FISCAL YEAR 2026

MID-YEAR BUDGET PERFORMANCE REPORT

PRESENTATION

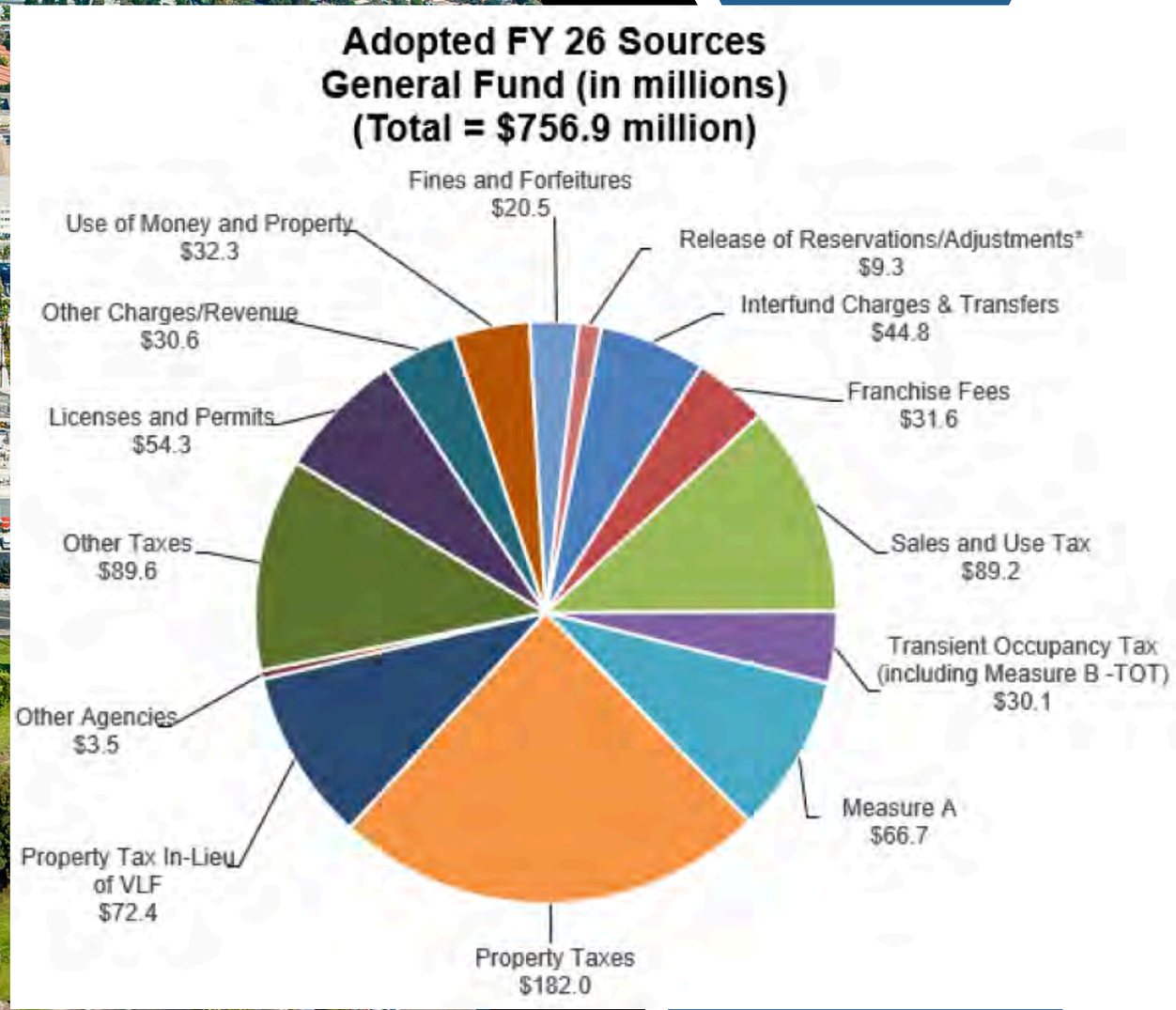
July 21, 2026

Presented By: Financial Management Department, Budget Management Bureau



CITY OF LONG BEACH

Revenues Overview

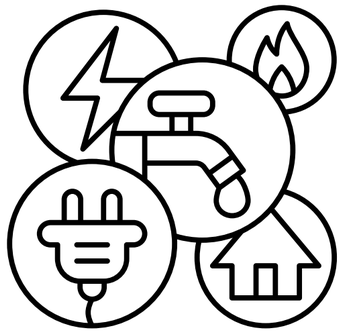


TOP GENERAL FUND REVENUES

Property Taxes - 34%
Sales and Use Taxes - 21%
Utility Users Tax & Franchise Fees - 13%

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

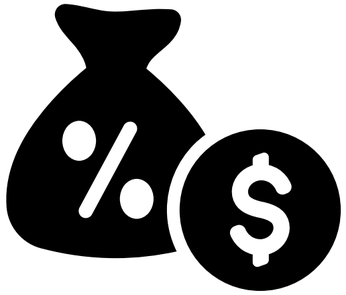
FY 26 - Key Revenue Shortfalls



Utility Users Tax

$14.7M





Interest Earnings

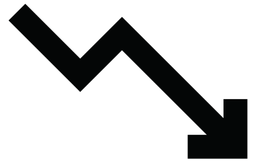
$9.7M





Property Tax

$1.1M





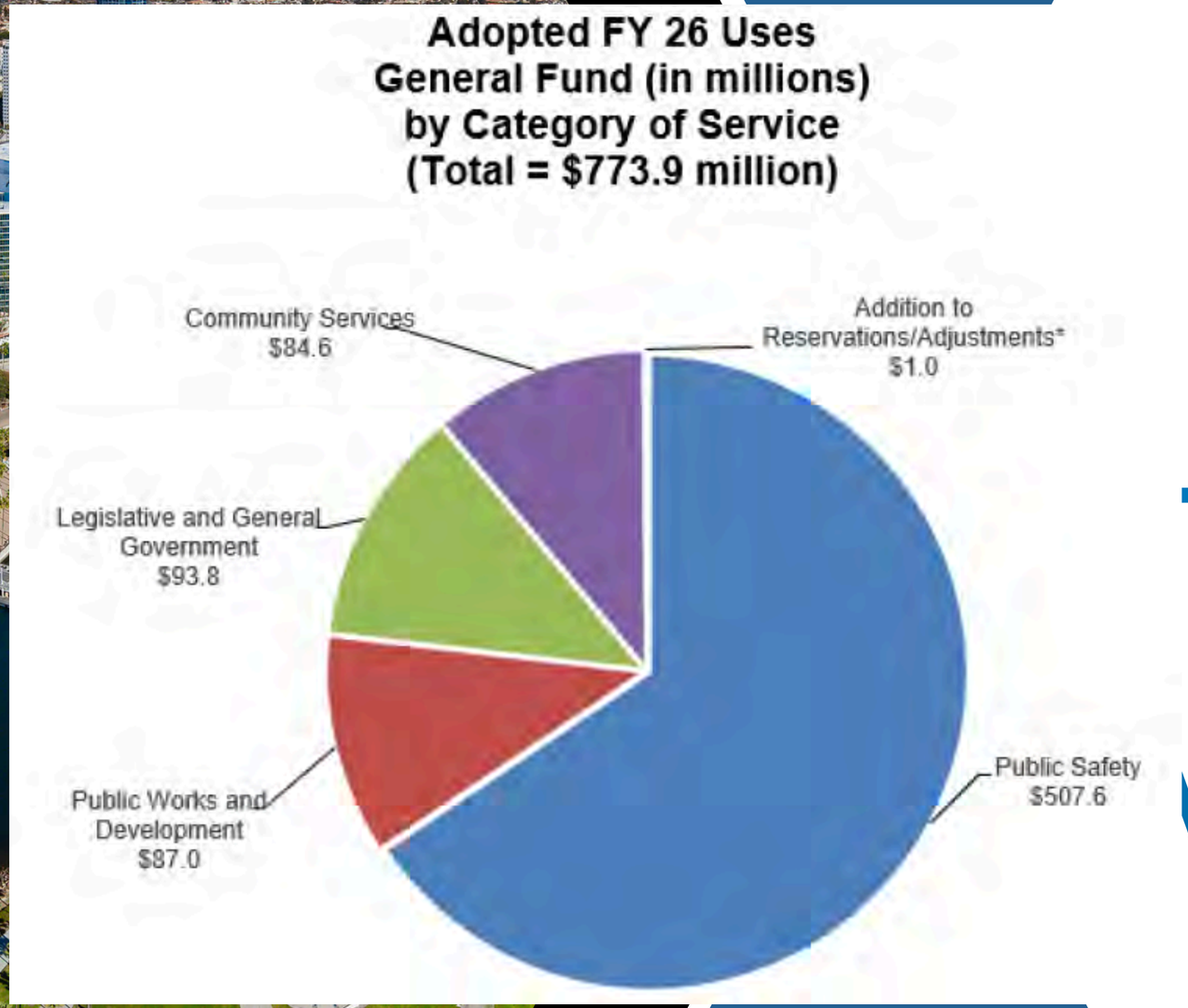
Sales Tax (Non-Measure A)

$0.5M



$21.1 million underperformance revenue projection for FY 26

Expenditures Overview



Public Safety is 65.5%

of General Fund expenditures.

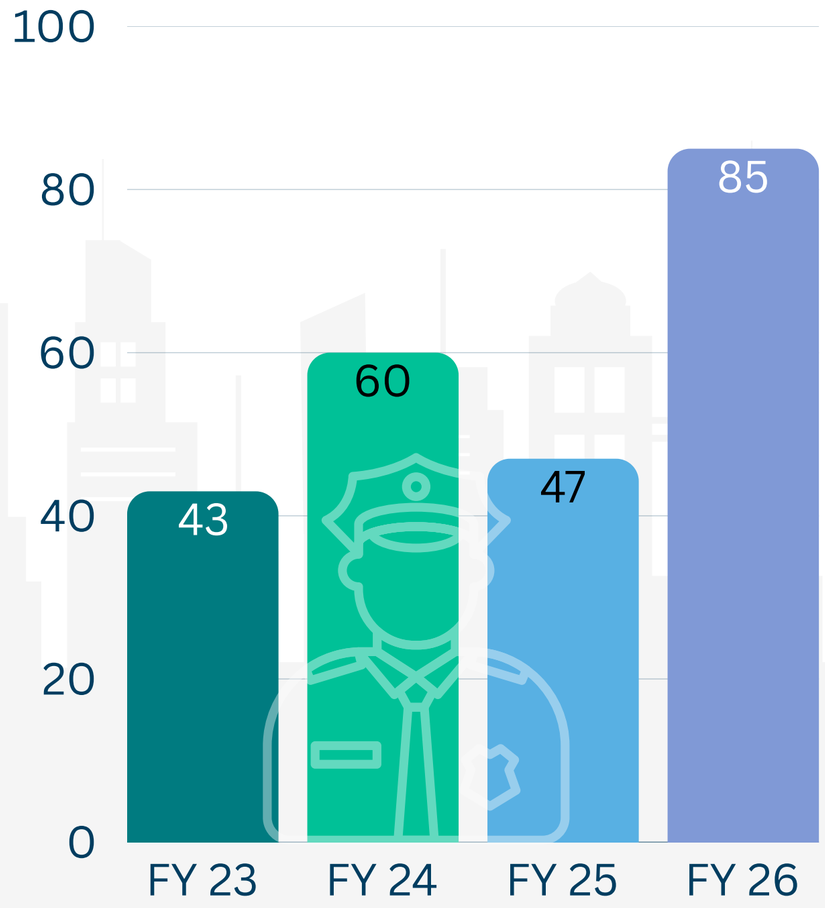
CITY OF LONG BEACH



FY 26 Expenses & Drivers: Existing Service Levels

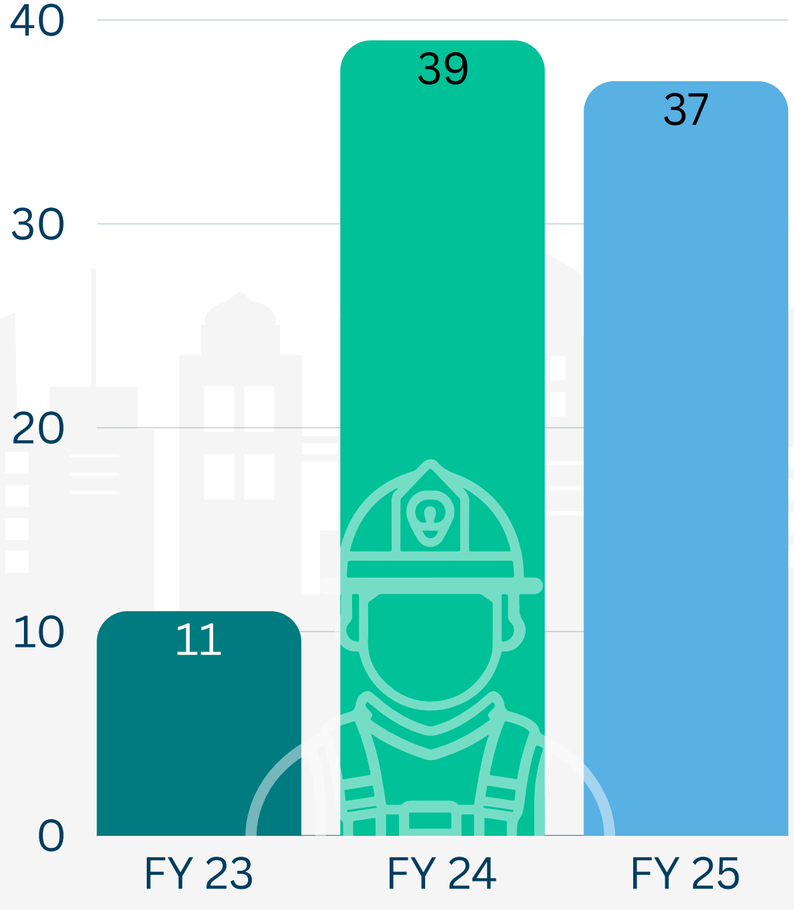
Increased cost of existing services in various departments (not new spending)

Public Safety Academy Graduates



Police*

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



Fire

Public Safety Hiring & MOUs

Police moved from a 26% vacancy rate to 13%. The Fire sworn vacancy rate is 3.2%.

The bargaining agreements we entered into earlier this year come at a cost of $38.3 million over the next three years.

POLICE OFFICER ASSOCATION VACANCY RATE*

13%

PUBLIC SAFETY 3-YEAR BARGAINING AGREEMENT

$38.3

MILLION

FIRE FIGHTER ASSOCATION VACANCY RATE

3.2%

*Whlie the Class 100 officers improve overall POA vacancy rate, it is important to note that they are not deployable until 18-24 months from date of hire.



FY 26 Expenses & Drivers: Health

Health Fund Support

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.

City's Health Fund remains under significant pressure, requiring $11 million of General Fund support to stabilize its fund balance.



FY 26 General Fund: Department Savings Strategy

3% GF Savings Target

- Actively managing vacant positions
- Limiting fills to essential operations
- Broadening service-cost recovery
- Pausing non-essential services

Not Intended to Fully Resolve FY 26

- No significant disruptions to services, including Public Safety
- Serving as an initial buffer to slow outlays
- Address through a broader, multi-year budget development strategy

Citywide Departments Estimated FY 26 Yearend Savings/Overages

Department	Estimated (over) / Under FY 26 Budget	Percent of Adjusted Budget
City Auditor	$189,376	6.00%
City Attorney	$291,169	7.00%
City Clerk	$163,126	3.00%
City Manager	$670,991	4.00%
City Prosecutor	$496,137	6.00%
Community Development	$152,711	2.00%
Disaster Preparedness & Emergency Communications	$652,023	4.00%
Economic Development & Opportunity	($1,578,075)	-10.80%
Fire	$3,830,352	2.30%
Financial Management	$880,852	3.40%
Health and Human Services	($1,229,762)	-9.30%
Library, Arts and Culture	$706,035	3.40%
Police	$10,906,334	3.40%
Police Oversight	$107,624	5.80%
Parks, Recreation and Marine	$1,241,021	2.40%
Public Works	$1,916,996	2.70%

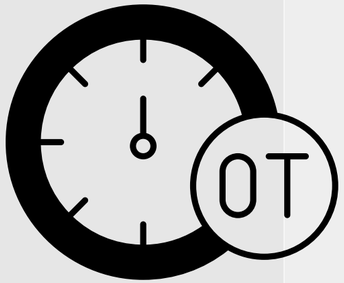
The Legislative Department (including the Mayor's Office) anticipates meeting their total 3% savings target of $276,081.

Citywide Departments 3% Savings Target

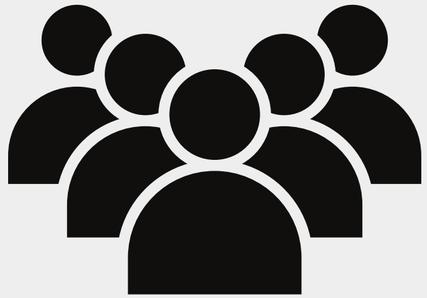
NO MAJOR PROGRAM CUTS, REDUCED SPENDING



MORE STRESS ON INTERNAL TEAMS AND LESS ABILITY TO RESPOND TO UNBUDGETED REQUESTS



LESS USE OF OUTSIDE CONTRACTS



FY 26 One-Time Balancing Solutions

Even after issuing a 3% GF savings target, one-time balancing solutions need to be implemented:



Fleet Financing: $15M

Transitioning from a cash-funded fleet replacement model to a lease-financing approach for nearly all General Fund vehicles. This change is a financing strategy only, it does not reduce the City's commitment to maintaining a safe, reliable, and modern fleet.

Interest Earnings within Internal Service Funds: $2M

Oil Abandonment Set-Aside: $0.9M



Reserve Balancing

Even after applying one-time balancing solutions and 3% savings targets, the magnitude of the projected impacts in FY 26 require use of $27.1 reserves.

$4.6M - Operating Reserve

The remaining balance of the City Operating Reserve (excluding Measure B Stabilization Fund) used to manage general fluctuations in City costs and revenues.

$3.5M - City Measure B Fund

$3.5 million (or 50% of anticipated FY 26 year-end balance) release from the City Measure B stabilization fund which was established by voter approval in 2016.

$2.8M - Unfunded Liability Reserve

The City's Unfunded Liability reserve, which has set aside five percent of General Fund surplus in a year. The reserve is recorded in the Employee Benefit Fund Group which manages the City's pension, sick leave, and other labor related costs.

$16.5M - Emergency Reserves

Emergency Reserves currently has a $50.1 million balance, which is 7 percent of estimated FY 25 on-going operating expenditures, slightly below the 8 percent policy minimum.

Reserve Replenishment Plan, Starting in FY 27



These reserves are intended to provide temporary support when revenues soften or expenditure pressures increase, and they need to be utilized to help balance the current fiscal year.

It is strongly encouraged that the Mayor and City Council set aside dedicated funding for reserves, as maintaining healthy reserve levels is critical to preserving the City's strong bond rating, particularly as the City anticipates issuing additional bonds for capital projects.

As a part of the FY 27Proposed Budget, a plan to reestablish reserves is included, beginning in FY 27.





MEASURE A

YOUR LB FUNDS AT WORK

Other Key Highlights

FY 26 Adopted Budget $66.7M

Current fiscal year approved baseline allocation supporting planned uses.

FY 26 Mid-Year Projection $67.0M

Slightly above budget. High-performing sales across service stations, restaurants, and hotels.

FY 26 Contingency Reserve $2.2M

Largely contributing to FY 26 projected ending balance of $2.5 million.

Tidelands Operating Fund Outlook



$28.7M

Harbor Transfer FY 26 Transfer (+1% growth YoY)

$13.5M

Oil Revenue Transfer projected $65/bbl vs budgeted $55/bbl

$4.0M

Projected Surplus Set aside for FY 27 improvements

Policy & Cost Headwinds

- Senate Bill 1137 Impact & CalGEM Restrictions
- Net oil transfers are projected to approach zero by FY 32
- Convention Center Deficit: $2.4M loss in FY 25 and a projected $2.5M loss in FY 26

Other Key Highlights: Other City Funds

SPECIAL ADVERTISTING & PROMOTIONS (SAP)

- Core Revenue through Transient Occupancy Tax (TOT)
- FY 26 estimated at $13.2M (-0.8% vs budget)

TIDELANDS: MARINA FUND

- Projecting $2.8M surplus this year
- 3% increase slip fees
- Reduced debt service via FY 25 bond refinancing

TIDELANDS: QUEEN MARY FUND

- Projecting $1.25M surplus ($200k positive balance)
- F&M Bank Amphitheater
- Ship operations are now net neutral





Mythbusters

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

Why did we build the F&M Bank Amphitheater during a deficit?

Even in a deficit, many infrastructure projects move forward because they're funded by dedicated sources. Funded by Tidelands, it's a restricted source and is a revenue generating asset designed to grow revenues both in Tidelands and induce growth in General Fund revenues.



Mythbusters

Why can’t we use Refuse, Port or Airport money?

Refuse funds are legally restricted to refuse and recycling uses, Port funds are legally restricted for Port-related purposes, and Airport funds are legally restricted for aviation uses. All of these funds cannot support general City services because of these funding restrictions.



Mythbusters

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

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

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.

FY 26 & Looking Ahead

- HAVING TO UTILIZE RESERVES, INCLUDING THE EMERGENCY RESERVE, IS CONCERNING AND MUST BE ADDRESSED GOING FORWARD.
- RESERVES ARE DESIGNED FOR TEMPORARY SUPPORT TO PRODUCE A BALANCED BUDGET.
- ON JULY 30, THE CITY MANAGER WILL BE PRESENTING A PROPOSED STRUCTURALLY BALANCED BUDGET FOR FY 27 THAT WILL ADDRESS THE FISCAL SHORTFALLS THROUGH A NUMBER OF DIFFERENT ACTIONS.
- THE PROPOSED BUDGET, WHICH WILL INCLUDE VERY DIFFICULT CHANGES FOR BOTH THE COMMUNITY AND OUR ORGANIZATION, WILL BE TO OUTLINE A PATH TO FISCAL SUSTAINABILITY AND CREATE A PLAN TO REPLENISH OUR RESERVES.





THANK YOU

CITY OF LONG BEACH