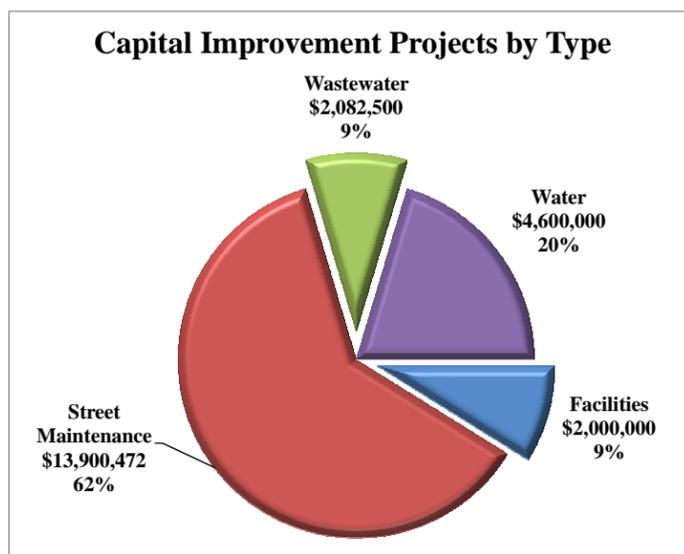


CAPITAL IMPROVEMENT PROJECTS

The Capital Improvement Plan (CIP) is the City's five-year infrastructure maintenance, growth and development plan. The CIP is formally separated from the Operating Budget process and is a standalone document. The projects listed in the FY 2013-2014 Operating Budget are those originally contemplated prior to the separation and are subject to adjustment once the adoption of the FY 2014-2018 CIP occurs in the fall of 2013.

Project	Source of Funds	FY 2013-2014 Adopted
Facilities		
City Deferred Maintenance	CIP Fund	\$1,900,000
Non-Motorized Transportation	CIP Fund	100,000
Subtotal Facilities		\$2,000,000
Streets / Transportation		
Sepulveda Bridge Widening Project (33rd-Valley)	Grants	\$10,265,472
Aviation at Marine, Dual SB to EB Lefts	Measure R	1,500,000
Dual Left-Turn Lanes on Marine Ave at Sepulveda	Measure R	980,000
Annual Curb, Gutter and Ramp Replacement Project	Gas Tax Fund	365,000
Annual Slurry Seal	Gas Tax Fund	350,000
Triennial Pavement Management System Update	Prop C Fund	40,000
Street Resurfacing: Blanche, Marine, Oak, 27th & 11th St.	Gas Tax Fund	400,000
Subtotal Street Maintenance		\$13,900,472
Wastewater		
Poinsettia Sewage Pump Station	Wastewater Fund	\$1,982,500
Rehabilitation of Gravity Sewer Mains (FY2014-2015)	Wastewater Fund	100,000
Subtotal Wastewater		\$2,082,500
Water		
Water Well at Aviation Boulevard/6th Street (Well 13)	Water Fund	\$2,500,000
Pipe Replacement Prog. & Fire Hydrant Install (Area 2)	Water Fund	1,600,000
Well Collection Line from Well 11A to Block 35	Water Fund	500,000
Subtotal Water		\$4,600,000
Total Capital Improvement Projects		\$22,582,972



ELECTED OFFICIALS

Mayor	David J. Lesser
Mayor Pro-Tem	Amy Howorth
City Councilmembers	Wayne Powell
	Mark Burton
	Tony D'Errico
	Tim Lilligren
City Treasurer	

EXECUTIVE STAFF

City Manager	David N. Carmany
City Clerk	Liza Tamura
City Attorney	Quinn M. Barrow
Director of Finance	Bruce Moe
Director of Human Resources	Cathy Hanson
Director of Parks & Recreation	Mark Leyman
Chief of Police	Eve R. Irvine
Fire Chief	Robert Espinosa
Director of Community Development	Richard Thompson
Interim Director of Public Works	Vince Mastro Simone

THE CITY OF MANHATTAN BEACH

At 120 feet above sea level, Manhattan Beach, located on the southerly end of Santa Monica Bay, dates back to 1901 when John Merrill and George Peck combined their owned portions and tossed a coin to see who would name the land. John Merrill won and named the area after his former home of New York City. The first downtown building, which later served as city offices, was built soon thereafter along with two wooden piers, and planks for vehicle and pedestrian ways. The City of Manhattan Beach was incorporated on December 2, 1912 as a general law city.

Today there are approximately 35,738^(a) residents living within the city's 3.9 square miles. With over two miles of beach front property, the City boasts 40 acres of recreational beach and a 928 foot long pier, in addition to the 54 acres of developed parks, 21-acre parkway, nine-hole golf course and two community centers. The City is serviced by two fire stations, one police station, a Los Angeles County branch library (currently under reconstruction), 278 full-time employees, and is presided over by a five-member council each serving a nine-month mayoral position during their four-year term.



^(a) US Census Bureau 2012 estimate

City of Manhattan Beach California Fiscal Year 2013-2014 Budget-At-A-Glance



BUDGET OVERVIEW

The City of Manhattan Beach is dedicated to providing exemplary municipal services, preserving our small beach town character and enhancing the quality of life for our residents, businesses and visitors.

Using the mission statement as the foundation, the City Council developed the following strategic goals: maintaining and enhancing fiscal stability; increasing organizational effectiveness and efficiency; maintaining and enhancing City facilities, programs and infrastructure; and encouraging engagement and increased participation of residents and businesses. The fiscal year (FY) 2013-2014 budget was prepared with these guidelines.

Total revenues for FY 2013-2014 are estimated at \$112.9 million, \$8.0 million or 7.8% above the FY 2012-2013 budget. Total expenditures are budgeted at \$127.6 million, \$17.7 million or 16.1% over the prior year adopted budget, and includes \$22.6 million in scheduled capital improvement projects.

The complete FY 2013-2014 Adopted Operating Budget can be found at the City's website: www.citymb.info. Please note that the Capital Improvement Plan is now separate from the Operating Budget and will be available when it is adopted in the fall of 2013.

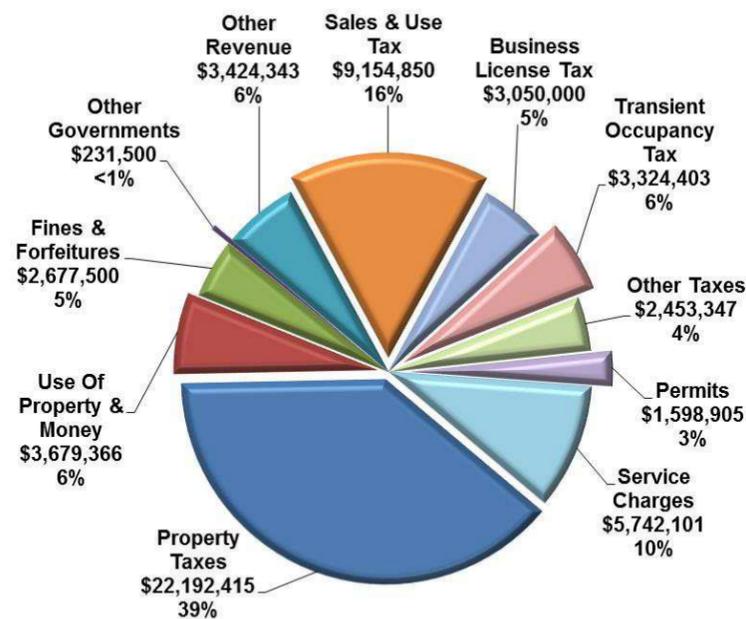
GENERAL FUND REVENUE HIGHLIGHTS

General Fund revenues for FY 2013-2014 are projected at \$57.5 million, \$4.4 million or 8.3% higher than the prior year budget. The increase is due to growth in virtually all major revenue streams, and reflect a reimbursement from the Water, Wastewater and Parking funds in the amount of \$966,613 for debt service payments made on behalf of those enterprises under the bond refinancing in FY 2012-2013.

- Property Tax, the largest revenue source in the General Fund, is expected to improve in the upcoming fiscal years with the local market experiencing a resurgent housing market, and residential construction and remodeling on the rise. For FY 2013-2014, Property Tax is estimated at \$22.2 million, \$1.9 million or 9.5% above the prior year budget.
- Retail sales activity within the state and region reflect an increase in consumer confidence and spending as the economy continues to show signs of improvement. For FY 2013-2014, sales tax is estimated at \$9.2 million, \$0.4 million or 4.6% above the prior year budget.
- Transient Occupancy Tax (TOT) continues its upward trend from the economic downturn several years ago. With significant remodeling activity completed at the Marriott and Residence Inn hotels, TOT is expected to generate \$3.3 million in FY 2013-2014, \$549,583 or 19.8% above the prior year budget. This number reflects the General Fund portion only which is 85% of total TOT; the remainder goes to the Capital Improvement Fund.
- Business License Tax is estimated at \$3.1 million for FY 2013-2014, up 7.2% from the prior year budget. This revenue has been consistent in the past several years, with steady increases year over year.

- With increased new construction on the horizon, Building Permits is budgeted at \$924,000, up 5% from the prior year budget. Concurrently, Plan Check Fees are experiencing an increase in activity, with revenues estimated at \$1.0 million, up 5.1% from the prior year budget.
- Interest Income continues to be impacted by low interest rates resulting in depressed interest earnings for the City's idle funds compared to interest earnings received several years ago. While interest rates are showing some signs of improvement, an immediate recovery is not expected in the near future. As a result, a conservative \$548,092 is budgeted for FY 2013-2014, slightly below the prior year budget.
- Marriott Hotel Percentage Rent is a significant contributor to General Fund revenues. With the completion of a core remodeling project at the end of 2011, the hotel has seen significant improvement. FY 2013-2014 is estimated at \$856,709, \$282,709 or 49.3% over the prior year budget. This does not include the additional \$400,000 in base rent payment.

Source of Funds - General Fund: \$57,528,730



GENERAL FUND EXPENDITURE HIGHLIGHTS

General Fund expenditures are projected at \$58.9 million in FY 2013-2014, up \$5.9 million or 11.2% from the FY 2012-2013 budget.

Labor-related expenditures are expected to increase by \$2.2 million or 6.0% over last year's budget to \$38.5 million in the new fiscal year, due mainly to the recently negotiation contracts with the City's bargaining groups and the addition of eight positions (two additional positions are budgeted in the Information Systems Fund). The net costs of the additional positions when considering the offset from the elimination of existing part-time positions is approximately \$326,000 in the General Fund (\$418,000 across all funds), and the net additional full-time equivalents is 3.17 in the General Fund (3.27 across all funds). FY 2013-2014 also includes a vacancy factor of \$1.2 million in the General Fund to account for times when positions are vacant due to attrition and retirements. Other significant increases include Overtime for Sworn Personnel and Workers Compensation costs.

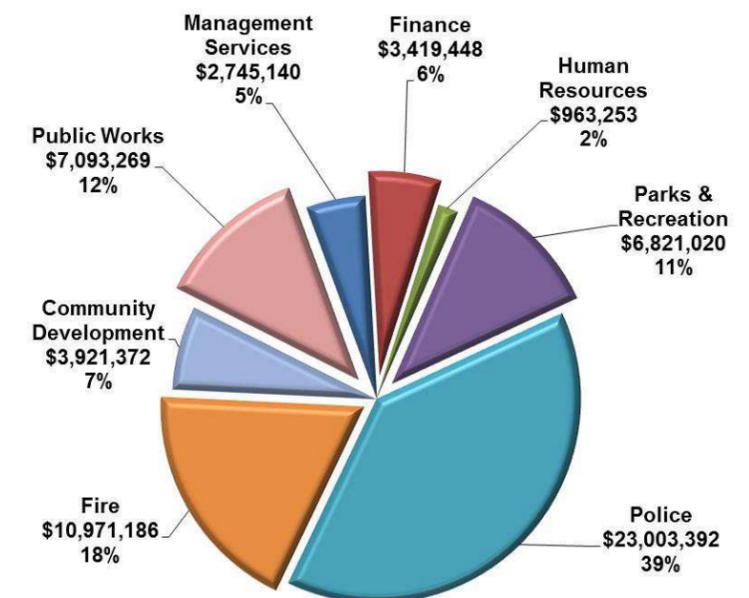
Materials & Services are up \$0.9 million or 9.8% to \$10.3 million in FY 2013-2014 from the prior year budget. The majority of the increase occurs in Contract Services and Personnel, which now includes approximately \$563,000 for the field, facility and pool use agreement with the school district. Other additional expenses include \$135,000 for additional landscaping services, \$91,000 for increase in utility expenses, and \$50,000 for personal protective equipment replacement in the Fire Department.

Internal Services are up \$631,749 or 11.8% from the prior year budget to \$6.0 million. The most notable increase is in the Information Systems allocation, which is up \$284,106 or 25.2% mostly due to the addition of the City Council-approved Information Systems Master Plan which addresses the City's technology needs over a five-year period. The Building and Operations allocation increased by \$181,009 or 14.5% mainly due to increased maintenance costs.

Debt service increased by \$875,668 or 48.0% to \$2.7 million from additional debt service related to the bond refinancing of the Water, Wastewater and Parking bonds. While the General Fund makes the debt service payments, it will be reimbursed from the aforementioned funds.

Excluding capital expenditures and debt service, the General Fund has a balanced operating budget for FY 2013-2014.

Uses of Funds - General Fund: \$58,938,080



LOOKING AHEAD

The City of Manhattan Beach continues to see overall economic stability and expansion, with major revenues advancing along with the improving economy. It continues its budget goals of efficiently maintaining the levels of service currently provided to residents, reducing expenses wherever practical, meeting employee obligations and maintaining adequate General Fund reserves, while retaining its triple-A credit rating from Moody's and Standard & Poor's. While the City faces upcoming issues with respect to escalating pension costs and increasing subsidies to other funds, it is committed to remaining fiscally sound through balanced budgeting and improving effectiveness and efficiencies in order to meet these challenges.