in the Health and Human Services Department to support various site costs at 702 Anaheim to be utilized as a permanent, year-round shelter for people experiencing homelessness.** These funds will help pay for costs such as utilities, maintenance, on-site security, and transportation. The City has already committed \$1 million from the General Fund Group in FY 23 and \$5.7 million from within the Measure A plan to support the acquisition and tenant improvement costs also supported by L.A. County match funding.
- **Add 5 positions and materials budget totaling \$743,750 in the General Fund Group in the Health and Human Services Department's Homeless Services Bureau to provide critically needed support for the administration of programs and services for persons experiencing homelessness, including but not limited to the management of program budgets, funding proposals, grant agreements, trainings, grant reports, and technical assistance to Homeless Service Bureau staff.** The City has been enormously successful in growing the amount of outside resources and growing the budget from \$10 million to nearly \$50 million a year, but this funding does not provide the level of support needed to support the program administration, contract management, and overall accountability structure for the increase in funding. The positions proposed to be added include two Community Program Specialist IV, a Community Program Specialist V, an Administrative Analyst II, and an Administrative Analyst III to strengthen program development, implementation, transparency, and accountability.
- **One-time funding of \$150,000 in the General Fund Group in the Health and Human Services Department for the purchase of a van to provide shuttle services for the Homeless Services Bureau.** Currently this service is contracted to an outside vendor and bringing the service inhouse will provide greater flexibility and ownership over the shuttling services.
- **One-time funding of \$60,000 in the General Fund Group in the Health and Human Services Department to support the operating cost for a shower/restroom trailer servicing persons experiencing homelessness for a**



**portion of the year.** The operating costs include waste pump costs, which comes out to around \$1,000 per day when the shower/restroom trailer is operational. The trailer is being purchased with one-time emergency response funds and will likely spend majority of next year in a single place providing support for shelter participants.

- **Reallocate funding for a Building Services Supervisor from the Health Fund Group to the General Fund to coordinate the preventative maintenance schedule for facilities serving people experiencing homelessness, and structurally add funding of \$294,000 to support the ongoing maintenance and operational needs of these facilities.** There are 6 facilities scheduled to go online and active in FY 24, such as 702 Anaheim St., Best Western Inn, Luxury Inn, Tiny Homes, Navigation Center/Youth Shelter, and ABC Year-Round Shelter.
- **One-time funding of \$300,000 in the General Fund Group in the Parks, Recreation, and Marine Department to support the clean-up of large homeless encampment sites, including waste and other items illegally dumped in parks and open spaces.** This funding will provide continued support towards the effort to provide safe and accessible public spaces.
- **One-time funding of \$750,000 in the General Fund Group in the City Manager's Department for a new Resident Protection Fund.** These funds will be used to support the Long Beach Justice Fund, which provides legal representation for immigrants facing the thread of deportation; and the Tenant Right to Counsel program, which provides counsel for low-income tenants facing eviction. Both programs play a critical role in homelessness prevention for at-risk members of the community. This fund is a designation with General Fund funding (as opposed to a standalone financial fund).
- **One-time funding of \$200,000 in the General Fund in the Development Services Department to be deposited in the Housing Trust Fund for a Accessory Dwelling Unit (ADU) pilot program.** Once deposited, the funds are eligible for a dollar-for-dollar match from the state under the local housing trust fund program, to be leveraged toward a future affordable accessory dwelling unit program. The pilot will aim to provide pre-fabricated ADUs to homeowners who would then rent the units to lower-income families that hold housing choice vouchers. The program funding will seed low-interest loans to finance the ADUs.
- **Add a Customer Services Officer position totaling \$185,304 in the Development Services Fund in the Development Services Department to serve as the Permit Center Ombudsperson.** This position would work to enhance customer service provided to individual projects and facilitate improvements that result in a more user-friendly permitting process both for customers and staff.

- **Add a Senior Civil Engineer position and two Civil Engineer positions totaling \$533,916 in the Development Services Fund in the Development Services Department to help with building plan review submittals and improve application review time.** The Senior position will assist with medium- to large-scale complex development projects such as low-rise townhomes, mid-rise to high-rise multifamily and mixed-uses. The two Civil Engineer positions will assist with moderately complex development projects like accessory and junior dwelling units, duplexes, townhomes, and low- to mid-rise nonresidential buildings.
- **Add a Current Planning Officer position totaling \$232,183 in the Development Services Fund in the Development Services Department to serve as a dedicated Zoning Administrator.** This position will oversee the Zoning Administration Division's processes, staff, and functions.
- **One-time funding of \$975,000 from the Development Services Fund and \$562,500 from the Tidelands Operating Fund Group in the Development Services Department for planning consulting costs needed to complete significant General Plan Elements update.** This update will include the Downtown Plan and the Downtown Shoreline Plan.

## **PUBLIC SAFETY**

The City is committed to a safe Long Beach through services that enhance public safety with innovative, collaborative, and strong community-based relationships and programs. The Proposed FY 24 Budget includes recommended changes that promote components of the Long Beach Strategic Vision 2030, including being a city where community members feel safe and secure, where emergency calls are responded to promptly with a service-oriented approach, and where partnerships that prioritize community wellness are promoted.

The theme of Public Safety was identified as the number one priority from the Budget Priority Survey and the number five priority from the community engagement meetings. This was also identified as one of the top three priorities for the Mayor and City Council during priority setting. Within this theme, the services that were indicated as highest two priorities when combining feedback from both the Budget Priority Survey and community meetings were police patrol and response, and nuisance abatement programs to address loitering, illegal drug activity, excessive noise, and illegally dumped items. The Proposed FY 24 Budget includes proposals in both service areas as well as others.

- **One-time funding of \$1.3 million in the General Fund Group in the Police Department for a Safety Response Unit to address current crime trends through measurable and increased community engagement, education, and collaborative enforcement.** The Safety Response Unit will be comprised of a cross-section of sworn and civilian staff and external partners, including dedicated Police Officers and a Sergeant who will proactively patrol neighborhoods on foot, bike, or vehicle to build relationships with community members and businesses,

as well as regularly review data and intelligence on impact of the Unit's efforts on targeted crime trends.

- **One-time funding of \$500,000 in the General Fund Group in the Police Department to redesign the Community Police Academy and implement a new Public Safety Youth Leadership Academy to build connection between Police Officers and residents.** The Department will be seeking input from community members to design the programs that will provide perspectives and insight into the day-to-day experience of sworn and civilian personnel.
- **Structurally add Measure A funding of \$164,973 in the Police Department to add a Public Health Professional III position to serve as Jail Clinician for critical re-entry program support.** The Jail Clinician Program works to connect people to housing and other resources when transitioning out of jail. This service was funded with one-time dollars in previous years before the COVID-19 pandemic, and this funding would allow the City to bring the service in-house on an ongoing basis.
- **One-time funding of \$500,000 in the General Fund Group in the Fire Department for a Fire peak load staffing reserve.** This will be a flexible reserve of funding for the Fire Chief to bring on additional staff as needed on high demand days, including peak-load units or ambulance staff waiting for transported patients to be admitted at hospitals.
- **Structurally add Measure A funding of \$900,000 in the Fire Department to fully fund the operations of Fire Engine 17 on the current overtime model and maintain the current level of fire and emergency medical services to the community.** Last year, funds of \$609,333 were added, which was the amount anticipated to be needed once the Fire Department's budget was augmented with a potential SAFER grant award. The Fire Department did receive the SAFER grant award but funding 7 positions rather than the 12 requested and thus this additional Measure A support is needed to cover the costs needed for Fire Engine 17.
- **Structurally add Measure A funding of \$244,179 in the Disaster Preparedness and Emergency Communications Department to bring dispatcher levels to pre-pandemic budget by adding two Public Safety Dispatcher II positions.** These added positions will provide greater support to responding to public emergencies in the city.
- **Add a Communications Center Supervisor totaling \$157,088 in the General Fund Group in the Disaster Preparedness and Emergency Communications Department's Fire Communications Center (FCC).** This position will allow for focused attention on needed administrative oversight, supervising the FCC's front-line shift supervisors, serving as the lead liaison to the Fire Department, and bolstering the efficiency and effectiveness of the 9-1-1 Emergency Communication Center.

- **One-time funding of \$960,000 in the General Fund Group in the Police Department for the Recruitment Incentive Pilot Program to incentivize Recruits and Early Career Officers to reside in Long Beach and get childcare.** The incentive would provide those recruits who choose to live in Long Beach \$1,000 a month towards housing and \$1,000 a month towards childcare for the first two-years of employment.
- **Add an Administrative Analyst III position in the General Fund Group in the Police Department's Community Services Bureau to supervise and train 16 Community Service Assistants (CSA) as the CSA Supervisor supporting the program that handles priority 3 calls for service.** The CSA Supervisor (AA III) will coordinate and document the selection, training, and/or re-certification of CSAs; identify deficiencies and provide remedial trainings; assess performance and take corrective or disciplinary action, when needed; ensure appropriate communication with the Communications Center and sworn Patrol divisions, among other duties. The total cost of \$137,192 will be offset by savings from Community Services Assistants actual assigned pay grade and a reduction in materials and supplies budget.
- **One-time funding of \$300,000 in the General Fund Group in the Police Department to support traffic enforcement and Vision Zero pilot projects Citywide.** As capacity allows, staff will review, develop, and employ targeted traffic enforcement strategies in the City's major thoroughfares and areas that have high traffic collision rates.
- **One-time funding of \$100,000 in the General Fund Group in the City Manager's Department for fireworks enforcement.** This funding will support the continued annual implementation of the Fireworks Action Plan adopted by City Council in July 2020, including the Celebrate Safely community outreach campaign, regional coordination, and ongoing enforcement efforts.
- **One-time funding of \$400,000 in the General Services Fund Group in the Technology and Innovation Department to add security cameras to high priority parks or intersections.**
- **Add structural support of \$480,000 in the General Fund Group in the Fire Department to provide budget for the annual debt service needed to lease-purchase Self-Contained Breathing Apparatus (SCBA).** SCBA are mandatory air tanks and a critical piece of personal protective equipment (PPE) issued to all firefighters to breathe as they enter a burning building or other hazardous fire/breathing situations. With this purchase, the Fire Department will be in compliance with the current California Code of Regulations pertaining to SCBAs.

## ECONOMIC OPPORTUNITY, EQUITY & RESILIENCE

Supporting Long Beach businesses and promoting economic development is a part of the vision of being a city of opportunity for all workers, investors, and entrepreneurs. This includes economic inclusion, jobs and workforce development, healthy business environment, and investments in youth and education, as well as continued efforts to promote the arts and the city's unique culture, history, and identity to support the city's diverse economy.

This theme was identified as the number two theme from the community engagement meetings and the number four priority from the Budget Priority Survey. This was also identified as one of the top three priorities for the Mayor and City Council during priority setting. Within this theme, the services that were indicated as highest two priorities when combining feedback from both the Budget Priority Survey and community meetings were programs to retain, expand, and attract businesses to Long Beach, and job-training and job-placement programs. The Proposed FY 24 Budget includes new proposals to support businesses and entrepreneurs as well as other initiatives, and continues to maintain support for the City's workforce development programs.

Additionally, the Proposed Budget supports Mayor Richardson's **Opportunity Beach Agenda, the Grow Long Beach Initiative**, which pushes the City to develop a plan to propel the economic development of Long Beach's main industries, such as aerospace and tourism, and to explore alternative revenue streams for the City to move away from reliance on revenue stemming from oil extraction and production. This initiative was approved by the City Council on March 7, 2023, agenda item #28.

- **One-time funding of \$250,000 in the General Fund Group in the Economic Development Department for the design and implementation of the Grow Long Beach initiatives, including the initial consultant, site selector, and proactive business development for targeted industry clusters.**
- **One-time funding of \$200,000 in the General Fund Group in the Economic Development Department for a proposed downtown advertising district to create a potential new Grow Long Beach revenue source.**
- **One-time funding of \$400,000 in the General Fund Group in the Citywide Activities Department to support citywide impact fee nexus studies to establish/update impact fees needed to defray the cost related to the new or expanded public safety, parks, libraries and traffic facilities/infrastructure required to serve new developments.**
- **One-time funding of \$300,000 in the General Fund Group in the Citywide Activities Department to support revenue generation as part of the Grow Long Beach Initiative, including a consultant study specific to revenue opportunities in the City and related informational items for the community on any potential items identified by the Council.**

- **Add one Administrative Analyst II totaling \$128,035 in the General Fund Group in the Economic Development Department to provide oversight for Business Improvement (BID) District program and to ensure proper contract and program management.** This position will allow staff to improve overall engagement, customer service, contract management, BID formation/renewals, and payment processing to Long Beach's BIDs, and was identified in a recent City Auditor's office audit as a needed enhancement.
- **One-time funding of \$300,000 in the General Fund Group in the Economic Development Department for a marketing and branding campaign and strategy centered on the City's business attraction, expansion and retention activities.** A portion of the funds would also fund the creation of an annual report for the City's economic development initiatives, including business attraction and real estate development that could be used to market the city to potential investors and businesses.
- **Add two Community Program Specialists totaling \$265,227 across the General Fund Group and the Business Assistance Fund Group in the Economic Development Department to support the City's Cannabis Equity Program, including the Cannabis Equity Business and Cannabis Equity Hire initiatives.** These positions will also provide approval for social equity verification application, direct grant applications, business license application fee waivers, and direct technical assistance to social equity applicants. The total cost of the two position is \$265,227, of which 1.14 FTEs will be budgeted in the General Fund Group for a total cost of \$155,117 offset with a combination of revenue from the Equity Hire fees charged to adult-use cannabis businesses that is recognized in the City Managers Department and the Cannabis Social Equity Reserve. The remaining 0.86 FTEs will be budgeted in the Business Assistance Fund Group at a cost of \$110,110 fully offset by the Go-Biz grant in the City Manager's Office.
- **Increase structural funding by \$1.98 million in the General Fund Group in the Citywide Activities Department for a proposed pilot tax credit program for cultivation and adult-use retail licenses who demonstrate good behavior that promotes community benefits, local hiring, living wages, and fair labor standards.** Eligible businesses who have paid their taxes and demonstrate good behavior may receive a tax credit of up to three percent of taxable sales. This proposal is part of the response to City Council's direction to develop a tax relief plan to help stimulate the growth of local cannabis retail establishments. The other part of this response is a proposal to reduce the adult-use retail business tax by one percent and the equivalent to one percent for cultivation businesses to provide tax relief, further described in the Ballot Measures Chapter.
- **Increase structural funding by \$125,000 in the Special Advertising and Promotions Fund in the City Manager's Department for City-funded parade events.** The funding for the following parades will be increased to \$50,000 each

to account for cost increases that have been growing over the past several years – Martin Luther King, Jr., Veterans, Daisy Lane, Dia de Los Muertos, and Jazz Fest.

- **One-time funding of \$500,000 in the General Fund in the City Manager's Department for a Visit Long Beach advertising campaign.** The campaign will be executed by the Convention and Visitors Bureau and will aim to increase promotion of the city as a unique and desirable destination for conventions, tourism, and special events.
- **One-time funding of \$100,000 in the Special Advertising and Promotions Fund in the City Manager's Department for Beach Streets.** Beach Streets, the City's signature Open Streets event, allows residents to experience the vision of celebrating sustainable and active transportation, local businesses, and communities in a comfortable, family-oriented environment. The City will be applying for grant funding to support the full cost of a Beach Streets event, and these one-time funds will be used as a local match should the City be awarded grant funding. The cost of a Beach Streets event exceeds \$100,000 and includes outreach, pre-event planning, and event-day costs such as staffing, rentals, entertainment, and more.
- **One-time funding of \$100,000 in the General Fund in the City Manager's Department to support preparation for the 2028 Olympic Games, including consultant support, travel, and research.**
- **Add one Secretary, upgrade a Public Affairs Assistant to a Communications Officer, and add materials funding totaling \$258,279 in the Queen Mary Fund in the Tidelands Area Fund Group in the Economic Development Department to support the Pier H Bureau and Queen Mary needs.**
- **Add a Senior Civil Engineer totaling \$190,013 in the Queen Mary Fund in the Tidelands Area Fund Group in the Public Works Department to support the reopening and operation of the Queen Mary and the development and management of Pier H.**

## EDUCATION

The City uplifts the value of access to quality education as one of the core foundational elements to opportunity and success. It is committed to a future where children in all neighborhoods have access to quality education, childcare, afterschool programs, post-secondary education, and are prepared to successfully enter the workforce.

This theme was identified as the number four priority theme from the community engagement meetings and the number three priority from the Budget Priority Survey. Within this theme, the services that were indicated as highest two priorities when combining feedback from both the Budget Priority Survey and community meetings were

after-school and summer programs for young people and access to libraries and library programs. The Proposed FY 24 Budget makes investments in both of these service areas and continues to fund the significant areas of youth investment done citywide in the current budget.

- **One-time funding in the General Fund of \$60,000 in Parks, Recreation, and Marine Department and \$250,000 in the Police Department to support the Collaborative After School and Teen Academy Programs.** The Teen Academy Program promotes volunteering and workshops that help participants build in many different life skills. Participants who complete the program have the opportunity to continue being trained on how to run successful recreation programs to prepare for a job in the parks and recreation field. The Police Department collaborates with the Parks, Recreation, and Marine Department to mentor and support youth in these programs. 16 Police Officers will be selected to co-lead activities in the Parks' classes.
- **Add 12.5 positions totaling \$1,046,605 in the General Fund Group in the Library Services Department as part of the implementation of City Council's direction in the Adopted FY 23 Budget to increase library hours across the library system.** Structural funding of \$1 million was added in FY 23 for this purpose but without a funding offset. This funding is now incorporated into the total General Fund balancing for FY 24, which has been able to keep the projected structural shortfall the same as at the beginning of the budget development process. The following positions are being added to support six days of service: a General Librarian, a Library Clerk I, and Library Clerk IV at Billie Jean King Main Library; a General Librarian at Bay Shore Neighborhood Library; two Library Assistants, two Library Clerks, and 0.5 FTE of Library Page hours at the El Dorado Neighborhood Library; two Library Assistants, and two Library Clerks at the Michelle Obama Neighborhood Library.
- **One-time funding of \$300,000 in the General Fund Group in the Economic Development Department for the Public Service Pathways Hiring program.** These funds will support a Public Service Pathways Program to provide employment opportunities in the City of Long Beach for recent graduates and current students working towards their degrees at Long Beach State, Cal State Dominguez Hills, and Long Beach City College.
- **One-time Measure US funding of \$500,435 in the Health and Human Services Department for Community Based Grants and Incentives around Youth Development.** Similar to previous years, this funding will provide direct youth community-based grants.
- **One-time Measure US funding of \$37,000 in the Health and Human Services Department to host the annual Long Beach Youth Festival along with the Commission on Families and Youth.** The festival provides a space where youth can experience performances from local writers, poets, singers, dancers, and



interact with organizations serving youth, engage in networking opportunities, and have access to a variety of resources.

- **One-Time funding of \$116,978 in the General Fund Group in the Health and Human Services Department for youth development related services that will bring the total Youth Fund portion of the Measure US structural and one-time allocations to a total of \$1 million.**

### *Youth Fund and Youth Investments*

In addition to all of the above, the City is strongly committed to investing in the youth of the community, and providing resources, opportunities, and support systems that will help them thrive and propel towards a promising future. Since FY 19 through the Proposed FY 24 Budget, the City has invested over \$115 million into programs across all funds supporting children and youth, including services such as the Be S.A.F.E, youth sports, after school resources, and summer food programming in the Parks, Recreation, and Marine Department; Measure US funded position in the libraries to assist with mental health programming and services to youth; youth-focused books, materials, and programming at the libraries; Health Department grant-funded programming supporting a variety of infant to youth services; afterschool and other learning and recreational activities funded through the Long Beach Recovery Act such as Hoops after Dark, Outdoor Youth Connection, and Teen Academy; career and job training pathway services through Workforce Development; various outreach and training/internship programs through the Police and Fire Departments; educational tours and other training opportunities at the Airport; and many more.

## **CLIMATE & ENVIRONMENTAL SUSTAINABILITY**

When looking to the future, the City envisions a Long Beach where all communities have access to clean air, clean water, flourishing ecosystems, and protection from extreme weather events. To this end, the City is invested in pursuing goals and strategies to reduce the carbon footprint, prepare for extreme climate events, increase the efficiency of natural resource use, and create more livable communities.

This theme was identified as the number three priority theme from the community engagement meetings and the number five priority from the Budget Priority Survey. Within this theme, the services that were indicated as highest two priorities when combining feedback from both the Budget Priority Survey and community meetings were improving local air and water quality and planting trees to increase urban forest and reduce impacts of extreme heat. The Proposed FY 24 Budget is able to make significant investments into climate and environmental sustainability programs to augment current efforts to continue moving forward in the City's climate goals.

- **Increase structural funding by \$300,000 and add one-time funding of \$700,000 in the General Fund Group in the City Manager's Office for the**

**citywide implementation of the SCE Clean Energy Green Rate Program.** In the Climate Action Plan, the City promised to lead by example and purchase 100 percent green power for City accounts. This amount is expected to achieve the 100 percent goal, subject to power availability from SCE, through a mix of structural support and one time funding.

- **One-time funding of \$7.5 million in the General Fund Group in the City Manager's Department and the Citywide Activities Department to allocate Monsanto settlement funds for projects and programs that prioritize impacts to water quality.** The total settlement funds received by the City is \$7.5 million, with \$2.1 million budgeted in the City Manager's Office and \$5.4 million budgeted in the Citywide Activities Department as a transfer to the Capital Improvement Plan in the Public Works Department. The funding in the City Manager's Department is allocated to tree planting, the Urban Forest Management Plan, the WQ Direct Install Program Pilot for rainwater capture/cleaning at residential properties in impacted areas; and water capture education and rebates. The funding to be transferred to Public Works will be allocated to a trash interceptor barge, watershed trash capture at DeForest, green pervious alleys, stormwater management project matching funds for Measure W projects, and storm drain master plan phase 1 support and critical improvements.
- **Add a Deputy City Manager position totaling \$340,721 in the General Fund Group in the City Manager's Department to oversee the Office of Climate Action and Sustainability.** The costs in FY 24 will be partially offset by Long Beach Recovery Act funds on a one-time basis, and with other reductions in the Climate Office on a structural basis.

## **MOBILITY, EQUITY PLACEMAKING, & REIMAGINING THE PUBLIC RIGHT OF WAY**

The City continues to make strategic and forward-thinking investments that will maximize current resources for ongoing future benefits in terms of mobility and the city's infrastructure foundation. The focus is on consistent and prudent investments so that all modes of transportation in the city are supported – including walking, biking, motor vehicles, and public transportation, and that the City's amenities that are aging or deteriorating are addressed to promote safety and livability.

This theme was identified as the number seven priority theme from the community engagement meetings and the number six priority from the Budget Priority Survey. Within this theme, the services that were indicated as highest two priorities when combining feedback from both the Budget Priority Survey and community meetings were keeping streets in good repair and maintaining public parks in good condition. The Proposed FY 24 Budget makes significant investments into the City's infrastructure and other critical needs.

## ***Capital Improvement Program***

In last year's (FY 23) Budget, the City unveiled a new and significant 5-year infrastructure investment plan, now \$533 million inclusive of \$160 million bond proceeds and estimated Measure A revenues from FY 23 through FY 27. This plan invests a historic amount of funding to improve City infrastructure including streets, alleys, bikeways, bridges, playgrounds, sports fields, park facilities, community centers, community gardens, libraries, fire stations, police facilities, health facilities, climate action and adaptation projects, gateway signage, right-of-way improvements, median and parkway improvements, and water quality projects citywide. The City team is moving forward expeditiously to plan, design, and construct the numerous infrastructure projects within the next 5 years.

This year, the City is able to propose new and additional infrastructure enhancements with both additional Measure A funds and other funding sources. An additional enhancement of \$35.7 million through FY 27 is anticipated to be available from Measure A sources, and other funding sources potentially over \$75 million is anticipated to be available for an enhanced plan as well. This new funding will allow for enhancements that will provide a great boost for the City's plan to revitalize the City's infrastructure, prepare the City to be a showcase for the world during the 2028 Olympics, focus on West Long Beach, and continue to improve and enhance City parks, major corridors, and visitor-serving areas. The full funding available for this enhanced infrastructure plan and the updated details of the planned uses of these funds over the next 5 years will be made available in a separate document.

The additional \$35.7 million from Measure A funds comes from \$17 million of additional bonds to be issued in FY 25 for a total of \$67 million versus the \$50 million noted last year, and additional revenue for cash funded CIP from an improved revenue forecast from FY 24 through FY 27. These bond funding estimates assume that the term structure of interest rates in FY 25 and FY 27 will be the same as it was in FY 23 when the first \$60.25 million of Measure A bonds were sold.

Separate from the new additions to the 5-year Infrastructure plan noted above, and excluding the Harbor Department, the Proposed FY 24 Capital Improvement Program (CIP) is \$170.2 million from various sources, including over \$15.1 million from Measure A funds dedicated to enhancing the City's aging and deteriorating infrastructure. The investments organized by the sections of the Capital Improvement Program budget book are listed below. Detailed information on all proposed CIP projects, including Long Beach Energy Resources, Water, and Harbor projects, is available in the FY 24 Proposed Capital Improvement Program chapter and the separate CIP Budget Book.

- Airport – \$2,000,000
- Beaches and Marinas – \$10,000,000
- Mobility & Safety– \$75,384,401
- Parks – \$8,950,000

- Public Facilities – \$5,990,000
- Utilities – \$67,837,400

### ***Other Critical Needs Investments***

- **Increase budget by \$613,378 in the Tidelands Operating Fund Group in the Parks, Recreation, and Marine Department for maintenance, on-going vehicle maintenance cost, and to add a Gardener II for maintenance support of the Harry Bridges Memorial Park, which spans five acres.** The open spaces of Harry Bridges Memorial Park are used for special events and concerts, which host thousands of visitors annually, and thus requires constant maintenance to preserve and prevent deterioration of the existing landscape.
- **Add a Senior Civil Engineer and Civil Engineer Associate totaling \$338,902 across the General Fund Group and the Capital Projects Fund Group in the Public Works Department to support the Sidewalk/ADA and bridge programs.** The Senior Civil Engineer will provide support for investigation, engineering, design, and repairs/construction. The Civil Engineer Associate will support the efforts to install and replace curb ramps and sidewalks throughout the City and the implementation of the ADA Transition Plan. Both positions are funded by 0.1 FTE in the General Fund Group and 0.9 FTE in the Capital Projects Fund Group.
- **Add a City Traffic Engineer totaling \$244,121 across the General Fund Group and the Capital Projects Fund Group in the Public Works Department to oversee the newly created Traffic Engineering Division in the Engineering Bureau, including the management of the Intelligent Transportation Systems Program, Alternative Transportation & Safe Routes to School Program, and the Neighborhood Partnering Program.** The position will be funded with 0.1 FTE in the General Fund Group and 0.9 FTE in the Capital Projects Fund Group.
- **Add eight Maintenance Assistant II positions and four Maintenance Assistant I positions totaling \$912,909 in the Refuse Fund Group in the Public Works Department to enhance the Clean Team Division in the Public Services Bureau working to reduce neighborhood blight, facilitate alley clean-ups, and collect illegally dumped and bulky items.** The previous use of 15.00 FTE Refuse Operator positions will be transferred to the Environmental Services Bureau to support the Organics collection program.
- **One-time funding of \$609,400 in the General Fund Group in the Public Works Department to make improvements to City Place Garage C.** The comprehensive upgrades include revitalizing interior and exterior spaces with new paint to enhance the garage's curb appeal, creating a more welcoming environment for visitors, and improving safety by increasing reflected light. New wayfinding throughout the garage will significantly improve aesthetics and streamline user navigation. Infrastructure maintenance, including asphalt

maintenance, will extend the lifespan of the garage floors and minimize long-term maintenance costs. New, clearly marked striping of parking spaces will help deter vehicle accidents by making the parking spaces clearly visible to drivers. These enhancements reflect the City's commitment to creating a user-friendly, visually appealing, safe parking environment.

- **One-time funding of \$850,000 in the General Fund Group in the Citywide Activities Department for a transfer to CIP to fund critical roof repairs and ADA upgrades at the El Dorado Neighborhood Library.**
- **One-time funding of \$100,000 for a transfer to CIP to fund critical repairs to all windows and glass doors at the historic Alamitos Neighborhood Library.**
- **Increase budget by \$527,137 in the General Fund Group and \$117,717 in the Tidelands Operating Fund Group in the Parks, Recreation, and Marine Department for the grounds landscape maintenance contract to maintain current levels of service.** This will support citywide grounds landscape maintenance, including libraries, police stations, and health centers and support the Parks' strategic plan goal of providing safe, accessible public spaces.

## **HEALTH, BEHAVIOR, & WELLNESS**

An important part of the City's future vision is for every resident in every neighborhood to have the resources they need to live a physically, mentally, and socially healthy life. Achieving this vision requires addressing the underlying conditions impacting health and wellness including healthy births, healthcare access, safe outdoor places for exercise and community gatherings, healthy family structures, and strong social support and connections.

This theme was identified as the number six priority theme from the community engagement meetings and the number seven priority from the Budget Priority Survey. Within this theme, the services that were indicated as highest two priorities when combining feedback from both the Budget Priority Survey and community meetings were mental health services and response, and crisis response team to respond to non-violent, non-emergency 9-1-1 calls related to mental health and substance abuse. The Proposed FY 24 Budget continues to support community crisis response efforts funded in previous budgets and makes additional investments into services that support mental health and wellness.

- **Add a Public Health Professional III position totaling \$135,000 in the General Fund Group in the Library Services department to coordinate the department response to the citywide mental health and homelessness crises.** This position will have specialized training and capacity to provide in-house consultations with library customers, coordinate the work of Health Educators already working with the libraries, develop and promote health literacy programming, and develop and conduct staff training.

- **Add a Public Health Professional III position and materials and supplies totaling \$146,228 in the Health Operating Fund Group in the Health and Human Services Department to expand the capacity of the Mental Health Coordination team.** This position will work to secure funding for Mental Health programming and coordination; manage and implement the strategies identified in the soon-to-be published Mental Health Strategic Report; expand mental health services Citywide; and track mental health policies and legislation to ensure that the City of Long Beach has access to these resources. In FY 24, this position will be offset by one-time funding from General Fund, with the expectation that the department will identify grant funds to cover in the future.
- **Increase budget by \$216,000 in the General Fund Group in the Parks, Recreation, and Marine Department to structurally fund the Be S.A.F.E. Program to provide programming at all 11 sites.** Be S.A.F.E is a 10-week summer program offered at designated parks to better serve the needs of neighborhoods. Previously, three sites were funded structurally with other sites supported with one-time funds. This will build in support for all sites on an ongoing, annual basis.
- **One-time funding of \$90,000 in the General Fund Group in the Parks, Recreation, and Marine Department to continue support for Hoops After Dark Summer Season.** This program provides a safe environment for area youth to develop athletic and leadership skills in conjunction with educational workshops that include mentorship and career counseling. It is the City's goal to fund a Summer program, while fundraising dollars would support other seasons if needed and as fundraising dollars become available.
- **One-time funding of \$190,000 in the General Fund Group in the Parks, Recreation, and Marine Department to continue support for the Mobile Recess Program.** This program provides trucks loaded with supplies and equipment to designated neighborhood streets and provide free recreational activities for youth.

## **DIGITAL INCLUSION / TECHNOLOGY**

The City acknowledges the importance of digital literacy and digital inclusive infrastructure for an individual's ability to participate successfully in learning and the economy in today's increasingly technology-driven world. The City continues to strive towards digital equity for all communities in Long Beach where everyone has access to and use of computer literacy training, the internet and technology devices to be successful in society.

This theme was identified as the number eight priority theme from both the community engagement meetings and the Budget Priority Survey. Within this theme, the services that were indicated as highest two priorities when combining feedback from both the Budget Priority Survey and community meetings were free and low-cost high speed quality broadband internet services, and job preparedness resources to develop or

enhance technology skills for job opportunities. The Proposed FY 24 Budget supports innovative investments to advance the benefit of technology in the community.

- **Create a new Technology, Planning, and Partnerships Division and upgrade upgrading a Business Systems Support Specialist V position in General Services Fund Group in the Technology and Innovation Department to act as the Technology Partnerships Officer citywide and to lead strategic planning initiatives, assist with government affairs and grant management, and co-lead Citywide special projects.** Projects may include efforts such as the 2028 Olympics Planning, What Works Cities engagement, Data Learning Community, Climate Action Plan implementation, and the Data & Performance Metrics Workgroup for the Racial Equity & Reconciliation Initiative.
- **Add a Digital Equity and Inclusion Officer position and a Community Program Specialist (CPS) III position totaling \$246,556 in the General Services Fund Group in the Technology and Innovation Department to permanently establish the Office of Digital Equity and Inclusion in the department.** This position will work to leverage and attract funds to close the digital divide including State and federal grants, foundation funds, and the Long Beach Economic Partnership's fundraising.
- **One-time General Services Fund funding of \$400,000 in the General Services Fund Group in the Technology and Innovation Department to support the Innovation Fund for Smart City Pilot Programs and Civic Innovation Projects, partially offset by \$200,000 in the General Fund.** This Innovation Fund will provide support to explore emerging technology solutions that will help departments provide stronger City services with improved operational efficiencies.

## OUR GOVERNMENT

The City's ability to deliver the services mentioned above as well as the diverse array of programs being delivered to residents as part of the current budget as a full-service City, depends on a healthy, effective, and innovative organization. This requires the City to be fiscally resilient, adequately staffed, technologically up-to-date, continually learning, backed by sufficient resources that align with priorities, and transparent and fully-engaged with the whole community. To this end, the Proposed FY 24 Budget makes investments into these themes in order to better serve the community. Below are some highlights of these investments. This is not a comprehensive list – the full list can be found in the other attachments following this one.

*Financial Wellbeing: The City is fiscally resilient to meet current and future challenges*

- **One-time funding of \$128,000 in the General Fund Group in the City Manager's Department for the Intergovernmental Affairs (IGA) program staff**

**support in legislative and grant-writing efforts to enhance coordination and positioning for grants, revenues, and other funding opportunities.**

*City Employees: Employees are energized, thriving, engaged, and reflect the diversity of communities in our City*

- **Upgrade three Civil Service Department positions totaling \$19,656 in the General Fund Group for greater departmental support in onboarding of city staff, reducing the time to hire, and identifying and attracting qualified candidates for the City.** The upgrades include a Clerk Typist IV to a Personnel Assistant II, a Personnel Assistant I to a II, and a Personnel Assistant I to a III.
- **Add three positions to the Human Resources Department's Personnel Operations Bureau totaling \$383,762 in the Employee Benefits Fund Group and the Insurance Fund group to bolster recruitment and onboarding efforts citywide.** Positions are adding a Bureau Manager to the Personnel Operations Bureau previously managed by the Deputy Human Resources Director; adding an Administrative Analyst III; and adding a Secretary position.
- **Add a Clerk Typist III totaling \$78,533 in the General Fund Group in the Fire Department to provide proactive outreach and custom communications with fire recruit candidates.** This will support the goal of increasing the chances of more local and diverse candidates succeeding in the LBFD Fire Recruit Academy.
- **Perform various reallocations in the Police Department to add staff to the Community Services Bureau to align with outreach, engagement, and community building goals, and prioritize recruitment.** Reallocations include moving one Sergeant and one Police Officer from Background Investigations in the Support Bureau; moving one Police Lieutenant from Patrol Bureau; and moving one Police Motor Officer from Patrol Bureau. This will support the Department's priority to increase the number of qualified candidates, increase the diversity of candidates, and implement technology and other efficiency measure to accelerate the onboarding process.
- **Reallocate a Police Officer position in the Police Department from the Investigations Bureau Financial Crimes Detail to the Business Operations Bureau/Wellness Division to help identify resources for employees and support the development of a comprehensive trauma-informed wellness program.** The program will be geared to the types of stressors, trauma, and work conditions common in law enforcement environments. The Wellness Officer will assist employees in crisis, provide training, facilitate participation in educational seminars and workshops, and help manage the Peer Support Program.
- **Add a People and Culture Projects Officer totaling \$178,834 in the General Fund Group in the Public Works Department to administer wellness, employee engagement, and training programs.** The position will work closely



with the management team to increase staff satisfaction, engagement and retention.

- **One-time funding of \$300,000 in the General Fund Group in the Citywide Activities Department to support the development of a program that provides down-payment assistance for employees.**
- **One-time funding of \$1.7 million in the General Fund Group in the Citywide Activities Department to provide as needed support for expanded recruitment and retention incentives citywide.** The Human Resources Department will be evaluating program components that could include a referral incentive bonus, increasing the amount and eligibility of current recruitment incentive bonuses, and increasing the amount of current performance incentives potentially available for employees.

*Learning Organization: The City is a learning organization that utilizes innovation, experimentation, and data to continuously learn and grow*

- **One-time funding of \$100,000 in the General Fund Group in the City Manager's Department for the Office of Equity to support ongoing racial equity training.** This will include support for Citywide staff in developing Racial Equity Action Plans and applying an equity lens to departmental programs, policies, and programs.
- **Add a Human Resource Officer position totaling \$197,068 in the Employee Benefits Fund Group in the Human Resources Department to oversee a new division of Organizational Development in the Personnel Operations Bureau.** This position and division will be focused creating a comprehensive Citywide training and development program. (Human Resources)
- **One-time funding of \$100,000 in the General Fund group in the Fire Department to support career survival training and other professional development programs for Fire employees.**
- **Reallocate a vacant Police Motor Officer position and a Sergeant in the Police Department from the Jail Section to create a Training Innovation Unit focused on developing training opportunities for topics such as de-escalation, crisis intervention, leadership in policing, diversity, equity and inclusion and belonging (DEIB) in public safety.** The unit will also plan programs that will broaden the pool of applicants who apply for sworn and civilian promotional exams and succeed in the application and promotional processes and create video-based certifications and trainings to improve efficiency in the provision of POST mandated training and serve as a leader in law enforcement training.

*Technology: The City is technology and data informed*

- **Create a new Bureau titled Systems Management and Add a Bureau Manager totaling \$238,240 in the Employee Benefits Fund Group in the Human Resources Department to allow for better integration of Human Resources, Personnel, and Benefits technology into the City's day-to-day operations.**
- **Increase budget by \$495,080 in the General Services Fund Group in the Technology and Innovation Department for Cloud Disaster Recovery Services to fund the build-out and operation of a cloud-based Disaster Recovery solution to help restore access to critical systems should a disaster occur.**

*Expectations aligned with resources and priorities: Expectations and resources are aligned*

- **Add one Deputy City Attorney totaling \$240,031 in the General Fund Group in the City Attorney's Department in the Departmental Counsel Division to meet the expanding needs of all City Departments.** Support will be primarily in the areas of health, ethics, equity, cannabis, purchasing, and planning as well as serving City committees, commissions and boards.
- **Increase budget by \$230,177 in the General Fund Group and \$83,872 in the Tidelands Operating Fund Group in the Parks, Recreation, and Marine Department for increased cost of power, gas, water, sewer, and refuse utilities.** This will support the utility costs related to facility programming and services provided by the Community Recreation Services Bureau.
- **Increase Budget by \$161,729 for additional personnel and materials budget needed for the new Police Oversight Department.** Enhancements include position cost updates for two Police Oversight Officer positions, upgrade of a Program Specialist to a Customer Relations Officer, and the addition of a Clerk Typist II.

*For the Community: The City acknowledges and values the expertise of its community members and organizations and ensures pathways to involve them in policy and program decision-making and implementation that impacts them*

- **Create an Office of Ethics and Transparency in the City Manager's Department to support the management of the City Charter Ethics Commission, Ethics Learning Program, and oversee the City's Public Records Act (PRA) program.** This proposal includes the following: add a Clerk Typist III position, increase budget by \$14,000 for software used to support the Public Records Act (PRA) Program, and reallocate the Administrative Deputy City Manager, Assistant to the City Manager, Ethics Officer, and Assistant Administrative Analyst I positions to this new Office to align with actual duties. The

cost of this new Office will be partially offset by a new PRA program MOU with charges to other departments.

- **Add a Clerk Typist III position in the General Fund Group in the City Manager's Department in the Office of Equity to support administrative and clerical duties for the Citizen's Advisory Commission on Disabilities (CACoD), Equity and Human Relations Commission (EHRC), & Commission on Women & Girls.** This position will also provide administrative support for the Language Access Program.
- **One-time funding of \$300,000 in the General Fund Group in the City Manager's Department for the Language Access Program's interpretation and translation services to meet increased demand.**
- **One-time funding of \$300,000 in the General Fund Group in the City Manager's Department for the Office of Equity to support Long Beach Recovery Act program staff through the end of FY 24.**
- **One-time funding of \$25,000 in the General Fund Group in the City Manager's Department to support the Citizen's Advisory Commission on Disabilities (CACoD) and Equity and Human Relations Commission (EHRC) trainings and community engagement.**
- **One-time funding of \$100,000 in the General Fund Group in the City Manager's Department for a consultant to support with the creation, management, and oversight of cultural centers.** This includes the further development of existing efforts including the African American Cultural Center of Long Beach, Cambodian American Cultural Center, Latino Cultural Center, and LGBTQ+ Cultural District; and working with internal departments.

## **OPPORTUNITIES AND INNOVATION TO ADDRESS CHALLENGES**

Along with the many proposed initiatives and enhancements outlined in the budget, the City remains committed to anticipating and addressing forthcoming challenges, while embracing innovation and creative solutions. By adopting a forward-thinking approach and proactively engaging, the City can strategically evaluate and implement actionable steps to drive progress and turn challenges into catalysts for positive change. This section highlights and summarizes some of the key opportunities to explore, some already included in the proposals noted above, and some to pursue during the year, that will continue to propel the City towards a resilient, adaptive, and thriving future.

- **Rename the Development Services Department to the Community Development Department** – The Development Services Department underwent a strategic planning effort during late 2022 and early 2023 resulting in five key focus areas: empowering our workforce, leading with technology, focusing on core services, demystifying Development Services, and institutionalizing equity. As part

of demystifying Development Services, one of the recommended action steps from the strategic planning effort is to change the name of the department to “Community Development.” The name Community Development Department better describes the focus of the Department and its delivery of effective building, planning, code enforcement, neighborhood, housing and administrative services to the entire Long Beach community. It will better reflect the breadth of all services and is better aligned with the California standard for naming city departments that serve these functions. If implemented, the Department will update its branding and communications approach with the residents and customers the Department serves, while continuing to provide stellar service to its customers.

- **Creating a Library Arts and Culture Department** – The City recognizes the growing interest over the last several years in creating Cultural Centers and Districts throughout Long Beach. The Long Beach community is comprised of a rich environment with a melting pot of races, ethnicities, and cultures. As such, the City is looking to integrate the makeup of the community members within our City operations. Currently, the City is developing plans for the African American, Latino, and Cambodian Cultural Centers, and a LGBTQ+ District. These are all in various stages of planning and implementation. To bring cultural education, awareness and enrichment to the community, the City is looking to elevate these efforts by enhancing our Library system and adding to its existing mission of providing public library service. Providing resources to support these efforts through the Library Services Department and renaming it the “Library, Arts, and Culture Department” ensures that cultural centers and districts are supported within the City infrastructure, while at the same time maintaining excellent library service and leveraging the Department’s experience in delivering high quality cultural programming.

This year, if approved by Council, staff would conduct more focused outreach, identify the opportunities that could be merged into the new department, meet and confer with employees, and propose a specific department. Part of this effort would also include identifying assets both within Library Services and in other departments that could be considered to support our Cultural Centers, either in whole or as part of a joint use along with City operations. This effort would be in collaboration with our Cultural Centers, our City Departments, our stakeholder groups, and ultimately with the approval of the City Council.

- **Restructuring Public Works Department to Better Meet Target Goals** – The City has been evaluating the Public Works structure and proactively working on realignments and restructuring to better implement the significant 5-year infrastructure improvement plan, the organics program, conduct a strong communications program, and invest in staff training and retention. The monumental 5-year infrastructure plan required the need to adapt and adjust organizational structure in order to meet the goals of the plan, meet bond and grant requirements, and successfully prepare for the 2028 Olympics. As part of this review, and to reduce redundancies, provide succession planning, and a manageable workload, the Engineering bureau, led by the City Engineer will

continue to focus on civil engineering and stormwater CIP/ compliance while adding a traffic engineering division led by the City Traffic Engineer. The Transportation Mobility Bureau is being repurposed into a new Transportation Project Management Bureau with a focus on planning, grant management, and capital project delivery for transportation, mobility, and other horizontal infrastructure projects as outlined within the infrastructure and investment plan. A People and Culture Division is being added to increase staff satisfaction, engagement, training, and communication in order to build up the staffing resources needed to implement the many projects and initiatives. A major focus will be to enhance coordination, improve communication both within the department and with City Management, City Council, residents and other stakeholders. More information on these efforts can be found in the Public Works Department Chapter.

- **Hiring Improvements Must Continue As the City Is In a Hiring Crisis** – The City along with many other organizations across the nation are facing significant hiring and recruitment challenges, and it has reached crisis levels. On average, the City is experiencing about a 22 percent vacancy rate, with some operations like Police around a 10 percent vacancy, Planner positions around 30 percent and Refuse and Maintenance Assistant around 40 to 41 percent. While the City has taken steps to address this challenge over the past couple years, it has not been enough to keep up with modern requirements for a nimble hiring organization, and it has taken a large toll on the organization. A 22 percent vacancy rate is unsustainable and creating severe stress on operations as well as on the employees themselves. This has resulted in the City having to make tough choices, where some projects and services needing to be prioritized over others due to limited capacity, and greater strain on the employees themselves. Efforts to streamline hiring processes in Human Resources have been instituted in the past couple years, including the elimination of most physicals, most drug testing, staffing of a new bureau to conduct unclassified hiring, allowing for Livescan anywhere in California, having a one-stop shop for all onboarding requirements, and a study analyzing hiring improvements described further in the next bullet below. Several initiatives were funded and implemented last year, and this budget implements a number of remaining recommendations from the independent study in Human Resources. Yet, it is clear that in order to be an organization that can quickly respond to securing top talent and find ways to prioritize local talent in our own community, a sea change in our approach and methods of hiring will be critical. Continuing to make progress with the challenge of hiring and retention will be a high priority and focus for the City into FY 24.
- **Restructuring Human Resources Department to Enhance Recruitment and Retention Efforts** – In 2021/2022, the City embarked in an organizational optimization study for the Human Resources Department that aimed to streamline operations, modernize the department, and improve the recruitment and retention process of the City's workforce. The study yielded several recommendations with the focus on reorganizing the Department around modern human resources best practices, service delivery improvement to customer departments and City

employees, as well as streamlining the talent acquisition process. The study also identified a major handicap for future success for the Department and the City from the lack of business systems and technology as it pertained to personnel/human resources services. In 2023, and through proposed recommendations in the FY 24 Budget, the Department will be starting to phase in the recommendations aimed at accelerating the recruitment and retention of new City employees due to the challenging job market and the City's urgent need to fill the high number of vacant positions. These recommendations include strengthening the Personnel Operations Bureau with additional position support, creating a Systems Management Bureau, and a new Organizational Development Division that will be focused on creating a comprehensive citywide training and development program. The Department will continue to phase in the additional recommendations throughout 2023 and 2024. More information can be found in the Human Resources Department Chapter.

- Initiate Significant and Focused Effort on Growing the City's Revenue Base in line with the Grow Long Beach Initiative** – In support of the Grow Long Beach Initiative, the City will making a strong and focused effort on action steps to foster alternative revenue sources for the City, increasing its ability to move away from oil related revenues. To this end as described above in the section "Economic Opportunity, Equity, & Resilience," \$1.15 million is being invested into efforts designed to directly pursue new revenues from new business sectors, a downtown advertising district, updates to impact fees, and consultant studies on revenue opportunities. Additional resources are also being allocated to promote a vibrant business community as described in the noted section above. As the City's out-year expenditure growth projections continue to outpace revenue growth, and as the City will need to become less reliant on oil related revenues, this concerted and focused initiative to expand the City's revenue sources will set the City up for sustained long-term fiscal success.

### **CONTINUED SUPPORT FOR HEALTHY AND SAFE COMMUNITIES AND ECONOMIC RECOVERY THROUGH THE LONG BEACH RECOVERY ACT**

On March 16, 2021, the City Council approved the Long Beach Recovery Act (LB Recovery Act), becoming one of the first cities to approve a COVID-19 recovery program utilizing federal American Rescue Plan Act (ARPA) funds. The LB Recovery Act is funded by various sources, including the General Fund as a result of the City's approach to using federal ARPA funds. The U.S. Department of Treasury's (U.S. Treasury) Final Rule allows ARPA funding to be used to provide and maintain current government services (e.g., provision of police, parks, and recreation services) up to the amount of the City's calculated revenue loss due to the pandemic. In compliance with the Final Rule, the City will use the majority of ARPA funds to maintain existing, eligible City services (specifically, parks and recreation and police services) for FY 21, FY 22 and FY 23. The ARPA funding provided to the City thereby offsets General Fund monies, which are then used to deliver City Council-approved programs for the LB Recovery Act. This spending approach, consistent with the Final Rule, does not result in any increased budgetary allocations or

levels of service for the Parks, Recreation and Marine (PRM) or Police (PD) Departments. The total budget for PRM and PD were unaffected by this approach. In addition to using ARPA funds to maintain City services, the remaining portion of ARPA funds will be used to provide direct relief grant payments to those impacted most by the pandemic.

Heading into FY 24, the LB Recovery Act now totals \$296.6 million, over a \$62 million increase in recovery funds since the adoption of the LB Recovery Act, to support more than 80 programs through December 2024 in three main categories:

- **Economic Recovery:** \$71.2 million for programs that focus resources on residents and businesses most impacted by the pandemic to promote an effective and inclusive economic recovery that strengthens revenue generation and leverages consumer spending to stimulate lasting economic growth.
- **Healthy and Safe Community:** \$149.7 million for programs 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.
- **Securing Our City's Future:** \$75.7 million in funds for restoring City services, helping the City weather the next financial crisis by replacing lost revenue, and providing critical time for the City to develop financial and service strategies to mitigate projected budget shortfalls.

Since March 2021, when the City Council approved the LB Recovery Act, staff have designed the Recovery Programs with a focus on equity and collective impact. Being intentional about the impact the 80+ LB Recovery Act programs have on those who need the most help means that these programs have the greatest opportunity to serve and provide for those struggling as a result of the pandemic, which amplified the impacts on Long Beach's communities of color and vulnerable populations. From the beginning of the LB Recovery Act effort, there has been a strong focus on being strategic so that program outcomes are equitable and mutually reinforcing for collective impact. To do this effectively, programs need to be informed by those impacted, clear metrics need to be identified, barriers need to be removed to maximize opportunities to participate in programs, and partnerships with trusted community partners and business stakeholders need to be leveraged. This means that some of the adopted recovery programs critical to addressing immediate needs of the community were expedited and implemented first, while other programs were rolled out later.

All LB Recovery Act programs involve the following components:

1. Address the needs of community members most impacted by the COVID-19 pandemic through targeted service delivery;
2. Embed an equity lens to the design of each program to address the needs of the most adversely impacted and vulnerable community members;

3. Communicate consistent with the City's Language Access Policy and through partnerships with key community-based organizations to conduct culturally and linguistically appropriate outreach, engagement, and education;
4. Demonstrate how each program conforms to funding eligibility and guidelines, purchasing and reporting requirements and service delivery and collective impact metrics; and
5. Report transparently on the Long Beach Recovery Act website at: <https://longbeach.gov/recovery> with up-to-date information pertaining to current and future contracting opportunities, recovery programs progress, and economic opportunities for residents, businesses, and local community-based organizations.

See Attachment E "Long Beach Recovery Act Program Allocations" for the latest allocations to specific program areas.

### **UNFUNDED OPERATIONAL NEEDS AND MAJOR LIABILITIES**

No budget can address all the needs or services 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 how funds are allocated to services by the budget. This year, the City was once again able to avoid service reductions despite a Proposed FY 24 Budget's \$8.8 million projected shortfall (\$5.8 million when excluding the impact of the cannabis tax reduction and the pilot tax credit program) with coverage by the Long Beach Recovery Act and other reserves on a one-year temporary basis. 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.

- **Facilities Condition Assessment** – A facilities condition assessment was completed in FY 22, identifying a need of \$435 million for maintenance or replacement costs throughout 253 City-owned structures.
- **Street and Alley infrastructure** – The City continues to evaluate and conduct studies to ascertain the scope and estimated funding needs to repair and/or maintain roadway infrastructure. Both road and alley condition assessment studies were completed in FY22, identifying a \$1.5 billion need.
- **Sidewalk Management Plan** – The City completed a comprehensive review of the City's sidewalk infrastructure in FY 19. This plan identified over \$631 million in need to improve the City's sidewalks (includes ADA curb ramps described below).
- **Sidewalk ADA compliance** – In FY 17, the City entered into a consent decree to ensure ADA compliance for curb ramps and sidewalks by pledging to complete an



estimated \$313 million in improvements over 30 years. The necessary ADA improvements are included within the overall Sidewalk Management Plan noted above.

- **Unfunded Property Maintenance & Security** – Property maintenance costs associated with various City-owned properties are currently unfunded. This includes costs for the Armory site; costs associated with 125 Elm Avenue, which is the future site of the Police Department Crime Lab, Long Beach Utilities administrative offices, and Senior Center; and costs for 4101 Long Beach Boulevard, the future site of Fire Station 9. The Economic Development Department is responsible for these sites and requires funds to provide security, utilities, landscaping, and general upkeep of the properties. An estimated \$1,060,000 annually is needed to prevent disrepair of these community assets after they are built and occupied, and to ensure the sites do not become an attraction for nuisance activities.
- **Potholes** – The Public Works Street Maintenance Division currently performs right-of-way maintenance with crews assigned to different sections of the City to maximize efficiency when responding to requests for pothole repairs. Due to the majority of the City's streets being in fair to poor condition with an average Pavement Condition Index around 58-65, pothole complaints are constant. Due to limited resources, often the same potholes need to be refilled due to subgrade condition, as the location waits for permanent but costlier repairs. To address most residents' concerns, the pothole program would need \$1,855,000 in additional structural funding to support two additional pothole crews.
- **Street Median Maintenance** – The City maintains medians and backlots primarily with the use of landscaping contractors. This program is underfunded by \$400,000 as current water expenditures and demand for as-needed weed clearance is not fully funded. Additional resources would go towards staffing to quickly respond to seasonal demands to provide weed clearance at hot spots. The City is also faced with a 2025 mandate to eliminate turf from the right-of-way in favor of drought tolerant landscapes. The FY 23 CIP budget included \$550,000 of one-time budget for Street Median and Parkway Improvements with an additional \$700,000 being proposed in FY 24 CIP. This will allow the Department to complete significant improvements toward the 2025 goal.
- **Implementation of the Climate Action Plan (CAP)** – The LB CAP 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 potentially damaging and projected to worsen. The LB CAP identifies steps the City could take but total costs are very high and most 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 LB CAP also commits the City to greenhouse gas (GHG) emission 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 (current dollars).

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. The City will seek to align its expenditures with CAP actions and objectives to be planned as part of future budgets. In recognition of the level of funding and investment that will be needed to implement the CAP in the coming years, the City aims to establish a funding strategy that details the City's approach to integrating mitigation and adaptation considerations in the allocation of existing funds and when seeking and securing new funding sources. More specifically, City actions around funding will focus on identifying opportunities to better align the annual city budget, Capital Improvement Program, and other expenditures with CAP actions and objectives. The City will also pursue new revenue sources for implementing CAP actions by working across departments and with other public agencies, as appropriate, to successfully compete for grants and by studying options to increase local revenue and identify other financing mechanisms.

- **Preparation for the 2028 Olympics** – Long Beach will be hosting multiple events in the 2028 Olympics including Handball, Triathlon, Paralympic Triathlon, Marathon Swimming, BMX Racing, Water Polo, Sailing, and Rowing. The City has completed some critical investments already but more are necessary within the next 5 years. A comprehensive investment plan is currently being developed.

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

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 City Manager to the Mayor and City Council and have articulated various considerations or requirements including funding needs to be determined before any implementation. This year, most of the items brought by the City Council were addressed with one-time funding, either through year-end surplus or Measure A. Thus, the list this year is significantly smaller than in past years. The following items are not included in the Proposed Budget as there was not an opportunity to fund them without an impact to another operation, or they are still in the stage of development with costs unknown. The list of reports transmitted over the past year as of June 2023 that identified additional funding that would be needed to implement with potentially other factors to consider are as follows:

- Waterfront Visioning
- Hoops After Dark – long-term implementation
- Potholes in Parks parking lots and roadways
- Los Angeles River Vision Plan
- Older Adult Needs Assessment and Strategic Planning

- Citywide Cultural Centers and Districts Planning
- Healthcare Minimum Wage – Economic Impact Report
- Autism Certified City
- Pet Sterilization Stipend
- Fentanyl Outreach Campaign
- Marketing and Outreach to Senior Housing Developers

In addition, there are a few reports that are still underway and do not have a cost estimate but are expected to have a fiscal impact. These include, but are not limited to: Healthcare Worker Referendum; Commissioner and Board Member training; Native American Commission approach; Senior Safe Home research; Addressing Downtown Commercial Vacancies; Food Trucks regulation; San Gabriel and Los Angeles River Park Districts and the Terminal Island Transition Plan.

## **GENERAL FUND BUDGET BALANCING AND FUTURE OUTLOOK**

### *Budget Balancing*

The City began the budget development process in Spring of 2023 with a preliminary projected FY 24 structural shortfall of \$5.8 million in the General Fund. With updated projections and proposed FY 24 budget items, the projected structural shortfall remains at \$5.8 million, excluding the impact of the cannabis business license tax reduction and the pilot tax credit program. Many of the proposed structural add items were offset within departments with reallocations, efficiencies, and reductions; those that did not have offsets were deemed critical and priority and balanced with improved revenue and expenditure projections as well as \$2 million of additional Measure A support to maintain Police and Fire service and to offset the continued growth in the cost of doing business.

When the cannabis tax reduction and tax credit program are included (further described below and in the Ballot Measures Chapter), the projected FY 24 shortfall is \$8.8 million. This projection assumes that there is not an economic recession and that historically high levels of position vacancy savings being currently experienced by the City do not continue.

The projected \$8.8 million shortfall is planned to be covered with one-time funding sources in FY 24 – \$5.8 million from funds made available through the Long Beach Recovery Act (Securing City's Future) and \$3 million from previously reserved cannabis tax revenues and other reserves to cover the impact of the cannabis business license tax reduction and tax credit program. The Proposed FY 24 Budget also has \$26.9 million of one-time uses, funded by \$19.4 million anticipated surplus funds from FY 23 and \$7.5 million from the Monsanto Settlement.

Any additional enhancements added to the proposed 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 projected shortfall amount needed to be resolved next fiscal year (FY 25).

### *Cannabis Business License Tax Change and Pilot Tax Credit Program*

On March 15, 2022, Council directed staff to explore the feasibility of repealing the tax for medical and adult-use cultivation businesses. On May 10, 2022, Council directed staff to explore the feasibility of reducing the adult-use cannabis retail tax to align with the medical cannabis retail tax rate. The cultivation and adult-use retail tax reduction feasibility studies were merged into one comprehensive report and presented to the Economic Development and Finance Committee on August 18, 2022, and Budget Oversight committee on August 23, 2022, for review and discussion.

On September 6, 2022, Council passed a motion as part of the budget adoption process to reduce adult-use and medical cannabis cultivation and retail taxes for equity businesses, and for City Manager to return with a potential rebate program plan. City Council also directed staff to develop a tax relief plan to help stimulate the growth of local cannabis retail establishments with incentives that promote community benefits, local hiring, livable wages, and fair labor standards.

On April 18, 2023, the City Council had an additional item on the agenda to provide further direction on this topic. This most recent item directed staff to include a Tax Relief Plan in the FY 24 budget and work to establish an incentive for community benefits, local hiring, livable wages, and fair labor standards. This direction to include this in the FY 24 budget was unanimous.

The Proposed Budget responds to this clear priority of the City Council and proposes to reduce the adult-use retail business tax by 1 percent and the cultivation businesses tax by an amount equivalent to 1 percent rate reduction. While it is uncertain whether this proposal will generate more revenue in the future, for the short-term the City is anticipating an impact to the General Fund of \$3.06 million – made up of a revenue projection decrease of \$1.08 million and an expenditure add of \$1.98 million for the pilot tax credit program. Staff will monitor over the next two years to assess whether these actions are successful in achieving policy objectives and what the longer-term fiscal impacts are to determine the feasibility of these actions continuing into the future.

More details and information on the Cannabis Business License Tax changes, the Pilot Tax Credit Program, and the overall Measure MA revenue and expenses program, can be found in the Ballot Measures Chapter.

### *Future Outlook*

The use of one-times to address the FY 24 shortfall is a one-time solution and the anticipated FY 24 structural shortfall carries over into FY 25. Table 2 below shows the General Fund budget outlook for the next four years, which factors in the significant upward adjustment of revenue projections previously impacted by the pandemic and potential cost of living wage increases for employees, which will be revised based on actual negotiated employee contracts in the future.

Table 2: General Fund Surplus / (Shortfall) in \$ Millions

	FY 24 Proposed*	FY 25 Projection	FY 26 Projection	FY 27 Projection	Total
Surplus/(Shortfall) - Annual	-	(8.6)	(11.7)	(9.3)	<b>(29.6)</b>
<i>Shortfall from Previous Year</i>	-	(8.8)	-	-	<b>(8.8)</b>
<b><i>Surplus/(Shortfall)**</i></b>	-	<b>(17.5)</b>	<b>(11.7)</b>	<b>(9.3)</b>	<b>(38.4)</b>

\* The FY 24 shortfall of \$8.8 million is offset with \$5.8 million funds made available through the Long Beach Recovery Act and \$3 million previously reserved cannabis tax revenues and other reserves

\*\* This chart assumes that any shortfalls are structurally solved each year, except FY 24

This Outlook shows financial challenges ahead and the need for staff to be proactive in its budget planning. As is always the case with projections, the Outlook will change over time as more information becomes known.

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

