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Pinch of Salt: Budget season in the city a time to pay attention

Columnist Harry Saltzgaver dives into Long Beach's budget season.



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I've been writing about city budgets for several decades now. It's a hard habit to break.

Yes, I'm aware that makes me sound like some wonky aberration of a human being – even most of the bureaucrats who put city budgets together don't like to talk about city budgets.

The thing is, it's important.

One way or another, most of the money the city spends comes from you. And the way the city spends that money definitely sets the direction our community is headed.

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Are we going to spend more money on cops, or parks? Would more money actually make a difference in the homeless population situation? Would the city economy get better if there were more grants to businesses, or more money spent to hire more building inspectors so they could get open sooner?

There are myriad questions. The answers come primarily from the city's top hired hands – the city manager, department heads, the police and fire chiefs, etc. But the final decisions are supposed to be made by our elected officials – the City Council. It's called democracy.

In reality, most of the big decisions are already made by the time the budget gets to the council. The vast majority of the \$3.6 billion fiscal 2025 budget for Long Beach is already spoken for in “gotta spend” categories. That includes contract obligations with the 4,000 or 5,000 city employees, interest payments on various bonds, utility bills and more.

What’s left is something called the general fund, which pays for the most visible stuff like cops, and the capital improvement budget, which builds and repairs things. A lot of that money is also spoken for – see the mention above about contract obligations.

Over the years, Long Beach’s mayors have become gradually more proactive about using the budget to further their policy objectives. Our city charter gives them the responsibility of presenting the budget to the City Council, and they get to make recommendations as well.

Bob Foster was the first mayor to put his own stamp on the budget – the city was in a world of financial hurt back then, and Foster had to push some tough cuts through (and he still managed to get a new City Hall built in his eight years). Now-Congressman Robert Garcia paid a lot of attention to social issues, to the delight of those involved. He also had to deal with the brave new world of living through a pandemic, which turned pretty much everything on its financial head.

Current Mayor Rex Richardson had been an equity activist as a council member, and doubled down when he became mayor. But he has other priorities too, including preparing our fair city to host the 2028 Olympics. I know you thought Los Angeles was the host, but Rex is making sure it’s really Long Beach.

He’s got a huge problem, too – oil revenue is going away. Long Beach has relied on money from people pumping oil here for lots of goodies, and way too many essentials, for nearly a century. But the golden, if oily, goose is dying and it is leaving a big hole in the city bank account.

Partially because of the declining oil revenue, budget talks began with officials saying there was a \$20 million deficit in the next budget. Come to think of it, Long Beach budgets have started with a deficit pretty much every year I’ve written about them.

But the charter says the council must pass a balanced budget. And nobody wants to cut spending to get there. So the city finds ways to fill the gap – money they didn't spend this year, a stash of unspent federal bucks from pandemic days, even a recently discovered (thanks City Auditor Laura Doud) account with \$9 million or so just laying there.

Oh, and there's also looking for ways to raise tax revenue.

That's something no self-respecting council person is going to support, at least if they want to get re-elected. So the trick is to find ways to raise money without smacking the voting public with a tax increase.

I have to say, the 2025 solution is near genius. It goes like this:

Long Beach has something called a Utility Users Tax (UUT), where we pay a tax on top of the bill for water, electricity, natural gas and the like. The level of that tax has been battled over more than once, so raising it wouldn't be a great idea.

But it turns out that two big electricity-generating plants in Long Beach use natural gas to make that electricity. And for a reason no one has explained yet, those plants don't pay the UUT on the gas they burn.

For legal reasons, it takes a charter amendment to require the utilities – the Alamitos Energy Center owned by AES and the Haynes Plant owned by the Los Angeles Department of Water and Power – to pay the 5 percent tax – about \$15 million a year. So this November, we get to decide whether they should pump that money into the city.

No brainer, right? Big utility companies pay the bill, we get goodies like enough cops.

But.

You know what companies do when their costs increase, right? They pass it on to the consumer.

This isn't terrible in this case because the LADWP charges people in LA, and AES sells electricity far beyond Long Beach as well as a bit here when necessary. Our hit shouldn't be too bad.

There will be more budget hearings, and more stories trying to explain what's happening. Pay attention. You'll be glad you did.

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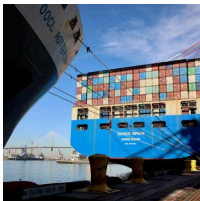
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