

Long Beach Reform Coalition  
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**Press Release**

**LBRC Calls on the State Auditor and the State  
Legislature’s Joint Audit Committee to  
Consider a Complete Audit of the City of Long  
Beach**

**Long Beach, Cal., May 2, 2022:**

Simply put, the City of Long Beach is one of the most fiscally mismanaged cities in the State of California. We are currently ranked 23<sup>rd</sup> from the bottom, out of 423 California cities, in terms of fiscal health on the State Auditor’s [High Risk Dashboard](#).

For the reasons outlined in the attached letter, the Long Beach Reform Coalition is requesting state intervention to right the fiscal ship of our local government before it capsizes and sinks.

# # #

**For Immediate Release**



# Long Beach Reform Coalition

Long Beach Reform Coalition  
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May 2, 2022

To: Michael Tilden - Acting California State Auditor  
Anthony Rendon - Speaker of the California State Assembly, 63<sup>rd</sup> District  
Tom Umberg - California State Senator, 34<sup>th</sup> District  
Lena Gonzalez - California State Senator, 33<sup>rd</sup> District  
Cristina Garcia - California State Assembly Member, 58<sup>th</sup> District  
Mike Gipson - California State Assembly Member, 64<sup>th</sup> District  
Patrick O'Donnell - California State Assembly Member, 70<sup>th</sup> District

Re: City of Long Beach Audit Request

The Long Beach Reform Coalition (LBRC), a coalition of a good government organizations in the City of Long Beach, requests that that the Office of California State Auditor and the Joint Committee on Legislative Audit conduct a comprehensive forensic audit of the City of Long Beach. We, the undersigned LBRC directors, ask that the audit aim to discover how the purpose of City funds was represented by municipal officials to voters versus how the funds were actually spent, and whether City funds were used grossly inappropriately to benefit large campaign donors over the interests of residents.

As long-time Long Beach residents, we perceive that in recent years, since at least 2014, we have repeatedly been deceived by City officials, our tax and utility fee dollars misused, and the true allocation of our funds misrepresented. We perceive that officials' consistent behavior, by action or by acquiescence, has by design favored special interests and campaign donors, at the expense of delivering what these officials lead residents to expect, or indeed what residents have every right to expect.

Examples of clear maladministration include the following.

## **Deceptive Bait-N-Switch Sales Tax Measure A (2016)**

Officials touted the tax as intended to upgrade infrastructure (e.g. fix potholes and pipes) and get more and better equipped police, most notably to restore 200 officer positions that were cut between 2010 and 2013. These aims were highlighted in a Council resolution and in the



measure's ballot wording. However, both texts included a few easily overlooked words which made the tax measure general rather than specific. This tactic allowed the measure to pass by simple majority (rather than 2/3) and also nixed the legal requirement to keep promises regarding the use of this new tax revenue stream.

In fact, the bulk of new tax revenue has gone not to promised infrastructure and new police but to hefty increases in pay and overtime and pensions for the existing police officers, whose union was the largest campaign contributor.

Similar tactics were used to pass and exploit 2020's new Measures A (which undid the sunset clause in the 2016 Measure A).

## **Deceptive 'Not-A-Tax' Utility Tax Measure M (2018)**

The measure purported to allow 'surplus' charges by the municipal water utility, for transfer to the City's General Fund. However, state law forbids the utility charging customers a 'surplus' beyond what is needed to provide water. In disregard of law, officials touted this utility transfer tax as 'not a tax' but simply as means to reallocate ratepayer fee 'surpluses', allegedly to benefit public safety. Measure M has been found unconstitutional by state courts at all levels (Superior, Appeals and Supreme), so now the General Fund's ill-gotten tens of millions should be returned to the municipal water utility.

## **Queen Mary Extreme Mismanagement (2015-2022)**

The City owns the historic iconic ship, but long has assigned responsibility for its maintenance and repair to a series of lessees. City management has repeatedly stonewalled exposure of these lessees' negligence. Management initially refused to release a study before hiring the last lessee, and fired the marine inspector after he criticized the lessee's dishonesty and continued lack of heed to repair. The last lessee went bankrupt, amid allegations of fraud committed in partnership with the City's Economic Development Department. Per latest report, the ship now is in danger of sinking, and requires perhaps \$500 million and counting for essential long-deferred maintenance and repairs. Just to be able to scuttle our international icon at sea, would first require over \$100 million in repairs.



## **Long Beach Community Hospital: \$30 Million Giveaway Results In Emergency Room (ER) Staying Closed; Century-Long Public Ownership Of The Property To Cease (2019-2022)**

The hospital, site of eastside Long Beach's only ER, closed in 2018. Allegedly to restore ER services, in 2019 the City Council was asked to approve a lease to MWN LLC to reopen and operate the hospital and ER. Proposed lease terms guaranteed city's full reimbursement to MWN for attempted seismic retrofit and other re-opening expenses, up to the value of the property, without any guarantee to the city of renewed ER operation. Despite warnings by residents and even City management, Mayor and Council approved the lopsided terms. After a few months of reopened service, in 2021 MWN closed the hospital, claiming usage insufficient for economical operation. Under the lease terms, MWN sought reimbursement for \$30 million of opening costs. In 2022 Council agreed to transfer the property to MWN in lieu of dollar payment.

Net result: The City has lost a medical facility—and the eastside's only ER (thereby doubling emergency response time for many residents)—that had been City property since the 1930s - and with no notification or impact evaluation as required by law (Calif. Health/Safety Code 1255.1 and 1300(b)). Transfer of this property, valued at \$30 million or more, to MWN would be a reward for NON-performance of the lease' purpose. Latest twist (April 26, 2022): The City has just been reminded that state law requires that the property first be offered for affordable housing, before transfer for any other purpose.

## **Long Beach 'Civic Center' (City Hall And Main Library): Needless But Costly (\$500 Million And More) 'Cost-Free' Rebuild And Risky 'Risk-Free' Giveaway Of Downtown Public Property (2015-2022)**

In 2015, the Mayor led the City Council to approve a public-private partnership contract with a development consortium, which risked not its own members' capital but rather just that of a new on-paper LLC. The contract called for tear-down and new rebuild of the 'Civic Center' (City Hall and Main Library) buildings, and addition of a new Port headquarters.

There was no reason to rebuild the former city hall. To justify the rebuild, City management claimed that old City Hall was seismically unsafe. However, during the three year wait for the new City Hall no City employees were moved from the 'unsafe' old City Hall. Management also summarily rejected various engineering proposals for cost-effective seismic retrofit of the kind done for the LA City Hall (nor did they consult the old City Hall's architect—yet alive and well in Long Beach). To justify the rejection, City management attributed high costs to a modest retrofit, without providing any basis for their inflated estimate.



City officials touted the contract as advantageous and ‘cost-free’ to the City compared to the then-current cost of maintaining the old City Hall. As the City Council advanced toward adoption of the project, the cost neutral aspect of the deal evaporated. Acknowledge costs in the final deal, however, only represented a small fraction of the Long Beach taxpayer’s hidden liability due to the fact that the private partner was in fact a consortium of corporations, joined in a paper LLC, with no equity at risk should the project collapse and the LLC declare bankruptcy.

Further, the private partner has also received the central portion of the old Civic Center, the mid-block, as part of the deal, to build a private for-profit development, initially intended as a condo or hotel tower. Ultimately no developer—as none had been identified when the project was agreed to by the City—stepped forward to build this portion of the overall project, which was intended to generate the profit margin requisite to keeping the risk to taxpayers of the project’s financial collapse supposedly nonexistent.

The lion’s share of construction for the project was funded by over one half billion dollars in construction loans from Allianz and Sumitomo banks, with repayments including interest totaling about one billion dollars.

After six years, the partnership has yet to find a party interested in the project’s private development portion, as mentioned. To bail out their ‘risk-free’ project, supposedly guaranteed by the private development consortium, the Long Beach City Council recently moved to float unrated, extremely dubious “affordable housing” development bonds.

In an abuse of sound municipal bond writing practices outlined in a recent *Forbes* article called “California Scheming”, the plan is to build ‘affordable housing’ units on the site of our old city hall. Each ‘affordable’ unit will cost nearly \$1 million to build, and most units will be near market-rate luxury: A one-bedroom unit will rent for nearly \$2,500 per month. This is the hoped-for scenario if the bond offering succeeds and the project does not collapse owing to any slight future decline in the real estate market.

## **Conclusion: A Comprehensive Forensic Audit is Needed**

The above are just some prominent examples of continuing mismanagement and official coverup and deception, of actions by city officials to mislead Long Beach taxpayers and enrich special interests. We forbear citing many other examples of City squander, on the one hand, and failure to fund promised services or even formerly available bare essentials, on the other.

Long Beach residents deserve an honest, impartial accounting of how their money is being spent, how that spending compares with officials' messages and promises, and how it compares with prudently prioritized budgeting. Moreover, all California residents deserve such an accounting.

We hope for and anticipate your prompt attention to these red flags. Long Beach now risks, and likely requires outside intervention to avoid, the fate of Orange County in the 1990s or the City of Bell in the late 2000s.

Sincerely,



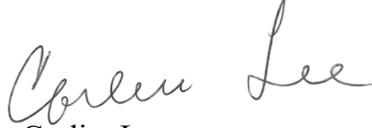
Joseph Weinstein  
*LBRC Boardmember*  
*Pres., LBRC-affiliate Citizens About Responsible Planning*



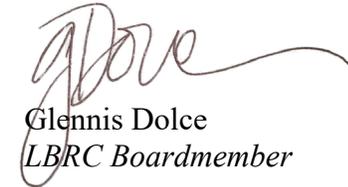
Councilwoman Rae Gabelich (Retired)  
*LBRC Boardmember*  
*Co-Founder, LBRC-affiliates LB HUSH2 and Long Beach Neighborhoods First*



Juan Ovalle  
*LBRC Boardmember*  
*Co-Founder, LBRC-affiliate People of Long Beach*



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*LBRC Boardmember*  
*Co-Founder, LBRC-affiliate Eastside Voice*



Glennis Dolce  
*LBRC Boardmember*



Linda Scholl  
*LBRC Boardmember*