July 3, 2025

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Proposed Fiscal Year 2026 Budget

It is my privilege to present the City of Long Beach's (City) Proposed Fiscal Year 2026 (FY 26) Budget. This budget reflects our collective commitment to building a resilient, equitable and vibrant city – one that delivers high-quality services while being fiscally responsible and forward-looking. As we emerge from recent years of economic uncertainty, and the sunsetting of the Long Beach Recovery Act, this budget prioritizes long-term sustainability, public safety, housing stability, environmental stewardship, and inclusive economic recovery. It is grounded in transparency and shaped by valuable input from the people of Long Beach.

While the City continues to face long-term structural budget challenges, and despite the need to issue savings targets to departments to ensure the financial stability of the organization, the Mayor and Council made meaningful progress in FY 25 summarized below within the City Council's Priorities of Public Safety, Housing and Homelessness, Economic Development and Infrastructure. This includes significant enhancements and efficiencies towards achieving the Long Beach Strategic Vision 2030, including $12.9 million of one-time uses for critical investments without growing the General Fund shortfall. Additionally, the City's Elevate '28 Infrastructure Investment Plan provides a substantial boost to the City's plan, now totaling over $1.089 billion and over 180 projects, 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. Over the past 10 years, infrastructure spending has grown by 395 percent. More infrastructure is being performed than ever before, yet we know that it is still not enough. The City's overall needs for infrastructure totals $698.6 million per year - a challenge that will require focus and new methods to address our infrastructure challenges.

Public Safety

Under the Strategic Vision 2030, the City has made strong progress in enhancing community safety, emergency response, and disaster readiness. In early 2025, Long Beach demonstrated regional leadership during the Palisades and Eaton Fires, deploying Long Beach Police Department (LBPD) and Long Beach Fire Department (LBFD) personnel for mutual aid while maintaining local service levels. The Health and Human Services (Health) and Disaster Preparedness and Emergency Communications (DPEC) Departments supported wildfire response efforts in Los Angeles, strengthening interagency coordination and EOC readiness.

Locally, LBPD achieved a third consecutive year of reduced shootings and a significant decline in overall crime, responding to over 216,000 calls with an average Priority 1 response time of 5.8 minutes. LBFD responded to more than 69,000 incidents and replaced engines and ambulances with new models into service, while progressing efforts to reopen Fire Station 9, repair the training academy tower and re-opened Fire Station 14 through Measure A funds. DPEC hosted a citywide emergency exercise and expanded preparedness training to over 1,000 residents. The Community Crisis Response Team handled more than 1,500 mental health-related calls, and expanded language access has improved communication with diverse communities.

Technology upgrades, including enhanced CAD and radio interoperability systems, have further strengthened emergency coordination and real-time response citywide.

Housing and Homelessness

The City of Long Beach continues to prioritize housing and homelessness with a comprehensive, results-driven approach. After declaring a homelessness emergency in 2023, Long Beach saw its first decrease in homelessness in seven years during the 2024 Point-In-Time Count. While a slight increase was recorded in 2025, the City continues to make a difference in the lives of thousands of people each year—providing services to an average of 177 individuals daily at the Multi-Service Center, housing nearly 1,600 people, and conducting outreach for over 5,000 requests. Expanded enforcement of anti-camping ordinances—aligned with recent Supreme Court guidance—has been paired with compassionate engagement and shelter offers at key encampments, including Lincoln Park and Gumbiner Park.

The City has also supported over 220 individuals through emergency shelters, cleared more than 720 encampments, and delivered harm reduction, mental health, and weather-related shelter services. The Homeless Services Bureau expanded behavioral health services, launched a new housing navigation team, and earned CalAIM certification to broaden care delivery. Innovative programs like the Homeless Waiver Program have helped hundreds of residents address fines and regain stability. On the prevention front, Long Beach has prioritized eviction prevention, security deposit assistance, and rapid rehousing, while pausing enforcement on safe unpermitted units to avoid displacing vulnerable tenants. In fact, if no one had become newly homeless after 2022, as a result of prevention programs to stop people from falling into homelessness, the number of people experiencing homelessness would have dropped from 3,296 in 2022 to 0 in 2025, according to the City of Long Beach 2025 Homeless Point in Time Count Report.

In housing production, the City continues to lead the region. Over the past year, Long Beach entitled 1,800 new units (258 affordable), permitted 1,700 units (250 affordable), and built more than 1,200 units—setting new records. The City leads California in per capita ADU construction, with 864 ADUs added last year alone. Rents, once rising, have stabilized and even declined slightly, now averaging 20% lower than the LA metro area. Through planning initiatives like Zone In: City Core and updates to the inclusionary housing policy and density bonus ordinance, Long Beach is actively shaping an inclusive and affordable future for all residents. Long Beach has become the most affordable City

in the region, yet we know that more must be done so that housing can be achieved for all sectors of our community.

Economic Development

Aligned with Strategic Vision 2030, Long Beach has made major strides in building a more inclusive, resilient, and opportunity-rich economy. Tourism has rebounded strongly, generating nearly $2 billion in economic impact—outpacing the region. Through new branding, media campaigns, and outreach, the Economic Development Department boosted engagement and visibility, including a 500% increase in business newsletter subscribers and significant growth in social media impact.

Workforce efforts advanced with the transition of Pacific Gateway to the Long Beach Workforce Innovation Network (LBWIN), the launch of the $2.5M Youth Service Corps, and the expansion of teen and young adult job pathways. The BizCare Program and initiatives like *Level Up LB* and *Inclusive Business Navigators* provided targeted support to thousands of small businesses. The City also improved access to procurement opportunities through outreach, policy updates, and the LB Buys platform.

Long Beach continues to emerge as a leader in the aerospace sector, with $750M in federal defense funding and over 4,000 jobs in space and advanced manufacturing. Strategic use of City assets helped attract investment, including the revitalization of the Queen Mary and a planned 11,000-seat amphitheater, expected to generate $29M in revenue over the next five years. At Long Beach Airport, new commercial development will further spur job creation and growth.

Place-based investments progressed through the *Westside Promise* initiative and the expansion of arts and culture efforts, including new murals, a celebrated LGBTQ+ Cultural District plan, and robust library programming. Finally, the City continued removing barriers to wealth-building through programs like the *Long Beach Pledge* guaranteed income pilot and First Time Homebuyer Grants, helping residents achieve economic stability and mobility.

Infrastructure

The City's over $1 billion Elevate '28 Infrastructure Investment Plan is moving forward with transparency and public engagement, including a dedicated website that tracks progress and timelines for key projects. Significant improvements have been made across Long Beach's transportation network, including repairs to over 48,000 potholes, 70 miles of re-striping, and $24.6 million in Complete Streets projects. Major corridor redesigns are also underway on Anaheim Street, Clark Avenue and Del Amo Boulevard. Studebaker was awarded by Council on June 10th and will enter into the construction phase shortly.

Over $48 million was invested in street and alley repairs, and efforts like the North Long Beach and City Core Mobility plans set the foundation for future improvements. The City also upgraded over 2,000 facilities, modernized libraries, improved ADA access, and

launched key sustainability efforts, including route optimization for waste collection and expanded graffiti removal. Park investments included the expansion of Davenport Park and upgrades to Silverado Skate Park and El Dorado Duck Pond.

Coastal improvements removed over 400 tons of debris and upgraded beach access. Public Works also enhanced transportation accessibility, launched Bike Share for All, and improved airport wayfinding. Environmental and green space goals were supported by $3.35M in grant funding for projects like the 51st Street Greenbelt and Hamilton Loop.

Fiscal Outlook

The City's progress and resilience during this period of uncertainty have been nothing short of remarkable, and I'm proud of all we've accomplished together. Entering FY 26, I am dedicated to shaping a budget that reflects the values of our diverse community and promotes a Long Beach where everyone has the opportunity to live well and thrive. To this end, a review of the current FY 25 Budget was necessary, taking steps to help support FY 26 by tightening the belt, and not cutting services or programs to the community. The Proposed FY 26 Budget can make minimal one-time investments with one-time funding available for critical priority projects and initiatives. 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. Although we have reduced the projected structural shortfall for FY 26 from $19.8 million in March 2025 to $16.9 million, this progress reflects a series of difficult but necessary decisions made throughout the budget process. These included accepting targeted revenue increases and, in some cases, not funding certain departmental requests in order to maintain a forward-thinking approach.

The FY 26 Proposed Budget investments focus on taking action to address the City's most urgent one-time needs and preservation of established ongoing programs, while grappling with a General Fund structural deficit of $16.9 million in FY 26, $39.3 million in FY 27 and $17 million in FY 28. While these proposed investments are made possible by the remaining Securing Our City's Future funds, we know that one-time solutions alone won't solve long-term challenges. Truly addressing our structural deficit demands bold, ongoing action and a commitment to sustainable, systemic change.

As a nation, we continue to face significant uncertainty amid a shifting federal landscape and evolving executive orders—many of which have immediate and tangible impacts at the local level. Federal funding is not supplemental for the City; it is essential. Each year, the City relies on millions of dollars in federal grants to support core services, programs, and capital projects that directly impact residents. In recent years, the City has leveraged funding from the Bipartisan Infrastructure Law (2021) and the Inflation Reduction Act (2022) to address critical needs across the community. However, with this existing federal administration, there is a real possibility of shifts in funding priorities, delays, or even elimination of current and future federal grant opportunities. While the City is proactively assessing all pending federal grants and preparing for various scenarios, there is no

feasible way to fully absorb major federal funding losses without real impacts. If such losses occur, the City will be forced to reassess the budget and scale back services potentially in significant ways.

Despite this shifting landscape, the City of Long Beach continues to demonstrate strong fiscal resilience. Compared to other large California cities like Los Angeles, San Diego, and Oakland, Long Beach remains on more stable financial footing—thanks to our long-standing commitment to prudent budgeting, strategic planning, and responsive governance. According to news reports, San Diego is projecting a $258 million shortfall for FY 2025–26, following the failure of a sales tax measure and declining revenues from key sources such as property, hotel, and sales taxes. Rising pension costs have added further pressure, prompting the city to impose a hiring freeze, cut non-essential spending, and introduce a new residential trash collection fee. Los Angeles is facing a nearly $1 billion budget deficit for FY 2024–25, driven by reduced revenues, increasing liabilities, and the long-term effects of climate-related disasters. The city is preparing a “reform budget” that may include deep service cuts and layoffs, while also being challenged by federal trade and immigration shifts impacting tourism and inflation. Oakland is managing a $425 million budget gap and has already taken steps like eliminating one of six police academies and pulling from its legal reserve fund. Despite these efforts, the city’s financial outlook remains highly uncertain.

In contrast to these cities, the City of Long Beach’s deficit is only 2.7 percent of our General Fund budget, while Los Angeles is 12.5 percent, Oakland is 15.2 percent, and San Diego is 11.1 percent. The City of Long Beach remains steadfast in the face of similar challenges, as we make tough decisions every year, proving our ability to keep our deficit lower. While Long Beach is facing its own budgetary constraints, we have implemented strategic measures that have mitigated the impact on essential services. This includes the passage of Measure LB, projected to bring in $15 million annually, and making difficult decisions regarding revenue adjustments and expenditure reallocations to support the FY 26 budget. Despite ongoing pressures from slower revenue growth, we are still able to meaningfully reduce the gap supporting a more stable FY 26 and laying the groundwork for a stronger fiscal position heading into FY 27. The City remains committed to making the tough decisions necessary to protect our financial health, preserve existing core services, and prevent the budget challenges from worsening. We will continue to prioritize fiscal responsibility, ensuring that our community’s needs are met while maintaining a sustainable path forward for the future. Key themes and focuses of the FY 26 Budget are outlined in greater detail in Attachment A.

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

In closing, I want to extend my sincere appreciation to the Mayor and City Council for your steadfast leadership and dedication to the City of Long Beach. I am also deeply grateful to the Budget team in the Department of Financial Management and all City Manager departments for their hard work and commitment to developing a proposed budget that reflects equity, innovation, and fiscal responsibility—investing in the long-term success of both our organization and our community.

My thanks also go to the City Attorney, City Prosecutor, City Auditor, City Clerk, Harbor Department Executive Director, and the Utilities Department General Manager for their ongoing collaboration and support throughout this process.

We look forward to your thoughtful consideration of the Proposed FY 26 Budget and to continuing our collective work in advancing the priorities and future vision of Long Beach.

Respectfully submitted,

Thomas B. Modica
City Manager

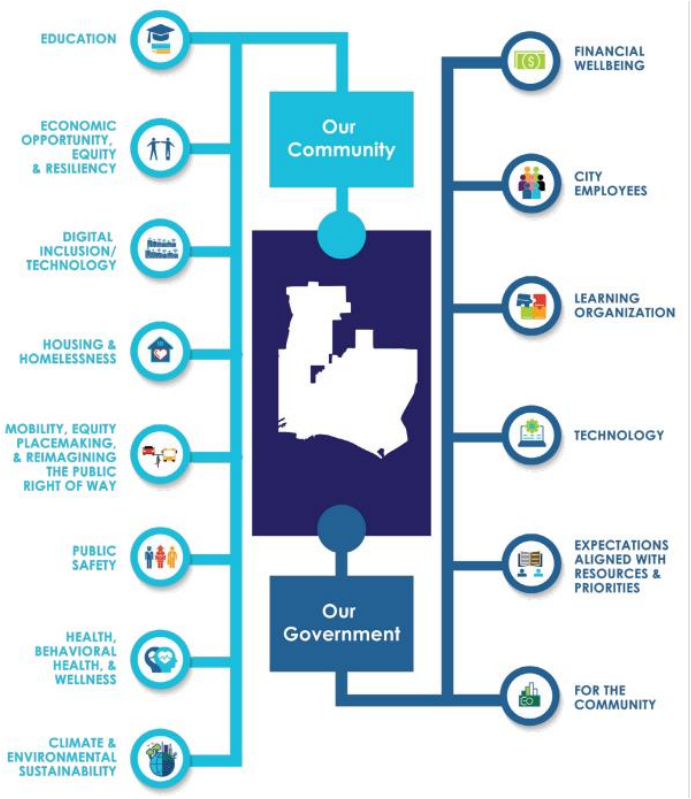
Detailed Summary of the Budget

COMMUNITY ENGAGEMENT AND STRATEGIC VISION 2030

The Proposed FY 26 Budget delivers 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 provide an improvement to the $19.8 million structural shortfall previously projected, now $16.9 million. This shortfall is proposed to be covered with funds made available through the balance of the Securing Our City's Future dollars, 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 March 15, 2025, City staff conducted inclusive, multi-lingual community engagement activities in January and February 2025, 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. This year, the City was able to conduct five in-person meetings and one virtual meeting. The engagement included the distribution and collection of the FY 26 Budget Priority Survey which was available from January 2 to February 4, 2025. New for this year's community engagement efforts, City staff added an in-person Saturday meeting to garner additional community input. Food was also provided to the community at each in-person meeting.

The Budget Priority Survey asked respondents to rank the eight Strategic Vision 2030 themes in order of importance, from 1st (most important) to 8th (lowest priority). To calculate the weighted scores, a point system was assigned to each of the eight ranked slots based on importance (8 points for 1st ranking, 7 points for 2nd ranking, and so on) and a weighted average was taken. This approach shows how each theme was prioritized relative to one another and ensures that higher-ranked themes carry more influence in the results. The results, visualized in Figure 1, show the cumulative weighted scores for each theme. The longer the bar, the higher the overall priority placed on that theme. Figure 2 shows the ranking for each theme, inclusive of that theme's total priority ranking distribution. This analysis shows that Housing and Homelessness, Education, and Public Safety were the top three ranked themes within the FY 26 Budget Priority Survey. Figure 8 illustrates the priorities that were most frequently the top priority for respondents, with Public Safety first, followed by Housing & Homelessness and Education.

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

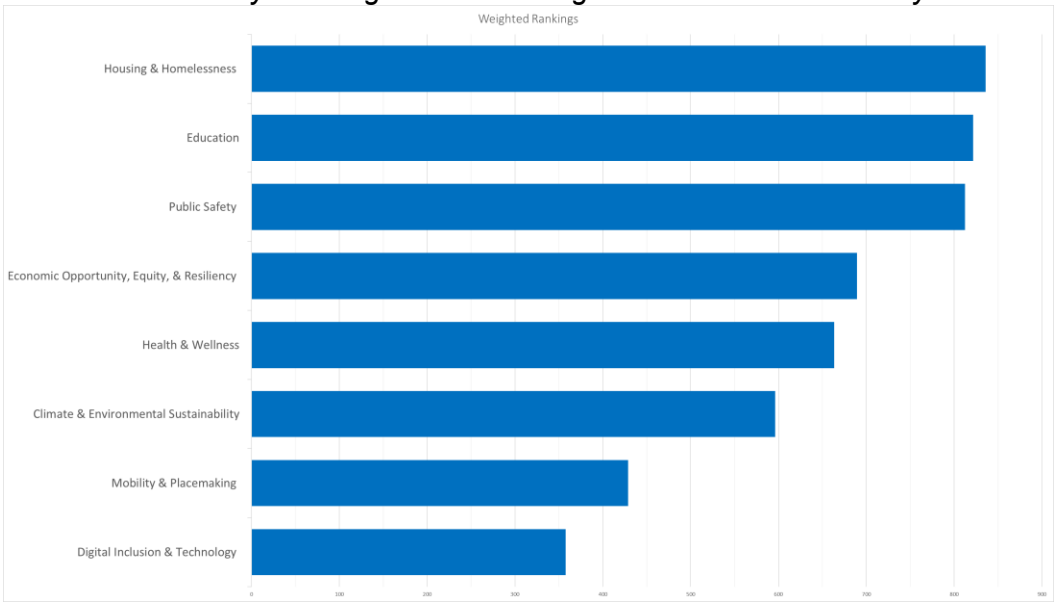
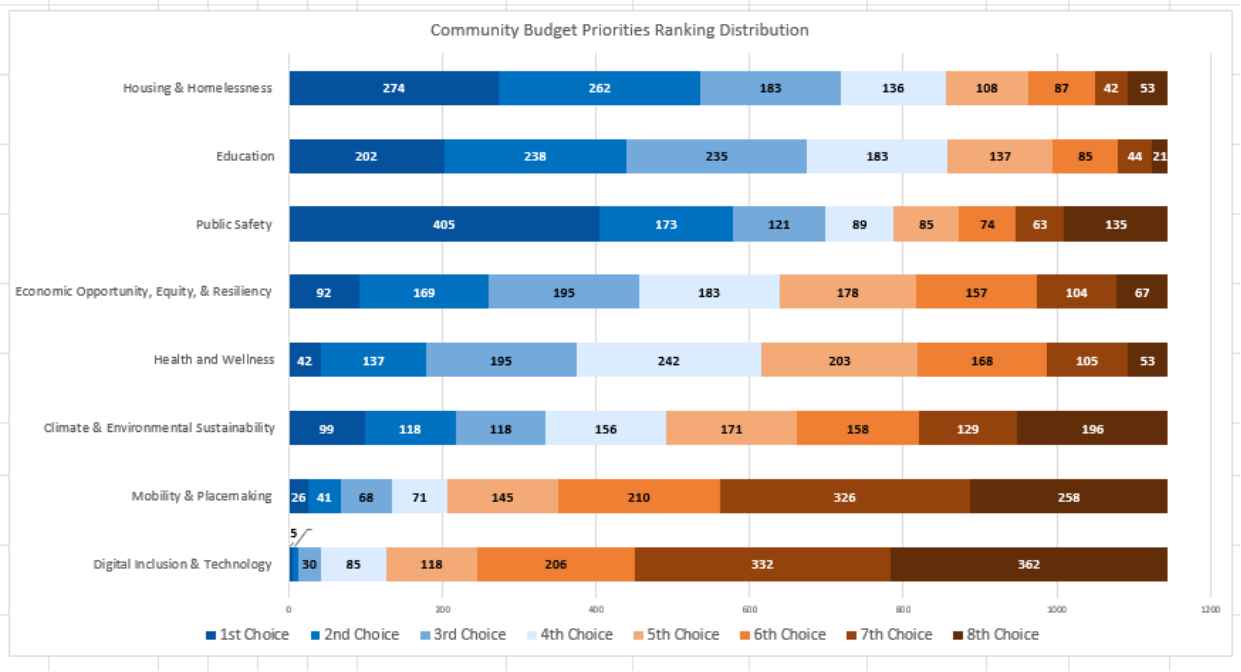


Table 2: FY 26 Community Engagement: Budget Priority Survey Top 2030 Strategic Vision Themes Weighted Ranking Distribution



In addition to the Budget Survey, the City also collected open-ended comments from the community meetings and the synthesis of this data showed a total of 2,379 written/verbal comments. Education garnered the most comments, highlighting the need for more services aimed at seniors. Residents also expressed the need for more parking and traffic solutions, as well as the need to address affordable housing and renter protections. An exhaustive breakdown of this data can be seen in the memorandum released on March 15, 2025.

The Proposed FY 26 Budget will 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, 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.

Additionally, included in consideration alongside community feedback and new to the FY 26 budget process, the Budget Equity Tool was introduced to more intentionally integrate an equity lens into funding decisions. This tool required departments to answer a targeted set of questions designed to critically and thoughtfully examine how their proposals address existing disparities and impact historically marginalized communities. By incorporating data, evidence-based practices, and community insights, departments were better equipped to develop budget proposals that align with the City's equity goals and ensure resources are directed where they are needed most. This approach marks a significant step forward in embedding equity into the foundation of the City's fiscal planning.

In order to highlight how the City continues to align its resources with the Long Beach Strategic Vision 2030 despite fiscal constraints, the section below emphasizes the preservation of foundational services that support the City's long-term goals. While fewer new investments were proposed, the deliberate effort to sustain critical programs—particularly those that promote equity, safety, sustainability, and economic opportunity—demonstrates the City's continued commitment to advancing Long Beach Strategic Vision 2030 priorities, even in a challenging budget environment.

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."** Included in these attachments is a new column denoting the alignment of the change with a Strategic Vision 2030 theme. Detailed information on Measure A and other ballot measures can be found in the **Ballot Measures Chapter** of the Budget Book.

FY 26 BUDGET HIGHLIGHTS

Because one-time funds were minimally available, the FY 26 budget required careful, strategic decisions about which established, ongoing programs to preserve rather than introducing new initiatives. The focus was on sustaining core services that residents rely on every day. Initiatives that departments requested were offset within either reductions where it made sense, or proposed increases to revenue sources. This next section highlights the enhancements proposed that diligently prevent the loss of vital services and ensure that successful initiatives—especially those with strong community impact—continue without disruption.

To further **protect housing and strengthen rental housing enforcement**, new positions are added in the Community Development Department, including a Civil Engineering Associate and a Code Enforcement Officer. **Updated fee structures**—such as increases to Planning and Building fees and adjustments to the Multi-Family Housing Inspection and Short-Term Rental Programs—will help **align revenues with service delivery costs and ensure program sustainability**. Additionally, with the recent funding received from Los Angeles County Measure A, Local Solutions Fund, many priorities are included as a part of FY 26 budget, detailed in the next section, meant to support homeless services, as well as housing production, housing preservation and homelessness prevention.

Public safety and emergency response are being strengthened through strategic investments in both personnel and equipment.

The Fire Department is proposing continuing **Rescue 2 Peak Load Ambulance Unit** operations by structurally adding paramedics, **updated critical medical equipment**, supported by **increased ambulance transport revenue** from revised rates and enhanced reimbursements. As requested earlier this year by the Mayor and City Council, the Police Department is responding to shifting public safety priorities by reallocating staff

to form a new **Societal Crimes Section** and **adding civilian Community Services Assistants to improve response times**. The City is also investing in **helicopter camera upgrades** to replace aging surveillance systems.

Supporting small businesses and economic vitality remains a top priority. The Economic Development Department is proposed to be **renamed the Economic Development and Opportunity Department**, reflecting a stronger focus on inclusive growth. Funding in the amount of $1 million is being proposed to support the **Small Business Rebound Initiative,** as requested by the Mayor and supported by the City Council, for programs such as **the Inclusive Business Navigators, the Legacy Business Program, Level Up LB: Extreme Makeover and Grant Program, Safe and Secure Grants, the Visual Improvement Program (VIP), the Grow America/Grow Long Beach Fund, and Vacancy to Vibrancy Program**. Additionally, operational cost increases at the Long Beach Convention Center are addressed through targeted adjustments and programming changes. In FY 26, the City is also focusing on releasing prior commitments to increase programming and revenue opportunities.

Infrastructure modernization and reimagining public space remain central to the City's work.

The Public Works Department is undergoing a strategic reorganization to **establish a Transportation Services Bureau, streamlining street sweeping, parking control, mobility, and customer relations under one umbrella.** Investments include new equipment like an **EV bike lane sweeper** to enhance maintenance in key corridors. To address ongoing recruitment and retention challenges for part-time School Guards, the City proposes **converting 9.0 FTEs (21 part-time School Guard positions) into 6.0 full-time Parking Control Checkers (PCCs) as a part of the School & Neighborhood Safety Pilot Program.** This transition allows for a **more stable, full-time model** with benefits and career growth, making the roles more attractive to candidates. The PCCs will provide **expanded enforcement capabilities**, using downtime between school shifts to improve parking compliance, reduce traffic congestion, and enhance neighborhood safety. The City is also increasing **capacity for capital project delivery and lighting improvements**, with staff enhancements to better oversee the implementation of street lighting and CIP projects.

Clean Team

With the expiration of LBRA funding, the City stands to lose over $1.1 million annually that supported the Clean Team's expanded services, **including encampment cleanups, pressure washing, and citywide beautification**. Without replacement funding, these essential services—vital to public health, safety, and quality of life—will be significantly reduced. To preserve these efforts, the Public Works Department proposes structurally funding the Clean Team by **adding 8 Maintenance Assistants to the existing two General Fund positions, along with $300,000 budget for contracted services**. These costs would be fully offset by a **proposed $5 increase in parking citations, creating a sustainable revenue source** to continue the enhanced cleaning services residents have come to expect and depend on, particularly in areas not covered by the Refuse Fund.

Investments in sustainability and environmental resilience are advancing key climate goals. Proposed funding will support the update of the **City's Climate Action Plan,** a new **Energy Resiliency Feasibility Study,** and **planting 1,000 trees** in high-heat areas and strengthening green infrastructure throughout Long Beach.

Within Parks, Recreation and Marine, the **Free-Standing Restroom Team is also being brought in-house**, adding dedicated staff to directly manage restroom cleanliness and operations. Additionally, following **the termination of the spcaLA lease at the Long Beach Animal Care Services facility**, the City has allocated structural funding for operational costs and one-time funding for facility improvements, ensuring continuity of animal care services and the humane treatment of animals.

With the Financial Management Department housing the **Mobile Food Facility Program,** funding is proposed for adding inspector staff, equipment, and support functions to better regulate and support the growing number of mobile food vendors across the city.

Long Beach continues to prioritize **health equity and community wellness.**

The FY 26 Budget includes preventing the loss of the **Community Crisis Response Team**, **violence healing services**, and **public health enforcement through the Complaint Response Team**, to continue the enforcement of the Sidewalk Vendor program. **With Measure US revenues declining, the City focused on sustaining existing health and youth programs while scaling back some one-time grant funding,** including aging services by 0.5 Full Time Equivalent (FTE). This includes continued support for **a Youth Festival and community-based grant programs**. Cultural equity is also supported through the establishment of a **Cultural Affairs Division within the Library, Arts and Culture Department** and preventing the loss of 6 days hours at Bay Shore, Burnett, and Bret Harte libraries, both which were funded by one-time dollars that were set to expire.

As Long Beach prepares for global opportunities ahead, particularly the 2028 Olympic and Paralympic Games, the City is investing in strategic civic and international engagement. This includes the **renaming and expansion of the Office of Global Engagement and Protocols,** which will lead protocol efforts and coordinate volunteer participation. Funding is also being proposed to continue to support community celebrations and cultural events such as the **Long Beach Pride Parade, Long Beach Walls, Art Renzei Festival, and the Naples Island Holiday Lights Program**—reinforcing Long Beach's commitment to cultural vibrancy and civic pride.

Internal department reorganizations, mergers, and position transfers are essential for improving operational efficiency, breaking down silos, and aligning staff and resources with the City's evolving service priorities.

Civil Service and Human Resources Department

In FY 25**, the City completed the merger of the Civil Service Department with the Human Resources (HR) Department to form one unified hiring department** following the voter approved passing of charter amendment Measure JB in November 2024. This merger, which officially went into effect on Tuesday, May 6, 2025, **streamlines and modernizes the City's hiring processes** to create a more efficient, community-centered, and responsible city government that is committed to merit-based hiring practices to attract, retain and develop high quality and diverse talent and in turn continue to improve the quality of public services to the community it serves. The new singular and restructured HR Department will manage **all employee recruitment and hiring processes, implement local preferences in the classified service, and achieve a goal of hiring most positions within 90 business days**. Additionally, as part of Measure JB, an **independent Civil Service Employee Rights and Appeals Commission was established**. This new commission, which will be in effect beginning July 1, 2025, will adjudicate classified employee disciplinary appeals and resolve complaints regarding the Civil Service rules. The City's Human Resources Department has made significant strides in **modernizing and centralizing its processes** by streamlining workflows and enhancing service delivery across the organization, such as **adding enhancements in FY 26 for digitized timekeeping and project management staffing.**

Additionally, **2026 election planning** is underway, with funds being proposed for uncontrollable costs associated with the election, ballot measure support and campaign matching.

Public Works and Energy Resources Departments Refuse Transfer

The Public Works (PW) and Energy Resources, now Energy and Environmental Services (EES), Departments proposed to **transfer solid waste management programs (Refuse, Organics, and Recycling) from PW to EES, including 175.61 Full Time Equivalents (FTEs) and 114 vehicles**. A portion of the existing Environmental Services Bureau will remain within Public Works and will be repurposed to create the **Transportation Services Bureau**. This transfer streamlines operations by aligning the City's new organics collection program with the planned modification of the Southeast Resource Recovery Facility (SERRF) into an anaerobic digestion facility capable of processing the City's source separated organics. PW will be poised to continue focusing on delivering core services and critical infrastructure projects including the implementation of the over $1 billion Elevate '28 Infrastructure Investment Plan. With a more targeted mission and dedicated leadership, both departments can optimize their resources, enhance service delivery, and proactively address the evolving needs of the City.

Tidelands Operating Fund Group

In anticipation of FY 25 yearend surplus of **Tidelands Operating Fund Group**, as a result of higher-than projected oil-related revenues, unfunded projects and initiatives are proposed to be prioritized, including: $1.5 million set aside to **proactively cover the fund balance deficit** anticipated for FY 26, $2 million for **Naples Seawalls tiebacks, including Sorrento Trail** and permitting requirements; $2 million for **start-up investment for efforts to activate revenue-generating assets** such as the return of Sir Winston within the Queen Mary; and remaining funding will be for the solution to finance the **Belmont Pool**, which will be brought to the City Council this year.

Park Impact Fees

In order to utilize the existing accrued balance of the **Park Impact Fees Fund**, $7 million in high priority projects can be moved forward in the next year, including: **10th Street Greenbelt ($400,000); Heartwell Park Artificial Field Turf Improvements ($2 million); Houghton Park Playground ($1.5 million); Houghton Park Sports Complex ($300,000); MacArthur Park Improvements ($1 million); Martin Luther Kind Jr. Park Improvements (basketball courts and vision plan implementation) ($1.8 million).**

Economic Redevelopment Proceeds

As part of the City's ongoing commitment to inclusive economic development and neighborhood revitalization, the Proposed Budget includes targeted investments across the City's Redevelopment Agency (RDA) areas, as well as citywide initiatives. Funded by $8.75 million in proceeds from former RDA land sales, deliberately designed by the City Council for Economic Development both citywide and in specific areas, this effort **aims to reinvest past public assets into Long Beach's economic future**. These one-time funds are being recommended to be allocated into a series of programs that will **help stimulate business growth, revitalize corridors, activate public spaces, and support neighborhood recovery across the entire city over the next few years.**

- **Rapid Response –** A flexible, two-year initiative that allows the City to continue to support a position to respond quickly to unexpected needs—whether that's supporting small businesses after emergencies responding to infrastructure projects, corridor-level challenges, and business development opportunities.
- **Grow Long Beach Revolving Loan Fund (RLF) –** A significant expansion of the City's lending capacity, this program provides accessible loans to support small businesses, entrepreneurs, and local job creation—especially in communities that have historically lacked access to capital. This is one of the biggest boosts to the city's business lending program in recent years. Through the Grow America Fund who oversees the RLF program will leverage the city's investment on a 1:3 ratio using other funds from the Economic Development Administration, SBA 7(a) loan program, and private sector. Loan payments and interest received are continuously loaned out further increasing the ratio to its current capacity of 12:1.
- **Business Support Office –** Modeled after successful programs like Denver's, this new initiative will establish a centralized office to guide start-ups and business

owners through city permitting and licensing processes. It's designed to reduce red tape, improve responsiveness, and help businesses connect to resources so they can succeed from day one.

- **Downtown Activation and Events –** The sale of former RDA-owned properties in Downtown is being reinvested directly into bringing Downtown Long Beach to life—with concerts, festivals, and community events at the new amphitheater and nearby spaces. These investments also support activation of the old City Hall site and surrounding blocks, transforming them into vibrant economic and cultural hubs.
- **Public Realm & Visual Improvements –** Investments in wayfinding signage, corridor enhancements, and storefront wrapping will make Long Beach more welcoming and walkable, while reducing blight and drawing more foot traffic to local businesses.
- **Support for Business Improvement Districts (BIDs) –** This budget continues and expands the City's support for BIDs across Long Beach. BIDs are key partners in delivering economic development at the corridor level, ensuring clean, safe, and active business environments.
- **Enhanced Infrastructure Financing District (EIFD) Planning –** The City continues laying the groundwork for EIFDs—an innovative tool that allows future property tax growth to be reinvested locally and match it with County funds to support infrastructure and affordable housing. This funding supports planning, feasibility, and legal steps needed to create sustainable, long-term economic development funding streams.
- **VIP/Safe and Secure Grants –** Funding will go toward programs that enhance safety, outreach, and community presence, particularly in busy business corridors. This improves both the real and perceived safety of economic hubs, which is essential to long-term business success.
- **Pilot First Year Free Program –** This one-time pilot initiative will be trialed in one area, lowering the barrier to entry for businesses and encouraging more residents to pursue business ownership.
- **Anti-Human Trafficking Corridor Initiatives –** A targeted strategy to implement task force recommendations along key corridors, improving safety and restoring vitality in areas impacted by trafficking and related issues.
- **Economic Development Non-Profit Contribution –** This two-year contribution to a nonprofit economic development entity, matched by the Port of Long Beach and Airport, will build long-term capacity to support business development, attraction and retention citywide.
- **North Long Beach Higher Education Center –** The Center is a shared community space offering free education and career resources from a host of providers, including Long Beach City College, the City of Long Beach, and the Long Beach Workforce Innovation Network.
- **El Mercado de Long Beach** – A comprehensive economic development and mixed-use project that will complement the Latino Cultural Center and will support small business development and retail and commercial space creation, managed by and for the city's Latino community.

While these programs are citywide in impact, the availability of funding is tied to the project area where the former RDA properties are located. The chart below will show how these shared initiatives are allocated across areas.

Table 3: RDA Proceed Allocations

Program	Citywide	Central	Downtown	North	West	Total
Grow Long Beach Loans	-	$200,000	$300,000	-	$450,000	**$950,000**
Downtown Activation & Events	-	-	$500,000	-	-	**$500,000**
Wayfinding & Public Realm	-	-	$400,000	-	-	**$400,000**
ED Non-Profit Contribution	$400,000	-	-	-	-	**$400,000**
VIP/Safe and Secure Grants	-	-	$300,000	-	-	**$300,000**
Rapid Response	$200,000	$100,000	$100,000	-	$100,000	**$500,000**
BID Support	$200,000	$100,000	$150,000	$50,000	-	**$500,000**
Business Support Office	$30,000	$30,000	$160,000	-	$30,000	**$250,000**
EIFD Planning	$50,000	$50,000	$50,000	-	$50,000	**$200,000**
Storefront Wrapping	-	$50,000	$50,000	-	-	**$100,000**
First Year Free Program	-	-	-	-	$100,000	**$100,000**
Anti-Human Trafficking Initiatives	-	-	-	$150,000	-	**$150,000**
Lease for North Long Beach Education Center	-	-	-	$100,000	-	**$100,000**
Advertising District	-	-	$1,500,000	-	-	**$1,500,000**
Market Study Implementation	-	-	-	-	$300,000	**$300,000**
Midblock Improvements	-	-	$600,000	-	-	
Walk of Fame	-	-	$100,000	-	--	**$100,000**
Corridor Improvements	-	$300,000	-	-	-	**$300,000**
El Mercado de Long Beach	-	-	$500,000	-	-	**$500,000**
Reserve	$950,000	$0	$0	$0	$0	**$950,000**
RDA Total	*$1,830,000*	*$830,000*	*$4,710,000*	*$300,000*	*$1,030,000*	

By focusing on programs, this plan ensures that Long Beach's economic future is collaborative, inclusive, and ready to meet the challenges and opportunities of the years ahead.

Capital Improvement Program

The City Council approved a five-year Measure A out-year plan as part of the Adopted FY 23 Budget, which includes the planned use of all unprogrammed forecasted revenues from FY 23 through FY 27. This five-year infrastructure plan, which began in 2023, included a $150 million City Infrastructure Bond Program backed by Measure A, which increased to $197.75 million with the issuance of the first bonds in FY 23 at $60.25 million for Measure A projects instead of $50 million, $22 million to fully fund the construction of Fire Station 9, and $15.5 million added in FY 24 as part of the City's launch of the Elevate 28' Infrastructure Investment Plan.

In Fiscal Year (FY) 2024, the City enlarged the initial FY 23 – FY 27 five-year plan with an additional $214 million of funding spread across an additional three categories—2028 Olympic Legacy, Community & Cultural Investments, and Gold Medal Park Refresh Projects—and branded the plan as the Elevate '28 Infrastructure Investment Plan.

The Elevate '28 Infrastructure Investment Plan provides a substantial boost to 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.

Each fiscal year, the Elevate '28 Plan is reviewed and updated to reflect additional secured funding and additional signature projects being added to the plan. Included in the FY 26 Proposed Budget, the Elevate '28 Infrastructure Investment Plan has increased to over a billion dollars of planned infrastructure investment and now includes over $306 million of Measure A funding and over $782 million of funding anticipated from additional funding sources, such as LA Metro Transportation Funding (Prop A, Prop C, Measure M, Measure R), State Gas Tax, SB-1, LA County Measure W, and various grant awards. The plan includes over 180 projects, as well as right-of-way improvements, now totaling over $1.089 billion, spread across eight funding categories:

- 2028 Olympic Legacy: $215,627,918
- Community & Cultural Investments: $17,400,000
- Gold Medal Park Refresh Projects: $69,315,000
- Mobility & Safety Improvements: $521,955,225
- Park Improvements: $52,068,244
- Public Facilities: $57,195,000
- Right-of-Way / Water Quality / Climate Action and Adaption Plan: $136,620,020
- Critical Facilities/ Grant Match Funding Reserve/ Other Critical Needs: $19,100,241

The public is encouraged to explore the plan by utilizing the Elevate '28 website (lbelevate28.com). The Elevate '28 website serves as a communication hub for Elevate '28 project information, including unique individual project information pages, which provide project details such as scope, budget, location, target construction start and completion dates, amount of funding currently secured, and current phase of the project.

The website also allows users to search for projects by council district, project category, and via map view. Project information is updated quarterly. Additionally, the website includes a Power BI data table, which allows the public to easily sort and filter the Elevate ’28 information in greater detail. The Elevate ’28 Infrastructure Investment Plan will be updated with the adoption of the FY 26 Proposed Budget.

The Proposed FY 26 Capital Improvement Program (CIP) is $188.8 million, excluding the Harbor Department, from various sources. Included in the proposed FY 26 CIP is over $12.3 million from the Measure A program dedicated to enhancing the City’s aging and deteriorating infrastructure which are also included in the Elevate ’28 Infrastructure plan noted above. 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 26 Proposed Capital Improvement Program chapter and the separate CIP Budget Book.

- Airport – $4,000,000
- Beaches and Marinas – $9,631,450
- Mobility & Safety– $68,331,701
- Parks – $11,510,000
- Public Facilities – $5,408,802
- Utilities – $89,900,000

OPPORTUNITIES AND INNOVATION TO ADDRESS CHALLENGES

In addition to the many proposed service preservations, program continuations, and strategic enhancements outlined in the FY 26 Budget, the City remains firmly committed to anticipating future challenges and embracing innovation to meet them head-on. Through a proactive and forward-thinking approach, we aim to identify actionable solutions that not only address current needs but also create opportunities for long-term progress. By leveraging creativity, engagement, and strategic planning, the City is well-positioned to turn emerging challenges into meaningful advancements.

The following section highlights key opportunities, including in current budget proposals and others identified for further exploration throughout the year, that will help guide Long Beach toward a more resilient, adaptable, and thriving future.

- **County Measure A, Local Solutions Fund** – With the new Measure A Local Solutions Fund, totaling approximately $4.8 million, the City will be expanding capacity and piloting new opportunities, serving a total of nearly 1,000 additional people in a wide range of services, from homelessness prevention to street interventions to permanent housing placement and ongoing subsidies to keep people in housing. The following is a high-level summary for the use of these funds:

    - ***$772,832 – Shallow Subsidy - Financial Assistance*** – As requested by the Mayor and City Council, funds will provide fixed monthly rental

assistance of 35%-45% to participants previously supported by Rapid Rehousing or Homeless Prevention programs. This Housing First, trauma-informed initiative helps severely rent-burdened individuals transition into affordable housing by covering rental fees, security deposits, utilities, and essential furnishings, and will be administered by the Long Beach Housing Authority.

- ***$62,317 – Rental Arrears (Homelessness Prevention Program)*** – Funds will cover rental arrears through the Homelessness Prevention program, which helps rent-burdened, low-income households avoid homelessness by providing flexible, individualized support such as financial aid, conflict resolution, and legal assistance. These funds will supplement Measure H and Measure A Continuum of Care resources to expand services provided by two nonprofit partners, who receive funding based on maintaining fixed service slots throughout the year.

- ***$124,955 – Rental Assistance (Homelessness Prevention Program)*** – Funds will pay for rental assistance through the Homelessness Prevention program, which provides short-term aid and housing support to help low-income, rent-burdened households avoid homelessness and achieve housing stability. This funding supplements Measure H and Measure A grants to expand services offered by two nonprofit providers, who receive allocations based on maintaining fixed service slots throughout the year.

- ***$859,105 – Interim Housing for PEH - Operating Subsidies*** – Funds will be utilized for a property management agreement, to address operations, maintenance, and repair needs for five (5) City owned interim housing facilities, which provide up to 442 beds for adults and TAY experiencing homelessness in the City of Long Beach. Costs will address facility needs, including costs for utilities, security, hygiene/sanitation services, as well as general property management expenses. Operating subsidies will support the City of Long Beach in operating and maintaining its interim housing portfolio.

- **$908,755 – *Coordinated Outreach*** – Funds will support staffing and administrative costs for Access Center and Outreach staff who engage unsheltered people experiencing homelessness (PEH) in Long Beach, connecting them to housing and essential services.

  The Long Beach Multi-Service Center (MSC) serves as the primary access point for the Coordinated Entry System, conducting screening, assessment, triage, and referrals. Local Solutions funds will cover two full-time Counselor II (Case Manager) positions who assist clients through diversion strategies, housing referrals, document readiness, and connection to supportive services including hygiene and storage.

City of Long Beach Street Outreach, funded for one full-time Outreach Coordinator and two Health Educator IIs, focuses on building supportive relationships with unsheltered PEH to facilitate access to necessary services and help resolve immediate homelessness.

- ***$121,000 – Housing Navigator*** – Funds will pay for .75 FTE Housing Navigator with the City to assist PEH with identifying units, negotiating lease terms, financial assistance for fees and deposits, landlord incentives, etc. Salary costs will be leveraged with CalAIM Community Supports and the financial assistance portion of Navigation will be leveraged with CalAIM Community Supports and/or the City's CoC allocation of Measure A.

- ***$1,231,502 – Rapid Rehousing, Financial Assistance*** – Funds will provide financial assistance to help eligible participants quickly move into and stabilize in permanent housing through a Housing First, Low Barrier, Harm Reduction approach. This support covers housing identification, rent and move-in assistance, case management, and costs such as rental fees, furnishings, security deposits, and utilities.

  $368,786 – Rapid Rehousing, Supportive Services – Funds will pay for supportive services for Rapid Rehousing programs, assisting eligible participants in quickly securing and stabilizing permanent housing through a Housing First, Low Barrier approach. These services focus on housing identification, rent and move-in assistance, case management, and ongoing support to resolve homelessness.

- ***$127,883– Shallow Subsidy - Supportive Services*** – Funds will pay for case management and supportive services for participants in the City's shallow subsidy program. Shallow subsidy provides fixed monthly rental assistance of 35%-45% to participants who have received Rapid Rehousing or Homeless Prevention support. Shallow Subsidy case management and supportive services are designed to support persons who are formerly homeless or at-risk of homelessness maintain housing through rental subsidies, case management, and connection to benefits and affordable housing resources, managed by one full-time Housing Stabilization staff member.

- ***$416,447 – Crisis Response / Emergency Response - Public Health Nurse –*** Funds will pay for the 2.3 FTEs 2.3 FTEs—including a Public Health Nurse and Clinician—for Long Beach's Community Crisis Response (CCR) teams, which provide health-focused, non-law enforcement responses to behavioral health and quality-of-life calls. These teams offer crisis intervention, de-escalation, health education, suicide assessment, basic needs support, medical triage, transportation, and resource navigation to improve community health and safety.

- **Climate Sustainable Economy: Oil Revenue –** Through the Grow Long Beach Initiative, the City continues to transition towards a more climate-sustainable economy and away from its historical dependence on oil revenues by investing in five strategic industry sectors that show promise for continued growth, including: Aerospace and Aviation; Healthcare; Ports and Logistics; Housing and Education; and Arts, Culture and Tourism. In order to accomplish this, annually the City has set aside funding for future oil well abandonment to help the City build reserves to safely retire oil wells in the future and take further steps toward less oil dependency. There are many variables that can impact the status of the Uplands Oil Fund, both positively or negatively, particularly with the volatile nature of the price of oil.

  Due to natural production declines and oil fields ceasing production for economic reasons, the City planned to significantly reduce its reliance on oil revenue by around 2035 when revenues would be reduced to insignificant levels or end. However, starting in the FY 25 budget, the City implemented a strategy to reduce its structural reliance on budgeted oil revenues by FY 30 – five years in advance of the target date of 2035. As part of this strategy, the City will gradually reduce its ongoing dependence on Uplands Oil and Oil production tax proceeds each fiscal year until it is fully phased out of the General Fund structural budget by FY 30. This approach plans for the eventual reduction of oil revenues from State and other actions that will result in significantly less oil revenue in the future. Any oil revenues that materialize higher than budgeted will be used for one-time uses including priority projects and/or set aside for future oil well abandonment. The FY 26 Budget includes programming $1.25M in oil revenue structurally reduced from the budget as a one-time budget balancing strategy to maintain core City services and fund priority projects such as one-time youth programs currently supported with Measure US oil revenues.

- **Measure LB –** On November 5, 2024, voters approved Measure LB, which repealed the exemption from the gas utility users tax for charges made for gas to be used in the generation of electrical energy. The effect of the measure requires two natural gas fueled electric power plants (AES and Los Angeles Department of Water and Power) operating in the City of Long Beach to pay the same 5 percent utility users tax on natural gas services as residents and businesses of the City of Long Beach. Annual revenue will be dependent on natural gas prices and consumption by the two power plans. In FY 26, Measure LB is projected to generate $15,000,000 which will help maintain critical general city services including 911 response, firefighter/paramedic, pothole/street repair, improve storm drains, afterschool programs, senior services, parks, libraries, public health, and homeless services.

- **Revenue Generation and Maximization –** Several key citywide revenue sources, such as sales and use taxes and City Measure A, experiencing shortfalls from

previously projected levels largely due to broader economic trends experienced throughout the region. Considering projected structural deficits, the FY 26 Budget includes the following strategies to increase revenues to align with the cost of City services and explore new revenue opportunities outside of key strategies to bolster the City's economy through the Grow Long Beach initiative.

- *Credit Card Fees Analysis* – The City is currently conducting research and analysis to better understand the costs it incurs from processing credit card transactions for various City services. As the use of credit and debit cards has grown significantly among residents and businesses, so too, the associated processing fees paid by the City to third-party vendors. This analysis aims to evaluate the total fiscal impact of these fees across departments, identify potential cost-saving strategies, and explore more sustainable payment models. The findings will help inform future decisions about fee structures, cost recovery options, and service delivery improvements to ensure financial responsibility and operational efficiency.

- *Citywide Fees and Charges* – The City will continue its ongoing effort to review and updates city fees to align with the cost of service based on recommendations from cost-of-service studies and application of its annual adjustment factor called the City Cost Index (CCI). The FY 26 Budget reflects revenue adjustments from various rate adjustments including:

  - $1.9 million from a 31 percent increase to Emergency Ambulance Fees which will align to Los Angeles County Rates.
  - $1 million from a $5 increase to Parking Citation rates which were last adjusted as part of the Adopted FY 20 Budget.
  - Close to $3 million anticipated from rate adjustments following a cost-of-service review of planning and building fees in the Development Services Fund Group including those in the Multi-family Housing/Proactive Rental Housing Inspection Program.

- **FY 25 General Fund Citywide Savings Target and Mandatory Fleet Reduction Strategy** – On May 1, 2025, a citywide savings target was issued, which directed departments to identify and implement General Fund expenditure reductions of 0.5% to 1% in the current fiscal year. This also included the implementation of a Citywide Mandatory Fleet Reduction Strategy to reduce structural General Fund fleet costs such as fuel, labor, parts, etc. The reduction target for each department is 3% (General Fund only). Departments were asked to review their current fleet inventory and identify vehicles to return in FY 25 to meet the target. This is anticipated to generate $1 million in cost savings to aid in our financial challenges.

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, what the voters prioritize, the number 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 the Proposed FY 26 Budget's $16.9 million projected shortfall 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.

- During the FY 26 budget process, the focus on continuing existing programming and preserving core services was the trade off to **not approving many other important initiatives citywide**. There were a number of requests that were not able to be included in the FY 26 budget that were major services enhancements or continuation of one-time programs that did not have an offset. These included, but are not limited to:

    - Justice Fund
    - Tenant Right to Counsel
    - Additional Youth Grants
    - Teen academy and continuation of one-time afterschool programming at El Dorado West, Scherer Park, and College Estates Park
    - Municipal Band
    - Hoops After Dark
    - Beach Streets
    - Additional paramedic ambulance units to improve emergency response
    - Firefighter support for additional specialized units such as arson investigation
    - Firefighter wellness and professional development initiatives
    - Expanded community engagement capacity for Police Department
    - Administrative support focused on personnel and wellness management for the Police Department
    - Additional staff or prevent losing positions that grants no longer fund for: racial health equity initiatives, mental health program coordination, communicable disease response
    - Uncontrollable utility and maintenance costs
    - Staffing to support critical infrastructure programs including street repair and facilities management
    - Analysts and project coordinators to support capital projects
    - Dedicated Data Privacy Division and bolstering technology infrastructure

The City of Long Beach faces significant infrastructure and operational challenges, with billions in identified needs across facilities, streets, sidewalks, stormwater systems, and climate resilience efforts. The City invested an average of $62 million annually between FY 23 – FY 25 in major and minor streets, equating to the largest investment in a general, and still, it falls dramatically short of the needed amount.

- **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, which is included in the $631 million figure noted above.

- **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 of 56, pothole complaints are constant. Due to limited resources, often the same potholes need to be refilled due to subgrade conditions, as the location waits for permanent but costlier repairs. To address most residents' concerns, the pothole program would need $850,000 in additional structural funding and $1,450,000 in one-time funding to support an additional pothole crew and vehicle which would be able to fill 12,000 more potholes per year. This increase is mostly driven by the significantly higher costs of electric vehicles.

- **Street Median Maintenance –** The City maintains 9,000,000 square feet of landscaping medians and backlots primarily with the use of landscaping contractors. However, an additional $2 million is needed to support litter abatement, irrigation repair, weed abatement, and tree trimming depending on the season. Additional resources would go towards staffing to quickly respond to seasonal demands to provide weed clearance at hot spots.

- **Stormwater Conveyance System –** During recent storm seasons, Long Beach residents experienced flooding, due to unique factors including: failures of Pump Stations, rain intensity and/or duration exceeded design capacity, overdue repairs or improvements of Stormwater Pump Stations due to lack of budget, an undersized stormwater system within an impervious drainage area, or the absence of a stormwater system (7th Street and Chestnut Avenue). A range of funding, depending on locations selected, between $500k and $5 million is needed to alleviate flooding and provide flood resiliency to affected areas. Additionally, $2 million structural annual funding could be used to maintain and rehabilitate the

pump stations, perform critical storm drain repairs that need immediate response, and inspect and clean stormwater conveyance systems. Overall, the City estimates $730 million of unfunded liabilities relating to the Stormwater Conveyance System, of which $47 million of needs are critical and consist of high priority needs.

- **Implementation of the Climate Action Plan (CAP) –** Adopted by the City Council in August 2022, the Long Beach Climate Action Plan (CAP) is the City of Long Beach's comprehensive roadmap for addressing climate change through both mitigation (reducing greenhouse gas emissions) and adaptation (preparing for and responding to climate impacts). Over 40 near- and long-term actions are laid out across transportation, buildings, energy, waste, and ecosystems, many of which are unfunded or underfunded. For example, the LB CAP concludes that daily flooding due to sea level rise could cost the City an additional $26 million in damage (in FY22 dollars) to transportation infrastructure on an annual basis by 2030. Other aspects of climate change are also potentially damaging and projected to worsen. The LB CAP also commits the city to greenhouse gas (GHG) emission reduction strategies that are currently unfunded, 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.

  Although the City has put a priority on steps it can take and is taking, the implementation of CAP actions has been made possible only through a number of limited or diminishing funding sources, like Measure US and AB 32 funding, or by addressing CAP mitigation and adaption actions through the City's capital project implementation. Much of the CAP implementation remains unfunded and beyond the ability of current City resources. The City will make progress 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 is committed to establishing 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 identify other financing mechanisms.

- **Health Fund** – A significant portion of the Health Fund Group is supported by realignment revenue and state and federal grants. Realignment revenues—derived from a portion of state vehicle license fees and sales taxes—provide flexible funding for a wide range of health-related services. In contrast, state and federal grants are typically designated for specific programs and come with strict

financial and reporting requirements. These grants often limit the types of expenses that can be covered, such as technology investments or full indirect and overhead costs, which creates challenges for sustaining core operations.

In recent years, while realignment revenues have remained relatively flat, the cost of providing public health services has steadily increased. Rising personnel costs, expanding technology needs, and greater overhead expenses have led to a growing structural deficit in the Health Fund. By FY 24, this deficit exhausted the Health Fund's available budgetary reserves. As a result, the General Fund is now covering this shortfall—placing additional pressure on the City's primary, discretionary funding source and limiting the City's ability to invest in other community priorities. In FY 25, the Health Fund deficit is projected to be $8 million and will continue to increase as portions of the City's labor, technology, and overhead costs increase.

To address this critical issue, the City has contracted with Health Management Associates (HMA) to conduct a comprehensive evaluation of the Health Fund Group. This study includes a detailed review of the department's programs, funding strategies, and cost structures, as well as a cost-benefit analysis of existing grants. It also assesses any unfunded impacts that may be shifting financial burdens to the General Fund. In parallel with HMA's work, an interdepartmental team is actively working to identify operational solutions, improve grant alignment, and develop strategies to stabilize the Health Fund's finances. Together, these efforts will inform a roadmap to restore sustainability to the Health Fund while protecting the integrity of General Fund resources.

STAFF REPORTS ON POTENTIAL INITIATIVES WITH UNFUNDED NEEDS

Throughout the year, the 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. The following items are not included in the Proposed Budget as there was no opportunity to fund them without impacts on other operations, or they are still in the development stage with unknown costs. The list of reports transmitted over the past year, as of June 2025, that identified additional funding that would be needed to implement, with potentially other factors to consider, is as follows:

- New Skate Park
- Establishment of a Quiet Zone on the Union Pacific Railway
- Citywide Driveway Parking Permit Program
- Expanded Offering of "All-In-One" Fentanyl Detection Devices

In addition, a few reports 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:

- Expansion of Long Beach Public Library's Libby Services Nationwide
- Expansion of the Long Beach Percent for the Arts Program
- Development of a Shallow Subsidy Program for Vulnerable Seniors and Expanding the City's First-Time Homebuyer Assistance Program
- Accelerating the Transition to Zero-Emission Vehicles for Private and City-Owned Refuse Trucks
- Establishment of a Media Incubator Initiative
- Improving LGBTQ+ Health and Wellbeing
- Rosemead/Lakewood Complete Corridor Project
- Increasing Off-Street Parking In Alamitos Beach
- Vacant Commercial Property Fee Program
- Food Trucks Regulation

Should any of these items be a higher priority than the items in the Proposed FY 26 budget, direction from the Budget Oversight Committee and/or Council would be needed to reduce other spending and provide direction on the level of funding to be included.

GENERAL FUND BUDGET BALANCING AND FUTURE OUTLOOK

Budget Balancing

The City is navigating a period of fiscal uncertainty, driven by national economic instability, the potential for significant reductions in federal grant funding, increasing costs for operations in the City's General and related funds, and slower growth in local General Fund revenues. The City is not alone in experiencing fiscal challenges. Recent news reports have shown large cities across California proposing significant reductions to City operations to balance budget shortfalls.

While many cities across California are grappling with serious financial challenges, the City of Long Beach is proud to reaffirm its commitment to the community by avoiding layoffs and maintaining core services without major reductions. Through strategic planning, responsible budgeting, and proactive decision-making, the City managed to maintain financial stability while continuing to provide essential services in FY 26. While we remain aware of the broader economic difficulties, we are confident in our ability to navigate the future and uphold our commitment to the well-being of our residents.

Since staff presented a projected structural shortfall of $19.8 million to the City Council in March, projections have been actively monitored, which continue to be significantly affected by key revenue streams. A significant part of the trends for FY 26 and beyond continue to be the focus on revenue and revenue diversification. Despite the passage of Measure LB and the $15 million expected revenue, significant revenue shortfalls in franchise fees, sales and use tax, property tax and interest pooled cash affect the City's ability to align expenditures with ongoing revenues. To maintain financial stability and

address FY 25 and FY 26 shortfalls, the City issued General Fund savings target on May 1, 2025, to all departments to strengthen efforts to preserve one-time Securing Our City's Future reserves and to avoid structural service impacts.

The FY 26 proposed budget reflects difficult but necessary decisions, including accepting revenue generating increases and, in some cases, not funding certain departmental requests in order to maintain a forward-looking fiscal strategy. Including the updated trends related to revenues growing more slowly than anticipated and the proposed FY 26 budget items, the projected structural shortfall is now $16.9 million - a $2.9 million improvement to the structural shortfall since March 2025.

The City Manager's proposed budget includes one-time sources to continue to stabilize services. Oil revenues structurally removed as part of the City's General Fund strategy to reduce annual reliance on oil revenues is being recognized on a one-time basis to support General Fund activities and youth one-time programs. Additionally, one-time property tax revenue increase for FY 25 payments deferred due to wildfire events, will be recognized on a one-time basis in FY 26. The City's fleet will also implement a fleet reduction plan to align its resources citywide and reduce its structural impact on the General Fund. These key actions are reflected in this proposed budget. The FY 26 budget also invests in one-time critical needs largely offset by one-time revenues, with a slight shortfall of $0.5 million, which will be offset by planned uses of Asset Forfeiture funds. The FY 26 funding need of $17.3 million ($16.87 million structural, and $0.47 million one-time), will be balanced utilizing one-time sources including $1.5 million of Asset Forfeiture funds which will be reviewed for possible use to replace critical Police Department helicopter cameras, with the remaining balance covered by $15.8 million from Securing our City's Future reserves. Any additional enhancements added to the proposed budget will require reductions in other operations to offset 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 27).

Future Outlook

As part of the City's normal financial planning, a multi-year forecast of the General Fund Group is always prepared with the assumption of a continuation of service levels in the Proposed Budget. Table 4 below shows the General Fund Group budget outlook through the next five years, which factors in the City's strategy to gradually reduce its structural dependence on oil proceeds each year until it is fully phased out of the General Fund budget by FY 30. Based on the outlook, the FY 27 budget shows a structural shortfall of $39.3 million, impacted by the shortfalls that have been mitigated with one-time funds over prior years and significant revenue shortfalls affecting the City's ability to align expenditures with ongoing revenues. The outlook assumes that there is not an economic recession and may also require changes based on federal policy resulting in loss of federal funding. Absent significant revenue change, it is likely that next year the City will be faced with significant reductions, and the Mayor and City Council are strongly encouraged to recognize that when considering the FY 26 Proposed Budget, which as proposed starts to reduce the deficit and keeps costs from increasing.

The reserves discussed in the solutions above do not include the City's General Fund Operating (inclusive of the Measure B Stabilization Reserve) or Emergency Reserve. At the beginning of FY 25, the Operating Reserve was at $17.6 million, inclusive of the Measure B reserve, which was approximately 2.6 percent of normal FY 24 operating expenditures, which is within the policy required range of 2 to 7 percent. In FY 24, an additional $2.4 million was set aside in the Emergency Reserve to bring the balance to $50.1 million, which is 7.5 percent of FY 24 normal operating expenditures, which is slightly below target level of 8 to 10 percent.

Since FY 20, the City has successfully navigated the financial challenges brought on by the COVID-19 crisis, utilizing one-time funds made available from the Long Beach Recovery Act Program to stabilize its fiscal position. However, as these temporary resources will be exhausted in FY 26, it is now essential to take proactive measures to ensure long-term financial sustainability. Strategic action must be taken to address revenue streams and expenditure management, allowing the City to transition from short-term relief to a more stable and resilient financial future. The City is challenged with a cumulative five-year shortfall of $60.5 million to be solved, which has slightly increased since March's $57.3 million challenge. General labor wage continues to rise, significant CalPERS pension costs increase, Sales and Use Tax have reflected slowed performance in major categories, the General Fund's support on oil proceeds and taxes will be reduced, and the General Fund's share of citywide internal services are going up from the cost of doing business. City departments will be asked to continue to forgo any non-critical use of operating savings, to maintain financial stability and address future needs. Future revenues from initiatives like Grow Long Beach, Measure A, and the Olympics in 2028 will be critical in the coming years to limit service delivery impacts. Even with promising revenue streams on the horizon, the City will need to seriously consider budget reductions in the next fiscal year to ensure financial stability. As these decisions are made, the highest priority will be placed on maintaining essential services, ensuring that residents continue to receive the critical support and resources they rely on. Strategic planning will be necessary to balance fiscal responsibility with community needs.

Table 4: General Fund Surplus / (Shortfall) in $ Millions

	FY 26 Projection*	FY 27 Projection	FY 28 Projection	FY 29 Projection	FY 30 Projection	FY 31 Projection	**Total**
Surplus/(Shortfall) - Annual	-	(22.4)	(17.0)	(2.3)	(4.8)	3.0	**(43.6)**
Shortfall from Previous Year	-	(16.9)	-	-	-	-	**(16.9)**
Surplus/(Shortfall)*	**-**	**(39.3)**	**(17.0)**	**(2.3)**	**(4.8)**	**3.0**	**(60.5)**

* The FY 26 shortfall of $16.9 million is offset with funds made available through the Securing Our City's Future reserve.
** This chart assumes that any shortfalls are structurally solved each year, except FY 26

The financial challenges ahead call 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.

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