

NEWS

Long Beach stands to lose \$301M in oil proceeds over the next decade, audit shows



by [Melissa Evans](#)
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An oil rig works in Long Beach. Dec. 7, 2018. Photo by Thomas R. Cordova.

Long Beach will lose hundreds of millions in revenue from crude oil and gas production by 2035, a severe hit that will impact everything from public safety to mental health to maintenance and recreation along the coast, a new audit shows.

The [audit released this week](#) quantifies how reliant on oil the city has become — and what this loss will mean for services. The city will lose between \$278 million to \$301 million depending on the outcome of a ballot measure this fall that would repeal new restrictions on oil operations.

But in either case, the city will need to either cut services or find new ways of generating more money to make up for this loss.

“We have to get ahead of these challenges that are facing Long Beach uniquely, and make sure that we are taking this seriously while there is still time to act,” Mayor Rex Richardson said Tuesday at a City Council meeting to discuss potential new revenue measures.

The city now receives tax revenue from 2,762 active and idle oil wells that are managed by 14 oil operators.

Last year, 41% of this revenue, or \$23.4 million, supported the general fund, which is used to pay for basic services like police, fire, parks and libraries. Another \$28.7 million, the largest share, went to a special fund that can only be used for services along the coast, such as lifeguards, playgrounds and other recreational amenities.

This revenue, however, will decline by \$8.2 million this year and \$12.8 million in 2025, with more dramatic losses to follow, according to the audit, conducted by Evans & Walker, a petroleum consulting firm.

The decline of oil revenue, along with the loss of pandemic recovery funds and wage and pension increases, will contribute to a general fund budget deficit of \$44.8 million over the next three years, City Manager Tom Modica said during Tuesday’s City Council meeting.

New revenue proposals

Earlier this spring, the City Council heard about plans to make up for the loss of oil revenue by **growing the tax base** through an expansion of tourism, aerospace and aviation, transportation and logistics and more.

On Tuesday, they heard about increasing revenue **through various taxes and increased fees**.

Richardson indicated that the only tax measure he would likely not support is an idea to double business license fees to an average of \$662 annually, as that runs counter to efforts to bolster economic development.

Councilmember Kristina Duggan said she has heard from “multiple” constituents about a proposed increase in taxes on property sales, which could add as much as \$3,864 to the sale of a home at the median price in Long Beach.

Duggan, who represents the southeastern part of the city that has a high concentration of homeowners, said she worried about discouraging people from either upgrading or downgrading their homes, which could hurt

efforts to free up more housing.

“I don’t think it’s right to increase taxes on sellers,” she said. “It’s going to make it less affordable for buyers.”

Mike Murchison, a lobbyist who represents 500 rental property owners, said the city should move forward with an idea to tax two power plants that operate in Long Beach, which wouldn’t affect residents.

“Stay away from the others,” he said, particularly the tax on property sales, which will affect thousands of agents and brokers in the city. Homeowners may be a minority in Long Beach, “but it’s a community that’s been around for a long time,” he said.

No decisions were made on Tuesday. City staff will continue receiving feedback and researching the options, which would need to be voted on by Aug. 6.