

City of Manhattan Beach, California

Fiscal Year 2016-2017 Budget-At-A-Glance



Budget Overview

The City of Manhattan Beach is recognized for providing exemplary municipal services and contributing to the exceptional quality of life afforded to residents, businesses and visitors who enjoy living in and visiting California's safest Beach community.



Using the mission statement as the foundation, the City Council developed the following pillars for success: strong governance that values meaningful resident engagement, excellent municipal services provided by an aligned and committed workforce, financial sustainability, effective physical asset management (infrastructure, facilities and amenities), environmental stewardship, and economic vitality. The fiscal year (FY) 2016-2017 budget was prepared with these guidelines as well as feedback from the community collected through a resident survey and Community Budget Priorities meeting held in January.

Total revenues for FY 2016-2017 across all funds are estimated at \$113.8 million, \$3.5 million or 3.1% above the FY 2015-2016 budget. Total expenditures are budgeted at \$114.4 million, \$6.5 million or 5.4% below the prior year adopted budget. Included are \$9.9 million in new, one-time capital projects.

This year the City changed the spending plan to incorporate a two year budget. This not only encourages longer range planning, but also prioritizes the City's goals for the upcoming year. Under the two-year budget, the first year of the biennial budget (2016-2017) is adopted and the second year (2017-2018) is approved. Next spring, the FY 2017-2018 approved Budget will be reviewed and adopted with changes as necessary.

A summary of the adopted FY 2016-2017 Budget follows and charts illustrating the projected revenues and expenditures for FY 2017-2018 can be found on page 7. The complete FY 2016-2017 Adopted Operating Budget and FY 2016-2017 to FY 2020-2021 Capital Improvement Plan can be found at www.cityymb.info.

Looking Ahead

The City of Manhattan Beach continues to see overall economic stability, with major revenues advancing along with the improving economy. Budget goals remain to efficiently maintain the levels of service currently provided to residents, reduce expenses wherever practical, meet employee obligations and maintain adequate General Fund reserves, while retaining the City's triple-A credit rating from Moody's and Standard & Poor's. While there are upcoming issues with respect to escalating pension costs and increasing subsidies to other funds, the City is committed to remaining fiscally sound through balanced budgeting, and improving effectiveness and efficiencies in order to meet these challenges.



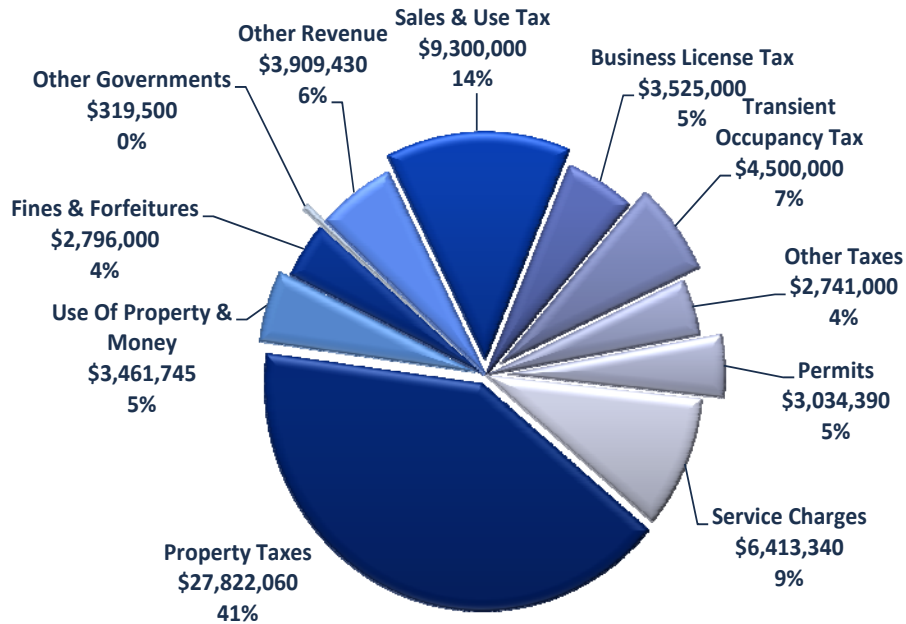
General Fund Revenue Highlights

General Fund revenues for FY 2016-2017 are projected at \$67.8 million, \$4.1 million or 6.4% higher than the prior year budget. Increases in Property Tax, Transient Occupancy Tax, Business License Tax, and Building and Planning Fees all contribute to the rise in revenues.

- Property Tax, the largest revenue source in the General Fund, is expected to continue growing in the upcoming fiscal years with the local market continuing its resurgence, and residential construction and remodeling on the rise. For FY 2016-2017, Property Tax is estimated at \$27.8 million, \$1.9 million or 7.3% above the prior year budget.
- Sales tax revenues for FY 2016-2017 are expected to rise to \$9.3 million, 10.1% higher than the prior year budget. This sharp increase is in large part due to the conservative estimate made for FY 2015-2016. Overall trends within the State indicates that 12% of all General Consumer Goods purchases are made on-line, impacting the point of sale tax revenues in the long-term.
- Transient Occupancy Tax (TOT) continues its recent strong growth patterns. TOT is expected to generate \$4.5 million in FY 2016-2017, \$419,100 or 10.3% above the prior year budget. This number reflects the General Fund portion only which is 85% of total TOT; the remainder goes to the Capital Improvement Fund. The City levies a 10% tax on hotel/motel rooms.
- Business License Tax is estimated at \$3.5 million for FY 2016-2017, up 11.4% from the prior year budget. The City issues over 5,000 business licenses annually and the overall improvement in the local economy is contributing to modest growth in this tax.
- A robust housing market and increased building activity and permit valuations have led to higher Building Permit and Plan Check fees. Together Building Permits and Plan Check Fees are conservatively budgeted at \$3.2 million, \$0.3 million or 8.5% below last year's budget.
- Interest rates remain at suppressed levels while the Federal Reserve continues its efforts to stimulate the economy. As the City's current investments mature, reinvestment rates are less than that of previous years resulting in lower interest earnings on the City's idle funds. Even if the Federal Reserve begins to increase interest rates, an immediate recovery is not expected in the near future. Interest income allocated to the General Fund is estimated at \$490,000 for FY 2016-2017, 5.1% below the prior year budget.
- Marriott Hotel Percentage Rent is a significant contributor to General Fund revenues, and is comprised of a percentage of room and food and beverage sales. For FY 2016-2017, this revenue is estimated at \$1.2 million, up 20.6% from the prior year budget. This does not include the additional \$400,000 in base rent payment.



**FY 2016-2017 Source of Funds General
Fund = \$67,822,465**



Top 25 Sales Tax Producers

(In Alphabetical Order)

Apple	Old Navy
AT&T Mobility	PI Technologies
Barnes & Nobles	Pottery Barn
Beach Pizza	Ralphs
BevMo	REI
Chevron	Sephora
Circle K	Strand House Strandbar
CVS	Target
Fry's Electronics	Tin Roof Bistro
Houston's	Toyota Lease Trust
Macys	Trader Joes
Manhattan Beach Marriott	Vons
Manhattan Beach Toyota	

Top 8 Property Tax Payers

(In Alphabetical Order)

CRP MB Studios LLC	RREEF America REIT II Corp BBB
Host Marriott MB LP	Skechers USA Inc.
Northrop Grumman Systems Corporation	WH Manhattan Beach
Parstem Realty Company Inc.	1230 and 1240 Rosecrans Ave. Hold LLC



Manhattan Beach Library, Reopened May 2015
Photo by Los Angeles County Library

General Fund Expenditure Highlights

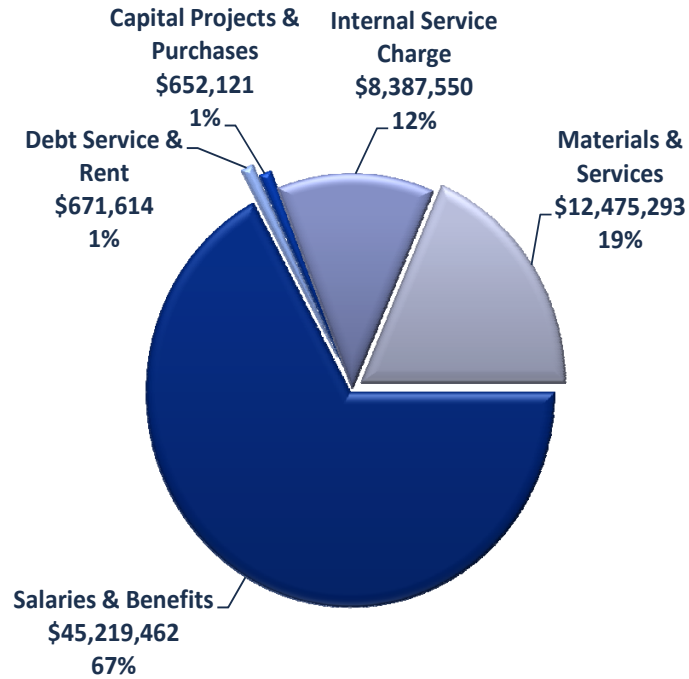
General Fund expenditures are projected at \$67.4 million in FY 2016-2017, up \$3.8 million or 6.0% from the FY 2016-2017 budget.

- Labor-related expenditures are expected to increase by \$2.1 million or 4.8% over last year's budget to \$45.2 million in the new fiscal year, due partly to the addition of one Administrative Clerk, in the Police Department and a full time Recreation Coordinator in Older Adults program. The reclassification of the Management Fellow to Management Analyst was cost neutral.
- FY 2016-2017 Salaries and Benefits also include a vacancy factor of \$1.4 million in the General Fund to account for times when positions are vacant due to attrition and retirements. CalPERS pension contributions, which are increasing by \$662,044 in the General Fund, are part of this category as well.
- Recent shifts in the structure of CalPERS have created new policies that will gradually lower the discount rate from 7.5% to 6.5% over the next twenty years. These changes coupled with low projected investment returns will cause the City to increase contributions. Contributions are expected to rise from \$5.1 million in FY 2016-2017 to \$9.0 million by FY 2020-2021. Fortunately, our five year forecast indicates the ability to absorb these increases.
- Materials & Services are up \$0.6 million, or 5.4% from the prior year budget. Primary drivers include an increase of \$99,747 for costs associated with the March 2017 election and Training, which went up by \$78,079 (15.1%). Training focused on customer service and performance evaluations is included in the FY 2016-2017 Budget.
- Internal Service charges are up \$0.8 million or 10.5% from the prior year budget to \$8.4 million. These funds include the Insurance Reserve, Fleet, Information Technology and Building Maintenance funds. The most notable increase is in the Insurance allocation, which is up \$895,740 million, a direct result of the high level of Workers Compensation and Liability claims activity recently. Other internal service allocations (Fleet Information Technology and Building Maintenance) were collectively down \$99,482 due to lower costs in those operations.
- Debt service increased by \$90,383 or 15.6% from the prior year to \$671,614. This increase is largely due to the capital lease that was added in FY 2016-2017 in anticipation of financing the purchase of the community camera project (\$400,000). Lease payments are estimated at \$86,099 per year.
- Including capital expenditures and debt service, the General Fund has a projected operating surplus of \$416,425 for FY 2016-2017.

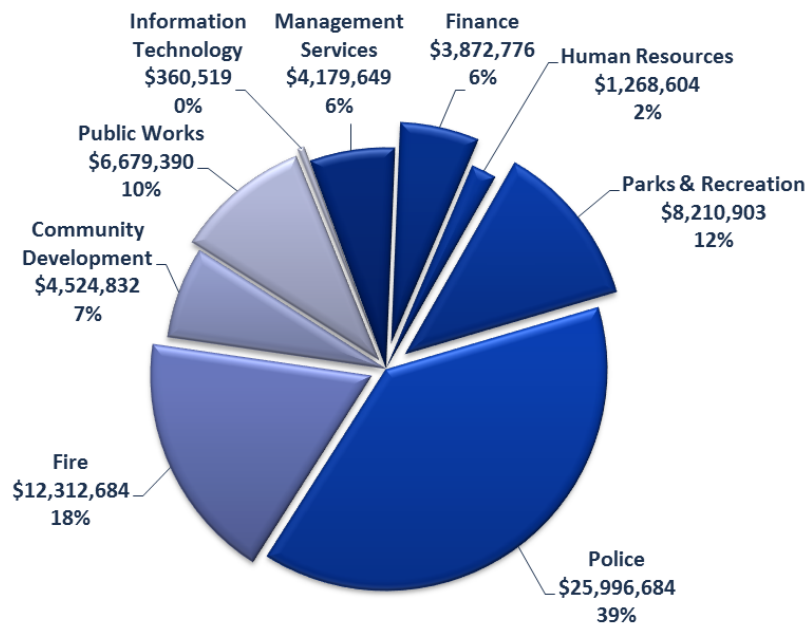


**FY 2016-2017 General Fund
Use of Funds = \$67,406,040**

By Category



By Department



Capital Improvement Program

The Capital Improvement Plan (CIP) is the City's five-year infrastructure maintenance, growth and development plan. It is a planning document that presents these needs 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 five years and a minimum expense of \$10,000.

Appendix schedules in the Operating Budget document include the full list of Capital Project expenditures planned in FY 2016-2017 as well as budgeted equipment and vehicle purchases.

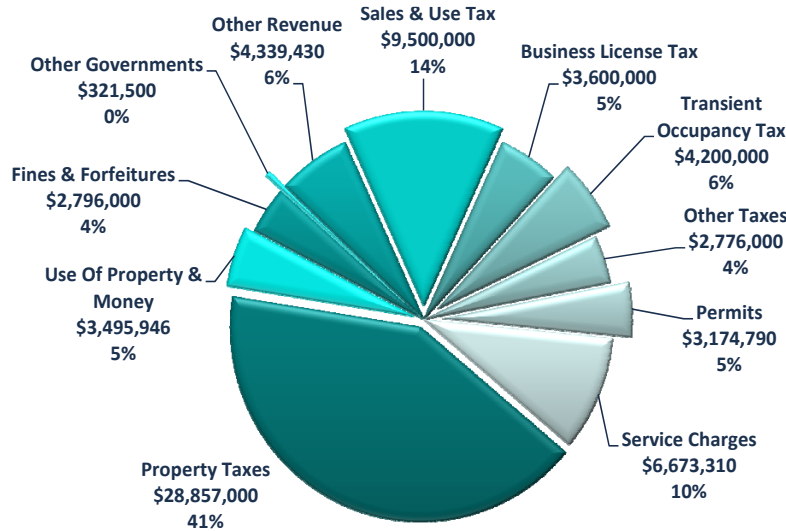
Project Type	Major New Projects included in Five Year CIP (See Budget Document for All Projects)	2016-2017 Budget
Parking <i>(Includes Parking Fund and State Pier & Parking Lot Fund)</i>	<ul style="list-style-type: none"> • Parking Structure Structural Rehabilitation/Reinvestment • Pier Lot Safety Lighting 	\$854,500
Streets & Sidewalks <i>(Includes Gas Tax, Prop C and Measure R Funds)</i>	<ul style="list-style-type: none"> • Safe Routes to Schools • Annual Slurry Seal Program • Annual Curb, Gutter and Ramp Replacements • Street Resurfacing in Liberty Village and Blanche, Marine, 27th, Oak, Redondo and 11th 	\$3,365,000
Stormwater & Wastewater <i>(Includes Stormwater & WasteWater Funds)</i>	<ul style="list-style-type: none"> • Storm Drain Projects (spot repairs and sections) • Rehabilitation of Gravity Sewer Main Projects • Lift Station Upgrade Projects (4) 	\$310,000
Water <i>(Includes Water Fund)</i>	<ul style="list-style-type: none"> • Pipe Replacement Program and Fire Hydrant Installation (Area 2) • Peck Ground Level Reservoir Replacement • Block 35 Ground Level Reservoir Replacement • Well Collection Line from Well 11A to Block 35 • Water Meter Upgrade and Automation 	\$3,835,000
Facilities <i>(Includes CIP Fund)</i>	<ul style="list-style-type: none"> • CDBG Access Ramp Construction • Marine Ave Park Baseball Field Synthetic Turf • Begg Field Synthetic Turf & Light Fixture Replacement • Energy Efficiency Implementation Study/Plan • Veterans Parkway Landscape • Ceramics Studio Renovation 	\$1,542,000
	Capital Projects Total	\$9,906,500
Prior Year Projects In Progress	<ul style="list-style-type: none"> • Fire Station 2 Design Development • Facility Improvements • Rosecrans Undergrounding & Widening • Pier Improvements, including Roundhouse & Comfort Station • Sepulveda Bridge Widening • Aviation at Artesia, SB to WB Right-turn Lane • Improvements at 38th & Highland • Strand Stairs • Parkview Sidewalk • Skate Spot 	

FY 2017-2018 Projections

Projected revenues and expenditures for FY 2017-2018 were determined during the creation of the 2-year budget cycle. Based on these assumptions, the estimated surplus for FY 2017-2018 would be \$162,517.

Revenues forecasted in FY 2017-2018 total \$69,733,976, an increase of 2.8% or \$1.9 million from the FY 2016-2017 Budget. Revenue forecasts are based on current trends and activity; assumptions may be adjusted during the FY 2017-2018 Budget update when more precise information is available.

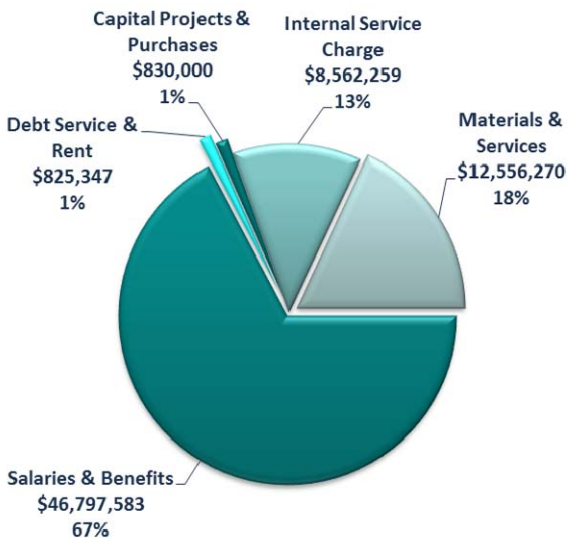
FY 2017-2018 Source of Funds General Fund = \$69,733,976



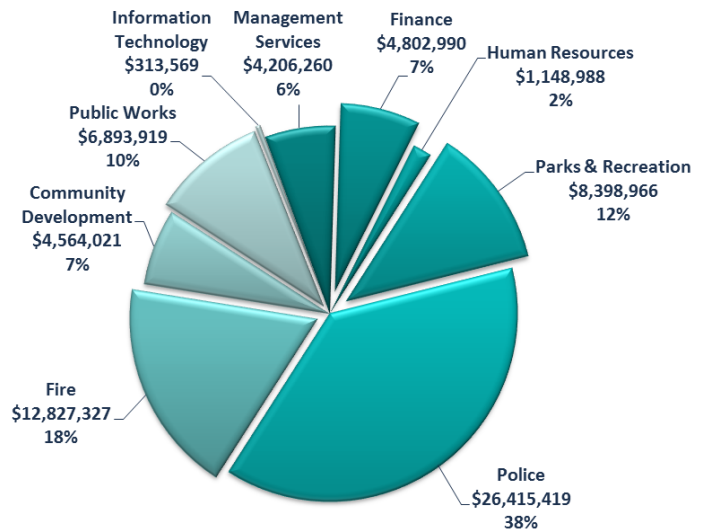
Expenditure projections for FY 2017-2018 reflect a \$2.2 million (3.2%) increase from the FY 2016-2017 Budget. Salary and Benefits are expected to increase \$1.6 million (3.7%) due to Salary adjustments per MOU agreements and increases in PERS and medical insurance costs.

FY 2017-2018 General Fund Use of Funds = \$69,571,459

By Category



By Department



The City of Manhattan Beach

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 35,818^(a) 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), 294 authorized full-time employees, and is presided over by a five-member council each serving a nine-month mayoral position during their four-year term.

(a) US Census Bureau, 2015 estimate



Elected Officials

Mayor

Tony D'Errico

Mayor Pro-Tem

David J. Lesser

City Councilmembers

Mark Burton

Amy Howorth

Wayne Powell

City Treasurer

Tim Lilligren

Executive Staff

City Manager

Mark Danaj

Assistant City Manager

Nadine Nader

City Clerk

Liza Tamura

City Attorney

Quinn M. Barrow

Director of Finance

Bruce Moe

Director of Human Resources

Teresia Zadroga-Haase

Director of Parks and Recreation

Mark Leyman

Chief of Police

Eve R. Irvine

Fire Chief

Robert Espinosa

Director of Community Development

Marisa Lundstedt

Director of Public Works

Vacant

Director of Information Technology

Sanford Taylor



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