

## City Council

**Adjourned Regular Meeting - Study Session**

**Tuesday, April 14, 2015**

**12:00 PM**

**Police/Fire Conference Room**

**400/420 15th Street, Manhattan Beach, CA 90266**

**Fiscal Year 2015 - 2016 Council Budget Discussion**



***Mayor Wayne Powell***  
***Mayor Pro Tem Mark Burton***  
***Councilmember Tony D'Errico***  
***Councilmember David J. Lesser***  
***Councilmember Amy Howorth***

Executive Team

Mark Danaj, City Manager  
Quinn Barrow, City Attorney

Robert Espinosa, Fire Chief  
Captain Derrick Abell, Acting Human Resources Director  
Eve R. Irvine, Police Chief  
Mark Leyman, Parks & Recreation Director  
Bruce Moe, Finance Director

Nadine Nader, Assistant City Manager  
Tony Olmos, Public Works Director  
Liza Tamura, City Clerk  
Marisa Lundstedt, Community  
Development Director

### **MISSION STATEMENT:**

**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.**

**MANHATTAN BEACH'S CITY COUNCIL WELCOMES YOU!**

*Your presence and participation contribute to good city government.*

*By your presence in the Police/Fire Conference Room, you are participating in the process of representative government. To encourage that participation, the City Council has specified a time for citizen comments on the agenda under "Public Comment on Non-Agenda Items", at which time speakers may comment on any item of interest to the public that is within the subject matter jurisdiction of the legislative body, with each speaker limited to three minutes.*

*Copies of staff reports or other written documentation relating to each item of business referred to on this agenda are available for review on the City's website at [www.citymb.info](http://www.citymb.info), the Police Department located at 420 15th Street, and are also on file in the Office of the City Clerk for public inspection. Any person who has any question concerning any agenda item may call the City Clerk's office at (310) 802-5056 to make an inquiry concerning the nature of the item described on the agenda.*

*In compliance with the Americans With Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Office of the City Clerk at (310) 802-5056 (voice) or (310) 546-3501 (TDD). Notification 36 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.*

**BELOW ARE THE AGENDA ITEMS TO BE CONSIDERED. THE RECOMMENDED COUNCIL ACTION IS LISTED IMMEDIATELY AFTER THE TITLE OF EACH ITEM IN BOLD CAPITAL LETTERS.****A. PLEDGE TO THE FLAG**

5 MINUTES

**B. ROLL CALL**

1 MINUTE

**C. CERTIFICATION OF MEETING NOTICE AND AGENDA POSTING**

1 MINUTE

*I, Liza Tamura, City Clerk of the City of Manhattan Beach, California, state under penalty of perjury that this notice/agenda was posted on Wednesday, April 8, 2015, on the City's Website and on the bulletin boards of City Hall, Joslyn Community Center and Manhattan Heights.*

**D. PUBLIC COMMENT ON NON-AGENDA ITEMS**

3 MINUTES PER PERSON - 30 MINUTES MAXIMUM

*Speakers may comment on any item of interest to the public that is within the subject matter jurisdiction of the legislative body, not including items on the agenda. The Mayor may determine whether an item is within the subject matter jurisdiction of the City. While all comments are welcome, the Brown Act does not allow City Council to take action on any item not on the agenda, except under very limited circumstances. Please complete the "Request to Address the City Council" card by filling out your name, city of residence, and returning it to the City Clerk.*

**E. GENERAL BUSINESS**

30 MINUTES

- 1. Discussion of Fiscal Year 2015-2016 Budget **15-0162**  
**DISCUSS**

Attachments: City Council Retreat March 2015

**F. ADJOURNMENT**

**G. FUTURE MEETINGS**

**CITY COUNCIL MEETINGS**

- Apr. 21, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- May. 5, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- May. 19, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Jun. 2, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Jun. 16, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Jul. 7, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Jul. 21, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Aug. 4, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Aug. 18, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Sep. 1, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Sep. 15, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Oct. 6, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Oct. 20, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Nov. 3, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Nov. 17, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Dec. 1, 2015 – Tuesday -- 6:00 PM - City Council Meeting*
- Dec. 15, 2015 – Tuesday -- 6:00 PM - City Council Meeting*

**BOARDS, COMMISSIONS AND COMMITTEE MEETINGS**

*Apr. 14, 2015 – Tuesday – 6:00 PM – Cultural Arts Commission Meeting*  
*Apr. 22, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting*  
*Apr. 23, 2015 – Thursday – 6:30 PM – Parking & Public Improvements Commission Meeting*  
*Apr. 27, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting*  
*April 29, 2015 – 6:30 PM – Adjourned Planning Commission Meeting*  
*May 11, 2015 – Monday – 6:30 PM – Library Commission Meeting*  
*May 12, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting*  
*May 13, 2015 – Wednesday – 6:30 PM -- Planning Commission Meeting*  
*May 18, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting*  
*May 27, 2015 – Wednesday – 6:30 PM -- Planning Commission Meeting*  
*May 28, 2015 – Thursday – 6:30 PM -- Parking & Public Improvements Commission Meeting*  
*June 8, 2015 – Monday – 6:30 PM – Library Commission Meeting*  
*June 9, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting*  
*June 10, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting*  
*June 22, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting*  
*June 24, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting*  
*June 25, 2015 – Thursday – 6:30 PM -- Parking & Public Improvements Commission Meeting*  
*July 8, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting*  
*July 13, 2015 – Monday – 6:30 PM – Library Commission Meeting*  
*July 14, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting*  
*July 22, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting*  
*July 23, 2015 – Thursday – 6:30 PM -- Parking & Public Improvements Commission Meeting*  
*July 27, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting*  
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*August 11, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting*  
*August 24, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting*  
*September 14, 2015 – Monday – 6:30 PM – Library Commission Meeting*  
*September 15, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting*  
*September 28, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting*

**H. CITY HOLIDAYS****CITY OFFICES CLOSED ON THE FOLLOWING DAYS:**

*May. 25, 2015 – Monday – Memorial Day*  
*Jul. 3, 2015 - Friday - Independence Day*  
*Sep. 7, 2015 – Monday – Labor Day*  
*Oct. 12, 2015 – Monday – Columbus Day*  
*Nov. 11, 2015 – Wednesday – Veterans Day*  
*Nov. 26-27, 2015 – Thursday & Friday – Thanksgiving Holiday*  
*Dec. 25, 2015 – Friday – Christmas Day*  
*Jan. 1, 2016 – Friday – New Years Day*  
*Jan. 18, 2016 – Monday – Martin Luther King Day*

**Agenda Date:** 4/14/2015

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**TO:**

Honorable Mayor and Members of the City Council

**THROUGH:**

Mark Danaj, City Manager  
Nadine Nader, Assistant City Manager

**FROM:**

Bruce Moe, Finance Director

**SUBJECT:**

Discussion of Fiscal Year 2015-2016 Budget

**DISCUSS**

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**RECOMMENDATION:**

Staff recommends that the City Council discuss the Fiscal Year 2015-2016 budget.

**FISCAL IMPLICATIONS:**

There are no fiscal implications associated with the recommended action.

**BACKGROUND:**

The FY 2015-2016 proposed budget is scheduled to be delivered to the City Council for introduction at the May 5th Council meeting. At the March 13th City Council retreat, staff shared with the Council budget trends and topics including key revenues, pension costs, labor agreements, workers compensation, budget study session format and aging infrastructure.

At the time of the retreat, the City Council requested an opportunity to reflect on the community survey results, budget community priorities meeting and the budget information presented, and instructed staff to schedule a second daytime session to discuss the FY 2015-2016 budget.

**DISCUSSION:**

For this session, staff will update the presentation provided at the March 13th meeting (attached) including information on the following topics:

**Workers Compensation**

As Council is aware, the City has experienced an increase in Workers Compensation Costs

over the past several years. According to the City's Third Party Administrator (TPA) who handles such employee claims, this is a trend throughout the risk pool in which we participate with many other cities (Independent Cities Risk Management Authority, or ICRMA). Further, a recent article in *Manhattan Beach Patch* (<http://patch.com/california/manhattanbeach/workers-comp-claims-soaring-los-angeles>) highlighted similar experience in the City of Los Angeles. City staff is proactively addressing this issue by meeting with ICRMA and TPA representatives to determine the potential causes and solutions to these trends. Staff is also working closely with internal stakeholders to determine improvements in workplace safety as well as the delivery and management of the Workers Compensation process.

### **Pensions**

CalPERS has enacted recent changes to the assumptions used in determining the ultimate cost and liabilities for providing defined benefit pensions. These changes are designed to address increases in life expectancy and lower projected investment rates of return, and will also increase the City's unfunded pension liabilities. These changes will result in higher pension costs for the City over the next five years through increased employer contributions to the CalPERS system.

It is important to note that current and projected rates and costing include a component to pay down the unfunded liability. Further, the City negotiated employees paying their portion of the total pension contribution in the last round of negotiations (something other cities still have not done), and in the case of Police and Fire bargaining units, employees are also paying a portion of the City's contribution.

Staff has retained an independent pension actuary to assist the City in identifying additional strategies for addressing the City's unfunded liabilities (currently \$47 million) which will be discussed at a future City Council meeting (possibly a study session).

### **Capital Improvements Unfunded Projects**

For this session, staff will provide follow-up and current status on the existing CIP plan as well as the current unfunded projects list. A comprehensive unmet needs analysis will be performed in FY 2015-2016 in order to more fully identify those future needs and costs.

### **Key Revenues/User Fees**

Staff will provide an update on trends in key revenue sources in the General Fund, including Property, Sales, Hotel and Business Taxes, as well as Building and Planning fees. Key to the development of the FY 2015-2016 budget is the implementation of new cost recovery user fees scheduled for City Council approval on April 21, 2015.

### **Budget Study Session Format**

Staff will present an overview of the presentation parameters departments will be using for this year's Budget Study Sessions.

### **Fire Department Basic Life Support (BLS) Transportation Service Delivery**

Consideration is being given to the potential expansion of the City's BLS (non-emergency) transportation system. This may be done in conjunction with the City of Hermosa Beach Fire Department. This is in the conceptual development and analysis stage. If feasible and

affordable, potential benefits include improved service through expanded coverage and quicker response times. An update on this program will be provided at this session.

**CONCLUSION:**

Staff recommends that the City Council discuss the FY 2015-2016 budget.

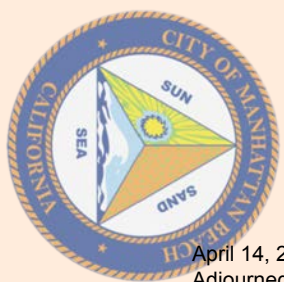
Attachment:

1. PowerPoint Presentation from the March 13, 2015 City Council Retreat

# **City of Manhattan Beach Budget Update**

City Council Retreat

March 12-13, 2015





# Budget Schedule

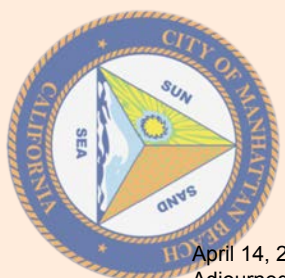
- ▶ Jan 6 Budget Process and Policies
- ▶ Feb Community Survey Fielded
- ▶ Feb 17 Mid Year Budget/CIP
- ▶ Mar 5 Community Budget Meeting
- ▶ May 5 Proposed Budget to City Council
- ▶ May 7 Study Session #1
- ▶ May 11 Study Session #2
- ▶ May 21 Study Session #3
- ▶ May 26 Study Session #4
- ▶ Jun 2 Final review
- ▶ Jun 16 Adoption

**All Study Sessions will be  
broadcast and streamed  
live**



# Community Input

- ▶ Resident Survey
- ▶ Community Budget Priority Meeting
- ▶ Budget Study Sessions
- ▶ City Council meetings
- ▶ Suggestions and comments to [budget@citymb.info](mailto:budget@citymb.info)



# FY 2014-2015

## ▶ General Fund projections:

◦ Revenues	\$61,192,815
◦ Expenditures	<u>\$60,605,196</u>
◦ Surplus	\$ 587,619

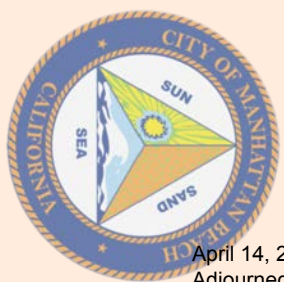
## ▶ Historical Surpluses:

◦ FY 2013-2014	\$2,113,773
◦ FY 2012-2013	\$2,769,400
◦ FY 2011-2012	\$3,057,379
◦ FY 2010-2011	\$1,835,784



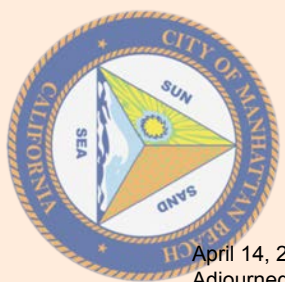
# FY 2015-2016 Budget

- ▶ New Budget Policies as guiding principles
- ▶ Revenues/Expenditures in development
- ▶ Goal is to present a balanced operating budget
- ▶ Reserves to be maintained and enhanced
- ▶ Performance measurement improvements
- ▶ Innovation opportunities explored



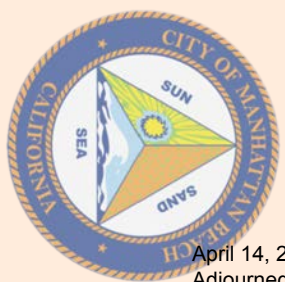
# FY 2015-2016 – Key Revenues

- ▶ **Property Tax:**
  - Ahead of 13-14 by 5.5% through February
  - Year end estimate of \$24.3M (1.7% over budget)
  - Estimating 5% overall growth for 15-16 (\$1.2M new revenue)
- ▶ **Sales Tax:**
  - Flat - year end estimate of \$8.8M
  - Estimating flat for FY 15-16
  - Awaiting 4<sup>th</sup> Quarter results for further guidance



# FY 2015-2016 – Key Revenues

- ▶ **Transient Occupancy Tax**
  - Trending ahead of FY 13-14 by 11% (\$377K)
  - Year end estimate of \$3.9M (over budget by \$274K)
  - FY 15-16 estimated growth of 3.5% to \$4.08M
- ▶ **Building Permits**
  - \$70K ahead of FY 13-14
  - Slightly above budget (\$40K) for FY 14-15
  - Estimating \$1.3M for FY 15-16 (+8.3%)



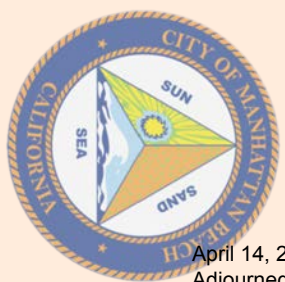
# FY 2015-2016 – Key Revenues

## ▶ Plan Check Fees

- Year end estimate of \$1.35M (budgeted amount)
- Below FY 13-14 by \$60K
- FY 15-16 estimated revenue of \$1.54M

## ▶ Business License Tax

- Year end estimate of \$3.14M (+\$15K to budget)
- Collections for FY 14-15 underway
- FY 15-16 estimated revenue of \$3.16M



# Other Trends Affecting Budget

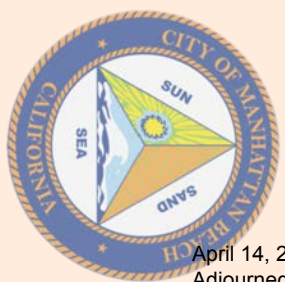
- ▶ CalPERS rates on the rise
- ▶ Labor agreements expire 12/31/2015
- ▶ Healthcare costs remain volatile
- ▶ Workers Compensation trends
- ▶ Stormwater and Street Lighting Subsidies
- ▶ Aging infrastructure and public facilities
- ▶ Changing demographics and impacts on City services





# Reserves

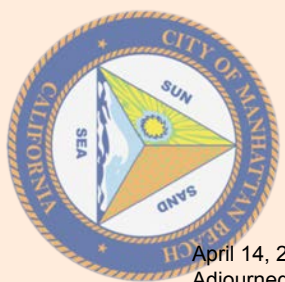
- ▶ General Fund policy reserves maintained at 20% of expenditures (\$12.1M)
  - Unexpected fiscal emergencies, natural disasters, etc.
  - GFOA recommends 16.7%
- ▶ Additional \$4M of Economic Uncertainty reserve in General Fund
- ▶ Policy reserves underfunded in Stormwater (\$245K), Refuse (\$900K), State Pier (\$80K)



# CALPERS

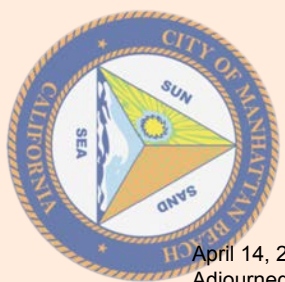
	Miscellaneous	Police	Fire
FY 14-15 Rate	11.46%	29.556%	23.948%
FY 15-16 Rate	12.848%	33.483%	27.000%
<i>UAL Portion (15-16)</i>	5.267%	13.253%	8.809%
FY 16-17 E-Rate	14.0%	35.983%	29.5%
Unfunded Liability	\$15.6M	\$21.9M	\$9.5M
Funded Ratio	79.9%	77.5%	80.6%

- City's unfunded pension liabilities total \$47 million as of last valuation dated June 30, 2013.
- Unfunded liabilities are paid down as part of the employer rate/contribution.
- A report on the City's pension funding levels will be presented during the FY 2015-2016 budget proceedings.



# CaIPERS

- ▶ PERS contributions estimated to rise \$700,000 in FY 15-16 and \$725,000 in FY 16-17
- ▶ Factors affecting future rates:
  - Changes in amortization of gains and losses (FY 15-16)
  - Life expectancy increased (FY 16-17)
  - Discount rate change? (currently 7.5%)
  - Actual investment returns achieved
  - Any deviation from assumptions

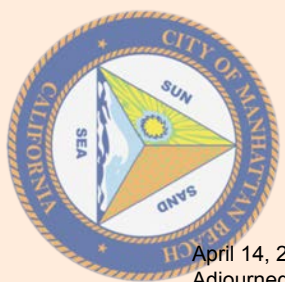


# Staffing



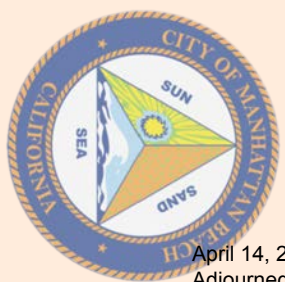
# Historical Staffing Levels

Department	1980	2015	Difference
Mgmt Services	11	13	2
Finance	23	25	2
Human Res.	8	6	-2
Comm. Dev.	12	22	10
Police	63.5	104.8	41.3
Fire	30.5	32.2	1.7
Public Works	87	56	-31
P&R	<u>7</u>	<u>23</u>	<u>16</u>
Totals	242	282	40



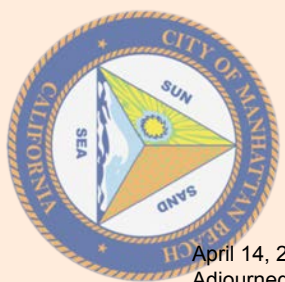
# Service Level Changes Since 2002

- ▶ 2002 Cultural Arts Coordinator
- ▶ 2003 Building Inspector
- ▶ 2004 Park Ranger
- ▶ 2005 Comm. Services Officers (2)
- ▶ 2007 Residential Construction Officer  
Information Systems Specialist
- ▶ 2008 Recreation Supervisor (Older Adults)
- ▶ 2009 Environmental Program Manager
- ▶ 2014 Information Systems Specialist (3)



# Service Level Changes Since 2002

- ▶ 2015 Graphic Artist
- Traffic Engineer
- Dial-A-Ride Driver
- Information Technology Director



# Unmet Needs

- ▶ Introduce Concept of tracking large dollar unfunded needs
- ▶ Two areas: Infrastructure and Initiatives
  - Infrastructure: CLPs and other capital projects
    - Ex: Fire Station #2, Begg Pool, NPDES
  - Initiatives: Council directed programs/projects
    - Ex: Historic Preservation, Peck House
- ▶ On-going list to aid in setting and tracking of priorities as well as funding decisions





# UNFUNDED PROJECTS FY2016 2020 PROJECTS BY TYPE

PROJECT TITLE		Five-Year Total	FUND SOURCE(S)
<b>UNFUNDED STORMWATER PROJECTS</b>			
a	Infiltration Projects: Various Locations <sup>1</sup>	\$ 30,000,000	Storm Drain Fund
	Total Stormwater Unfunded	\$ 30,000,000	
<b>UNFUNDED ASPHALT PAVEMENT PROJECTS</b>			
a	Asphalt Arterial Resurfacing Program <sup>2</sup>	\$ 1,810,500	TBD
b	Residential Overlay Reconstruction Program <sup>2</sup>	\$ 4,224,500	TBD
	Total Unfunded Pavement Projects	\$ 6,035,000	
<b>UNFUNDED FACILITIES PROJECTS</b>			
a	Begg Pool Reconstruction	\$ 3,000,000	TBD
b	Fire Station 2 Rebuild	\$ 6,000,000	TBD
c	CERT Vehicle Cover (Location to be Determined)	TBD	TBD
d	City-Owned Refuse Enclosure Improvements Phase II: Construction	\$ 600,000	TBD
	Total Unfunded Facilities Projects	\$ 9,600,000	
	<b>TOTAL UNFUNDED PROJECTS</b>	<b>\$ 45,635,000</b>	
1	\$15 - 30 million estimate is a placeholder. Actual project scope and cost to be determined based on results of Enhanced Watershed Management Plan.		
2	Contingent on Pavement Management recommendations		

# Budget Study Sessions



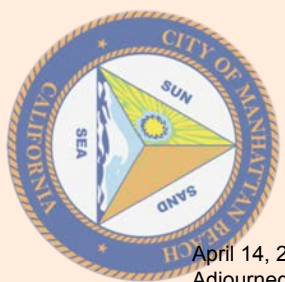
# Study Session Schedule

- ▶ May 7 Police and Fire
- ▶ May 11 Parks and Recreation  
Management Services  
Human Resources  
Finance (including IT)  
Community Development
- ▶ May 26 Public Works (including CIP)  
Wrap Up (if needed)



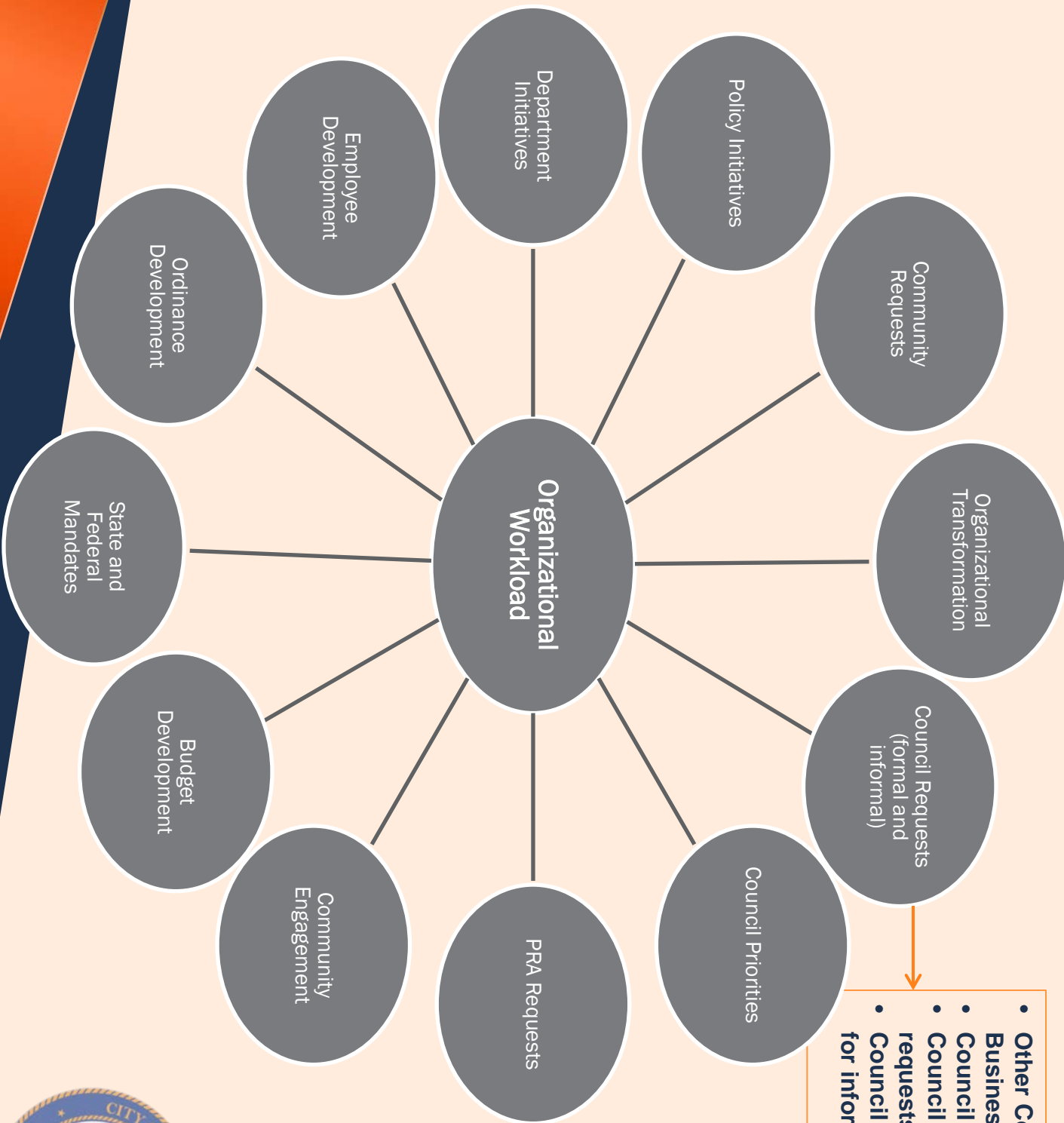
# Study Session Format

- ▶ Align department presentations with priorities
- ▶ Connect results from survey, budget meetings and other community input with spending plan
- ▶ Highlight:
  - Expected service delivery for coming year
  - Major budgetary changes needed to meet service delivery
  - Work Plan/Strategic Plan initiatives
  - Performance Measurements
  - Innovative/Alternative Service Delivery models



# Workload Drivers





- Other Council Business requests
- Council Referrals
- Council resident requests
- Council Requests for information

