



Agenda Item #: \_\_\_\_\_

# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor and Members of the City Council

**THROUGH:** Mark Danaj, City Manager

**FROM:** Bruce Moe, Finance Director

**DATE:** June 16, 2015

**SUBJECT:** Supplemental Information for Agenda Item #26 – Public Hearing and Adoption of the Fiscal Year 2015-2016 Operating Budget, Including the Gann Appropriation Limit (Finance Director Moe)

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The agenda report for this item was not distributed with the June 16, 2015, City Council packet on June 10<sup>th</sup> in order to allow sufficient time for staff to analyze and cost-out the changes City Council directed at the meeting of June 8, 2015. Those changes are now listed and incorporated in this report.

The attached report summarizes the recommended changes to the Proposed Operating Budget. It also presents the necessary Resolutions required to adopt the spending plan. If approved, the FY 2015-2016 Operating Budget becomes effective July 1, 2015.

As a side note, the City's FY 2016-2020 Capital Improvement Plan (CIP) was also originally scheduled for adoption on June 16<sup>th</sup>. However, due to a publishing error by the local newspaper, the required public notice was not included in the June 4<sup>th</sup> edition as submitted by the City. As a result, the CIP adoption, which requires publication at least ten days prior to the public hearing, has been rescheduled to the July 7, 2015 regular City Council meeting. Public Notice will appear in the June 25<sup>th</sup> Beach Reporter.

**TO:**

Honorable Mayor and Members of the City Council

**THROUGH:**

Mark Danaj, City Manager

**FROM:**

Bruce Moe, Finance Director

Henry Mitzner, Controller

Libby Bretthauer, Financial Analyst

**SUBJECT:**

Public Hearing and Adoption of the Fiscal Year 2015-2016 Operating Budget, Including the Gann Appropriation Limit.

**CONDUCT PUBLIC HEARING, ADOPT RESOLUTION NOS. 15-0036 AND 15-0037;  
APPROVE**

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**RECOMMENDATION:**

Staff recommends that the City Council: conduct a public hearing; adopt Resolution No. 15-0036 establishing the Gann appropriation limit for Fiscal Year 2015-2016; adopt Resolution No. 15-0037 approving the Fiscal Year 2015-2016 Operating Budget; and authorize the City Manager to create classifications and set salary ranges for new positions authorized in the FY 15-16 budget for which no existing classification exists.

**FISCAL IMPLICATIONS:**

The Fiscal Year (FY) 2015-2016 budget, including all funds, estimates revenues of \$110,294,827 and expenditures of \$120,889,403. These figures incorporate all City Council-directed changes identified through the budget study sessions, as well as staff-recommended changes and corrections to the budget. All modifications to the Proposed Budget required to implement the City Council-directed budget are listed on Attachment 4.

The General Fund is balanced with revenues of \$63,652,500 and expenditures of \$63,565,162, leaving a projected year-end surplus of \$87,338.

**BACKGROUND:**

The City Council discussed the Proposed Budget on six separate occasions: the May 5<sup>th</sup> budget overview and five public budget study sessions. These meetings were broadcast live, and have been productive and interactive sessions which have encouraged the community to participate.

**DISCUSSION:**

*Budget Adoption*

Throughout the six month budget process, the FY 2015-2016 spending plan has been thoroughly vetted by both staff and the City Council, with ample opportunity for public input at the budget meetings. Budget Policies were adopted in January which provided the tenets under which the budget was developed. A Community Survey was conducted in February which also guided the development of this spending plan. In March, the City's first-ever Community Budget Priority Meeting was held, drawing over 100 participants, and providing valuable input. After a City Council budget overview was provided in early May, five budget study sessions were conducted. Adoption of the FY 2015-2016 budget will culminate this six-month long process.

Through these meetings, several changes to the Proposed Budget were directed by the City Council. In addition, there are several staff recommended modifications. All of the recommended changes are listed on Attachment 4, and will be incorporated into the Adopted Budget.

These changes include:

***Addition of a full-time Code Enforcement Officer***

Full year salary and benefits are estimated to cost \$100,652. For FY 2015-2016, staff has estimated that hiring will occur by the end of October. As a result, the FY 15-16 budget prorates the salary and benefits accordingly (\$67,102). Additionally, this position requires a vehicle, mobile phone and computer workstation, as well as ancillary costs for conferences, training, reference books, uniforms, etc. (\$38,415).

***Part Time Administrative Clerk (Code Enforcement)***

The estimated annual cost is \$29,550. Ancillary cost for a computer workstation totals \$1,200. Total cost for FY 2015-2016: \$30,750.

***Sunday Library Hours***

Full-year costs were originally estimated at \$76,000. Funds totaling \$63,333 have been added to allow for four hours each Sunday starting September 1, 2015. This is one-time City funding pending a review by the County Library of the revenues and expenses operating the new facility, and their ability to fund the increased hours on an on-going basis.

***Full Time Ceramics Studio Supervisor***

Full year salary and benefits are estimated to cost \$78,347. For FY 2015-2016, staff has estimated that hiring will occur by the end of October. As a result, the FY 15-16 budget prorates the salary and benefits accordingly (\$52,232). Additionally, this position has ancillary costs for conferences, training, telephone, etc. (\$2,460). These costs are offset by the elimination of a vacant part time Senior Recreation Leader II (\$30,850) and contract hours for lab technician services (\$18,000). The full net cost of this new position is estimated at \$5,842 in FY 2015-2016.

In addition to these Council-directed changes, staff has included the following items for inclusion in the Adopted Budget:

- Reduction in General Fund revenues in FY 2015-2016 of \$70,000 to reflect the change in policy for short term vacation rentals. This reduces the expected revenue to \$50,000 from those previously-permitted short term rentals which may continue to operate through December 31, 2015.
- A Mobile Patient Care Reporting System carried forward from FY 2014-2015 to take advantage of grant funding in FY 2015-2016, which will contribute 50% of the cost. The net cost for this enhanced service is \$15,707 in the General Fund.
- Carry forward of CIP funds for a backup generator for Well 11 for \$100,000. This project cost is in the Water Fund.

Adoption of Resolution No. 15-0037 (Attachment 3) will incorporate these changes into the Adopted Budget.

#### *Gann Appropriations Limit*

In 1980, California voters adopted Article XIIB 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 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. The Gann calculation is reviewed annually by the City's external audit firm as part of the annual audit process.

Section 7910 of the State Government Code requires a governing body to annually adopt by resolution, an Appropriations (Gann) Limit for the upcoming fiscal year when the budget is adopted. Staff has calculated the Gann limit to be \$68,774,432. The City's tax proceeds subject to the FY 2015-2016 Gann Limit equal \$43,742,601. Therefore, the City is under the Gann limitation by \$25,031,831 and in compliance with state law. This Gann limit calculation is attached (Attachment 2).

Adoption of Resolution No. 15-0036 (Attachment 1) will formalize the Gann limit calculation for FY 2015-2016.

#### **New Position Classifications and Salary Grades**

The FY 2015-2016 budget includes new positions for which no existing classifications exist. These include the Ceramics Studio Supervisor, Sports Coordinator, Aquatics Coordinator, Recreation Coordinator, Urban Forester, etc. Classifications need to be established as well as salary ranges. Staff recommends that the City Council authorize the City Manager to create the new classifications and assign appropriate salary ranges based on job duties, market conditions and internal equity with other existing classifications. This authorization will facilitate more rapid recruitment and placement of these approved positions and improve workplace efficiency.

**CONCLUSION:**

Staff recommends that the City Council: conduct a public hearing; adopt Resolution No. 15-0036 establishing the Gann appropriation limit for Fiscal Year 2015-2016; adopt Resolution No. 15-0037 approving the Fiscal Year 2015-2016 Operating Budget; and authorize the City Manager to create classifications and set salary ranges for new positions authorized in the FY 15-16 budget for which no existing classification exists.

Changes listed on Attachment 4 will be adopted with Resolution 15-0037 and will be incorporated into the Adopted Budget.

Attachments:

1. Resolution No. 15-0036 (Appropriation Limit)
2. Gann Limit Calculation
3. Resolution No. 15-0037 (Budget Adoption)
4. Recommended Changes to the FY 2015-2016 Proposed Budget

RESOLUTION NO. 15-0036

A RESOLUTION OF THE MANHATTAN BEACH CITY  
COUNCIL ESTABLISHING THE APPROPRIATIONS LIMIT  
FOR FISCAL YEAR 2015-2016

THE MANHATTAN BEACH CITY COUNCIL RESOLVES AS FOLLOWS:

SECTION 1. The City Council hereby finds:

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 2015-2016 has been calculated to be \$68,774,432.

SECTION 2. The City Council elects to use as the annual adjustment factors in calculating the appropriations limit, the percentage change in California per capita income and the annual population for the City of Manhattan Beach.

SECTION 3. The City Council hereby establishes the appropriations limit for the City of Manhattan Beach for Fiscal Year 2015-2016 at \$68,774,432.

SECTION 4. This Resolution shall take effect immediately.

SECTION 5. The City Clerk shall certify to the adoption of this Resolution.

PASSED, APPROVED and ADOPTED this 16<sup>th</sup> day of June, 2015.

Ayes:  
Noes:  
Absent:  
Abstain:

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WAYNE POWELL  
Mayor, City of Manhattan Beach, California

ATTEST:

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LIZA TAMURA  
City Clerk

# APPROPRIATIONS LIMIT CALCULATION

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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 fiscal year 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 fiscal year 2015-2016, the estimated tax proceeds appropriated by the Manhattan Beach City Council are under the Limit. The adjusted Appropriation Limit for fiscal year 2015-2016 is \$68,774,432. This amount is the maximum amount of tax proceeds the City is able to appropriate and spend in fiscal year 2015-2016. The appropriations subject to the Limit are \$43,742,601, leaving the City with an appropriations capacity of \$25,031,831.

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 - FISCAL YEAR 2015-2016

### Appropriations subject to limit

Fiscal year 2015-2016 Revenues (all funds)	\$110,349,120
Less: Non tax proceeds	66,606,519
Plus: User fees in excess of costs	-
<b>Total appropriations subject to limit</b>	<b><u>\$43,742,601</u></b>

### Appropriation limit

Fiscal year 2014-2015 adjusted appropriation limit	\$65,706,566
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A. Population adjustment (Based on change in City/County population)	1.008178
B. Change in per capita income	1.038200

<b>Total Annual Adjustment = (A multiplied by B)</b>	<b><u>1.0466904</u></b>
Increase in appropriation limit	\$3,067,866
<b>Fiscal year 2015-2016 appropriation limit</b>	<b><u>\$68,774,432</u></b>

Appropriations subject to limit	<b><u>\$43,742,601</u></b>
Remaining appropriation capacity	\$25,031,831

<b>Available capacity as a percent of appropriation limit</b>	<b>36.40%</b>
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RESOLUTION NO. 15-0037

A RESOLUTION OF THE MANHATTAN BEACH CITY  
COUNCIL ADOPTING THE FISCAL YEAR 2015-2016  
OPERATING BUDGET

THE MANHATTAN BEACH CITY COUNCIL RESOLVES AS FOLLOWS:

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

- A. The Manhattan Beach Municipal Code provides that the City Manager shall cause to be prepared and submitted to the City Council an annual budget;
- B. The budget covering the fiscal year 2015-2016 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 Fiscal Year 2015-2016 Operating Budget as presented to the City Council at the June 16, 2015 City Council meeting, and as amended by the revisions set forth in the attached Exhibit A, is hereby approved and adopted as the official municipal budget for the City of Manhattan Beach ("Fiscal Year 2015-2016 Operating Budget").

SECTION 3. The City Clerk is directed to maintain three copies of the Fiscal Year 2015-2016 Operating Budget on file at all times for inspection by the public.

SECTION 4. Beginning on July 1, 2015, the City Manager is hereby authorized to proceed with the implementation of the programs as set forth 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.

SECTION 5. Unexpended appropriations from the Fiscal Year 2015-2016 Operating Budget 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 take effect immediately upon adoption.

SECTION 7. The City Clerk shall certify to the adoption of this Resolution.



PASSED, APPROVED and ADOPTED this 16<sup>th</sup> day of June, 2015.

Ayes:  
Noes:  
Absent:  
Abstain:

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WAYNE POWELL  
Mayor, City of Manhattan Beach, California

ATTEST:

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LIZA TAMURA  
City Clerk

## Changes from the FY 2015-2016 Proposed Budget

Revised June 11, 2015

Adjustments	Dept/Fund	Impacted Funds		Total
		General Fund	Water	
<b>Proposed Surplus/(Deficit) - Operating &amp; Capital</b>		<b>\$378,488</b>	<b>\$2,618,117</b>	<b>\$2,996,605</b>
<b>Staff Changes - Increase/(Reduction) in Expenditures</b>				
Mobile Patient Care Reporting System (Carryover - Fire Records Mgmt Upgrades)	Fire	\$31,415		\$31,415
Well 11 Backup Generator (Carryover - CIP14825e)	Public Works		\$100,000	100,000
<b>Subtotal Staff Changes - Increase/(Reduction) in Expenditures</b>		<b>\$31,415</b>	<b>\$100,000</b>	<b>\$131,415</b>
<b>Estimated Revenues from Staff Changes</b>				
Dept. of Health Services Grant Reimbursement for Mobile Patient Care Reporting system	Fire	\$15,707		\$15,707
<b>Surplus/(Deficit) After Staff Changes - Operating &amp; Capital</b>		<b>\$362,780</b>	<b>\$2,518,117</b>	<b>\$2,880,897</b>
<b>City Council Changes - Increase/(Reduction) in Expenditures</b>				
Full-time Code Enforcement/Residential Construction Officer*	Community Development	\$67,102		\$67,102
New FT Code Officer ancillary costs (Vehicle, Uniforms, Certifications, Computer, Phone, etc.)	Community Development	38,415		\$38,415
Part-time Administrative Clerk (Code Enforcement)	Community Development	29,550		\$29,550
Computer for Part-time Administrative Clerks	Community Development	1,200		\$1,200
Sunday Library Hours (1-5pm beginning September 1)	Management Services	63,333		\$63,333
Full-time Ceramics Studio Supervisor*	Parks and Recreation	52,232		\$52,232
New FT Ceramics Studio Supervisor ancillary costs (Conferences, Phone, etc.)	Parks and Recreation	2,460		\$2,460
Elimination of Vacant Senior Rec Leader II (32 hrs/week)	Parks and Recreation	(30,850)		(\$30,850)
Elimination of Lab Technician Contract hours	Parks and Recreation	(18,000)		(\$18,000)
<b>Subtotal City Council Changes - Increase/(Reduction) in Expenditures</b>		<b>\$205,442</b>	<b>-</b>	<b>\$205,442</b>
<b>Estimated Revenues from City Council Decisions</b>				
Vacation Rental TOT Adjustment		(\$70,000)		(\$70,000)
<b>Subtotal Estimated Revenues from City Council Decisions</b>		<b>(\$70,000)</b>	<b>-</b>	<b>(\$70,000)</b>
<b>Surplus/(Deficit) After Staff &amp; City Council Decisions - Operating &amp; Capital</b>		<b>\$87,338</b>	<b>\$2,518,117</b>	<b>\$2,605,455</b>
<i>*Prorated to reflect anticipated hiring date by November 1, 2015</i>				