



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Ward and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Bruce Moe, Finance Director
Neil Miller, Public Works Director
Russell Morreale, Assistant Finance Director

DATE: June 6, 2006

SUBJECT: Public Hearing and Adoption of Fiscal Year 2006-2007 Operating Budget and 2006-2011 Capital Improvement Plan

RECOMMENDATION:

Staff recommends that the City Council: a) conduct a Public Hearing; b) adopt Resolution 6035 establishing the appropriations limit; c) adopt Resolution No. 6036 approving the Fiscal Year 2006-2007 Operating Budget; and d) adopt Resolution No. 6037 approving the 2006-2011 Capital Improvement Plan.

FISCAL IMPLICATION:

The resolutions establish the City's spending limit in compliance with State law, and authorize the City Manager to proceed in implementing the FY 2006-2007 proposed operating budget (which includes the first year of the 2006-2011 Capital Improvement Plan).

DISCUSSION:

As a result of the Budget Study Session held on May 23, 2006, one budget adjustment was identified by Council - the transfer of \$15,000 from the City Council Contingency line item (5260) to the Public Service Events line item (5062) within the City Council budget. This action results in no change in projected fund balances or overall expenditures. This change will appear in the final adopted budget document.

The 2006-2011 Capital Improvement Plan will be adopted with the passage of Resolution No. 6037 this evening. The plan includes only one Capital Improvement Fund project – the final year of the City's 5-year contribution to the Mira Costa track for \$10,000. At the Study Session, the City Council opted to separate prioritization and funding of future Capital Improvement Fund projects from the adoption of the Operating Budget. As a result, the CIP funding discussion is presented on a separate agenda item this evening, and will track independently from the budget. After review and consideration, any projects that are approved in the CIP Fund will be provided for through an adjustment to the FY 2006-2007 budget.

Appropriation Limit

In 1980, California voters adopted Article XIII B of the California State Constitution, commonly referred to as the Gann Initiative or Gann Appropriations Limit, placing limits on the amount of tax proceeds that State and local agencies can appropriate each year. The City's limit is adjusted each year for inflation, population and other factors.

On June 5, 1990, Proposition 111 was voted into California law. Among other provisions, Proposition 111 provided for changes in the calculation of the Gann Appropriation Limit. The annual adjustments to the spending limit were liberalized by Proposition 111 to be more closely linked to the rate of economic growth. Beyond local inflation and population factors, the provisions allow a City to use the higher of the percentage growth in personal income or the percent increase in the local tax roll due to non-residential property construction. Additionally, cities can choose to use the rate of change in population either within the City or County, whichever is higher. The City utilized elements of these adjustment factors in calculating this year's Gann Appropriation Limit.

Staff has calculated the Gann limit to be \$38,226,491. The City's tax proceeds subject to the FY 2006-2007 Gann, limit equal \$31,445,786. Therefore, the City is within the Gann limitation by \$6,780,705 and in compliance with state law. This Gann limit calculation is attached as Attachment "F."

Section 7910 of the State Government Code requires a governing body to annually adopt, by resolution, an Appropriations Limit for the upcoming fiscal year when the budget is adopted. City Council may do so by adopting Resolution No. 6035.

CONCLUSION:

Staff is pleased to present the FY 2006-2007 operating budget and CIP plan for your final consideration and adoption. The final budget will be available in July, and will also be available to our community on the City's website at www.citymb.info and on CD-ROM.

- Attachments:
- A. Summary of changes to the Budget document
 - B. Resolution No. 6035
 - C. Resolution No. 6036
 - D. Gann limit calculation
 - E. Resolution No. 6037

EXHIBIT A

Changes to The 2006-2007 Proposed Operating Budget

Account Number	Department	Program/Fund	Description	Fund	Old Amount	New Amount	Net Change	
100-11-011-5260 Page 31	Management Services	City Council/General Fund	Reduce Council Contingency line item (5260) by \$15,000 and add to the Public Service Events line item (5262)	General	\$ 220,000	\$ 205,000	\$ (15,000)	
100-11-011-5262 - Page 31	Management Services	City Council/General Fund	Add \$15,000 to the Public Services Events line item (5262). Transferred from Council Contingency line item (5260)	General	\$ 8,800	\$ 23,800	\$ 15,000	
Subtotal							\$	-
Net Increase (Decrease):								
General Fund							\$	-
Net Increase (Decrease) All Funds							\$	-

RESOLUTION NO. 6035

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MANHATTAN BEACH, CALIFORNIA, ESTABLISHING THE
APPROPRIATIONS LIMIT FOR FISCAL YEAR 2006-2007

SECTION 1. The City Council of the City of Manhattan Beach, California, hereby makes the following findings:

- A. Government Code Section 7910 requires the City Council to establish its appropriations limit pursuant to Article XIII B of the State Constitution; and
- B. The appropriations limit to be applied to the "proceeds of taxes" as defined by Section 7910 of the Government Code for Fiscal Year 2006-2007 has been calculated to be \$38,226,491.

SECTION 2. That the annual adjustment factors used in making such calculation based on the percentage changes in California per capita income and the annual population for the City of Manhattan Beach.

SECTION 3. That this resolution shall become effective as of, on and after the 1st day of July, 2006.

SECTION 4. That the City Clerk shall certify to the passage and adoption of this resolution; shall cause the same to be entered among the original resolutions of said City; and shall make a minute of the passage and adoption thereof in the records of the proceedings of the City Council of said City in the minutes of the meeting at which the same is passed and adopted.

PASSED, APPROVED and ADOPTED this 6th day of June, 2006.

Ayes:
Noes:
Absent:
Abstain:

Mayor, City of Manhattan Beach, California

ATTEST:

City Clerk

RESOLUTION NO. 6036

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MANHATTAN BEACH, CALIFORNIA, ADOPTING THE ANNUAL
BUDGET FOR FISCAL YEAR 2006-2007

SECTION 1. The City Council hereby makes the following findings:

- A. The Manhattan Beach Municipal Code provides that the City Manager of Manhattan Beach shall cause to be prepared and submitted to the City Council an annual budget; and
- B. The budget covering the fiscal year 2006-2007 has been reviewed by the City Council with regard to the approval of estimated revenues and expenditures; and
- C. The City Council has made such necessary revisions to the budget as provided for in Exhibit "A" attached hereto.

SECTION 2. The 2006-2007 proposed budget, as amended by Exhibit "A" attached hereto, is hereby approved and adopted as the official municipal budget for the City of Manhattan Beach.

SECTION 3. The City Clerk is directed to maintain three copies of the municipal budget on file at all times for inspection by the public.

SECTION 4. Effective July 1, 2006 the City Manager is hereby authorized to proceed with the implementation of the work program as incorporated in the approved and adopted budget, and that he has the authority to transfer any sum of appropriated funds between departments and programs provided they do not cross funds. The City Manager is also authorized to appropriate and transfer funds from employee leave reserves to a specific department's program budget to cover unplanned customary termination leave expenditures within the fiscal year.

SECTION 5. Unexpended appropriations may be carried forward to the next fiscal year provided the funds have been previously encumbered for a specific purpose, or apply to authorized, but uncompleted projects in the Capital Improvement Plan.

SECTION 6. This resolution shall become effective as of, on and after the 1st day of July 2006.

SECTION 7. The City Clerk shall certify to the passage and adoption of this resolution; shall cause the same to be entered among the original resolutions of said City; and shall make a minute of the passage and adoption thereof in the records of the proceedings of the City Council of said City in the minutes of the meeting at which the same is passed and adopted.

PASSED, APPROVED and ADOPTED this 6th day of June, 2006.

Ayes:
Noes:
Absent:
Abstain:

Mayor, City of Manhattan Beach, California

ATTEST:

City Clerk

APPROPRIATIONS LIMIT CALCULATION

Article XIII B of the California State Constitution, commonly referred to as the Gann Initiative or Gann Appropriations Limit, was adopted by California voters in 1980 and placed limits on the amount of proceeds of taxes that State and local agencies can appropriate and spend each year.

The limit is different for every agency and changes each year. The annual limit is based on the amount of tax proceeds that were authorized to be spent in FY 1978-79, modified for changes in inflation and population. Inflationary adjustments are based on increases in the California per capita income or the increase in non-residential assessed valuation due to new construction. An adjustment is also made based on changes in Manhattan Beach's population or County population.

For FY 2006-2007, the estimated tax proceeds appropriated by the Manhattan Beach City Council are under the Limit. The adjusted Appropriation Limit for FY 2006-2007 is \$38,226,491. This is the maximum amount of tax proceeds the City is able to appropriate and spend in FY 2006-2007. The appropriations subject to the Limit are \$31,445,786 leaving the City with an appropriations capacity under the Limit of \$6,780,705.

Section 7910 of the State Government Code requires a governing body to annually adopt, by resolution, an Appropriations Limit for the upcoming fiscal year.

SPENDING LIMIT CALCULATION FY 2006-2007

Appropriations subject to limit

FY 2006-2007 Revenues (all funds)		\$74,535,639
Less: Nonproceeds of tax		43,089,853
Plus: User fees in excess of costs		<u>0</u>
Total appropriations subject to limit		<u>\$31,445,786</u>

Appropriation limit

FY 2005-2006 appropriation limit		\$36,892,128
A. Population adjustment	0.996700	
(Based on change in City's population)		
B. Percent growth in per capita income	1.039600	
Total Annual Adjustment = (A multiplied by B)	<u>1.036169</u>	
Increase in appropriation limit		\$1,334,363
FY 2006-2007 appropriation limit		<u>\$38,226,491</u>
Remaining appropriation capacity (deficit)		<u>\$ 6,780,705</u>

Available capacity as a percent of appropriation limit	17.73%
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RESOLUTION NO. 6037

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MANHATTAN BEACH, CALIFORNIA, ADOPTING THE CAPITAL
IMPROVEMENT PLAN FOR YEARS 2006-2011

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MANHATTAN BEACH,
CALIFORNIA, DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council hereby makes the following findings:

A. It is the desire of the Manhattan Beach City Council to develop a proactive capital improvement plan to meet the community's needs and desires for future services, programs and facilities, and improve the City's ability to continue providing essential services in an emergency situation; and

B. The proposed Capital Improvement Plan was reviewed by the Parking and Public Improvements Commission; and

C. The proposed Capital Improvement Plan was presented to the City Council on May 16, 2006.

SECTION 2. The Capital Improvement Plan for fiscal years 2006-2011 is hereby approved and adopted.

SECTION 3. The City Clerk is directed to maintain three copies of the Capital Improvement Plan on file at all times for inspection by the public.

SECTION 4. By adoption of the 2006-2011 Capital Improvement Plan, it is the intent of the City Council to revise the five year plan each year by continuing to identify capital improvement projects five years into the future and re-prioritize existing capital improvements based on perceived community need.

SECTION 5. This resolution shall become effective as of, on and after the 1st day of July, 2006.

SECTION 6. The City Clerk shall certify to the passage and adoption of this Resolution; shall cause the same to be entered among the original resolutions of said City; and shall make a minute of the passage and adoption thereof in the records of the proceedings of the City Council of said City in the minutes of the meeting at which the same is passed and adopted.

PASSED, APPROVED and ADOPTED this 6th day of June, 2006.

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Mayor, City of Manhattan Beach, California

ATTEST:

City Clerk