

City of Manhattan Beach, California

Fiscal Year 2017-2018 Budget-At-A-Glance



Budget Overview

The City of Manhattan Beach is recognized for providing exemplary municipal services and contributing to the exceptional quality of life afforded to residents, businesses and visitors who enjoy living in and visiting California's safest Beach community.



Using the mission statement as the foundation, the City Council developed the following pillars for success: strong governance that values meaningful resident engagement, excellent municipal services provided by an aligned and committed workforce, financial sustainability, effective physical asset management (infrastructure, facilities and amenities), environmental stewardship, and economic vitality. The FY 2016-2017/2017-2018 biennial budget was prepared with these guidelines as well as with community feedback collected through a resident survey and Community Budget Priorities meeting held in January 2016.

In year one of the two-year budget cycle, the first year of the biennial budget (2016-2017) is adopted and the second year (2017-2018) is approved. This spring, the FY 2017-2018 Approved Budget was reviewed and adopted with changes as necessary.

As adopted, total revenues for FY 2017-2018 across all funds are estimated at \$120.8 million, \$6.9 million or 6.1% above the FY 2016-2017 budget. Total expenditures are budgeted at \$125.7 million, \$11.3 million or 9.9% above the prior year adopted budget. Included are \$14.7 million in new, one-time capital projects.

A summary of the adopted FY 2017-2018 Budget follows and charts illustrating a Five Year Forecast can be found on page 7. The complete FY 2017-2018 Adopted Operating Budget and Capital Improvement Plan can be found at www.citymb.info/Budget.

Looking Ahead

The City of Manhattan Beach continues to see overall economic stability, with major revenues advancing along with the improving economy. Budget goals remain to efficiently maintain the levels of service currently provided to residents, reduce expenses wherever practical, meet employee obligations and maintain adequate General Fund reserves, while retaining the City's triple-A credit. While there are upcoming issues with respect to escalating pension costs and increasing subsidies to other funds, the City is committed to remaining fiscally sound through balanced budgeting, and improving effectiveness and efficiencies in order to meet these challenges.



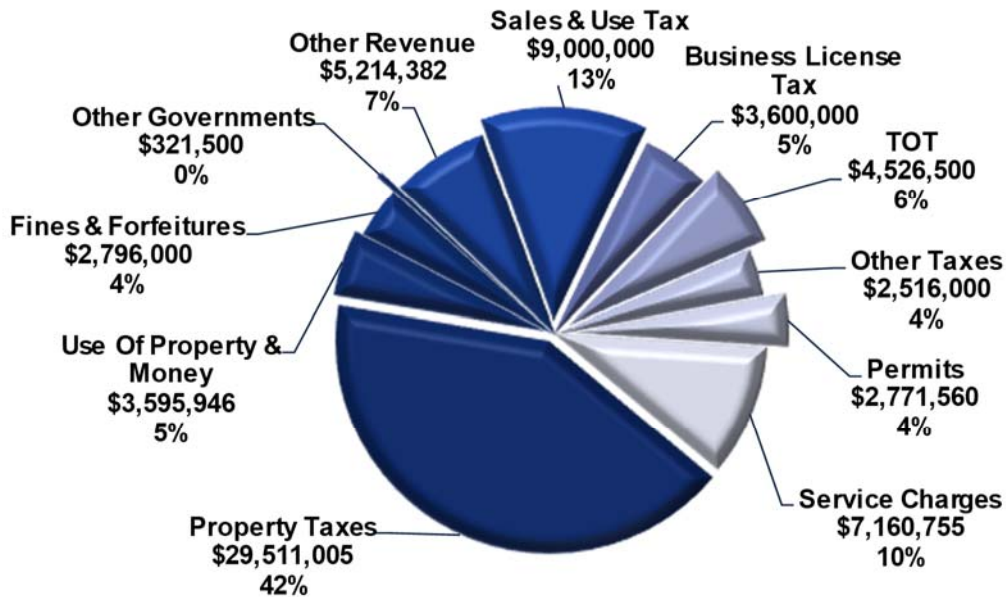
General Fund Revenue Highlights

General Fund revenues for FY 2017-2018 are projected at \$71.0 million, \$3.2 million or 4.7% higher than the prior year budget. Increases in Property Tax, Service Charges, Use of Property and Money, and Other Revenues all contributed to the rise in revenues.

- Property Tax, the largest revenue source in the General Fund, is expected to continue growing in the upcoming fiscal years with the local market continuing its resurgence, and residential construction and remodeling on the rise. For FY 2017-2018, Property Tax is estimated at \$29.5 million, \$1.7 million or 6.1% above the prior year budget.
- Sales tax revenues for FY 2017-2018 are expected to drop to \$9 million, 3.2% less than the prior year budget. This decrease is in line with overall trends within the State which indicate that 12% of all General Consumer Goods purchases are made on-line, impacting the point of sale tax revenues in the long-term.
- Service Charges are expected to generate nearly \$7.2 million in FY 2017-2018, an increase of 11.7% from the prior year budget. This increase is mostly attributed to Planning Fees and Arts/Educational Classes, however, Ambulance Fees, Sports Classes, and Swimming Classes, are also major contributors to the city's service charges.
- The Other Revenue category will experience the largest percentage growth in FY 2017-2018. It is expected to generate \$5.2 million, \$1.3 million or 33.4% more than last year's budget. This significant increase is in large part due to Lease Purchase Proceeds for the purchase of large equipment items. In FY 2017-2018, these purchases include Police and Fire Radios and an Enterprise Resource Planning (ERP) system.
- A robust housing market along with increased building activity and permit valuations have led to higher Building Permit and Plan Check fees. The revenue from Building Permits and Plan Check Fees is expected to be \$3.1 million, 5% higher than last year's budget.
- The City invests a portion of its funds in high grade investments as authorized by its Investment Policy. These include Federal agency securities, medium-term notes, and certificates of deposit. Interest rates continue to remain at suppressed levels, and consequently, interest earnings are projected to remain level with recent trends, at around \$0.5 million.
- Parking Citations continue to be a steady revenue source for the General Fund. Parking Citation fees were increased in FY 2015-2016 in an effort to offset losses in sales tax revenues. The new fine of \$53 was aligned with most neighboring cities and increased the revenue generated by Parking Citations. This year, revenue from Parking Citations is expected to on par with FY 2016-2017 at \$2.6 million.



**FY 2017-2018 Source of Funds
General Fund = \$71,013,648**



Top 25 Sales Tax Producers
(In Alphabetical Order)

Apple	Old Navy
AT&T Mobility	Olive Garden
Barnes & Nobles	Pottery Barn
BevMo	Ralphs Fresh Fare
Bristol Farms	REI
Chevron	Sephora
Circle K	Strand House Strandbar
CVS Pharmacy	Target
Fry's Electronics	Tin Roof Bistro
Houston's	Toyota Lease Trust
Macys	Trader Joes
Manhattan Beach Toyota	Vons
Marriot Manhattan Beach	

Top 8 Property Tax Payers
(In Alphabetical Order)

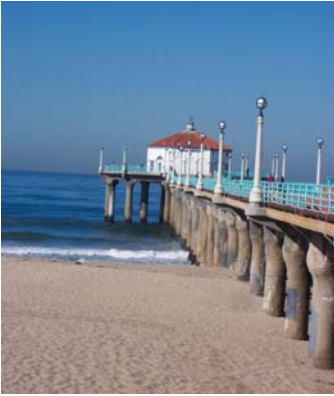
CRP MB Studios LLC	Parstem Realty Company Inc
Host Marriott MB LP	RREEF America REIT II Corp BBB
Michael Greenberg Trust	WH Manhattan Beach LP
Northrop Grumman	1230 and 1240 Rosecrans Ave. Hold LLC



General Fund Expenditure Highlights

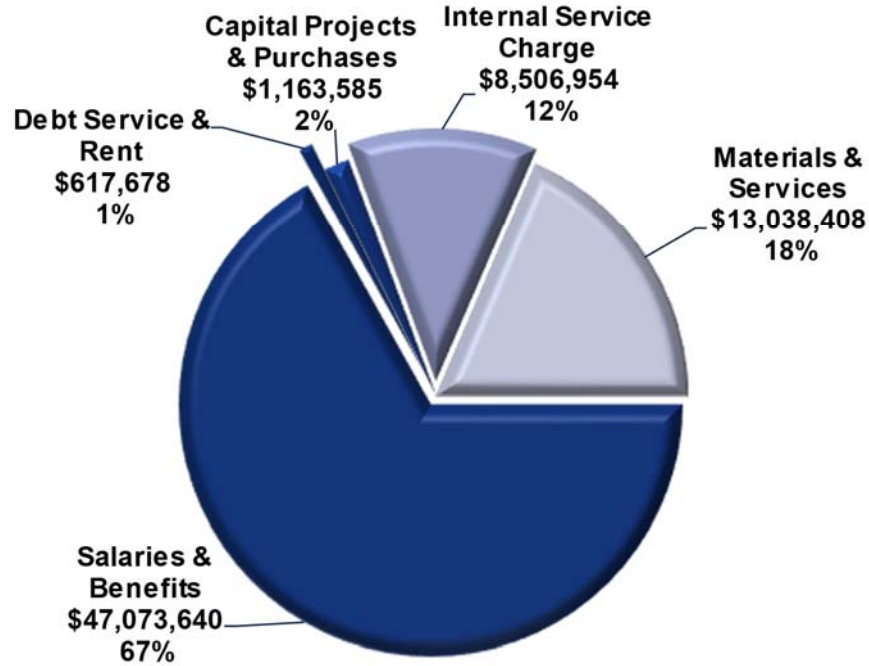
General Fund expenditures are projected at \$70.4 million in FY 2017-18, up \$3.0 million or 4.4% from the FY 2016-2017 budget.

- Labor-related expenditures are expected to increase by \$1.9 million or 4.1% over last year's budget to \$47.1 million in the new fiscal year, partly due to the addition of four Senior Civil Engineers to enable progress on the Capital Improvement Plan (with no net impact to the General Fund), and the addition of a Building Supervisor to improve efficiency and effectiveness in delivering high quality, responsive customer service. Additionally, two full-time Administrative Clerks were added in lieu of part-time positions.
- FY 2017-2018 Salaries and Benefits also include a vacancy factor of \$1.6 million in the General Fund to account for times when positions are vacant due to attrition and retirements. CalPERS pension contributions, which are increasing by \$673,211 in the General Fund, are part of this category as well.
- Recent shifts in the structure of CalPERS have created new policies that will gradually lower the discount rate from 7.5% to 7% over the next three years. These changes, coupled with low projected investment returns, will increase the City's contributions. Contributions are expected to rise from \$6.4 million in FY 2017-2018 to \$11.3 million by FY 2021-2022. Fortunately, our five year forecast indicates the ability to absorb these increases.
- Materials & Services increased by \$0.6 million, or 4.5% from the prior year budget. Primary drivers include Contract Services, which increased by \$395,229 (7.6%), and South Bay Regional Public Communications Authority Communications (9-1-1 call center) for a one-time assessment (\$290,000) to replace the software used by dispatchers.
- Capital Projects and Purchases in the General Fund mainly include minor equipment and software. This year's cost increase of \$511,464 (78% over the prior year budget) is due to a significant investment in a new Enterprise Resource Planning (ERP) software to replace the current Finance/HR system that has been in use since 1996.
- Debt service decreased by \$53,936, or 8.0% from the prior year, to \$617,678. This decrease is mostly due to the refinancing of the Marine Ave Park variable rate Certificates of Participation to fixed interest rate Certificates of Participation.
- Including capital expenditures and debt service, the General Fund has a projected operating surplus of \$613,383 in FY 2017-18.

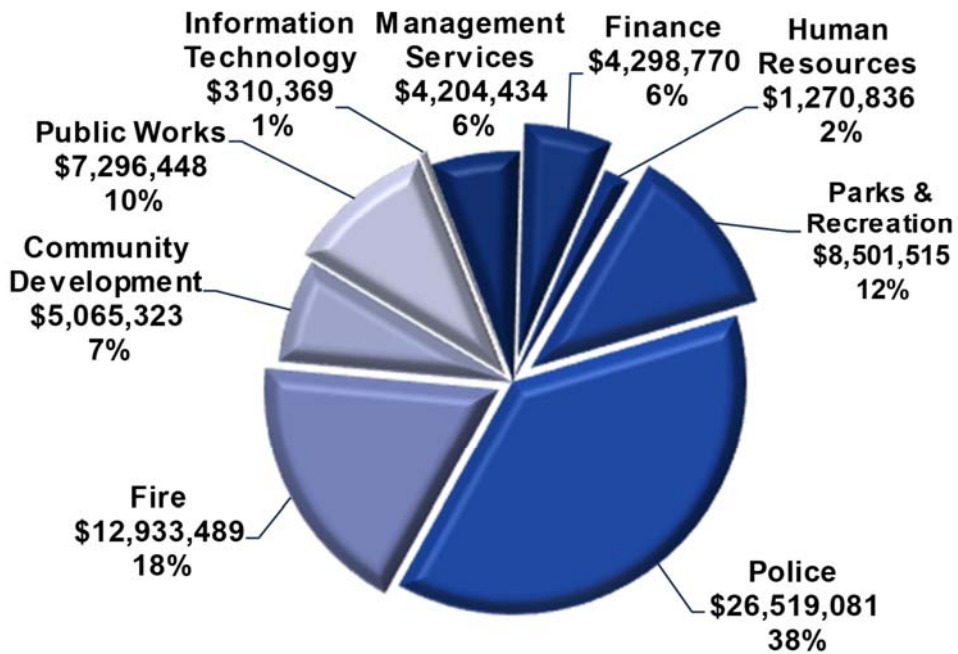


**FY 2017-2018 General Fund
Use of Funds = \$70,400,265**

By Category



By Department



Capital Improvement Program

The Capital Improvement Plan (CIP) is the City's five-year infrastructure maintenance, growth and development plan. It is a planning document that presents these needs in the form of project proposals for construction of various capital projects around the City. A capital project is defined as new, replacement of, or improvements to infrastructure (buildings, roads, parks, etc.) which generally have a minimum life expectancy of five years.

Appendix schedules in the Operating Budget document include the full list of Capital Project expenditures planned in FY 2017-2018 as well as budgeted equipment and vehicle purchases.

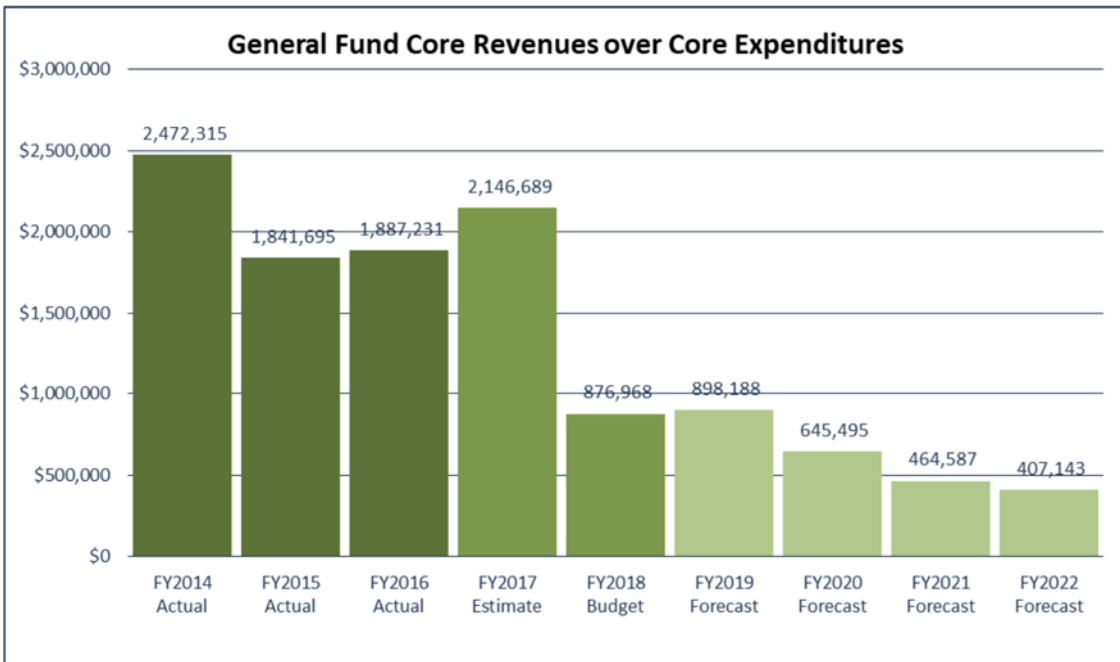
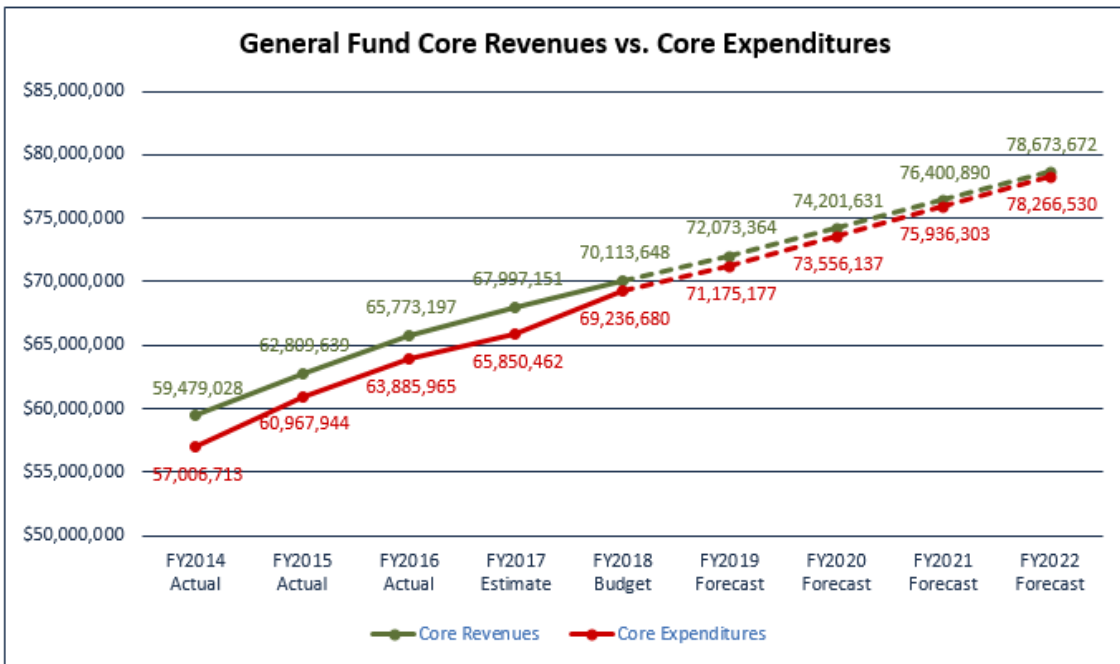
Project Type	Major New Projects included in Five Year CIP (See Budget Document for All Projects)	2017-2018 Budget
Parking <i>(Includes Parking Fund and State Pier & Parking Lot Fund)</i>	<ul style="list-style-type: none"> • Lot I Retaining Wall (10th and Bayview) • Parking Structure Structural Rehab Analysis 	\$600,000
Streets & Highways <i>(Includes Gas Tax, Prop C, Measure R and Measure M Funds)</i>	<ul style="list-style-type: none"> • Street Resurfacing Project: Rosecrans Avenue • Street Resurfacing: Marine from Sepulveda to Aviation • Sepulveda Intersection Improvements 	\$2,250,000
Stormwater & Wastewater <i>(Includes Stormwater & Wastewater Funds)</i>	<ul style="list-style-type: none"> • Poinsettia Sewage Lift Station and Force Main Replacement • Pier Pump Station and Force Main Replacement Construction • Annual Rehabilitation of Gravity Sewer Mains • Storm Drain Repairs • Storm Drain Debris Collection Devices 	\$4,560,000
Water <i>(Includes Water Fund)</i>	<ul style="list-style-type: none"> • Annual Pipe Replacement and Fire Hydrant Installations • Water Meter Upgrade and Automation • Pier Water Main and Fire Service Replacements 	\$4,570,000
Facilities <i>(Includes CIP Fund)</i>	<ul style="list-style-type: none"> • Facility Improvements • City Hall 1st & 2nd Floor Restroom Remodel • Marine Ave Park Baseball Field Synthetic Turf • Non-Motorized Transportation Project: Rosecrans Ave Bike Lane • CDBG Access Ramp Construction • Engineering Division Space Planning 	\$2,715,000
	Capital Projects Total	\$14,695,000
<i>Prior Year Projects In Progress</i>	<ul style="list-style-type: none"> • Peck Ground Level Reservoir Replacement • Mariposa Fitness Station • Storm Drain Repairs • Sepulveda Bridge Widening • Pier Roundhouse Aquarium (Design and Project Management) • Begg Field Synthetic Turf and Light Fixture Replacement • Aviation at Artesia, SB to WB Right-turn Lane • Downtown Streetscape Improvements • Dual LT Lanes on MBB at Sepulveda 	

Five Year Forecast

The Five Year Forecast was revised through FY 2021-2022 during the second year of the biennial budget cycle. Revenue and expenditure forecasts are projected using the FY 2017-2018 Adopted Budget as a base and growth factors identified using current trends and activity. Every year these assumptions are adjusted as more precise information becomes available.

Core Revenues (excluding one-time grants) are forecasted to total \$78.7 million in FY 2021-2022, an increase of 12.2% or \$8.5 million from FY 2017-18. Core Expenditures (excluding one-time/non-recurring purchases) are forecasted to total \$78.5 million in FY 2021-22, an increase of 13.0% or \$9.0 million from FY 2017-18.

The charts below show the expected core revenues and core expenditures for the next five years. Anticipated surpluses range from \$898,188 to \$407,143.



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 35,741^(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 (reconstructed in 2015), 302 authorized 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, 2016 estimate



City of Manhattan Beach

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www.citymb.info
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[Twitter.com/citymb](https://twitter.com/citymb)



Elected Officials

Mayor

David J. Lesser

Mayor Pro-Tem

Amy Thomas Howorth

City Councilmembers

Steve Napolitano

Nancy Hersman

Richard Montgomery

City Treasurer

Tim Lilligren

Executive Staff

City Manager

Mark Danaj

Assistant City Manager

Nadine Nader

City Clerk

Liza Tamura

City Attorney

Quinn M. Barrow

Director of Finance

Bruce Moe

Director of Human Resources

Teresia Zadroga-Haase

Director of Parks and Recreation

Mark Leyman

Chief of Police

Eve R. Irvine

Fire Chief

Robert Espinosa

Director of Community Development

Anne McIntosh

Director of Public Works

Stephanie Katsouleas, P.E.

Director of Information Technology

Sanford Taylor