

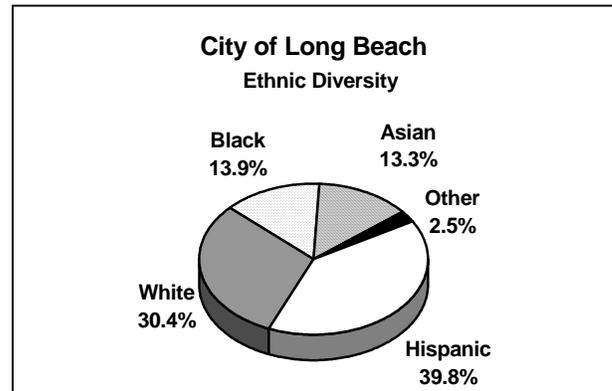
Understanding the City's Budget



City of Long Beach Demographics

GOVERNMENT

The City of Long Beach, California covers approximately 52 square miles on the southern coast of Los Angeles County. With a current population of 492,912, Long Beach is the second largest city in Los Angeles County and the fifth largest city in the State. It is a diverse and dynamic city that, based on the 2006 American Community Survey, has the following ethnic breakdown: 39.8% Hispanic, 30.4% White, 13.9% Black, 13.3% Asian, and 2.5% all other ethnicities.



Long Beach was originally incorporated in 1888. After a short period of disincorporation, the City was reincorporated on December 3, 1897. Since 1921, Long Beach has been governed as a charter city, and operates under a Council-Manager form of government.

The City Council is made up of nine members, elected by district. The Mayor is chosen in a citywide election to serve as the full-time chief legislative officer of the City. Although the Mayor does not vote, the Mayor presides over City Council meetings, presents the annual budget to the City Council and has veto power over City Council actions. The Vice-Mayor is elected by the City Council from among its members.

The City has three other full-time elected officials: City Attorney, City Auditor and City Prosecutor. The City Council appoints the City Clerk and City Manager. The Mayor nominates, and the City Council approves, members to various boards and commissions. The Civil Service Commission, Board of Water Commissioners and Board of Harbor Commissioners oversee operations of their respective departments while all other City departments report directly to the City Manager.

The City Manager serves at the discretion of the City Council. As head of the municipal government, the City Manager is responsible for the efficient administration of all departments, with the exception of the elective offices and the three semi-autonomous commission-led departments. The City currently employs approximately 5,810 full- and part-time staff within 22 departments.

In addition to the usual municipal services of police, fire, parks and recreation, public works, and library, the City of Long Beach owns and operates a leading deep-water port, offshore and onshore oil production, a local health department, a gas utility, a water utility, a convention and entertainment center, aquarium, museum, two historic ranchos, a commercial airport, marinas and golf courses.

City of Long Beach Demographics

EDUCATION

The Long Beach Unified School District is the third largest public school system in California serving 88,242 kindergarten through twelfth grade students in 2008. The district's 93 schools are located in Long Beach, Signal Hill, Lakewood and on Catalina Island. Additionally, Long Beach also offers a City College, educating approximately 29,000 students. The college offers 96 Associate of Arts/Science degree programs, 85 Career Certificate programs and the opportunity to complete up to two years in any of 54 baccalaureate programs for transfer to a four-year college or university.

California State University, Long Beach (CSULB) is the State University system's second largest campus. With over 36,000 students enrolled in the 2008-2009 school year, CSULB offers 71 baccalaureate majors, 67 masters degree programs, one joint doctoral degree, one joint doctor of education degree and 14 certificate programs.

BUSINESS AND INDUSTRY

The City of Long Beach is a center for aerospace, petroleum, shipping and tourism, along with a wide variety of office and retail opportunities. Downtown alone is home to 4.2 million square feet of commercial office space.

Currently, the largest employer within the City is the Long Beach Unified School District, which operates 90 regular and three charter schools. The district's workforce of approximately 8,335 employees ensures the success of students by maintaining high standards, a commitment to excellence and by offering a comprehensive scholastic program.



Downtown Long Beach overlooking the Port.

The city's second largest employer is the Boeing Corporation, which operates a 424-acre facility at the Long Beach Airport and employs approximately 8,200 persons. The facility exceeds 6.7 million square feet of space and is currently utilized for the production of commercial jetliners, the C-17 military transport plane and program support for production lines in other locations. In what will be one of the region's largest land redevelopment efforts, Boeing is in the process of converting 260 acres of their facility from industrial to mixed commercial/residential use in an effort to provide quality industrial, research and development space. Exhibit 1 provides a breakdown of the top 10 employers in Long Beach as of January 2009.

Oil production, private and municipally-owned, continues to be an important business in Long Beach with both offshore and onshore facilities. Approximately 14.9 million barrels of oil are produced annually from facilities in Long Beach. The Long Beach Unit Optimized Water-Flood Injection Process, authorized by State legislation, has improved oil recovery and lengthened field life in the Wilmington Oil Field. Continued application of new technology is expected to further increase oil recovery.

City of Long Beach Demographics

Exhibit 1: Top 10 Employers in Long Beach

Rank	Employer	Employees As of January 2009
1	Long Beach Unified School District	8,335
2	The Boeing Company	8,200
3	CSU Long Beach (includes part-time)	6,367
4	City of Long Beach (includes part-time)	5,810
5	Long Beach Memorial Medical Center	5,800
6	Verizon	2,500
7	Veterans Affairs Medical Center	2,500
8	Long Beach City College	2,300
9	United States Postal Service	1,700
10	St. Mary Medical Center	1,480

Source: Economics Research Group, Office of the City Manager

The Port of Long Beach remains one of the busiest container ports in the world. In 2007, the Port handled more than 7.3 million twenty-foot-long containers (TEUs) carrying 87 million metric tons of cargo. International trading partners include the Pacific Rim nations of Japan, China, Taiwan, and Korea. In addition to containers, the Harbor facility handles crude and refined petroleum products, dry bulk such as coal, coke and cement; automobiles, lumber, paper and fruit; steel and scrap metal.

As California's largest urban Enterprise Zone, Long Beach offers businesses located in targeted areas five categories of State tax incentives aimed at stimulating new private investment, business expansion and job creation. These incentives include sales tax credits, hiring tax credits, business expense deductions, net operating loss carryover and a net interest deduction for lenders. Over 10,000 Long Beach businesses of varying sizes operate in the Enterprise Zone. The Enterprise Zone designation has recently been renewed and will be in place until 2022.

Tourism continues to be a growing industry in Long Beach, and the city attracts over 5.5 million visitors a year. A vital part of that industry is the Long Beach Convention and Entertainment Center. The Center's facilities include a 224,000 square-foot exhibit hall, 83,000 square feet of meeting room space, a ballroom able to comfortably seat 1,600, a 13,600-seat arena and two theaters in the elegant Long Beach Performing Arts Center. Additionally, over 2,500 hotel rooms are within walking distance of the Convention Center.



Long Beach Aquarium of the Pacific at night.

The world-class Long Beach Aquarium of the Pacific, on Rainbow Harbor, is located across the water from the Convention Center, Shoreline Village and the historic Queen Mary. The Aquarium is home to 12,500 marine animals from over 1,000 species indigenous to the Pacific Rim. It is a milestone in design, architecture and technology for the 21st century.

City of Long Beach Demographics

MAJOR DEVELOPMENTS

Douglas Park, recipient of the 2006 Planning Project Award from the Los Angeles Section of the American Planning Association, broke ground in late 2005. In December 2004, the City Council granted project approvals for the redevelopment of approximately 261 acres of former and existing Boeing C-1 aircraft production facilities at the southwest corner of Carson Street and Lakewood Boulevard. Of the 261 acres, 238 acres are within the City of Long Beach, with the remaining 23 acres located in the City of Lakewood.



Rendering of Long Beach Douglas Park.

The planned mixed-use community in East Long Beach will include up to 3.3 million square feet of commercial and office space, up to 200,000 square feet of retail space, a maximum 1,400 residential units, up to 400 hotel rooms and over 11 acres of public parks.

In the downtown, the West Gateway area redevelopment is now underway. Embodying principals of "Smart Growth," the City of Long Beach is pursuing a unique public/private economic development partnership to develop a new transit-oriented urban neighborhood on all or portions of 8 square blocks situated at the entry to the City's downtown core. This master planned effort includes a new public elementary school (now completed) and the development of approximately 800 ownership and rental housing units, incorporating resident-serving retail within an enhanced urban community. West Gateway is a critical element in the revitalization of greater downtown Long Beach.



Rendering of Promenade Development between 1st and 3rd Streets in Downtown Long Beach.

The Promenade is another downtown development expected to revitalize the area with an exciting array of uses. The Promenade spans several blocks and serves as a pedestrian linkage from Shoreline Drive, south of the Convention Center, to the northern terminus at 5th Street and the City Place retail and residential center. The Redevelopment Agency is developing an urban, pedestrian-oriented, mixed-use development along The Promenade between 1st and 3rd Streets. Also on The Promenade are the newly refurbished Insurance Exchange Building Lofts and the Hotel Esterel on The Promenade.

City of Long Beach Demographics

The new Mark Twain Library, which opened in August 2007, a 16,000 square-foot state-of-the-art center for learning, technology and recreation, replacing the "old" Mark Twain Library built in 1958. The new library is the first 21st century library and the first "green" public building in the City of Long Beach. The library incorporates many energy-saving design features, recycled materials and



The new Mark Twain Library.

an innovative program to educate patrons about its "green" features. It received a silver LEED (Leadership in Energy and Environmental Design) rating from the U.S. Green Building Council. The new Mark Twain Neighborhood Library provides vastly improved service tailored to meet the needs of the diverse Anaheim Corridor community, including nearly double the number of books and audiovisual materials, over six times the number of public computers, and a community meeting room. It is a prominent community and cultural anchor, a landmark along Anaheim Street and a symbol of neighborhood pride.

In its first year of operation, the Mark Twain Library went from least to most heavily used of all neighborhood libraries with the highest daily branch attendance of 1,000 visitors per day. This library also has the highest number of students receiving special homework assistance in the Family Learning Center with 1,200 students per month.



The Budget Process

The Fiscal Year 2009 (FY 09) Budget covers the period October 1, 2008 through September 30, 2009. The following is a description of the City's multi-dimensional Budget Process, which is designed to promote transparent communication with community stakeholders and provide multiple opportunities for direct community input.

THE BUDGET PROCESS

The Budget is the most important policy document the City produces on an annual basis. The program and financial decisions it embodies must reflect the will of the community through the policy direction of the City Council. This can only be achieved through a development process that encourages communication and transparency, seeking input from a diverse cross-section of the community, while offering opportunities for review and revision. The following is the general budget preparation process, which utilizes the City's Financial Strategic Plan (Plan) as a guide for budget development.

Beginning in January, the City Council's Budget Oversight Committee (BOC) initiates monthly meetings. In January, the City Manager, through Financial Management, provides clear budget development instructions to departments, requesting they begin updating their department's Plan strategies and making initial estimates for their proposed capital and operating budgets.

From February through May, departments complete their proposed budgets including updated revenue and expenditure recommendations contained in the Plan. In June, the City Manager assembles department proposals into a coherent Proposed Budget that reflects the economic environment, fiscal condition and priority needs of the City.

A series of community events designed to encourage active public dialogue regarding the Budget is initiated in June, culminating in the Budget's adoption by the City Council in September. Activities include BOC meetings, requested neighborhood, board, committee and commission briefings, and City Council budget workshops and hearings.

As mandated by the City Charter, the City Manager submits the Proposed Budget on or before July 1 to the Mayor for review. The Mayor reviews the Proposed Budget and submits it, along with any recommendations, to the City Council on or before August 1. Subsequently, the BOC submits their recommendations to the City Council for consideration. The City Council must adopt the budget by September 15; otherwise, the City Manager's Proposed Budget becomes the City Council's Adopted Budget. The Mayor then has five days to concur with the City Council's Adopted Budget or exercise a line-item veto of any expenditure. The City Council can override the Mayor's veto with a two-thirds majority vote. By City Charter, the City Council may override the Mayor's veto (if any) or accept changes prior to October 1, the beginning of the new fiscal year.

FY 09 BUDGET PREPARATION CALENDAR	
Jan	Budget Oversight Committee (BOC) meetings initiated
Jan	City Manager issued budget preparation policies and instructions to departments
Feb - May	Departments completed their Plan updates, operating and capital budget proposals
Jun	City Manager previewed Proposed Budget at City Council budget workshop
Jul 1*	City Manager submitted Proposed Budget and CIP budget to Mayor
Aug 1*	Mayor submitted Proposed Budget with recommendations to City Council and community
Aug 5	Weekly budget workshops and hearings commenced. BOC submits recommendations to the City Council
Sept 11	City Council adopted the Budget
* On or before	

The Budget Document

The Budget document is divided into seven sections: Understanding the Budget, Performance Management, Financial Strategic Plan, Budget Summaries, Program Budgets by Department, Fund Summaries and the Capital Improvement Program.

Understanding The Budget

This section provides demographic and other information on the city's government, educational sector, economy and other information to provide a context for the City's service environment and priorities. The budget process, the budget document and the fundamentals of the City's financial management are also discussed. Lastly, background information about the City's main revenue sources is provided.

Performance Management

This section describes the City's performance management efforts designed to align the City's major business processes around City Council and community priorities, maximize the efficiency and effectiveness of government services and programs, assess service delivery performance and provide a framework for identifying needed resource reallocations.

Financial Strategic Plan

The City's Financial Strategic Plan (Plan) was designed to be an organic document that must be updated annually to capture and reflect the City's changing fiscal and service delivery environment. The Plan represents the culmination of months of deficit reduction proposals, discussions and deliberation amongst the City Council, the community, employees throughout the organization and City Manager-department directors, and provides additional recommendations to address changes in structural deficit assumptions.

Budget Summaries

Several summaries of department and fund budgets are provided, with multi-year comparisons of expenditures and revenue. Also included is a three-year schedule of Full-Time Equivalent staffing for each department.

Performance-based Program Budgets by Department

A major component of the City's performance management efforts is the use of a Performance-based Program Budget. This Performance-based Program Budget is clearer than a traditional line-item budget in effectively demonstrating and communicating the actual services and tangible outputs and outcomes delivered to the community, and serves as the basis for reporting and evaluating the results the community will receive for the budgets departments are allocated. Rather than focusing budgetary information on the inputs required to deliver services, the Performance-based Program Budget focuses on the outcomes and results of key performance measures produced through each Program with the service levels supported through the budget.

Fund Summaries

The Budget includes spending from 37 different "funds" that are required to be reported by State or federal law, the City Charter and/or proper accounting practice. A fund consists of a separate set of accounts used to monitor the accomplishment of specified purposes, or uses of restricted revenue. Depending on the type of service provided, department expenditures may be authorized from a number of funds. Most traditional City services are funded through the General Fund.

The Budget Document

The Capital Improvement Program

The Capital Improvement Program (CIP) represents expenditures for major construction and infrastructure projects or for repair of City facilities and buildings. A committee of department representatives meets during the year to select projects to be initiated, funding sources and the operating impacts on the General Fund. The CIP, as presented in this section, is adopted annually by the City Council as part of the budget process. A separate CIP document, the FY 09 Proposed CIP, provides greater detail about ongoing and approved CIP projects.

FINANCIAL INFORMATION

Adjustments to the Budget

During a fiscal year, special circumstances may result in changes to department spending priorities. At the beginning of each fiscal year, appropriations are made at the fund and department level and are authorized by City Council adoption of an Appropriations Ordinance. Budget adjustments that require a modification to the amounts authorized by the Appropriations Ordinance require the approval of the City Council. Transfers between programs or “characters of expense”, but not affecting any funds or a department’s total appropriation, only require City Manager approval.

Basis of Accounting*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

**This information is taken from the Comprehensive Annual Financial Report (CAFR) of the City of Long Beach, California – September 30, 2007. For further information regarding the City’s accounting and debt management practices, please consult the CAFR.*

Accounting Basis of Budgeting

The generally accepted accounting principles used as the basis to prepare this Budget are the same as those used to prepare the annual financial report with the following exceptions: (1) encumbrances are considered to be expenditures for budget purposes but are not included in financial reporting; and (2) land held for resale is recorded as an expenditure when purchased and a revenue when sold for budget purposes. For financial reporting purposes, land is held as an asset and a gain or loss is recognized at the time of sale.

Investment Management

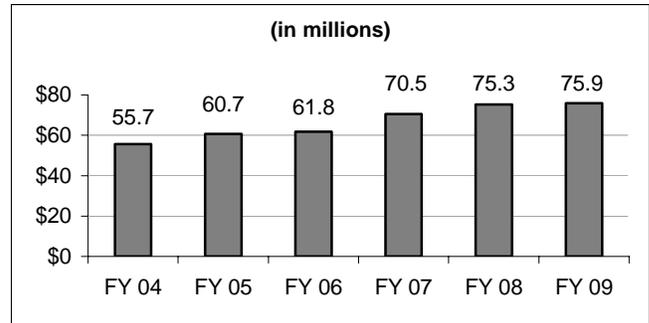
This function’s primary goal is safeguarding principal and ensuring liquidity levels necessary to pay for budgeted expenses while optimizing return on investment. The City maintains general bank accounts for daily business requirements, but the majority of the City’s funds are held in an investment pool administered by the City Treasurer. As of September 30, 2007, the Treasurer’s investment pool was approximately \$1.6 billion divided into short-term and long-term portfolios. To measure performance, the City uses two benchmarks: the 91-Treasury Bill benchmark for the short-term component and the Merrill Lynch 1-3 year Treasury/Agency Index for long-term component.



General Fund Revenue

PROPERTY TAXES

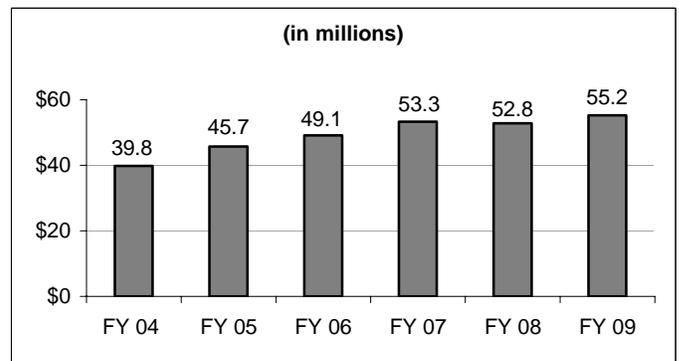
Approximately 18.7 percent or \$75.9 million of the City's General Fund revenue is derived from local property taxes, which includes secured real property tax and unsecured personal property tax, net of refunds. Property, primarily land and buildings, is valued by the County Assessor and taxed at 1 percent of assessed value. Cities and other local agencies, such as schools, special districts, and the County of Los Angeles, share in the countywide property tax pool. The City of Long Beach only receives 21.7 percent of property taxes paid by City property owners in non-redevelopment designated areas of the city. The City's Redevelopment Agency receives 100 percent of certain specified property tax revenues generated within the redevelopment project areas. Due to the current economic slowdown and recent decline in the housing market, FY 09 property tax estimates assume a 3.3 percent increase over FY 08 receipts. The Los Angeles County Assessor's Office's Annual Assessed Valuation Report indicates a 7.8 percent increase in Long Beach's assessed valuation; however, the City historically receives less growth in its actual receipts due to delinquencies and reassessments. It is expected that delinquencies and reassessments will have a greater impact in FY 09.



Property tax is a major source of revenue for critical City services such as police, fire, public works, recreation and library services. Prior to the passage of Proposition 13 in 1978, property tax revenues accounted for approximately 28 percent of all General Fund revenues as compared to 18.7 percent now.

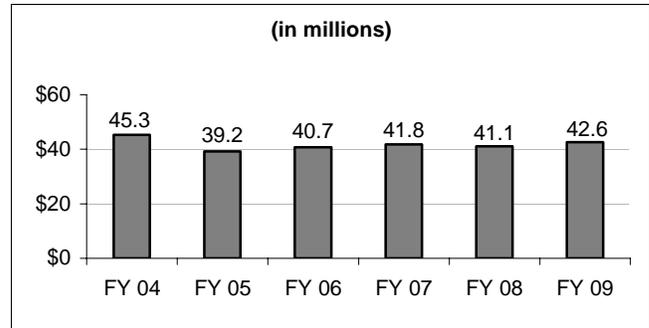
SALES TAX

Sales tax receipts are expected to account for \$55.2 million, or 13.6 percent, of all General Fund revenues in FY 09. All taxable retail sales in Long Beach are charged an 8.25 percent tax. This amount includes 1.25 percent that goes to the County of Los Angeles, and 6.25 percent that is retained by the State. Only 0.75 percent is currently returned to the City by the State. Sales tax revenue varies from year-to-year due to fluctuations in the economy. Through Proposition 57, the State has "flipped" 0.25 percent of Sales and Use Tax from the City to the State in exchange for an equal amount of ERAF Property Tax to help fund the State's Economic Recovery Bonds. The replacement property tax, titled "In Lieu Sales and Use Tax," is received on a semi-annual basis, and is included in the estimated sales tax totals for the fiscal year. In FY 09, sales tax receipts will be susceptible to declines in the event of a worsening of the current economic downturn.



UTILITY USERS TAXES

The City applies a utility users tax (UUT) to customers' electricity, gas, telephone, and water bills. These four revenue sources account for \$42.6 million, or 10.5 percent, of the City's General Fund revenues. The UUT was the General Fund's largest revenue source before a voter-approved initiative reduced the utility user tax rate from 10 percent to 5 percent. The rate for FY 09 is 5 percent, effective since October 1, 2004. These taxes do not apply to low-income senior citizens who are over 62 years of age or disabled low-income individuals.



OTHER TAXES

The City receives revenue from the Transient Occupancy Tax assessed on guests of all City hotels and motels, and from the Business License Tax assessed on all those doing business in Long Beach. Both taxes are expected to demonstrate flat to slight growth from FY 08 levels, but are vulnerable to fluctuations in the economy.

LICENSES AND PERMITS

This revenue comes to the City from a variety of licenses and permits. Emergency ambulance, fire plan check, fire inspection and dog license fees generate the largest revenues.

FINES, FORFEITURES AND PENALTIES

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

REVENUE FROM USE OF MONEY AND PROPERTY

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

REVENUE FROM OTHER AGENCIES

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

OTHER CHARGES AND REVENUES

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

INTER- AND INTRA-FUND CHARGES

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

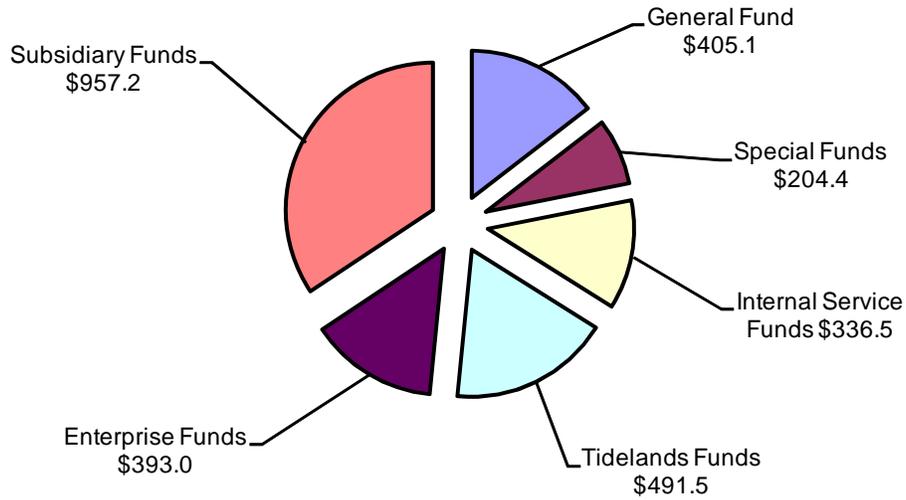
"GANN" APPROPRIATIONS LIMIT

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

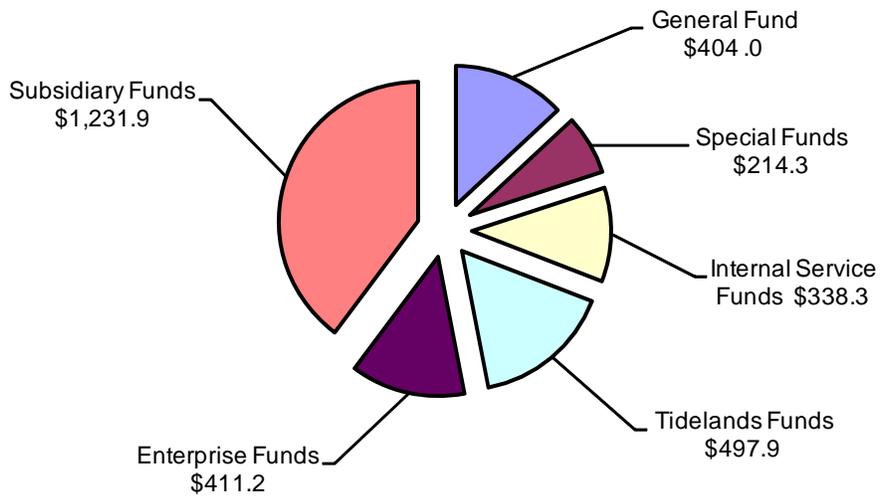
The "Gann" Appropriations Limit for the City of Long Beach for FY 09 is \$570,399,558. The total revenue, or proceeds of taxes, subject to the limit after removing allowable exclusions is \$234,135,223, or 41.05 percent of the Gann Limit. In FY 08, the limit was \$544,214,929.



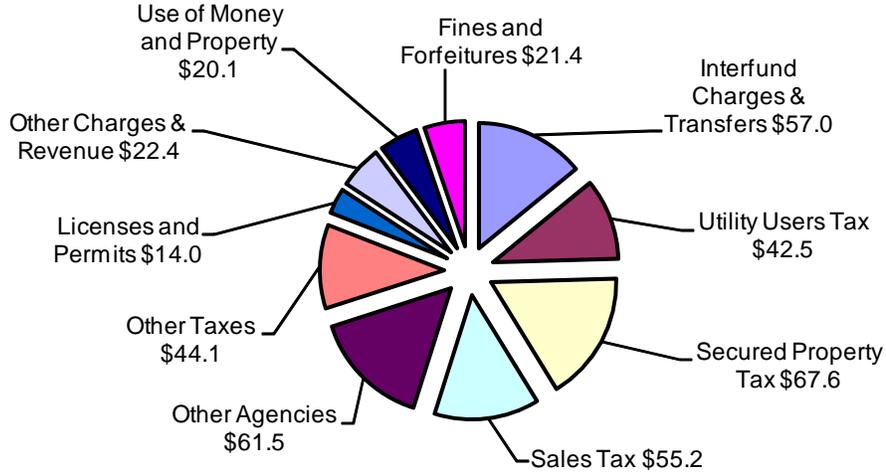
**FY 09 Adopted Revenues
All Funds (in millions)
(Total = \$2.8 billion)**



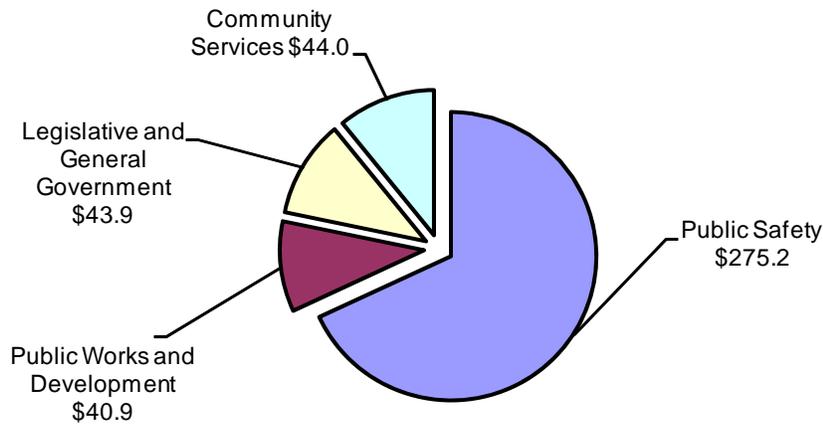
**FY 09 Adopted Expenditures
All Funds (in millions)
(Total = \$3.1 billion)**



**FY 09 Adopted Resources
General Fund (in millions)
(Total = \$405.1 million)**



**FY 09 Adopted Expenditures
General Fund (in millions)
by Category of Service
(Total = \$404.0 million)**



Debt Management

DEBT MANAGEMENT

The Financial Management Department, Treasury Bureau, is responsible for issuing debt on behalf of City departments, City agencies, assessment districts, community facilities districts and other qualified entities. Typical debt structures include revenue bonds, lease revenue bonds, land based financings and notes. Debt may be issued with fixed or variable rate interest structures. Approximately \$2.7 billion in debt was outstanding as of September 30, 2008. However, \$887.4 million of this debt is related to the Gas Prepay, which is guaranteed by Merrill Lynch, Inc., even though it is issued out of the Long Beach Bond Finance Authority (LBBFA).

Central to debt management is ensuring the City's compliance with federal, State and local regulations. Other duties of this function include trustee services, preparation of Securities and Exchange Commission and Internal Revenue Service reports, determining annual assessment levies and approving the distribution of bond proceeds.

SUMMARY OF THE CITY AND RELATED AGENCIES OUTSTANDING DEBT

The tables below summarize the City's outstanding debt, including final maturities, original par amounts and amounts outstanding. All information is presented as of June 30, 2008.

Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1993 Belmont Shore Parking Meter Revenue Bonds	2012	\$1,680,000	\$705,000
Series 1994 Marina Subordinate Revenue Bonds	2009	1,310,000	135,000
Series 1997A Water Revenue Bonds	2024	46,945,000	32,200,000
Series 1998A Harbor Revenue Bonds	2019	206,330,000	138,755,000
Series 2000A Harbor Revenue Bonds	2025	275,000,000	232,320,000
Series 2002A&B Harbor Revenue Bonds	2027	300,000,000	165,695,000
Series 2004 Lease Revenue Bond (Towne Center Site Refinancing)	2030	11,595,000	10,950,000
Series 2004A&B Harbor Revenue Refunding Bonds ⁽¹⁾	2018	113,410,000	88,080,000
Series 2005A& B Harbor Revenue Refunding Bonds	2025	257,975,000	234,840,000
Series 2005 Gas Utility Revenue Refunding Bonds	2013	7,675,000	6,500,000
Series 2005A&B Long Beach Bond Finance Authority (LBBFA) Revenue Bonds (Redevelopment, Housing and Gas Utility Financings)	2040	192,432,306	185,067,306
Series 2005A Long Beach Bond Finance Authority (LBBFA) Limited Obligation Refunding Revenue Bonds	2015	2,100,000	1,135,000
Series 2007A&B Long Beach Bond Finance Authority (LBBFA) Natural Gas Purchase Revenue Bonds ⁽²⁾	2033	887,360,000	887,360,000

⁽¹⁾ Defeased the Series 1993 Harbor Revenue Bonds aggregate principal of \$127,470,000.

⁽²⁾ Proceeds of the Bonds were used to prepay the costs of the acquisition of a specified supply of natural gas to be delivered over approximately 30 years under a Prepaid Natural Gas Purchase and Sale Agreement ("Agreement") between Merrill Lynch Commodities, Inc. ("Seller") and LBBFA. The Seller is obligated to deliver specified daily quantities of gas to the Issuer, make certain payments for any gas not delivered, to remarket gas not taken by the City and to make a termination payment upon any early termination of the Agreement. Merrill Lynch & Co. unconditionally guarantees the payment obligations of the Seller under the Agreement.

Debt Management

Lease Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1997A Lease Revenue Refunding Bonds (Civic Center Project)	2027	\$43,655,000	\$35,370,000
Series 1998A&B Long Beach Bond Finance Authority (LBBFA) Lease Revenue and Refunding Bonds (Temple & Willow Facility)	2027	29,565,000	24,565,000
Series 1999A Long Beach Bond Finance Authority (LBBFA) Lease Revenue Bonds (Rainbow Harbor Refinancing Project)	2024	47,970,000	46,280,000
Series 1999 Variable Rate Demand Lease Revenue Bonds (Long Beach Museum of Art)	2009	3,060,000	3,060,000
Series 2001 Lease Revenue Bonds (Plaza Parking Facilities) ⁽¹⁾	2027	11,500,000	10,170,000
Series 2001 Lease Revenue Refunding Bonds (Aquarium)	2030	129,520,000	123,885,000
Series 2002 Long Beach Bond Finance Authority (LBBFA) Lease Revenue Bonds (Public Safety Facilities)	2031	40,915,000	38,410,000
Series 2003 Long Beach Bond Finance Authority (LBBFA) (Skylinks)	2029	6,890,000	6,055,000
Series 2003A (Non-AMT) & B (AMT) Southeast Resource Recovery Facility Authority Lease Revenue Bonds	2018	\$120,235,000	\$94,465,000
Series 2005A Lease Revenue and Refunding Bond (Temple & Willow Facility) ⁽²⁾	2028	8,145,000	7,395,000
Series 2006 Long Beach Bond Finance Authority (LBBFA) Lease Revenue and Refunding Bonds (Rainbow Harbor Refinancing Project) ⁽³⁾	2024	50,785,000	46,480,000
Series 2006 Long Beach Bond Finance Authority (LBBFA) Lease Revenue and Bond, Series B (Parks/Open Space Financing Project)	2031	24,320,000	24,320,000

⁽¹⁾ Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facilities) defeased a portion (\$8,755,000 original par) of the Series 1992 Tax Allocation Revenue Bonds (West Long Beach Industrial and Downtown Project)

⁽²⁾ Series 2005 LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor) issued August 2006 refunded the Series 1999A LBBFA Revenue Bonds (Rainbow Harbor) and the 1997 Queensway Parking Facility bonds

⁽³⁾ Series 2006 LBBFA Lease Revenue Refunding Bonds (Temple Willow) issued August 2005 to advance refund the Series 1998A LBBFA Revenue Bonds (Temple Willow)

Tax Allocation Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1992A Downtown Project Refunding Bonds	2017	\$81,020,000	\$32,020,000
Series 1992 West Long Beach Industrial Tax Allocation Rev. Bonds	2017	36,470,000	14,420,000
Series 2002A Long Beach Bond Finance Authority (LBBFA) Tax Allocation Revenue Bonds	2031	77,715,000	34,440,996
(Downtown Redevelopment Project Area)	2024	26,820,000	16,140,896
(North Long Beach Redevelopment Project Area)	2031	40,290,000	10,484,000
(Poly High Redevelopment Project Area)	2012	1,710,000	954,000
(West Beach Redevelopment Project Area)	2018	8,895,000	6,862,000
Series 2002B Long Beach Bond Finance Authority (LBBFA) Tax Allocation Revenue Bonds ⁽¹⁾	2024	47,780,000	42,035,000
(Downtown Redevelopment Project Area)	2022	25,920,000	22,615,000
(West Long Beach Industrial Redevelopment Project Area)	2024	21,860,000	19,420,000

Debt Management

Tax Allocation Revenue Bonds (continued)			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2005C Long Beach Bond Finance Authority (LBBFA) Tax Allocation Revenue Bonds (Downtown and North Long Beach Redevelopment Project Areas) ⁽²⁾	2031	\$35,045,000	\$34,980,000
(Downtown Redevelopment Project)	2024	7,900,000	7,835,000
(North Long Beach Redevelopment Project)	2031	27,145,000	27,145,000
⁽¹⁾ Series 2002B LBBFA Tax Allocation Revenue Bonds issued December 2002 partially defeased the Series 1992 West Long Beach Industrial Tax Allocation Revenue Bonds and the Series 1992A Downtown Project Refunding Bonds. As of December 2002, amount outstanding for series 1992 West Long Beach Industrial Tax Allocation Project Revenue Bonds was \$18,125,000 and for Series 1992A Downtown Project Refunding Bonds, the amount outstanding was \$39,925,000.			
⁽²⁾ Series 2005C LBBFA Tax Allocation Revenue Bonds, issued February 2006, partially defeased the Series 2002 Long Beach Bond Finance Authority Tax Allocation Revenue Bonds			

Pension Obligation Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1995 Pension Obligation Refunding Bonds ⁽¹⁾	2011	\$108,635,000	\$10,995,000
Series 2002A&B Pension Obligation Bonds Refunding Taxable Bonds (Auction Rate Securities) ⁽¹⁾	2021	87,590,000	66,280,000
⁽¹⁾ Series 2002A&B Pension Obligation Refunding Taxable Bonds Partially defeased Series 1995 Pension Obligation Refunding Bonds in September 2002. The remaining issue amount after partial defeasement of the Series 1995 Pension Obligation Bonds was \$23,920,000. Series 2002A&B Pension obligation Bonds were remarketed on December 30, 2005 to a fixed rate from auction rate.			

Certificates of Participation			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1993 Airport Refunding	2016	\$16,815,000	\$8,350,000

Source: City of Long Beach – Treasury Bureau Staff

Debt Management

City of Long Beach
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (In Thousands)

	Fiscal Year				
	1998	1999	2000	2001	2002
Assessed valuation	\$ 21,403,042	\$ 21,515,605	\$ 21,832,600	\$ 23,688,371	\$ 24,989,993
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	5,350,761	5,378,901	5,458,150	5,922,093	6,247,498
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	802,614	806,835	818,723	888,314	937,125
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 802,614</u>	<u>\$ 806,835</u>	<u>\$ 818,723</u>	<u>\$ 888,314</u>	<u>\$ 937,125</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

	Fiscal Year				
	2003	2004	2005	2006	2007
Assessed valuation	\$ 26,454,417	\$ 29,613,229	\$ 32,069,711	\$ 35,519,905	\$ 39,877,469
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	6,613,604	7,403,307	8,017,428	8,879,976	9,969,367
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	992,041	1,110,496	1,202,614	1,331,996	1,495,405
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 992,041</u>	<u>\$ 1,110,496</u>	<u>\$ 1,202,614</u>	<u>\$ 1,331,996</u>	<u>\$ 1,495,405</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. This provision was enacted when assessed valuation was based on 25% of market value. Effective with fiscal year 1982 each parcel is assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Long Beach, Department of Financial Management.
 County of Los Angeles, Department of Auditor-Controller.