OVERALL BUDGET FINANCIAL SUMMARY

The Fiscal Year 2026 (October 1, 2025 through September 30, 2026) all funds budget for the City of Long Beach totals $3.7 billion, including $188.8 million for all funds Capital Improvement Plan from various sources excluding the Harbor Department. Table 1 shows the total Proposed Budget for the City's General Fund Group, including one-time expenditures, enterprise fund groups (Gas, Refuse, Water, Airport, Development Services, Harbor, etc.) and all other fund groups (Successor Agency Operations, Debt Service, etc.). Of the total budget, Harbor and Utilities Departments, which are not administered by the City Manager and not directly controlled by the City Council (although the City Council must review and approve the budget), constitutes 32 percent, or $1.2 billion of all proposed spending.

Table 1. Total Budget ($ in millions)

	FY 25 Adopted	FY 26 Proposed	% of Total	% Change
General Fund - Recurring	$ 741.6	$ 760.0	20%	2%
General Fund - One-Time*	13.8	4.2	0.1%	-70%
Enterprise Funds	1,416.2	1,449.3	39%	2%
All Others	1,475.9	1,504.9	40%	2%
Total	$ 3,647.5	$ 3,718.4	100%	2%

*Does not include Measure A One-Times. Measure A One-Times are captured as part of the General Fund-Recurring line item. Overall, Measure A is accounted for separately when calculating bottom line General Fund structural status.

GENERAL FUND GROUP

The General Fund Group accounts for approximately 21 percent of the total budget and provides many of the City's core services. These include police and fire services, parks, street and sidewalk repairs, and library services. Most other fund groups and resources are restricted by law for other purposes and cannot be used to support these core functions.

Balancing the FY 26 Budget

The March 2025 budget projection provided to City Council during the start of the FY 26 Budget development process indicated an estimated structural shortfall of $19.8 million. The Proposed FY 26 Budget factors in the strategic fiscal goal of not increasing the projected underlying General Fund shortfall, moving forward with caution and remaining fiscally disciplined while identifying any needs that are legally mandated, safety related, and/or critical to maintain operations and in line with executing the Long Beach 2030 Strategic Vision. The Proposed FY 26 Budget accomplishes set goals and improves the General Fund structural shortfall by $2.9 million, but there still remains a $16.9 million structural challenge which can be addressed on a one-time basis to preserve critical services citywide. The FY 26 budget also invests $4.2 million in one-time critical needs largely offset by $3.9 million one-time revenues, with a slight shortfall of $0.5 million, which will be offset by planned uses of $1.5 million Asset Forfeiture funds which will be reviewed for possible use to replace critical Police Department helicopter cameras. The projected structural shortfall of $16.9 million is proposed to be resolved in FY 26 with set-aside from Securing our City's Future funds.

Table 2 shows the breakdown of budget balancing actions with additional information provided below the table. The use of one-time funds is not recommended as a means to balance a budget, but since the pandemic it has been a strategic decision by the City to utilize one-time funds to allow the City to maintain and provide additional support to the community while the City and allow for future revenue streams from initiatives like Grow Long Beach, Measure A, and the Olympics in 2028 to materialize.

Table 2: FY 26 General Fund Budget Updates since March Projection ($ in millions)

	Surplus/(Shortfall)* Structural	One-time	Total
Preliminary Shortfall as of March	(19.8)	-	(19.8)
Citywide Revenue and Expense Updates	(2.2)	-	(2.2)
Proposed Budget Changes	5.0	(0.5)	4.6
Revised Surplus / (Shortfall)	**(16.9)**	**(0.5)**	**(17.3)**
Budget Balancing Solutions			
Public Safety Equipment- Asset Forfeiture	-	1.5	1.5
Securing Our City Future funds	-	15.8	15.8
Final Surplus / (Shortfall)	**(16.9)**	**16.9**	**(0.0)**

* A positive number helps bottomline fund status; a negative number is a hit/cost to bottomline fund status.

Preliminary Shortfall as of March – In March 2025, the FY 26 Budget Outlook was presented to the City Council and a structural shortfall of $19.8 million was projected for the General Fund. 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.

Citywide Revenue and Expense Updates – 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. Revenue and expense projection updates have been made based on more recent data and trend analysis available since the March 2025 forecast. Overall, the net impact of citywide revenue and expense projection updates show an additional hit to the shortfall of $2.2 million. Updates to revenue projections since March reflect significant revenue shortfalls in franchise fees and sales and use tax. Updates to expenditures reflect improvement primarily in alignment of the City's Indirect Cost Plan budgeting to the change of methodology implemented in FY 24 and updated projections of charges eligible to Capital Improvement projects.

Proposed Budget Changes – Although the FY 26 Budget projected a General Fund shortfall in the March presentation to the City Council, departments were not requested to propose service reductions to balance the budget. Departments were asked to forgo any non-critical use of savings in FY 25 which will help preserve one-time Securing Our City's Future funds and allow for the opportunity to maintain services in FY 26. The FY 26 Budget continues to preserve and maintain services, but 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. Additionally, critical and high priority enhancements were made across departments. Many are outlined in the City Manager's Budget Message, and full lists are available as Attachments to the Message. Many enhancements were offset by departments with other reductions, efficiencies, as well as new or adjusted revenue since the March outlook presentation. Excluding the alignment of budget to reflect the expiration of the Los Angeles County Metropolitan Transit Authority security service agreement (which has a minimal net impact to the General Fund), the FY 26 Budget includes $10.2 million from proposed department revenue adjustments including $2.5 million in the Fire Department from the Public Provider Ground Emergency Medical Transportation (PPGEMT) and $1.9 million to align Advanced Life Support and Basic Life Support rates with the Los Angeles County rates. The proposed budget also includes $2.8 million from Public Works Department to align parking citation revenue to actual trends and reflect a $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. The City Manager's proposed budget includes one-time sources to continue to stabilize services. Oil revenues of $1.25 million 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 in the amount of $2.1 million, will be recognized on a one-time basis in FY 26. Proposed changes that were not offset within departments, but still deemed critical to add, resulted in a total structural net impact improvement of $5 million and did not add to the structural deficit. Additionally, the Proposed FY 26 Budget includes several one-time strategic and critical investments being made totaling $4.2 million. Details on these strategic investments can be found in Attachment B and C of the City Manager's Budget Message.

Budget Balancing Solutions – 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).

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. As of 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.

Proposed Structural FY 26 General Fund Group Changes By Department

Table 3 summarizes the departmental net fund impact of the FY 26 General Fund Group proposed changes, excluding one-times, along with the budgeted position changes. The total structural net departmental changes as a result of City Manager proposed decisions resulted in an improvement to the General Fund in the amount of $5 million. The Table does not include any Measure A department changes; those are discussed and documented separately as part of the Measure A plan. The full details of these General Fund changes by department, including Measure A items, are listed in Attachment C of the City Manager's Budget Message.

Table 3. Structural FY 26 General Fund

Departments	FY 26 Proposed Changes	Position Changes
Mayor and Council	-	-
City Attorney	-	-
City Auditor	-	-
City Clerk	-	-
City Manager	3,671	-
City Prosecutor	-	-
Community Development	106,287	0.27
Disaster Preparedness and Emergency Communications	-	-
Economic Development & Opportunity	539	(0.05)
Financial Management[1]	352,860	6.17
Fire	(3,820,482)	3.00
Energy & Environmental Services[2]	(4,900,000)	-
Health & Human Services	(50,592)	(0.50)
Human Resources[3]	(4,610,838)	(20.81)
Library, Arts, and Culture	67,379	(0.50)
Parks, Recreation and Marine[4]	791,893	14.86
Police[5]	991,817	(23.38)
Police Oversight	(10,791)	(1.00)
Public Works[2]	4,240,133	4.98
Citywide Activities[6]	1,792,235	-
TOTAL	**(5,045,889)**	**(16.96)**

1. *The FY 26 budget includes an increase in costs to support the Mobile Food Facility Program compliance and enforcement efforts, inclusive of a transfer of an FTE from the Public Works Department.*

2. *The FY 26 budget includes a transfer of $4.6 million in Private Hauler Fee revenue from the Public Works Department to the Energy and Environmental Services Department as part of the integration of Solid Waste Management transfer with no impact to the General Fund, Citywide. Excluding a transfer of Private Hauler Fees and staff transfer to the Financial Management Department, the Public Works Department net impact from proposed budget changes results in $0.2 million savings.*

3. *Savings reflected from the transfer of Civil Service to the Human Resources Department will have no bottom-line impact in this table as an earmark plug in an equal amount has been removed in the Citywide Activities Department. Effective savings from the transfer of Civil Service to the Employee Benefits Fund Group in the Human Resource Department was recognized as part of the FY 26 March projection.*

4. *FY 26 budget includes an increase for costs related to the termination of the spcaLA lease, including additional staff, in a total structural amount of $0.7 million.*

5. *The FY 26 budget includes the add seven Community Services Assistants (CSA) and a CSA IV Supervisor to support Calls for Service response times and allow for more strategic staffing for special events in the amount of $0.9 million. The positions will be offset by one-time vacancy savings in FY 26 as future revenues are evaluated to structurally offset the positions. Additionally, 29.00 FTEs are being eliminated from the budget to align with the expiration of the Los Angeles County Metropolitan Transit Authority security service agreement.*

6. *The Citywide Activities Department reflects a removal of an earmark plug in the amount of $4.6m, equal to the amount of savings reflected in the Civil Service Department. The net impact from the Citywide Activities Department from proposed budget changes is $2.8 million savings related to the anticipation of savings from a 3% Citywide Fleet reduction strategy and partially debt-financing fleet vehicles.*

General Fund Group Budget 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. A preliminary projection is provided at the beginning of the budget process, and an updated projection is provided when the proposed budget is released and is then periodically updated thereafter.

Table 4 below shows the General Fund Group Budget Outlook through FY 31, 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. 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.

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. Absent significant revenue change, it is likely that next year the City will be faced with significant reductions. The City is making a strong and focused effort on action steps to identify new revenues. It continues to be prudent that the City maintain good fiscal habits and avoid exacerbating the underlying structural shortfall situation.

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 Outlook includes the following assumptions:

- No recession
- Normal revenue growth factored in after FY 26.
- Federal policy updates, such as any loss of federal funding and tariff policy impacts, may result in change in the forecast.
- Negotiated contract costs are included, and general cost of living wage increases are assumed for contracts that expire. This assumption will be revised based on actual negotiated contracts
- Tidelands Operating Fund projected to require supplemental subsidy support beginning in FY 27 to sustain operations.
- High levels of position vacancies being experienced by the City do not continue.

There are many change “drivers” that impact the forecast on both the revenue and expenditure sides. Details of some of the key change drivers are shown below in Table 5. As is always the case with projections, the outlook will change over time as more information becomes known.

Table 5: Drivers for the General Fund Surplus / (Shortfall)*

($ in Millions)

Incremental Changes in Revenue and Expense	FY 26 Proposed	FY 27 Projected	FY 28 Projected	FY 29 Projected	FY 30 Projected	FY 31 Projected	Total
Property Tax	2.9	7.1	7.6	7.7	8.1	8.1	41.5
Sales Tax	(.1)	2.7	2.8	2.8	2.9	3.0	14.1
Sales Tax - Measure A	.9	2.0	25.7	2.8	2.9	3.0	37.4
Utility Users Tax	(.6)	4.1	4.5	4.9	5.4	5.9	24.2
Utility Users Tax - Measure LB	15.0	.6	.6	.6	.7	.7	18.2
Transient Occupancy Tax	.6	1.5	1.6	1.7	1.7	1.8	8.9
Interest Pooled Cash	(4.4)	-	-	-	-	-	(4.4)
Uplands Oil Transfer	1.4	(.7)	(1.8)	(.8)	(.5)	-	(2.4)
Other Revenue Change (e.g. VLF, Electric/Pipeline Franchise, Transfers)	2.6	4.0	3.8	4.6	4.7	5.5	25.2
Total Revenue Impact	**18.4**	**21.3**	**44.7**	**24.4**	**25.9**	**28.0**	**162.8**
Salary Changes	(10.8)	(18.0)	(16.2)	(16.7)	(17.2)	(17.7)	(96.6)
CalPERS Pension Changes Due to Rate Increase Only	(11.2)	(13.5)	(12.5)	.2	(1.8)	4.1	(34.8)
Technology & Innovation MOU Costs	(3.6)	(.5)	(.5)	(.5)	(.5)	(.5)	(6.1)
Fleet Fund MOU Costs	(1.5)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(6.5)
Civil Service Merger	2.5	-	-	-	-	-	2.5
Workers Compensation	(2.1)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(13.8)
Health Benefit Related Changes	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(10.3)
Indirect Cost Plan	7.8	-	-	-	-	-	7.8
Other Expense Changes (e.g. Debt Service, Sales tax Rebates, Tax Measures plugs, Corrections)	.9	(4.7)	(4.6)	(1.5)	(2.9)	(2.6)	(15.3)
Total Expense Impact	**(19.7)**	**(41.7)**	**(38.9)**	**(23.6)**	**(27.5)**	**(21.7)**	**(173.1)**
Additional Impacts To Projected Surplus/(Shortfall)							
City Manager Budget Proposals Net Impact (structural)	5.0						
Shortfall from Previous Year - Not included in lines above	(20.3)	(16.9)	-	-	-	-	
Measure A Structural Support for Public Safety			3.1	-			
Backing out Impact of Measure A related revenue**	(.1)	(2.0)	(25.7)	(2.8)	(2.9)	(3.0)	
Measure B (Stabilization Fund) Set Asides***	(.15)	(.00)	(.31)	(.32)	(.33)	(.34)	
Projected Surplus / (Shortfall)****	***(16.9)***	(39.3)	(17.0)	(2.3)	(4.8)	3.0	
One-time offsets	*16.9*						
Final Projected Surplus / (Shortfall)****	***-***	***(39.3)***	***(17.0)***	***(2.3)***	***(4.8)***	***3.0***	***(60.5)***

* Negative numbers represent a negative impact to the fund position, and positive numbers represent a positive impact to the fund position.

** Measure A related revenue and expense increments need to be backed in order to calculate the surplus/(shortfall) unrelated to Measure A.

*** These figures reflects Measure B set asides for Measure MA, Measure US, Measure B-TOT. Measure A amounts are captured as part of backing out Measure A related revenues and expenses.

**** Assumes that any shortfalls are structurally solved each year, except for FY 26

Major FY 26 General Fund Group Revenue Trends

Revenues in the General Fund Group are typically unrestricted in their use and predominantly derived from local taxes. In FY 26, taxes account for approximately 72 percent of General Fund Group revenues. Of the total General Fund revenue amount, Property Taxes, Sales Tax (including Measure A), Property Tax In-Lieu of Vehicle License Fees (VLF) and Utility Users Taxes (UUT) account for 64 percent of General Fund Group revenue. Like other California cities, revenue in the Long Beach General Fund Group is constrained by the natural rate of year-over-year growth of these tax revenues. Historically, the base revenue increase (not including unusual one-time gains or losses) had difficulty even offsetting inflation in the City's costs.

Although the overall revenue outlook continues to project growth from FY 25 mid-year estimates, the FY 26 budget includes a recalibration of expected revenue levels based on the most recent data available including FY 24 year-end performance and current year revenue trends indicating a slowdown across several key revenue sources in FY 26. The section below outlines additional projection details on various major revenue streams. The following revenue assumptions do not include anticipated impacts from federal policies, such as tariffs, and will continue to be updated throughout FY 26 as more data becomes available. Additionally, Attachment A to this Executive Summary Chapter provides background information on the basics of the City's Sales and Property Tax revenues.

- Property Taxes – The largest City revenue source in FY 26, total property tax is estimated to generate $182.0 million. Due to Proposition 13, the City's underlying assessed valuation growth is constrained to two percent per year until a reassessment occurs due to a change of ownership or construction. The FY 26 property tax revenue forecast is based on the assessed valuation provided by the County of Los Angeles for 2024/2025 values, covering 2023 calendar year sales and other values set by the County Assessor as of January 1, 2024. The FY 26 property tax forecast assumes a five percent increase over FY 25 estimates, which includes one-time revenue of $2.07 million deferred in FY 25 due to the recent fire events but anticipated in FY 26. Excluding one-time deferred payment activity, revenue from secured and unsecured property taxes are anticipated to increase by four percent over FY 26 estimates due to the strength of new development in the City and, while slowed in comparison to recent prior years, a maintained level of property sales which has recently indicated an uptick during the first two quarters of FY 25. Similarly, these assumptions also extend to Property Tax In-Lieu of VLF which is projected at $72.4 million.

  Further, tax revenue from former redevelopment areas are subject to similar factors. In FY 26, tax revenue to the General Fund Group from former-redevelopment areas is projected to increase by one percent from FY 26 estimates and excludes revenue that must first be used to fund former-Redevelopment Agency obligations (e.g., debt service payments) in the Recognized Obligation Payment Schedule (ROPS). Following FY 26, the outyear forecast assumes a four percent increase each year as ROPS expenditures for former Redevelopment Agency obligations conclude (e.g., debt service payments), resulting in higher tax revenue for the General Fund Group.

- Sales Tax – The City's second largest revenue, sales tax revenue (not including Measure A) is projected to generate $89.2 million in FY 26, which is relatively flat from the prior year's budget. FY 26 projections anticipate a three percent increase over FY 25 estimates, which is trending lower than budget and is based on the most current data available covering calendar year 2024 activity which reflected a slowdown in taxable sales in categories such as fuel and autos and transportation. These trends are consistent with similar declines across the county and state. However, despite slowed growth and declines in these areas, the FY 26 projection assumes continued sales performance from various location agreements approved by the City Council to establish purchasing companies in the City of Long Beach and promote sales tax revenues and increases in other areas such as restaurants and hotels and revenue generated from development projects occurring in the City.

- Measure A – The City's Transactions and Use (Sales) Tax, known as Measure A, is projected to generate approximately $66.7 million in FY 26, which will be deposited in the General Fund Group. Like non-measure A sales tax, projected FY 26 Measure A revenue projects only a slight change (one percent) from the FY 25 Budget and is impacted by similar factors such as the slowdown in autos and transportation sales. The FY 26 Budget reflects a reduced Measure A rate at three-fourths of a percent. Revenue from a full one percent tax is projected at $89.0 million in FY 26. Until April 2025, the County's Measure H (for homeless initiatives) took a one-quarter of a percent due to the timing of when the County's Measure H and City's Measure A were approved. With voter approval for LA County's Measure A in November 2024 repealing Measure H, staff anticipated the City Measure A transactions and use tax rate would increase from 0.75 percent to a full 1 percent beginning April 1, 2025, instead of October 1, 2027. Since voters approved LA County Measure A, the City has been in continuous communication with the state agency that is responsible for collecting the tax regarding the impact of the County's Measure A on the date when the City's own Measure A tax rate returns to 1 percent. The state agency did not agree that the October 1, 2027, date was accelerated to April 1, 2025, and a legal claim was filed by the City to seek a determination by the Court. The Court ruling indicated that the City's Measure A tax rate of 0.75 percent will hold until October 1, 2027, as originally scheduled prior to the November 2024 election.

- Utility Users Tax (UUT) & Franchise Fee Revenue – This is a five percent tax on usage of water, telephone, electric utilities and dependent on utility prices and customer usage. The FY 26 Budget includes $15 million in new gas utility users tax revenue anticipated from voter-approved Measure LB which repealed the exemption from two natural gas fueled electric power plants (AES and Los Angeles Department of Water and Power) operating in the City. With the new Measure LB revenue, the FY 26 forecast across all UUT sources is based on the current year's performance for each utility and is projected to generate $67.3 million. Excluding Measure LB revenue in FY 25 and FY 26, forecasted UUT revenue is eight percent higher than FY 25 estimates. While FY 26 projected revenue (excluding Measure LB) is higher than current mid-year estimates, the FY 26 Budget is one percent less than prior year's budgeted amounts. This relatively flat performance includes slowed actuals in Electric UUT revenue in comparison to prior years in addition to more stabilized revenue trends for Gas UUT following the Natural Gas Price Spike in FY 23. These trends are also impacting electric and gas franchise fee revenue totaling $16.3 million in FY 26, which is a decrease from the FY 25 Budget of $23.1 million. Of the total franchise fee revenue decline totaling $6.7 million, $6.3 million is from the gas franchise fees based on energy price and customer usage. Telephone UUT continues to be assumed as a declining revenue source based on average annual performance. Finally, based on current year's performance and in anticipation of rate increases, Water UUT is anticipated to increase by 20 percent from the FY 25 Budget.

- Transient Occupancy Tax (TOT) – The FY 26 General Fund Group budget for TOT (including the additional one percent generated from Measure B-TOT), is $30.1 million and is two percent higher than the FY 25 Budget. Although Long Beach TOT is an extremely volatile revenue source and dependent on many factors including business and convention travel, the FY 26 forecast is five percent higher than FY 25 estimates based on current activity. Beyond FY 26, the outyear structural forecast also assumes steady growth of five percent each year and does not anticipate additional one-time revenues from large-scale events such as the 2028 Olympics.

- Interest Pooled Cash Revenue – Annual revenue is subject to interest rates and the mix of securities in the City's investment pool across all fund groups. The FY 26 projection of $11.7 million and is reduced from the $15.9 million budgeted in FY 25. The forecast is based on FY 24 actuals and FY 25 estimates which show lower than anticipated performance due to the General Fund's reduced share of the total citywide interest-pooled cash revenue which was 14 percent as of FY 24 year-end.

- Other Revenue Change – This line item represents all other General Fund revenues including transfers to the General Fund, Property Tax in-lieu of VLF, franchise fees, etc. In FY 26, a notable portion of the increase from the FY 25 budget is due to base adjustments and proposed department budget items. This includes structurally budgeting an increase of $6.9 million, of which $5 million is largely attributed to the City's implementation of the Public Provider Ground Emergency Medical Transportation (PPGEMT) Intergovernmental Transfer (IGT) Program and allows the City to receive increased reimbursements for Medi-Cal emergency on a per-transport basis. Of the total revenue increase, approximately half will offset the City's payment to the State program to qualify for add-on increase. The remaining amount of $1.9 million is expected revenue from a FY 26 rate adjustment which will align the City's rates to those charged by the County of Los Angeles.

Oil Revenue

Oil revenue for the City is produced through three primary sources: (1) a barrel tax, used to fund General Fund operations; (2) revenue from the sale of produced oil that benefits the Tidelands and General Fund; and (3) an administrative fee placed on Uplands oil production costs that benefits the General Fund. 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. Due to the current legislative landscape and regulatory environment expediting annual oil revenue decline in advance of 2035, the City implemented a strategy in FY 25 to reduce its structural reliance on oil revenues in the General Fund Group by FY 30 – five years in advance of the target date of 2035. As part of this strategy, the City will gradually reduce its dependence on oil proceeds each fiscal year until it is fully phased- out of the General Fund structural budget by FY 30. Higher than budgeted revenues will be used for one-time uses including priority projects and/or set-aside for future oil well abandonment. In FY 26, the budget includes programming $1.25 million 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.

Due to the projected shortfalls and the transition plan from revenue reliance on oil, unallocated City's Measure A funding in FY 28, the year when the Measure A tax rate is projected to increase from the current 0.75 percent to the full 1 percent, will be prioritized to support the increased structural cost associated with public safety maintenance previously funded with the General Fund. The annual reduction strategy to General Fund oil proceeds from Uplands and Oil Production Taxes (including Measure US and Proposition H) is as follows and will be revised each year based on updated projections:

Table 6: Structural Reduction Strategy	
Fiscal Year	**General Fund Reduction ($)**
FY 26	$1.3M
FY 27	$1.3M
FY 28	$3.3M
FY 29	$3.3M
FY 30	$4.0M

- Oil Transfers – The projection for the FY 26 budget assumes the structural price of oil at $55 per barrel. While FY 25 mid-year estimates anticipate a higher actual average price of oil at $60 per barrel, the FY 26 budget applies the financial practice of structurally budgeting a lower than likely oil price to hedge against the risks of the very volatile nature of this revenue source. While the FY 26 projected Uplands Oil proceeds include a reduction of $250,000 from forecasted amounts, this amount is recognized in the FY 26 Budget as a one-time budget balancing strategy. Due to this financial practice of budgeting oil revenue lower than the likely price, there may well be surplus available at the end of FY 26, which can be used towards critical one- time needs or additional set-aside for oil well abandonment.

  Table 7 below shows actual and anticipated annual revenues available for transfer to the General and Tidelands Operating Fund Groups based on the assumed oil price per barrel. Both price and production efforts have an impact on the City's oil revenues, which in turn impacts what net revenues are available for higher net transfers to operating funds. Starting in FY 25, net oil revenue to the Uplands and Tidelands Operating Fund Groups decreased due to the legislative and regulatory landscape which has reduced production activities. Actual and projected revenues are available after amounts are set aside for future abandonment funding. In FY 26 and beyond, the annual structural abandonment set-aside amounts at $55 per barrel for Uplands and Tidelands Operating is $1,625,000 and $7,125,000, respectively.

Table 7: Revenues Based on Estimated Oil Barrel Prices

In millions of $	FY 23 Actual	FY 24 Actual	FY 25 Est.	FY 26 Budget	FY 27 Proj.	FY 28 Proj.	FY 29 Proj.	FY 30 Proj.	FY 31 Proj.
Barrel Price Estimate	*$94*	*$79*	*$60*	*$55*	*$55*	*$55*	*$55*	*$55*	*$55*
Uplands*	$12.0	$10.3	$5.8	$4.0	$3.1	$1.3	$0.5	$0.0	$0.0
Tidelands	$33.8	$25.0	$15.4	$10.2	$8.7	$6.4	$4.3	$2.9	$1.2

**FY 25 and beyond outlook includes City's strategy to reduce its General Fund reliance on oil revenue. FY 26 includes $250,000 for one-time purposes.*

- Oil Production Taxes – City revenue generated from the business license tax on oil production depends on the number of oil barrels produced each year. Oil production tax revenue is comprised of oil production taxes from Proposition H (Police and Fire Public Safety Oil Production Act) and the City's general tax including Measure US. Proposition H is a special tax on oil production and restricted to funding public safety services that would otherwise be funded with the General Fund, and Measure US is a general tax on oil production where funding is intended for local climate and environmental, community health, jobs training, and youth initiatives. The FY 26 revenue forecast for these funding sources is based on the current year's barrel production trends. Oil production tax revenue has historically been regarded as a declining revenue source due to the natural reduction in oil production. The FY 26 and outyear forecast assumes a 15 percent barrel decline through FY 30. The annual production decline is an increase from budgetary assumptions previously at 6 percent prior to regulatory actions which reduce production activities. Like oil proceeds from Uplands, revenue projections reflect the City's strategy to reduce structural dependence on oil revenue until FY 30 when General Fund budgeted oil revenue is reduced to $0. The actual revenue received above budgeted figures will be available for one-time use. The FY 26 Budget programs $1 million ($500,000 from General Fund and Measure US, and $500,000 from Proposition H) from oil production tax proceeds which were reduced structurally from the General Fund forecast but will be recognized on a one-time basis.

Table 8: Oil Production Tax Revenues

In millions of $	FY 23 Actual	FY 24 Actual	FY 25 Est.	FY 26 Budget*	FY 27 Proj.	FY 28 Proj.	FY 29 Proj.	FY 30 Proj.	FY 31 Proj.
General Fund	$1.4	$1.4	$1.3	$1.1	$0.7	$0.3	$0.2	$0.0	$0.0
Measure US	$1.4	$1.4	$1.3	$1.1	$0.7	$0.3	$0.2	$0.0	$0.0
Proposition H (Public Safety)	$2.9	$2.9	$2.7	$2.4	$1.6	$0.8	$0.6	$0.0	$0.0

**$1 million programmed in the FY 26 budget for one-time purposes.*

Major FY 26 General Fund Group Expense Trends

On the expense side of the equation, wages, CalPERS retirement costs, health-related benefit costs, interdepartmental charges for the City's technology and fleet, and workers' compensation are some of the main factors for increases. There are areas of savings as well in expenditures areas, such as citywide indirect cost plan budgeting.

- Salary Changes – Labor costs in FY 26 are projected to increase by approximately $10.8 million due to several reasons, including previously negotiated pay raises and benefit changes in employee labor contracts and step increases for current employees. For years with no agreed labor contracts, starting FY 26 for Public Safety and FY 27 for miscellaneous groups, assumptions in the projection resulted in an average increase of $16.6 million per year. This also assumes more of a normal labor market and lower vacancy rates than we are experiencing now. In FY 26, the vacancy rate assumes higher budgetary savings for miscellaneous groups with a planned reduction of this assumption in the five-year General Fund forecast.

- Pension (CalPERS) Cost Increases – Pension costs can vary sharply from year-to-year because of the way the State (CalPERS) determines the City's annual contribution and their ongoing efforts to improve the funding of the CalPERS pension plan to reduce and eventually pay off the City's unfunded pension liabilities over the next 30 years. In FY 26, the increase in cost is attributed to higher-than-expected employer contribution rates driven by inflation and as a result, higher pay for retirees. Additionally, recent City pay raises were greater than actuarially assumed by CalPERS. Furthermore, the 2022-2023 CalPERS investment return of 6.1 percent fell short of the CalPERS expected return of 6.8 percent. These negative impacts substantially outweighed the favorable financial impact of positive market returns experienced in the CalPERS investment performance in recent months. The total FY 26 General Fund Group budget for pensions is $144.1 million ($253.7 million All Fund Group) which includes a $11.2 million increase related to the CalPERS rate changes. Current projections indicate that the rate of cost growth is expected to ramp up and peak in FY 28 and then begin to stabilize thereafter.

- <u>Critical Technology and Innovation Costs</u> – The Technology and Innovation Department's Memorandum of Understanding (MOU) allocates costs to all departments and funds. These costs are anticipated to increase by approximately $3.6 million in the General Fund. This is related to ongoing cost increases to provide citywide technology services and applications. In FY 26, the largest cost drivers were related to previously approved negotiated labor raises now reflected in the budget, enhanced cybersecurity and information technology infrastructure within the City, and the incremental impact of the Citywide Indirect Cost Plan, along with a need to recoup for prior year charges not included in prior MOUs. The FY 26 budget proposes additional enhancements related to fortifying our cybersecurity stance. The Upland electronic timekeeping system, which will be implemented citywide, was included in the MOU to properly account for the benefit to all departments. These costs are part of the City's long-term technology plan to maintain core and critical technology systems.

- <u>Fleet Fund MOU Costs –</u> Fleet related General Fund costs are projected to increase a net $1.5 million for expenses related to the City's purchase, maintenance, and replacement of vehicles. Expenses for labor are expected to increase by 23.78 percent. Parts are expected to increase 2.83 percent. Fuel prices continue to rise, with projected increases of 5.31 percent from last fiscal year. In FY 26 the Fire Department will deploy seven new paramedic rescue units amounting to $793,000 in annual lease payments. There will be four additional EV Blazers added to the Fleet in Parking Enforcement Operations, resulting in $30,800 in annual capital collections. Lastly, the City will deploy two brand new ZEVO Brightdrop EV Cargo Vans used for Movies in the Park, resulting in $19,800 in annual General Fund capital collections.

- <u>Civil Services Merger (Measure JB)</u> – In November 2024, voters approved Measure JB which combine the Civil Service and Human Resources Departments into one unified hiring department, operated within the Human Resources Department. The FY 26 projection recognizes a shift of the Civil Services Department General Fund budget into the Employee's Benefit Fund Group. The Employee Benefit Fund is funded by collections from Citywide funds. Net of these collections, the shift improved the General Fund projection by $2.5 million. The improvement is only short-term as Civil Services General Fund costs taper out of Indirect Cost Plan collections in outer years.

- <u>Workers' Compensation</u>: Workers' Compensation related costs are projected to increase by $2.1 million in the General Fund. Until last Fiscal Year (FY 25), charges to departments have remained relatively flat since FY 22 as the fund has maintained healthy budgetary funds available. Collection rates were increased for FY 26 to maintain the budgetary funds available.

- Health Benefit Related Costs – Health benefit related costs are projected to increase by $1.7 million in the General Fund ($4.7 million All Fund Groups). Healthcare spending has been on the rise for the last several years. Claims have returned to pre-pandemic levels with increased cost adjustments due in part to an increase in overall utilization and high-cost claims. Potential impacts from inflation are likely to drive up future health care costs, however the magnitude is not yet known, and will be considered in future projections.

- Indirect Cost Plan – The FY 26 Indirect Cost Plan is projected to decrease General Fund expense by $7.8 million. Indirect Cost Allocation Plans are developed each year by an outside consultant to identify the costs of indirect services provided by central service departments based on actual expenditures borne by the General Fund to support all departments and funds. Central services include those provided by the City Auditor, City Clerk, Financial Management, City Attorney, Legislative, and City Manager Departments. An indirect cost charge methodology recoups these charges from non-General Fund groups by applying rates calculated through the plans to allowable actual expenditures incurred in other funds during the fiscal year. The methodology is consistently applied Citywide across all funds including grant and capital fund groups and complies with the Code of Federal Regulations guidelines (2 CFR 200) necessary to recover indirect costs on federal and state grants and awards. The FY 26 projection assumes that both expenditures and the calculated rate through the plans will remain relatively constant compared to FY 25 projections. Of the $7.8 million decrease to expense in FY 26 Budget, $8 million accounts for indirect costs recouped from capital projects which will vary annually based on the annual effective indirect rate and capital project spend. The balance of $846,107 is an expense increase attributed to less than anticipated FY 25 expenditure trends in non-capital funds.

  Starting in FY 24, the Health and Human Services Department's administrative costs have been included in the City's indirect cost plan, resulting in an allowable increased indirect cost rate to Health grant funds. As part of the change in methodology, actual charges are recouped by the General Fund instead of the Health Fund Group and the Department's administrative costs will be funded within its funds available, which are decreasing annually due to various factors. As such, the General Fund continues to include $5 million for transfer to the Health Fund Group to cover estimated indirect cost plan charges in FY 26. Additional information on the Health Fund Group is detailed in the Other Funds Groups section below. Additional information on the Health Fund Group is detailed in the Other Funds Groups section below.

- Other Expense Changes – These figures include various other expense categories including debt service payments, various citywide MOU costs, budget for sales tax rebates that are offset with revenue increases, Measure B TOT disbursement alignments to revenue projections, and an alignment in the Fire Department to cover payments to the State for the City's participation in the Public Provider Ground Emergency Medical Transportation (PPGEMT) Intergovernmental Transfer (IGT) Program. Also, FY 26 includes technical adjustments to remove $0.6 million as clean-up for the LBTV incorporation into the Technology and Innovation MOU implemented in FY 25 to properly account for the benefit to all departments, and the removal of $1.5 million in the Health & Human Services Department previously budgeted as part of the former Indirect Cost Plan methodology for the Health Fund Group to recoup the General Fund Group's share of health administrative costs. Other Expenses projected beyond FY 26 primarily consists of uncontrollable costs growth for various Citywide needs and Tidelands Operating Fund Group supplemental subsidy support in the amount of $2 million beginning in FY 27 to sustain operations.

OTHER FUNDS GROUPS

In addition to the General Fund Group, the City maintains 36 other major fund groups. Many are narrowly focused and restricted to specific business activities. This section discusses select fund groups with key Citywide issues.

Airport Fund Group

The Airport Fund Group is used to account for the short-term and long-term operation of Long Beach Airport. The ongoing revenue is largely derived from airline fees, concession sales, parking activities, and long-term ground leases of airport property.

The Airport currently operates with 58 air carrier slots allocated to Southwest (50), Delta (4), Hawaiian (2) and UPS (2). Among the passenger airlines, a total of 22 non-stop destinations across the U.S. are available from the Airport. Passenger activity for the first half of FY 25 was lower than projected and the trend is expected to continue for the second half of the year. Total passenger activity is expected to be roughly 4.0 million for FY 25, an overall decline of 3% from the prior year. The decline in activity mirrors the industry as travel demand softens due to a more uncertain economic outlook.

Airport operating revenues remain stable with fluctuations among various sources balancing out. Revenue from airlines remains relatively flat compared to last year, despite the decrease in traffic. This is the result of rate increases that were implemented at the beginning of the fiscal year. Other passenger-dependent revenues such as parking and concession sales outperformed projections and helped the stabilization. Revenue from non-aeronautical ground leases is lower than expected as uses of certain properties have generated less revenue. Development opportunities are underway and will help restore revenues in this category in the future. Interest income continues to exceed projections and helps offset the shortfall from other revenue sources leading to an overall decline of roughly 1% in operating revenues this year compared to last year.

Airport operating costs continue to increase year over year due to inflation-related factors, a growing workforce and increased operational needs. Increased costs associated with operating new or reopened facilities are the result of increases in utilities, facility upkeep, and equipment that support travel services. The Airport continues to make great efforts to recruit new staff and to improve the retention of existing staff. However, many vacancies remain as the Airport continues to navigate through a tough labor market. Total operating expenditures for the Airport are expected to increase by 9% compared to the prior year.

Overall, expenditure growth has been modest while revenue has slightly declined, resulting in less favorable financial results this fiscal year. Despite the decline in traffic and growing operating costs, the Airport's overall financial performance remains positive and stable. This is attributed to the diverse revenue sources of the Airport.

Civic Center Fund Group

The Civic Center Fund Group is used to maintain, improve, and operate the Civic Center complex, which includes City Hall, Billie Jean King Main Library, Fire Station 1, Police Headquarters, Broadway Garage, Public Safety Garage, and Lincoln Park. The ongoing revenue resources to this fund include charges from City departments occupying the Civic Center facilities.

Current FY 26 projected costs included expenses from facility management, security, and the Memorandum of Understanding (MOU) with the Port. These MOU costs included payment to the Port for licenses and easement costs located in the Port Building, including the Financial Management Contractor Office, Reprographics, Archive Room and the Vault. The current projected FY 26 revenues from the Civic Center MOU are expected to cover all the expenses for the year. As part of the construction of the new City Hall, the city aided its P3 partner, Plenary, by contributing $6 million in financing that Plenary originally owned back to the city when development of the old City Hall site is complete. However, development of the old City Hall site has been delayed, and in FY 24 Plenary agreed to repay the $6 million receivable owed to the city, plus interest. The city received payment from Plenary in late FY 24. The old City Hall site requires ongoing maintenance until it's redevelopment, and the City and Plenary are both contributing to these ongoing costs. The City's portion of these costs are collected through the Civic Center MOU.

Gas Fund Group

The Gas Fund Group provides full natural gas utility services to residential and business customers in Long Beach and Signal Hill.

The Gas Fund Group is experiencing inflationary pressures as the cost of infrastructure and construction costs continue to rise. The fund is projected to spend $10.5 million on gas pipeline capital improvements in FY 26. Labor union contracts approved in FY 24 increased expenses and continue to impact offsetting revenue and fund balance in FY 26 which is projected to be $4.6 million. To mitigate cost increases from outpacing revenue growth, the Utilities Department is proposing fourth quarter FY 25 and FY 26 rate increases to ensure a balanced budget after implementing cost controls, efficiencies, and financing options while sustaining affordable and comparable rates for customers.

Health Fund Group

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.

Insurance Fund Group

The Insurance Fund Group is an internal service fund that accounts for and finances all risk management-related and insurance activities citywide. The City uses self-insurance and purchases excess insurance coverage in the open market to protect against large losses. The Fund Group is primarily supported through charges (premiums) to City departments and funds based on overhead rates and allocation of risk management costs, recovery fees, and reimbursements received on claims expense and other expenditures.

The Worker's Compensation program, as required by law, offers health and lost wage benefits to employees at no cost if an employee is injured or becomes ill due to job related issues. Revenues to the fund are generated by rates charged to departments based on claims history and personnel costs. These rates remained relatively flat from FY 22 to FY 24 as the fund maintained a healthy budgetary funds available. However, while numbers of claims have not increased, claim settlement and medical services costs per claim have been increasing and in FY 23 there was a $1.9 million operating deficit in the fund, which increased to a $4.6 million operating deficit in FY 24. City staff have implemented procedures to mitigate some of these costs, including additional oversight to speed up the return-to-work process, and streamlining the data review process to reduce doctor document review costs. Overall increased costs were identified as part of the FY 25 budget process and departmental collection rates were increased accordingly. FY 25 and FY 26 projections show a slight operating surplus in the fund, maintaining a healthy fund balance to guard against future unexpected cost increases.

The General Liability program accounts for the City's miscellaneous insurance, settlements, judgments, and defense for all liability related activities. General Liability costs for settlements and judgments started to increase sharply prior to the pandemic, which resulted in the depletion of cash in the General Liability Insurance Fund. Large settlements and losses in multiple departments mirrored similar high jury settlements across the country. In FY 22, the dollar cost of settlements and judgments plus miscellaneous insurance increased more than 85 percent from the prior year. This was due to the surge in reportable claims and the backlog of court cases resuming normal operations following the pandemic. In FY 23, costs for settlements and judgments decreased slightly, but costs for miscellaneous insurance such as property insurance rose significantly, in part due to some losses the City has incurred in recent years as well as industry-wide cost increases. In FY 24 and FY 25, miscellaneous insurance costs continued to increase, while FY 26 is projected to have a nominal increase.

Table 9 below provides an eight-year history of miscellaneous insurance costs and settlements and judgments costs.

Table 9	**Actuals***								**Estimated**	**Proposed**
(in millions)	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**	**FY 22**	**FY 23**	**FY 24**	**FY 25**	**FY 26**
Misc Insurance	$ 3.3	$ 3.7	$ 3.5	$ 7.4	$ 10.5	$ 14.1	$ 17.6	$ 22.8	$ 24.3	$ 24.6
Settlements & Judgments	$ 12.7	$ 15.2	$ 27.2	$ 8.4	$ 3.2	$ 11.3	$ 8.6	$ 10.6	$ 11.5	$ 14.3
Combined Total	**$ 16.0**	**$ 18.9**	**$ 30.7**	**$ 15.7**	**$ 13.7**	**$ 25.4**	**$ 26.2**	**$ 33.4**	**$ 35.8**	**$ 38.9**

*Actuals rounded to the nearest tenth.

EXECUTIVE SUMMARY

Due to increases in settlement and judgment costs incurred in FY 18 and FY 19, the General Liability fund decreased to a negative budgetary funds available status. Since then, the interdepartmental MOU for General Liability has been increased to recoup these losses and bring the fund back into a healthy status. FY 22 began with a negative $12.8 million in budgetary funds available, but by the end of FY 24, the fund had returned to a positive $2.1 million in budgetary funds available.

Refuse and Recycling Fund Group

The Refuse and Recycling Fund provides refuse, recycling and organics collection services for residents and businesses of Long Beach in a timely and cost-effective manner, ensuring compliance with the State's solid waste diversion laws. The Refuse and Recycling Fund receives approximately 95 percent of its total revenues from solid waste collection charges assessed to residents and businesses receiving City collection services. The remaining funds come from State grants for various programs and public outreach efforts (recycling, litter reduction, used motor oil collection, etc.), revenues from the sale of recyclables collected through the City's residential recycling program, fees paid by the City's licensed private refuse haulers for AB 939 compliance, and interest income. Over $4 million is transferred annually to the General Fund to reimburse programs such as street maintenance, tree trimming, stormwater, and environmental compliance.

Solid Waste rates were adjusted on May 1, 2025, to offset increased costs for the refuse and recycling collection programs. The adjustments needed to refuse and recycling rates were split into two phases lessen the impact to rate payers. The second phase took place on August 1, 2025. In addition to costs for current services rising, the State’s unfunded mandate for organics collection (SB 1383) requires the City to implement a residential organics collection program. As a result, residential organics rates were implemented on August 1, 2025. These new rates offset the costs to provide this unfunded State mandated program. This new program required additional staff, vehicles, equipment, carts, and a robust public education campaign.

The Environmental Services Bureau (ESB) developed and launched a residential organics collection pilot program at the beginning of FY 25. That program provided critical insights and operational lessons that informed the strategy and logistics for a broader rollout. Leveraging these learnings, ESB implemented the citywide expansion of the residential organics collection program in the latter half of FY 25 and anticipates full implementation for all 112,000 City-serviced residential accounts by the end of calendar year 2025 (early FY 26).

Additionally, in FY 26, ESB will start replacing approximately 120,000 purple recycling carts with blue carts for all City-service accounts. This transition, along with the citywide organics rollout, will be completed within the fiscal year. Together, these efforts will enable the City to proceed with SB 1383 compliance and fulfill the commitments outlined in the Notice of Intent to Comply (NOIC).

The Refuse and Recycling Fund is anticipated to have approximately nine weeks of operating reserves at the end of FY 25. With the rate adjustments and implementation of residential organics collection rates in May and August of FY 25, ESB projects the reserve fund balance to increase in FY 26 bringing the fund closer to the targeted twelve weeks of operating reserves. However, continued increases in costs associated with solid waste collection services will result in annual cost of service studies to ensure that the City’s solid waste rates are set at the appropriate level.

Special Advertising and Promotions Fund Group

The Special Advertising and Promotions Fund Group (SAP) is a Special Revenue Fund dedicated to the specific purposes of “advertising, promotional, and public relations projects calling attention to the City, its natural advantages, resources, enterprises, attractions, climate and facilities,” according to the City’s municipal code. Transient Occupancy Tax (TOT) collected by Long Beach hotels and short-term rentals is the largest source of revenue for the fund. The current tax rate is thirteen percent of the nightly room rent, six percent of which is allocated to the General Fund Group, six percent to the SAP Fund Group, and the remaining one percent, added per the 2020 voter approved Measure B (TOT), dedicated for the City’s arts organizations and the Long Beach Convention and Entertainment Center per City Council Resolution. Other sources of SAP revenue include studio filming permits, special events licenses, and other permits and fees.

TOT revenue was dramatically impacted by the pandemic. Due to revenue being lost because of decreased activity, the budgetary funds available declined in FY 20 and 21. To mitigate this, $5.2 million was made available through the LB Recovery Act (Securing Our City’s Future category) to replace lost revenue, which brought the budgetary funds available back to pre-pandemic levels at the end of FY 21. In FY 24, TOT revenue ended the year at $12.1 million, which was $1.7 million higher than budget (or 16 percent) which helped to add to the budgetary funds available. FY 25 TOT revenue is estimated to end the year at $12.6 million, which is $436K higher than budget (or 4 percent). FY 26 TOT revenue is projected at $13.2 million, which is a five percent increase from FY 25 mid-year projections. Revenue from TOT is anticipated to continue net growth in the outyears but continues to be sensitive to economic variables and conditions. This volatility can cause large swings to fund status year over year.

The SAP Fund began FY 24 with $8.3 million and initially ended the year with $10.6 million in budgetary funds available. $6 million of this was then set aside for the 2028 Olympics and $650,000 was set aside to support the future addition of a temporary Community Engagement Officer, so the fund ended with $4.6 in budgetary funds available. In FY 25, structural appropriations were approved to support 2.0 FTE Program Specialists in the Office of Public Affairs and Communications (OPAC) in the City Manager Department to effectively implement citywide communications strategies and provide timely public information delivery, as well as to support the addition of 1.0 FTE Assistant to the City Manager (Protocol Officer) to oversee the newly-created Office of Protocols, responsible for supporting international diplomacy efforts between the City, Port of Long Beach, and Visit Long Beach, including sister city initiatives, dignitary visits, Port-related international engagements, and foreign relations in preparation for the 2028 Olympic Games and other international partnership efforts to raise the City’s profile as a global city and advance economic development opportunities.

In FY 26, the City Manager is proposing structural additions in the SAP Fund of 1.54 FTE Administrative Interns in the Office of Public Affairs and Communications as well as ongoing subscription fees for Special Events & Filming permitting software and sound monitoring services at the Queen Mary and waterfront, as well as one-time investments to support Global Engagement and Protocol needs, the addition of a temporary Community Engagement Officer, and funding to support arts and culture programming such as Long Beach Walls, the annual Pride Parade, and the Naples Island Holiday Lights event.

EXECUTIVE SUMMARY

Tidelands Area Fund Group

The Tidelands Area Fund Group is comprised of Marina and Queen Mary funds. Revenue for these funds is generated from various activities, specific to each fund. The Marina Fund supports the City's three recreational marinas (Alamitos Bay Marina, Long Beach Shoreline Marina, and Rainbow Marina) including all maintenance, operations, security, fire, and emergency medical technician (EMT) services. Revenue is generated through recreational and commercial use of marina property. Fees include dock/slip fees (paid by boat owners), restaurant, retail, and grounds rental leases, concession fees, park use fees, and special events and filming fees. The latest large-scale improvements (replacement of most docks) were funded by Marina Revenue Bonds, Series 2015. The Alamitos Bay Marina dock improvements were completed in April 2018. The Marina Fund revenues are pledged for the repayment of the bonds and future dock and related area improvements. In FY 24, the Marina Fund's revenues exceeded expenditures by $1.9 million.

The Queen Mary Fund tracks the revenues and expenditures associated with the Queen Mary ship and the management and development of adjacent City-owned properties on Pier H. The City gained direct control of the Queen Mary in 2021 following the declared bankruptcy of the prior operator, Urban Commons. Financials from ship operations show that prior to COVID-19, the ship itself had the ability to generate significant profit, upwards of $6 million a year. Private operators in the past had obligations and interests the City does not have, including having to pay back investors and guarantee certain amounts of return on investment. Absent those commitments, the Queen Mary can generate the same amount of gross revenue and reinvest back into the ship's restoration, maintenance, preservation, and the ultimate development of the additional land site which can help provide long-term funding for operations.

After years of closure resulting from the COVID-19 pandemic and delays to critical repairs needed, the Queen Mary has completed its third year of operation. In FY23 the City and the Port of Long Beach worked closely on a collaborative agreement to fund reopening efforts as well as initial operational needs. As a part of that agreement, the Port has advanced $12 million over a three-year period ending this fiscal year in support of Queen Mary's operational, debt service, and capital needs.

In FY 23, staff anticipated that the Queen Mary Fund would close FY 24 with a $3 million dollar surplus. However, on March 5, 2024, Measure RW, the Hotel Worker's Minimum Wage Increase, was passed, introducing four (4) annual minimum wage increases beginning July 1, 2024, at $23.00 per hour and ending July 1, 2028, at $29.50 per hour. Wage increases to meet the standards of Measure RW total approximately $2.98 million, effectively negating the previous surplus projection. For FY 25, while staff estimates the Queen Mary Fund to end the year with a deficit of approximately $500,000 due to insurance costs, operationally the Queen Mary is still running a profit and staff are working to address solutions to bring the fund back to positive. However, future projections are anticipated to improve as the Tidelands Queen Mary bond repayment decreases from $2.7 million to $811,000 in FY26, with the final payment occurring in FY28, and additional revenue from investments due to the amphitheater.

The Port Partnership funding is being utilized to offset various improvements, including elevator modernization, camera system upgrades, and HVAC room controls. Demolition of the English Village began on 04/28/2025 and was completed June 2025. Projects that began in earnest in FY 25 are an updated feasibility study for the removal of the Scorpion Submarine ($275,000) which sits alongside the Queen Mary, a Wayfinding Signage Plan ($130,000) which will revamp signage at Pier H to assist with traffic flow, and general facilities maintenance ($200,000).

Tidelands Operating Fund Group

The Tidelands Operating Fund Group, which primarily funds operations along the beaches and waterways, is heavily dependent on oil revenue and an annual transfer from the Harbor Revenue Fund to support Tidelands Operations, including lifeguards, waterfront maintenance, the Convention and Entertainment Center, and debt service.

In FY 24, the Harbor Fund revenue transfer (a transfer of five percent of the Harbor Fund's gross revenues required by the City Charter) was $25.8 million. The projected FY 25 transfer is $28.3 million, but due to a reduction in cargo traffic in FY 25, the projected transfer for FY 26 is decreasing to $25.3 million.

In FY 24, the Tidelands Oil Revenue Fund Group transfer to the Tidelands Operating Fund Group was a net $23.9 million. In FY 25 and beyond, oil revenues into the Tidelands Operating Fund Group will be impacted by Senate Bill 1137 which prohibits new well permits and limits repair of existing wells and facilities within 3,200 feet of residences, schools, playgrounds, hospitals, and nursing homes. In addition, the California Geologic Energy Management Division (CalGEM) which oversees the oil, natural gas, and geothermal industries, has directed Long Beach to reduce injection pressures when extracting oil, which will reduce oil production and further impact oil revenues. These regulations were initially anticipated to be implemented over a six-month period, but City staff developed and implemented a five-year plan that will help mitigate the reduction in production and subsequent revenues in that time period. Due to this decreased production, as well as lower prices of oil, the FY 25 transfer is projected to be $15.4 million, and the FY 26 transfer is projected to be $10.2 million.

Prior to FY 24, the fund group had contributed to support Queen Mary operations, debt, and critical repairs. Due to the Queen Mary's FY 24 projected structural balance, there are no more anticipated contributions and transfers from the Tidelands Operating Fund to support Queen Mary operations and debt service. However, Queen Mary critical capital repairs will continue to be funded from previous surplus allocations from the Tidelands Operating Fund Group.

The fund group also contributes to the Rainbow Harbor (Queensway Bay) and Pike Parking Garage debt service and receives revenues from profits of, or makes up revenue losses of, the Convention Center. FY 23 was the last fiscal year of debt payments for Rainbow Harbor as the debt matured in 2023. Due to increased operating costs, the Convention Center is projected to have a revenue loss of $2 million in both FY 25 and FY 26.

The Tidelands Operating FY 24 year-end surplus was $16.5 million; however, the FY 25 projected year-end surplus is $7.8 million, due to increased operational costs and reduced oil revenues. Future cost increases and declining oil revenues are projected to create a deficit in the fund by FY 26 year-end. The FY 25 anticipated surplus will be prioritized for the following unfunded projects and initiatives: $1.5 million set aside to proactively cover the fund balance deficit anticipated for FY 26, $2 million for Naples Seawalls tiebacks and permitting requirements; $2 million for start-up investment for efforts to activate revenue-generating assets such as the return of the 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.

EXECUTIVE SUMMARY

Towing Fund Group

The Towing Fund provides the City's towing and vehicle lien sale operations. It also structurally supports the City's General Fund Group through an annual transfer from a portion of its net income, although that transfer has not happened in the last few years. The Towing Fund is funded through towing fees, charges for vehicle storage, and proceeds collected from the lien sale of unclaimed vehicles.

FY 25 has seen the Towing operations off to a slow start and is being monitored closely see if FY 25 will end in a deficit and if so, by how much. As has been the trend the last 2 years, the numbers of tows has been lower than in 2021 and 2022 and the cost of doing business has increased. The minimal rise of towing fees due to inflation has not kept pace to allow for full cost recovery. After the completion of an internal review of the expenses and revenues for the Towing Fund the last few years, the leadership of Financial Management is aware of the trajectory of this fund, including some potential immediate corrective actions such as reducing the number of write-offs for towing fees.

Outlook for FY 26 largely depends on the recovery of lower tow volumes experienced in FY 24 and FY 25. The continuation of current trends would likely necessitate corrective action, which may include but is not limited to structural expense reductions, increase in towing fees and/or a permanent reduction of the General Fund transfer obligation, which is currently set at $750,000 annually. Towing and Fleet have discussed other significant operational changes that could potentially reduce expenses but await direction from City leadership on the best path forward. Conversely, a return to prior year tow volumes or higher would likely mean towing revenues could meet the expense needs to allow for full cost recovery. We hope that the number of tows will increase, especially due to the deployment of the pivotal Public Works ALPR license plate reading system that would likely lead to a higher number of tows.

Uplands Oil Fund Group

The Uplands Oil Fund Group accounts for oil revenue outside the Tidelands area and accounts for all costs and revenues for the City's proprietary oil interests, including accumulating reserves for the City's portion of oil well abandonment and site clearance liabilities. Revenues are derived from participation in oil operations and oil production overhead fees received by the City as Unit Operator for the Tidelands Oil operations. At present, approximately 54 percent of the revenue in this fund is from overhead fees and 46 percent is from oil sales. The FY 26 Budget assumes a price of $55 per barrel. Based on this projection, it is estimated that the Uplands Oil Fund will be able to transfer $4.04 million to the General Fund Group. This includes the decrease to net oil revenue due to regulatory actions which reduced production activities and Senate Bill (SB) 1137 which establishes a 3,200-foot health and safety zone around new and reworked existing oil wells and prohibits drilling of new wells and improvements to existing wells within that radius. As part of the City's General Fund strategy to reduce annual reliance on oil revenues down to $0 by FY 30, the budgeted transfer has been structurally reduced by $250,000. However, as part of a FY 26 budget balancing strategy to maintain and provide additional community support, this amount will be recognized in FY 26 on a one-time basis only. The projected FY 26 transfer of $4.04 million assumes the annual set-aside of $1,625,000 needed for oil field abandonment funding. If actual oil prices continue to average higher than the budgeted $55 per barrel, annual oil revenue received above the budgeted levels will be available for one-time uses and/or increased set-aside funding for future oil well abandonment.

ATTACHMENTS

This Executive Summary has two attachments with further financial information:

- **Attachment A** – Background information on the basics of the City's Sales and Property Tax revenues.
- **Attachment B** – Overview of Debt Management

FINANCIAL POLICIES

The City of Long Beach has 22 Budgetary and Financial Policies that help guide and inform strong financial management in the City. These policies can be found in the Appendices section of the Budget Book.