



The City of Manhattan Beach continues to see economic prosperity and financial security, with stable revenue flows supporting essential and desired City services. The City’s balanced budgeting and long term planning have furthered its commitment to maintaining excellent services and a high quality of life. In addition, scheduled capital projects will sustain and improve the City’s infrastructure.

A summary of the adopted FY 2018-19 Budget follows and projections for FY 2019-20 can be found on page seven. The complete FY 2018-19 Biennial Operating Budget and Capital Improvement Plan can be found at [www.citymb.info/Budget](http://www.citymb.info/Budget).

## GLANCE AT OUR FISCAL PICTURE



- The City’s Operating Budget is normally balanced every year. In FY 2018-19, the General Fund deficit of \$184,754 was caused by an appropriation of \$1.0 million to fund safety and security upgrades at Manhattan Beach Unified School District facilities. Without this one-time appropriation, revenues would exceed expenditures by \$815,246.
- Tax revenues are relatively stable; Property Taxes are expected to grow 7.0% in FY 2018-19.
- A Pension Stabilization Reserve Fund was created in 2017 to help offset the impact of future CalPERS employer contribution increases.
- Standard & Poor’s reaffirmed the City’s **AAA** Credit Rating in 2016.

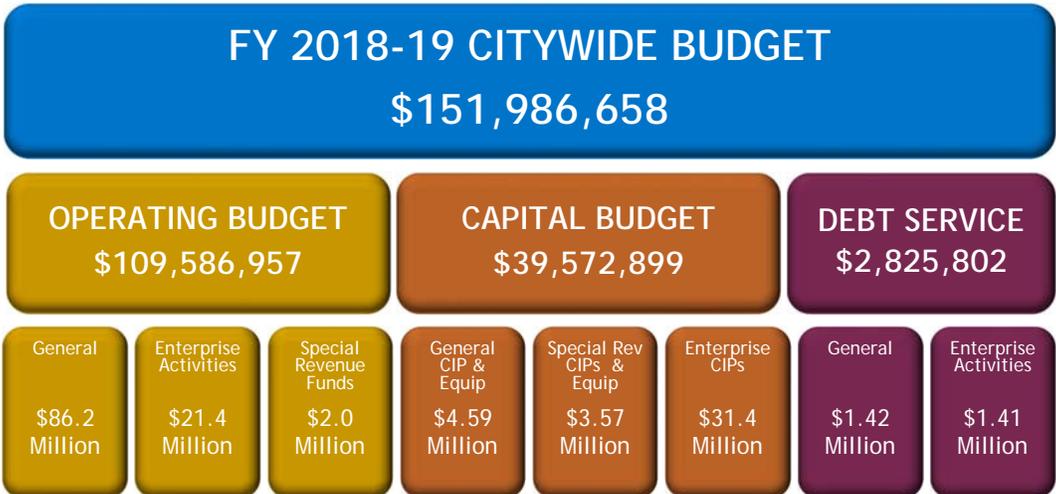


### Headwinds

- Maintaining current services competes with saving for large infrastructure projects including Fire Station #2 and Community Building Upgrades.
- General Fund subsidies to the Stormwater and Street Lighting and Landscape Funds will accumulate to \$6.7 million over the next 5 years.
- Pension costs are on the rise. Projected Employer contributions will increase from \$8.1 million in FY 2018-19 to nearly \$12.0 million in FY 2022-23.

The City operates on a two-year budget cycle, with the first year focus on Operations and the second year focus on the Five Year Capital Improvement Plan.

In June 2018, the FY 2018-19 Budget was adopted and the second year (FY 2019-20) was approved. Next spring, the FY 2019-20 Approved Budget will be reviewed and adopted with changes as necessary.



# GENERAL FUND REVENUE HIGHLIGHTS



General Fund Revenues in FY 2018-19 are projected at \$75,505,117, an increase of \$4.5 million (6.3%) from the FY 2017-18 Adopted Budget and \$4.1 million (5.7%) from FY 2017-18 year-end estimates.

Property Tax is expected to increase nearly \$1.4 million (4.5%) over the FY 2017-18 year-end estimate. With our continued strong housing market, and residential construction and remodeling regularly adding to the assessed valuation of properties, we are anticipating a measured continuation of this upward trend in the General Fund's largest revenue source.



Sales Tax, the City's second largest General Fund revenue source, is estimated higher than the FY 2017-18 year-end estimate by \$150,000 (1.7%). Industry groups performing positively within the City include Restaurants & Hotels, Food & Drugs, and General Consumer Goods. Once completed, the Manhattan Village Mall revitalization project currently underway is expected to bolster the General Consumer Goods category and help offset the loss of revenue from increasing online sales.



Transient Occupancy Tax (TOT) is expected to generate approximately \$4.5 million in revenue in FY 2019, or \$250,000 (5.9%) over the current year estimate, which was negatively impacted when a significant TOT producer underwent a complete remodel in FY 2017-18. With the contemporary accommodations now completed, TOT revenues are expected to bounce back in FY 2018-19.



Building Permit & Plan Check Fees remain strong due to the continued high level of residential and commercial building activity within the City. These cost recovery fees are currently at all-time highs due to several large commercial projects, including the Manhattan Village Mall remodel. The fee structure was last adjusted in July 2015; a new study will be conducted in FY 2018-19. At the current fee structure, fees from Building Permits and Plan Check Services are expected to increase by \$90,000 (2.5%) over FY 2017-18 year-end estimates. A decrease is anticipated in future years after the conclusion of the mall project.



Service Charges are expected to increase \$223,968 (2.8%) generating \$8.3 million in revenue. These cost recovery charges offset the cost of various City services, including Planning and Building activities, Ambulance Fees, Recreation Facility/Park Reservations, Sports and Swimming classes, and Tennis Operations.

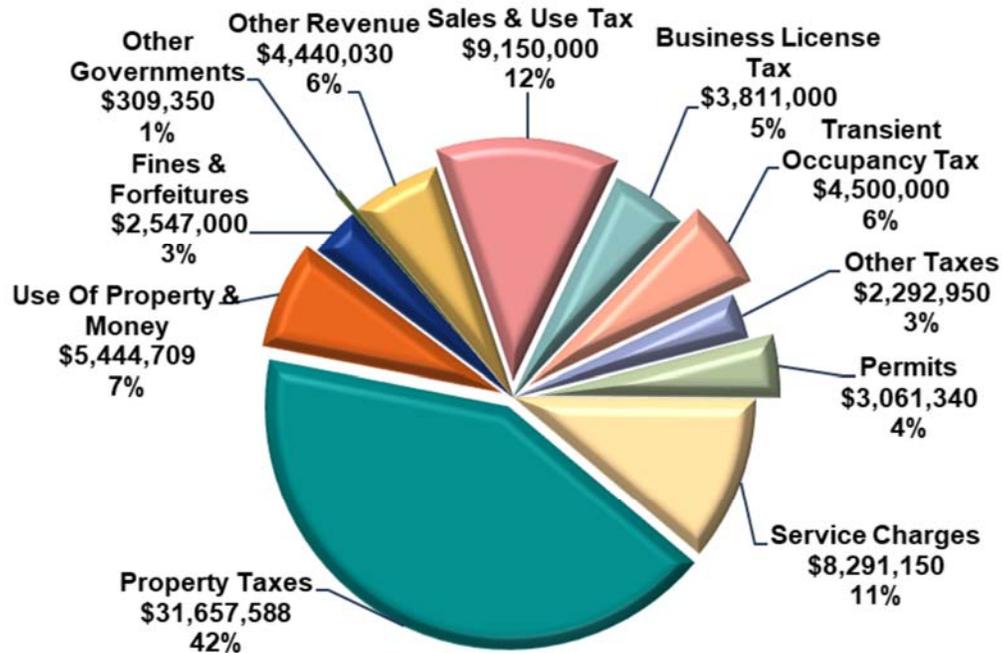
Use of Property and Money includes Interest Earnings, Rents and Lease payments, and Loan Principal. This category is projected to increase \$1.8 million (49%) from the FY 2018 year-end estimate due to a one-time loan principal repayment anticipated by December 2018.



The City invests a portion of its funds in high grade investments as authorized by its Investment Policy. These include Federal agency securities, corporate medium-term notes, and U.S. Treasury securities. Modest growth in interest rates was factored into future projections.

## FY 2018-19 General Fund Revenues

\$75,505,117



### Top 25 Sales Tax Producers

(In Alphabetical Order)

Apple	Pottery Barn
AT&T Mobility	Ralphs Fresh Fare
Barnes & Noble	REI
BevMo	Sephora
Chevron	Strand House Strandbar
Circle K	Target
Fry's Electronics	Toyota Lease Trust
Houston's	Tin Roof Bistro
Kettle	Trader Joes
Macys	True Religion
Manhattan Beach Toyota Scion	Vons
Nick's	Wrights
Old Navy	

### 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
Northrop Grumman Systems Corp	Skechers USA INC
Omni Manhattan Towers LP	WH Manhattan Beach LP



# GENERAL FUND EXPENDITURE HIGHLIGHTS



General Fund expenditures are projected at \$75,689,871 in FY 2018-19, up \$5.3 million (7.5%) from the FY 2017-18 Adopted Budget and \$7.0 million (10.1%) from FY 2017-18 year-end estimates.

Salaries and Benefits account for 67% of General Fund expenditures and represent the largest portion of the overall increase. The increase of \$3.4 million (7.1%) from the prior year budget includes new and reclassified positions, modest salary adjustments in anticipation of labor negotiations that will occur in FY 2018-19, and CalPERS pension contributions, which are increasing by \$1.0 million in the General Fund.



This category also includes Workers' Compensation costs, which are increasing by \$1.2 million (35.8%) from FY 2017-18 due to a change in funding methodology. To help sustain the Insurance Reserve Fund for the long term, the City moved toward using an actuarial evaluation to estimate baseline funding needs of the City's Workers' Compensation and Liability programs.

Materials and Services are anticipated to be 18.2% higher than last year's budget by \$2.4 million. Specific drivers of this increase include a \$1.0 million appropriation for MBUSD safety and security measures, election costs, and legal services which increased \$318,000 (64.2%). Additional monies to assist with labor negotiations contributed to the rise in Legal Services.



Also within Materials and Services, Contract Services is increasing \$587,206 (10.5%) due to various City initiatives, including a Citywide Traffic Speed Survey and Environmental Sustainability efforts toward a Climate Action Plan and Sea Level Rise Vulnerability Assessment.

Internal Service Charges are decreasing by \$817,380 (-9.6%). These General Fund expenditures are used to capture and allocate common costs for Insurance, Fleet, Information Technology and Building Maintenance activities across all departments. The decrease is due to a reduction in Liability Insurance costs (down \$1.5 million), which reflects the new funding model and recent positive activity in liability claims. Other internal service allocations (Fleet, IT, and Building Maintenance) were collectively up \$667,855 due to higher operational costs in those areas.



Capital Projects and Purchases include replacement portable and in-vehicle radio equipment for the Police, Fire and Public Works departments (\$1.3 million total) to allow secure communication between City staff, as well as cross-jurisdictional communication in the event of a large-scale disaster. A new permitting "Land Management" software for the Community Development Department is also budgeted at \$380,240. This new software is expected to achieve greater staff efficiencies and customer service with a 24/7 public access portal, business process improvements, and streamlined electronic approvals.

Not included in General Fund expenditures, is a \$600,300 transfer from the unreserved General Fund balance to the IT Fund for the initial implementation costs of the Enterprise Resource Planning (ERP) project.

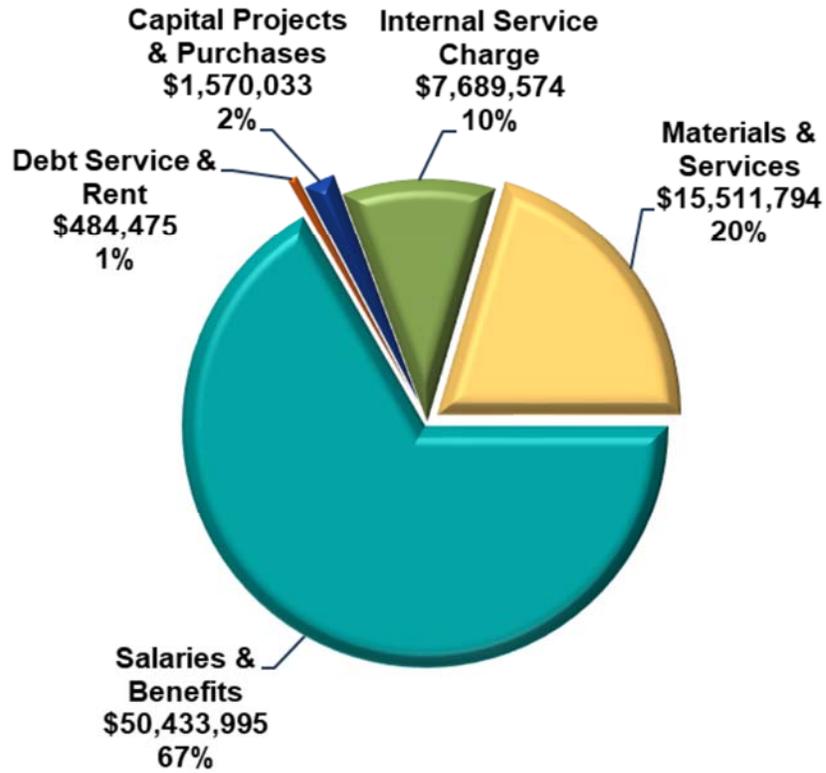
Debt Service is decreasing by \$133,203 from the prior year budget due to the removal of lease-purchasing financing previously budgeted for equipment purchases. A cash purchase is now planned for the equipment to forego the added interest costs of financing.



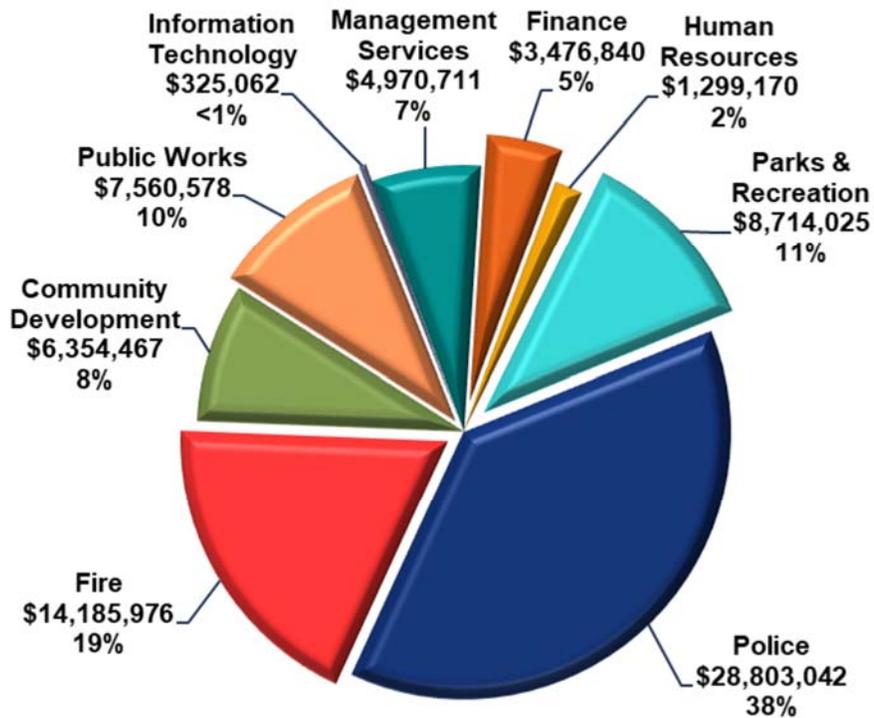
# FY 2018-19 General Fund Expenditures

\$75,689,871

## By Category



## By Department



# CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Plan (CIP) is the City's five-year infrastructure maintenance, growth and development plan. This planning document presents needs and priorities 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 at least five years.

The Operating Budget document includes the current list of Capital Projects budgeted in FY 2018-19 as well as proposed projects for the next three years. A thorough review of these infrastructure priorities and funding needs will be conducted in 2019 in conjunction with the budget process. Significant project priorities include:

Project Type	Major Projects	FY 2018-19 Budget
<p>Streets and Sidewalks</p> <p>(Funding sources include Gas Tax &amp; SB1, Prop C, Measure R &amp; Measure M)</p> 	<ul style="list-style-type: none"> <li>• Liberty Village Resurfacing Project</li> <li>• Morningside Drive (10th to MBB) Pavement Project</li> <li>• Marine Ave (Sepulveda to Aviation) Resurfacing</li> <li>• Annual Slurry Seal</li> <li>• Annual Arterial/Collector Roadway Resurfacing</li> <li>• Annual Curb, Gutter, Ramp Replacements</li> <li>• Ocean Drive Walkstreet Crossing</li> </ul>	<p>\$3,573,259</p>
<p>Water Fund</p> 	<ul style="list-style-type: none"> <li>• Peck Ground Level Reservoir Replacement</li> <li>• Block 35 Ground Level Reservoir Replacement (Design Only)</li> <li>• Annual Pipe Replacement Program</li> <li>• Well Collection Line from Well 11A to Block 35 (Design Only)</li> </ul>	<p>\$26,175,000</p>
<p>CIP Fund</p> <p>(Funding sources include CIP Fund Revenues and Grants)</p> 	<ul style="list-style-type: none"> <li>• Facility Improvements</li> <li>• Mariposa Fitness Station</li> <li>• Sidewalk Access Ramps at Village Field and other locations (CDBG)</li> </ul>	<p>\$1,505,000</p>
<p>Stormwater, Wastewater, &amp; Refuse Funds</p> 	<ul style="list-style-type: none"> <li>• Storm Drain Repairs</li> <li>• Annual Rehabilitation of Gravity Sever Mains</li> <li>• Pacific Lift Station Upgrade</li> <li>• Storm Drain Debris Collection Devices</li> <li>• Hydrodynamic Separator Device Installation</li> </ul>	<p>\$5,010,000</p>
<p><b>Capital Projects Total</b></p>		<p><b>\$36,263,259</b></p>
<p><i>Prior Year Projects In Progress</i></p> 	<ul style="list-style-type: none"> <li>• Pier Roundhouse Building Improvements and Water/Sewer Main Replacements</li> <li>• Wayfinding Sign Program</li> <li>• Fire Station #2 Design Development</li> <li>• Sepulveda Bridge Widening</li> <li>• Peck Ground Level Reservoir Design</li> </ul>	

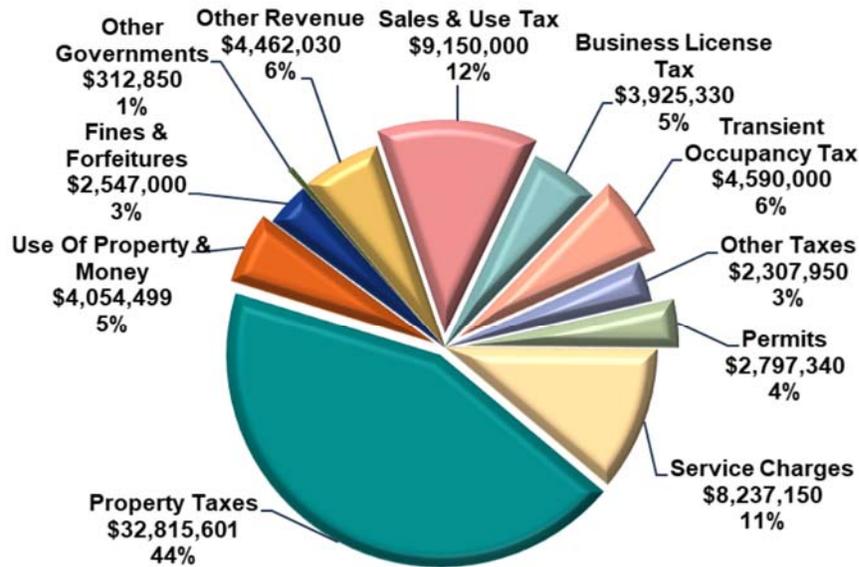
# LOOKING AHEAD TO FY 2019-20

As part of the two-year budget cycle, the City Council approved the FY 2019-20 Operating Budget. All Revenue and Expenditure projections were based on recent trends and activity known at the time the biennial budget was developed. In spring 2019, the Approved Budget will be reviewed and adjusted, as necessary, when more precise information is available. The FY 2019-20 Budget will then be officially adopted in June 2019.

As approved, General Fund Revenues exceed Expenditures by \$574,079. Revenues are expected to decrease by \$305,367 (-0.4%), mainly due to the one-time loan principal repayment of \$1.5 million in the prior year.

## FY 2019-20 General Fund Revenues

**\$75,199,750**

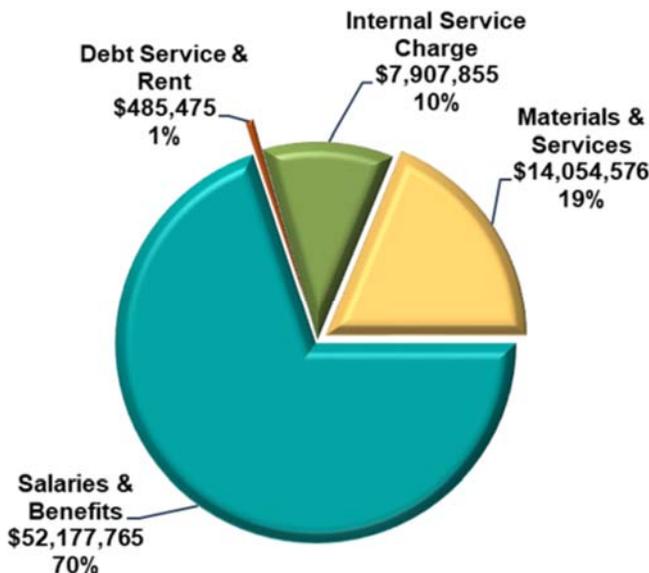


Expenditure projections for FY 2019-20 reflect an overall decrease of \$1.1 million from the FY 2019 Budget, again due to significant one-time expenditures in the preceding year.

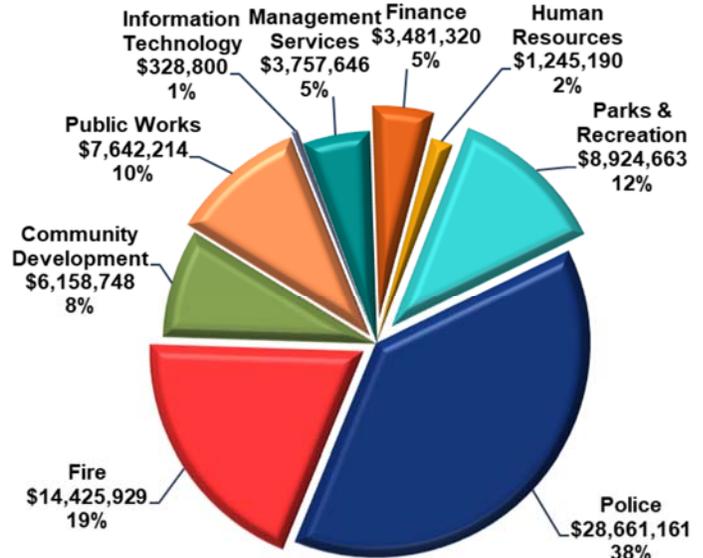
## FY 2019-20 General Fund Expenditures

**\$74,625,671**

### By Category



### By Department



## Join us in 2019...

The budget process will recommence in early 2019 when the City Council receives a presentation on mid-year results for FY 2018-19. In May, the City will review the FY 2019-20 Approved Operating Budget and present the Proposed Five Year Capital Improvement Plan (CIP) for fiscal years 2019-20 through 2023-24. These initial presentations will be followed by customary Study Sessions before the FY 2019-20 Budget and CIP is officially adopted in June.

### Early 2019

- ⇒ Presentation of FY 2018-19 Mid-Year Results
- ⇒ Discussion of upcoming budget process

### May 2019

- ⇒ Review of FY 2019-20 Approved Operating Budget
- ⇒ Presentation of Proposed Five Year Capital Improvement Plan
- ⇒ Budget and CIP Study Sessions

### June 2019

- ⇒ Adoption of FY 2019-20 Budget and Five Year Capital Improvement Plan

## About the City...

*Our mission is to provide excellent municipal services, preserve our small beach town character, and enhance the quality of life for our residents, businesses, and visitors.*

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 35,924<sup>(a)</sup> 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), 306 authorized full-time employees, and is presided over by a five-member City Council each serving a nine-month mayoral position during their four-year term.

(a) US Census Bureau, 2017 estimate

### City of Manhattan Beach

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[www.cityymb.info](http://www.cityymb.info)  
[Facebook.com/cityymb](https://www.facebook.com/cityymb)  
[Twitter.com/cityymb](https://twitter.com/cityymb)



## Elected Officials

**Mayor**  
Amy Thomas Howorth

**Mayor Pro-Tem**  
Steve Napolitano

**City Councilmembers**  
Nancy Hersman  
David J. Lesser  
Richard Montgomery

**City Treasurer**  
Tim Lilligren

## Executive Staff

**City Manager**  
Bruce Moe

**City Clerk**  
Liza Tamura

**City Attorney**  
Quinn M. Barrow

**Interim Director of  
Finance**  
Steve S. Charelian

**Director of  
Human Resources**  
Teresia Zadroga-Haase

**Director of  
Parks and Recreation**  
Mark Leyman

**Chief of Police**  
Derrick Abell

**Acting Fire Chief**  
Derrick Abell

**Director of  
Community Development**  
Anne McIntosh

**Director of Public Works**  
Stephanie Katsouleas, P.E.

**Director of  
Information Technology**  
Sanford Taylor