

City Manager's Budget Message

Fiscal Year 2003

August 1, 2002

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

SUBJECT: Fiscal Year 2003 Proposed Budget

I respectfully submit my Proposed Budget for Fiscal Year 2003 (FY 03). Input solicited in public workshops in May provided a context for this budget. However, the economy was the major issue affecting the development of the FY 03 budget. Since this time last year, the State and local economy have been redefined by the national recession and the tragic events of September 11, 2001. As a result, there has been limited local revenue growth. This lack of growth, combined with the next scheduled reduction in the Utility Users Tax (UUT), additional public safety costs and the implications for local government caused by the State budget stalemate, are factors that affect the viability of the Proposed Budget for FY 03.

In spite of these uncertainties, you will find that this Proposed Budget protects priority service areas identified by the City Council including public safety, neighborhood infrastructure, capital projects delivery, and Strategic Plan 2010 initiatives. Further, the Proposed Budget continues to support the City Council's policy to maintain an Emergency Reserve of 10 percent of the General Fund operating budget. This is a critical factor for fiscal stability.

CITYWIDE BUDGET

The Citywide proposed FY 03 budget totals \$1.7 billion, most of which is restricted by State or Federal law or grant requirements. The Citywide budget finances a multitude of operations including City utilities (gas, sewer, water), refuse collection, the airport, harbor operations, marinas, redevelopment activities, oil operations as well as traditional municipal services that are typically funded by the General Fund such as police, fire, public works, parks and recreation, libraries, and general government services.

GENERAL FUND BUDGET STRATEGY

The FY 03 budget message, my fourth, is the most difficult I have had to deliver to the City Council and the community. The proposed FY 03 General Fund budget is balanced. However, a projected budget deficit is funded largely with one-time revenues from the current and prior years. You will recall that in the FY 02 first quarter budget report, and again in the mid-year report delivered to you on May 7, 2002, I indicated that a shortfall of several million dollars was possible by the end of the current fiscal year. The FY 02 shortfall will be mitigated during the current year by reducing expenditures to 97 percent of current budget and implementing a hiring freeze, to balance to zero.

More importantly, I also reported that, short of a dramatic and immediate turnaround in the economy, a deficit exceeding \$35 million was projected for FY 03. With additional, unavoidable costs, that deficit has grown to a projected \$46.2 million, a gap not experienced since the mid-80s.

When the City Council appointed me City Manager in 1999, the City budget picture was improving and the national and local economies were growing at robust rates. What followed were three relatively healthy years from a fiscal standpoint. However, in the past year or so, the economy has been slowed severely by the near meltdown of the technology sector, the energy crisis and the crash of the stock market. The nightmare of September 11, 2001 ("9-11") plunged the nation's already floundering economy into a full-blown recession, as hundreds of thousands of people lost their jobs. With that came a drop in consumer confidence resulting in reduced spending and, therefore, reduced tax revenues at all levels of government.

Long Beach was no exception as local hotels' occupancy plummeted. Shortfalls in City hotel taxes and sales taxes are the obvious manifestations of the economic retraction; however, the impacts go beyond the obvious to other City taxes and fees, and to the additional costs of security.

The following table illustrates trends evident in the City's General Fund revenues. Detail is provided for only a sampling of the largest revenues:

	FY 01 Actual	FY 02 Budget	FY 02 Projected	FY 03 Projected
Secured Property Tax	\$ 42,766,550	\$ 45,800,000	\$ 45,343,072	\$ 47,588,000
Sales Tax	\$ 40,504,603	\$ 41,500,000	\$ 38,471,065	\$ 40,075,000
Transient Occupancy Tax	\$ 6,667,920	\$ 7,212,000	\$ 6,080,290	\$ 6,263,000
Pipeline Franchise Fee	\$ 20,417,032	\$ 11,000,000	\$ 6,533,786	\$ 5,338,000
Electric Franchise Fee	\$ 5,389,266	\$ 5,144,000	\$ 6,419,287	\$ 6,548,000
Gas Utility Users Tax	\$ 8,968,480	\$ 7,245,000	\$ 4,836,787	\$ 4,232,000
Electric Utility Users Tax	\$ 23,875,249	\$ 22,900,000	\$ 26,557,529	\$ 23,703,000
Telephone Utility Users Tax	\$ 20,081,378	\$ 18,099,000	\$ 19,368,554	\$ 17,286,000
Water Utility Users Tax	\$ 4,226,131	\$ 4,134,000	\$ 4,410,431	\$ 3,897,000
Business License Tax	\$ 7,805,588	\$ 7,925,000	\$ 7,830,000	\$ 7,800,000
COPS/Other Federal Grants	\$ 6,528,232	\$ 4,220,826	\$ 6,322,416	\$ 4,829,482

The Property Tax has clearly been somewhat insulated from the recession, as housing demand continues to exceed supply. Revenues from this tax may flatten in the near future

as additional housing units are added to the region thereby increasing housing supply outside of Long Beach. In addition, some sentiment has been expressed by real estate analysts that speculation has added to the sharp increases in property values; if so, that artificial "bubble" could burst, as it did in the early 1990s, although the resultant impact is expected to be much less severe.

The drop in Sales Tax and the Transient Occupancy Tax (TOT) are indicative of both the slump in tourism that began at this time last year and the drop in spending in the aftermath of "9-11." The FY 03 Sales Tax projection includes a 3 percent growth factor plus the addition of new retail development, such as CityPlace, coming online. Moreover, there is already some indication that our FY 03 forecast might not hold, if recent worsening economic trends continue. In addition, a significant improvement is not anticipated at this time in the TOT.

With regard to the Pipeline Franchise Fee, since natural gas prices and supplies are back to lower historical levels, so are the City's revenues from this source. A significant revenue shortfall will result by the end of FY 02, and those trends are expected to carry into FY 03.

Somewhat lost in the discussions of the recession is the loss of revenue due to the voter-approved reduction of the City's UUT. The UUT rate drops to 7 percent on October 1, 2002 for a total reduction to date of three percentage points from the original 10 percent rate. The first reduction to 9 percent was fully offset during FY 01 by an unanticipated one-time increase in Pipeline Franchise Fee revenue due to higher natural gas prices and higher usage by energy plants in Long Beach. We know now that the energy "crisis" was artificial and due to manipulation by gas and energy suppliers, many of whom face ongoing scrutiny and possible criminal charges for their violations of law. Nonetheless, since there was sufficient one-time revenue from the FY 01 Pipeline Franchise Fee to also offset much of the FY 02 UUT rate reduction, to an 8 percent rate, the impact of the rate reductions on City revenues was essentially delayed.

As a result, the full brunt of the rate reductions to 7 percent and the resultant **\$21 million loss of UUT revenue** will be felt in FY 03. Although some loss of Gas UUT revenue is being felt during the current FY 02, it can be stated that FY 03 will be the first year that City revenues will be noticeably affected. Of the projected \$46.2 million deficit, 45 percent is the direct result of the voter approved UUT rate reduction. Long Beach is unique in this regard. While other cities are grappling with reduced revenue due to the recession, Long Beach also has to contend with voter mandated revenue reductions.

In addition, during the 1990s, the City accepted several federal Citizens Option for Public Safety (COPS) grants with the understanding that when the grants expired, the full cost of the grant-funded police officers added to the budget would be borne by the General Fund. Those grants are now expiring, and City revenue will decrease approximately \$3 million in FY 04.

Beyond the loss of UUT, grants, and other revenue shortfalls are \$10 million in new costs that must be included in the FY 03 budget. These include debt payments for new or renovated public safety facilities; equipment lease payments for the Emergency Communications Operations Center (ECOC) and other public safety facilities; and increased employee health premiums. These costs are deemed unavoidable. You will recall, for example, that during early FY 02, the City Council approved the issuance of \$41 million in Public Safety Facilities bonds to fund the renovation of the Police Headquarters,

Fire Station No. 1, the Crime Lab, and other related improvements. At the time, staff informed you that no new revenue had been identified to pay for the annual \$2.8 million debt payment but, since the needs had reached the critical stage, the City had no recourse but to incur debt to proceed with the required repairs. A partial debt payment on those bonds will come due during FY 03. In addition, the \$4.4 million lease payments on the new equipment for those new facilities and for the new ECOC will also begin in FY 03. Operating costs for the new facility are also included.

Other unavoidable additions include staffing for the new Police Athletic League (PAL) facility in North Long Beach, park maintenance contract increases, Animal Control facility debt share, and the net cost of the CityPlace garage.

Also, please be reminded that the FY 02 budget was adopted with a \$24 million gap between revenues and expenditures. That gap had developed over the last several years as new ongoing programs and costs were added to the annual budgets. At the same time, revenue growth has not been sufficient to offset those costs. The FY 02 gap was filled with \$24 million in one-time, energy-related revenues that were carried over from FY 01.

Beyond the City's own economic situation, we must also be wary of the potential impact on local government of the State's budget. As of the date of this writing, the State has not yet adopted a FY 03 budget and the Vehicle License Fee (VLF) continues to be an option being considered by some legislators to help balance the State budget. Some have suggested that the State will adopt a budget that is balanced only on paper, only to reopen its budget process after the November gubernatorial election. If so, then we will not truly know the impacts of the State's budget on Long Beach's budget until after November.

The first quarter and mid-year budget reports also included a list of budgetary actions that could be employed to deal with budget deficits in both FY 02 and FY 03. For FY 02, as indicated earlier, a hiring freeze has been put in place, and departments have been directed to limit spending to 97 percent of budget and to defer equipment and other purchases beyond the 97 percent where they can. The FY 02 budget strategy assumes elected and appointed General Fund departments will also adhere to the 97 percent spending limit. Their cooperation is needed for the good of the entire City.

With regard to FY 03, however, some of the traditional budgetary options would result in severe impacts to City services. Eliminating the projected deficit by across-the-board budget reductions, for example, would require a 12 percent cut to all budgets, including Police and Fire Departments. Budget reductions of that magnitude would be unprecedented and would decimate many City programs and services.

Therefore, the Proposed Budget that has been submitted to you closes the projected FY 03 budget gap as follows:

- The use of \$37.1 million of one-time revenues from the current and prior year such as the City's share of the recent settlement payment from Southern California Edison (SCE) to the Southeast Resources Recovery Facility (SERRF) and the anticipated rebate from the refinancing of the Pension Obligation Bonds.
- Additional transfers from other non-General Funds totaling \$5.8 million.

- The budgeting of a negative salary savings amount in the expenditure budget amounting to approximately 2 percent of the total General Fund budget (excluding certain fixed costs and sworn employee salaries) in each City Manager department. The negative amount has the effect of reducing each department's budget by 2 percent. I recommend this strategy rather than actually cutting specific programs. This enables department managers some flexibility in managing to a lower bottom line. The 2 percent is the equivalent of \$3.3 million. This strategy may need to be implemented by non-City Manager Departments if the situation worsens.

At this time, the use of one-time revenues is recommended, as it will avoid severe budget cuts to City services. As a consequence, however, these funds will not be available for use on the many capital projects that will remain unfunded. In addition, these revenues are one-time, and once used in FY 03, will not be available in FY 04. Since the FY 03 budget gap is being closed with \$46.2 million of one-time measures, as a result, the FY 04 budget will also have a major deficit to overcome.

The one-time revenues are only sufficient to close the projected \$46.2 million gap. That leaves no funds available for budget increases. It is my duty to submit to you a balanced Proposed Budget. Therefore, the additions to departments' budgets that are included are those mandated or unavoidable costs mentioned earlier, those changes that are offset by either new revenues or voluntary budget reductions, or the cost of continuing a previously-approved program.

Moreover, there is no positive fund balance projected in the operating budget. In the past, the City Council has appropriated available fund balances to establish the City Council's discretionary fund.

The City's budget situation is truly unfortunate. Many operating departments, such as the Library, Public Works, and Parks, Recreation and Marine and others have not yet fully recovered from the budget slashing of the 1990s.

The budget situation is difficult because the City's fiscal situation prevents me from including many of the worthy budget increases requested by departments that report to me. Also, budget augmentations submitted by several elected and appointed (non-City Manager) department heads, in order to expand staffing, cannot be accommodated within the Proposed Budget. To do so would result in a deficit or unbalanced budget.

With the exception of specific mandated costs, most of which are related to public safety, I am essentially recommending a flat budget for FY 03. While primarily due to lack of resources, this strategy also will help avoid a major budget restructuring once the final State budget impacts are known, after the November elections.

At that time, the City Council may wish to reopen the City's General Fund budget, either to address negative impacts of the State's budget or to consider use of any unanticipated revenues that may be received in the interim. I caution you, however, that the economy is unpredictable and, regardless, any unanticipated revenue will be needed to help offset another major deficit projected for FY 04.

The following sections provide additional detail on the proposed FY 03 General Fund budget:

Recommended Additions and Continuing Programs

Enhancements in the General Fund have been added only if:

- The request pays for itself, with either new revenue or cost reductions
- Is deemed unavoidable, such as debt service, lease payments, contract requirements
- Are required operating costs for new facilities
- Are a continuation of previously-approved programs; i.e., Library Books and Materials budget and Social Services Grants.

The following list highlights several new or continuing programs. A comprehensive list is included on Attachment A.

Public Safety

- Costs that have been included in this Proposed Budget include debt service, equipment lease payments, and operating costs associated with the new ECOC and the Public Safety Building seismic retrofit for a total of \$6.5 million, as well as \$620,000 for equipment lease payments for other public safety facilities. The ECOC is scheduled to open in the Spring of 2003.
- The cost of staffing the new PAL facility approved by the City Council in North Long Beach is also included for a cost of \$212,000. The facility is scheduled to open in September 2002.
- Ten additional Police Officers have been included in the Proposed Budget to be added in June 2003. The Police Department will absorb the academy and training costs of approximately \$225,000 in FY 03. The full costs for the Officers will be included in the FY 04 budget.
- An additional Police Officer has been included to be dedicated to arson and environmental crimes investigation in conjunction with the Fire Department. The proposed increase in ambulance fees will pay the cost of \$122,161 for this position.

Business

- The FY 02 pilot program of a Business Help Desk in the Department of Planning and Building has proven to be successful and has been institutionalized by assigning a permanent experienced employee to staff the Desk. The cost of the position of \$90,000 will be offset by cost reductions in the department budget.
- The Sustainability Program begun in FY 02 for \$87,000 will be continued into FY 03 in order to complete and implement the building and purchasing guidelines, in keeping with Strategic Plan 2010.

Communication

- Closed-captioning for City Council meetings will be implemented. This valuable service is provided in response to requests from the disabled community. The cost of \$45,120 is to be funded from cable franchise fees.

- A local cable television program highlighting City events will be developed on HDTV. The cost of \$50,000 is to be funded from cable franchise fees.
- E-Government is continuing in support of the goal of the Strategic Plan to develop a community of neighborhoods with the establishment of a community portal on the Internet. This phase will organize the portal and set up guidelines in order to bring information on community, business and City resources into one location. The source of funding for the cost of \$175,000 is the General Services Fund.

Library

- The next phase of the multi-year Library Strategic Plan approved by the City Council will continue in FY 03 with an addition of \$165,000 for books and materials.

Neighborhood Infrastructure

- The Neighborhood Infrastructure program to repair sidewalks, curbs, and gutters will continue with \$3 million in funding from the General Fund.
- The City's commitment to the community to meet the City's Americans with Disabilities Act (ADA) Transition Plan will continue with \$3 million for facility upgrades and response for accessibility.

Community Services and Recreation

- The Mural Conservancy program will continue. Permanent staffing has been included to supervise the development of new murals and ensure the protection of prior murals. This addition of \$54,024 is offset with cost reductions and Community Development Block Grant (CDBG) funds.
- Parks and Recreation programs begun in FY 01 with City Council discretionary funds and continued into FY 02 are also included in this Proposed Budget. These programs total \$439,315 and include Youth Sports programs at numerous parks including College Estates, Coolidge, DeForest, Drake, Houghton, Ramona, Veterans, and Whaley. OlympicKids for Fitness and after-school recreation are also included as well as other recreation programs.
- The Social Services Grant Program, established in 1985, will continue at the same \$450,000 funding level to community-based organizations providing critically needed public health programs in Long Beach. The original source of funding was the interest earned on the proceeds of the sale of hospital property. Since the principal was used several years ago, all interest revenue has been depleted. The loss in FY 03 will be supplanted with \$200,000 from the General Fund. CDBG funds support the remaining \$250,000.
- Support to the Public Corporation for the Arts (PCA) will continue at the same level as FY 02 of \$1.75 million, but the PCA will allocate \$350,000 of that support to the Municipal Band concert program. This allows capacity to assist the Museum of Art through its agreement with the Parks, Recreation and Marine Department.

Unfunded Needs

Additional unfunded needs requested by City departments are listed on Attachment B. Attachment C lists priorities identified by the City Council that have been requested but for which no funding has yet been identified.

Proposed Fee Adjustments

After considerable study, several fee adjustments are recommended to help offset the cost of specific services. All fee adjustments are listed in Attachment D of this letter.

A few fee adjustments of note in the General Fund include:

- Ambulance transport fees

The additional revenue from the ambulance fees will be used to offset the cost of providing the service as well as additional personal safety equipment for firefighters and emergency rescue equipment, including a new Jaws of Life.

- Fire prevention and permit fees

The revenue from fire prevention and permit fees will offset the cost of the service as well as support the cost of a Police Officer for investigation of arson and environmental crimes.

- Plan check fee surcharge

A two-year surcharge on plan check fees is proposed to pay for the upgrade of the **Planning and Building** Department's building and permit database. The upgrade will **make it accessible to more users** and make it web-enabled. The surcharge will also be used to offset the cost of scanning equipment in order to digitize building records.

- Animal Control licenses and fees

The new fees will help support increased operating costs at the P.D. Pitchford Companion Animal Village. The revenue also helps offset the loss of adoption revenue which now accrues to spcaLA by agreement.

Elected and Commission Budgets

Budget increases in the General Fund were submitted to my office by some elected departments. Although the requests may be worthy, since they have no funding sources, the increases are not included in my proposed FY 03 budget, but are highlighted in Attachment B for City Council consideration.

Submitted increases in the City Attorney Department have been included since funding was available*in the Insurance Fund to support the needs in the Workers' Compensation and Litigation programs. These are listed in Attachment A.

The following sections provide more budget detail on the General Fund and other funds.

General Fund Budget

Total proposed General Fund expenditures for FY 03 are \$368.6 million and revenues, combined with adjustments to fund balance, are \$368.6 million with an ending operating fund balance of zero. Total proposed revenues include \$37.1 million of one-time revenues and \$5.8 million of additional transfers indicated earlier in this transmittal.

As part of the recent contract negotiations, the City's non-safety employee associations agreed to forgo a salary increase for FY 03, which allowed the City to avoid an even larger deficit for FY 03. Negotiations are now underway with the safety employee associations. An initial meeting indicates that these associations may have high expectations for salary and compensation increases. It should be noted that each 1 percent salary increase for safety employees adds an additional annual cost of \$1.1 million to the General Fund.

The outlook appears to worsen in FY 04, due to known costs including the cost of negotiated salary increases, health insurance premium costs, public safety debt payments and expiring police grants. FY 04 will also experience a further decrease in the UUT rate that will reduce revenue of a net \$6 million in addition to the annual \$21 million loss already in place. The projected FY 04 deficit could exceed \$56 million. With revenue growth expected to be minimal, the City may be faced with having to use Emergency Reserves. Measures to close the projected FY 04 budget gap will have to be identified.

Gas Fund

The Long Beach Energy Department had the lowest natural gas bills in California this past winter. This was achieved not only with innovative arrangements with suppliers but also with use of the financial resources in the Gas Fund to keep ratepayers' charges down.

Month-to-month ratepayers are charged based on estimated gas purchase costs. During the height of the energy crisis, it was nearly impossible to accurately predict upward spiraling gas purchase costs. This resulted in an undercollection from customers of the true cost of gas. In addition, the City experienced a large write-off of bad debts. Costs were also impacted by providing gas for use by General Fund departments, increased costs associated with implementing the low-income program and level pay plan, and increased costs for the tremendous number of customer inquiries and requests for meter rereads. Additional costs were also incurred in obtaining the gas supply contract, which allowed the City to buy gas at better than market rates.

The Gas Fund has historically been able to support the General Fund with an annual transfer of funds that were not needed to maintain gas utility operations. As permitted under the City Charter, funds determined by the City Manager to be unnecessary to meet Gas Fund operating requirements were transferred into the General Fund as approved in the annual budgets by the City Council.

The FY 02 General Fund budget assumed the transfer from the Gas Fund of \$12 million. However, due to the increased demands on the Gas Fund described above, and a need to maintain a prudent amount in reserve for future emergencies, a transfer of only \$7.5 million will be made in FY 02 from the Gas Fund's operating reserve. In addition, the proposed transfer for FY 03 is budgeted at only \$7 million, which is less than the \$10 million originally

contemplated in the City's Multi-Year Financial Plan. Nonetheless, since gas prices are currently stable and future gas supply contract provisions will not include large fixed payments, as was necessary during the previous two years, the Gas Fund is able to transfer to the General Fund the \$8 million sequestered in FY 01. You will recall that only a portion of the budgeted FY 01 transfer was made, with the balance sequestered for future General Fund use. These funds are now needed to help fill the General Fund budget gap.

Tidelands Funds

During the last two fiscal years, the Tidelands Funds were able to fund many needed capital projects. However, funding is severely limited in FY 03. Projects included in FY 03 are the Los Angeles River Dredging, Boardwalk repairs, seawall repairs and the continuation of the Downtown Marina rehabilitation project.

Resources to support beach cleaning and maintenance, lifeguards, fire service, police and other services in the Tidelands area are dependent on continued support from the Harbor Department. The City Council will be asked to request the transfer of 10 percent of the Port net income to the Tidelands Funds, as allowed under the City Charter. The transfer is included in the Harbor Department's Proposed Budget, recently adopted by its Board of Commissioners, and is included in the Tidelands Proposed Budget as well.

In addition, the downturn in the economy has also affected Aquarium revenue and fundraising. Aquarium revenues were supplemented by the City in FY 02 with \$700,000 in order to make the May 2002 bond payment. Should the Aquarium not meet its revenue and fundraising targets, an equal or greater amount will be required in FY 03 from TOT earned in the Redevelopment Area (RDA). The RDA TOT is available since the Harbor Board agreed that it be used as the first pledge to the Aquarium refunding bonds. We thank the Board of Harbor Commissioners for their continued support.

Refuse/Recycling Fund

The Refuse/Recycling Fund supports the City's refuse and recycling operations. Monthly charges to customers generate the revenue required to support these services. As noted in last year's Budget Message, there has not been a refuse rate increase since 1995, despite annual increases in operating costs. Refuse/Recycling Fund reserves have been utilized the last three years to supplement revenue; however, reserves will be depleted in FY 03.

The Proposed Budget for the Refuse/Recycling program includes a 7 percent rate increase, along with an annual Consumer Price Index (CPI) adjustment for subsequent years. It is expected that this action will keep the fund solvent through FY 06. The estimated increase to the average single family home will be an additional charge of \$1.15 a month. If the proposed rate increase were put off, a rate increase of at least 17 percent would be required in FY 04.

In order to improve efficiency, keep costs down and improve services, staff is developing a plan to reroute refuse collection vehicles. Rerouting benefits include reduced response times for special services such as illegally dumped item collection and reduced overtime usage.

Also, in response to feedback received from refuse and recycling customers, the Department expects to enhance recycling collection services over the next three years by

distributing larger, wheeled containers, similar to refuse containers currently in use. This will provide residents as much as five times more space for recycling. The program will further be enhanced to accept all plastic containers and motor oil filters in addition to currently accepted materials.

Long Beach Plan

The Long Beach Plan has been expanded to include the Strategic Plan 2010, Departmental Business Plans, the Corporate Plan and the Community Scorecard. These are all initiatives to improve the delivery of services to the community.

The new Long Beach Plan will be a framework to:

- Provide focus and direction for the organization;
- Inspire and motivate the workforce;
- Facilitate policy discussions;
- Lead and direct the budget;
- Communicate value to the community;
- Align and integrate various City initiatives; and
- Make City service delivery system truly accountable.

Department Business Plans are currently under development. When complete, the Plans will integrate and align the value that City services create in the community with strategic planning efforts, budgets, customer feedback and input, and results, while also responding to operational needs. As these Business Plans are completed over the ensuing months, staff will begin to develop a Corporate Plan for the City. It is intended that the Business Plans and Corporate Plan be integral to the FY 04 budget process. I believe these efforts will create powerful tools for making more thoughtful decisions thereby enhancing the city for residents and business interests. Concurrent with the development of the Business Plans, City services will continue to be reviewed for efficiency.

Much progress has been made in implementing recommendations in the citywide Strategic Plan 2010 since its adoption by the City Council in June 2000. Existing resources are being used for some items, and grants, partnerships or other collaborative efforts are being used for others. Highlights of Strategic Plan 2010 accomplishments can be found within the Department sections of this document.

The implementation of the recommended strategic actions calls for the participation and collaboration of other agencies, such as the Long Beach Unified School District, Long Beach Transit and local non-profit agencies, who also have a role in developing those ideals expressed by the citizens. In order to monitor the progress and achievement of the goals contained within the Long Beach Plan, the National Civic League Community Stakeholders group was formed. With their assistance, measurements are being developed that will become a component of an annual Community Scorecard.

CONCLUSION

The FY 03 Proposed Budget, as submitted, is balanced. However, the use of one-time resources to balance that budget simply delays the inevitable. Due to the loss of half the City's most significant revenue source, the UUT, as well as revenue shortfalls due to the

recession, City General Fund expenditures exceed revenues by \$46.2 million. That gap will grow additionally by FY 04 as new public safety costs come online. The City's Emergency Reserves total only \$35 million. It is clear there will not be sufficient revenue growth to augment Emergency Reserves to once again close the General Fund budget gap in FY 04.

I urge that we must start planning today; we must begin taking actions in FY 03 to deal with the fiscal realities of FY 04. I believe that with the City Council's direction, staff can begin designing the foundation that will lead the City back to fiscal stability.

In the event that revenues are greater than projected in the Proposed Budget, I recommend that they be applied to those programs of greatest need listed on Attachments B and C of this letter or placed into savings to help fill the projected budget gap in FY 04.

Although there is uncertainty about the growth of the economy, the City has moved forward on previously-approved projects and progress can be seen all over the City. I am pleased to report that the new North Long Beach PAL facility will be open this September, and construction of the new ECOC will be complete in the Spring of 2003. Also, the building of CityPlace retail center and the development of the Pike at Rainbow Harbor will be important components in the revitalization of the downtown area. CityPlace, Pike at Rainbow Harbor, along with the Park at Harbour View, developed by Camden Property Trust, an apartment, condominium, office and hotel complex, the Carnival Cruise Terminal, the Genesis project, and the upgrading of Airport facilities, all of which are under construction, are indicative of a stronger future for the City of Long Beach. The design of the future Boeing PacificCenter project is also continuing.

I would like to thank the Mayor and the City Council for their guidance and direction in developing this budget, as well as our City employees who helped put it together, and the community for their input during the May workshops and at other public sessions. I look forward to discussing this Proposed Budget in detail during the public workshops and hearings that will take place in the coming weeks.

Respectfully submitted,



HENRY TABOADA
CITY MANAGER

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Attachment A:	Recommended Additions
Attachment B:	Department Unfunded Requests
Attachment C:	Mayor and City Council Unfunded Priorities
Attachment D:	Fee Changes

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