

# **City of Manhattan Beach**

## **Fiscal Year 2015-2016**

### **Proposed Operating Budget**



# Acknowledgements

- ▶ Community
- ▶ City Council
- ▶ City Manager & Assistant City Manager
- ▶ Department Heads
- ▶ Departmental Budget Coordinators
- ▶ Finance Staff:
  - Henry Mitzner
  - Libby Bretthauer



# Agenda

- ▶ Budget Introduction
  - Overview of Budget Document
  - Budget highlights
  - Common themes across departments in advance of the Budget Study Sessions
- ▶ Five Year Forecast
- ▶ Q&A

Goal is to provide a foundation for the budget study sessions with departments



# Budget Study Sessions

(all 6 PM at Police/Fire Conference Room)

- ▶ May 7 Fire, Police
- ▶ May 11 P&R, HR, Management Services, Finance, IT
- ▶ May 21 Community Development, Public Works (including CIP)
- ▶ May 26 Wrap-Up (if necessary)

All held at 6 PM in Police/Fire Conference Room  
Live Stream and Broadcast



# Other Important Dates

- ▶ June 2 Final Direction at Council meeting
- ▶ June 16 Public Hearing and Adoption
- ▶ July 1 Effective date of budget

Directed changes will be incorporated by Resolution  
at time of adoption



# Community Engagement Efforts

- ▶ January - Adoption of policies and process
- ▶ February - Resident Satisfaction Survey
- ▶ March - Community Budget Priorities Meeting
- ▶ Announced and published meeting schedule
- ▶ Advertisement in The Beach Reporter
- ▶ E-Notifications & Social Media
- ▶ Invitations to all households and businesses
- ▶ [Budget@citymb.info](mailto:Budget@citymb.info)



# Transparency – [www.citymb.info](http://www.citymb.info)

- ▶ Budget Transparency (OpenGov) includes FY 2015-2016 Proposed Budget
- ▶ Budget document (Finance)
- ▶ Line item detail available on-line



# The Budget Document

- ▶ **Introduction** – Budget Message/User’s Guide
- ▶ **Summaries** – Sources and Uses of Funds, Reserved and Designated Fund Balances
- ▶ **Departmental Sections** – Program budgets, service delivery changes and performance measures
- ▶ **Appendix** – Ancillary schedules, capital equipment and projects, Financial Policies, Budget Policies





# Capital Improvement Plan

- ▶ CIP Public Meeting held in March
- ▶ May 21 Study Session – FY 2016-2020 CIP
  - Review of Five Year Plan
- ▶ Proposed Budget includes CIP projects scheduled for FY 2015-2016
- ▶ Adoption of CIP with Budget on June 16<sup>th</sup>
- ▶ Draft CIP information is on website under Public Works



# **Fiscal Year 2015-2016 Proposed Operating Budget**



# Major Initiatives FY 15-16

- ▶ **Technology Projects**
  - New IT Director position and stand-alone Department created
  - Funding included for continued progress on IS Master Plan
  - Investments in Broadcasting and Audio Upgrades
- ▶ **Economic Vitality**
  - Funding for Economic Vitality Manager and economic development partnerships
- ▶ **Civic Engagement**
  - Current staff supplemented with external communications expert
- ▶ **Historic Preservation**
  - Implementation of all aspects of new Commission



# Major Initiatives FY 15-16

- ▶ Organizational Investments:
  - Training and Development Opportunities for all staff
    - Customer Service and Supervisory Training
  - Restoration of Plan Check Engineer position
  - Part-time Emergency Services Manager
  - Temporary Management Fellow
  - Broadcasting services contract
  - Consolidation of part-time Parks and Recreation positions
  - Conversion of vacant position to Urban Forester
  - Upgrade part-time Administrative Clerk in City Clerk's office



# Budget Highlights

- ▶ Info Systems Master Plan
  - Progress in many areas (Accela, Cashiering, AV, GIS)
  - Funds carried forward for balance of projects plus new year ISMP projects
- ▶ Vehicles
  - Replacement of 4 vehicles (2 Police, 2 Ambulances) budgeted
- ▶ Unmet Needs list will be presented in coming weeks



# Trends/Issues Affecting Budget

- ▶ Overall economic stability and expansion
- ▶ Most major revenues advancing
  - Sales Tax Exception
  - Parking Cite increase recommended
- ▶ Housing market/building activity strong
  - Property Tax/Permits/Plan Check/RE Transfer
- ▶ Recently adopted User Fees incorporated conservatively



# Trends/Issues Affecting Budget

- ▶ CalPERS rates on the rise
- ▶ Labor agreements expire 12/31/2015
- ▶ Healthcare costs remain volatile
- ▶ Workers Compensation upward trends
- ▶ Storm Water and Street Lighting Subsidies



# Pensions

- ▶ Total \$5.6M Citywide – up \$738,023 (15%)
- ▶ City Employees paying 7% to 12.25% towards pensions, including certain Safety members contributing 3% to Employer rate
- ▶ PERS rate projections indicate increase of \$2.2 million over next five years (40% over FY 15-16)
- ▶ Rates reflect CalPERS amortization rate changes
  - Life expectancy based rate changes ahead
  - Phased in over 5 year period starting FY 2017





# CalPERS

- ▶ Pension Bonds paid off FY 14-15 saving \$776,000
- ▶ 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
- ▶ Independent Actuary retained



# 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.



# Other Post Employment Benefits (OPEB)

- ▶ City provides retiree medical stipends for employees attaining various years of service (5-20 years)
- ▶ \$250-\$400 per month until Medicare eligible or 65
- ▶ State mandated benefits if in CalPERS health – minimum monthly contribution in retirement
- ▶ City's liabilities fully funded (106%)
- ▶ Biennial valuation this year



# Labor Agreements

- ▶ Four bargaining units MOUs expire December '15
- ▶ Placeholder amounts included in FY 15-16 budget for salary adjustments
- ▶ Reflected in each department's salaries and allowances costs



# Workers Compensation

- ▶ Costs trending up over past five years
- ▶ Similar trend to other agencies in the Independent Cities Risk Management Authority pool
- ▶ Significant impacts on General Fund in FY 15-16
  - Citywide charges to departments up \$1.2 million to recover losses in Insurance Fund
- ▶ FY 2014-2015 transfer of \$1M required to maintain policy reserves



# Workers Compensation

- ▶ Proactively addressing issues:
  - Met with the Third Party Administrator and ICRMA Administrator on causes and solutions
  - Internal stakeholders involved for improvements in workplace safety, delivery and management of program
  - RFP for Third Party Administrator services



# Other Issues

- ▶ Medical premium increases
  - Increases ranged from .6% to 10% in last 5 years
  - Rates not yet known for 2016
  - Estimated 7% adjustment included in budget
  - Employees paying 3% to 5% of premiums



# Reserves and Ratings

- ▶ Reserves maintained and enhanced
  - Policy Reserves 20% of General Fund Annual budgeted expenditures (\$12.7M in 2015-2016)
- ▶ Triple-A credit rating from Moody's and S&P maintained





# **Proposed Budget - By the Numbers...**



# City Funds

**Internal Service Funds**  
(Insurance, Fleet, IS, Bldg Mtce)  
(4)

**General Fund**  
(1)

**Trust and Agency Funds**  
(Assessment redemption, Non-PERS pension)  
(2)

**Enterprise Funds**  
(Water, Waste Water, Storm Water, Parking)  
(7)

**Special Revenue Funds**  
(Prop A, C, Measure R, Gas Tax, St. Ltg)  
(9)

**Capital Projects Funds**  
(CIP and Underground Districts)  
(2)



# Budget – By the Numbers...

- ▶ Total City Budget:
  - Revenues \$110.3 million
  - Expenditures \$120.6 million
    - Capital Projects & Equipment \$22.7 million
    - Operating \$97.9 million
  
- ▶ General Fund Budget:
  - Revenues \$63.7 million
  - Expenditures \$63.3 million
  - Operating Surplus \$378,488



# Budget – By the Numbers...

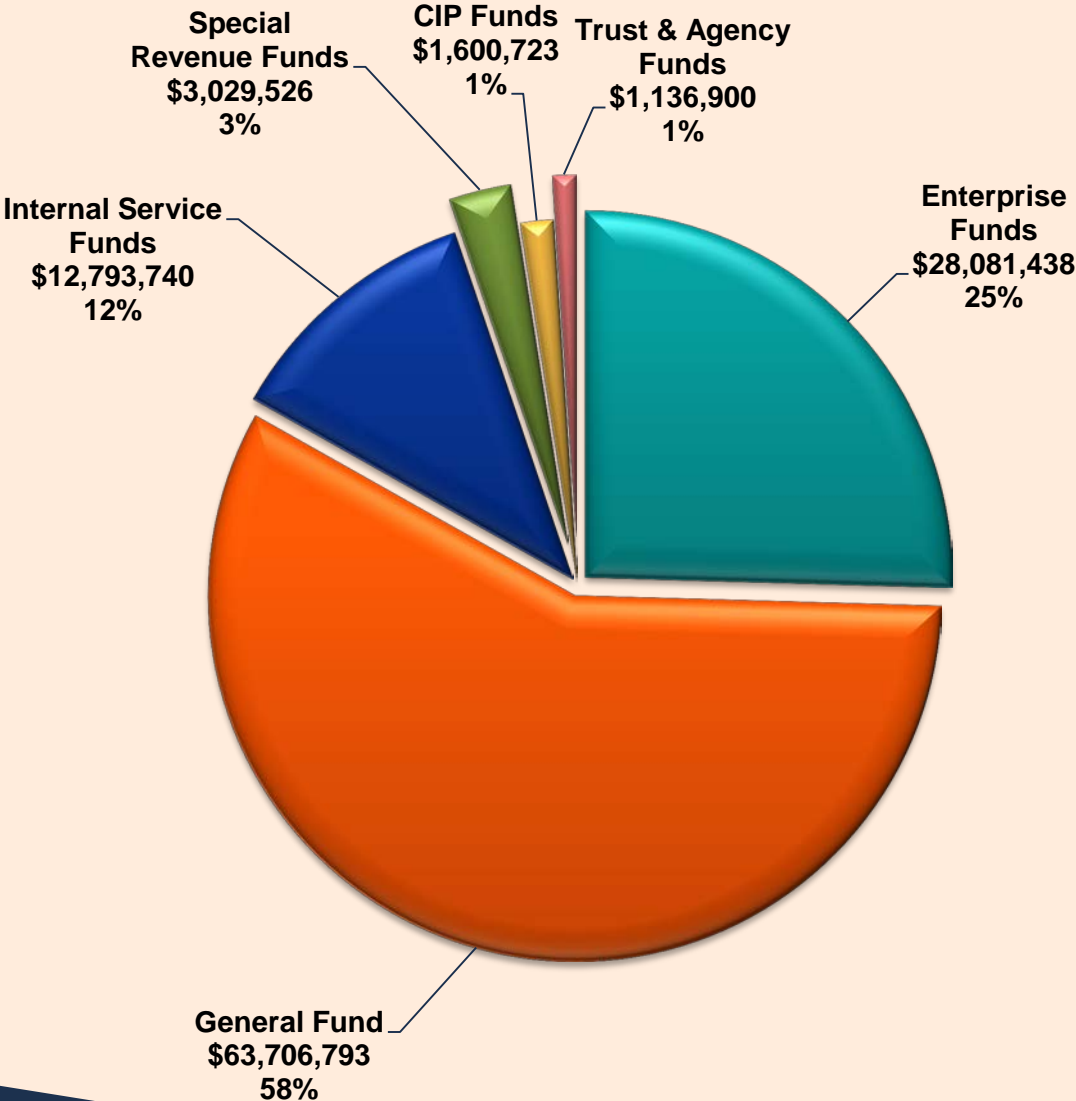
- ▶ General Fund Designations:
  - 20% of Expenditures Policy      \$12.7 million
    - Increase of \$0.5 million
  - Economic Uncertainty              \$ 4.0 million
- ▶ Other Fund reserves within policy except Storm Water and Refuse Fund



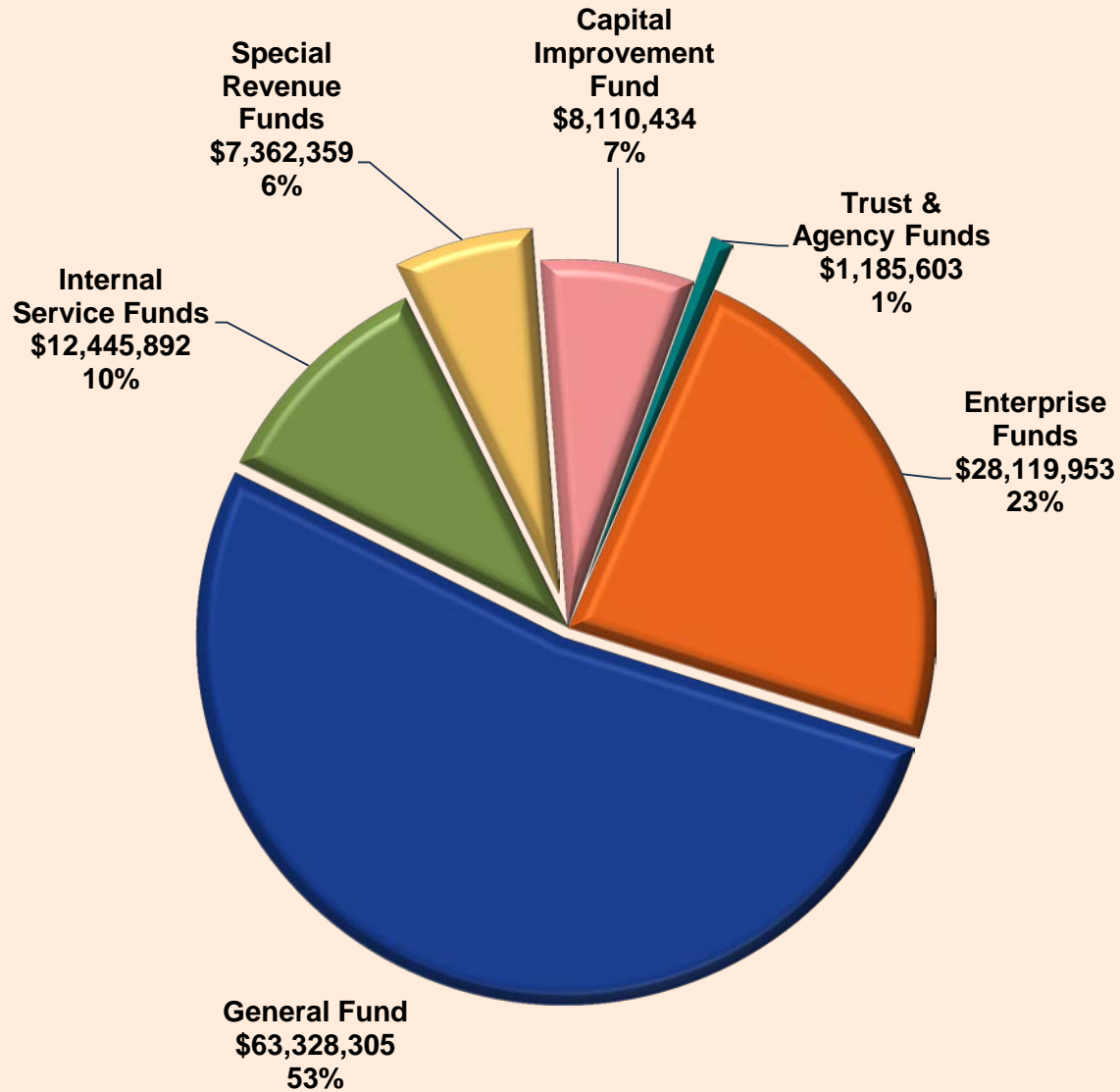
# Citywide Budget 2015-2016



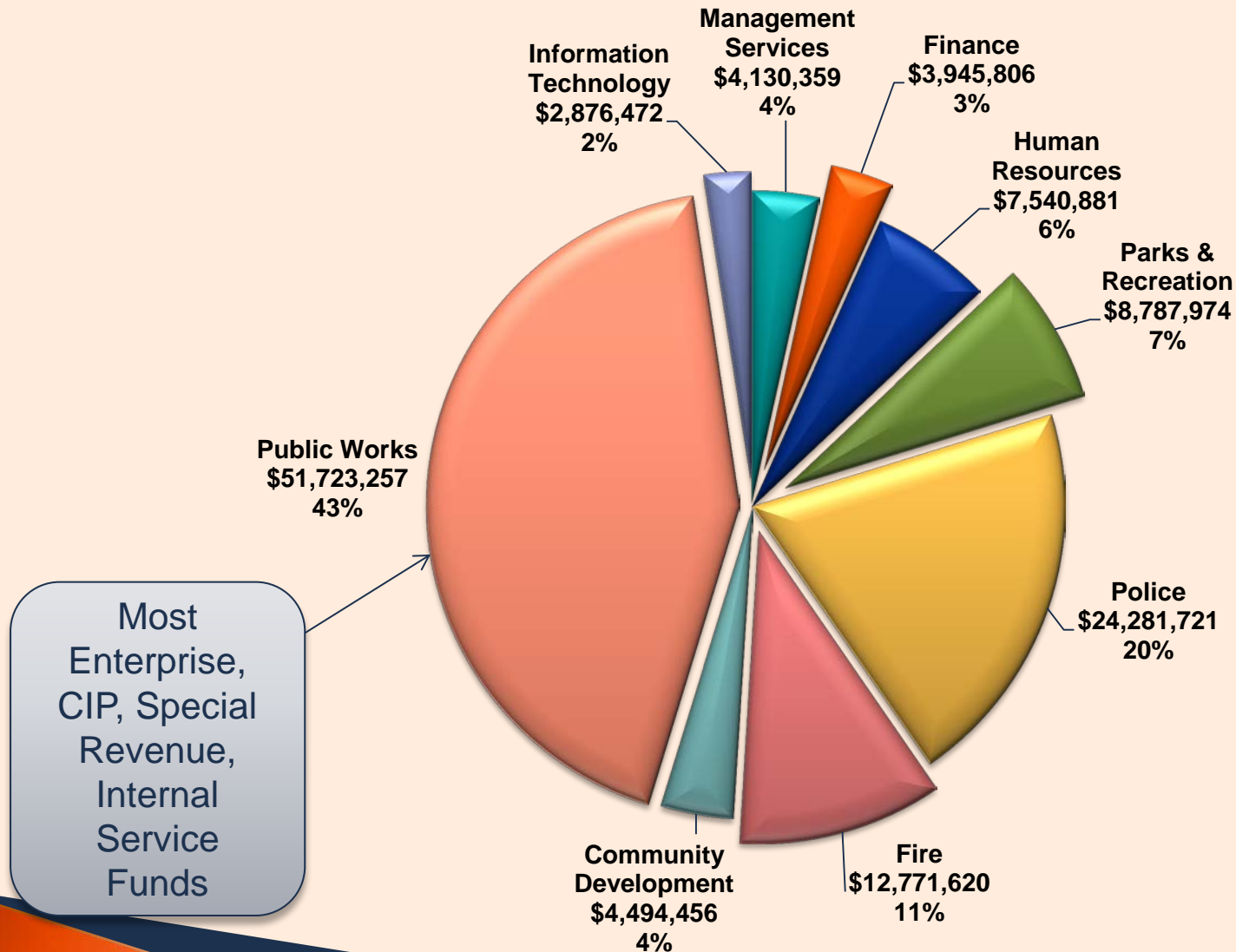
# Source of Funds - City-Wide = \$110,349,120



# Use of Funds - City-Wide = \$120,552,546



# Use of Funds - City-Wide = \$120,552,546



Most Enterprise, CIP, Special Revenue, Internal Service Funds





# **General Fund Projected Results FY 2014-2015**



# FY 2014-2015 General Fund Year End Estimates

Ending with an operating surplus:

Revenues	\$61,324,988
Expenditures	<u>(\$60,851,419)</u>
Total	\$ 473,569

FY 14-15 Revenues exceed adjusted budget by \$1.48M

FY 14-15 Expenditures below adjusted budget by \$923,456



# FY 2014-2015 General Fund Year End Estimates

▶ Unreserved balance	\$ 2,422,649*
▶ Financial Policy reserve	\$12,140,241
▶ Economic Uncertainty	<u>\$ 4,000,000</u>
Total Fund Balance	\$18,562,890

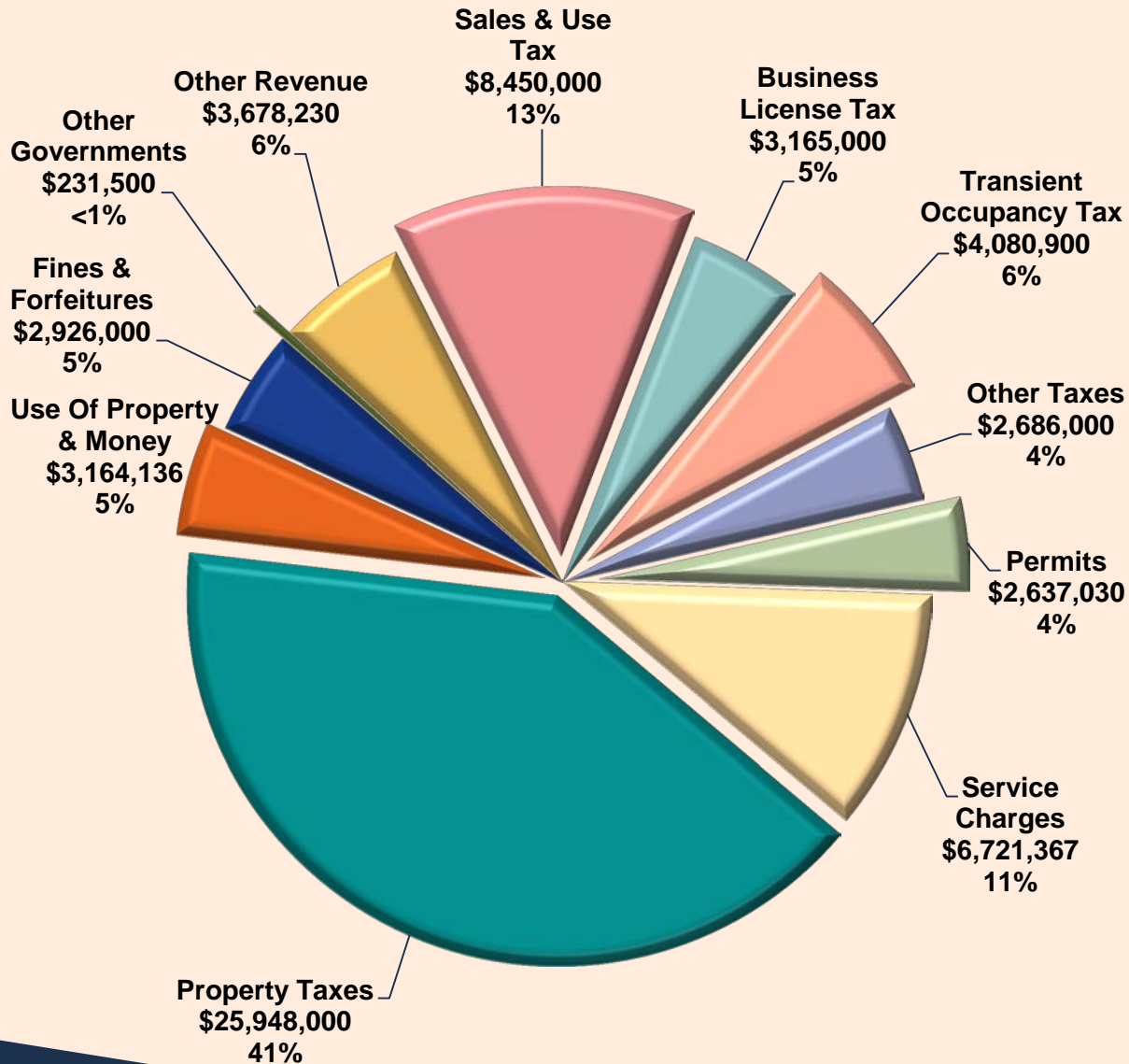
\* Includes Insurance Fund Transfer of \$1,038,555 to replenish policy reserves before Year-end (Council approval request forthcoming)



# **The General Fund Proposed Budget FY 2015-2016**



# Source of Funds – General Fund = \$63,706,793



# General Fund Revenues

## Sales Tax Receipts (Point of Sale)

City	Change from 2013 to 2014
Hermosa Beach	5.5%
El Segundo	5.3%
Redondo Beach	4.8%
L.A. County	4.4%
Lawndale	3.3%
Santa Monica	2.4%
Torrance	1.3%
Manhattan Beach	-1.7%

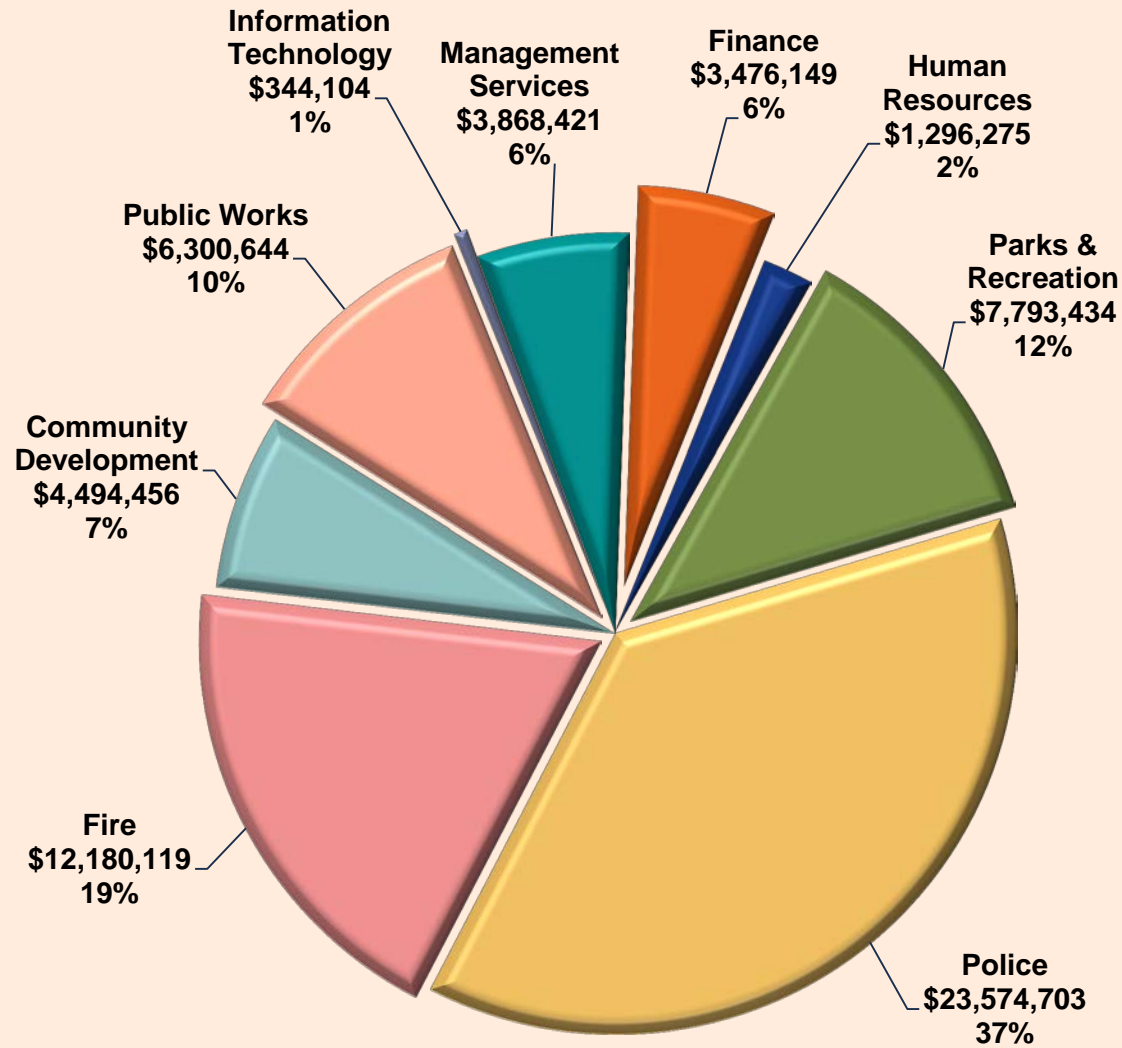


# Sales Tax Trends

- ▶ Six of ten top sales tax producers were negative in 2014 compared to 2013
- ▶ Of the remaining four, growth rates were:
  - +4.5%
  - +2.7%
  - +1%
  - +.6%
- ▶ On-line sales impacting retail

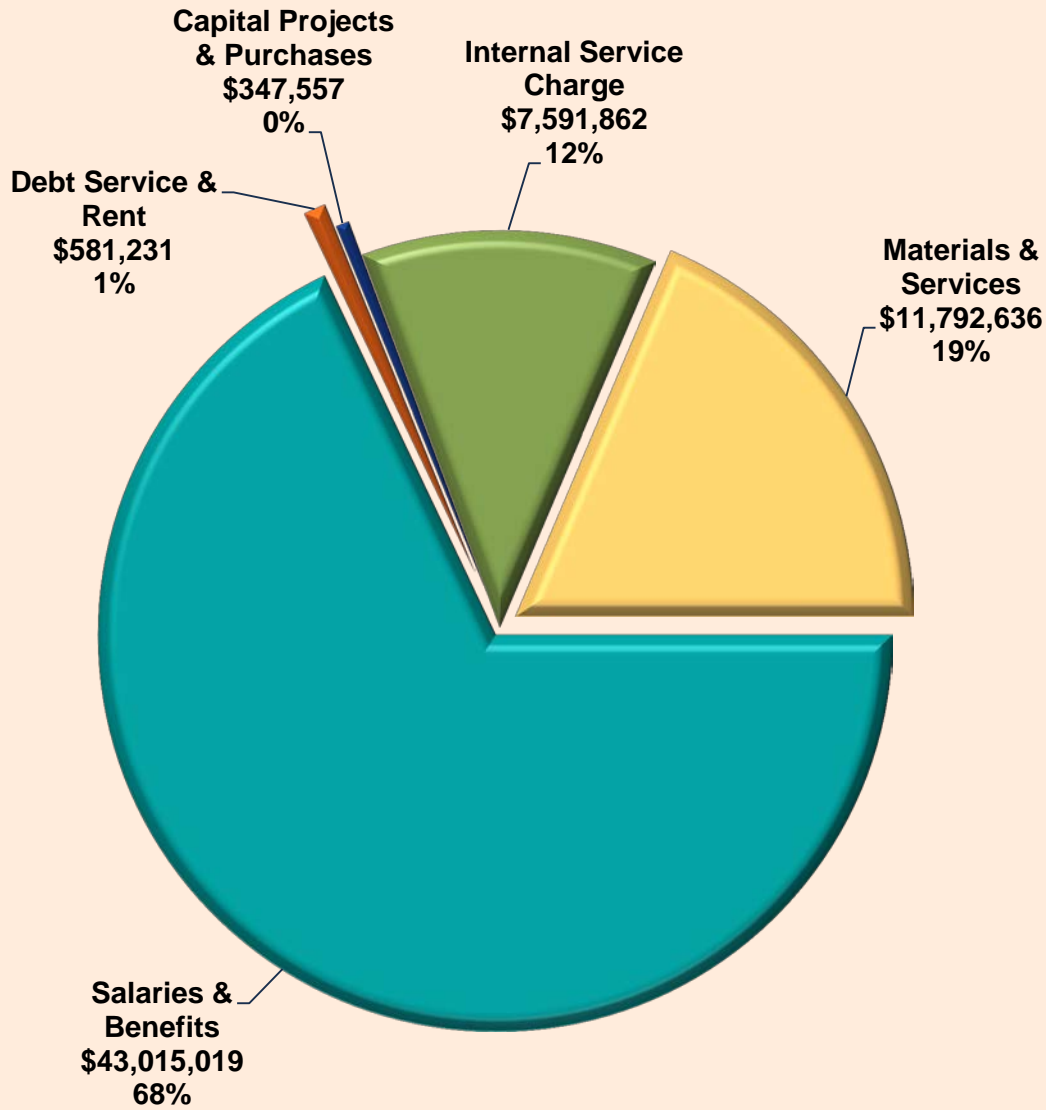


# Use of Funds – General Fund = \$63,328,305





# Use of Funds – General Fund = \$63,328,305



# General Fund Budget-to-Budget Comparison

	FY 14-15 Adopted	FY 15-16	Change
Revenues	\$59,846,949	\$63,706,793	\$3,859,844 +6.4%
Expenditures	60,701,205	63,328,305	\$2,627,100 +4.3%
Totals	(854,256)	378,488	\$1,232,744



# General Fund Estimated-to-Budget Comparison

	FY 14-15 Estimate	FY 15-16	Change
Revenues	\$61,324,988	\$63,706,793	\$2,381,805 +3.9%
Expenditures	60,851,419	63,328,305	\$2,476,886 +4.1%
Totals	473,569	378,488	(\$94,981)



# **General Fund Revenues FY 2015-2016**



# General Fund Revenues

## Budget-to-Budget Changes

	2014-2015	2015-2016	Change	%
Property Tax	\$23,911,150	\$25,948,000	\$2,036,850	8.5%
Sales Tax	9,112,873	8,450,000	(662,873)	(7.3%)
TOT	3,669,000	4,080,900	411,900	11.2%
Building Permits	1,160,000	1,680,000	520,000	44.8%



# General Fund Revenues

## Budget-to-Budget Changes

	2014-2015	2015-2016	Change	%
Plan Check	\$1,350,000	\$1,824,000	\$474,000	35.1%
Bus. Lic. Tax	3,125,000	3,165,000	40,000	1.3%
Interest Income	486,600	516,350	29,750	6.1%
R/E Trans. Tax	595,000	775,000	180,000	30.3%



# **General Fund Expenditures FY 2015-2016**



# FY 2015-2016 General Fund Budget – Details

- ▶ Salary and benefit adjustments are provided for after expiration of existing MOUs
- ▶ Vacancy factor of 4.6% (\$1.6 million) built-in
- ▶ Council Contingency maintained at \$100,000
- ▶ School District Joint Use Agreement Included





# Notable General Fund Expenditure Changes

## ▶ Increase in Full-time Positions

Economic Vitality Manager	+1.0
Plan Check Engineer (offset by contract services)	+1.0
Part-time Emergency Services Manager	+0.5
Urban Forester (offset by vacant Maint. Worker)	-
Administrative Clerk (offset by PT Admin Clerk hours)	+0.1
Sports Coordinator (offset by part-time positions)	-0.6
Aquatics Coordinator (offset by part-time positions)	-0.2
Upgrade 2 Community Services Officers to Lead CSO's	-
Temporary Management Fellow (12-month assignment)	+1.0



# Notable General Fund Expenditure Changes

- ▶ Salaries/Allowances +\$676K + 6.0%
- ▶ PERS Contributions +\$667K +14.9%
- ▶ Overtime Sworn +\$273K + 8.8%
  - *Includes Overtime for Sworn Employees and Overtime related to Mutual Aid, Special Events, Cooperative Resources and Training & Special Detail*



# Notable General Fund Expenditure Changes

▶ Workers Compensation	+\$530K	+17.7%
▶ Insurance Allocation	+\$491K	+33.0%
◦ Experience/premiums		
▶ Fleet Maint. Allocation	+\$211K	+25.7%
▶ Capital Equipment	(\$671K)	(65.9%)
▶ Debt Service	(\$777K)	(57.2%)



# General Fund Expenditures by Category

## Budget-to-Budget

	2014-2015	2015-2016	Change	%
Salaries & Benefits	\$40,341,875	\$43,015,019	\$2,673,144	6.6%
Materials & Services*	17,961,798	19,365,445	1,403,647	7.8%
Capital Equipment	1,018,488	347,557	(670,931)	(65.9%)
Interfund Transfers	21,140	19,053	(2,087)	(9.9%)

\* Includes Internal Services.



# General Fund Expenditures by Category Budget-to-Budget

	2014-2015	2015-2016	Change	%
Debt Service	\$1,357,904	\$581,231	(\$776,673)	(57.2%)
Totals	\$60,701,205	\$63,328,305	\$2,627,100	4.3%



# Capital Equipment & Purchases



# Vehicle Replacements (Fleet Fund)

- ▶ \$454,000 Total Cost for 4 Replacements:
  - \$360,000 for Replacement of 2 Box Style Ambulances
  - \$94,000 Police Patrol Car and Sedan used for Administration (see Appendix)



# Capital Equipment and Purchases (Multiple Funds)

- ▶ Information System Master Plan
  - Wide Area Network Expansion \$273,000
  - Financial System Enhancements \$140,000
  - Human Resources Info System \$100,000
  - Data Encryption – AB1149 Security \$100,000
- ▶ Vacuum Excavation Machine \$97,000
- ▶ Audio Upgrades at Joslyn \$50,000
- ▶ Replacement of Police Server \$49,796
- ▶ Wide Area Scanner/Copier (Accela) \$42,421





# Other Funds of Note



# Storm Water

- ▶ Survey: high priority on clean ocean and beach
- ▶ General Fund subsidy increases with rising costs of ongoing efforts as well as needed capital projects (\$841,266 in FY 15-16)
- ▶ Preliminary Study completed – Council direction
- ▶ Budget includes funds for education and polling to assess abilities to increase fees



# Street Lighting/Landscape

- ▶ Assessments pay for street lighting city-wide and Downtown streetscape maintenance
- ▶ General Fund subsidy (\$217,649) likely to increase with rising costs
- ▶ Proposition 218 vote required to raise assessments
- ▶ Preliminary Study completed - Council direction to make Storm Water fees higher priority



# Proposition A

- ▶ Fund primarily pays for expanding Dial-A-Ride and other transportation services
  - Ocean Express
  - Beach Cities Transit
  - Recreational bus trips
- ▶ Revenues insufficient to cover costs
- ▶ Measure R Funds used to subsidize (\$189,145)
  - May be used for street and other transportation repairs
- ▶ Subsidies to continue in forecast



# Capital Improvements Fund

- ▶ CIP Fund receives dedicated revenues from TOT, Parking Meters & Citations
- ▶ Total Revenues of \$1.6M for FY 2015-2016
- ▶ Police/Fire Debt Service = \$772,136
- ▶ Capital Outlay = \$7.3M
  - Strand Stairs, Downtown, Facilities Improvements
- ▶ Approximately \$3.6M in available fund balance at year-end FY2015-2016



# Five Year Forecast General Fund



# Assumptions

## FY 2015-2016 to FY 2019-2020

### ▶ Revenues:

- Property Tax: 4% annually starting FY 2016-2017
- Sales Tax: 1.5% per year
- Business License: 1% per year
- Transient Occupancy Tax: 4% per year
- Building/Planning: 3% per year
- Parking Citations: Flat after recommended increase
- Others: 2%



# Assumptions

## FY 2015-2016 to FY 2019-2020

### ▶ Expenditures:

- Salary & benefit adjustments provided for after expiration of existing MOUs
- Medical increases of 7% per year
- PERS projected costs included along with life expectancy changes starting in FY 2016-2017
- Council Contingency maintained at \$100K
- Election costs of \$80K scheduled in odd years
- Joint Use Agreement renewed at similar levels
- Others including materials & supplies, contract services, and internal services annually adjusted by 2%





# Assumptions

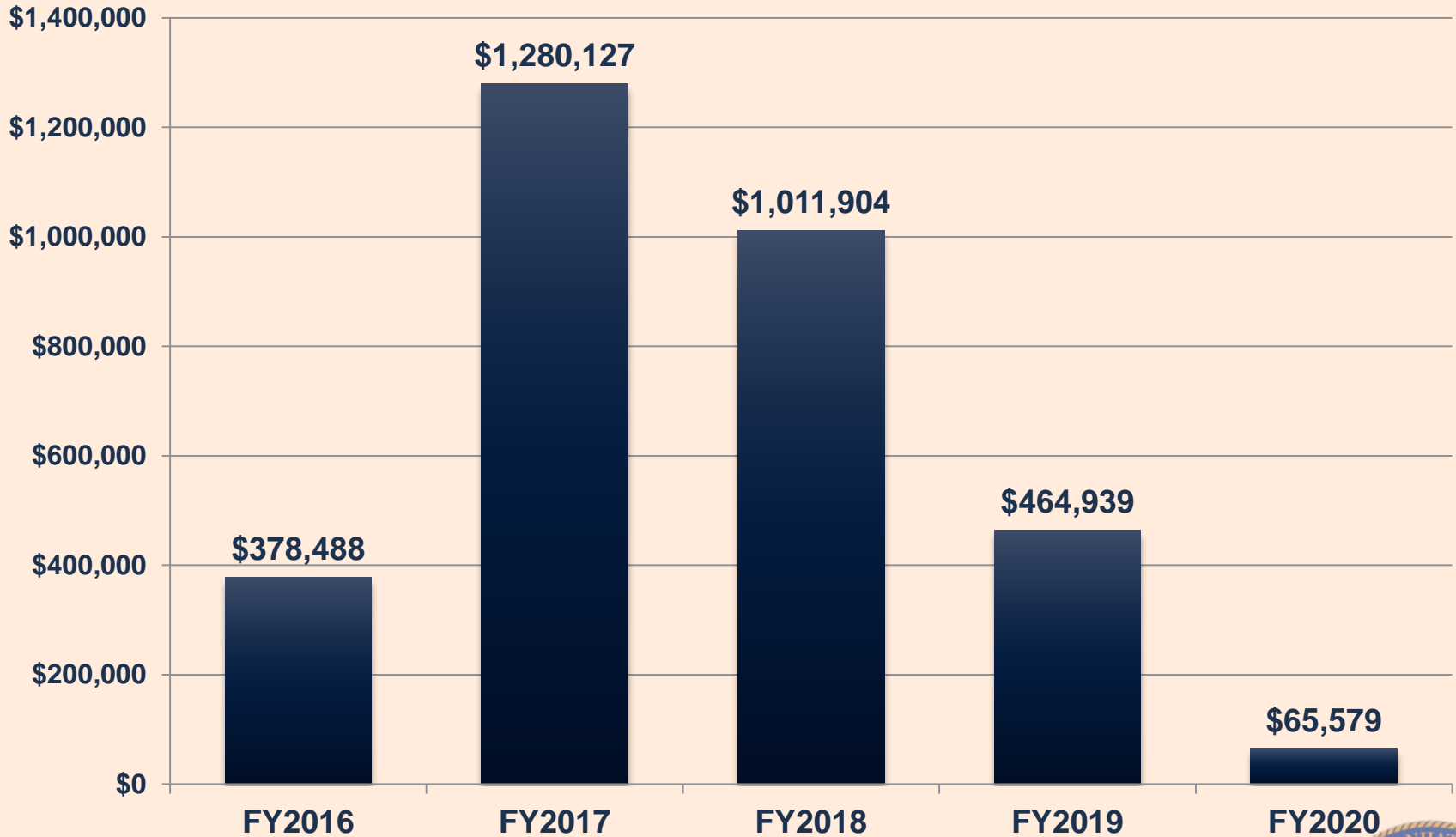
## FY 2014-2015 to FY 2018-2019

### ▶ Other:

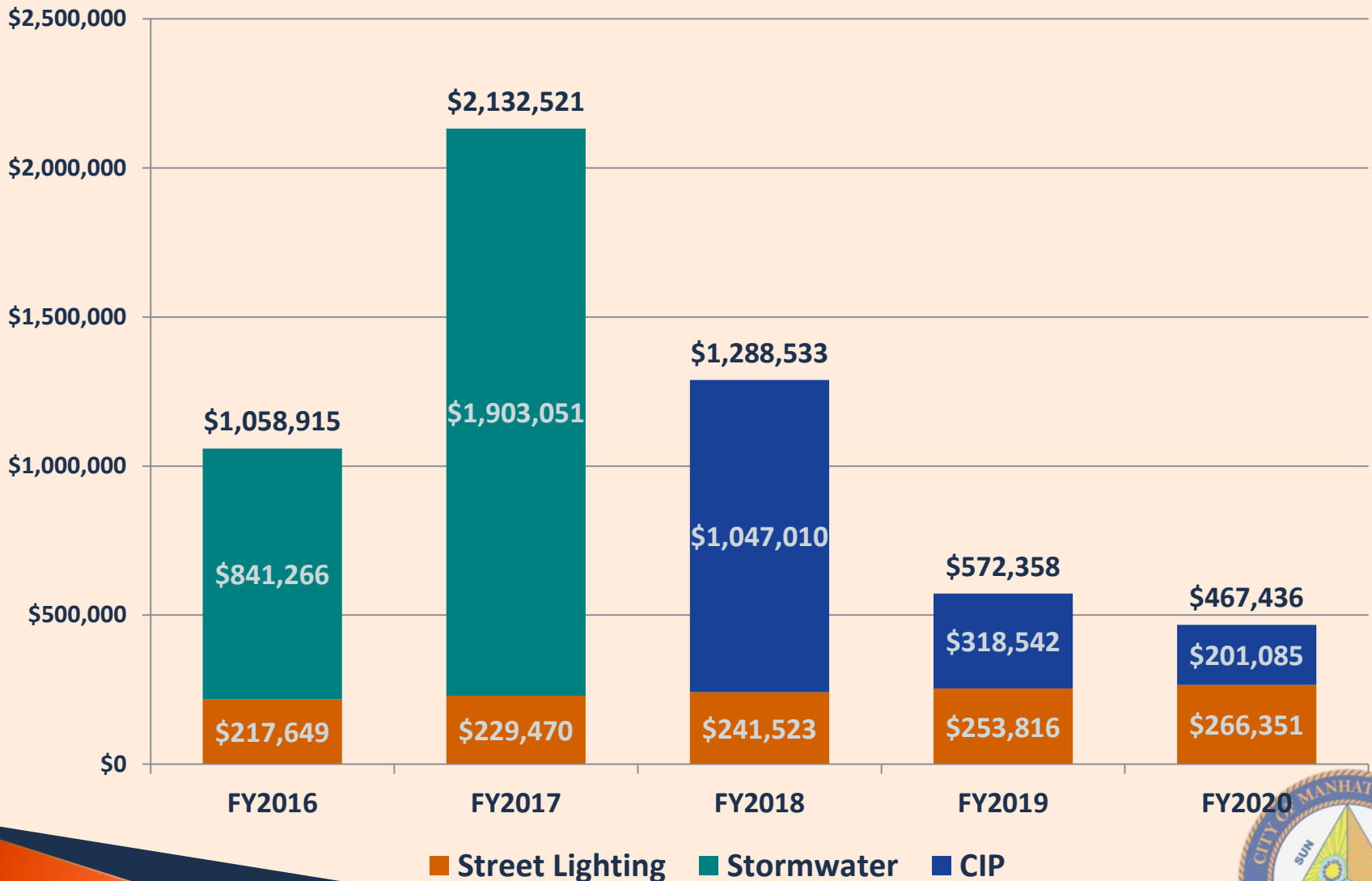
- Increase in imported water costs estimated at 5% per year (Water Fund)
- Street Lighting subsidies continue
- **Storm Water fees assumed to increase in FY 2018 to meet expenditures (Prop 218 vote required)**
- Wastewater subsidy in FY 2019 (no reserve)
- Parking Fund dips below Financial Policy in FY 17 due to Parking Structure Rehab capital project



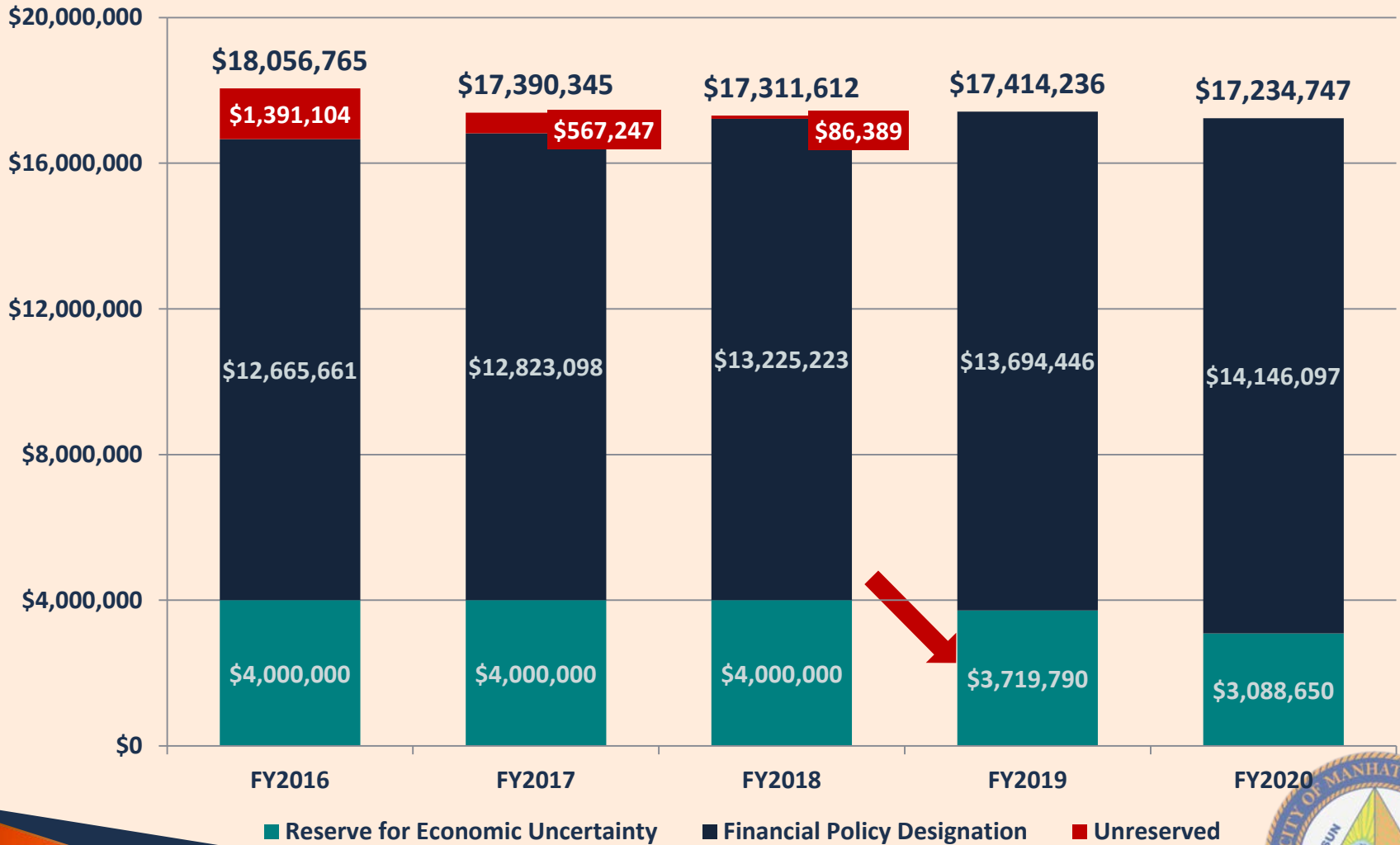
# General Fund Five Year Revenues over Expenditures



# General Fund Contributions to Other Funds



## General Fund Five Year Fund Balance



# Forecast Summary

- ▶ Declining General Fund surpluses to FY 2020
  - Revenues growth slower than expenditures
- ▶ Net transfers out from General Fund of \$4.5 million over five years in support of Storm Water, Street Lighting and CIP
- ▶ Use of Economic Uncertainty reserve beginning in FY 2019 to fund planned general CIP projects
- ▶ Street Lighting subsidies total \$1.2 million over five years
- ▶ Assumes Storm Water fees corrected



# **FY 2015-2016 Budget Summary**



# Summary

- ▶ General Fund Surplus in FY 2014-2015 - \$473K
  - Equity Transfer to Insurance Reserve Fund - \$1.04M
- ▶ Fiscal year 2015-2016 Operating Budget balanced
  - Surplus of \$378,488 projected
  - Unreserved General Fund balance of \$1.4 million
- ▶ Key investments in Economic Vitality, Technology, Communications, Historic Preservation, Emergency Preparedness, Staffing
- ▶ Pensions and Workers Comp addressed



# Summary

- ▶ Salary/benefits placeholder for expiring MOUs
- ▶ General Fund subsidizing Street Lighting and Storm Water
- ▶ Measure R subsidizing Proposition A
- ▶ Economic Uncertainty tapped into FY 18-19 to support planned CIP projects





# Next Steps

- ▶ Accept input from the Community
- ▶ Council discussion
- ▶ Hold Budget Study Sessions
- ▶ Council to direct modifications to proposed plan
- ▶ Changes to be reflected in the budget resolution scheduled for June 16 meeting



# **FY 2015-2016 Budget Q & A**

