FY 27 Budget Study Session

City Council
April 7, 2026

CITY OF LONG BEACH

Long Beach Budget Overview

Revenue Impacts

Like many cities, Long Beach is experiencing significant revenue impacts due to the economy.

Reduction History

We have gone 5 years without any reductions, the longest in our recent history.

Rising Costs

Costs are rising, particularly in areas like public safety and health.

Current Deficit

Our deficit has recently improved somewhat, originally estimated at $60-$80 million - now at $61.3 million for FY 27.

Federal Funding Loss

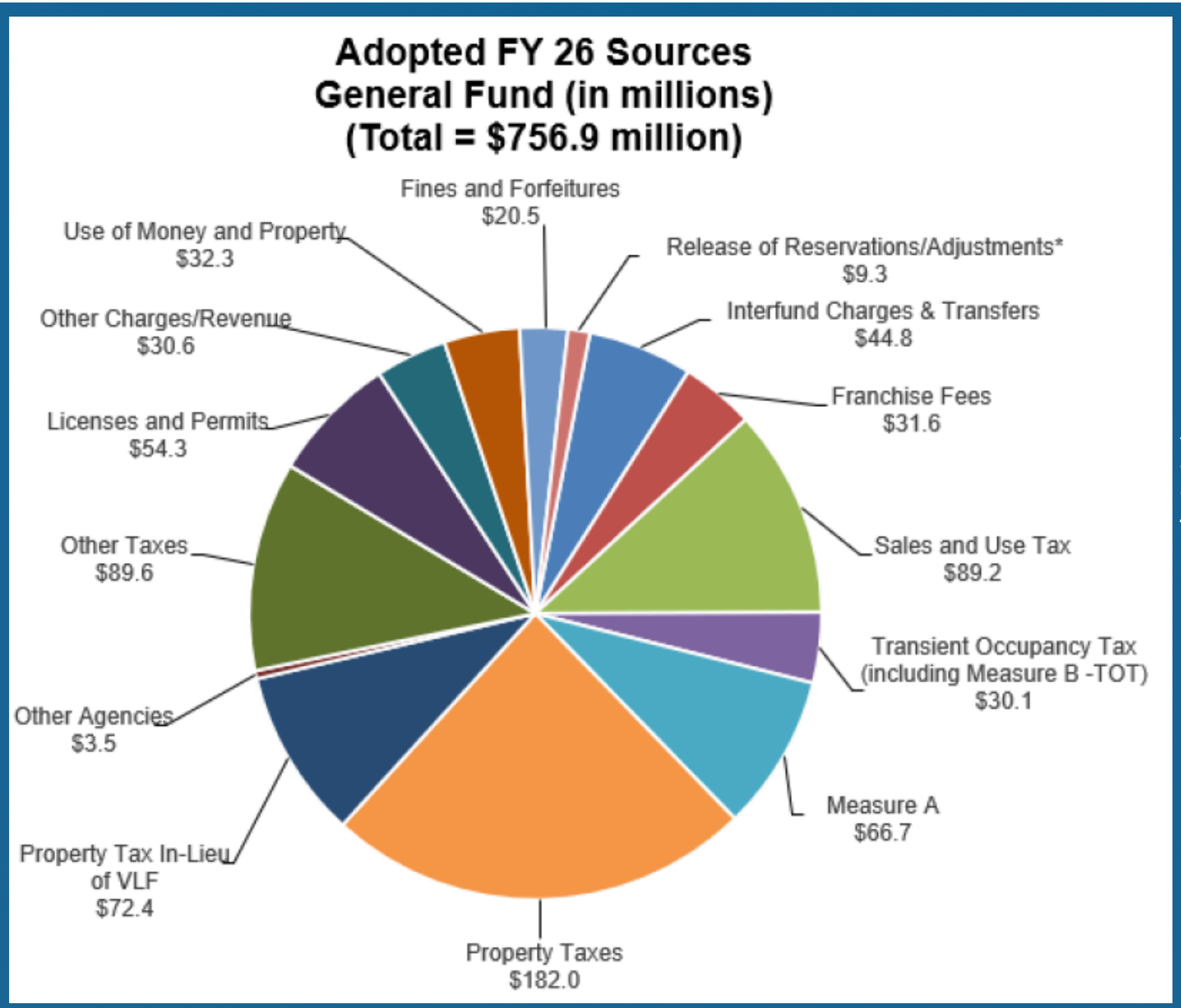
Impacts from federal policy are very real with $302 million in loss or delay of funding in many different areas.

Budget Balancing

Just like residents, cities have to balance our budget which will mean reductions and difficult choices.

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Where Do Revenues Come From?



TOP GENERAL FUND REVENUES

1. **Property Taxes - 34%**
2. **Sales and Use Taxes - 21%**
3. **Utility Users Tax & Franchise Fees - 13%**

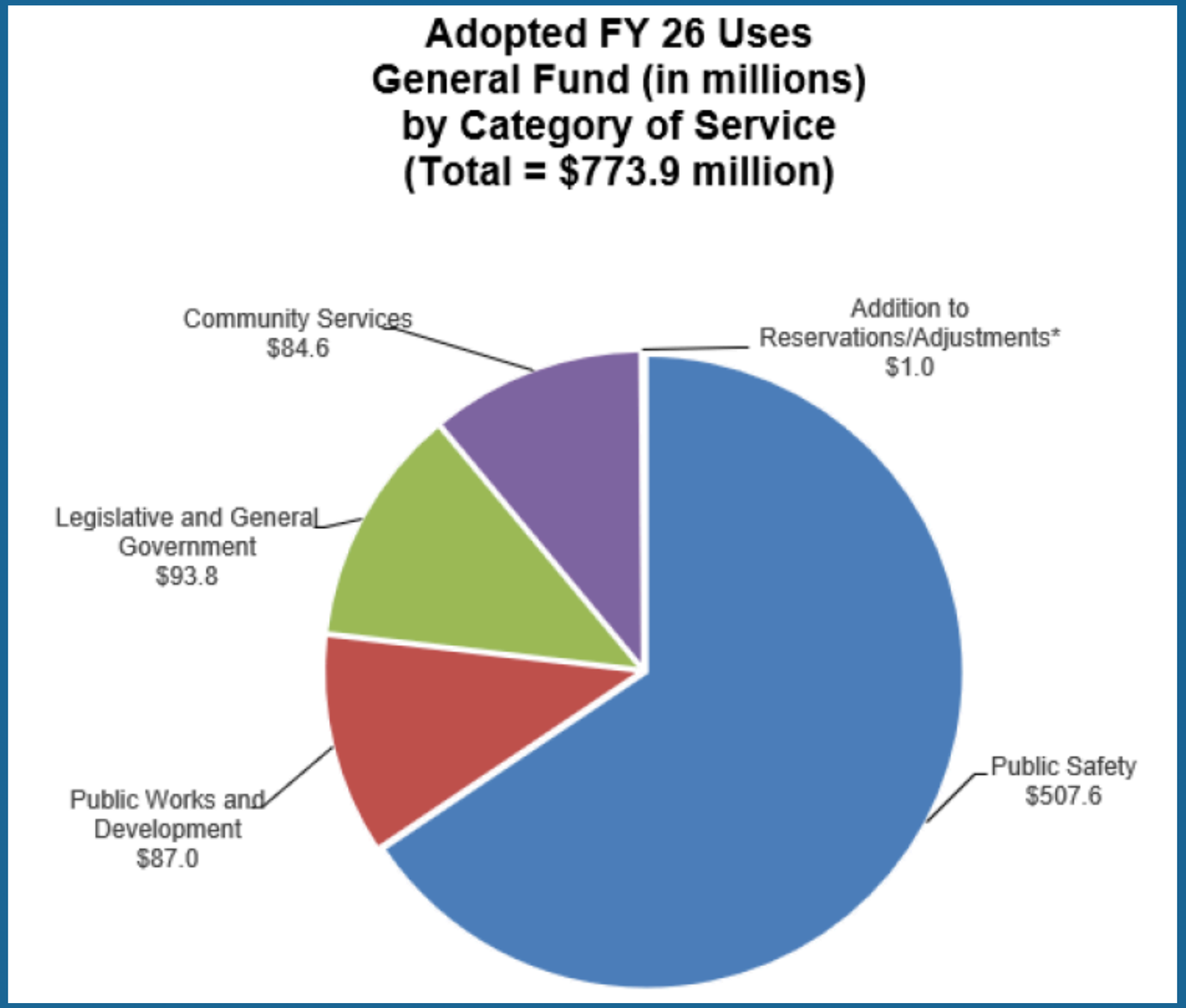
Taxes make up the largest source of GF revenue at 72%.

What Are The Biggest Expenses?

Employee related costs make up the majority of the expenditures in the General Fund at approximately 77%.



What Are The Biggest Expenses?

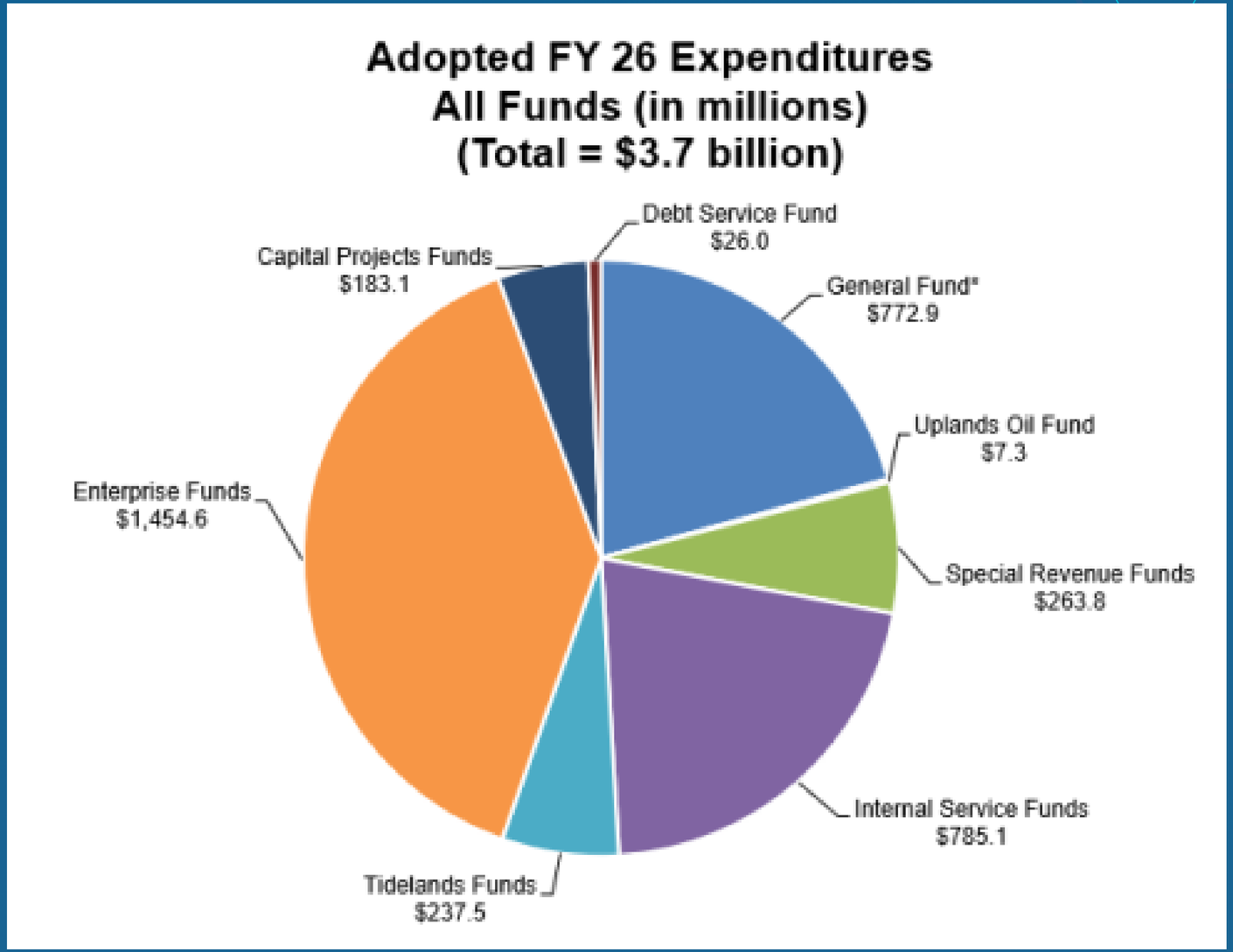


PUBLIC SAFETY
65.5%

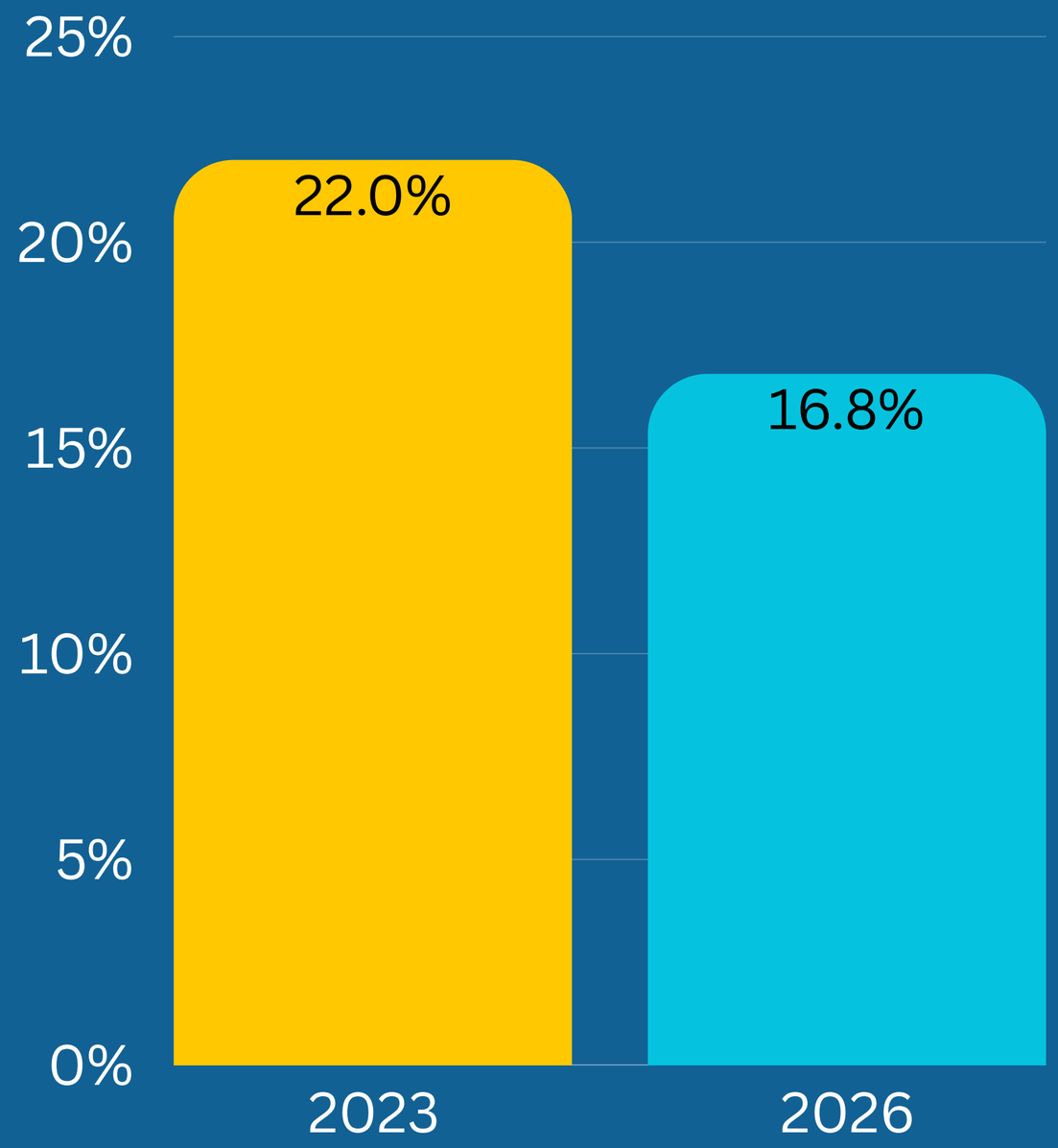


General Fund v. Other Funds

The General Fund is about 21% of the total FY 26 Budget.

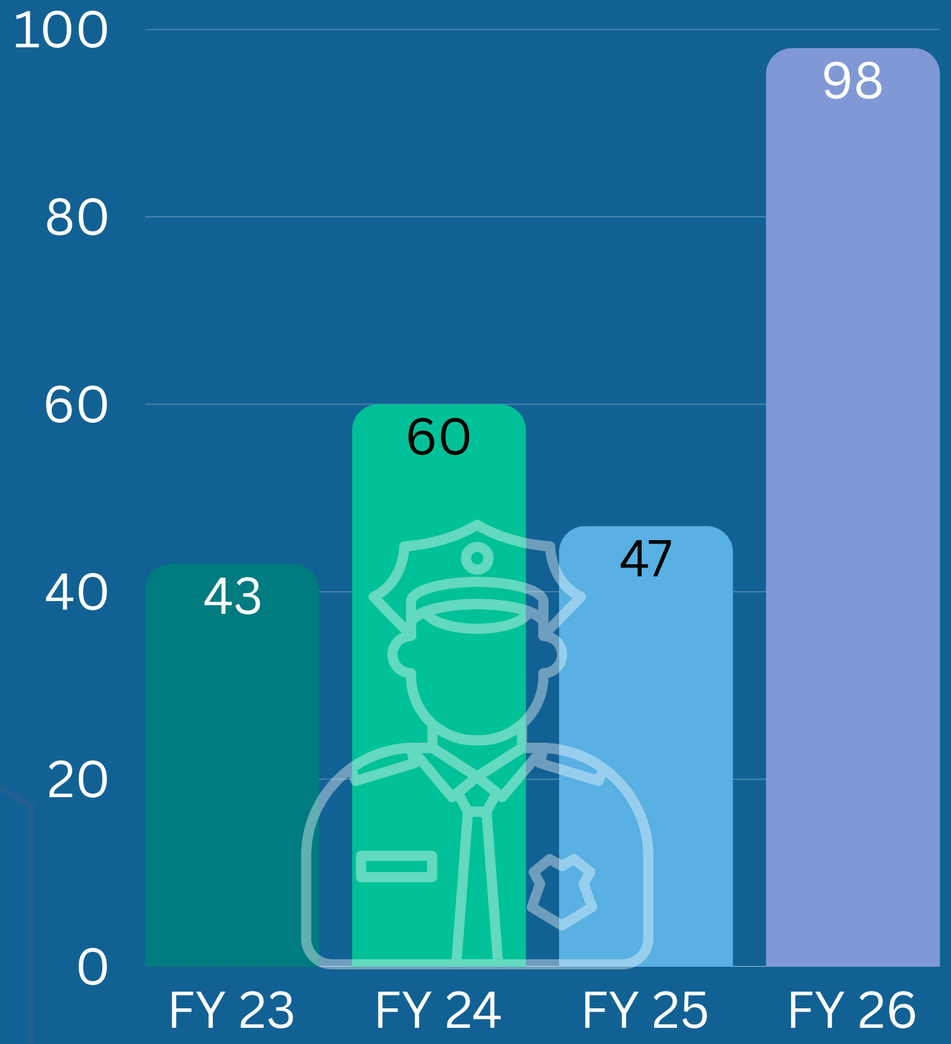


Citywide Vacancy Rate



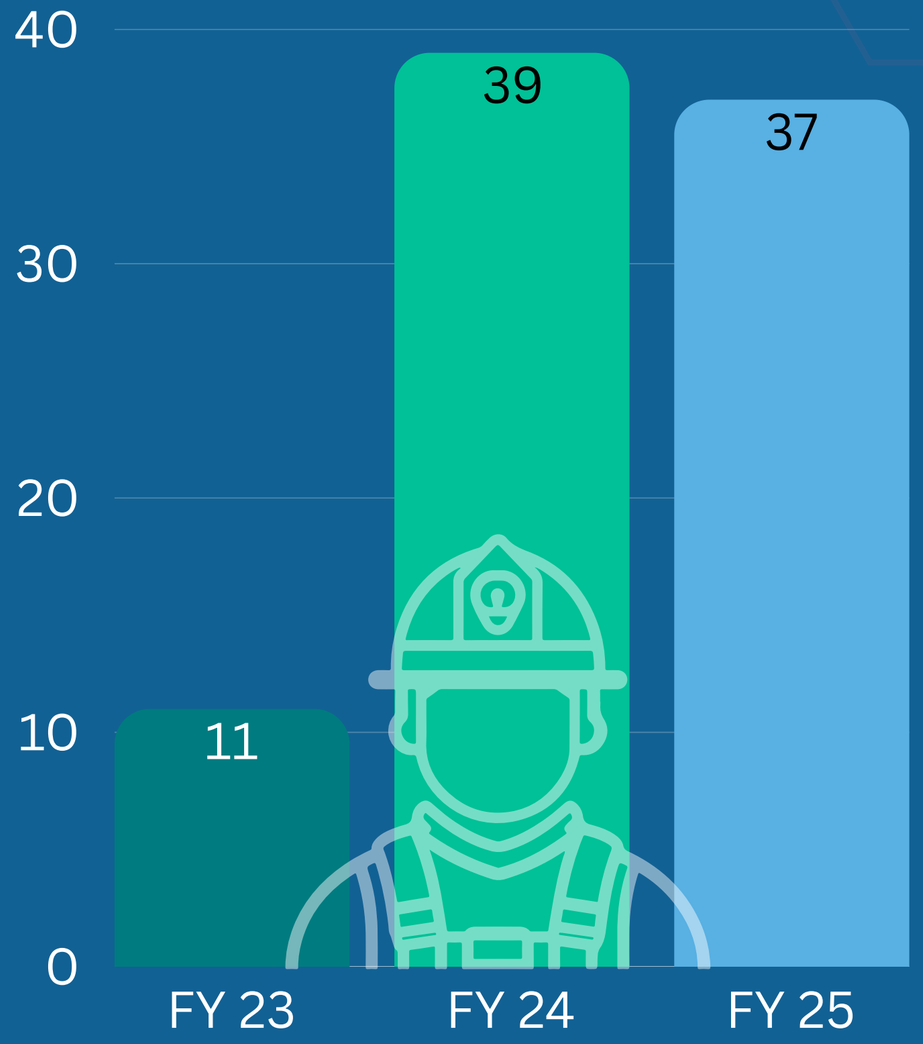


Public Safety Academy Graduates / Recruits



Police*

**FY 23-25 include laterals; FY 26 includes recruits.*



Fire

What is a structural deficit?

An imbalance between ongoing revenues and ongoing costs.



What has our history been?

2004-2007

3 year plan: $100 million in reductions

2009-2013

Great Recession: reductions every year issuing targets

2014-2018

Measure A; no major reduction targets

2019-2021

COVID: Major reductions, targets issued, furloughs, etc.

2022-2026

Recovery: No reduction scenarios

2027

Reduction scenarios

What were the primary drivers in each of those major areas?

2004-2007

Recession and fallout from 9/11

2009-2013

Great Recession, housing crisis, property tax reduction and high unemployment, major reductions in services, high pension costs driving expenses

2014-2018

Pension costs continue, loss of redevelopment but gain of general fund property tax, Measure A, strong economy, infrastructure

2019-2021

COVID, Civil Unrest, Major economic disruption, emergency reserves used for the first time

2022-2026

Major economic disruption, but historic investment in federal assistance, health, economic recovery, tourism rebound, Space Beach growth, service level enhancements in library, fire, police, infrastructure, major retention and recruitment issues.

2027

Large economic turbulence, unpredictable federal government actions, tariffs, inflation, war and conflicts.

What did Measure A do?

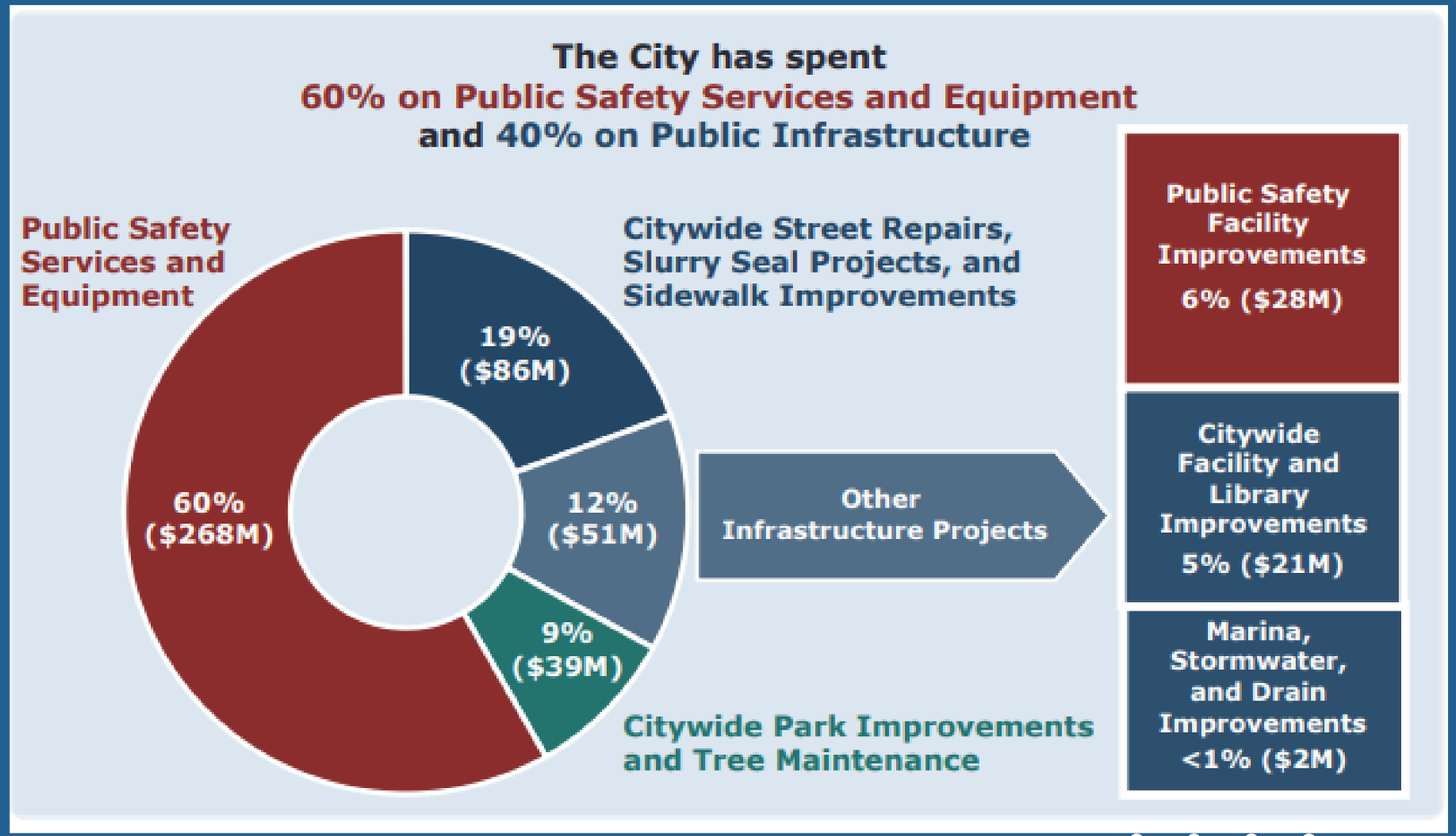
1. ***Stop public safety cuts***
2. ***Invest in public safety enhancements***
3. ***Create a dedicated infrastructure funding source***

MEASURE A

YOUR LB FUNDS AT WORK

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What did Measure A do?



Source: City Auditor's Measure A Impact Summary Report (2025)

What have the last five years looked like?

Unprecedented investment in Recovery Act

Tourism recovery outpacing others

No cut scenarios

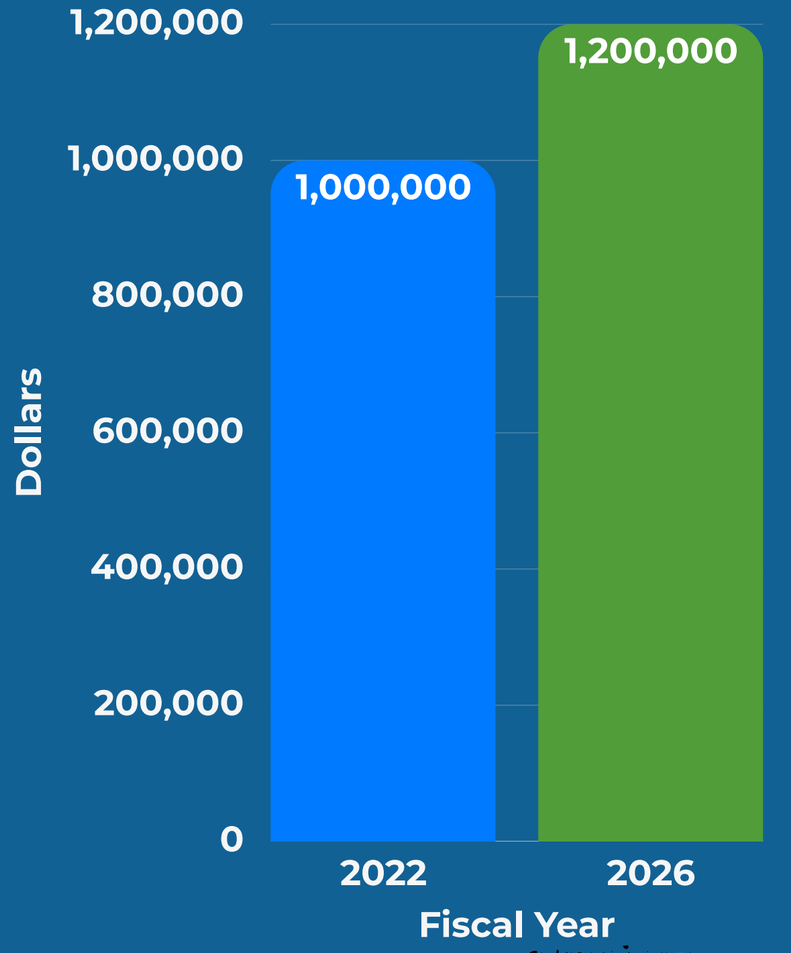
No room for growth to accommodate increasing expenses

Highest infrastructure investment in a generation

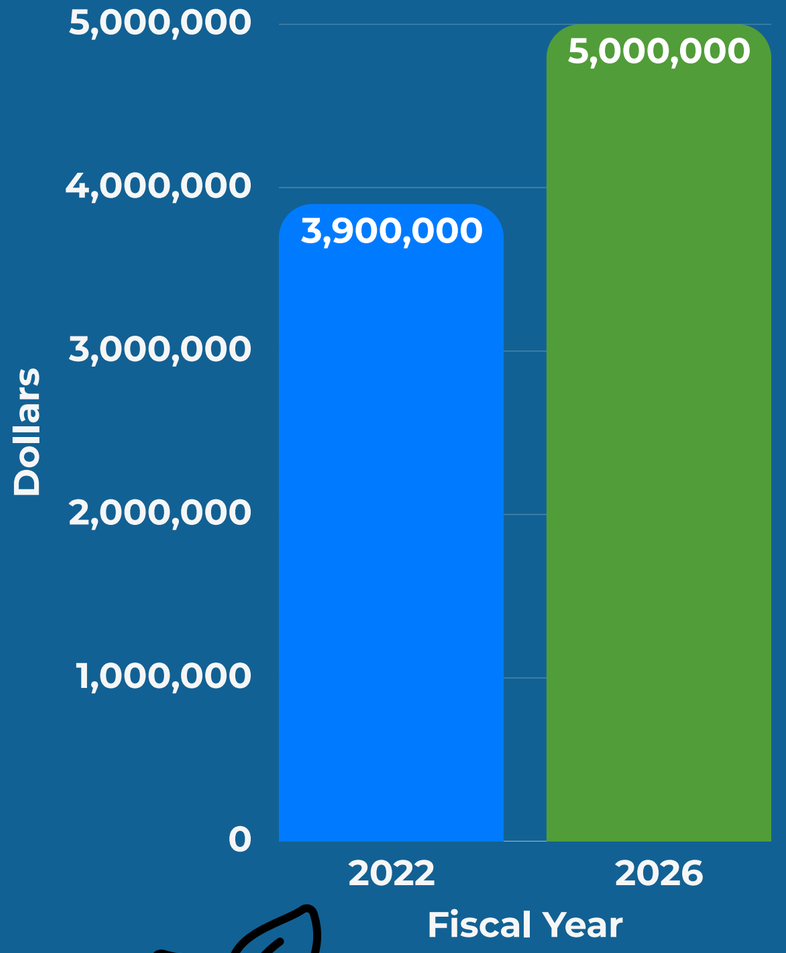
Difficulty in hiring, recruitment and retention

Very high inflation

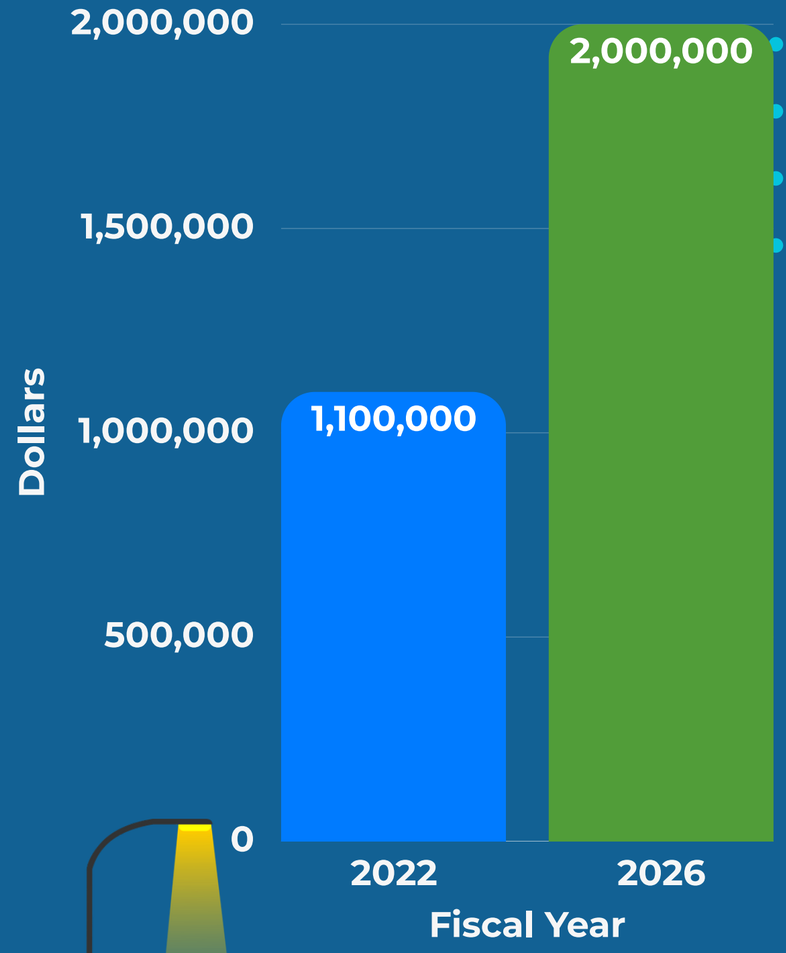
Services: Rising Costs



Graffiti Abatement



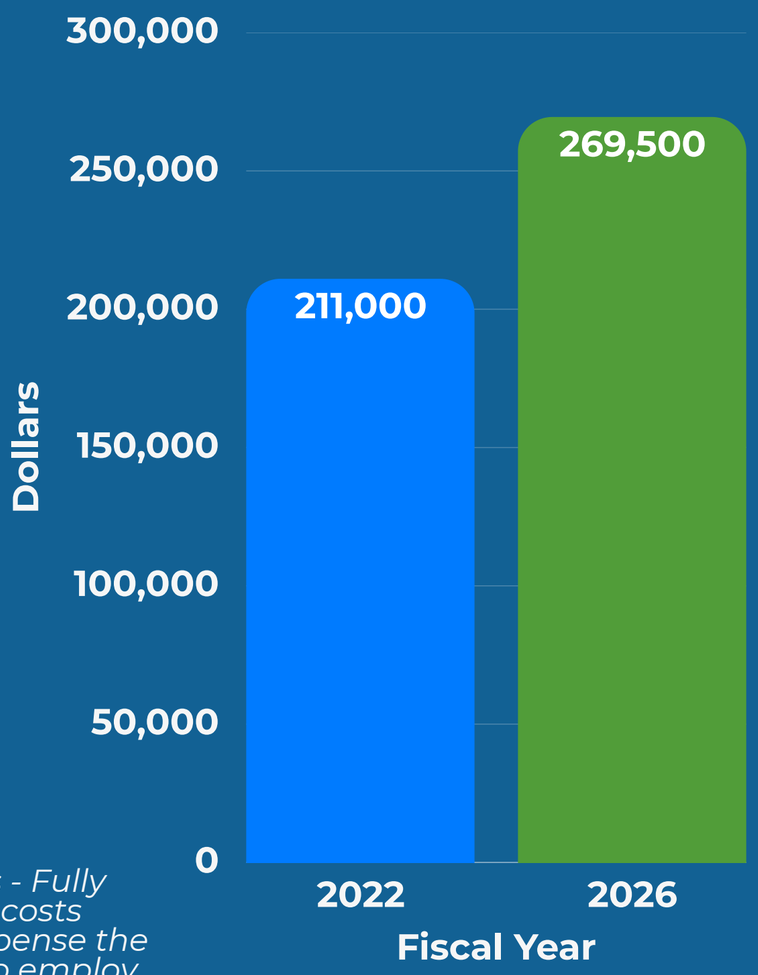
Grounds Maintenance



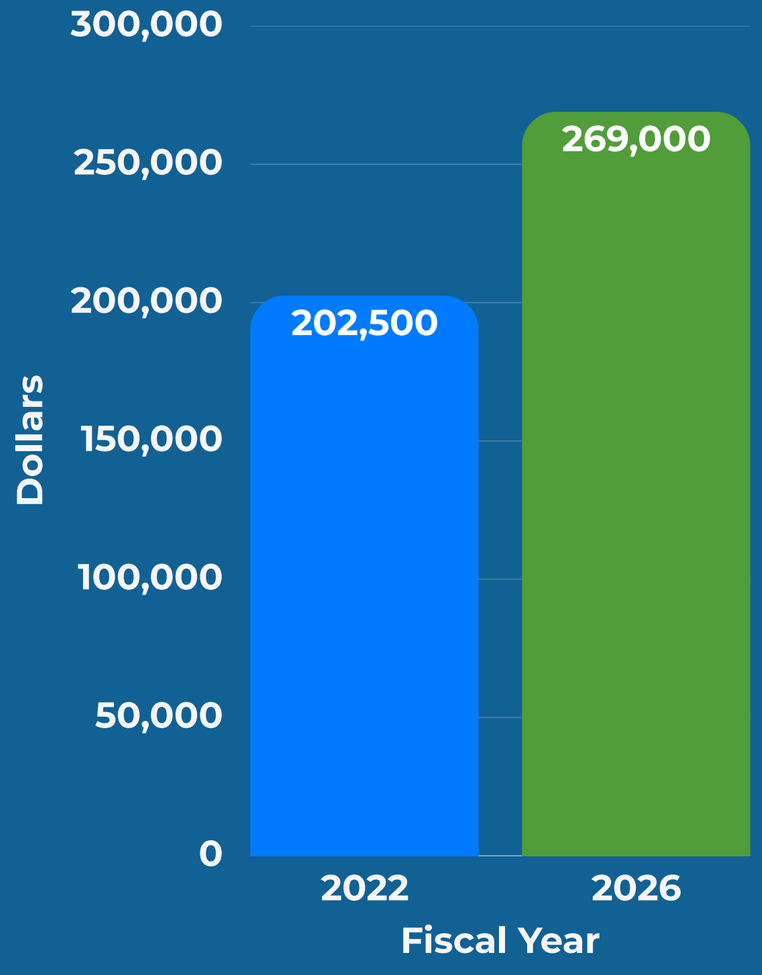
Street Light Program

Public Safety Personnel: Rising Costs

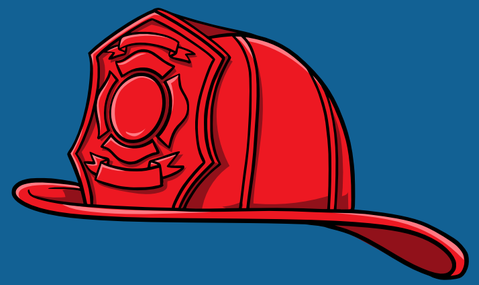




Police Officer*



Fire Fighter*



**Fully Loaded Costs - Fully loaded personnel costs represent the total expense the organization incurs to employ an individual, including salary, skill pays, benefits, taxes, workers compensation and fringe benefits.*

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What are the deficit drivers now?

Increased cost of existing services (not new spending)

Economic turmoil/ inflation/ tariffs/ uncertainty

Large revenue drop in multiple sources, including top 3 General Fund sources of property, sales and utility users tax

Key FY 27 Revenue Projection Drivers

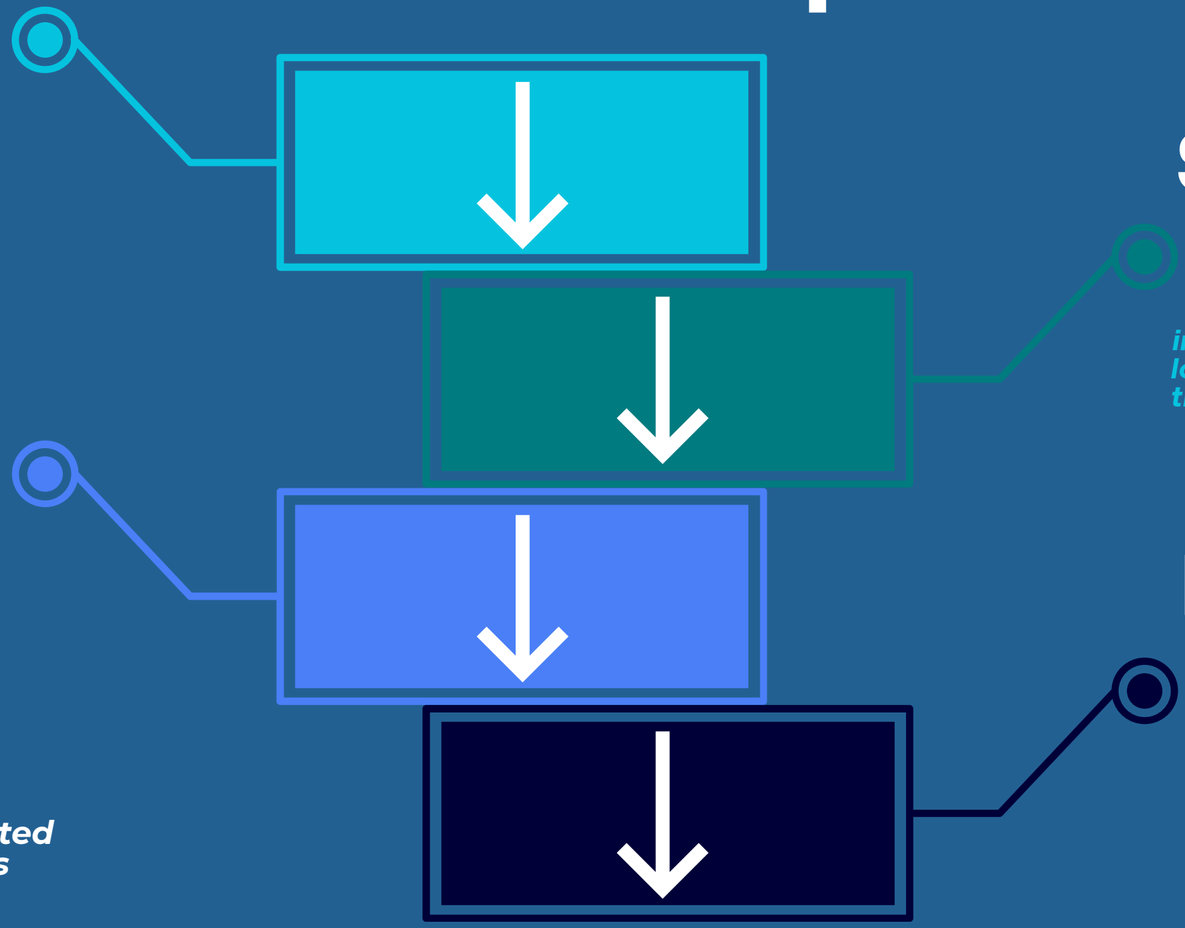
$18.4 Million Revenue Impact*

Utility Users Tax

This is a five percent tax on usage of water, telephone, electric and natural gas utilities and dependent on utility prices and customer usage.

Interest Pooled Cash

Annual revenue is determined by interest rates and cash balances.



Sales Tax

A consumption tax imposed by state and local governments on the sale of goods and services.

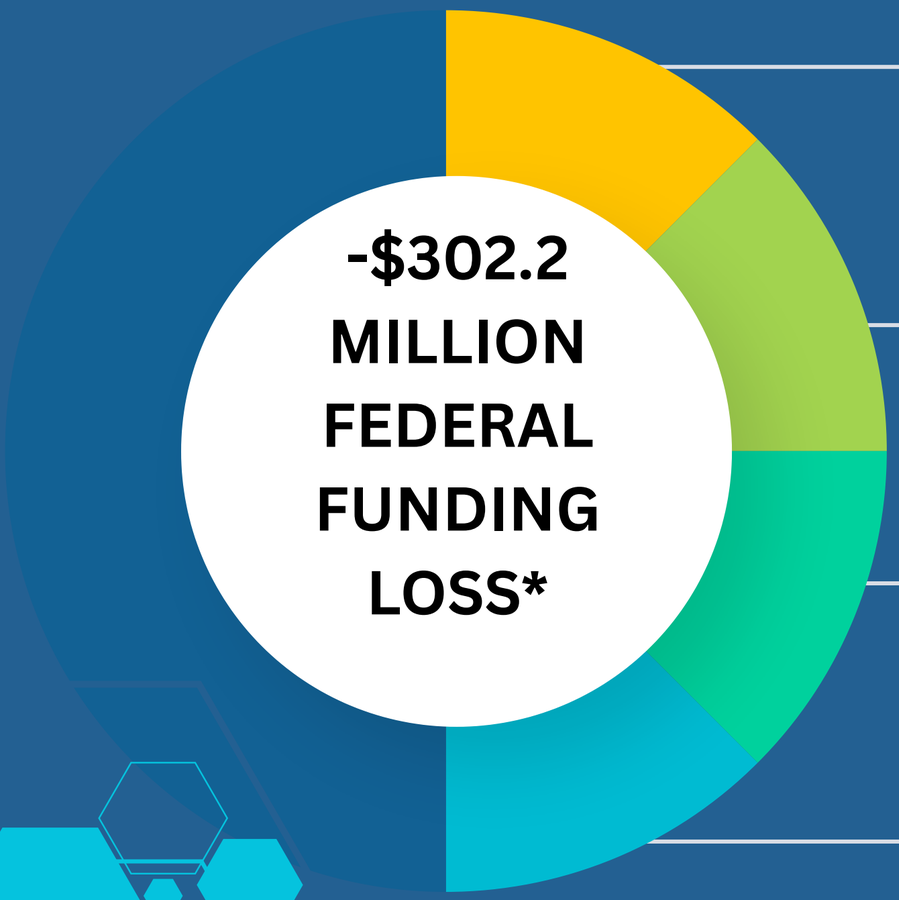
Property Tax

A local tax imposed on real estate, including land and buildings to fund public services.

**$18.4M was last projected in August 2025 and is subject to change.*

Federal Funding Policy Shifts

Shifts in fiscal policy at the federal level have resulted in loss, or potential loss, of federal funding for Long Beach, which the City cannot replace with local funding.



Public Works: -$221 Million

Airport: -$49 Million

Health & Human Services: -$17.9 Million

Disaster Preparedness & Emergency Communication: -$8.6 Million

***Departments funding impacts include potential impacts, as well as actual impacts and figures were last updated in early 2026 and subject to change.**

***These impacts reflect changes in federal funding and are not the result of City of Long Beach budget decisions.**

***This chart does not include all affected departments, but demonstrates top sources.**

Other External Influences



CUTS	LA COUNTY HEALTH SALES TAX*	BLOCK THE CUTS ACT**
Homelessness Cuts at the State, Federal and County levels	Proposed tax measure that funds local health services: Supports the Health Department	Proposed property tax to prevent funding reductions and maintain critical services: Supports Fire, Affordable Housing, Homelessness, and Infrastructure



**June 2026 Ballot Measure*

***November 2026 Ballot Measure*

8 of California's Top 10 Largest Cities Are Projecting a Deficit

- Los Angeles
- San Diego
- San Jose
- San Francisco
- Fresno
- Sacramento
- Long Beach
- Oakland

Revenue Per Person Comparison

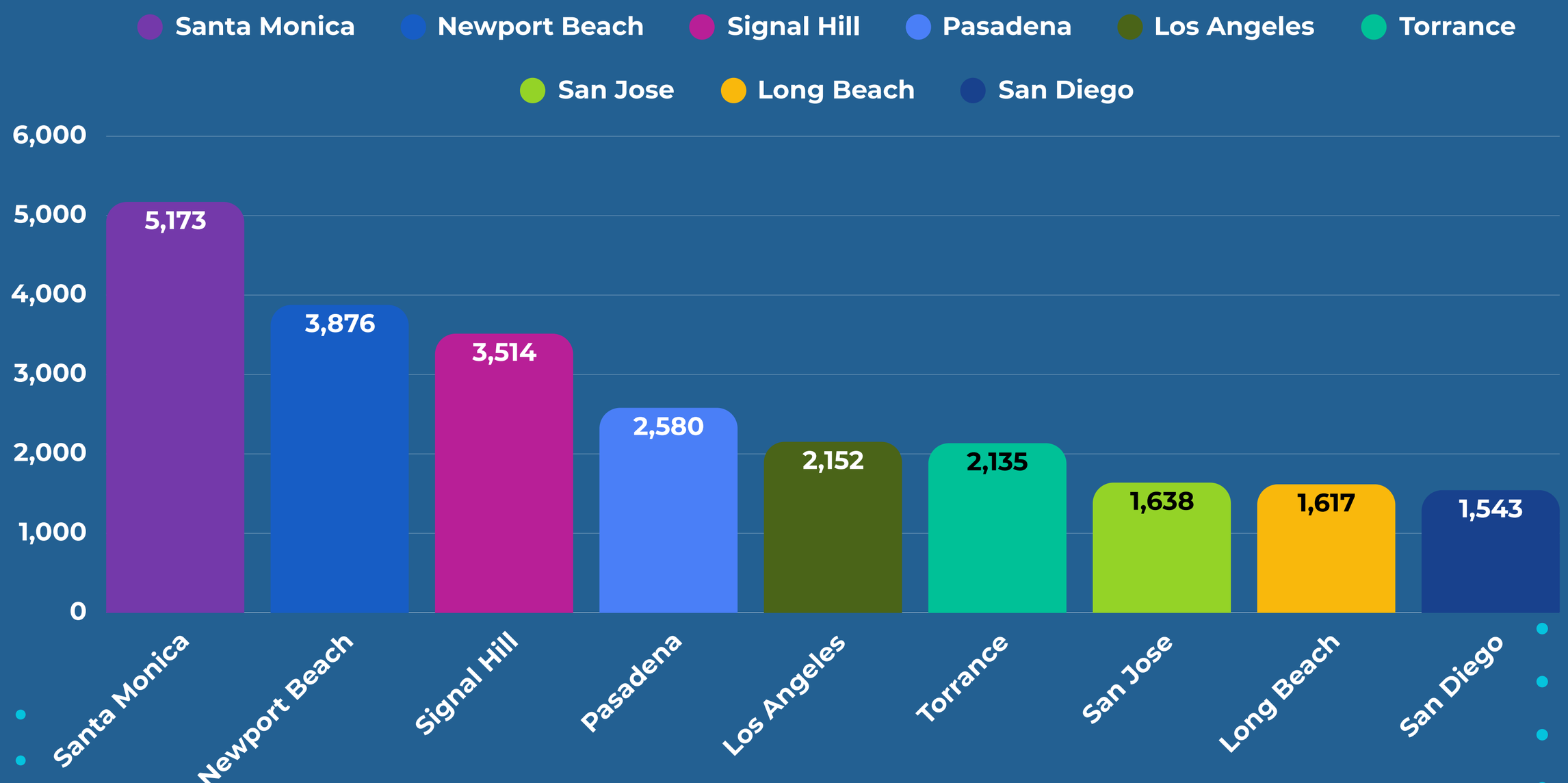


Chart shown in dollars

Sales Tax Rate Comparisons

Only 34 of the 88 cities in the County have a lower sales tax rate than Long Beach

Higher Than LBC:

Lancaster
Palmdale
Azusa
Glendora
Irwindale
South El Monte



Higher than LBC:

Compton
El Monte
Lynwood
Pico Rivera
Santa Fe Springs
Santa Monica
South Gate

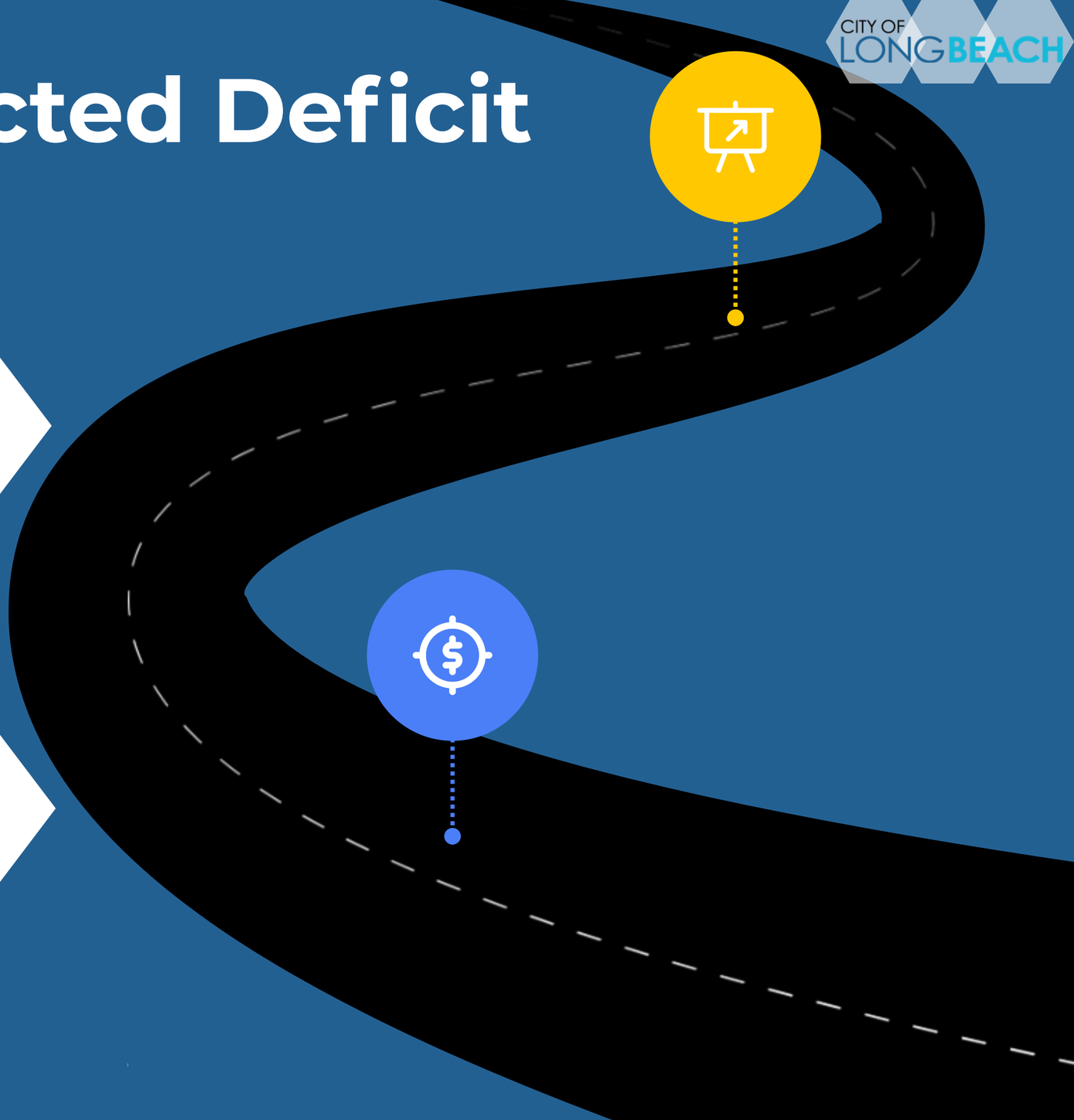
FY 27 Projected Deficit

In Mid-February, the FY 27 deficit was projected to be

$60-80M

Now, the deficit for FY 27 is

$61.3M



Effect to FY 28 of City Measure A back to 1%

General Fund Surplus/ (Shortfall) in $ Millions					
	FY 27	**FY 28**	**FY 29**	**FY 30**	**FY 31**
Updated Projection for FY 27 Proposed Budget*	(61.3)	(25.8)	1.6	0.4	7.1
Effect to FY 28, if Measure A was applied to existing General Fund expenditures**		(2.4)	1.6	0.4	7.1

*Starting in FY 28, outyears assume shortfall is structurally solved in FY 27 and not carried over.

**City Measure A returns to 1% in FY 28, this projection does include use of additional City Measure A funds towards General Fund expenses to relieve the General Fund's deficit to maintain current public safety costs. This assumption assumes $23.4 million of City Measure A in FY 28.

FY 27 Budget Balancing Strategy for General Fund

Magnitude of shortfall requires General Fund Service Reductions – will impact services

Related Funds that have an impact on the General Fund Group will also receive reduction targets

All departments will need to participate in the budget-balancing strategy

Focus on Priority-Based Approach to protect core services residents value most

Identify Alternative Service Models - use of technology, consolidation of functions, change in business practices, contracting out or contracting in

Evaluate Subsidy Models* for City services while maintaining an equitable lens

Protect City Reserves – After FY25 drawdowns, make tough fiscal decisions to maintain stability and reduce reliance on reserves.

**For example, assessing whether service fees cover the full cost of delivery. When they don't, the City subsidizes the service by covering the remaining cost.*

MythBusters Often Heard in the Community



Why can't we use Port money?

Port funds are legally restricted and must be used for Port-related purposes, not general City services.

MythBusters Often Heard in the Community

Why can’t we use Airport money?

Airport funds are legally restricted to aviation uses and cannot support general City services.

MythBusters Often Heard in the Community



Why do we continue to build infrastructure projects?

Even in a deficit, many infrastructure projects move forward because they're funded by dedicated sources, not just the General Fund.

MythBusters Often Heard in the Community



Why did we add a new green cart and switch out the purple carts?

Because state law requires us to reduce food waste and standardize recycling: green carts capture organics, and blue carts align with a consistent statewide system.

MythBusters Often Heard in the Community

Why do we continue other programs like supporting business grants, or arts, or other things?

Because these programs are often paid for with outside funding or restricted dollars that can't be used to solve a budget deficit or are one-time investments.

MythBusters Often Heard in the Community



With the recent utility rate increases, why can't that revenue go towards the deficit?

As Enterprise Funds, utility rate increases fund only utility services. They cannot be used to cover the city's general fund deficit.

MythBusters Often Heard in the Community



Is the deficit due to overspending?

The deficit isn't caused by overspending; it reflects a sharp turndown in revenue growth and the ongoing increase in the costs of providing core city services.

MythBusters Often Heard in the Community



Wasn’t there a surplus? Where did that money go?

No ongoing surplus existed, only temporary, one-time funds. Ongoing costs require ongoing revenue.

MythBusters Often Heard in the Community



Is the current deficit the worst it has ever been?

No, during the Great Recession the City had year after year of major reductions. This is 1-2 years of projected deficits.

MythBusters Often Heard in the Community



Are there potential new revenues that can help?

There are two potential revenue solutions that may be in front of voters in November 2026: a County measure to support the Health Department and the Block the Cuts Act. These may be decided by voters.

MythBusters Often Heard in the Community

Why aren’t there efforts to grow revenue?

Efforts to grow revenue are underway: programs like Space Beach and Grow Long Beach are designed to attract new development, investment, and economic activity.

What's next?



FY 26 - FY 27 Strategy

FY 26

Issued a 3% savings target in December 2025 (as a result of continued projected revenue decline and loss of one-time LBRA funding to solve FY 25 deficit).

FY 26

Budget mangement in FY 26, budget reductions planned for FY 27. Some service slow downs will be experienced in FY 26 to achieve the 3% savings target.

FY 26 & 27

Rising personnel costs, expanding technology needs, and greater overhead expenses have led to a growing structural deficit in the Health Fund Group.

FY 26 & 27

The General Fund is now covering the shortfall, placing additional pressure City's ability to invest in other community priorities. Reviewing the Health Fund study and evaluation of operations to reduce costs is the immediate priority.

Community Engagement Opportunities

WINTER 2026

- January/February
- Outreach Materials
- Survey *(530 respondents)*
- 6 Meetings: 1 Virtual, 1 Weekend *(118 participants)*

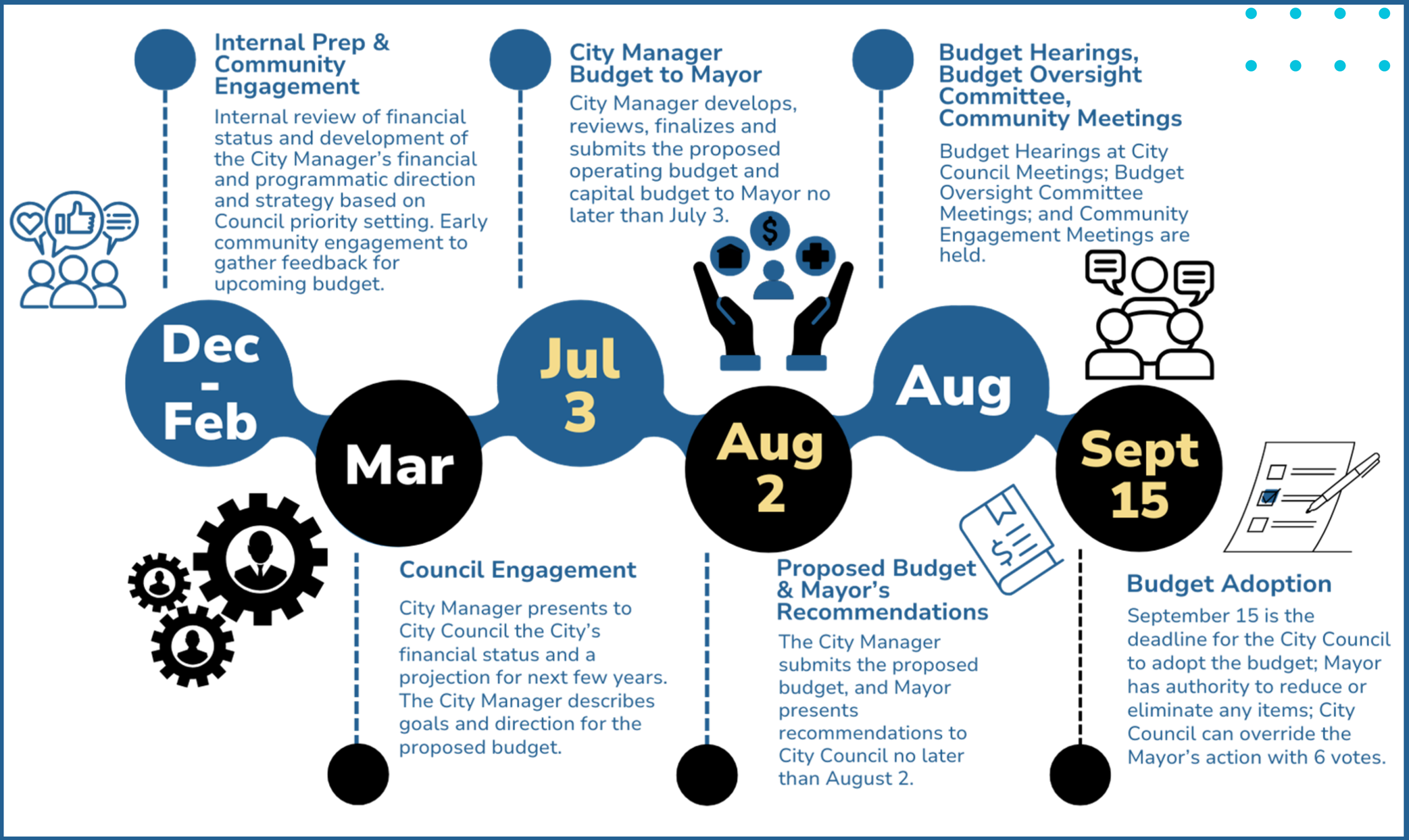


SUMMER - UPCOMING

- August
- Community Budget Book / Outreach Materials
- Survey
- 6 Meetings: 1 Virtual, 1 Weekend
- Budget Oversight Committee Meetings
- Budget Hearings at City Council Meetings

All materials translated in English, Spanish, Khmer, Tagalog.

What's Next - Budget Process Overview



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Thank You!

