CITY OF MANHATTAN BEACH
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AGENDA

1400 Highland Avenue | Manhattan Beach, CA 90266
Phone (310) 802-5000 | Fax (310) 802-5051 | www.citymb.info

City Council Adjourned Regular Meeting

Budget Study Session #1
Thursday, May 4, 2017
6:00 PM
Police/Fire Conference Room
400 15th Street
Manhattan Beach, CA 90266

Mayor David J. Lesser
Mayor Pro Tem Amy Howorth
Councilmember Steve Napolitano
Councilmember Nancy Hersman
Councilmember Richard Montgomery

Executive Team

Mark Danaj, City Manager
Quinn Barrow, City Attorney

Robert Espinosa, Fire Chief
Teresia Zadroga-Haase, Human Resources Director
Eve R. Irvine, Police Chief
Stephanie Katsouleas, Public Works Director
Mark Leyman, Parks & Recreation Director

Nadine Nader, Assistant City Manager
Anne McIntosh, Community Development Director
Bruce Moe, Finance Director
Liza Tamura, City Clerk
Sanford Taylor, Information Technology Director

MISSION STATEMENT:
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

MANHATTAN BEACH'S CITY COUNCIL WELCOMES YOU!

Your presence and participation contribute to good city government.

By your presence in the City Council Chambers, you are participating in the process of representative government. To encourage that participation, this agenda provides an early opportunity for public comments under "Public Comments," at which time speakers may comment on any matter within the subject matter jurisdiction of the City Council, including items on the agenda.

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, 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.

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). The City also provides closed captioning of all its Regular City Council Meetings for the hearing impaired.

CERTIFICATION OF MEETING NOTICE AND AGENDA POSTING

I, Liza Tamura, City Clerk of the City of Manhattan Beach, California, state under penalty of perjury that this notice/agenda was posted on Thursday, April 27, 2017, on the City's Website and on the bulletin boards of City Hall, Joslyn Community Center and Manhattan Heights.

BELOW ARE THE AGENDA ITEMS TO BE CONSIDERED.

A. CALL MEETING TO ORDER

B. PLEDGE TO THE FLAG

C. ROLL CALL

D. PUBLIC COMMENTS (3 MINUTES PER PERSON PER ITEM)

Speakers may provide public comments on any matter that is within the subject matter jurisdiction of the City Council, including items on the agenda. The Mayor may determine whether an item is within the subject matter jurisdiction of the City Council. While all comments are welcome, the Brown Act does not allow City Council to take action on any item not on the agenda. Each speaker may speak for up to 3 minutes.

Please complete the "Request to Address the City Council" card by filling out your name, city of residence, the item(s) you would like to offer public comment, and returning it to the City Clerk.

E. OLD BUSINESS

1. FY 2016-2017 Budget Status Report; Presentation of FY 2017-2018 Operating Budget Modifications for the Second Year of the Biennial Budget (Finance Director Moe). 17-0118

RECEIVE REPORT

Attachments:
Attachment 1 - FY 2016-17 General Fund Revenue and Expenditure Estimates
Attachment 2 - FY 2017-18 Proposed General Fund Revenues and Expenditure
Attachment 3 - All Funds Budget Comparison
Attachment 4 - FY 2017-18 Budget Amendment Requests
Attachment 5 - City of Manhattan Beach Five Year Forecast
Attachment 6 - Parks & Rec Profit and Loss Estimates for FY2017-18
Attachment 7 - General Fund Budget History
Attachment 8 - General Fund History - Salaries & Benefits
Attachment 9 - Position Change History
Attachment 10 - Efficiency Projects Completed & In Progress
City Council Staff Report (Attachment only available online)

2. Presentation of Updated Pension Forecast; Options for Addressing Unfunded Pension Liabilities and Rising Pension Contributions; Establishment of a Pension Stabilization Trust Fund (Finance Director Moe). RES 17-0062

RECEIVE REPORTS; ADOPT RESOLUTION

Attachments:
Resolution No. 17-0062
Bartel & Associates Pension Projections - May 2017
Amortization Schedule - Miscellaneous Plan
Amortization Schedule - Police Plan
Amortization Schedule - Fire Plan
Amortization Bases - Miscellaneous Plan
Amortization Bases - Police Plan
Amortization Bases - Fire Plan
Highmark Investment Options
Unfunded Liabilities for Comparator Agencies
PARS Client List for Pension Rate Stabilization Program
Pension Trust Fund PowerPoint
City Council Staff Report (Attachment only available online)

3. Presentation of the Proposed 5-Year Capital Improvement Program (CIP) for FY 2017/18 Through FY 2021/22 (Public Works Director Katsouleas). 17-0199

APPROVE

Attachments: Proposed 5-Year CIP

46 Active Projects by Year

25 Pending CIP Projects by Funding Year

5 Newly Proposed Projects Recommended for Funding in FY 2017/18

PowerPoint Presentation

F. ADJOURNMENT

1400 Highland Avenue | Manhattan Beach, CA 90266
Phone (310) 802-5000 | Fax (310) 802-5051 | www.citymb.info

Agenda Date: 5/4/2017

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:
FY 2016-2017 Budget Status Report; Presentation of FY 2017-2018 Operating Budget Modifications for the Second Year of the Biennial Budget (Finance Director Moe).
RECEIVE REPORT

RECOMMENDATION:
Staff recommends the City Council receive a report on the status of the Fiscal Year 2016-2017 budget, and recommended modifications for the second year (FY17-18) of the biennial budget.

(Please note that the associated PowerPoint presentation for this report will be posted on Monday, May 1, 2017)

FISCAL IMPLICATIONS:
Current trends indicate the City's FY 2016-2017 General Fund operating budget will finish the year with revenues exceeding expenditures by $832,228. Taking into account year-end projections and anticipated transfers to the Insurance, Street Lighting and Storm Water Funds, staff projects an unreserved General Fund balance of $3.4 million at fiscal year-end.

Other funds are trending within projections with the exception of the Insurance Fund. Substantial activity in Workers' Compensation continues beyond expectations. Currently, the Insurance Fund is running over budget by approximately $574,000. Staff will return to City Council later in the year with a clean-up appropriation to adjust for the excess activity. Council may recall that in FY 2015-2016, Council approved annual transfers from the General Fund to the Insurance Fund of $667,000 over three years ($2 million total) which is scheduled to end after FY 2017-2018. If not for the projected savings from the move to the new insurance pool, and the resulting $1.1 million savings, further immediate General Fund transfers would be necessary to address the Workers Compensation cost trends.

The fiscal year 2017-2018 budget as approved last year included expenditures across all funds totaling $132,963,397. The General Fund was balanced with revenues of $69,733,976 and expenditures of $69,571,459 resulting in a projected surplus of $162,517. Modifications to the plan, described later in this report, result in revenues exceeding expenditures by $468,201. Without anticipated one-time revenues and nonrecurring equipment expenditures, core (on-going) revenues exceed core expenditures by $686,786. Carry forward projects and one-time expenditures are discussed in detail below.

While the City is maintaining a balanced General Fund budget, there are significant financial issues looming which need to be proactively addressed in the near future, which will require City Council leadership and a strong commitment to the long term fiscal health of the City. Please refer to the "Financial Planning" section below.

BACKGROUND:
A new biennial budget cycle commenced in FY 2016-17. On June 21, 2016, the City Council adopted the FY 2016-17 Operating Budget and approved the FY 2017-18 Operating Budget. The FY 2016-17 Budget was adopted with a General Fund operating budget surplus of $416,425.

Revenues	$67,822,465
Expenditures	$67,406,040
FY 16-17 Adopted Surplus/(Deficit)	**$416,425**

The City's two year operating budget is on the City's website:

http://www.citymb.info/ProposedFY17BiennialBudget

Two Year Budget
The purpose of the two-year budget is to encourage longer range planning, and link the spending plan to that vision of the Strategic Plan, which prioritizes the City's goals for the coming years. The multi-year budget is also linked to other planning efforts such as community surveys. The advantages include a greater emphasis on management, service delivery, program evaluation and monitoring. It also improves long-term planning, reallocation of human resources to more value-added activities other than budget preparation, and reduction in staff time spent on budget development in the second budget year.

Under the two-year budget, the first year of the biennial budget (2016-2017) was adopted and the second year (2017-2018) was approved as a spending plan but not adopted - that occurs before the beginning of the second year. With that time now occurring, staff performed a review process for any critical changes to the second year spending plan, which are now presented for City Council consideration. Once determined and final direction given, City Council will formally adopt the second year spending plan (FY 2017-2018). The entire biennial budget process will commence with a new two-year budget for FY 2018-2019 and FY 2019-2020.

One of the greatest benefits to the two-year budget involves the City's Capital Improvement

Plan (CIP). Previously, under the one-year budget process, the development and approval of the CIP occurred concurrently with the operating budget. This did not provide adequate time for a thorough review of one the City's major spending components - capital projects.

Now, with the two-year budget, the first year (FY 2016-2017) centered on the operating budget, with year two more closely focusing on the five year CIP. Any changes Council directs for the CIP that affect FY 2017-2018 will be incorporated into the adopted budget.

DISCUSSION:

After a thorough review of financial activity and trends to date, staff has estimated a year-end surplus of $832,228 for FY 2016-17:

Revenues	$67,743,815
Expenditures	$66,911,587
FY 16-17 Estimated Surplus/(Deficit)	**$832,228**

Overall, the fiscal year 2016-17 General Fund budget-to-actuals through March are performing near budget. Revenues are estimated to be slightly under the adjusted budget by $143,650 (-0.2%). Expenditures (including all budget adjustments subsequent to adoption) are expected to total $1,331,433 (-2.0%) under the adjusted budget (the adjusted budget includes City Council-approved amendments during the current year as well as encumbrances carried forward from the prior year).

Over half of the FY 2016-17 Estimated Surplus is a result of carryforward requests (totaling $542,008) for delayed projects and capital equipment purchases, which are now included in the FY 2017-2018 budget adjustments presented. These requests include funds set aside for previously approved City initiatives, including the ERP system upgrade ($178,585), Police Department ALPR cameras ($100,000), building permit system upgrade ($74,123), implementation of the Historic Preservation commission and program ($176,200) and the purchase of a work order management system and laptop in Public Works ($13,100). These costs already exceed the amount by which revenues exceeded expenditures in the Approved FY 2017-18 Operating Budget approved last June.

Revenues	$69,733,976
Expenditures	$69,571,459
FY 17-18 *Approved* Surplus/(Deficit)	**$162,517**

However, with the changes identified in the FY 2017-18 Proposed Budget, revenues are projected to exceed expenditures by $468,201.

General Fund Revenues

The following are highlights of several key revenues. Please see Table 1 on Attachments #1 (FY 2016-2017) and #2 (FY 2017-2018) for a list of key General Fund revenue variances.

Property Tax

Property tax is the General Fund's largest revenue source, accounting for approximately 40% of total revenue. Property Tax as a group is forecasted to come in $244,859 (0.9%)

over budget and $1,722,643 (6.5%) ahead of last year. Net taxable assessed property values have grown 7.1% from fiscal year 2016, reflecting the continued strength of the Manhattan Beach housing market. This continues the trend from the prior year's growth of 8.1%.

FY 2014 Revenue:	$23,353,741
FY 2015 Revenue:	$24,435,184
FY 2016 Revenue:	$26,344,276
FY 2017 Budget:	$27,822,060
FY 2017 Full Year Estimate:	$28,066,919

Fiscal Year 2017-2018 estimates indicate a slowing in the housing market. Growth in assessed values for next fiscal year are budgeted at 5.34% as opposed to the 7.1% growth last year. However, this is still greater than the 4% estimated last year (the 4% was also calculated on a conservative year end estimate which was below final year end results).

FY 2017-2018 Budget as Approved: $28,857,000
FY 2017-2018 Recommended for Adoption: $29,511,005
Change: $654,005 (+2.3%)

Real Estate Transfer Tax
Real Estate Transfer Tax revenue is derived from a charge of fifty-five cents per $500 of sales price, split evenly between the City and the County of Los Angeles. Available data for single-family home sales indicate the sales volume in calendar year 2016 was consistent with the prior year (Source: HdL, Coren & Cone).

Residential Home Sales by Calendar Year:

2016: 427
2015: 424
2014: 486
2013: 498
2012: 489
2011: 427
2010: 393

Although the number of sales in 2016 are roughly the same as in calendar year 2015, the median single family sales price increased to $2.0 million in 2016, up just 2.8% from the prior year. Sales activity was stronger in the first half of 2016 than in July through December, which falls into the current fiscal year. Hence, transfer tax collections in FY 2016-17 are trending down from the prior fiscal year. Conservatively estimating the number and value of transfer tax collections from all properties (residential and commercial), collections are expected to be 24.3% below the prior year, and to underperform budget by $250,000 (29.4%).

FY 2014 Revenue:	$642,718
FY 2015 Revenue:	$720,826
FY 2016 Revenue:	$792,830

FY 2017 Budget:	$850,000
FY 2017 Full Year Estimate:	$600,000

For Fiscal Year 2017-2018, budgeted revenues have been lowered to reflect the most recent trend:

FY 2017-2018 Budget as Approved: $860,000
FY 2017-2018 Recommended for Adoption: $600,000
Change: -$260,000 (-30.2%)

Sales Tax

Sales Tax, the city's second largest General Fund revenue source (15% of total revenue) has not generated the same growth as seen in the past few years. Flat or declining retail "Point of Sale" returns and continued low fuel prices have contributed to the decline in growth. The FY 2016-17 budget of $9.3 million was a conservative estimate based on the year-end projection for FY 2015-16 at the time. However, with the unwinding of the "Triple Flip," the State realigned its cash flows resulting in a one-time increase to the City's sales tax receipts in FY 2015-16. New projections developed in consultation with the City's sales tax consultants (HdL) indicate Sales Tax for the current year should come in at approximately $9.0 million, $348,605 (-3.7%) below last year or 3.2% below budget. In the fourth quarter of 2016, the City's restaurants and hotels performed 1.4% better than the fourth quarter of 2015, but general consumer goods underperformed the prior year by about 1.3%. Sales tax from online sales (received through State and County Pools) increased by 3.5% over the prior year.

FY 2014 Revenue:	$9,135,807
FY 2015 Revenue:	$9,171,515
FY 2016 Revenue:	$9,348,605
FY 2017 Budget:	$9,300,000
FY 2017 Full Year Estimate:	$9,000,000

FY 2017-2018 Budget as Approved: $9,500,000
FY 2017-2018 Recommended for Adoption: $9,000,000
Change: -$500,000 (-5.3%)

Transient Occupancy Tax

Also known as the hotel bed tax, the City levies a 10% Transient Occupancy Tax (TOT) on hotel and motel rooms with 8.5% going to the General Fund. The remaining 1.5% goes to the Capital Improvement Fund to fund Police & Fire Facility debt service and future projects. Based on recent month-over-month trends, General Fund TOT revenues for the full year are expected 2.5% (-$111,666) below budget and 0.5% ($20,893) below the prior year (the budget forecasted growth at 4.5% over the prior year estimate, and 2.1% over year end results).

General Fund

FY 2014 Revenue:	$3,565,093
FY 2015 Revenue:	$3,955,209
FY 2016 Revenue:	$4,409,227

FY 2017 Budget:	$4,500,000
FY 2017 Full Year Estimate:	$4,388,334

During adoption of the FY 2016-2017 budget, Council directed that $500,000 per year be dedicated to the CIP Fund for deferred maintenance of facilities. In FY 2016-2017, that funding was accomplished through a transfer from the General Fund (and therefore did not affect the revenue-expenditure balance). For FY 2017-2018, Council directed that the deferred maintenance funding be considered part of the revenue-expenditure equation. However, staff is recommending that Council revisit that direction because the General Fund cannot afford to reduce revenues while expenditures continue to grow. This is particularly true given last year's addition of the Pension Stabilization Reserve Fund expenditure of $500,000, which staff also would like to review with the City Council. As presented, the deferred maintenance TOT has been re-directed to the General Fund, subject to Council discussion.

FY 2017-2018 Budget as Approved: $4,200,000
FY 2017-2018 Recommended for Adoption: $4,526,500
Change: $326,500 (7.8% including redirection of $500,000 from CIP Fund)

Building Permit & Plan Check Fees
With the new cost recovery fee structure approved in 2015, the City collects less for plan check services but more for permit issuance which requires more staff resources. Taken together, Building Permit and Plan Check fees collected in FY 2016-17 are anticipated to be higher than the prior year by $329,464 or 11.9%.

In the first six months of the fiscal year, the volume of plan checks is trending about the same as the prior year but the valuation of plan checks was $59 million higher this year. This spike was largely due to two large plan check submittals (Village Mall and Skechers on Sepulveda) as well as developers hurrying to submit plans before January 2017 building code changes went into effect. Taking these anomalies into account, Building Plan Check fees for the year are projected at $1,500,000, 18.4% or $233,000 over budget. On the other hand, building permit fee revenues are expected to come in 18.0% under budget (-$348,000) due to lower cost recovery charges and exclusion of permit fees anticipated from the Manhattan Village Mall remodel (when the budget was adopted last June, it was anticipated that Plan Check fees for the mall project would be collected in FY 2015-16 with Permit fees collected in FY 2016-2017). These permit fees are now anticipated in FY 2017-18.

Plan Check

FY 2014 Revenue:	$1,409,954
FY 2015 Revenue:	$1,410,028
FY 2016 Revenue:	$1,063,654
FY 2017 Budget:	$1,267,000
FY 2017 Full Year Estimate:	$1,500,000

FY 2017-2018 Budget as Approved: $1,330,400
FY 2017-2018 Recommended for Adoption: $1,400,000
Change: $69,600 (5.2%)

Although Building Permit fees from the Manhattan Village Mall project are conservatively projected to bring in an additional $100,000, fee revenue is still down from prior years due to the changes in the cost recovery model.

Building Permits

FY 2014 Revenue:	$1,031,410
FY 2015 Revenue:	$1,196,592
FY 2016 Revenue:	$1,696,882
FY 2017 Budget:	$1,938,000
FY 2017 Full Year Estimate:	$1,590,000

FY 2017-2018 Budget as Approved: $2,034,900
FY 2017-2018 Recommended for Adoption: $1,737,700
Change: -$297,200 (-14.6%)

Business License Tax

Business license tax, which is generally calculated upon a business' gross receipts, is estimated to come in slightly higher than last year's collections. This revenue showed resilience against the troubled economy and has remained level or had slight increases year over year. Analysis of previous years showed this revenue is somewhat inelastic to the ebbs and flow of the economy. Despite modest declines and increases in businesses' total gross receipts, business license tax has remained steady, likely due to the fact that around 70 businesses pay the maximum gross receipts business license, and changes in their gross receipts are unlikely to impact their total license tax.

FY 2014 Revenue:	$3,140,273
FY 2015 Revenue:	$3,376,113
FY 2016 Revenue:	$3,475,794
FY 2017 Budget:	$3,525,000
FY 2017 Full Year Estimate:	$3,525,000

FY 2017-2018 Budget as Approved: $3,600,000
FY 2017-2018 Recommended for Adoption: $3,600,000
Change: $0 (0.0%)

Interest Earnings

The City invests its idle cash in a number of instruments ranging from the state-run Local Agency Investment Fund and corporate debt, to U.S. Treasury notes, Governmental Agencies and Certificates of Deposit. During the last recession and associated economic problems, interest rates declined dramatically and have remained at very low levels. As a result, the City's maturing investments are reinvested at the current low rates. However, the portfolio was recently yielding 1.295%, up from 1.079% one year ago, and additional rate increases are predicted in 2017. This category includes interest income as well as an offset for investment amortization.

FY 2014 Revenue:	$379,576
FY 2015 Revenue:	$329,148

FY 2016 Revenue:	$483,737
FY 2017 Budget:	$418,590
FY 2017 Full Year Estimate:	$477,040

Given the health of the U.S. economy, the Federal Reserve Open Market Committee has raised interest rates twice in the past six months, with more rate increases expected in the coming months. As a result, staff expects the yield on the City's portfolio to increase as maturing investments are re-invested at higher rates than previously received. The City Treasurer and staff work closely to monitor markets for opportunities to invest idle funds with the goals of Safety, Liquidity and Yield in that order.

FY 2017-2018 Budget as Approved: $444,631
FY 2017-2018 Recommended for Adoption: $544,631
Change: $100,000 (22.5%)

Other General Fund Revenues
Other revenues worth mentioning include:

Miscellaneous Revenues
The Miscellaneous Revenue category includes Workers' Compensation Salary Continuation, which is a reimbursement to the General Fund for wages paid to injured employees receiving benefits. Based on recent workers' compensation claim activity in FY 2016-17, reimbursement revenue has exceeded budget ($400,000) by $212,706 through the end of March. Workers' Compensation Salary Continuation revenue is projected to be over budget by $250,000 or 62.5% at year-end. The source of this revenue is the Insurance Fund which reimburses the General Fund for salary continuation.

Risk Management and Finance staff are collaborating on funding methodology alternatives that will stabilize the effects of claims volatility in Workers Compensation funding. Risk Management is also in the planning stages for development of Workers' Compensation program elements designed to gain control over medical provider protocols as allowed under the Labor Code. The intended outcomes of these efforts are: 1) reduction in medical costs; 2) reduction in temporary disability expenditures; and 3) improved medical outcomes for injured employees. Program development and any required labor discussions will proceed through FY17/18.

Parking Citations
In July 2015, parking citation fees were increased by $5 in alignment with other comparable cities. However, downtown parking revenues and citations were also impacted by the streetscape project occurring in the fall of 2015. Several meters had to be temporarily removed for concrete sidewalk replacement during the project, which took away both meter revenue and the expired meter citations. Parking conditions have since normalized and the number of citations is on par with earlier years before the construction. General Fund citation revenue is projected to end the year at $2.6 million, which exceeds FY 2015-16 revenue by $263,953 or 11.3% and exceeds budget by $14,000.

While a General Fund revenue source, a portion of the revenue from Parking Citations ($4 of all citations except expired meters) goes to the CIP Fund. The CIP fund utilizes the moneys to pay debt service on the Police/Fire facility and to fund other general CIP projects.

General Fund Expenditures
For Fiscal Year 2016-2017, within the Salary and Wages category, regular salaries are projected to be over budget by $74,756, or 0.6%, and sworn salaries (Police and Fire) are trending over budget by $498,787 or 3.9%. As in previous years, a vacancy factor of 4% ($1.4 million in the General Fund) was built into the budget to recognize the salary savings achieved from vacancies naturally occurring throughout the year due to attrition and retirements. Regular and sworn overtime costs are projected to remain within budget. Current trends indicate ending the year under budget by $24,362 or 0.6%. Part-time salaries are estimated to end the year under budget by $53,515 or 2.6%.

Employee Benefits are estimated at 3.2% or $448,854 under budget for the full year, mainly due to the “superfunded” status of the City’s other postemployment benefits (OPEB) liability thus eliminating the need for a contribution. Although a medical retirement contribution of $238,512 was budgeted in FY 2016-17, a payment has not been required since FY 2014-15. All other employee benefits are projected to end the year $210,342 or 1.5% under budget. In addition to vacancies, this change can be attributed to Group Medical Insurance trending $79,774 (2.3%) under budget due to medical premium increases rising at a lower rate than budgeted.

Regular and Sworn employee pension costs are estimated under budget by 3.0% ($172,766) totaling $5,597,648 in the General Fund ($6,038,292 across all funds) in FY 2016-17. In addition to vacancies, prepaying the unfunded liability contribution in July added to the savings by about $61,000. CalPERS payments in FY 2016-17 include the normal cost portion ($1,321,466 for Regular and $2,154,197 Sworn) as well as $2,562,629 toward paying down the City’s Unfunded Liability.

Contract and Professional Services is estimated under budget by $287,830 or 3.3%. A significant part of this savings is due to the Historic Preservation program and commission originally scheduled for implementation in FY 2016-17. Budgeted funds totaling $176,200 will not be spent this fiscal year, but staff has incorporated this amount in the requested budget amendments for implementation in FY 2017-18. Computer contract services will also end the year under budget due to the re-evaluation of the building permit system implementation. About $74,000 in funding related to this project will also be recommended for re-budgeting in FY 2017-18. Offsetting these savings, legal services is trending over budget by about $143,000 (30.8%) due to unanticipated legal proceedings.

Utility costs and Internal Service Charges are both anticipated to end the year under budget. Cost increases assumed during the development of utility budgets have not materialized, thus causing the lower trend in actual expenditures to date. In addition, fleet maintenance costs are also trending lower.

Property and Equipment will not be fully expended by year end, and is expected to come in under budget by $375,747. Much of these costs are related to Information Systems Master Plan projects which are not expected to be completed by year end (e.g. Financial and Human Resources software system upgrades). Remaining unspent budgets for these projects are included in the budget amendments (carry forwards) proposed for FY 2017-18.

In 2016, the City refinanced variable rate bond debt on Marine Avenue Park to fixed rate Certificates of Participation. Interest payments on the variable rate debt had been budgeted at an artificially high interest rate in line with bond covenants. Because actual interest rates were always lower than the budgeted rate, budgetary savings were realized every year. In addition, administrative fees/letter of credit fees on the variable rate debt cost the City about $80,000 per year. By refinancing with fixed rate bonds, the City is realizing significant budget savings. The revised full-year estimate for debt service in FY 2016-17 is $141,376 under budget and the proposed budget for FY 2017-18 was reduced by $122,431.

Overall, General Fund expenditures are trending 2.0% or $1,331,433 under the adjusted budget in FY 2016-17.

Other Funds

Worth noting are other Funds receiving subsidies from the General Fund, which diverts resources from Police, Fire and other general governmental services. Over the next five years, General Fund subsidies to the Storm Water and Street Lighting & Landscape District Funds are projected between $1 million and $2 million per fiscal year.

The Street Lighting and Landscaping Fund currently has no fund balance and assessments are inadequate to fund operations or provide for future capital needs. As a result, the General Fund subsidizes this fund every year, estimated at $206,903 in FY 2016-17.

The General Fund's subsidy to the Storm Water Fund is estimated at $1,263,233 in FY 2016-17, which includes the addition of $221,415 for emergency Stormwater repairs approved by City Council on March 21, 2017 (if the City's claim to recover the moneys is successful, the General Fund will be reimbursed). The General Fund transferred $841,286 in FY 2015-16. Stormwater operations will continue to encounter higher operating costs due to legislative action to clean storm water runoff and limits, which reduces funds for highly needed capital improvement projects. Capital projects such as the storm drain debris filters therefore continue to be underfunded and must be paid for out of the General Fund.

In addition to Street Lighting and Stormwater Fund transfers, the City Council approved a phased transfer plan from the General Fund Unreserved Fund Balance to the Insurance Fund on November 17, 2015. Transfers in the amount of $667,000 were approved for fiscal years 2015-16, 2016-17, and 2017-18 to correct a fund imbalance that was a result of higher than expected claims activity during FY 2014-15 (the transfers in FY 2015-16 and 2016-17 have been made and are reflected in fund balance estimates stated in this report).

Workers' compensation claims activity resulted in $4,057,854 in claims paid in FY 2015-16. Based on workers' compensation claims activity through March 2017, paid claims for the fiscal year are projected to total $3.8 million for the year ($1,020,000 over budget).

FY 2014-15	$3,779,780
FY 2015-16	$4,057,854
FY 2016-17 Estimate	$3,800,000

Liability claims activity is anticipated to be under budget by $500,000, which will help offset the higher costs due to workers' compensation. As a result, an appropriation of approximately $600,000 will be needed so that total fund expenditures do not exceed total fund appropriations. A budget adjustment will be requested in the coming weeks once the amount if finalized.

As previously stated, Risk Management and Finance staff are collaborating on funding methodology alternatives that will stabilize the effects of claims volatility in Workers Compensation funding. Risk Management is also in the planning stages for development of Workers' Compensation program elements designed to gain control over medical provider protocols as allowed under the Labor Code. The intended outcomes of these efforts are: 1) reduction in medical costs; 2) reduction in temporary disability expenditures; and 3) improved medical outcomes for injured employees. Program development and any required labor discussions will proceed through FY17/18.

On the basis of actual results in FY 2015-16 and projected results in FY 2016-17, a budget amendment for claims paid is included in FY 2017-18 to conservatively align the budget with prior years. Although workers' compensation claims paid is increasing by $960,000, liability claims are being reduced by $400,000. In addition, premium costs have been adjusted down by $1.1 million to reflect recent estimates received from the City's new risk sharing pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA). Overall, these changes reduce projected expenditures in FY 2017-18 by $537,728.

Fiscal Year 2017-2018 Budget Highlights

While the FY17-18 budget was approved by the City Council last year, the actual adoption and appropriation of funds must take place now, before the commencement of the new fiscal year. The budget as presented with amendments is as follows:

Revenues	$71,013,648
Expenditures	$70,545,447
FY 17-18 Proposed Surplus/(Deficit)	**$468,201**

Policy Changes vs. Technical Changes

Staff is recommending a number of modifications to the approved FY 17-18 budget to be incorporated into the adopted spending plan. The changes are listed on Attachment #4 and have been placed into two categories: 1) **policy-related changes** requiring direction from the City Council, and 2) **technical changes** that staff recommends as routine mid-course adjustments. These technical changes mainly include adjustments to revenues to reflect recent trends both positive and negative, as well as expenditure adjustments necessary to meet operational needs. All recommended changes are expected to result in revenues exceeding expenditures by $468,201 in the General Fund.

The following policy changes for Council direction have been included in the proposed budget modifications for FY 2017-2018. All involve the General Fund unless otherwise noted:

Addition of four Senior Civil Engineers

At the April 10th Capital Improvement Projects study session, City Council gave tentative approval to add four Senior Civil Engineers in order to provide resources for the timely execution of the CIP plan. The CIP plan as presented is contingent upon those resources.

The cost of the four positions is $674,950. The funding for these positions is derived from Water, Wastewater, CIP and Special Revenue Funds (Proposition C, Measure R, etc.) and has no net impact on the General Fund.

Reallocation of Specific Purpose Funds

Last year, the City Council allocated funds to two purposes: 1) $500,000 to establish a Pension Stabilization Reserve Fund to address rapidly rising pension costs, and 2) $500,000 to be dedicated to the CIP Fund for deferred maintenance at City facilities. The pension funding was added as an expenditure to the FY 2016-2017 budget (and included in all future years). The deferred maintenance contribution was treated as a transfer from the General Fund to the CIP Fund in FY 2016-2017, while in FY 2017-2018 TOT revenues were reduced by $500,000 in the General Fund and dedicated as revenue to the CIP. The net impact on the General Fund of these allocations is a reduction of available General Fund resources of $1 million.

Upon review of the second year of the biennial budget, it became apparent that General Fund structural deficits would be incurred given the reduction of $1 million in resources. In an effort to balance the FY 2017-2018 budget and the future years, staff has recommended reducing the pension stabilization reserve allocation from $500,000 to $250,000 per year, and discontinuing the $500,000 allocation of TOT from the General Fund to the CIP fund for deferred maintenance. These reallocations increase General Fund resources by $750,000, and eliminate the structural deficits.

The reduction in allocation to CIP will not have a significant impact on addressing deferred maintenance. Sufficient resources are already budgeted and are aligned with staffing resources proposed.

The five year forecast (Attachment #5) has been updated for FY 2017-18 through FY 2021-22, and includes the reallocations described above. As presented, the General Fund has surpluses ranging from a low of $110,144 to a high of $665,639 over the five-year period. It is important to note that while the deficits are addressed, the subsidies from the General Fund to Storm Water, and Street Lighting and Landscaping Districts, continue to draw down General Fund balances. This includes the use of Economic Uncertainty reserves beginning in FY 18/19 (which are depleted by FY 21/22), and draws against the City Council policy designation of 20% of expenditures starting in FY 21/22.

Ambulance Operator Program

Also included in this budget is expansion of the Fire Department ambulance operator program with no net effect on the budget. Expenditure increases of $115,720 are offset by revenues of $115,720, the latter of which is a conservative estimate.

The program is in the process of being revamped to provide consistent, reliable basic life support ambulance transportation services utilizing paid part time staffing. This replaces the prior method of utilizing Fire Department reserves which, due to the nature of the work and limited shifts, did not provide the staffing stability needed to successfully run the program. This is a revenue-generating program that relies on staffing availability to operate.

Using Ambulance Operators to transport residents with non-acute medical needs to a local hospital keeps paramedic resources available for life threating emergencies. Using a basic life support ambulance to transport a person to the nearest emergency room can, at a minimum, tie-up the ambulance for 2 hours. Not only will the paramedics be available for advanced life support medical emergencies, but are part of our effective firefighting resources for non-medical emergencies. Lastly, with the potential for Hermosa Beach contracting services to Los Angeles County Fire Department, this is a resource that will be necessary to maintain current service levels.

Crossing Guards

The City received a request for two additional crossing guards. The City Traffic Engineer reviewed the request and opined that the additions are justified based on a ranking system and statewide crossing guard guidelines. On March 23, 2017, the PPIC recommended approval of two additional adult crossing guards at the intersections of Pacific Avenue/17th Street and Rowell Avenue/Gates Avenue. The cost of the added guards is $36,000 per year through an existing contract.

Reinstatement of Equipment Mechanic Position (Fleet Fund)

The Public Works Department previously had three full time Equipment Mechanics. One of the positions was held by an employee who was out on a long term work-related injury. During that time the department utilized a temporary employee to maintain service levels. After the injured employee retired, the City eliminated the third full time position in FY11-12. However, the need for additional mechanic services did not dissipate as the equipment/fleet count/work load was not reduced. As a result, the department consistently used long term temporary employees to help meet the needs of the Fleet Division. In order to meet federal and state regulations, including CalPERS, as well as meet workload, staff is recommending that the contract employee be converted/reinstated to a full time employee.

The estimated budget adjustment necessary to effect this change is $33,438 in the Fleet Fund. However, the new rate from the temporary agency for 2017 indicates that the actual difference between continuing with temporary labor versus a full time employee is $16,700 annually.

The balance of the adjustments, which are considered technical in nature, are listed on Attachment #4. These include adjustments to revenues and expenditures based on trends, additional one time capital purchases, carryforwards (re-budgeting) of prior year projects yet to be completed, and changes to the CIP Plan as proposed by the Public Works department.

Other notable proposed budget adjustments:

- A one-time assessment from the South Bay Regional Public Communications Authority to replace the 9-1-1 dispatch software system ($238,648)
- The addition of revenue from Measure M transportation funding from a voter approved sales tax increase ($415,899)
- A reduction in contributions to the City's Other Post-Employment Benefits (OPEB) trust fund ($264,660 across all funds) due to the overfunded (160%) status. No contributions are required at this time.
- The one-time purchase of a replacement kiln for the Parks and Recreation ceramics program for $45,000

Pension Costs
Chief among the issues for the City are retirement system costs. For FY 2016-2017, the City budgeted $6.2 million (an increase of $662,044 from FY 15-16) to provide employees with defined benefit pension plans through the California Public Employees' Retirement System (CalPERS). In the second year (FY 17-18), the budget increases by $673,934 to $6.9 million for these benefits.

In FY 2014-2015 the City hired an independent actuary to review and project rates beyond what CalPERS provides. This is a distinctive and progressive action to take as most agencies simply rely on the more dated and short-term analysis regularly provided by CalPERS. Using long-term actuarial analysis results in more accurate planning farther on the horizon.

Recently, the actuary updated projections given recent CalPERS phased reductions in the discount rate (the assumed rate of return on invested funds) from 7.5% to 7% over three years, investment policy changes, and the less-than-adequate investment returns achieved the last two years. Please note that these new projections have been incorporated into the revised five year forecast provided with this report. The actuary, John Bartel, will present information on the new rate projections at the May 4th City Council Budget Study Session.

Investment returns in FY 2014-2015 (2.4%) and FY 2015-2016 (0.61%) fall well below the current assumed 7.5% rate of return, further exacerbating the funding of pensions. Coupled with the policy changes above, City contributions will be increasing dramatically. For Manhattan Beach, contributions are expected to rise from $6.9 million in FY 2017-2018 to up to $12.0 million by FY 2021-2022. Fortunately, our five year forecast indicates the ability to absorb these increases, however, clearly these additional costs crowd-out the ability to enhance service levels or fund other priorities.

Street Lighting and Landscaping Districts
At the April 4th City Council meeting, in response to the commencement of annual renewal of the Street Lighting and Landscaping District assessments for FY 2017-2018, Councilmember Napolitano requested that staff review costs of the districts to ensure that they are as low as possible, this in advance of any possible discussion on raising assessments which have remained unchanged since 1996. A review of the data from FY 2016-2017 indicates the following:

- Revenues across all districts total $396,139 from assessments
- Expenditures total $619,794
    - Energy costs alone from electricity and gas total $404,154 (102% of total revenue)
    - 63% of district costs are for electricity and natural gas used to power the lighting
    - Contract Services make up 23% of total costs (mainly in the Downtown Streetscape zone) and include:
        - Power washing the downtown district - $60,900
        - Landscape maintenance downtown - $61,660

    - Contract electrician for maintenance and repairs ($8,200)
    - The annual assessment report required to renew the districts ($7,000)
  - City overhead costs (admin fee and fleet costs) total $58,339 (9% of total district costs). Please note that the most recent cost allocation plan from 2015 reduced the administrative fee by $34,097.

The districts as a whole have run a deficit since 2007. Once available fund balances were depleted in 2009, the General Fund began subsidizing the activities, which now cumulatively total $1.76 million. Broken out by district, the FY 2016-2017 subsidies total $207,408:

General Street Lighting - $84,471
Downtown Streetscape - $54,558
Gas Lamp - $38,042
Strand Lighting - $20,733
Arbolado Tract - $5,175
Walkstreets - $4,429

As the City reviews cost associated with these districts, staff believes there is limited ability to reduce costs without affecting service levels. However, one opportunity that is being pursued is an audit of energy costs. Earlier this year, staff issued an RFP and contracted with a utility audit firm to ensure that the City is charged appropriate electricity, natural gas and other utility rates, not just in the lighting districts, but for all City paid utility bills. This may result in further changes in the costing structure of the districts. The audit is scheduled to be completed by August 2017.

Asset Forfeiture
Last year's approval of the FY 2017-2018 budget included the lease/purchase of new mobile radios for the Police and Fire Departments in order to take advantage of new interoperability features being deployed through the RCC. The Police Department's share of the radios are to be purchased mainly through Asset Forfeiture funds.

The budget assumed a certain revenue stream from forfeitures to support the lease/purchase. However, for budgeting purposes, the City may not assume such revenues. As a result, the Asset Forfeiture Fund is presented as having a negative fund balance starting in FY 18-19 in the five year forecast. Staff is searching for grant opportunities for these radios (including the Fire Department portion). Any purchase of radios is predicated upon sufficient funding sources, budgeted or otherwise.

Five Year Forecast
Each year as the budget is prepared, staff updates the Five Year Forecast for all funds. This document is invaluable in determining affordability of programs and services, and in spotting the effects of developing trends.

The FY 2017-2018 to FY 2021-2022 forecast includes certain assumptions on revenue and expenditure growth as determined on a line item by line item basis. The current forecast assumptions are included with Attachment #5.

The forecast presented with this report illustrates:

- The General Fund is balanced over the next five years with surpluses ranging from $432,202 to $3,854
- The General Fund balance is reduced by $7,431,791 million over the next five years due to subsidies and transfers
- Those subsidies and transfers will result in the Economic Uncertainty Reserve being depleted by FY 2021-2022, with the Financial Policy reserve being tapped into that same year
- The Storm Water Fund is being subsidized by the General Fund for $6,609,582 million from 2017-2018 through 2021-2022
- Street Lighting and Landscaping will receive $1,165,765 from the General Fund over that same timeframe
- CalPERS contributions, while funded from on-going revenues, will nearly double to $12 million by FY 2021-2022
- The City's ability to fund any significant general capital improvements is limited by year-end General Fund surpluses (which historically were transferred to the CIP Fund) and lack of available General Funds
- The Parking Fund generates only enough revenue to pay for operational expenses and debt service; there is insufficient funding for any capital improvements or major maintenance projects
- With significant progress on water and wastewater projects expected, and the concomitant use of fund balances to effect the construction, the current rate structures (adopted in 2009) need to be reviewed for sufficiency vis-à-vis the next round of system maintenance and improvements
- Workers Compensation costs continue to grow. While recent cost reductions from changing risk pools are beneficial, further General Fund support to the Insurance Fund may be necessary to ensure sufficient funding if claims trends continue

These issues and trends point to the need for a comprehensive long range financial plan.

FINANCIAL PLANNING

The City has enjoyed a long history of fiscal stability. General Fund budgets have been balanced with year-end surpluses. Reserves have been retained and grown. Debt levels are low, and the City continues to maintain its Triple-A credit rating, which was recently reaffirmed by Standard & Poor's in 2016 under new, more stringent criteria. At the same time, the City has been able to support programs and services to meet the needs of the community while controlling costs. The City's positive fiscal position is a direct result of thoughtful and deliberate actions of past and present City Council's to support the City's financial wellbeing.

However, the City's fiscal future is in need of immediate and proactive City Council action. A list of the funding issues to be addressed include:

- Pension Costs
- General Fund Subsidies of the Storm Water (Enterprise Fund)
- General Fund Subsidies of Street Lighting and Landscape District (Special Revenue

Fund)
- Parking Operations and Facilities
- General Infrastructure and Capital Improvements
- Water and Wastewater Rates
- Measure R Support of Proposition A
- School District Support
- Workers Compensation/Insurance Fund

Staff understands that solutions to these issues may come from identifying acceptable cost savings as a first step. In fact, searching and identifying efficiencies and cost savings is standard protocol for all departments (Attachment #10 is a list of recent efficiency measures by department). Cost savings must also be weighed against service level reductions to determine the desirability of the outcome.

Solutions may also include the need to seek new revenues. For example, as described above, Street Lighting rates have not increased since 1996. The revenues in all districts are insufficient to cover even the energy costs associated with the lighting. Cutting costs may result in unacceptable service levels, and will likely not be sufficient to correct the imbalance. As a result, additional resources may be necessary to maintain acceptable service levels.

This list of issues requires crafting a coordinated and comprehensive financial plan that fully identifies and vets the issues, presents potential solutions (on both the expenditure and revenue sides) and remedial processes, and assigns a timetable for completion. To that end, staff recommends that the City Council consider adding a comprehensive long range financial plan as a work plan item for the coming year. Further consideration may be given to assigning oversight of the development of the plan to the Finance Subcommittee, with a final report being provided to the full City Council.

Historical Staffing Levels
Attachments #8 and #9 to this report provide a 12-year perspective on the General Fund budget by department. It includes salaries and benefits information as well as headcount by department. A listing of the positions added and deleted is also included. This will be reviewed at the May 4th City Council meeting.

PUBLIC OUTREACH/INTEREST:
After analysis, staff determined that public outreach was not required for this issue.

ENVIRONMENTAL REVIEW
Not applicable.

LEGAL REVIEW
The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachments:

1. FY 2016-17 General Fund Year-End Estimates
2. FY 2017-18 General Fund Proposed Budget
3. FY 2017-18 All Funds Comparison
4. FY 2017-18 Budget Amendment Requests
5. Five Year Forecast
6. P&R Profit and Loss Estimates for FY 2017-2018
7. General Fund Budget History
8. General Fund History - Salaries & Benefits
9. History of Position Changes
10. Departmental Efficiencies
11. City Council Staff Report (Due to the large number of pages for this particular staff report, this is an alternative option to review the complete staff report. This attachment is only available online.)

Estimated **General Fund Revenues and Expenditures** **Attachment 1**
Fiscal Year Ending June 30, 2017

General Fund Revenues	2016 Actuals	FY 2017 Adj Budget*	FY 2017 Full Yr Est	FY 2017 Full Year Estimate From 2017 Budget		From 2016 Actuals	
Core Revenues							
Property Tax	$26,344,276	$27,822,060	$28,066,919	$244,859	0.9%	$1,722,643	6.5%
Sales & Use Tax	9,348,605	9,300,000	9,000,000	(300,000)	(3.2%)	(348,605)	(3.7%)
Charges for Services	5,508,739	5,211,340	5,735,087	523,747	10.1%	226,349	4.1%
Transient Occupancy Tax	4,409,227	4,500,000	4,388,334	(111,666)	(2.5%)	(20,893)	(0.5%)
Business License Tax	3,475,792	3,525,000	3,525,000	-	-	49,208	1.4%
Rents & Leases	3,106,405	3,043,155	3,144,155	101,000	3.3%	37,750	1.2%
Fines	2,503,274	2,796,000	2,773,000	(23,000)	(0.8%)	269,726	10.8%
Building Permits	1,696,881	1,938,000	1,590,000	(348,000)	(18.0%)	(106,881)	(6.3%)
Other Taxes & Assessments	1,791,982	1,891,000	1,801,000	(90,000)	(4.8%)	9,018	0.5%
Building Plan Check Fees	1,063,652	1,267,000	1,500,000	233,000	18.4%	436,348	41.0%
Licenses & Permits	1,099,956	1,096,390	1,047,890	(48,500)	(4.4%)	(52,066)	(4.7%)
Miscellaneous	715,286	512,900	773,500	260,600	50.8%	58,214	8.1%
Real Estate Transfer Tax	792,829	850,000	600,000	(250,000)	(29.4%)	(192,829)	(24.3%)
Interest Earnings	483,737	418,590	477,040	58,450	14.0%	(6,697)	(1.4%)
From Other Agencies	436,023	249,500	249,111	(389)	(0.2%)	(186,912)	(42.9%)
Operating Transfers In	2,996,532	2,996,530	2,996,530	-	-	(2)	(0.0%)
Subtotal Core Revenues	***$65,773,197***	***$67,417,465***	***$67,667,566***	***$250,101***	***0.4%***	***$1,894,370***	***2.9%***
One-time Revenues & Adjustments							
Unrealized Investment Gain/Loss	$205,857	-	-	-	-	($205,857)	(100.0%)
Grants	88,195	70,000	76,249	6,249	8.9%	(11,946)	(13.5%)
Lease Purchase Proceeds	-	400,000	-	(400,000)	(100.0%)	-	-
Property Transfer Fee	780,000	-	-	-	-	(780,000)	(100.0%)
Subtotal One-time Revenues & Adj	***$1,074,052***	***$470,000***	***$76,249***	***($393,751)***	***(83.8%)***	***($997,803)***	***(92.9%)***
Total General Fund Revenues	**66,847,249**	**67,887,465**	**67,743,815**	**(143,650)**	**-0.2%**	**896,567**	**1.3%**

Positive Variance indicates above budget; negative variance indicates below budget.

General Fund Expenditures	2016 Actuals	FY 2017 Adj Budget*	FY 2017 Full Yr Est	FY 2017 Full Year Estimate From 2017 Budget		From 2016 Actuals	
Core Expenditures							
Salary & Wages	$31,106,824	$31,394,625	$31,890,291	$495,665	1.6%	$783,466	2.5%
Employee Benefits	12,634,560	13,924,836	13,475,982	(448,854)	(3.2%)	841,422	6.7%
Contract & Professional Services	8,438,532	8,627,977	8,340,147	(287,830)	(3.3%)	(98,385)	(1.2%)
Materials & Services	2,690,881	3,057,887	2,879,258	(178,630)	(5.8%)	188,376	7.0%
Utilities	1,128,866	1,241,754	1,193,705	(48,049)	(3.9%)	64,839	5.7%
Internal Service Charges	7,480,026	8,387,550	8,126,080	(261,470)	(3.1%)	646,054	8.6%
Property Leases & Rentals	-	85,238	-	(85,238)	(100.0%)	-	-
Bond Debt Service	358,670	586,376	445,000	(141,376)	(24.1%)	86,330	24.1%
Operating Transfers Out	47,606	18,007	18,007	-	-	(29,599)	(62.2%)
Subtotal Core Expenditures	***$63,885,965***	***$67,324,251***	***$66,368,469***	***($955,782)***	***(1.4%)***	***$2,482,504***	***3.9%***
One-time Expenditures							
City Manager Loan	2,092,765	108,224	$108,224	-	-	($1,984,541)	(94.8%)
Property & Equipment	371,599	810,545	434,894	(375,651)	(46.3%)	63,295	17.0%
Subtotal One-time Expenditures	***$2,464,364***	***$918,769***	***$543,118***	***($375,651)***	***(40.9%)***	***($1,921,246)***	***(78.0%)***
Total General Fund Expenditures	**66,350,330**	**68,243,020**	**66,911,587**	**(1,331,433)**	**-2.0%**	**561,258**	**0.8%**

Positive Variance indicates above budget; negative variance indicates below budget.

General Fund Summary	2016 Actuals	FY 2017 Adj Budget*	FY 2017 Full Yr Est
Total Revenues	$66,847,249	$67,887,465	$67,743,815
Total Expenditures	66,350,330	68,243,020	66,911,587
Projected Surplus/(Deficit)	**496,919**	**(355,555)**	**832,228**

**The Adjusted Budget includes City Council-approved amendments during the current year as well as encumbrances carried forward from the prior year.*

Proposed General Fund Revenues and Expenditures **Attachment 2**
Fiscal Year Ending June 30, 2018

General Fund Revenues	2017 Estimate	FY 2018 Approved*	FY 2018 Proposed	FY 2018 Proposed From 2018 Approved		FY 2018 Proposed From 2017 Estimate	
Core Revenues							
Property Tax	$28,066,919	$28,857,000	$29,511,005	$654,005	2.3%	$1,444,086	5.1%
Sales & Use Tax	9,000,000	9,500,000	9,000,000	(500,000)	(5.3%)	-	-
Charges for Services	5,735,087	5,342,910	5,760,755	417,845	7.8%	25,668	0.4%
Transient Occupancy Tax	4,388,334	4,200,000	4,526,500	326,500	7.8%	138,166	3.1%
Business License Tax	3,525,000	3,600,000	3,600,000	-	-	75,000	2.1%
Rents & Leases	3,144,155	3,051,315	3,051,315	-	-	(92,840)	(3.0%)
Fines	2,773,000	2,796,000	2,796,000	-	-	23,000	0.8%
Building Permits	1,590,000	2,034,900	1,737,700	(297,200)	(14.6%)	147,700	9.3%
Other Taxes & Assessments	1,801,000	1,916,000	1,916,000	-	-	115,000	6.4%
Building Plan Check Fees	1,500,000	1,330,400	1,400,000	69,600	5.2%	(100,000)	(6.7%)
Licenses & Permits	1,047,890	1,139,890	1,033,860	(106,030)	(9.3%)	(14,030)	(1.3%)
Miscellaneous	773,500	512,900	712,900	200,000	39.0%	(60,600)	(7.8%)
Real Estate Transfer Tax	600,000	860,000	600,000	(260,000)	(30.2%)	-	-
Interest Earnings	477,040	444,631	544,631	100,000	22.5%	67,591	14.2%
From Other Agencies	249,111	251,500	251,500	-	-	2,389	1.0%
Operating Transfers In	2,996,530	2,996,530	3,671,482	674,952	22.5%	674,952	22.5%
Subtotal Core Revenues	***$67,667,566***	***$68,833,976***	***$70,113,648***	***$1,279,672***	***1.9%***	***$2,446,082***	***3.6%***
One-time Revenues & Adjustments							
Unrealized Investment Gain/Loss	-	-	-	-	-	-	-
Grants	76,249	70,000	70,000	-	-	(6,249)	(8.2%)
Lease Purchase Proceeds	-	830,000	830,000	-	-	830,000	-
Property Transfer Fee	-	-	-	-	-	-	-
Subtotal One-time Revenues & Adj	***$76,249***	***$900,000***	***$900,000***	***-***	***-***	***$823,751***	***1080.3%***
Total General Fund Revenues	**67,743,815**	**69,733,976**	**71,013,648**	**1,279,672**	**1.8%**	**3,269,833**	**4.8%**

Positive Variance indicates above budget; negative variance indicates below budget.

General Fund Expenditures	2017 Estimate	FY 2018 Approved*	FY 2018 Proposed	FY 2018 Proposed From 2018 Approved		FY 2018 Proposed From 2017 Estimate	
Core Expenditures							
Salary & Wages	$31,890,291	$31,846,450	$32,601,968	$755,518	2.4%	$711,677	2.2%
Employee Benefits	13,475,982	14,951,133	14,615,571	(335,562)	(2.2%)	1,139,589	8.5%
Contract & Professional Services	8,340,147	8,280,997	8,757,722	476,725	5.8%	417,574	5.0%
Materials & Services	2,879,258	2,988,623	2,985,013	(3,610)	(0.1%)	105,755	3.7%
Utilities	1,193,705	1,268,643	1,268,643	-	-	74,938	6.3%
Internal Service Charges	8,126,080	8,562,259	8,562,259	-	-	436,179	5.4%
Property Leases & Rentals	-	240,191	154,953	(85,238)	(35.5%)	154,953	-
Bond Debt Service	445,000	585,156	462,725	(122,431)	(20.9%)	17,725	4.0%
Operating Transfers Out	18,007	18,007	18,007	-	-	-	-
Subtotal Core Expenditures	***$66,368,469***	***$68,741,459***	***$69,426,861***	***$685,402***	***1.0%***	***$3,058,391***	***4.6%***
One-time Expenditures							
City Manager Loan	108,224	-	-	-	-	($108,224)	(100.0%)
Property & Equipment	434,894	830,000	1,163,585	333,585	40.2%	728,691	167.6%
Subtotal One-time Expenditures	***$543,118***	***$830,000***	***$1,163,585***	***$333,585***	***40.2%***	***$620,467***	***114.2%***
Total General Fund Expenditures	**66,911,587**	**69,571,459**	**70,590,446**	**1,018,987**	**1.5%**	**3,678,858**	**5.5%**

Positive Variance indicates above budget; negative variance indicates below budget.

General Fund Summary	2017 Estimate	FY 2018 Approved*	FY 2018 Proposed
Total Revenues	$67,743,815	$69,733,976	$71,013,648
Total Expenditures	66,911,587	69,571,459	70,590,446
Projected Surplus/(Deficit)	**832,228**	**162,517**	**423,202**

**FY 2017/18 Approved Budget as included with 2016/17 Biennial Budget adopted on June 21, 2016.*

All Funds Budget Comparison — Attachment #3

Fund	Budgeted Revenues 2016-2017	Budgeted Revenues 2017-2018	Budgeted Revenues %-Change	Budgeted Expenditures 2016-2017	Budgeted Expenditures 2017-2018	Budgeted Expenditures %-Change
General	$67,822,465	$71,013,648	4.7%	$67,406,040	$70,590,446	4.7%
Special Revenue Funds						
Street Lighting & Landscape	396,134	396,139	0.0%	603,547	619,794	2.7%
Gas Tax	784,911	1,036,987	32.1%	1,990,000	532,060	(73.3%)
Asset Forfeiture & Safety Grants	58,300	708,300	1,114.9%	186,920	1,041,113	457.0%
Police Safety Grants	101,400	101,400	0.0%	105,000	105,000	0.0%
Proposition A	680,260	679,839	(0.1%)	871,193	896,687	2.9%
Proposition C	673,521	1,393,172	106.8%	190,000	1,369,183	620.6%
AB 2766	50,412	50,412	0.0%	11,300	11,300	0.0%
Measure R	421,111	420,887	(0.1%)	1,185,000	275,311	(76.8%)
Measure M	-	415,899	0.0%	-	242,185	0.0%
Capital Project Funds						
Capital Improvement Project	1,568,304	1,726,804	10.1%	2,308,538	3,651,100	58.2%
Underground Assessments District	1,800	1,800	0.0%	-	-	0.0%
Enterprise Funds						
Water	14,897,000	14,931,000	0.2%	14,271,425	15,620,243	9.5%
Stormwater	354,300	354,300	0.0%	1,100,267	1,336,718	21.5%
Wastewater	3,358,500	3,350,500	(0.2%)	1,300,567	5,533,589	325.5%
Refuse	4,282,562	4,293,026	0.2%	4,141,558	4,219,000	1.9%
Parking	2,593,000	2,597,000	0.2%	3,353,910	3,151,455	(6.0%)
County Parking Lots	798,500	798,500	0.0%	611,997	619,319	1.2%
State Pier & Parking Lot	609,600	608,600	(0.2%)	497,358	477,439	(4.0%)
Internal Service Funds						
Insurance Reserve	6,869,640	7,147,960	4.1%	6,555,285	6,514,941	(0.6%)
Information Technology	2,293,140	2,333,880	1.8%	2,587,668	2,317,487	(10.4%)
Fleet Management	2,232,420	3,433,420	53.8%	2,046,195	3,705,293	81.1%
Building Maintenance & Operations	1,858,135	1,893,969	1.9%	1,849,132	1,895,996	2.5%
Trust & Agency Funds						
Special Assessment Redemption Fund	965,000	965,000	0.0%	944,261	947,439	0.3%
Pension Trust	173,000	182,000	5.2%	233,400	243,900	4.5%
Budget Totals	**$113,843,415**	**$120,834,442**	**6.1%**	**$114,350,560**	**$125,917,000**	**10.1%**

Fund Type	Funds	FY 2016/17 to FY 2017/18 Year-Over-Year Change in Budget: Revenues	% Change	Expenditures	% Change
General	General	$3,191,183	4.7%	$3,184,406	4.7%
Special Revenue	Gas Tax, Prop A, Prop C, Asset Forfeiture, Street Lighting, Measure R, Measure M	2,036,986	64.3%	(50,327)	(1.0%)
Enterprise	Water, Wastewater, Refuse, Parking, etc.	39,464	0.1%	5,680,684	22.5%
Capital Projects	CIP Fund	158,500	10.1%	1,342,562	58.2%
Internal Service	Insurance, Information Technology, Fleet, Building	1,555,894	11.7%	- 1,395,437	10.7%
Trust & Agency	Underground Assessment, Pension Trust, UAD Loan	9,000	0.8%	13,678	1.2%
	Total Increase/(Decrease)	**$6,991,027**	**6.1%**	**$11,566,440**	**10.1%**

Attachment #4

FY 2017-18 Budget Amendment Requests

Adj. Type	Category	Description		Revenues	Expenditures	Comments
Policy Changes						
Revenue/Personnel	Operating Transfers In/Salaries & Ben	Four Senior Civil Engineers		674,950	674,950	Rev Reimb from other funds
Revenue	Transient Occupancy Tax	Transient Occupancy Tax		326,500	-	Transfer $500,000 back from CIP
Other	Employee Benefits	Reduce Pension Fund Additional Payment		-	(250,000)	
Revenue/Personnel	Salary & Wages	Ambulance Operator Program		115,720	115,720	
Other	Contract & Professional Services	Add Crossing Guards at two locations		-	36,000	
			Subtotal	1,117,170	576,670	
Technical Changes						
Revenue	Property Tax	C.Yr Secured Property Tax		604,005	-	
Revenue	Sales & Use Tax	Sales & Use Tax		(500,000)	-	
Revenue	Building Permits	Building Permits		(397,200)	-	
Revenue	Real Estate Transfer Tax	Real Estate Transfer Tax		(260,000)	-	
Revenue	Miscellaneous	Workers' Compensation Salary Continuation		200,000	-	
Revenue	Charges for Services	Right of Way Permits		184,500	-	
Revenue	Interest Earnings	Interest Earnings		100,000	-	
Revenue	Charges for Services	Special Events *		94,600	-	
Revenue	Building Plan Check Fees	Building Plan Check Fees		69,600	-	
Revenue	Charges for Services	Arts/Education Classes *		(53,500)	-	
Revenue	Charges for Services	Planning Filing Fees		52,000	-	
Revenue	Property Tax	Supplemental Property Tax		50,000	-	
Revenue	Charges for Services	Facility & Parks Reservations *		50,000	-	
Revenue	Charges for Services	Building Record Report Fees		(41,500)	-	
Revenue	Licenses & Permits	Fire Code Permits - Annual		(40,000)	-	
Revenue	Licenses & Permits	Building Permits Surcharge		(39,900)	-	
Revenue	Licenses & Permits	Other Construction Permits		(36,800)	-	
Revenue	Charges for Services	Sports Leagues & Tournaments *		(16,000)	-	
Revenue	Charges for Services	Fire Inspection Fees		10,800	-	
Revenue	Charges for Services	Sports Classes *		10,000	-	
Revenue	Charges for Services	Special Activity Classes *		8,925	-	
Revenue	Charges for Services	Swimming Classes *		8,000	-	
Revenue	Charges for Services	Fire Plan Check		(6,000)	-	
Revenue	Licenses & Permits	Police Alarm Permits		5,500	-	
Revenue	Licenses & Permits	Studio Tenant Fees		5,000	-	
Revenue	Licenses & Permits	Fire Permits - One Time		4,500	-	
Revenue	Licenses & Permits	Outdoor Facilities Permits		(2,330)	-	
Revenue	Licenses & Permits	Fire Construction Inspections		(2,000)	-	
Revenue	Charges for Services	Traffic Engineer - Special Events		300	-	
Other	Employee Benefits	Medical Retirement Contributions		-	(238,512)	
One-time	Contract & Professional Services	SBRPCA and Replacement of Dispatch Software		-	238,648	Split 25% Fire/75% Police
One-time	Property & Equipment	Carryforward Finance/HR System (ERP) Enhancement		-	178,585	
Carryforward	Contract & Professional Services	Carryforward Historic Preservation Program		-	176,200	$75k One-time; $100k 3-5 yrs
Other	Bond Debt Service	Savings from Marine Bond Refunding		-	(122,431)	
One-time	Property & Equipment	Carryforward License Plate Reader & Camera Project		-	100,000	
Other	Property Leases & Rentals	Remove Lease Purchase Financing for ALPR Cameras		-	(85,238)	Purchased outright in FY16/17
One-time	Contract & Professional Services	Carryforward Permitting Software Solution		-	74,123	
One-time	Property & Equipment	Replacment Ceramics Kiln		-	45,000	
One-time	Contract & Professional Services	Legal Services for Labor Negotiations		-	30,000	
Other	Contract & Professional Services	Reimbursable Special Event Security		-	15,000	Approved 2/7 CC Meeting
Other	Contract & Professional Services	FPPC Filing Software Annual Cost		-	10,000	Approved 3/21 CC Meeting
One-time	Property & Equipment	Carryforward Work Order Management System		-	10,000	
Personnel	Salary & Wages	Convert Vacant MW I/II to MW III		-	7,843	
One-time	Materials & Services	Carryforward Ruggedized Laptop Purchase		-	3,100	
			Subtotal	62,500	442,318	
Total General Fund				**1,179,670**	**1,018,988**	
					160,682	**Net Impact to Fund Balance**

FY 2017-18 Budget Amendment Requests

Attachment #4

Adj. Type	Category	Description	Revenues	Expenditures	Comments
Streets & Highways Fund					
Technical Changes					
Revenue	From Other Agencies	State Gas Tax 2103	56,971	-	
Revenue	From Other Agencies	State Gas Tax 2107	(45,146)	-	
Revenue	From Other Agencies	Highway Users Tax Loan Repayment	40,387	-	
Revenue	From Other Agencies	State Gas Tax 2105	(18,209)	-	
Revenue	From Other Agencies	State Gas Tax 2106	14,881	-	
Revenue	From Other Agencies	SB 821 TDA	(356)	-	
Capital	Capital Improvement Projects	Rosecrans Avenue Street Resurfacing	-	500,000	
Capital	Capital Improvement Projects	Realignment of Annual Slurry Seal Program	-	(385,000)	
Capital	Capital Improvement Projects	Realignment of Annual Curb and Gutter Program	-	(365,000)	
Personnel	Internal Service Charges	Allocate portion of one new Senior Civil Engineer	-	32,060	
Total Streets & Highways Fund			**48,528**	**(217,940)**	
				266,468	**Net Impact to Fund Balance**
Asset Forfeiture Fund					
Technical Changes					
Revenue	From Other Agencies	Fed Forfeitures - D.O.J Regional	(50,000)	-	
Total Asset Forfeiture Fund			**(50,000)**	**-**	
				(50,000)	**Net Impact to Fund Balance**
Prop A Fund					
Technical Changes					
Revenue	Other Taxes & Assessments	Transit Sales Tax	(421)	-	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(3,216)	
Total Prop A Fund			**(421)**	**(3,216)**	
				2,795	**Net Impact to Fund Balance**
Prop C Fund					
Technical Changes					
Revenue	Other Taxes & Assessments	Transit Sales Tax	(349)	-	
Capital	Capital Improvement Projects	Marine Resurfacing from Sepulveda to Aviation	-	(300,000)	
Capital	Capital Improvement Projects	Sepulveda Intersection Improvements	-	90,000	
Personnel	Internal Service Charges	Allocate portion of one new Senior Civil Engineer	-	69,183	
Total Prop C Fund			**(349)**	**(140,817)**	
				140,468	**Net Impact to Fund Balance**
Measure R Fund					
Technical Changes					
Revenue	Other Taxes & Assessments	Measure R Sales Tax	(224)	-	
Capital	Capital Improvement Projects	Protected LT Lanes on MBB at Peck Ave	-	75,000	
Personnel	Internal Service Charges	Allocate portion of one new Senior Civil Engineer	-	25,311	
Total Measure R Fund			**(224)**	**100,311**	
				(100,535)	**Net Impact to Fund Balance**
Measure M Fund					
Technical Changes					
Revenue	Other Taxes & Assessments	Measure M Sales Tax	415,899	-	
Capital	Capital Improvement Projects	ADA Transition Plan within Public Rights of Way	-	200,000	
Personnel	Internal Service Charges	Allocate portion of one new Senior Civil Engineer	-	42,185	
Total Measure M Fund			**415,899**	**242,185**	
				173,714	**Net Impact to Fund Balance**

Attachment #4

FY 2017-18 Budget Amendment Requests

Adj. Type	Category	Description	Revenues	Expenditures	Comments
CIP Fund					
Technical Changes					
Revenue	Transient Occupancy Tax	Transient Occupancy Tax	(500,000)	-	Transferred back to General Fund
Revenue	From Other Agencies	CDBG Grant Funds	100,000	-	
Capital	Capital Improvement Projects	City Hall 1st & 2nd Floor Restroom Remodel	-	450,000	
Capital	Capital Improvement Projects	Village Field Replacement Turf	-	(450,000)	Moved to Unfunded List
Capital	Capital Improvement Projects	Marine Ave Park Baseball Field Synthetic Turf	-	346,570	
Capital	Capital Improvement Projects	Non-motorized Trans. - Rosecrans Ave Bike Lane	-	330,000	
Personnel	Internal Service Charges	One new Senior Civil Engineer	-	168,738	
Capital	Capital Improvement Projects	Engineering Division Space Planning	-	133,430	
Capital	Capital Improvement Projects	CDGB Access Ramp Construction	-	100,000	
Capital	Capital Improvement Projects	Non-motorized Trans. - Crosswalks, Bike lanes, etc.	-	80,000	
Total CIP Fund			**(400,000)**	**1,158,738**	
				(1,558,738)	**Net Impact to Fund Balance**
Water Fund					
Technical Changes					
Revenue	Charges for Services	Utility Connection Fees	(40,800)	-	
Revenue	Charges for Services	Meter Installation	(15,700)	-	
Revenue	Miscellaneous	Bad Debt Writeoff	(7,000)	-	
Capital	Capital Improvement Projects	Peck Ground Level Reservoir Replacement	-	(7,500,000)	Deferred to FY 2018-19
Capital	Capital Improvement Projects	Annual Pipe Replacement & Fire Hydrant Installs	-	1,500,000	
Capital	Capital Improvement Projects	Pier Water Main Replacement	-	400,000	
Capital	Capital Improvement Projects	Block 35 Ground Level Reservoir Replacement	-	(300,000)	Deferred to FY 2018-19
Capital	Capital Improvement Projects	Redrill & Equip Well 15	-	(250,000)	Deferred to FY 2018-19
Capital	Capital Improvement Projects	Well Collection Line from Well 11A to Block 35	-	(200,000)	Deferred to FY 2018-19
Personnel	Internal Service Charges	One new Senior Civil Engineer	-	168,738	
One-time	Property & Equipment	Work Order Management System	-	45,000	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(10,140)	
Personnel	Salary & Wages	Convert Vacant MW I/II to MW III	-	7,843	
One-time	Materials & Services	Ruggedized Laptop Purchase	-	3,100	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(2,868)	
Total Water Fund			**(63,500)**	**(6,138,327)**	
				6,074,827	**Net Impact to Fund Balance**
Stormwater Fund					
Technical Changes					
Revenue	Charges for Services	Utility Service Charges	(2,055,000)	-	
Capital	Capital Improvement Projects	Stormwater Masterplan Update	-	250,000	
Total Stormwater Fund			**(2,055,000)**	**250,000**	
				(2,305,000)	**Net Impact to Fund Balance**
Wastewater Fund					
Technical Changes					
Revenue	Charges for Services	Utility Connection Fees	(27,800)	-	
Capital	Capital Improvement Projects	Realign Annual Gravity Sewer Main Rehab Projects	-	(3,550,000)	
Capital	Capital Improvement Projects	Pier Pump Station Force Main Replacement	-	650,000	
Capital	Capital Improvement Projects	Pacific Lift Station Upgrade	-	(250,000)	Deferred to FY 2018-19
Personnel	Internal Service Charges	One new Senior Civil Engineer	-	168,738	
One-time	Property & Equipment	Carryfoward Work Order Management System	-	45,000	
Personnel	Salary & Wages	Convert Vacant MW I/II to MW III	-	7,843	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(3,420)	
One-time	Materials & Services	Carryforward Ruggedized Laptop Purchase	-	3,100	
Total Wastewater Fund			**(27,800)**	**(2,928,739)**	
				2,900,939	**Net Impact to Fund Balance**

FY 2017-18 Budget Amendment Requests

Adj. Type	Category	Description	Revenues	Expenditures	Comments
Refuse Fund					
Technical Changes					
Revenue	Charges for Services	Residential Refuse Fee	(20,000)	-	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(1,332)	
Total Refuse Fund			**(20,000)**	**(1,332)**	
				(18,668)	**Net Impact to Fund Balance**
Parking Fund					
Technical Changes					
Capital	Capital Improvement Projects	Parking Structure Structural Rehab Analysis (Lots 3&4)	0	600,000	
Capital	Capital Improvement Projects	Downtown Parking Facility Capital Investment Plan	-	(100,000)	Moved to Unfunded List
Personnel	Employee Benefits	Medical Retirement Contributions	-	(1,464)	
Total Parking Fund			**-**	**498,536**	
				(498,536)	**Net Impact to Fund Balance**
County Parking Lots Fund					
Technical Changes					
Personnel	Employee Benefits	Medical Retirement Contributions	-	(204)	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(204)	
Total County Parking Lots Fund			**-**	**(408)**	
				408	**Net Impact to Fund Balance**
State Pier & Parking Fund					
Technical Changes					
Capital	Capital Improvement Projects	Pier Lot Safety Lighting	-	(175,000)	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(420)	
Total State Pier & Parking Fund			**-**	**(175,420)**	
				175,420	**Net Impact to Fund Balance**
Insurance Reserve Fund					
Technical Changes					
Other	Contract & Professional Services	Risk Mgmt Ancillary Costs previously paid through ICRMA	-	132,680	Company Nurse, State Assess., etc.
Other	Materials & Services	Liability Insurance Premiums	-	(1,070,495)	
Other	Materials & Services	Workers' Compensation Claims Paid	-	960,000	
Other	Materials & Services	Liability Claims Paid	-	(400,000)	
Other	Materials & Services	Property Insurance Premiums	-	(133,429)	
Other	Materials & Services	Workers' Compensation Insurance Premiums	-	(24,876)	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(1,608)	
Total Insurance Reserve Fund			**-**	**(537,728)**	
				537,728	**Net Impact to Fund Balance**
Information Technology Fund					
Technical Changes					
One-Time	Property & Equipment	Carryforward ISMP Project: AB1149 Data Encryption/Securit	-	50,000	
Personnel	Employee Benefits	Medical Retirement Contributions	-	(3,660)	
Total Information Technology Fund			**-**	**46,340**	
				(46,340)	**Net Impact to Fund Balance**

FY 2017-18 Budget Amendment Requests

Adj. Type	Category	Description	Revenues	Expenditures	Comments
Fleet Management Fund					
Policy Changes					
Personnel	Salary & Wages, Employee Benefits	Convert Long-Term Contract Employee to Full-time	-	33,438	Reinstatement of position elim. 2012
		Subtotal	-	33,438	
Technical Changes					
Personnel	Employee Benefits	Medical Retirement Contributions	-	(3,216)	
		Subtotal	-	(3,216)	
Total Fleet Management Fund			**-**	**30,222**	
				(30,222)	**Net Impact to Fund Balance**
Building Maintenance & Operations Fund					
Technical Changes					
Personnel	Employee Benefits	Medical Retirement Contributions	-	(4,740)	
Total Building Maintenance & Operations Fund			**-**	**(4,740)**	
				4,740	**Net Impact to Fund Balance**
		TOTAL	**($973,197)**	**($6,803,347)**	

Attachment #5

GENERAL FUND FIVE YEAR FORECAST SUMMARY - FY 2017/18 THROUGH 2021/22

Year	Revenues	Change	%	Expenditures	Change	%	Surplus/ (Deficit)	Net General Fund Transfers	Incr./(Decr.) in Fund Balance	Year-end Fund Balance	Financial Policy Reserve	Change	Economic Uncertainty Reserve	Change	Unreserved Fund Balance	Change
FY 2015/16										$20,086,641	$12,713,032		$1,934,245		$5,439,364	
FY 2016/17[1]	$67,743,815			$66,911,587			$832,228	($1,994,846)	($1,162,618)	$18,924,023	$13,481,208	$768,176	$1,999,403	$65,158	$ 3,443,412	$ (1,995,952)
FY 2017/18	71,013,648	3,269,833	4.8%	70,590,446	3,678,858	5.5%	423,202	(1,693,892)	(1,270,690)	17,653,333	14,118,089	636,881	2,064,561	65,158	1,470,683	(1,972,729)
FY 2018/19[2]	72,144,064	1,130,416	1.6%	71,712,085	1,121,640	1.6%	431,979	(1,289,925)	1,077,493	18,730,826	14,342,417	224,328	4,000,000	1,935,439	388,409	(1,082,274)
FY 2019/20	74,273,038	2,128,974	3.0%	74,146,645	2,434,559	3.4%	126,394	(1,803,189)	(1,676,796)	17,054,030	14,829,329	486,912	2,224,701	(1,775,299)	-	(388,409)
FY 2020/21	76,473,011	2,199,973	3.0%	76,469,157	2,322,513	3.1%	3,854	(1,316,061)	(1,312,207)	15,741,823	15,293,831	464,502	447,992	(1,776,709)	-	-
FY 2021/22	78,746,515	2,273,504	3.0%	78,707,361	2,238,203	2.9%	39,154	(1,328,723)	(1,289,569)	14,452,254	14,452,254	(841,577)	-	(447,992)	-	-
							$1,856,811	($9,426,637)	($5,634,387)			$1,739,222		($1,934,245)		($5,439,364)
															Without loan payoff	(7,569,826)

[1] FY 2016/17 Year-end Estimates

[2] FY 2018/19 Includes loan payoff estimate of $1,935,439.

Notes

Expenditure of $250,000 for pension stabilization included in years FY2018 to FY2022.

Transient Occupancy Tax Revenue of $500,000 retained in General Fund in years FY2018 to FY2022.

	FY2019	FY2020	FY2021	FY2022
Revenue growth forecasted using:	Baseline	Baseline	Baseline	Baseline
Expenditure growth forecasted using:	Baseline	Baseline	Baseline	Baseline

FY 2017-18 One-time Expenditures:

Replacement of RCC Dispatch Software (Split Police 75%/Fire 25%)	$ 238,648
Carryforward Finance/HR System (ERP) Enhancement	178,585
Carryforward License Plate Reader & Camera Project	100,000
Carryforward Permitting Software Solution	74,123
Replacement Ceramics Kiln	45,000
Legal Services for Labor Negotiations	30,000
Carryforward Work Order Management System	10,000
Carryforward Ruggedized Laptop Purchase	3,100
	$ 679,456

General Fund Transfers	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	TOTAL
Street Lighting & Landscape Fund	(206,903)	(223,655)	(228,308)	(233,056)	(237,901)	(242,845)	(1,372,668)
CIP Fund	(500,000)	-	-	-	-	-	(500,000)
Stormwater Fund	(1,263,233)	(982,418)	(1,251,692)	(1,771,507)	(1,291,411)	(1,311,555)	(7,871,815)
County Parking Lots Fund	80,606	179,181	190,076	201,374	213,251	225,676	1,090,162
Insurance Fund	(667,000)	(667,000)	-	-	-	-	(1,334,000)
Information Technology Fund	561,684	-	-	-	-	-	561,684
	(1,994,846)	**(1,693,892)**	**(1,289,925)**	**(1,803,189)**	**(1,316,061)**	**(1,328,723)**	**(9,426,637)**

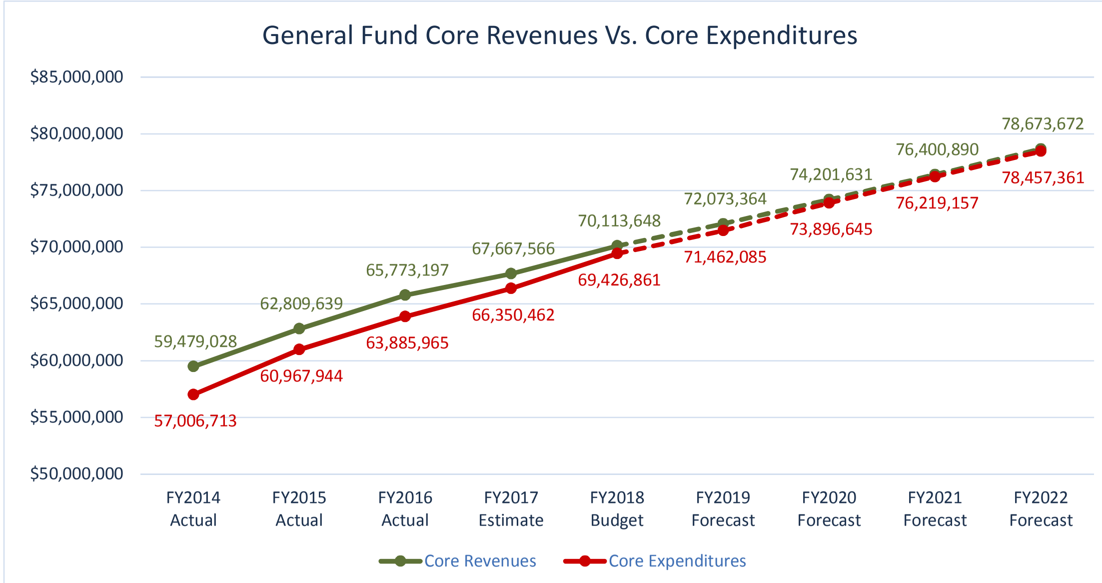
Attachment #5

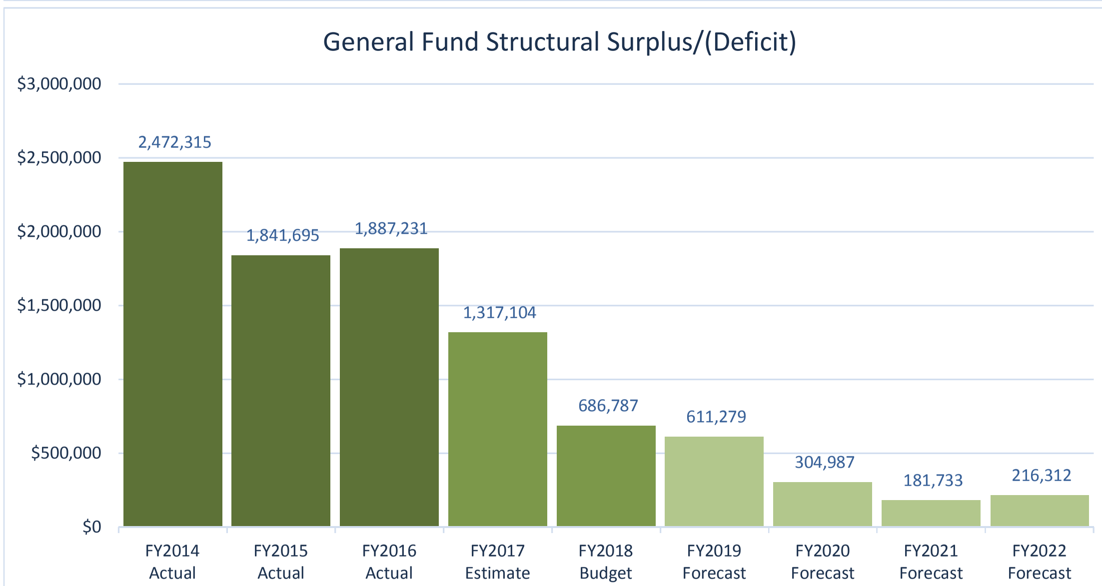
General Fund Forecast

		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
		Actual	Actual	Actual	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
BEGINNING FUND BALANCE		19,156,761	19,198,336	21,115,623	20,086,641	18,924,023	17,653,333	18,730,826	17,054,030	15,741,823
Revenues										
Core Revenues		**59,479,028**	**62,809,639**	**65,773,197**	**67,667,566**	**70,113,648**	**72,073,364**	**74,201,631**	**76,400,890**	**78,673,672**
Non-core Revenues (One-time & Grants)		**266,593**	**185,715**	**1,074,052**	**76,249**	**900,000**	**70,700**	**71,407**	**72,121**	**72,842**
Total Revenues & Other Inflows	(A)	**$59,745,621**	**$62,995,354**	**$66,847,249**	**$67,743,815**	**$71,013,648**	**$72,144,064**	**$74,273,038**	**$76,473,011**	**$78,746,515**
Expenditures										
Core Expenditures		**57,006,713**	**60,967,944**	**63,885,965**	**66,350,462**	**69,426,861**	**71,462,085**	**73,896,645**	**76,219,157**	**78,457,361**
Non-core Expenditures (One-time & Capital)		**1,891,395**	**129,423**	**2,464,364**	**543,118**	**1,163,585**	**250,000**	**250,000**	**250,000**	**250,000**
Total Expenditures & Other Outflows	(B)	**58,898,108**	**61,097,367**	**66,350,330**	**66,911,587**	**70,590,446**	**71,712,085**	**74,146,645**	**76,469,157**	**78,707,361**
Annual Structural (Core) Surplus/(Deficit)		2,472,315	1,841,695	1,887,231	1,317,104	686,787	611,279	304,987	181,733	216,312
Annual Surplus/(Deficit) Before Transfers		847,513	1,897,988	496,919	832,228	423,202	431,979	126,394	3,854	39,154
Fund Equity Transfers	(C)	**(805,938)**	**19,300**	**(1,525,902)**	**(1,994,846)**	**(1,693,892)**	**(1,289,925)**	**(1,803,189)**	**(1,316,061)**	**(1,328,723)**
Annual Increase/(Decrease) in Fund Balan	(=A–B+C)	41,575	1,917,287	(1,028,983)	(1,162,618)	(1,270,690)	1,077,493	(1,676,796)	(1,312,207)	(1,289,569)
ENDING FUND BALANCE		**$19,198,336**	**$21,115,623**	**$20,086,641**	**$18,924,023**	**$17,653,333**	**$18,730,826**	**$17,054,030**	**$15,741,823**	**$14,452,254**
Financial Policy Designation		11,787,616	12,140,241	12,713,032	13,481,208	14,118,089	14,342,417	14,829,329	15,293,831	14,452,254
Reserve for Economic Uncertainty		4,000,000	4,000,000	1,934,245	1,999,403	2,064,561	4,000,000	2,224,701	447,992	-
Undesignated Fund Balance		3,410,720	4,975,382	5,439,364	3,443,412	1,470,683	388,409	-	-	-

Attachment #5

General Fund Forecast





Attachment #5

FIVE YEAR FORECAST

FY 2017-2018 SCHEDULE OF RESERVED & DESIGNATED FUND BALANCES

	07/01/2017 Opening Balance[1]	2017-2018 Estimated Revenues	2017-2018 Operating Expenditures	2017-2018 Capital Equip & Projects	2017-2018 Debt Service Payments	2017-2018 Total Expenditures	2017-2018 Fund Balance Before Xfers	2017-2018 Fund Transfers	06/30/2018 Total Fund Balance	06/30/2018 Reserves & Designations	06/30/2018 Unreserved Balance
General Fund Undesignated	$3,443,411	$71,013,648	($68,809,183)	($1,163,585)	($617,678)	($70,590,446)	$3,866,613	($702,039)	$1,470,682		$1,470,682
Transfer from County Lots Parking Fund								179,181			
Transfer from Information Technology Fund								-			
Transfer to Street Lighting Fund								(223,655)			
Transfer to Stormwater Fund								(982,418)			
Transfer to Insurance Reserve Fund								(667,000)			
Transfer to Capital Improvements Fund								-			
Financial Policy Designation	13,481,208						13,481,208	636,881	14,118,089	14,118,089	
Reserve for Economic Uncertainty	1,999,403						1,999,403	65,158	2,064,561	2,064,561	
Debt Service Reserve	-						-		-	-	
Total General Fund Balance	**$18,924,022**	**$71,013,648**	**($68,809,183)**	**($1,163,585)**	**($617,678)**	**($70,590,446)**	**$19,347,225**	**($1,693,892)**	**$17,653,332**	**$16,182,650**	**$1,470,682**
Special Revenue Funds											
Street Lighting & Landscape	-	$396,139	($619,794)	-	-	($619,794)	($223,655)	$223,655	-		-
Gas Tax	$1,613	1,036,987	($32,060)	($500,000)	-	($532,060)	506,540		$506,540		$506,540
Asset Forfeiture & Safety Grants	580,006	708,300	($190,440)	($700,000)	($150,673)	($1,041,113)	247,193		247,193		247,193
Police Safety Grants	109,916	101,400	($105,000)	-	-	($105,000)	106,316		106,316		106,316
Federal & State Grants	(22,488)	-	-	-	-	-	(22,488)		(22,488)		(22,488)
Prop A	-	679,839	($896,687)	-	-	($896,687)	(216,848)	216,848	-		-
Prop C	937,205	1,393,172	($69,183)	($1,300,000)	-	($1,369,183)	961,194		961,194		961,194
AB 2766	142,479	50,412	($11,300)	-	-	($11,300)	181,591		181,591		181,591
Measure R	152,447	420,887	($25,311)	($250,000)	-	($275,311)	298,023	(216,848)	81,175		81,175
Measure M	-	415,899	($42,185)	($200,000)	-	($242,185)	173,714	-	173,714		173,714
Total Special Revenue Funds Balance	**$1,901,176**	**$5,203,035**	**($1,991,960)**	**($2,950,000)**	($150,673)	**($5,092,633)**	**$2,011,578**	**$223,655**	**$2,235,233**	**-**	**$2,235,233**
Capital Project Funds											
Capital Improvement Fund	$4,574,711	$1,726,804	($168,738)	($2,715,000)	($767,362)	($3,651,100)	$2,650,415	-	$2,650,415	$500,000	$2,150,415
Underground Utility Construction Fund	595,182	1,800	-	-	-	-	596,982		596,982		596,982
Total Capital Project Funds Balance	**$5,169,893**	**$1,728,604**	**($168,738)**	**($2,715,000)**	**($767,362)**	**($3,651,100)**	**$3,247,397**	**-**	**$3,247,397**	**$500,000**	**$2,747,397**
Enterprise Funds											
Water	$25,407,193	$14,931,000	($10,833,242)	($4,615,000)	($172,001)	($15,620,243)	$24,717,950	-	$24,717,950	3,668,414	$21,049,536
Stormwater*	-	354,300	($876,718)	($460,000)	-	($1,336,718)	(982,418)	982,418	-	-	-
Wastewater	7,469,731	3,350,500	($1,303,964)	($4,145,000)	($84,625)	($5,533,589)	5,286,642	-	5,286,642	462,863	4,823,778
Refuse*	474,658	4,293,026	($4,219,000)	-	-	($4,219,000)	548,684	-	548,684	548,684	-
Parking*	559,167	2,597,000	($1,834,042)	($600,000)	($717,413)	($3,151,455)	4,712	-	4,712	4,712	-
County Parking Lots	-	798,500	($183,319)	-	($436,000)	($619,319)	179,181	(179,181)	-	-	-
State Pier & Parking	675,098	608,600	($477,439)	-	-	($477,439)	806,259	-	806,259	159,146	647,112
Enterprise Fund Reserves:											
North Manhattan Beach BID Reserve	511,863	-	-	-	-	-	511,863	-	511,863	511,863	
Total Enterprise Funds Balance	**$35,097,712**	**$26,932,926**	**($19,727,726)**	**($9,820,000)**	**($1,410,039)**	**($30,957,765)**	**$31,072,873**	**$803,237**	**$31,876,110**	**$5,355,683**	**$26,520,427**

Attachment #5

Internal Service Funds											
Insurance Reserve	$3,342,960	$7,147,960	($6,514,941)	-	-	($6,514,941)	$3,975,979	$667,000	$4,642,979	$2,000,000	$2,642,979
Information Technology	304,588	2,333,880	($2,203,778)	($113,709)	-	($2,317,487)	320,981	-	320,981		320,981
Fleet Management	2,386,972	3,433,420	($1,213,019)	($2,085,376)	($406,898)	($3,705,293)	2,115,099	-	2,115,099		2,115,099
Building Maintenance & Operations	4,207	1,893,969	($1,895,996)	-	-	($1,895,996)	2,180	-	2,180		2,180
Total Insurance Service Funds Balance	**$6,038,727**	**$14,809,229**	**($11,827,735)**	**($2,199,085)**	**($406,898)**	**($14,433,718)**	**$6,414,238**	**$667,000**	**$7,081,238**	**$2,000,000**	**$5,081,238**
Trust & Agency Funds											
Underground Assessment Fund	$1,886,805	$965,000	-	-	($947,439)	($947,439)	$1,904,366		$1,904,366	$1,904,366	-
Pension Trust	205,175	182,000	($243,900)	-	-	($243,900)	143,275		143,275	143,275	-
Total Trust Agency Funds Balance	**$2,091,980**	**$1,147,000**	**($243,900)**	**-**	**($947,439)**	**($1,191,339)**	**$2,047,641**	**-**	**$2,047,641**	**$2,047,641**	**-**
Grand Total	**$69,223,511**	**$120,834,442**	**($102,769,241)**	**($18,847,670)**	**($4,300,089)**	**($125,917,000)**	**$64,140,952**	**($0)**	**$64,140,952**	**$26,085,975**	**$38,054,977**

** Not meeting current Financial Reserve Policy.*

	FY2019	FY2020	FY2021	FY2022
Revenue growth forecasted using:	Baseline	Baseline	Baseline	Baseline
Expenditure growth forecasted using:	Baseline	Baseline	Baseline	Baseline

[1] 07/01/2017 Opening Balances include 2016-2017 Full-Year Estimates and Committed Capital Projects/Grants.

FIVE YEAR FORECAST

FY 2018-2019 SCHEDULE OF RESERVED & DESIGNATED FUND BALANCES

	07/01/2018 Opening Balance	2018-2019 Estimated Revenues	2018-2019 Operating Expenditures	2018-2019 Capital Equip & Projects	2018-2019 Debt Service Payments	2018-2019 Total Expenditures	2018-2019 Fund Balance Before Xfers	2018-2019 Fund Transfers	06/30/2019 Total Fund Balance	06/30/2019 Reserves & Designations	06/30/2019 Unreserved Balance
General Fund Undesignated	$1,470,682	$72,144,064	($70,819,708)	($250,000)	($642,377)	($71,712,085)	$1,902,661	($224,328)	$388,408		$388,408
Transfer from County Lots Parking Fund								190,076			
Transfer from Information Technology Fund								-			
Transfer to Street Lighting Fund								(228,308)			
Transfer to Stormwater Fund								(1,251,692)			
Transfer to Insurance Reserve Fund								-			
Transfer to Capital Improvements Fund								-			
Financial Policy Designation	14,118,089						14,118,089	224,328	14,342,417	14,342,417	
Reserve for Economic Uncertainty	2,064,561						2,064,561	1,935,439	4,000,000	4,000,000	
Debt Service Reserve	-						-		-	-	
Total General Fund Balance	**$17,653,332**	**$72,144,064**	**($70,819,708)**	**($250,000)**	**($642,377)**	**($71,712,085)**	**$18,085,311**	**$645,514**	**$18,730,825**	**$18,342,417**	**$388,408**
Special Revenue Funds											
Street Lighting & Landscape	-	$403,882	($632,190)	-	-	($632,190)	($228,308)	$228,308	-		-
Gas Tax	$506,540	1,454,614	($32,701)	($1,415,000)	-	($1,447,701)	513,453		$513,453		$513,453
Asset Forfeiture & Safety Grants	247,193	8,466	($194,249)	-	($150,673)	($344,922)	(89,263)		(89,263)		(89,263)
Police Safety Grants	106,316	101,428	($107,100)	-	-	($107,100)	100,644		100,644		100,644
Federal & State Grants	(22,488)	-	-	-	-	-	(22,488)		(22,488)		(22,488)
Prop A	-	693,336	($909,988)	-	-	($909,988)	(216,652)	216,652	-		-
Prop C	961,194	594,835	($70,567)	($700,000)	-	($770,567)	785,463		785,463		785,463
AB 2766	181,591	50,934	($11,526)	-	-	($11,526)	220,999		220,999		220,999
Measure R	81,175	429,305	($25,817)	-	-	($25,817)	484,662	(216,652)	268,010		268,010
Measure M	173,714	424,217	($43,029)	-	-	($43,029)	554,902	-	554,902		554,902
Total Special Revenue Funds Balance	**$2,235,233**	**$4,161,017**	**($2,027,166)**	**($2,115,000)**	($150,673)	**($4,292,839)**	**$2,103,411**	**$228,308**	**$2,331,719**	**-**	**$2,331,719**
Capital Project Funds											
Capital Improvement Fund	$2,650,415	$1,772,730	($172,113)	($1,655,000)	($772,706)	($2,599,819)	$1,823,326	-	$1,823,326	$500,000	$1,323,326
Underground Utility Construction Fund	596,982	1,836	-	-	-	-	598,818		598,818		598,818
Total Capital Project Funds Balance	**$3,247,397**	**$1,774,566**	**($172,113)**	**($1,655,000)**	**($772,706)**	**($2,599,819)**	**$2,422,144**	**-**	**$2,422,144**	**$500,000**	**$1,922,144**
Enterprise Funds											
Water*	$24,717,950	$15,376,580	($11,069,673)	($25,750,000)	($170,834)	($36,990,507)	$3,104,024	-	$3,104,024	3,104,024	-
Stormwater*	-	354,486	($896,178)	($710,000)	-	($1,606,178)	(1,251,692)	1,251,692	-	-	-
Wastewater	5,286,642	3,450,610	($1,335,956)	($3,500,000)	($84,052)	($4,920,007)	3,817,244	-	3,817,244	473,336	3,343,909
Refuse*	548,684	4,421,627	($4,305,548)	-	-	($4,305,548)	664,764	-	664,764	664,764	-
Parking*	4,712	2,672,520	($1,808,816)	-	($710,686)	($2,519,502)	157,730	-	157,730	157,730	-
County Parking Lots	-	822,455	($187,659)	-	($444,720)	($632,379)	190,076	(190,076)	-	-	-
State Pier & Parking	806,259	626,672	($487,662)	-	-	($487,662)	945,269	-	945,269	162,554	782,715
Enterprise Fund Reserves:											
North Manhattan Beach BID Reserve	511,863	-	-	-	-	-	511,863	-	511,863	511,863	
Total Enterprise Funds Balance	**$31,876,110**	**$27,724,950**	**($20,091,492)**	**($29,960,000)**	**($1,410,292)**	**($51,461,783)**	**$8,139,277**	**$1,061,617**	**$9,200,894**	**$5,074,271**	**$4,126,623**

Internal Service Funds											
Insurance Reserve	$4,642,979	$7,290,169	($6,710,241)	-	-	($6,710,241)	$5,222,907	-	$5,222,907	$2,000,000	$3,222,907
Information Technology	320,981	2,380,558	($2,223,590)	($200,000)	-	($2,423,590)	277,948	-	277,948		277,948
Fleet Management	2,115,099	2,277,838	($1,244,847)	($750,000)	($415,036)	($2,409,883)	1,983,055	-	1,983,055		1,983,055
Building Maintenance & Operations	2,180	1,931,848	($1,931,766)	-	-	($1,931,766)	2,263	-	2,263		2,263
Total Insurance Service Funds Balance	**$7,081,238**	**$13,880,414**	**($12,110,444)**	**($950,000)**	**($415,036)**	**($13,475,480)**	**$7,486,172**	**-**	**$7,486,172**	**$2,000,000**	**$5,486,172**
Trust & Agency Funds											
Underground Assessment Fund	$1,904,366	$984,300	-	-	($966,388)	($966,388)	$1,922,278		$1,922,278	$1,922,278	-
Pension Trust	143,275	183,960	($248,778)	-	-	($248,778)	78,457		78,457	78,457	-
Total Trust Agency Funds Balance	**$2,047,641**	**$1,168,260**	**($248,778)**	**-**	**($966,388)**	**($1,215,166)**	**$2,000,735**	**-**	**$2,000,735**	**$2,000,735**	**-**
Grand Total	**$64,140,952**	**$120,853,271**	**($105,469,701)**	**($34,930,000)**	**($4,357,471)**	**($144,757,172)**	**$40,237,051**	**$1,935,439**	**$42,172,490**	**$27,917,423**	**$14,255,067**

** Not meeting current Financial Reserve Policy.*

	FY2019	FY2020	FY2021	FY2022
Revenue growth forecasted using:	Baseline	Baseline	Baseline	Baseline
Expenditure growth forecasted using:	Baseline	Baseline	Baseline	Baseline

Attachment #5

FIVE YEAR FORECAST

FY 2019-2020 SCHEDULE OF RESERVED & DESIGNATED FUND BALANCES

	07/01/2019 Opening Balance	2019-2020 Estimated Revenues	2019-2020 Operating Expenditures	2019-2020 Capital Equip & Projects	2019-2020 Debt Service Payments	2019-2020 Total Expenditures	2019-2020 Fund Balance Before Xfers	2019-2020 Fund Transfers	06/30/2020 Total Fund Balance	06/30/2020 Reserves & Designations	06/30/2020 Unreserved Balance
General Fund Undesignated	$388,408	$74,273,038	($73,250,106)	($250,000)	($646,538)	($74,146,645)	$514,802	($486,912)	($1,775,300)		-
Transfer from County Lots Parking Fund								201,374			
Transfer from Information Technology Fund								-			
Transfer to Street Lighting Fund								(233,056)			
Transfer to Stormwater Fund								(1,771,507)			
Transfer to Insurance Reserve Fund								-			
Transfer to Capital Improvements Fund								-			
Financial Policy Designation	14,342,417						14,342,417	486,912	14,829,329	14,829,329	
Reserve for Economic Uncertainty	4,000,000						4,000,000		4,000,000	2,224,701	
Debt Service Reserve	-						-		-	-	
Total General Fund Balance	**$18,730,825**	**$74,273,038**	**($73,250,106)**	**($250,000)**	**($646,538)**	**($74,146,645)**	**$18,857,219**	**($1,803,189)**	**$17,054,030**	**$17,054,030**	**-**
Special Revenue Funds											
Street Lighting & Landscape	-	$411,777	($644,834)	-	-	($644,834)	($233,056)	$233,056	-		-
Gas Tax	$513,453	1,469,404	($33,355)	($1,250,000)	-	($1,283,355)	699,502		$699,502		$699,502
Asset Forfeiture & Safety Grants	(89,263)	8,635	($198,134)	-	($150,673)	($348,807)	(429,435)		(429,435)		(429,435)
Police Safety Grants	100,644	101,457	($109,242)	-	-	($109,242)	92,859		92,859		92,859
Federal & State Grants	(22,488)	-	-	-	-	-	(22,488)		(22,488)		(22,488)
Prop A	-	707,103	($931,774)	-	-	($931,774)	(224,671)	224,671	-		-
Prop C	785,463	606,732	($71,978)	($700,000)	-	($771,978)	620,217		620,217		620,217
AB 2766	220,999	51,462	($11,757)	-	-	($11,757)	260,704		260,704		260,704
Measure R	268,010	437,891	($26,334)	($420,000)	-	($446,334)	259,567	(224,671)	34,897		34,897
Measure M	554,902	432,701	($43,889)	($840,000)	-	($883,889)	103,714	-	103,714		103,714
Total Special Revenue Funds Balance	**$2,331,719**	**$4,227,163**	**($2,071,296)**	**($3,210,000)**	($150,673)	**($5,431,969)**	**$1,126,913**	**$233,056**	**$1,359,969**	**-**	**$1,359,969**
Capital Project Funds											
Capital Improvement Fund	$1,823,326	$1,820,003	($175,555)	($1,130,000)	($772,526)	($2,078,081)	$1,565,248	-	$1,565,248	$500,000	$1,065,248
Underground Utility Construction Fund	598,818	1,873	-	-	-	-	600,691		600,691		600,691
Total Capital Project Funds Balance	**$2,422,144**	**$1,821,876**	**($175,555)**	**($1,130,000)**	**($772,526)**	**($2,078,081)**	**$2,165,939**	**-**	**$2,165,939**	**$500,000**	**$1,665,939**
Enterprise Funds											
Water*	$3,104,024	$15,835,486	($11,312,462)	($1,500,000)	($172,868)	($12,985,330)	$5,954,180	-	$5,954,180	5,954,180	-
Stormwater*	-	354,676	($916,182)	($1,210,000)	-	($2,126,182)	(1,771,507)	1,771,507	-	-	-
Wastewater	3,817,244	3,553,715	($1,369,075)	($3,250,000)	($85,052)	($4,704,127)	2,666,832	-	2,666,832	484,709	2,182,124
Refuse*	664,764	4,554,084	($4,394,014)	($150,000)	-	($4,544,014)	674,834	-	674,834	674,834	-
Parking*	157,730	2,750,266	($1,847,535)	-	($715,010)	($2,562,545)	345,451	-	345,451	345,451	-
County Parking Lots	-	847,129	($192,141)	-	($453,614)	($645,755)	201,374	(201,374)	-	-	-
State Pier & Parking	945,269	645,282	($498,143)	-	-	($498,143)	1,092,408	-	1,092,408	166,048	926,360
Enterprise Fund Reserves:											
North Manhattan Beach BID Reserve	511,863	-	-	-	-	-	511,863	-	511,863	511,863	
Total Enterprise Funds Balance	**$9,200,894**	**$28,540,638**	**($20,529,551)**	**($6,110,000)**	**($1,426,545)**	**($28,066,096)**	**$9,675,436**	**$1,570,133**	**$11,245,569**	**$8,137,085**	**$3,108,484**

Attachment #5

Internal Service Funds											
Insurance Reserve	$5,222,907	$7,435,215	($6,914,618)	-	-	($6,914,618)	$5,743,504	-	$5,743,504	$2,000,000	$3,743,504
Information Technology	277,948	2,428,169	($2,278,872)	($200,000)	-	($2,478,872)	227,244	-	227,244		227,244
Fleet Management	1,983,055	2,323,143	($1,277,955)	($750,000)	($423,337)	($2,451,292)	1,854,905	-	1,854,905		1,854,905
Building Maintenance & Operations	2,263	1,970,485	($1,970,922)	-	-	($1,970,922)	1,826	-	1,826		1,826
Total Insurance Service Funds Balance	**$7,486,172**	**$14,157,012**	**($12,442,368)**	**($950,000)**	**($423,337)**	**($13,815,705)**	**$7,827,479**	**-**	**$7,827,479**	**$2,000,000**	**$5,827,479**
Trust & Agency Funds											
Underground Assessment Fund	$1,922,278	$1,003,986	-	-	($985,716)	($985,716)	$1,940,548		$1,940,548	$1,940,548	-
Pension Trust	78,457	185,942	($253,754)	-	-	($253,754)	10,646		10,646	10,646	-
Total Trust Agency Funds Balance	**$2,000,735**	**$1,189,928**	**($253,754)**	**-**	**($985,716)**	**($1,239,469)**	**$1,951,195**	**-**	**$1,951,195**	**$1,951,195**	**-**
Grand Total	**$42,172,490**	**$124,209,655**	**($108,722,630)**	**($11,650,000)**	**($4,405,334)**	**($124,777,964)**	**$41,604,181**	**-**	**$41,604,181**	**$29,642,310**	**$11,961,871**

** Not meeting current Financial Reserve Policy.*

	FY2019	FY2020	FY2021	FY2022
Revenue growth forecasted using:	Baseline	Baseline	Baseline	Baseline
Expenditure growth forecasted using:	Baseline	Baseline	Baseline	Baseline

Attachment #5

FIVE YEAR FORECAST

FY 2020-2021 SCHEDULE OF RESERVED & DESIGNATED FUND BALANCES

	07/01/2020 Opening Balance	2020-2021 Estimated Revenues	2020-2021 Operating Expenditures	2020-2021 Capital Equip & Projects	2020-2021 Debt Service Payments	2020-2021 Total Expenditures	2020-2021 Fund Balance Before Xfers	2020-2021 Fund Transfers	06/30/2021 Total Fund Balance	06/30/2021 Reserves & Designations	06/30/2021 Unreserved Balance
General Fund Undesignated	-	$76,473,011	($75,573,620)	($250,000)	($645,537)	($76,469,157)	$3,854	($464,502)	($1,776,709)		-
Transfer from County Lots Parking Fund								213,251			
Transfer from Information Technology Fund								-			
Transfer to Street Lighting Fund								(237,901)			
Transfer to Stormwater Fund								(1,291,411)			
Transfer to Insurance Reserve Fund								-			
Transfer to Capital Improvements Fund								-			
Financial Policy Designation	14,829,329						14,829,329	464,502	15,293,831	15,293,831	
Reserve for Economic Uncertainty	2,224,701						2,224,701		2,224,701	447,991	
Debt Service Reserve	-						-		-	-	
Total General Fund Balance	**$17,054,030**	**$76,473,011**	**($75,573,620)**	**($250,000)**	**($645,537)**	**($76,469,157)**	**$17,057,884**	**($1,316,061)**	**$15,741,822**	**$15,741,822**	**-**
Special Revenue Funds											
Street Lighting & Landscape	-	$419,829	($657,730)	-	-	($657,730)	($237,901)	$237,901	-		-
Gas Tax	$699,502	1,484,347	($34,022)	($1,250,000)	-	($1,284,022)	899,827		$899,827		$899,827
Asset Forfeiture & Safety Grants	(429,435)	8,808	($202,096)	-	($150,673)	($352,769)	(773,396)		(773,396)		(773,396)
Police Safety Grants	92,859	101,486	($111,427)	-	-	($111,427)	82,918		82,918		82,918
Federal & State Grants	(22,488)	-	-	-	-	-	(22,488)		(22,488)		(22,488)
Prop A	-	721,146	($952,792)	-	-	($952,792)	(231,646)	231,646	-		-
Prop C	620,217	618,867	($73,418)	($700,000)	-	($773,418)	465,666		465,666		465,666
AB 2766	260,704	51,995	($11,992)	-	-	($11,992)	300,707		300,707		300,707
Measure R	34,897	446,649	($26,860)	-	-	($26,860)	454,685	(231,646)	223,039		223,039
Measure M	103,714	441,355	($44,767)	($245,000)	-	($289,767)	255,303	-	255,303		255,303
Total Special Revenue Funds Balance	**$1,359,969**	**$4,294,482**	**($2,115,104)**	**($2,195,000)**	($150,673)	**($4,460,777)**	**$1,193,674**	**$237,901**	**$1,431,575**	**-**	**$1,431,575**
Capital Project Funds											
Capital Improvement Fund	$1,565,248	$1,868,663	($179,066)	($930,000)	($771,897)	($1,880,963)	$1,552,948	-	$1,552,948	$500,000	$1,052,948
Underground Utility Construction Fund	600,691	1,910	-	-	-	-	602,601		602,601		602,601
Total Capital Project Funds Balance	**$2,165,939**	**$1,870,573**	**($179,066)**	**($930,000)**	**($771,897)**	**($1,880,963)**	**$2,155,549**	**-**	**$2,155,549**	**$500,000**	**$1,655,549**
Enterprise Funds											
Water*	$5,954,180	$16,308,118	($11,557,221)	($1,800,000)	($172,055)	($13,529,277)	$8,733,022	-	$8,733,022	8,733,022	-
Stormwater*	-	354,869	($936,280)	($710,000)	-	($1,646,280)	(1,291,411)	1,291,411	-	-	-
Wastewater	2,666,832	3,659,904	($1,401,995)	($3,300,000)	($84,652)	($4,786,646)	1,540,090	-	1,540,090	495,549	1,044,541
Refuse*	674,834	4,690,513	($4,483,990)	-	-	($4,483,990)	881,357	-	881,357	881,357	-
Parking*	345,451	2,830,303	($1,886,662)	-	($711,085)	($2,597,747)	578,007	-	578,007	578,007	-
County Parking Lots	-	872,543	($196,605)	-	($462,687)	($659,292)	213,251	(213,251)	-	-	-
State Pier & Parking	1,092,408	664,447	($508,728)	($250,000)	-	($758,728)	998,127	-	998,127	169,576	828,551
Enterprise Fund Reserves:											
North Manhattan Beach BID Reserve	511,863	-	-	-	-	-	511,863	-	511,863	511,863	
Total Enterprise Funds Balance	**$11,245,569**	**$29,380,698**	**($20,971,480)**	**($6,060,000)**	**($1,430,479)**	**($28,461,959)**	**$12,164,307**	**$1,078,160**	**$13,242,467**	**$11,369,375**	**$1,873,093**

Attachment #5

Internal Service Funds											
Insurance Reserve	$5,743,504	$7,583,154	($7,126,861)	-	-	($7,126,861)	$6,199,798	-	$6,199,798	$2,000,000	$4,199,798
Information Technology	227,244	2,476,732	($2,332,849)	($200,000)	-	($2,532,849)	171,127	-	171,127		171,127
Fleet Management	1,854,905	2,369,350	($1,310,742)	($750,000)	($431,803)	($2,492,546)	1,731,710	-	1,731,710		1,731,710
Building Maintenance & Operations	1,826	2,009,895	($2,007,851)	-	-	($2,007,851)	3,870	-	3,870		3,870
Total Insurance Service Funds Balance	**$7,827,479**	**$14,439,132**	**($12,778,303)**	**($950,000)**	**($431,803)**	**($14,160,106)**	**$8,106,505**	**-**	**$8,106,505**	**$2,000,000**	**$6,106,505**
Trust & Agency Funds											
Underground Assessment Fund	$1,940,548	$1,024,066	-	-	($1,005,430)	($1,005,430)	$1,959,184		$1,959,184	$1,959,184	-
Pension Trust	10,646	187,947	($258,829)	-	-	($258,829)	(60,235)		(60,235)	(60,235)	-
Total Trust Agency Funds Balance	**$1,951,195**	**$1,212,013**	**($258,829)**	**-**	**($1,005,430)**	**($1,264,258)**	**$1,898,949**	**-**	**$1,898,949**	**$1,898,949**	**-**
Grand Total	**$41,604,181**	**$127,669,909**	**($111,876,402)**	**($10,385,000)**	**($4,435,820)**	**($126,697,221)**	**$42,576,868**	**$0**	**$42,576,868**	**$31,510,146**	**$11,066,722**

** Not meeting current Financial Reserve Policy.*

	FY2019	FY2020	FY2021	FY2022
Revenue growth forecasted using:	Baseline	Baseline	Baseline	Baseline
Expenditure growth forecasted using:	Baseline	Baseline	Baseline	Baseline

Attachment #5

FIVE YEAR FORECAST

FY 2021-2022 SCHEDULE OF RESERVED & DESIGNATED FUND BALANCES

	07/01/2021 Opening Balance	2021-2022 Estimated Revenues	2021-2022 Operating Expenditures	2021-2022 Capital Equip & Projects	2021-2022 Debt Service Payments	2021-2022 Total Expenditures	2021-2022 Fund Balance Before Xfers	2021-2022 Fund Transfers	06/30/2022 Total Fund Balance	06/30/2022 Reserves & Designations	06/30/2022 Unreserved Balance
General Fund Undesignated	-	$78,746,515	($77,809,584)	($250,000)	($647,776)	($78,707,361)	$39,154	($447,641)	($1,737,210)		-
Transfer from County Lots Parking Fund								225,676			
Transfer from Information Technology Fund								-			
Transfer to Street Lighting Fund								(242,845)			
Transfer to Stormwater Fund								(1,311,555)			
Transfer to Insurance Reserve Fund								-			
Transfer to Capital Improvements Fund								-			
Financial Policy Designation	15,293,831						15,293,831	447,641	15,741,472	14,452,253	
Reserve for Economic Uncertainty	447,991						447,991		447,991	-	
Debt Service Reserve	-						-		-	-	
Total General Fund Balance	**$15,741,822**	**$78,746,515**	**($77,809,584)**	**($250,000)**	**($647,776)**	**($78,707,361)**	**$15,780,977**	**($1,328,723)**	**$14,452,253**	**$14,452,253**	**-**
Special Revenue Funds											
Street Lighting & Landscape	-	$428,040	($670,885)	-	-	($670,885)	($242,845)	$242,845	-		-
Gas Tax	$899,827	1,499,444	($34,703)	($1,290,000)	-	($1,324,703)	1,074,568		$1,074,568		$1,074,568
Asset Forfeiture & Safety Grants	(773,396)	8,984	($206,138)	-	($150,673)	($356,811)	(1,121,223)		(1,121,223)		(1,121,223)
Police Safety Grants	82,918	101,515	($113,655)	-	-	($113,655)	70,778		70,778		70,778
Federal & State Grants	(22,488)	-	-	-	-	-	(22,488)		(22,488)		(22,488)
Prop A	-	735,471	($972,854)	-	-	($972,854)	(237,384)	237,384	-		-
Prop C	465,666	631,244	($74,886)	($700,000)	-	($774,886)	322,024		322,024		322,024
AB 2766	300,707	52,534	($12,231)	-	-	($12,231)	341,010		341,010		341,010
Measure R	223,039	455,582	($27,397)	-	-	($27,397)	651,224	(237,384)	413,840		413,840
Measure M	255,303	450,182	($45,662)	-	-	($45,662)	659,823	-	659,823		659,823
Total Special Revenue Funds Balance	**$1,431,575**	**$4,362,997**	**($2,158,413)**	**($1,990,000)**	($150,673)	**($4,299,086)**	**$1,495,486**	**$242,845**	**$1,738,331**	**-**	**$1,738,331**
Capital Project Funds											
Capital Improvement Fund	$1,552,948	$1,918,751	($182,647)	($1,205,000)	($770,818)	($2,158,466)	$1,313,233	-	$1,313,233	$500,000	$813,233
Underground Utility Construction Fund	602,601	1,948	-	-	-	-	604,549		604,549		604,549
Total Capital Project Funds Balance	**$2,155,549**	**$1,920,699**	**($182,647)**	**($1,205,000)**	**($770,818)**	**($2,158,466)**	**$1,917,782**	**-**	**$1,917,782**	**$500,000**	**$1,417,782**
Enterprise Funds											
Water	$8,733,022	$16,794,886	($11,804,846)	($1,500,000)	($174,442)	($13,479,288)	$12,048,620	-	$12,048,620	3,993,096	$8,055,524
Stormwater*	-	355,067	($956,621)	($710,000)	-	($1,666,621)	(1,311,555)	1,311,555	-	-	-
Wastewater*	1,540,090	3,769,270	($1,434,963)	($3,100,000)	($85,826)	($4,620,790)	688,571	-	688,571	688,571	-
Refuse*	881,357	4,831,031	($4,575,454)	-	-	($4,575,454)	1,136,934	-	1,136,934	1,136,934	-
Parking*	578,007	2,912,701	($1,926,365)	-	($716,711)	($2,643,076)	847,632	-	847,632	847,632	-
County Parking Lots	-	898,719	($201,102)	-	($471,940)	($673,042)	225,676	(225,676)	-	-	-
State Pier & Parking	998,127	684,183	($519,467)	($400,000)	-	($919,467)	762,844	-	762,844	173,156	589,688
Enterprise Fund Reserves:											
North Manhattan Beach BID Reserve	511,863	-	-	-	-	-	511,863	-	511,863	511,863	
Total Enterprise Funds Balance	**$13,242,467**	**$30,245,858**	**($21,418,820)**	**($5,710,000)**	**($1,448,920)**	**($28,577,739)**	**$14,910,586**	**$1,085,879**	**$15,996,465**	**$7,351,252**	**$8,645,212**

Attachment #5

Internal Service Funds											
Insurance Reserve	$6,199,798	$7,734,045	($7,347,648)	-	-	($7,347,648)	$6,586,194	-	$6,586,194	$2,000,000	$4,586,194
Information Technology	171,127	2,526,267	($2,385,632)	($200,000)	-	($2,585,632)	111,761	-	111,761		111,761
Fleet Management	1,731,710	2,416,480	($1,343,220)	($750,000)	($440,439)	($2,533,659)	1,614,531	-	1,614,531		1,614,531
Building Maintenance & Operations	3,870	2,050,093	($2,049,501)	-	-	($2,049,501)	4,462	-	4,462		4,462
Total Insurance Service Funds Balance	**$8,106,505**	**$14,726,884**	**($13,126,002)**	**($950,000)**	**($440,439)**	**($14,516,441)**	**$8,316,948**	**-**	**$8,316,948**	**$2,000,000**	**$6,316,948**
Trust & Agency Funds											
Underground Assessment Fund	$1,959,184	$1,044,547	-	-	($1,025,538)	($1,025,538)	$1,978,193		$1,978,193	$1,978,193	-
Pension Trust	(60,235)	189,976	($264,005)	-	-	($264,005)	(134,265)		(134,265)	(134,265)	-
Total Trust Agency Funds Balance	**$1,898,949**	**$1,234,523**	**($264,005)**	**-**	**($1,025,538)**	**($1,289,544)**	**$1,843,928**	**-**	**$1,843,928**	**$1,843,928**	**-**
Grand Total	**$42,576,868**	**$131,237,476**	**($114,959,472)**	**($10,105,000)**	**($4,484,165)**	**($129,548,637)**	**$44,265,708**	**($0)**	**$44,265,708**	**$26,147,434**	**$18,118,273**

** Not meeting current Financial Reserve Policy.*

	FY2019	FY2020	FY2021	FY2022
Revenue growth forecasted using:	Baseline	Baseline	Baseline	Baseline
Expenditure growth forecasted using:	Baseline	Baseline	Baseline	Baseline

Growth Factors for FY 2017-18 to FY 2021-22 Projections

	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Estimate	FY2018 Proposed	FY2019 Forecast	FY2020 Forecast	FY2021 Forecast	FY2022 Forecast
Core Revenues									
Property Tax	8.0%	4.6%	7.8%	6.5%	5.1%	4.0%	4.0%	4.0%	4.0%
Sales & Use Tax	-1.8%	0.4%	1.9%	-3.7%	0.0%	2.0%	2.0%	2.0%	2.0%
Other Taxes & Assessments	5.1%	6.3%	-6.3%	0.5%	6.4%	2.0%	2.0%	2.0%	2.0%
Transient Occupancy Tax	10.6%	12.3%	7.2%	-0.5%	3.1%	3.0%	3.0%	3.0%	3.0%
Business License Tax	0.6%	7.5%	3.0%	1.4%	2.1%	2.0%	2.0%	2.0%	2.0%
Charges for Services	13.1%	3.4%	3.9%	4.1%	0.4%	3.0%	3.0%	3.0%	3.0%
Building Permits	18.3%	16.0%	41.8%	-6.3%	9.3%	-2.9%	3.0%	3.0%	3.0%
Building Plan Check Fees	35.3%	0.0%	-24.6%	41.0%	-6.7%	3.0%	3.0%	3.0%	3.0%
Licenses & Permits	11.4%	40.0%	12.4%	-4.7%	-1.3%	3.0%	3.0%	3.0%	3.0%
Fines	-1.2%	2.8%	-0.1%	10.8%	0.8%	1.0%	1.0%	1.0%	1.0%
Interest Earnings	76.9%	-13.3%	47.0%	-1.4%	14.2%	2.0%	2.0%	2.0%	2.0%
Rents & Leases	24.1%	-6.2%	10.9%	1.2%	-3.0%	2.0%	2.0%	2.0%	2.0%
Real Estate Transfer Tax	9.4%	12.2%	10.0%	-24.3%	0.0%	2.0%	2.0%	2.0%	2.0%
From Other Agencies	-10.8%	253.7%	-47.9%	-42.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Miscellaneous	-42.7%	54.7%	-11.3%	8.1%	-7.8%	1.0%	1.0%	1.0%	1.0%
Operating Transfers In	0.0%	0.0%	2.9%	0.0%	22.5%	1.0%	1.0%	1.0%	1.0%
Core Revenues	**6.4%**	**5.6%**	**4.7%**	**2.9%**	**3.6%**	**2.8%**	**3.0%**	**3.0%**	**3.0%**
Non-Core Revenues									
Unrealized Investment Gain/Loss	-131.2%	-61.5%	1989.1%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants	85.2%	-27.0%	-49.8%	-13.5%	-8.2%	1.0%	1.0%	1.0%	1.0%
Lease Purchase Proceeds	0.0%	0.0%	0.0%	0.0%	0.0%	-100.0%	0.0%	0.0%	0.0%
Property Transfer Fee	0.0%	0.0%	0.0%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-core Revenues	**453.2%**	**-30.3%**	**478.3%**	**-92.9%**	**1080.3%**	**-92.1%**	**1.0%**	**1.0%**	**1.0%**
Total Revenues & Other Inflows	**6.8%**	**5.4%**	**6.1%**	**1.3%**	**4.8%**	**1.6%**	**3.0%**	**3.0%**	**3.0%**
Core Expenditures									
Salary & Wages	11.9%	9.5%	4.4%	2.5%	2.2%	2.0%	2.0%	2.0%	2.0%
Employee Benefits	-0.8%	2.3%	10.5%	6.7%	8.5%	8.3%	8.4%	7.0%	6.0%
Contract & Professional Services	28.5%	4.3%	5.7%	-1.2%	5.0%	-1.3%	2.0%	2.0%	2.0%
Materials & Services	0.4%	19.3%	3.2%	7.0%	3.7%	1.9%	1.9%	1.9%	1.9%
Utilities	7.3%	-1.6%	-1.7%	5.7%	6.3%	2.0%	2.0%	2.0%	2.0%
Internal Service Charges	16.3%	12.4%	9.2%	8.6%	5.4%	2.0%	2.0%	2.0%	2.0%
Property Leases & Rentals	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%
Bond Debt Service	-49.6%	-24.7%	-67.9%	24.1%	4.0%	4.7%	0.2%	-0.9%	-0.2%
Operating Transfers Out	3.5%	2.5%	122.6%	-62.2%	0.0%	2.0%	2.0%	2.0%	2.0%
Core Expenditures	**7.5%**	**6.9%**	**4.8%**	**3.9%**	**4.6%**	**2.9%**	**3.4%**	**3.1%**	**2.9%**
Non-Core Expenditures									
City Manager Loan	0.0%	-100.0%	0.0%	-94.8%	-100.0%	0.0%	0.0%	0.0%	0.0%
Property & Equipment	20.4%	-32.4%	187.1%	17.0%	167.6%	-78.5%	0.0%	0.0%	0.0%
Capital Improvement Projects	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-core Expenditures	**1089.7%**	**-93.2%**	**1804.1%**	**-78.0%**	**114.2%**	**-78.5%**	**0.0%**	**0.0%**	**0.0%**
Total Expenditures & Other Outflows	**10.7%**	**3.7%**	**8.6%**	**0.8%**	**5.5%**	**1.6%**	**3.4%**	**3.1%**	**2.9%**

Parks and Recreation FY 2017-2018 Projection for Self Sustaining Programs

14-028 Facilities and Parks Reservations	Revenues	Expenditures	Net
Facility- Outdoor Picnic Rentals	30,000	20,000	10,000
Facility- Field Rentals	350,000	83,000	267,000
Facility- Facility Rentals	20,000	20,000	-
Facility- Customer Banner Hanging	10,000	15,000	(5,000)
Facility- Sand Dune	10,000	-	10,000
Facility- Mira Costa Reservations (inc. 40% FT Rec Sup)	85,000	121,500	(36,500)
Subtotal		259,500	
Facitliy-FT Sports Coordinator		37,500	
Facility- FT Facility Reservation Clerk		71,000	(71,000)
Total	505,000	368,000	137,000

14-025 Special Classes	Revenues	Expenditures	Net
Sp Class- Tennis Lessons	173,600	129,920	43,680
Sp Class - Tennis Camps	60,300	40,195	20,105
Sp Class- Table Tennis	1,000	700	300
Sp Class- Bridge	500	500	-
Sp Class- Dog Obedience	-	-	-
Sp Class- Science changed to Education	20,000	11,830	8,170
Sp Class- Marine LOP Summer Camp	135,000	102,461	32,539
Sp Class- Cooking	4,950	3,810	1,140
Sp Class-Extreme Sports	20,000	17,903	2,097
Sp Class - Marine LOP Winter/Spring	16,000	9,200	6,800
Subtotal	431,350	316,519	114,831
Sp Class- Admin Payroll		30,763	(30,763)
Total	431,350	347,282	84,068

14-026 Special Events	Revenues	Expenditures	Net
Sp Event- Teen Dodgeball	-	-	-
Sp Event- Earth Day	-	-	-
Sp Event- Tennis Tourney	6,900	7,600	(700)
Sp Event- Teen Sports	-	-	-
Sp Event - One Day Special Event	-	-	-
Sp Event- REC Birthday Parties		-	-
Sp Event - REC Special Activities/Trip	13,500	12,000	1,500
Sp Event- Teen Ctr Summer Camp	5,000	2,000	3,000
Sp Event - Teen Ctr School Year	3,125	2,000	1,125
Sp Event - Teen Ctr Special Activities	32,215	24,925	7,290
Sp Event - Family Camp Out	7,500	6,750	750
Sp Event- Afterschool REC	210,000	187,766	22,234
Sp Event- Promotional Clinics			
Subtotal	278,240	243,041	35,199
Sp Class- Admin Payroll		24,286	(24,286)
Total	278,240	267,327	10,913

14-027 Tennis Operations	Revenues	Expenditures	Net
Tennis - Live Oak Tennis	156,795	129,500	53,295
Tennis - Mira Costa Tennis	24,750	28,000	(6,000)
Tennis - Manhattan Heights			-
Total	181,545	157,500	47,295

14-034 Arts Education Classes	Revenues	Expenditures	Net
Art Educ- Dance Instruction	5,000	4,000	1,000
Art Educ- Theater Arts	8,000	5,000	3,000
Art Educ- Literary Arts			-
Art Educ- Music	35,000	28,000	7,000
Art Educ- Ceramics	120,000	78,000	42,000
Art Educ- Drawing & Painting	50,000	30,800	19,200
Art Educ- Camps	39,000	27,300	11,700
Art Educ- Photography Media Art	10,000	5,660	4,340
Art Educ- Art Exhibitions	3,000	3,000	-
Art Educ- Sculpture	8,000	5,660	2,340
Subtotal		187,420	90,580
Ceramics Supervisor		95,000	(95,000)
Art Educ- Admin Payroll		27,606	(27,606)
Art Center Part-Time Staffing		58,500	(58,500)
One-time Equipment Purchase: Ceramics Kiln		45,000	(45,000)
Total	278,000	413,526	(135,526)

14-036 Concerts in the Park	Revenues	Expenditures	Net
Concerts in the Park	40,000	75,646	(35,646)
Total	40,000	75,646	(35,646)

14-041 Sports Leagues	Revenues	Expenditures	Net
SPT- 6-Man CBVA *Does not inlcude PD, inc. CSC	19,000	44,000	(25,000)
SPT- Manhattan Open VB Tourney	75,000	75,000	-
SPT- Adult Volleyball	50,000	28,000	22,000
SPT- Slo-Pitch Leagues	25,000	20,000	5,000
SPT - Lacrosse	30,000	21,000	9,000
SPT - Baseball Camp	25,000	21,000	4,000
SPT- 7 on 7 Soccer	60,000	40,000	20,000
SPT- Summer Sunset Basketball League	45,000	22,000	23,000
SPT-Kickball League	20,000	13,000	7,000
Subtotal		284,000	(284,000)
SPT- Full Time Sports Coord.		35,700	(35,700)
SPT-Admin Fee		14,675	(14,675)
Total	349,000	334,375	14,625

14-042 Sports Classes	Revenues	Expenditures	Net
SPT- Aqualetics	210,000	85,300	124,700
SPT- Surfing & Volleyball Camp	35,000	26,250	8,750
SPT- Soccer- Brit West	150,000	110,000	40,000
SPT- Volleyball	42,000	25,000	17,000
SPT- Golf	10,000	9,000	1,000
SPT- Ice Sports	7,000	4,550	2,450
SPT- Adult Fitness	30,000	24,000	6,000
SPT-Karate	1,500	1,050	450
SPT-Youth Gymnastics	32,000	26,000	6,000
SPT-Youth Sports - Run	6,000	4,800	1,200
SPT-Yoga	22,000	16,000	6,000
Subtotal	545,500	331,950	213,550
SPT- Full Time Rec Sup		100,000	(100,000)
SPT- Admin Payroll		44,627	(44,627)
Total	545,500	476,577	68,923

14-043 Swimming Actvities	Revenues	Expenditures	Net
SPT- Aquatics Summer	230,000	155,000	75,000
SPT - Swim Special Events	15,000	15,000	-
SPT- Swim Team	140,000	80,000	60,000
SPT- Swim Birthday Parties	15,000	5,000	10,000
SPT- Aquatics Fall	30,000	13,000	17,000
SPT- Aquatics-Spring	40,000	20,000	20,000
SPT- Aquatics - Winter	40,000	20,300	19,700
SPT- Pool Operations		60,000	(60,000)
Subtotal			-
SPT - FT Rec Sup 60%		60,000	(60,000)
SPT - FT Aquatics Coord.		75,000	(75,000)
SPT- Admin Payroll		43,378	(43,378)
Total	510,000	546,678	(36,678)

14-061 Older Adult Activities	Revenues	Expenditures	Net
OAA-Swing & Sway	6,400	6,000	400
OAA-Sr Events	20,000	45,000	(25,000)
OAA-Bus Excursions All	6,000	6,800	(800)
OAA-Bus Excursions-OA only	22,600	20,000	2,600
OAA-Community Programs	25,000	25,000	-
Subtotal	79,000	102,800	(23,800)
OAA-Admin Payroll	-	11,280	(11,280)
Total	79,000	114,080	(35,080)

	Revenues	Expenditures	Net
Total	3,197,635	3,100,991	96,644

City of Manhattan Beach Budgeted General Fund Expenditure History

Attachment #7

(Full Time Employee Position Counts are across all Funds)

Adopted Budget Year	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2007-2017 Change	Change % of Total	Proposed FY 2018	FY 2008-2018 Change	Change % of Total
Management Services	$2,003,981	$2,199,358	$2,934,862	$3,354,023	$2,022,693	$1,828,101	$2,452,621	$2,745,140	$2,681,392	$3,931,754	$4,179,649	$2,175,668	9.9%	$4,207,524	$2,008,166	9.1%
Change from Prior Year	212,096	195,377	735,504	419,161	(1,331,330)	(194,592)	624,520	292,519	(63,748)	1,250,362	247,895			27,875		
Yearly Change - %	11.8%	9.7%	33.4%	14.3%	-39.7%	-9.6%	34.2%	11.9%	-2.3%	46.6%	6.3%	108.57%		0.7%	91.31%	
FTE Head Count	13	13	14	14	14	13	12	13	13	17	17	4		17	4	
Finance	$2,642,407	$2,829,046	$2,942,931	$2,664,387	$2,696,658	$2,728,116	$2,670,558	$3,419,448	$3,684,973	$3,476,149	$3,872,776	$1,230,369	5.6%	$4,613,491	$1,784,445	8.1%
Change from Prior Year	218,956	186,639	113,885	(278,544)	32,271	31,458	(57,558)	748,890	265,525	(208,824)	396,627			740,715		
Yearly Change - %	9.0%	7.1%	4.0%	-9.5%	1.2%	1.2%	-2.1%	28.0%	7.8%	-5.7%	11.4%	46.56%		19.1%	63.08%	
FTE Head Count	21	21	21	20	20	20	20	25	25	17	17	(4)		17	(4)	
Human Resources	$757,090	$825,859	$824,581	$866,786	$982,975	$897,946	$848,622	$963,253	$1,238,160	$1,296,275	$1,268,604	$511,514	2.3%	$1,272,700	$446,841	2.0%
Change from Prior Year	45,927	68,769	(1,278)	42,205	116,189	(85,029)	(49,324)	114,631	274,907	58,115	(27,671)			4,096		
Yearly Change - %	6.5%	9.1%	-0.2%	5.1%	13.4%	-8.7%	-5.5%	13.5%	28.5%	4.7%	-2.1%	67.56%		0.3%	54.11%	
FTE Head Count	7	7	7	7	7	6	6	6	6	8	8	1		8	1	
Recreation	$5,020,542	$5,434,515	$5,776,491	$5,635,003	$5,778,177	$6,019,363	$5,995,395	$6,821,020	$7,586,963	$7,799,276	$8,210,903	$3,190,361	14.6%	$8,317,803	$2,883,288	13.1%
Change from Prior Year	466,841	413,973	341,976	(141,488)	143,174	241,186	(23,968)	825,625	765,943	212,313	411,627			106,901		
Yearly Change - %	10.3%	8.2%	6.3%	-2.4%	2.5%	4.2%	-0.4%	13.8%	11.2%	2.8%	5.3%	63.55%		1.3%	53.06%	
FTE Head Count	18	19	20	20	20	20	20	21	23	25	25	7		25	6	
Police	$17,886,905	$19,213,896	$20,002,127	$19,609,339	$19,879,430	$20,549,466	$21,652,549	$23,003,392	$23,207,615	$23,574,703	$25,996,684	$8,109,779	37.1%	$26,537,946	$7,324,050	33.3%
Change from Prior Year	1,364,532	1,326,991	788,231	(392,788)	270,091	670,036	1,103,083	1,350,843	204,223	367,088	2,421,981			541,262		
Yearly Change - %	8.3%	7.4%	4.1%	-2.0%	1.4%	3.4%	5.4%	6.2%	0.9%	1.6%	10.3%	45.34%		2.1%	38.12%	
FTE Head Count	100	100	100	98	98	97	101	105	105	105	107	7		107	7	
Fire	$8,457,932	$9,017,374	$10,499,656	$10,401,223	$9,428,823	$9,852,662	$10,047,798	$10,971,186	$11,362,905	$12,211,534	$12,312,684	$3,854,752	17.6%	$12,981,877	$3,964,503	18.0%
Change from Prior Year	657,051	559,442	1,482,282	(98,433)	(972,400)	423,839	195,136	923,388	391,719	848,629	101,150			669,194		
Yearly Change - %	8.4%	6.6%	16.4%	-0.9%	-9.3%	4.5%	2.0%	9.2%	3.6%	7.5%	0.8%	45.58%		5.4%	43.97%	
FTE Head Count	31	31	31	31	31	31	31	31	32	31	31	0		31	0	
Community Development	$3,442,499	$3,424,185	$3,545,255	$3,092,360	$3,052,195	$3,043,945	$3,521,883	$3,921,372	$4,104,035	$4,630,723	$4,524,832	$1,082,333	4.9%	$4,792,252	$1,368,067	6.2%
Change from Prior Year	468,125	(18,314)	121,070	(452,895)	(40,165)	(8,250)	477,938	399,489	182,663	526,688	(105,891)			267,420		
Yearly Change - %	15.7%	-0.5%	3.5%	-12.8%	-1.3%	-0.3%	15.7%	11.3%	4.7%	12.8%	-2.3%	31.44%		5.9%	39.95%	
FTE Head Count	22	22	22	20	20	19	20	21	22	24	24	2		24	2	
Public Works	$5,323,163	$5,640,865	$5,795,580	$5,288,074	$5,413,275	$5,737,896	$5,804,831	$7,093,269	$6,835,162	$6,300,644	$6,679,390	$1,356,227	6.2%	$7,555,984	$1,915,119	8.7%
Change from Prior Year	260,690	317,702	154,715	(507,506)	125,201	324,621	66,935	1,288,438	(258,107)	(534,518)	378,746			876,594		
Yearly Change - %	5.1%	6.0%	2.7%	-8.8%	2.4%	6.0%	1.2%	22.2%	-3.6%	-7.8%	6.0%	25.48%		13.1%	33.95%	
FTE Head Count	61	61	63	61	60	60	58	56	56	56	56	(5)		61	-	
Information Technology*										$344,104	$360,519	$360,519	1.6%	$310,869	$310,869	1.4%
Change from Prior Year										344,104	16,415			(49,650)		
Yearly Change - %										-	4.8%	-		-13.8%	-	
FTE Head Count										9	9	9		9	9	
Total General Fund	$45,534,519	$48,585,098	$52,321,483	$50,911,195	$49,254,226	$50,657,495	$52,994,257	$58,938,080	$60,701,205	$63,565,162	$67,406,040	$21,871,521		$70,590,446	$22,005,348	
Change from Prior Year	3,694,218	3,050,579	3,736,385	(1,410,288)	(1,656,969)	1,403,269	2,336,762	5,943,823	1,763,125	2,863,957	3,840,878			3,184,406		
Yearly Change - %	8.8%	6.7%	7.7%	-2.7%	-3.3%	2.8%	4.6%	11.2%	3.0%	4.7%	6.0%	48.0%		4.7%	45.3%	
FTE Head Count	**273**	**274**	**278**	**271**	**270**	**266**	**268**	**278**	**282**	**292**	**294**	**21**		**299**	**25**	
Change in FTE	6	1	4	(7)	(1)	(4)	2	10	4	10	2			5		

Stand-alone Information Technology Department created in FY 2015-2016. Prior Year General Fund costs and FTE Head Count remain under Finance Department for purposes of this document.

Salaries and Benefits as a Percentage of Total Budget (General Fund)

Attachment #8

(Full Time Employee Position Counts are Across all Funds)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Proposed FY 2018
Management Services												
Salaries and Benefits	**$1,201,634**	**$1,219,073**	**$1,418,800**	**$1,456,288**	**$1,440,466**	**$1,319,050**	**$1,052,983**	**$1,244,201**	**$1,271,712**	**$1,813,509**	**$2,013,620**	**$1,875,541**
Change From Prior Year	60,469	17,439	199,727	37,488	(15,822)	(121,416)	(266,067)	191,218	27,511	541,797	200,111	(138,079)
Yearly Change - %	5.3%	1.5%	16.4%	2.6%	-1.1%	-8.4%	-20.2%	18.2%	2.2%	42.6%	11.0%	-6.9%
Total Dept. General Fund Budget	$2,003,981	$2,199,358	$2,934,862	$3,354,023	$2,022,693	$1,828,101	$2,452,621	$2,745,140	$2,681,392	$3,931,754	$4,179,649	$4,207,524
Salaries/Benefits % of Total	60.0%	55.4%	48.3%	43.4%	71.2%	72.2%	42.9%	45.3%	47.4%	46.1%	48.2%	44.6%
FTE Head Count	13	13	14	14	14	13	12	13	13	17	17	17
Finance												
Salaries and Benefits	**$1,601,137**	**$1,670,771**	**$1,780,891**	**$1,683,384**	**$1,745,510**	**$1,733,183**	**$1,704,869**	**$2,022,060**	**$2,186,177**	**$2,011,099**	**$2,632,892**	**$2,435,081**
Change From Prior Year	156,032	69,634	110,120	(97,507)	62,126	(12,327)	(28,314)	317,191	164,117	(175,078)	621,793	(197,811)
Yearly Change - %	10.8%	4.3%	6.6%	-5.5%	3.7%	-0.7%	-1.6%	18.6%	8.1%	-8.0%	30.9%	-7.5%
Total Dept. General Fund Budget	$2,642,407	$2,829,046	$2,942,931	$2,664,387	$2,696,658	$2,728,116	$2,670,558	$3,419,448	$3,684,973	$3,476,149	$3,872,776	$4,613,491
Salaries/Benefits % of Total	60.6%	59.1%	60.5%	63.2%	64.7%	63.5%	63.8%	59.1%	59.3%	57.9%	68.0%	52.8%
FTE Head Count	21	21	21	20	20	20	20	25	25	17	17	17
Human Resources												
Salaries and Benefits	**$487,683**	**$515,974**	**$537,236**	**$593,418**	**$653,212**	**$634,033**	**$531,065**	**$618,816**	**$729,007**	**$668,428**	**$682,306**	**$683,614**
Change From Prior Year	23,620	28,291	21,262	56,182	59,794	(19,179)	(102,968)	87,751	110,191	(60,579)	13,878	1,308
Yearly Change - %	5.1%	5.8%	4.1%	10.5%	10.1%	-2.9%	-16.2%	16.5%	17.8%	-8.3%	2.1%	0.2%
Total Dept. General Fund Budget	$757,090	$825,859	$824,581	$866,786	$982,975	$897,946	$848,622	$963,253	$1,238,160	$1,296,275	$1,268,604	$1,272,700
Salaries/Benefits % of Total	64.4%	62.5%	65.2%	68.5%	66.5%	70.6%	62.6%	64.2%	58.9%	51.6%	53.8%	53.7%
FTE Head Count	7	7	7	7	7	6	6	6	6	8	8	8
Parks & Recreation												
Salaries and Benefits	**$2,274,011**	**$2,496,929**	**$2,745,810**	**$2,742,994**	**$2,899,021**	**$2,949,116**	**$2,890,732**	**$2,961,307**	**$3,246,276**	**$3,295,141**	**$3,426,891**	**$3,676,372**
Change From Prior Year	333,798	222,918	248,881	(2,816)	156,027	50,095	(58,384)	70,575	284,969	48,865	131,750	249,481
Yearly Change - %	17.2%	9.8%	10.0%	-0.1%	5.7%	1.7%	-2.0%	2.4%	9.6%	1.5%	4.0%	7.3%
Total Dept. General Fund Budget	$5,020,542	$5,434,515	$5,776,491	$5,635,003	$5,778,177	$6,019,363	$5,995,395	$6,821,020	$7,586,963	$7,799,276	$8,210,903	$8,317,803
Salaries/Benefits % of Total	45.3%	45.9%	47.5%	48.7%	50.2%	49.0%	48.2%	43.4%	42.8%	42.2%	41.7%	44.2%
FTE Head Count	18	19	20	20	20	20	20	21	23	25	25	25
Police												
Salaries and Benefits	**$14,136,835**	**$13,688,217**	**$14,333,689**	**$14,622,775**	**$15,089,044**	**$15,747,709**	**$16,333,188**	**$17,312,903**	**$17,500,215**	**$19,694,560**	**$19,924,388**	**$20,184,140**
Change From Prior Year	1,049,662	(448,618)	645,472	289,086	466,269	658,665	585,479	979,715	187,312	2,194,345	229,828	259,752
Yearly Change - %	8.0%	-3.2%	4.7%	2.0%	3.2%	4.4%	3.7%	6.0%	1.1%	12.5%	1.2%	1.3%
Total Dept. General Fund Budget	$17,886,905	$19,213,896	$20,002,127	$19,609,339	$19,879,430	$20,549,466	$21,652,549	$23,003,392	$23,207,615	$23,574,703	$25,996,684	$26,537,946
Salaries/Benefits % of Total	79.0%	71.2%	71.7%	74.6%	75.9%	76.6%	75.4%	75.3%	75.4%	83.5%	76.6%	76.1%
FTE Head Count	100	100	100	98	98	97	101	105	105	105	107	107

Salaries and Benefits as a Percentage of Total Budget (General Fund)

Attachment #8

(Full Time Employee Position Counts are Across all Funds)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Proposed FY 2018
Fire												
Salaries and Benefits	**$7,137,189**	**$7,050,047**	**$8,542,404**	**$8,729,831**	**$7,630,636**	**$8,009,170**	**$8,110,917**	**$8,644,531**	**$9,006,111**	**$10,241,400**	**$10,166,495**	**$10,785,081**
Change From Prior Year	510,880	(87,142)	1,492,357	187,427	(1,099,195)	378,534	101,747	533,614	361,580	1,235,289	(74,905)	618,586
Yearly Change - %	7.7%	-1.2%	21.2%	2.2%	-12.6%	5.0%	1.3%	6.6%	4.2%	13.7%	-0.7%	6.1%
Total Dept. General Fund Budget	$8,457,932	$9,017,374	$10,499,656	$10,401,223	$9,428,823	$9,852,662	$10,047,798	$10,971,186	$11,362,905	$12,211,534	$12,312,684	$12,981,877
Salaries/Benefits % of Total	84.4%	78.2%	81.4%	83.9%	80.9%	81.3%	80.7%	78.8%	79.3%	83.9%	82.6%	83.1%
FTE Head Count	31	31	31	31	31	31	31	31	32	31	31	31
Community Development												
Salaries and Benefits	**$2,169,197**	**$2,255,753**	**$2,326,579**	**$2,220,934**	**$2,312,644**	**$2,209,343**	**$2,433,823**	**$2,419,757**	**$2,672,542**	**$2,615,882**	**$2,889,425**	**$3,076,078**
Change From Prior Year	198,964	86,556	70,826	(105,645)	91,710	(103,301)	224,480	(14,066)	252,785	(56,660)	273,543	186,653
Yearly Change - %	10.1%	4.0%	3.1%	-4.5%	4.1%	-4.5%	10.2%	-0.6%	10.4%	-2.1%	10.5%	6.5%
Total Dept. General Fund Budget	$3,442,499	$3,424,185	$3,545,255	$3,092,360	$3,052,195	$3,043,945	$3,521,883	$3,921,372	$4,104,035	$4,630,723	$4,524,832	$4,792,252
Salaries/Benefits % of Total	63.0%	65.9%	65.6%	71.8%	75.8%	72.6%	69.1%	61.7%	65.1%	56.5%	63.9%	64.2%
FTE Head Count	22	22	22	20	20	19	20	21	22	24	24	24
Public Works												
Salaries and Benefits	**$3,087,445**	**$3,320,387**	**$3,177,204**	**$3,160,138**	**$3,174,489**	**$3,161,931**	**$3,262,727**	**$3,281,712**	**$3,479,118**	**$3,173,714**	**$3,540,475**	**$4,269,989**
Change From Prior Year	81,976	232,942	(143,183)	(17,066)	14,351	(12,558)	100,796	18,985	197,406	(305,404)	366,761	729,514
Yearly Change - %	2.7%	7.5%	-4.3%	-0.5%	0.5%	-0.4%	3.2%	0.6%	6.0%	-8.8%	11.6%	20.6%
Total Dept. General Fund Budget	$5,323,163	$5,640,865	$5,795,580	$5,288,074	$5,413,275	$5,737,896	$5,804,831	$7,093,269	$6,835,162	$6,300,644	$6,679,390	$7,555,984
Salaries/Benefits % of Total	58.0%	58.9%	54.8%	59.8%	58.6%	55.1%	56.2%	46.3%	50.9%	50.4%	53.0%	56.5%
FTE Head Count	61	61	63	61	60	60	58	56	56	56	56	61
Information Technology*												
Salaries and Benefits										**$227,653**	**$236,045**	**$231,644**
Change From Prior Year										227,653	8,392	(4,401)
Yearly Change - %										-	-	-
Total Dept. General Fund Budget										$344,104	$360,519	$310,869
Salaries/Benefits % of Total										66.2%	65.5%	74.5%
FTE Head Count										9	9	9
Total General Fund												
Total Salaries and Benefits	**$ 32,095,131**	**$ 32,217,151**	**$ 34,862,613**	**$ 35,209,762**	**$ 34,945,022**	**$ 35,763,535**	**$ 36,320,304**	**$ 38,505,287**	**$ 40,091,158**	**$ 43,741,384**	**$ 45,512,537**	**$ 47,217,539**
Yearly Change Total	2,415,401	122,020	2,645,462	347,149	(264,740)	818,513	556,769	2,184,983	1,585,871	3,650,226	1,771,153	1,705,003
Yearly Change -%	8.1%	0.4%	8.2%	1.0%	-0.8%	2.3%	1.6%	6.0%	4.1%	9.1%	4.0%	3.7%
Total General Fund Budget	**$45,534,519**	**$48,585,098**	**$52,321,483**	**$50,911,195**	**$49,254,226**	**$50,657,495**	**$52,994,257**	**$58,938,080**	**$60,701,205**	**$63,565,162**	**$67,406,040**	**$70,590,446**
Salaries/Benefits % of Total	70.5%	66.3%	66.6%	69.2%	70.9%	70.6%	68.5%	65.3%	66.0%	68.8%	67.5%	66.9%
FTE Head Count	273	274	278	271	270	266	268	278	282	292	294	299

Salaries and benefits include: full and part time salaries, pension contributions, overtime, medical insurance, city-paid deferred compensation, workers' compensation, retiree medical contributions, medicare and unemployment.

Stand-alone Information Technology Department created in FY 2015-2016. Prior Year General Fund costs and FTE Head Count remain under Finance Department for purposes of this document.

Position Change History

Parentheses () indicates position was removed.

FY 2007

I.S. Specialist		1	Finance (Later moved to new IT Department)
Residential Construction Officer		1	Community Development
2 - Administrative Clerks		2	Parks & Recreation
School Resource Officer		1	Police
Building Repair Craftsman		1	Public Works
	Count	**6**	

FY 2008

Recreation Supervisor		1	Parks & Recreation
	Count	**1**	

FY 2009

Enviromental Programs Manager		1	Management Services (Later moved to Public Works)
Recreation Supervisor		1	Parks & Recreation
GIS Technician		1	Finance (Later moved to new IT Department)
Secretary		1	Public Works
	Count	**4**	

FY 2010

(Revenue Services Specialist)		(1)	Finance
(2 - Police Officers)		(2)	Police
(Permits Technician)		(1)	Community Development
(Associate Planner)		(1)	Community Development
(Associate Engineer)		(1)	Public Works
(Public Works Inspector)		(1)	Public Works
	Count	**(7)**	

FY 2011

(Maintenance Worker III)		(1)	Public Works
(Community Srvs Field Officer)		(1)	Police
Sergeant - Parking		1	Police
	Count	**(1)**	

FY 2012

(HR Executive Secretary)		(1)	Human Resources
Administrative Clerk		1	Police
(2 - Police Officers)		(2)	Police
(Prin Plan Check Engineer)		(1)	Community Development
(Equipment Mechanic)		(1)	Public Works
	Count	**(4)**	

FY 2013

(City Attorney)		(1)	Management Services
Police Lieutenant		1	Police
2 - Patrol Officers		2	Police
Police Services Officer		1	Police
Associate Planner		1	Community Development
(Water Distribution Supervisor)		(1)	Public Works
(Water Plant Operator)		(1)	Public Works
	Count	**2**	

Position Change History

Parentheses () indicates position was removed.

FY 2014

Management Analyst	1	Management Services
3 - I.S. Specialist	3	Finance (Later moved to new IT Department)
Senior Account Services Representative	1	Finance
Recreation Supervisor	1	Parks & Recreation
2 - Administrative Clerks	2	Police
Community Services Officer	1	Police
Permits Techician	1	Community Development
Count	**10**	

FY 2015

Graphic Artist	1	Parks & Recreation
Dial-A-Ride Driver	1	Parks & Recreation
Temporary Battalion Chief	1	Fire
Traffic Engineer	1	Community Development
Count	**4**	

FY 2016

Economic Vitality Manager	1	Management Services
Temporary Management Fellow	1	Management Services
Administrative Clerk	1	Management Services (City Clerk)
Aquatics Coordinator	1	Parks & Recreation
Sports Coordinator	1	Parks & Recreation
Recreation Supervisor [Ceramics]	1	Parks & Recreation
Plan Check Engineer	1	Community Development
Residential Construction Officer	1	Community Development
(Temporary Battalion Chief)	(1)	Fire
Urban Forester	1	Public Works
(Maint Worker I/II)	(1)	Public Works
(Senior HR Analyst)	(1)	Human Resources
Human Resources Manager	1	Human Resources
Executive Assistant	1	Human Resources
Human Resources Assistant	1	Human Resources
Information Technology Director	1	Information Technology
Count	**10**	

FY 2017

(Management Fellow)	(1)	Management Services
Management Analyst	1	Management Services
Older Adults Rec Coordinator	1	Parks & Recreation
(Recreation Manager)	(1)	Parks & Recreation
Recreation Supervisor	1	Parks & Recreation
(Executive Secretary)	(1)	Parks & Recreation
Secretary	1	Parks & Recreation
(Administrative Clerk I/II)	(1)	Parks & Recreation
(Administrative Clerk I/II)	(1)	Parks & Recreation
Management Analyst	1	Parks & Recreation
Recreation Coordinator	1	Parks & Recreation
Comm Affairs Administrative Clerk	1	Police
Count	**2**	

Position Change History

Parentheses () indicates position was removed.

2018 (Proposed)

Senior Civil Engineer	1	Public Works
Senior Civil Engineer	1	Public Works
Senior Civil Engineer	1	Public Works
Senior Civil Engineer	1	Public Works
Equipment Mechanic	1	Public Works
Count	**5**	

Efficiency Measures by Department – Completed & In Progress

Human Resources

1. New Hire Onboarding Checklist for the first full year of employment to track follow-up with new hires to address concerns/issues and facilitate.
2. Development of onboarding PowerPoint that will be available on the intranet for use and reference by new hires.
3. Tracking of part-time, temporary and retired annuitant employees and development of notification system to alert hiring departments to hours limits.
4. Tracking of and reporting performance evaluation due dates to departments.
5. Tracking of grievances and appeals to collect information about outcomes, mediators, ALJ's, etc.
6. Improving organization and communication around training programs (considering development of semiannual training publication and designation of department training liaisons).
7. Development and delivery of contracts processing training
8. Transitioned from the City's current risk pool to a more efficient and regionally appropriate pool that results in comprehensive coverage, maximized risk smoothing due to increased geographic and member diversity and market leverage for competitive rates.

Information Technology

1. Initiated City website redesign based on website use data and analytics, which increases accessibility of information and user experience.
2. Outsourcing broadcast services to receive cost savings, gain more efficient use of staff time and reduce use of overtime hours.
3. Renegotiated City's telecommunications data plan for cost savings and more appropriate coverage.

Police

1. Implemented Administrative Investigations Management software.
2. Moved the Park Ranger functions to PD to enhance efficiency and effectiveness of park enforcement.
3. Installed Automatic Vehicle Location services in patrol and field vehicles to make operations and regional response more efficient.
4. Trained additional personnel in Nixle to enhance efficiency of communication with our community.
5. Implemented the Residential and Commercial Security Camera Registration Program to enhance efficiency of the investigative process.

6. Implement Training Management Software.
7. Implement Background Investigations Management software.
8. Enhance field investigations through the deployment of mobile fingerprint identification technology for patrol vehicles.
9. Implement Palantir/Smart Justice access to enhance information sharing and expedite investigations.
10. Make interoperable communications more efficient by transitioning to the ICIS communication system.
11. Enhance investigative abilities with the installation of community cameras and ALPRS at points of ingress and egress.
12. Create a comprehensive Communication Plan.

Community Development

1. Creation of Performance Measure Logs that will track Plan Check turnaround logs for Planning and Building.
2. A counter tracking system to determine counter flow, type of service and wait-times.
3. Revamped inspection log, which has increased the efficiency of inspection requests.
4. Building Record Report processing time has been reduced well over 50+% due to cross training. Wait time has been reduced from 10-20 working days, to 5 working days or less.

Management Services

1. Consolidated Public Records Requests so each dept. has one contact person and all requests come through the same trackable system.
2. Review of contract processes in the City and standardization of contract approvals.
3. Created standard staff report template with common language and brief description to streamline reporting.
4. Uploading physical contracts, resolutions, agendas and other documents that are not currently available in a digital format and making them accessible through the City's website.
5. Increased capacity of City Manager to authorize purchases below a certain dollar amount.
6. Implemented transparency measures for financial information and civic processes, such as Sunshine Ordinance and Open Gov.
7. Added online engagement options for community members to provide feedback outside of meetings.

Fire

1. Collecting patient care records electronically (ePCRs), which improves data collection and ambulance billing documentation.
2. Modified vehicle serving schedules to better coordinate with trainings and fire inspections.
3. Monthly station inspection program to identify maintenance concerns and reduce work related injuries.
4. New child car seat installation trainings to certify CERT members and Fire Department staff in performing those installations.

Parks and Recreation

1. Restructured Dept. Administration structure to enhance communication and collaboration among different divisions, while providing salary cost savings.
2. Reviewed use of no show letters and resulting outcomes and chose to discontinue practice, saving significant staff time and community confusion.
3. Implemented digital, real-time routing information system for Dial a Ride scheduling and tracking, which has improved communication and data collection.
4. Introduced tablets to be used for park inspections and access to real-time information regarding class registration at different facilities.
5. Installed Comet Tracker app on City-issued phones to allow for easy staff location when necessary.
6. Moved the Park Ranger functions to PD to enhance efficiency and effectiveness of park enforcement.
7. Increased use of digital tools and resources, including releasing the quarterly Manhappenings online and promotion of events via social media and email, which creates cost savings by cutting back on printing and postage.
8. Leveraged Los Angeles County grant funding to construct new community Skate Park.
9. Implemented more efficient processes for participants to make clay purchases and reserve open studio time, which decreased redundancy and scheduling errors.
10. Introduced a Sports Coordinator position that eliminated redundant part-time positions and will manage playing field use and expand adult sports leagues, increasing revenue.
11. Established an Older Adults Program phone line for reservations, which allows for more accurate reservation tracking.
12. Maintain and fortify partnerships with community groups and agencies in order to offer additional programming at minimal cost to City.

13. Outsourcing non-essential staff functions, such as event staging, in order to more effectively use staff skills.

Finance

1. Implemented internal monthly budget and fiscal performance checklists for each department to ensure careful review of monthly budget activity.
2. Designated a Budget Lead for each department to coordinate report reviews and financial reporting.
3. Published a “Budget-At-A-Glance” document that summarizes relevant budget information and increases accessibility and transparency.
4. Upgraded cashiering system to integrate with current financial management solution for more efficient information tracking.
5. Completed cross-training in Revenue Services so that more employees were trained in multiple functions, which improves functionality and customer service.
6. Redesigned Revenue Services website to improve user experience and accessibility to information.

Public Works

1. Transitioning City-owned highway safety lights above signaled intersections to LED lamps, which will create approximately $31,000 in savings each year.
2. Implemented Water Distribution System Flushing maintenance program to clear pipelines, while significantly reducing water loss by up to 29 million gallons of water.
3. Improvements to the City Yard that better address storm water pollution, maximize the facility’s limited space and provide more secure private storage.

STAFF REPORT

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Agenda Date: 5/4/2017

TO:
Honorable Mayor and Members of the City Council

THROUGH:
Mark Danaj, City Manager

FROM:
Bruce Moe, Finance Director
Henry Mitzner, Controller
Libby Bretthauer-Long, Financial Analyst

SUBJECT:
Presentation of Updated Pension Forecast; Options for Addressing Unfunded Pension Liabilities and Rising Pension Contributions; Establishment of a Pension Stabilization Trust Fund (Finance Director Moe).
RECEIVE REPORTS; ADOPT RESOLUTION

RECOMMENDATION:
Staff recommends that the City Council receive reports on: a) updated pension forecasts from the independent actuary, and b) options available for addressing unfunded pension liabilities and rising contribution rates.

After receiving the reports, staff recommends that the City Council: a) adopt Resolution No. 17-0062 establishing a Pension Rate Stabilization Trust Fund Administered by Public Agency Retirement Services (PARS) ; b) Appoint the City Manager as the City's Plan Administrator; c) Authorize the City Manager to negotiate and execute the final documents of the Trust; d) authorize the transfer of $500,000 in budgeted General Funds to the Pension Rate Stabilization Trust Fund, and e) assign responsibility and authority to the Finance Subcommittee to develop an investment policy and guidelines, and direct investments in the trust.

EXECUTIVE SUMMARY
Due to a number of factors, including changes in actuarial assumptions and inconsistent/substandard investment returns, the City is facing rapid growth in unfunded pension liabilities and required pension contributions. In an effort to proactively address these issues, the City Council requested information on options that may be available to go beyond the minimum funding requirements for pensions. Staff has identified such options that include: 1) establishing a Pension Rate Stabilization Trust, 2) accelerating amortization

of existing unfunded liabilities, 3) paying down select liabilities, and 4) using a lower discount rate than currently utilized by CalPERS to set internal funding levels. Staff is recommending option #1, the trust fund, which may then be used in conjunction with the other three options if desired.

FISCAL IMPLICATIONS:

The City's FY 2017-2018 total pension contributions are estimated to be $6.9 million, an increase of $674,000 over FY 2016-2017 budget. Those contributions include the Normal Cost (e.g., contributions for current service provided by current employees) as well as contributions for unfunded liabilities (past service for which full funding for retirement has not been achieved).

As of the last CalPERS valuation report (dated June 30, 2015) the City's unfunded accrued pension liabilities totaled $55,158,732:

Police	$26,056,225	47.2%
Non-Sworn	$17,626,012	32.0%
Fire	$11,476,495	20.8%

Given revised CalPERS assumptions for the expected rate of return adopted in December 2016 (which lower the rate from 7.5% to 7% over three years), coupled with lower than expected earnings by CalPERS, the City's unfunded accrued liabilities are estimated to rise to $117 million by June 30, 2022. With this change, City contributions are also expected to rise to $12.0 million by FY 2021-2022, an increase over FY 17-18 contributions of $5.1 million.

These pension rates are built into the City's updated Five Year Forecast presented with the FY 2017-2018 budget update.

The recommended initial funding for the Pension Rate Stabilization Fund is $500,000 from budgeted funds in FY 2016-2017.

BACKGROUND:

Over the past two years, staff has obtained the services of an independent actuary to assist in the analysis and forecasting of CalPERS pension data. This has proved beneficial during a time when CalPERS has changed actuarial assumptions, investments have performed inconsistently and alternative methods of funding pensions have been discussed.

At the May 4th Budget Study Session, John Bartel (Bartel Associates) will present an update to the City's pension forecast. This update will incorporate the reduction in the discount rate approved by the CalPERS board in December 2016. That change will lower the discount rate from 7.5% to 7.0% over the course of three years. The rates associated with the change will affect the City beginning in FY 2018-2019, and are projected to add on average $1 million per year to City contributions over the next five years.

During FY 2016-2017 budget deliberations, the City Council directed that $500,000 be set aside in the budget for the creation of a Pension Rate Stabilization Fund (PRSF), the purpose for which is to assist in smoothing annual pension contributions so as to balance rising rates against other important needs and services. In September 2016, City Council, upon consideration of the actual implementation of the PRSF, requested staff explore an alternative to the PRSF of reducing the amortization period of the existing unfunded liabilities in order to pay-off liabilities sooner, thereby reducing cost. This report provides information on that alternative, as well as others for Council consideration.

DISCUSSION:

Pension Actuary Report

Attachment #2 to this staff report is an update on the City's pension data prepared and provided by Bartel and Associates. This information will be the basis for discussion at the Budget Study Session. It includes data on the City's three CalPERS pension plans for Police, Fire and non-sworn employees, including demographics, plan funding status, contribution rates and unfunded liabilities. It also includes options for addressing rising pension costs.

Addressing Unfunded Pension Liabilities and Rising Pension Contributions

This report provides several options for addressing pension costs. As a basis for developing the following options, several objectives were identified:

1. Reduce unfunded pension liabilities
2. Maintain budget flexibility
3. Reduce the carrying costs of unfunded pension liabilities

Each option listed below supports one or more of these criteria.

Option #1 - Pension Rate Stabilization Fund
Until recently, the only option available for the City to reduce unfunded pension liabilities was to submit additional discretionary payments to CalPERS above and beyond the required contributions (required contributions include funding for current employees as well as unfunded liabilities for past service). However, those funds, once on deposit, are subject to the same market volatility risk as the other funds invested with CalPERS. There is an alternative in the form of depositing funds into an irrevocable trust established specifically for pension rate stabilization purposes.

A Pension Rate Stabilization Fund (PRSF) has several benefits:

- The City maintains oversight of investment management and control over the risk tolerance level of the portfolio
- Assets can be accessed to offset unexpected rate increases thereby stabilizing on-going pension expenditures
- Assets held in the fund allow for greater investment flexibility and risk diversification compared to the City's general investments
- Pending Governmental Accounting Standards Board (GASB) approval, funds deposited into the trust may address the City's Net Pension Liability which is now reported on the City's balance sheet in accordance with Government Accounting Standards Board (GASB) Statement No. 68

- Depositing assets in a trust will be a positive development to Moody's and Standard and Poor's in the City maintaining Triple-A credit ratings from both of these entities

It is important to note that any funds deposited in the trust fund may only be used for pension costs and cannot be recaptured for other uses. However, use of funds may reduce reliance on existing unrestricted funds freeing those moneys for other uses.

The concept of the account is that the City would deposit funds into the account and invest those moneys in instruments that have the potential to earn greater returns than can be achieved under the City's existing investment policies and State law for general public funds. State law provides the framework for public funds investment in such trust funds. The principal and earnings may then be contributed to any one of the City's three CalPERS plans (Police, Fire, Miscellaneous) at the City's discretion. For example, the funds can be used as a buffer to reduce the impacts of large rate fluctuations in Employer rates from substandard investment returns.

While the PRSF has the potential to reduce net pension costs, actual earnings on those funds will most likely not approximate the carrying cost of the unfunded liabilities at CalPERS (unless riskier investments are selected in an attempt to achieve high returns). The discount rate has the effect of being the interest rate charged by CalPERS on any unfunded liabilities. As a result, the City is, in essence, currently paying 7.5% interest on the unfunded liabilities (lowering to 7% over the next three years). For example, $55,158,732 in unfunded liabilities cost the City $4,136,905 annually in carrying costs with CalPERS.

Although risks exist with advanced funding with CalPERS, paying down liabilities more rapidly is the most cost effective way to reduce costs.

Objectives Met: 1, 2, 3

Option #2 - Accelerated Amortization

Another option is to reduce the existing amortization period for unfunded liabilities from the current 30-years to either 15-years or 20-years (see attachments #3, #4 and #5). Please note that these figures are based on the most recent valuation report dated June 30, 2015 and do not include the FY 2015-2016 investment results of 0.61% or the change in the discount rate from 7.5% to 7.0%, both of which will increase these estimates:

15-Year Amortization

Plan	Savings	1st Year Payment Increase
Police	$13.8 MM	$1,054,900
Fire	$6.1 MM	$488,000
Miscellaneous	$8.3 MM	$658,930
Total	$28.2 MM	$2,201,830

20-Year Amortization

Plan	Savings	1st Year Payment Increase
Police	$4.8 MM	$605,200
Fire	$2.1 MM	$288,050
Miscellaneous	$2.3 MM	$359,590
Total	$9.2 MM	$1,252,840

It is important to note that once the City selects a reduced amortization period it cannot be revised. This inflexibility does not allow for payment adjustments in the event of financial or economic hardship. However, the savings are significant.

Objectives Met: 1, 3

Option #3 - Payoff of Selected Liabilities

This option allows the City to specifically select an unfunded liability and payoff that amount (see Attachments #6, #7, and #8). For example, utilizing the Fire Safety Plan (Attachment #8), if the City were to pay-off the "Share of Pre-2013 Pool UAL" of $4.8 million, the annual payment for that liability would be reduced by $360,907 in FY 17-18. On the other hand, it reduces budget flexibility by reducing available funds by $4.8 million that could be utilized elsewhere.

Objectives Met: 1, 3

Option #4 - Establish an Internal Discount Rate Upon Which to Base Contributions

This option involves setting the City's CalPERS contributions to a discount rate below what is used by CalPERS (currently 7.5% being adjusted to 7.0% over three years), with the effect being contributions in excess of the minimum required. This can be used in conjunction with Option #1 (Trust Fund) and/or with the other options listed. For example, if the City were to use a 6.5% discount rate, using FY 2022-2023 contribution rates as the basis (after the phase-in of the new 7% discount rate), additional contributions of $2.5 million per year would be necessary to fund at that level (this would equate to $15.7 million being allocated to pensions that year). Those funds could then be deposited in the trust fund and invested to achieve higher returns than achievable outside the trust. It also provides budget flexibility in that there is no legal obligation to set those funds aside (although once in a trust fund,limitations on use apply) which may then be reallocated in the event the funds are needed for other purposes.

Objectives Met: 1, 2, 3

Based on the options listed above, staff recommends Option #1 - Establishment of a Pension Rate Stabilization Fund. This recommendation provides the following benefits:

1. The City maintains oversight of investment management and control over the risk tolerance level of the portfolio
2. Assets can be accessed to offset unexpected rate increases thereby stabilizing on-going pension expenditures
3. Assets held in the fund allow for greater investment flexibility and risk diversification compared to the City's general investments
4. Pending Governmental Accounting Standards Board (GASB) approval, funds deposited into the trust may address the City's Net Pension Liability which is now reported on the City's balance sheet in accordance with Government Accounting Standards Board (GASB) Statement No. 68
5. Depositing assets in a trust will be a positive development to Moody's and Standard and Poor's in the City maintaining Triple-A credit ratings from both of these entities
6. Maintains budget flexibility and adapts to changes in the City's economics from one year to the next
7. Can utilize the trust to accelerate payoff of selected liabilities (Option #2) by accumulating moneys and paying off those liabilities once sufficient funding has been achieved

Funding

The adopted FY 2016-2017 budget includes $500,000 in the General Fund to be deposited into the trust account once it is established. Aside from the $500,000 annual contribution now in place, additional future contributions will be directed by the City Council, and may include year-end surpluses and other one-time receipts. For FY 2017-2018, staff is recommending a $250,000 contribution to the trust.

Staff, in coordination with the Finance Subcommittee, will return to City Council in the future with a discussion on amending the City's Financial Policies in order to include guidelines on funding this pension trust.

Public Agency Retirement Services (PARS)

Section 115 Irrevocable Trusts have been in existence for many years. In the past several years, they have they been adopted as a mechanism for pre-funding public agencies' OPEB liabilities (which the City did in 2008 through a CalPERS sponsored plan). Most recently, they have become a popular tool for pre-funding pension liabilities as a method to address unfunded liabilities and large variances in annual pension contribution rates.

The number of administrators offering Pension Rate Stabilization Trusts is limited since this is a fairly new financial adaptation of Section 115 irrevocable trusts. Two main entities have entered the marketplace: Public Agency Retirement Services (PARS) and Public Financial Management (PFM).

While both are clearly capable and experienced in Section 115 trust administration, staff believes PARS is best suited to meet the City's needs for the following reasons:

- PARS is the leader in this marketplace having established 75 public agency PRSF trusts (up from 41 when Council discussed in September 2016), including 30 cities (up from 18)
- PARS has a track record of being a leading provider of public retirement services. For example, the City has received excellent service from PARS in providing part time employees with the legally required retirement plan (this is an acceptable and lower cost alternative to Social Security)
- PARS's asset management costs are marginally lower than PFM's (all-in costs for administration, management, trustee and advisory fees of .60% versus .715%)
- The PARS program has been established as a multiple employer trust so that public agencies regardless of size can join the program to receive the necessary economies of scale to minimize administrative fees.

Portfolio Management

PARS has partnered with US Bank to serve as Trustee, and with its sub-advisor High Mark Capital Management to provide investment management services for the program.
Under the PARS Pension Rate Stabilization fund, the City maintains oversight of the investment manager and the portfolio's risk level to mitigate undue risk. Several options exist for the portfolio management:

1. The City can utilize the Administrator's (PARS) subadvisor, High Mark, to handle the investments on a preset basis. The City would select one of five preset options (Attachment #9) from active or passive (i.e., index funds) investments with High Mark determining the actual investments utilized. With this scenario, the City has the ability to influence the risk level and investment approach, but do not select specific investments (e.g., investing in a specific equity). For new plans that have not accumulated much by way of assets, this is generally the preferred route.

2. Once the asset levels are larger (e.g., over $ 5 million), it would be possible to work with High Mark on a more customized basis (for example, The City may guide High Mark to purchase individual bonds rather than bond mutual funds). Also, once customized, the City can develop a strategy that is different than the 5 preset options which could include more alternative investments.

3. As a third approach, the City could hire a separate investment advisor. In this capacity, US Bank would serve as Directed Trustee and would be custodian of the assets. High Mark would not be involved at all. The City's investment advisor would manage the investments based on City direction and would be separately compensated. The issue to note is that at small asset levels, investment advisors may not be that interested until assets reach a more sizable level. As a result, some PARS agencies are taking the approach of working with High Mark until assets reach a more significant level and then may decide at a later point in time whether or not to use a different manager.

Staff recommends that the City Council assign responsibility and authority to the Finance Subcommittee to develop an investment policy for the trust, and direct investment decisions for the fund (e.g., Conservative, Moderately Conservative, Moderate, etc.) or another alternative listed above as deemed appropriate by the Finance Subcommittee. This is similar to the role of the Finance Subcommittee with regard to the City's other investments. Further, staff will recommend to the Finance Subcommittee that initially the City utilize High Mark as the investment advisor utilizing one of the five preset options. However, advisory services for these investments may be changed at any time as deemed desirable.

Council Questions

When this item was previously discussed last summer, City Council had a number of questions regarding the pension fund program. Those questions, and associated answers, are provided below:

1. Describe the trust fund for retiree medical and how it works

In 2008, the City established a Section 115 Trust Fund for the purpose of prefunding the City's "Other Post Employment Benefits" (OPEB). The OPEB trust is administered by the CalPERS' California Employers' Benefit Trust (CERBT). The funds are invested in one of three options available; the Finance Subcommittee selected the mid-level risk option (as opposed to the lowest risk or highest risk).

The City's OPEB liabilities in this fund stem from two retiree medical benefit programs: a) a stipend of between $250 and $400 per month depending upon the labor group and certain minimum service years, which terminates when the retired employee reaches age 65 or Medicare eligible, and b) the CalPERS requirement that any agency participating in the Public Employee Medical and Hospital Care Act (PEMHCA) medical insurance program, as the City does, must provide employees and retirees with a certain minimum contribution. Currently, that amount of $128 per month, subject to annual adjustment. Thirty-six percent ($2.1 million) of the City's accrued liabilities relate to the City's stipend while the CalPERS PEMHCA requirement accounts for 64% ($3.8 million).

The funds in the trust may only be used for OPEB related costs. Mechanically speaking, the City pays out the stipend to retirees monthly and seeks reimbursement from the trust at the end of the fiscal year. For FY 2015-2016, the OPEB reimbursement from the trust totaled $288,888.

The OPEB trust fund is currently funded over 160% of actuarially accrued liabilities. In dollars, assets total $9.5 million while accrued liabilities total $5.9 million, leaving $3.6 million in surplus assets. This cushion will allow the City to forego the normal scheduled contributions $285,793 for FY 2016-2017 and beyond.

2. Describe how investing in the Pension Stabilization Fund reduces the pension liability and controls long-term risk

The main purpose of the Pension Stabilization Fund is to provide a cushion and smoothing against rapidly rising pension contribution rates. By design, the City deposits funds into the trust, invests at returns greater than achievable for General investments the City makes

under State law, and then uses the program funds to reduce outgoing cash flow for pension costs, allowing City funds to be used for other needs as appropriate or desirable. This reduces pension costs through the ability to achieve greater investment results compared to the standard investments the City makes.
The annual total pension payments to CalPERS include a component that is applied to unfunded liabilities. As a result, any trust funds we use to pay pension costs also help address unfunded liabilities. Further, if deemed financially prudent, trust funds may be used to accelerate pay down of unfunded liabilities with CalPERS. However, it is important to note that once additional unfunded liability payments are sent to CalPERS, they are comingled with standard Pension Fund investments, and thus are subject to the same risk as the entire CalPERS investment pool since the funds are no longer in the City's control. This may result in gains or losses which mirror the risk the City is already exposed to through the pension plan.

Because the stabilization program funds are controlled by the City, long term risk may be improved compared to the CalPERS portfolio. This will be dependent upon the investment policies and risk profile the City selects. Investment choices will include lower risk Money Market and Conservative options to more aggressive Moderate and Capital Appreciation growth oriented portfolios, each with varying risk factors and corresponding expectations for rates of return.

3. What are the thoughts regarding guidelines and a distribution plan for the fund? Will there be benchmarks? What are we trying to accomplish for each department?

The recommendation is that the City Council assign responsibility to the Finance Subcommittee to develop policies on investment, sources and uses of funding. The policies may be reviewed and approved by the full City Council if so directed.
Other cities have varying funding policies. For example, Solana Beach contributes 50% of year-end surpluses to the pension stabilization fund. City of Sausalito contributes the difference between the required CalPERS contributions utilizing the current 7.5% discount rate, and a 2.8% discount rate. Finally, the City of Healdsburg set a maximum employer rate for the groups (Miscellaneous, Police, Fire) with the pension fund being utilized when employer contribution costs exceed stated levels.
Benchmarks may be established as a barometer of success. The options provided by High Mark (the initial recommended investment management advisory service) include benchmarks in their materials (Attachment #2), as do most advisory firms.
The goals for this fund are not set by department. Rather, the objective is to smooth impacts of rising pension contributions so as to not cause rapid negative impacts to other services. This would be done on a citywide basis.

4. How are other jurisdictions using similar funds?

In addition to the smoothing described above, other public agencies are using the funds to primarily accomplish the following:

- Help create new revenue sources from Trust Investment earnings to provide structural balance (i.e., helps revenue growth rate equal expenditure growth rate). (Town of Colma)
- Trust Assets act as a direct offset to Net Pension Liabilities under GASB 68 (City of Brea)
- Trust Assets act as a hedge against PERS investment risk (City of Upland)

5. How are other jurisdictions addressing the same problem? Do they have a similar fund? How has it worked for them?

Seventy-five public agencies in the state of California have established similar Section 115 trusts with PARS. These other public agencies include counties, school districts, a community college district and special districts in addition to the 30 cities that have already adopted the same trust program under consideration by the City. The same benefits and advantages of the trust are also present for these other jurisdictions.

The concept of this program is relatively new, having only been established for less than two years. These liabilities that are being addressed are long-term liabilities that will take many years to correct, so the ultimate success of the program will depend on a variety of factors including the ability to fund the trust, the overall investment returns of the City-controlled trust, and the actual plan experience of the underlying retirement system (i.e., CalPERS). To provide an example of how other jurisdictions are investing plan assets, here is a breakdown of those 75 agencies that have already adopted the program:

Investment Strategy Type / % of Agencies in Strategy	
Money Market (0% Equities)	2%
Conservative (15% Equities)	10%
Moderately Conservative (30% Equities)	34%
Moderate (50% Equities)	27%
Balanced (60% Equities)	17%
Capital Appreciation (75% Equities)	5%
Custom	5%

6. What is our current annual payment and what percentage will our contribution to the fund be of that number?

The City's Fiscal Year 2016-2017 contribution is estimated to be $6.2 million. The City Council initially directed that $500,000 per year be deposited in the fund. That equates to 8% of FY 16-17 contributions. However, in an effort to balance the proposed FY 2017-2018 General Fund budget, staff is recommending reducing the on-going allocation to $250,000.

7. Are there additional policies needed for the City in association with this fund? What existing state laws are there and do we need to be augmenting them?

Please see #3 above. Existing state laws do provide additional flexibility with respect to plan investments compared to the City's current investment guidelines. The City (Finance Subcommittee) would work with the investment advisors to develop an Investment Guideline Document (IGD) with respect to assets held in the trust.

8. Timeline for developing those financial policies, if necessary.

If City Council accepts the staff recommendation to utilize the Finance Subcommittee to develop policies (including the Investment Guidelines Document), staff anticipates that policies would be prepared within 60-90 days.

9. Are there any reference guides from John Bartel on these issues?

According to Mr. Bartel, there are no reference guides on this topic at this time. However, Bartel and Associates commonly recommend the establishment of a pension stabilization fund as a more meaningful actions a jurisdiction can take to smooth future rate increases.

10. Will this limit our risk more or less than PERS? Compare the two risks.

This will reduce our exposure to the risks associated with CalPERS' aggressive style of investments, which are currently geared to attain 7.5% returns. CalPERS uses a diversified portfolio that has many different asset classes. For example, pension funds are invested in real estate, equities (stocks), bonds, and corporate debt. Investments in a City controlled trust can potentially be invested more conservatively than CalPERS, which can reduce the overall investment risk to the City. Please see Attachment #9 which includes investment options.

11. Compare and contrast this fund with what was done before

Generally speaking, the City has made only the required contributions as calculated by CalPERS each year. With the exception of a one-time payment to CalPERS in the 1990s used to pay down unfunded liabilities, and the issuance of pension obligation bonds in 2008 to payoff liability side funds in the safety pools, no additional payments have been made. However, please note that all regular, required payments to CalPERS include a component to pay down unfunded pension liabilities.

In FY 2003-2004, in the face of rising pension costs, the City established a Pension Stabilization reserve within the General Fund. This reserve was funded with one time moneys totaling $2,024,505 realized from a utility cost allocation study. Pension contribution increases totaling $2.2 million were expected in FY 2003-2004 and FY 2004-2005. The reserve was ultimately used in FY 2005-2006 ($680K), with the balance ($1.3 million) utilized in FY 2006-2007.

This new pension stabilization fund will act in much the same way the 2003-2004 reserve was intended, except that the City will have the ability to reduce pension costs through higher investment earnings potential than can currently be achieved with general City investments. Funds may be drawn to stabilize annual pension payments so that substantial increases can be eased into operational expenditure budgets and reduce immediate impacts on service levels.

12. How does this limit our risk with the volatility of PERS?

See #10 above.

13. Compare the annual payments and financial commitments of this fund vs. CalPERS

There are no financial commitments or annual minimum payments required for the trust fund. It can be determined on an ad-hoc basis by the City Council, or through a policy approved by the City Council. Conversely, CalPERS requires certain minimum payments each year to fund the normal cost of pensions as well as unfunded liabilities. The Pension Stabilization program's major requirement is that the funds may be used only for pension costs, and that reimbursements cannot exceed more than one year's worth of actual pension costs, which currently exceed $6 million. For example, if the City did contribute $500,000 to the fund, the City would have immediate access to request a distribution of that original contribution since it is well below the City's current annual pension costs.

14. How does it compare to the cushion that is already included by Finance in the annual budgets?

Aside from any *budgeted* General Fund surplus amount there is no budgeted cushion per se. Salaries and benefits are generally budgeted with a vacancy factor (4% in FY 2016-2017) in recognition of the fact that all positions are not filled 100% of the year. This factor applies to CalPERS contributions, which are budgeted at 96% of estimated cost. Budget aside, the City typically generates year-end General Fund surpluses (e.g., revenues in excess of expenditures) which may be directed to the fund either through policies or on an ad-hoc basis by the City Council.

15. What other jurisdictions have similar pension liabilities? How are they addressing them? Which ones are using PARS?

Attachment #10 includes unfunded liabilities as a percentage of payroll for comparator agencies (these were provided by Bartel Associates last year). Attachment #11 lists PARS' clients utilizing the Pension Stabilization Reserve Fund program. PARS has 30 cities and 45 public agencies in the state of California using the pension fund method. Other agencies may be addressing unfunded liabilities by issuing pension obligation bonds (interest arbitrage between CalPERS and borrowing rate), borrowing from other agency funds that may have sufficient working capital, reducing the amortization period with CalPERS (reduces interest expense but increases payment amounts), or using one-time money to reduce unfunded liabilities with CalPERS.

16. Can the funds be used for OPEB liabilities as well?

No. While one trust fund may be established for both OPEB and pension stabilization purposes, funding must be used for the purpose intended at the time of deposit.

17. What will the process be for accessing the pension stabilization funds?

A written request to the trust administrator will be submitted with direction on whether the requested funds are to be refunded to the City after incurring the expense, or paid directly to CalPERS to satisfy the required contribution or payment.

18. What impact on the existing funds and process will the new Pension Stabilization program fund have?

The pension stabilization funds will reduce reliance on on-going resources through increased earnings potential above that level achievable with the City's general investments.

POLICY ALTERNATIVES:

***ALTERNATIVE #1*:**
Establish a Pension Rate Stabilization Fund (Recommended)

PROS:

- The City maintains oversight of investment management and control over the risk tolerance level of the portfolio
- Assets can be accessed to offset unexpected rate increases thereby stabilizing on-going pension expenditures
- Assets held in the fund allow for greater investment flexibility and risk diversification compared to the City's general investments
- Pending Governmental Accounting Standards Board (GASB) approval, funds deposited into the trust may address the City's Net Pension Liability which is now reported on the City's balance sheet in accordance with Government Accounting Standards Board (GASB) Statement No. 68
- Depositing assets in a trust will be a positive development to Moody's and Standard and Poor's in the City maintaining Triple-A credit ratings from both of these entities
- Maintains budget flexibility and adapts to changes in the City's economics from one year to the next
- Can utilize the trust to accelerate payoff of selected liabilities (Option #2) by accumulating moneys and paying off those liabilities once sufficient funding has been achieved

CONS:

- Does not necessarily achieve the savings obtained through other options such as reducing amortization or paying off existing liabilities

***ALTERNATIVE #2*:**
Accelerate amortization of existing unfunded liabilities

PROS:

- Reduces interest cost of carrying unfunded liabilities at CalPERS

CONS:

- Reduces budget flexibility by locking in higher required long term payments to CalPERS which could be in addition to higher payments resulting from poor investment performance

***ALTERNATIVE #3*:**
Payoff selected unfunded liabilities

PROS:

- Reduces interest cost of carrying unfunded liabilities at CalPERS
- Reduces on-going annual pension contributions

CONS:

- Reduces budget flexibility by reducing available cash

***ALTERNATIVE #4*:**
Establish an Internal Discount Rate Upon Which to Base Contributions

PROS:

- Increases the amount of money allocated to pay down liabilities or reserve for further rate stabilization purposes

CONS:

- Reduces budget flexibility by allocating financial resources to pensions

PUBLIC OUTREACH/INTEREST:
After analysis, staff determined that public outreach was not required for this issue.

ENVIRONMENTAL REVIEW
Not required.

LEGAL REVIEW
The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachments:

1. Resolution No. 17-0062
2. Bartel & Associates Pension Projections - May 2017
3. Amortization Schedule - Miscellaneous Plan
4. Amortization Schedule - Police Plan
5. Amortization Schedule - Fire Plan
6. Amortization Bases - Miscellaneous Plan
7. Amortization Bases - Police Plan
8. Amortization Bases - Fire Plan
9. Highmark Investment Options
10. Unfunded Liabilities for Comparator Agencies
11. PARS Client List for Pension Rate Stabilization Program
12. PowerPoint Presentation - Options for Addressing Pension Costs
13. City Council Staff Report (Due to the large number of pages for this particular staff report, this is an alternative option to review the complete staff report. This attachment is only available online.)

RESOLUTION NO. 17-0062

RESOLUTION OF THE MANHATTAN BEACH
CITY COUNCIL APPROVING THE ADOPTION OF THE
PUBLIC AGENCIES POST-EMPLOYMENT BENEFITS TRUST
ADMINISTERED BY PUBLIC AGENCY RETIREMENT SERVICES (PARS)

WHEREAS PARS has made available the PARS Public Agencies Post-Employment Benefits Trust (the "Program") for the purpose of pre-funding pension obligations and/or OPEB obligations; and

WHEREAS the City is eligible to participate in the Program, a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code, as amended, and the Regulations issued there under, and is a tax-exempt trust under the relevant statutory provisions of the State of California; and

WHEREAS the City's adoption and operation of the Program has no effect on any current or former employee's entitlement to post-employment benefits; and

WHEREAS the terms and conditions of post-employment benefit entitlement, if any, are governed by contracts separate from and independent of the Program; and

WHEREAS the City's funding of the Program does not, and is not intended to, create any new vested right to any benefit nor strengthen any existing vested right; and

WHEREAS the City reserves the right to make contributions, if any, to the Program.

NOW THEREFORE, BE IT RESOLVED THAT:

1. The City Council hereby adopts the PARS Public Agencies Post-Employment Benefits Trust, effective July 1, 2017; and

2. The City Council hereby appoints the City Manager, or his/her successor or his/her designee as the City's Plan Administrator for the Program; and

3. The City's Plan Administrator is hereby authorized to execute the PARS legal and administrative documents on behalf of the City and to take whatever additional actions are necessary to maintain the City's participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's Program.

Ayes:
Noes:
Absent:
Abstain:

DAVID LESSER
Mayor, City of Manhattan Beach, California

ATTEST:

____

LIZA TAMURA
City Clerk

City of Manhattan Beach
Miscellaneous and Safety Plans

BARTEL ASSOCIATES, LLC

CalPERS Actuarial Issues – 6/30/15 Valuation
Preliminary Results

Presented by **John Bartel, President**
Prepared by Bianca Lin, Assistant Vice President
Kevin Yang, Actuarial Analyst
Bartel Associates, LLC

May 4, 2017

Agenda

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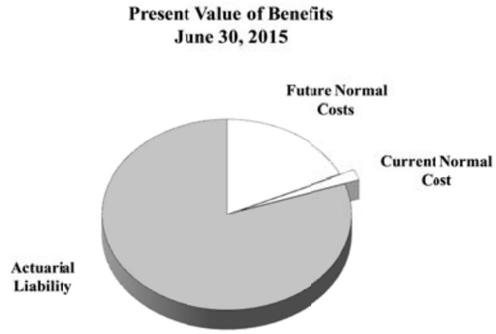
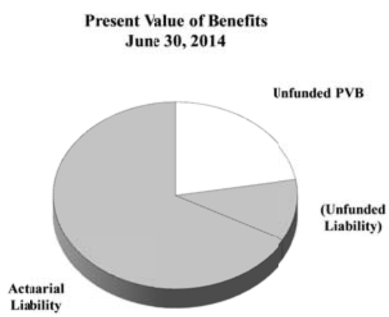
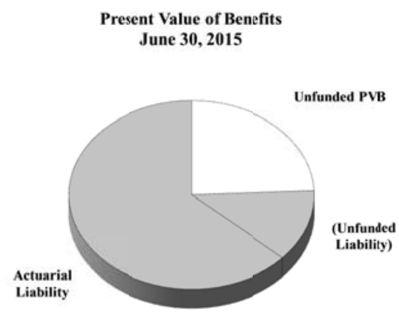
DEFINITIONS



- **PVB - Present Value of all Projected Benefits:**
  - Discounted value (at valuation date - 6/30/15), of all future expected benefit payments based on various (actuarial) assumptions
- **Actuarial Liability:**
  - Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
  - Portion of PVB "earned" at measurement
- **Current Normal Cost:**
  - Portion of PVB allocated to (or "earned" during) current year
  - Value of employee and employer current service benefit

DEFINITIONS



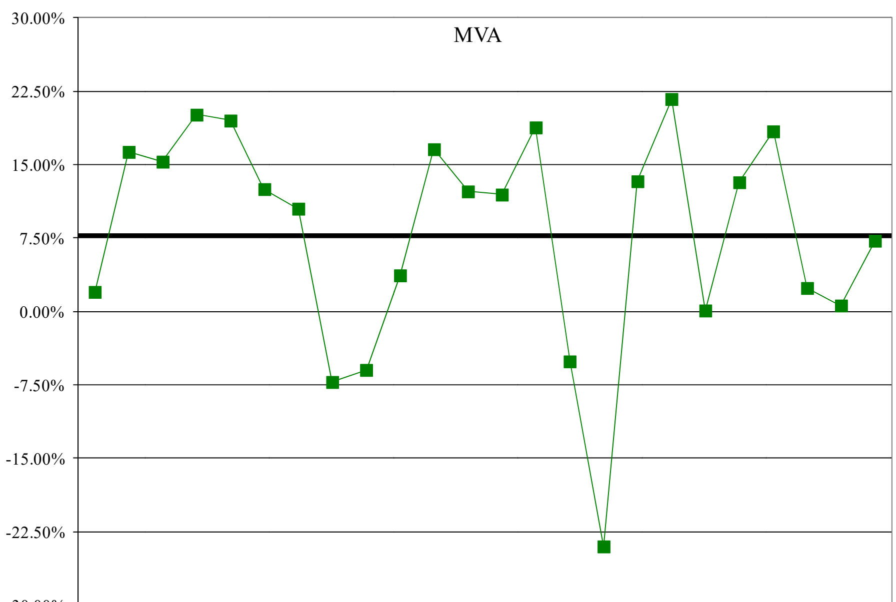


- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability -** Money short of target <u>at valuation date</u>
- **Excess Assets / Surplus:**
  - Money over and above target <u>at that point in time</u>
  - Doesn't mean you're done contributing
- **Super Funded:**
  - Assets cover whole pie (PVB)
  - If everything goes exactly like PERS calculated, you'll never have to put another (employer or employee) dime in

HOW WE GOT HERE

- Investment Losses
- Enhanced Benefits
- CalPERS Contribution Policy
- Demographics

HOW WE GOT HERE – INVESTMENT RETURN



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Est. 2017
MVA	2.0%	16.3%	15.3%	20.1%	19.5%	12.5%	10.5%	-7.2%	-6.0%	3.7%	16.6%	12.3%	11.9%	18.8%	-5.1%	-24.0	13.3%	21.7%	0.1%	13.2%	18.4%	2.4%	0.6%	7.2%

Above assumes contributions, payments, etc. received evenly throughout year.
Estimated June 30, 2017 based on CalPERS actual return through 12/31/16 and assumed returns for 6 months

HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing

■ City	Tier 1	PEPRA
● Miscellaneous	2%@55	2.5%@67
● Police Safety	3%@50	2.7%@57
● Fire Safety	3%@55	2.7%@57

HOW WE GOT HERE –OLD CONTRIBUTION POLICY

- Effective with 2003 valuations:
  - Slow (15 year) recognition of investment losses into funded status
  - Rolling 30 year amortization of all (primarily investment) losses
- Designed to:
  - First smooth rates and
  - Second pay off UAL
- Mitigated contribution volatility

HOW WE GOT HERE – DEMOGRAPHICS

- Around the State
  - Large retiree liability compared to actives
  - Declining active population
- Common to have 60%-75% of liability for retirees
- City percentage of liability belonging to retirees:
  - Miscellaneous 47%
  - Police Safety 63%
  - Fire Safety 52%

CALPERS CHANGES

- Contribution policy changes:
  - No asset smoothing
  - No rolling amortization
  - 5-year ramp up
  - Included in 6/30/13 valuation (first impact 15/16 rates; full impact 19/20)
- Assumption changes:
  - Anticipate future mortality improvement
  - Other, less significant, changes
  - Included in 6/30/14 valuation (first impact 16/17 rates; full impact 20/21)
- Risk Pool changes
  - All Risk Pools combined into one Miscellaneous & one Safety
  - Collect payment on UAL as dollar amount, not as % of pay
  - Payments allocated to agencies based on liability & assets rather than payroll
  - Included in 6/30/13 valuation (impacts 15/16 rates)

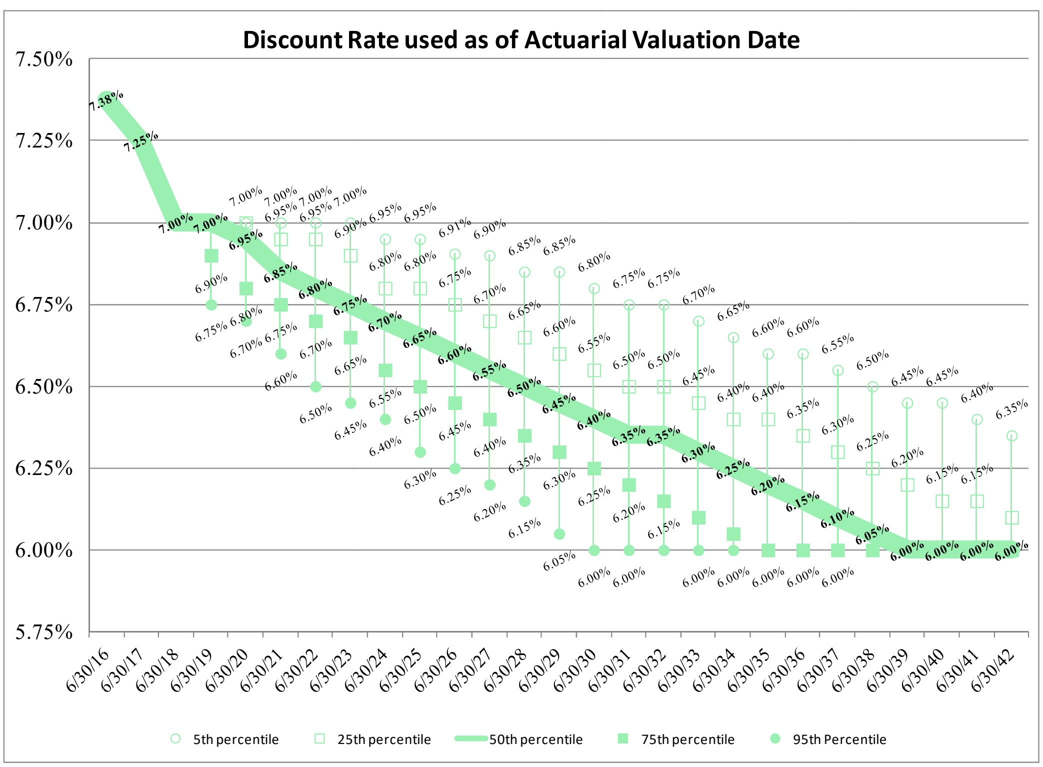
CalPERS Changes

- CalPERS Board will change their discount rate:

	Rate	Initial	Full
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25

  - Risk mitigation suspended until 6/30/18 valuation
- CalPERS Board reviewing their Capital Market Assumptions next summer/fall, Likely no further changes to discount rate
- Risk Mitigation Strategy
  - Move to more conservative investments over time
  - Only when investment return is better than expected
  - Lower discount rate in concert
  - Essentially use ≈50% of investment gains to pay for cost increases
  - Likely get to 6.0% over 20+ years

CalPERS Changes

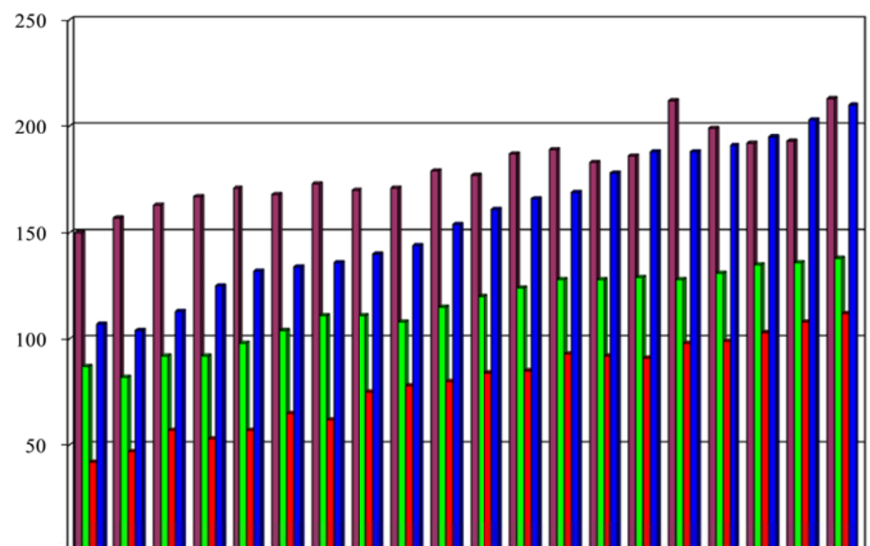


Summary of Demographic Information - Miscellaneous

	1996	2005	2014	2015
Actives				
■ Counts	150	179	193	213
■ Average				
• Age	43	45	46	45
• City Service	7	10	11	10
• PERSable Wages	$39,100	$53,000	$67,100	$68,300
■ Total PERSable Wages (millions)	5.9	9.5	13.0	14.5
Receiving Payments				
■ Counts				
• Service		113	158	163
• Disablity		20	17	18
• Beneficiaries		21	28	29
• Total	107	154	203	210
■ Average Annual City Provided Benefit[1]				
• Service		$10,700	$18,300	$19,500
• Disability		4,500	4,200	4,400
• Service Retirements in last 5 years		11,800	26,200	26,000

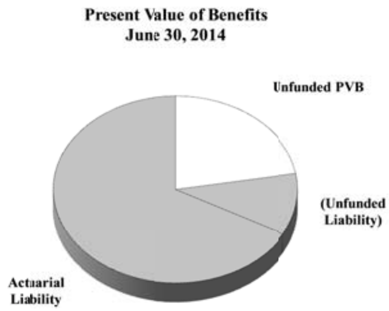
[1] Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.

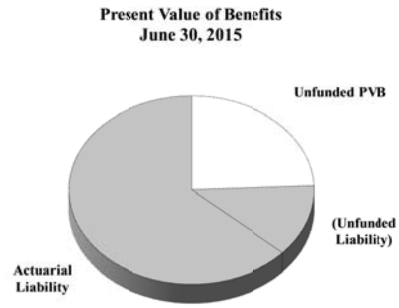
Members Included in Valuation - Miscellaneous



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Active	150	157	163	167	171	168	173	170	171	179	177	187	189	183	186	212	199	192	193	213
Transfers	87	82	92	92	98	104	111	111	108	115	120	124	128	128	129	128	131	135	136	138
Vested Terminations	42	47	57	53	57	65	62	75	78	80	84	85	93	92	91	98	99	103	108	112
Receiving Payments	107	104	113	125	132	134	136	140	144	154	161	166	169	178	188	188	191	195	203	210

Plan Funded Status - Miscellaneous



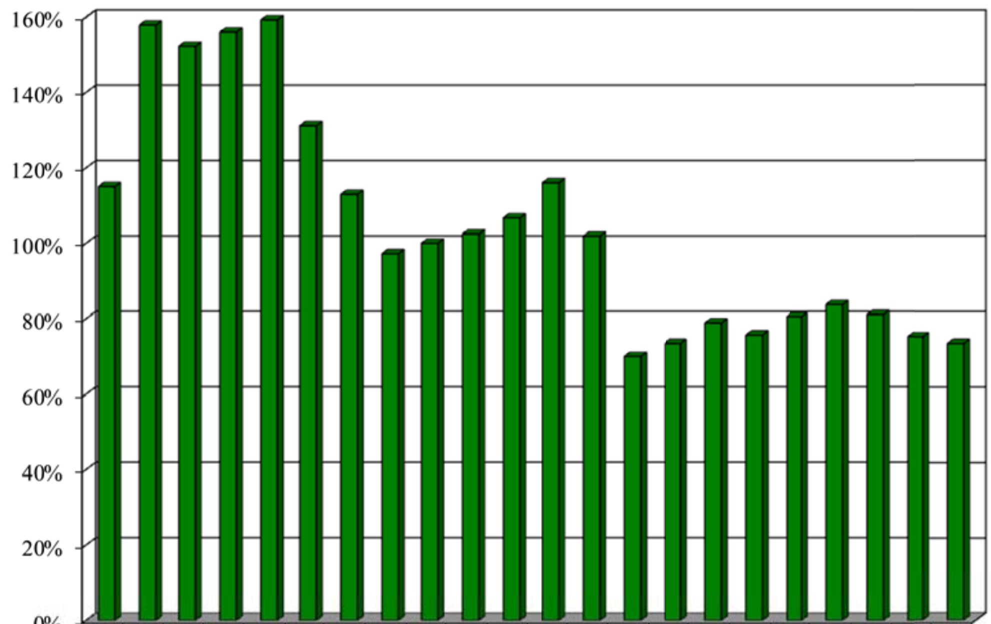


June 30, 2014		June 30, 2015
$ 37,600,000	**Active AAL**	$ 37,800,000
38,300,000	**Retiree AAL**	42,200,000
9,700,000	**Inactive AAL**	10,400,000
85,600,000	**Total AAL**	90,400,000
72,000,000	**Market Asset Value**	72,800,000
(13,600,000)	**(Unfunded Liability)**	(17,600,000)

Plan Funded Status - Miscellaneous

- What happened between 6/30/14 and 6/30/15?
  - Unfunded Liability (Increase)/Decrease ≈ $(4.0) million
- Reasons for Unfunded Liability decrease
  - Asset gain/(loss): ≈ $(3.8) million
  - Actuarial gain/(loss): ≈ $ 0.1 million
    - Average Salary $67,100 → $68,300
    - Number of Actives 193 → 213
    - Number of Inactives 244 → 250
    - Number of Retirees 203 → 210
  - Other gain/(loss): ≈ $ (0.3) million
    - Contributions
    - Other (expected)

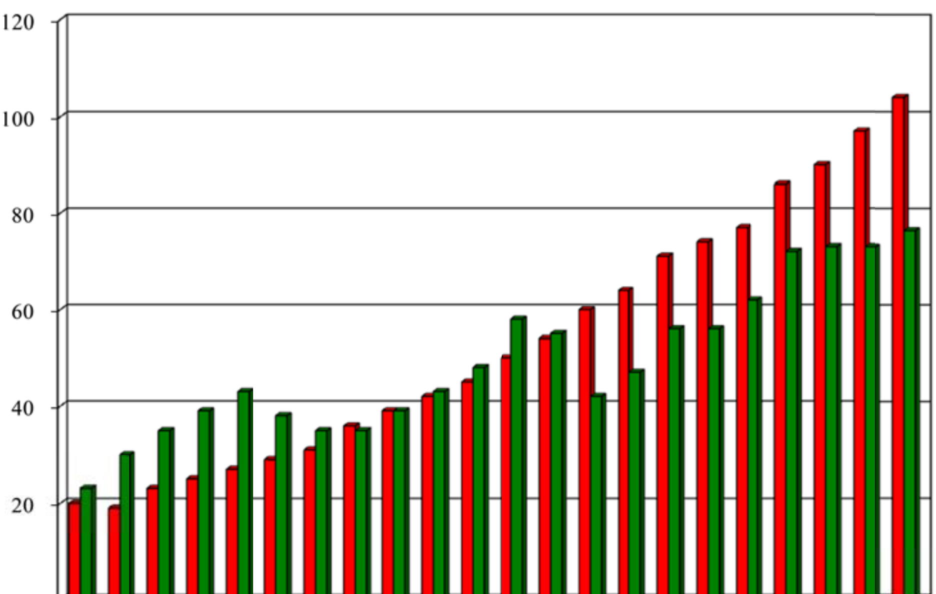
FUNDED RATIO - MISCELLANEOUS



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Funded Ratio - MVA	115%	158%	152%	156%	159%	131%	113%	97%	100%	102%	107%	116%	102%	70%	73%	79%	76%	81%	84%	81%	75%	73%

6/30/16 & 6/30/17 funded status estimated.

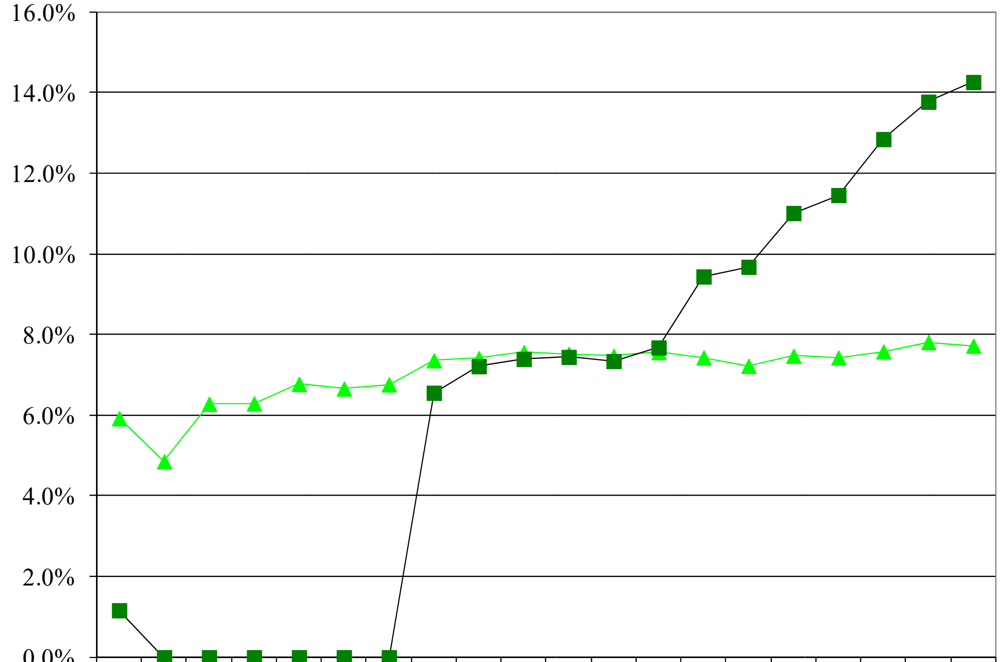
FUNDED STATUS (MILLIONS) - MISCELLANEOUS



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarial Liability	20	19	23	25	27	29	31	36	39	42	45	50	54	60	64	71	74	77	86	90	97	104
Market Asset Value	23	30	35	39	43	38	35	35	39	43	48	58	55	42	47	56	56	62	72	73	73	76

6/30/16 & 6/30/17 funded status estimated.

CONTRIBUTION RATES - MISCELLANEOUS



	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
ER Normal Cost	5.9%	4.9%	6.3%	6.3%	6.8%	6.7%	6.8%	7.4%	7.4%	7.6%	7.5%	7.5%	7.6%	7.4%	7.2%	7.5%	7.4%	7.6%	7.8%	7.7%
Total ER Cont Rate	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.6%	7.2%	7.4%	7.4%	7.3%	7.7%	9.4%	9.7%	11.0%	11.5%	12.8%	13.8%	14.3%

CONTRIBUTION RATES - MISCELLANEOUS

	6/30/14 2016/2017	6/30/15 2017/2018
■ Total Normal Cost	14.8%	14.6%
■ Employee Normal Cost	6.9%	6.9%
■ Employer Normal Cost	7.8%	7.7%
■ Amortization Bases	6.0%	6.5%
■ Total Employer Contribution Rate	13.8%	14.3%
■ Amortization Period	Multiple	Multiple

- What Happened from 6/30/14 to 6/30/15:
  - 2016/17 Rate 13.8%
  - Asset Method Change (3rd Year) 0.9%
  - Assumption Change (2nd Year) 0.9 %
  - 6/30/14 (Gains)/Losses (2nd Year) (0.8)%
  - Payroll Increased More Than Expected (0.7)%
  - 6/30/15 (Gains)/Losses (1st Year) 0.2%
  - 2017/18 Rate 14.3%

CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- Market Value Investment Return:
  - June 30, 2016 — 0.6%[2]
  - June 30, 2017 — 7.2%[3]
  - Future returns based on stochastic analysis using 1,000 trials

Single Year Returns at[4]	25th Percentile	50th Percentile	75th Percentile
7.0% Investment Mix	**0.1%**	**7.0%**	**14.8%**
6.0% Investment Mix	**0.8%**	**6.0%**	**11.4%**

  - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Excludes Employer Paid Member Contributions (EPMC)
- Includes CalPERS Board adopted assumption changes, first impact 2016/17

[2] Based on CalPERS press release on 7/18/16, preliminary investment return of 0.61%.
[3] June 30, 2017 return based on CalPERS return of 3.9% through 12/31/16 and assumed returns for 6 months.
[4] Nth percentile means N percentage of our trials result in returns lower than the indicated rates.

CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- New hire assumptions:
  - Assumes 35% of 2013 new hires will be Classic Members (2%@55) and 65% will be New Members with PEPRA benefits.
  - Assumes Classic Members will decrease from 35% to 0% of new hires over 20 years.

CONTRIBUTION PROJECTIONS - MISCELLANEOUS

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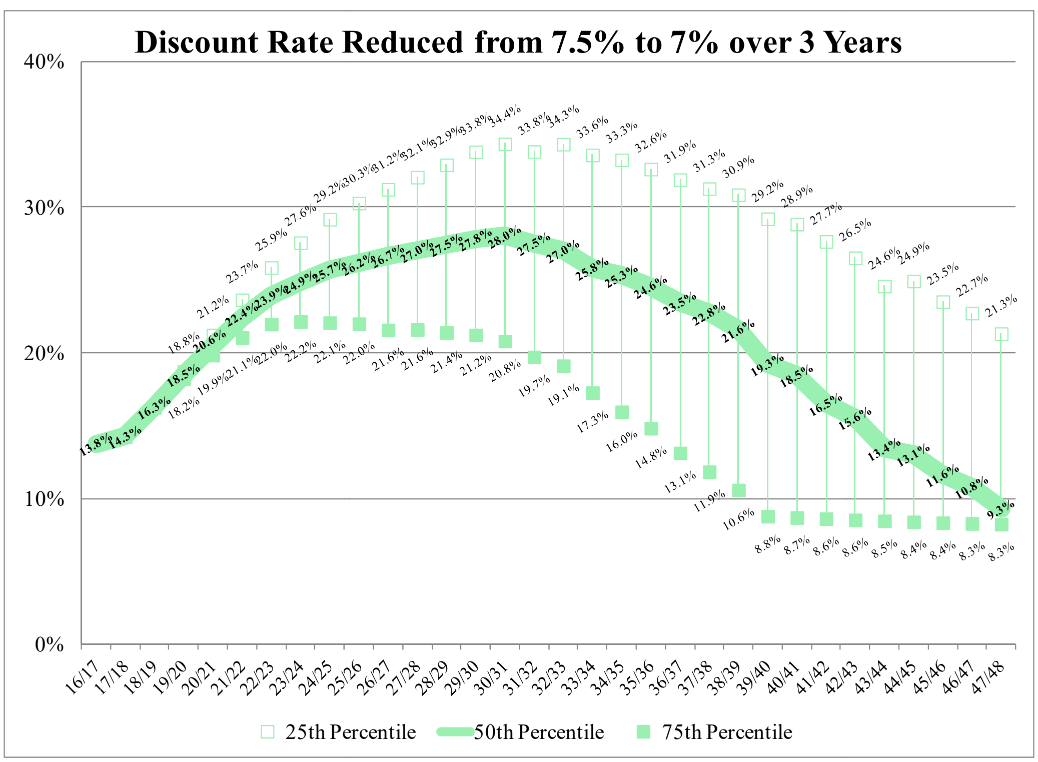
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



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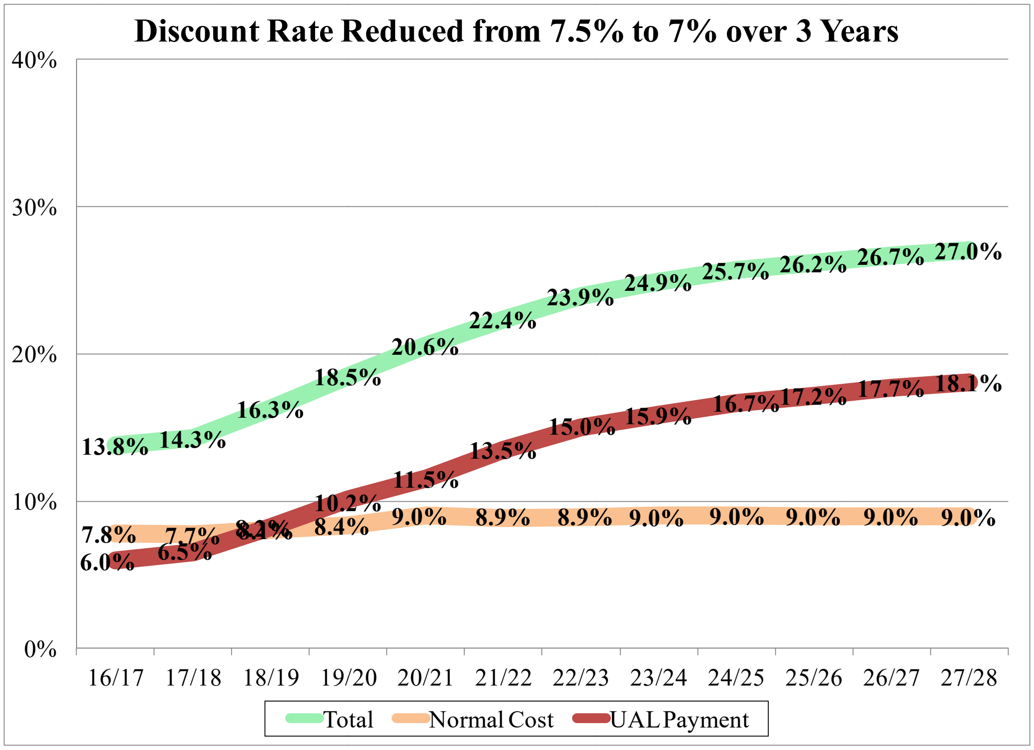
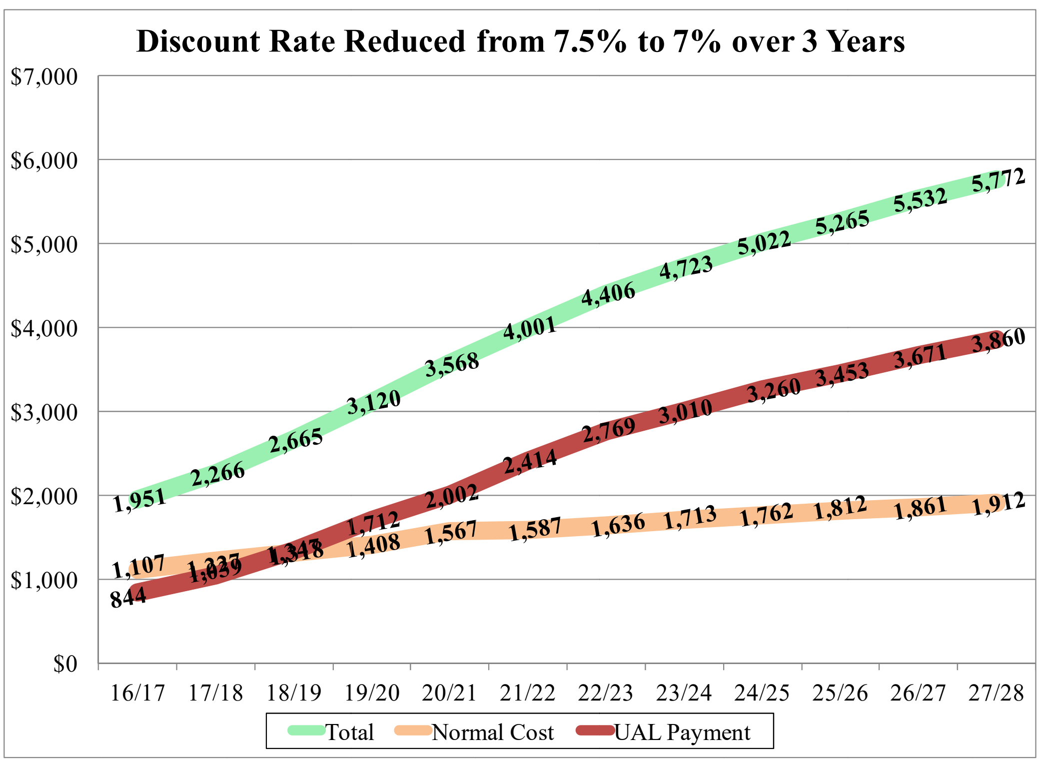
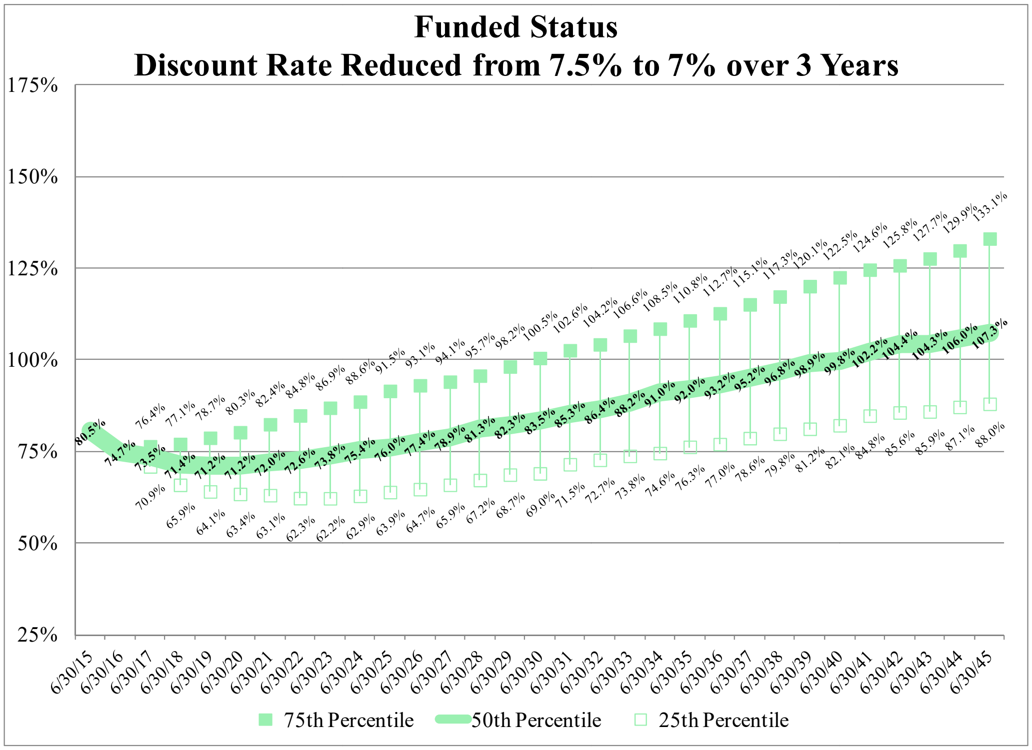
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



CONTRIBUTION PROJECTIONS - MISCELLANEOUS



FUNDED STATUS - MISCELLANEOUS



FUNDED STATUS - MISCELLANEOUS

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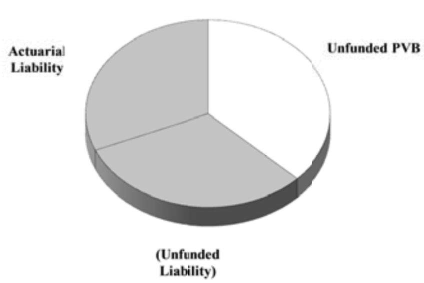
SUMMARY OF DEMOGRAPHIC INFORMATION – POLICE SAFETY

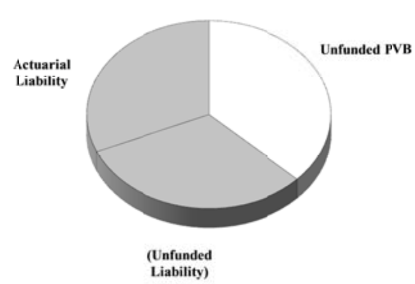
	2009	2013	2014	2015
Actives				
■ Counts	63	58	62	63
■ Average PERSable Wages	$71,600	$120,500	$121,300	$127,000
■ Total PERSable Wages (millions)	4.5	7.0	7.5	8.0
Inactive Counts				
■ Transferred	23	15	15	15
■ Separated	3	10	13	13
■ Retired	63	110	107	108

PLAN FUNDED STATUS - POLICE SAFETY

Present Value of Benefits June 30, 2014



Present Value of Benefits June 30, 2015



June 30, 2014		June 30, 2015
35,100,000	**Active AAL**	39,900,000
69,100,000	**Retiree AAL**	70,200,000
1,600,000	**Inactive AAL**	1,600,000
105,800,000	**Total AAL**	111,700,000
85,200,000	**Market Asset Value**	85,600,000
(20,600,000)	**(Unfunded Liability)**	(26,100,000)

CONTRIBUTION RATES - POLICE SAFETY

	6/30/15 Valuation 2017/2018 Contribution Rates Total[5]	Tier 1 3%@50	PEPRA 2.7%@57
■ Required Employer Contribution			
● Risk Pool's Base Employer Normal Cost	18.4%	18.6%	12.0%
● Class 1 Benefits			
☐ FAC1	1.1%	1.1%	0.0%
☐ PRSA	1.7%	1.7%	1.5%
● Pool's Expected EE Contribution	9.1%	9.0%	11.5%
● Plan's Employee Contribution Rate	(9.1%)	(9.0%)	(12.3%)
● Risk Pool's Payment on Amort Bases	17.1%	17.6%	0.0%
● Amortization of Side Fund	0.0%	0.0%	0.0%
● EE Cost Sharing	(3.0%)	(3.0%)	0.0%
● **Total ER Contribution**	**35.3%**	**36.0%**	**12.8%**
● **Total ER Contribution $ (in 000's)**	**$3,092**		

5 Weighting of total contribution projection based on estimated projected classic and PEPRA payrolls

CONTRIBUTION RATES - POLICE SAFETY

■ Valuation	**6/30/14**	**6/30/15**
■ Contribution Year	**2016/17**	**2017/18**
■ Required Employer Contribution		
● Risk Pool's Net Employer Normal Cost	18.4%	18.4%
● Final Average Compensation (1-Year)	1.1%	1.1%
● Post-Retirement Survivor Allowance	1.7%	1.7%
● **Total Normal Cost**	**21.2%**	**21.2%**
● Risk Pool's Payment on Amortization Bases	14.7%	17.1%
● Total Employer Contribution	36.0%	38.3%
● Employee Cost Sharing[6]	(3.0%)	(3.0%)
● **Net Employer Contributions**	**33.0%**	**35.3%**
● **Net Employer Contribution $**	**$2,709**	**$3,092**

■ What Happened from 6/30/14 to 6/30/15:

● 2016/17 Rate	33.0%
● Asset Method Change (3rd Year)	2.0%
● Assumption Change (2nd Year)	1.4%
● 6/30/14 (Gains)/Losses (2nd Year)	(1.5%)
● 6/30/15 (Gains)/Losses (1st Year)	0.4%
● 2017/18 Rate	35.3%

6 3% for Tier 1 employees.

- Market Value Investment Return:
  - June 30, 2016 — 0.6%[7]
  - June 30, 2017 — 7.2%[8]
  - Future returns based on stochastic analysis using 1,000 trials

Single Year Returns at[9]	25th Percentile	50th Percentile	75th Percentile
7.0% Investment Mix	**0.1%**	**7.0%**	**14.8%**
6.0% Investment Mix	**0.8%**	**6.0%**	**11.4%**

  - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Excludes Employer Paid Member Contributions (EPMC)
- Includes CalPERS Board adopted assumption changes, first impact 2016/17

7 Based on CalPERS press release on 7/18/16, preliminary investment return of 0.61%.
8 June 30, 2017 return based on CalPERS return of 3.9% through 12/31/16 and assumed returns for 6 months.
9 Nth percentile means N percentage of our trials result in returns lower than the indicated rates.

CONTRIBUTION PROJECTIONS - POLICE SAFETY

- New hire assumptions:
  - Assumes 60% of 2013 new hires will be Classic Members (3%@50) and 40% will be New Members with PEPRA benefits.
  - Assumes Classic Members will decrease from 60% to 0% of new hires over 10 years.

CONTRIBUTION PROJECTIONS - POLICE SAFETY

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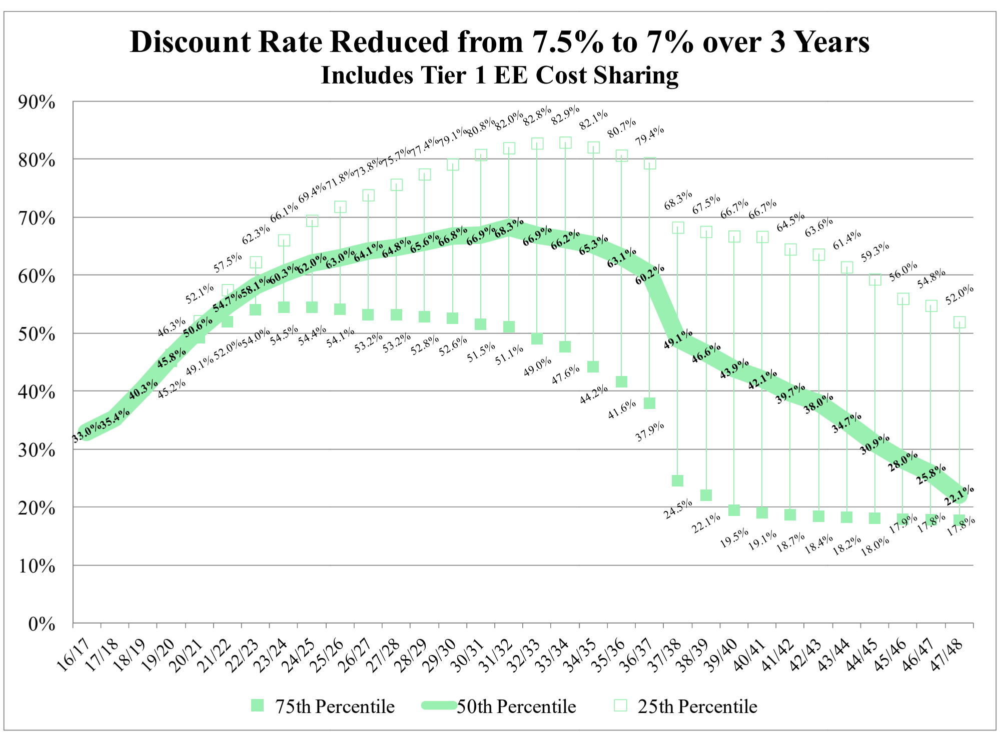
CONTRIBUTION PROJECTIONS - POLICE SAFETY



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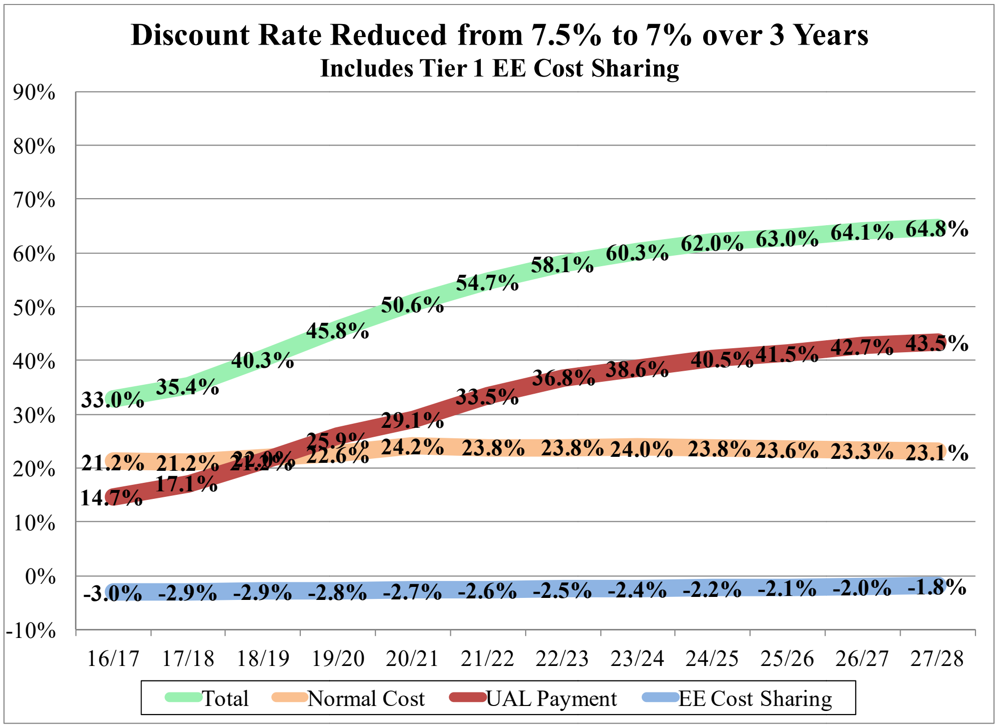
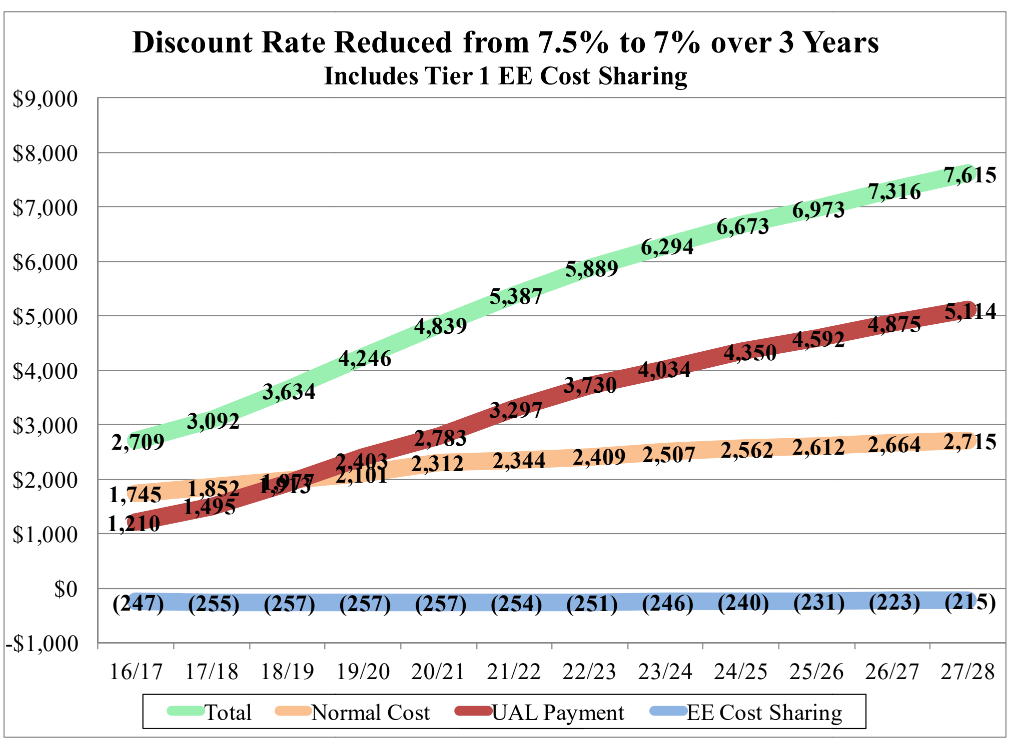
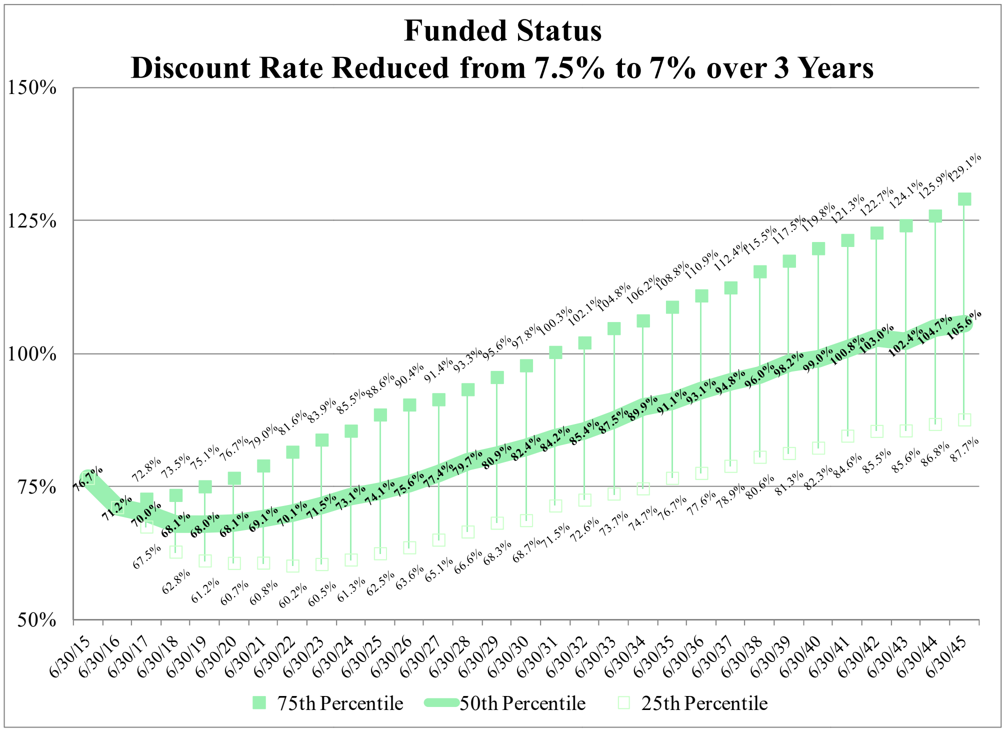
Contribution Projections - Police Safety



Contribution Projections - Police Safety





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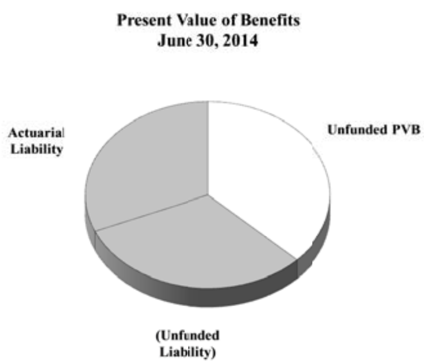
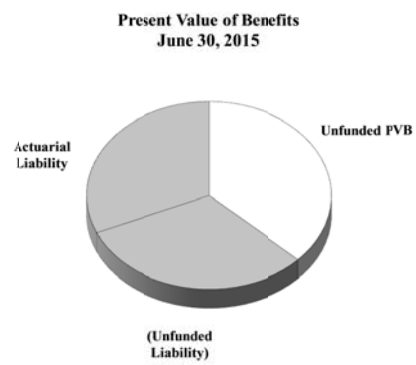
SUMMARY OF DEMOGRAPHIC INFORMATION – FIRE SAFETY

	2001	2009	2014	2015
Actives				
■ Counts	30	30	30	29
■ Average PERSable Wages	$82,300	$141,500	$152,400	$159,100
■ Total PERSable Wages (millions)	2.5	4.2	4.6	4.6
Inactive Counts				
■ Transferred	11	7	4	4
■ Separated	1	3	3	5
■ Retired	41	50	50	49

FUNDED RATIO - FIRE SAFETY





June 30, 2014		June 30, 2015
$ 25,000,000	**Active AAL**	$ 25,200,000
27,100,000	**Retiree AAL**	29,500,000
1,400,000	**Inactive AAL**	2,000,000
53,500,000	**Total AAL**	56,700,000
44,900,000	**Market Asset Value**	45,300,000
(8,600,000)	**(Unfunded Liability)**	(11,400,000)

CONTRIBUTION RATES - FIRE SAFETY

	6/30/15 Valuation 2017/2018 Contribution Rates Total[10]	Tier 1 3%@55	PEPRA 2.7%@57
■ Required Employer Contribution			
● Risk Pool's Base Employer Normal Cost	16.9%	16.9%	12.25%
● Class 1 Benefits			
☐ FAC1	1.0%	1.0%	0.0%
☐ PRSA	1.6%	1.6%	0.0%
● Pool's Expected EE Contribution	9.0%	9.0%	12.25%
● Plan's Employee Contribution Rate	(9.0%)	(9.0%)	(12.25%)
● Risk Pool's Payment on Amort Bases	12.8%	12.8%	0.0%
● Amortization of Side Fund	0.0%	0.0%	0.0%
● EE Cost Sharing	(3.0%)	(3.0%)	0.0%
● **Total ER Contribution**	**29.3%**	**29.3%**	**12.25%**
● **Total ER Contribution $ (in 000's)**	**$ 1,475**		

[10] Weighting of total contribution projection based on estimated projected classic and PEPRA payrolls

CONTRIBUTION RATES - FIRE SAFETY

■ Valuation	**6/30/14**	**6/30/15**
■ Contribution Year	**2016/17**	**2017/18**
■ Required Employer Contribution		
● Risk Pool's Net Employer Normal Cost	16.7%	16.9%
● Final Average Compensation (1-Year)	1.0%	1.0%
● Post-Retirement Survivor Allowance	1.6%	1.6%
● **Total Normal Cost**	**19.3%**	**19.5%**
● Risk Pool's Payment on Amortization Bases	10.2%	12.8%
● Total Employer Contribution	29.5%	32.3%
● Employee Cost Sharing[11]	(3.0%)	(3.0%)
● **Net Employer Contributions**	**26.5%**	**29.3%**
● **Net Employer Contribution $**	**$1,325**	**$1,475**

■ What Happened from 6/30/14 to 6/30/15:

● 2016/17 Rate	26.5%
● Asset Method Change (3rd Year)	1.6%
● Assumption Change (2nd Year)	2.2%
● 6/30/14 (Gains)/Losses (2nd Year)	(1.3%)
● 6/30/15 (Gains)/Losses (1st Year)	0.3%
● 2017/18 Rate	29.3%

[11] 3% for Tier 1 employees.

CONTRIBUTION PROJECTIONS - FIRE SAFETY

- Market Value Investment Return:
  - June 30, 2016 0.6%[12]
  - June 30, 2017 7.2%[13]
  - Future returns based on stochastic analysis using 1,000 trials

Single Year Returns at[14]	25th Percentile	50th Percentile	75th Percentile
7.0% Investment Mix	**0.1%**	**7.0%**	**14.8%**
6.0% Investment Mix	**0.8%**	**6.0%**	**11.4%**

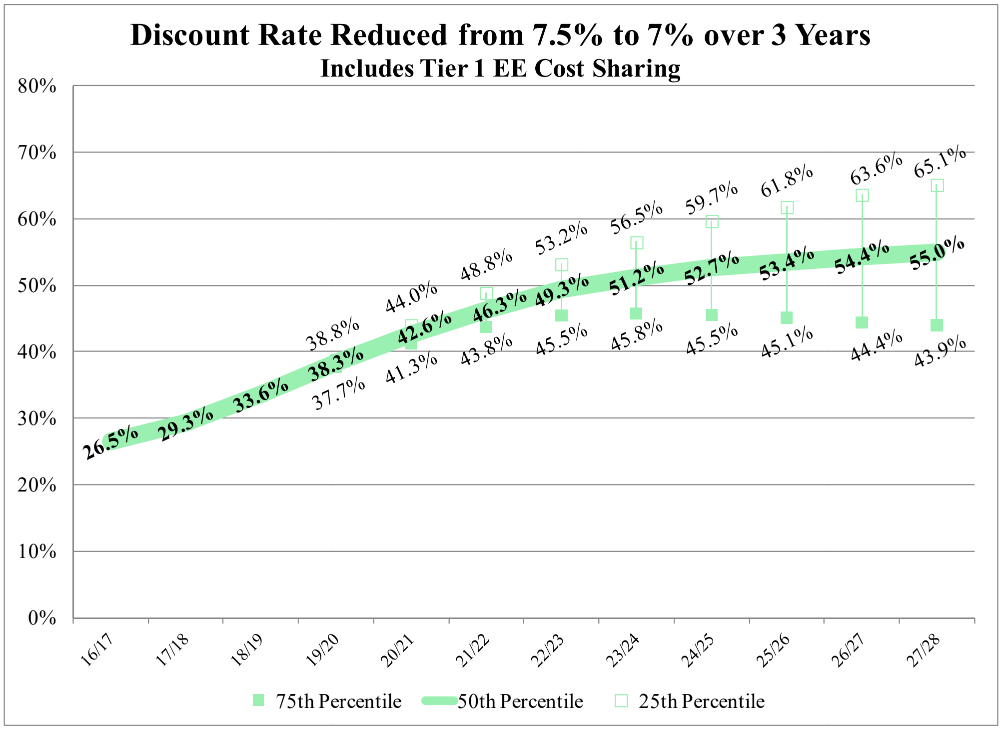
  - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Excludes Employer Paid Member Contributions (EPMC)
- Includes CalPERS Board adopted assumption changes, first impact 2016/17

[12] Based on CalPERS press release on 7/18/16, preliminary investment return of 0.61%.
[13] June 30, 2017 return based on CalPERS return of 3.9% through 12/31/16 and assumed returns for 6 months.
[14] Nth percentile means N percentage of our trials result in returns lower than the indicated rates.

CONTRIBUTION PROJECTIONS - FIRE SAFETY

- New hire assumptions:
  - Assumes 50% of 2013 new hires will be Classic Members (3%@55) and 50% will be New Members with PEPRA benefits.
  - Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years.

CONTRIBUTION PROJECTIONS - FIRE SAFETY



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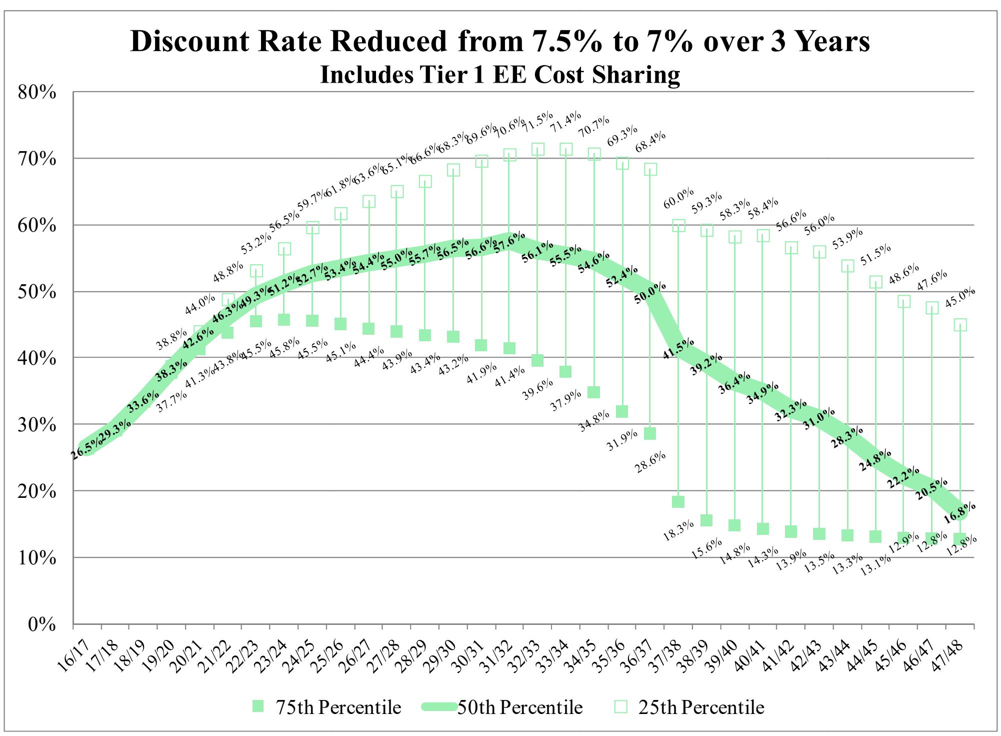
CONTRIBUTION PROJECTIONS - FIRE SAFETY



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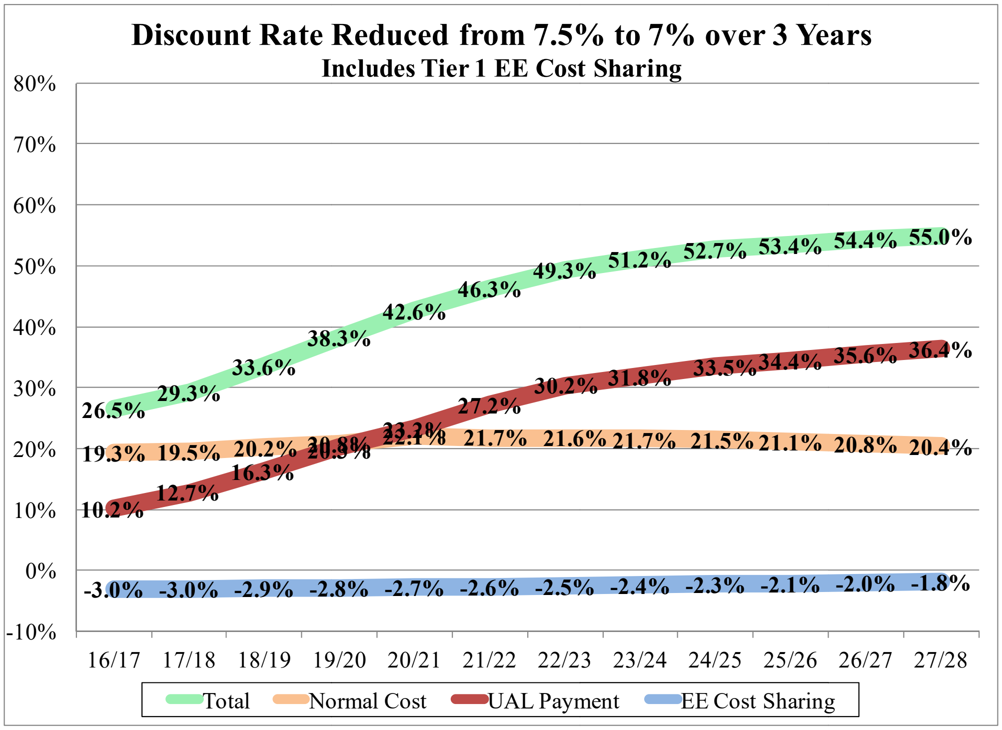
CONTRIBUTION PROJECTIONS - FIRE SAFETY



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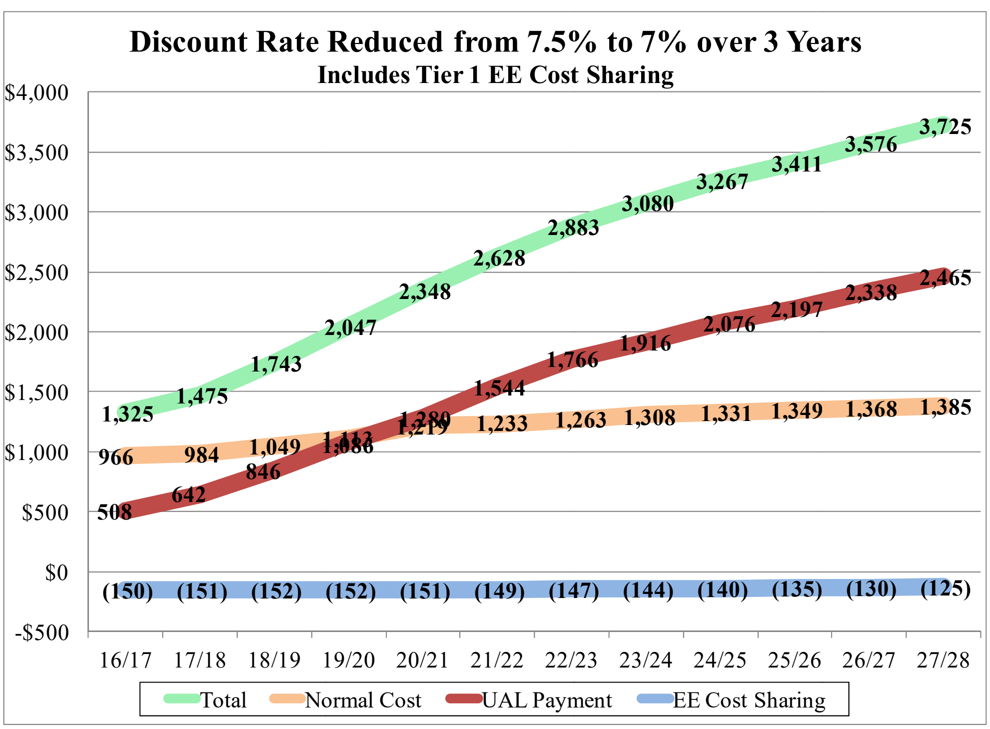
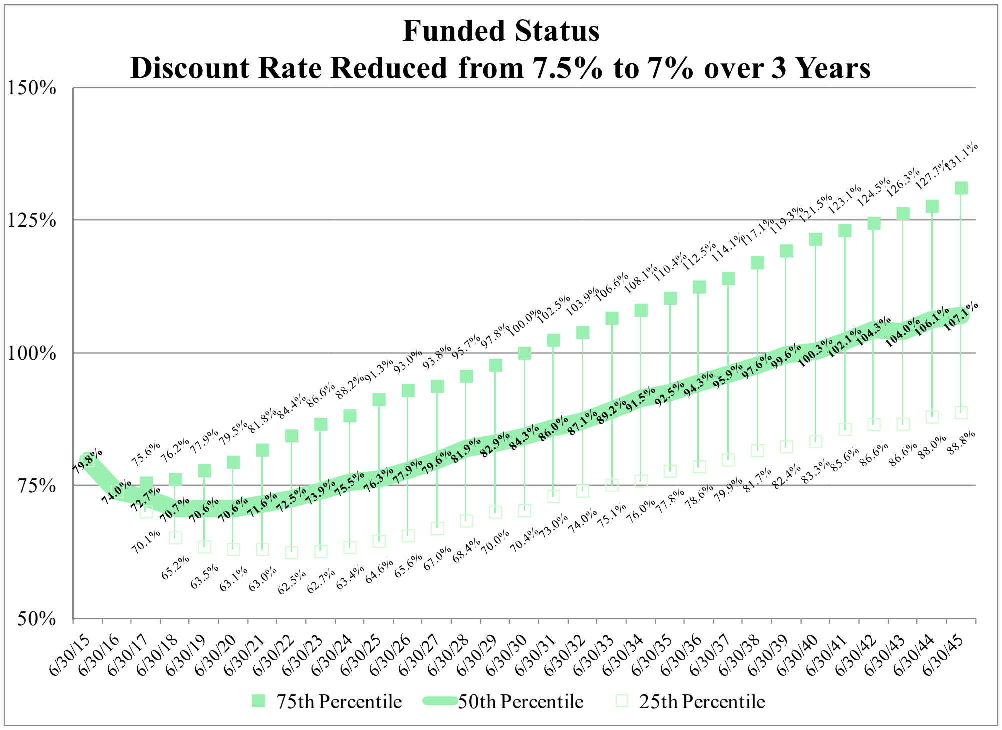
CONTRIBUTION PROJECTIONS - FIRE SAFETY



FUNDED STATUS - FIRE SAFETY



FUNDED STATUS - FIRE SAFETY

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PEPRA COST SHARING

- Target of 50% of total normal cost for everyone
- *New members* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *new member* required employee contributions
- Employer may impose Classic employees pay 50% of total normal cost (limited to 8% Miscellaneous, 12% Safety) if not agreed through collective bargaining by 1/1/18
- Miscellaneous Plan:

	Classic Members Tier 1 2%@55 FAE1	New Members PEPRA 2.5%@67 FAE3
Employer Normal Cost	8.0%	5.79%
Member Normal Cost	7.0%	6.25%
Total Normal Cost	15.0%	12.04%
50% Target	7.5%	6.02%

PEPRA COST SHARING

- Police Safety Plan

	Classic Members Tier 1 3%@50 FAE1[15]	New Members PEPRA 2.7%@57 FAE3
Employer Normal Cost	18.4%	12.73%
Member Normal Cost	12.0%	12.25%
Total Normal Cost	30.4%	24.98%
50% Target	15.2%	12.49%

- Fire Safety Plan

	Classic Members Tier 1 3%@55 FAE1[15]	New Members PEPRA 2.7%@57 FAE3
Employer Normal Cost	16.5%	12.25%
Member Normal Cost	12.0%	12.25%
Total Normal Cost	28.5%	24.50%
50% Target	14.25%	12.25%

[15] Includes 3% employee cost sharing.

Paying Down the Unfunded Liability

- Pension Obligation Bond (POB)
  - Interest arbitrage between expected CalPERS earnings and rate paid on POB
  - Not guaranteed
- Borrow from General Fund
  - Pay GF back like a loan
  - Payments come from all funds
- One time payments
  - City resolution to use portion of one time money
- Internal Service Fund
  - Restricted investments
    - Likely low (0.5% - 1.0%) investment returns
    - Short term/high quality
    - Designed for preservation of principal
  - Assets could be used by Council for other purposes

Paying Down the Unfunded Liability

	Approximate Years to Attain Funded Percent		
	80%	90%	100%
Miscellaneous	12	18	25
Police Safety	13	19	25
Fire Safety	12	18	24

- Ad-hoc payments applied to all amortization bases will not shorten amortization period but will reduce contribution
- Only ways to shorten period are:
  - Request shorter amortization period of CalPERS
    - Higher short term payments
    - Less interest and lower long term payments
  - Make ad-hoc payment that targets specific bases with longer amortization periods
    - Modestly lower (short & long term) payments
    - Less interest

IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- > 60 trusts established
- PARS, PFM and Keenan
- Investments significantly less restricted than City investment funds
  - Designed for long term returns
  - Likely much higher (4% - 6%) investment return
- Assets could not be used by the Council for other purposes
- Can only be used to
  - Reimburse City for CalPERS contributions
  - Make payments directly to CalPERS
- GASB will almost certainly weigh in on certain accounting issues
  - Can Supplemental Pension Trust assets be included in Fiduciary Net Position?
  - If assets can be included would inclusion impact discount rate?

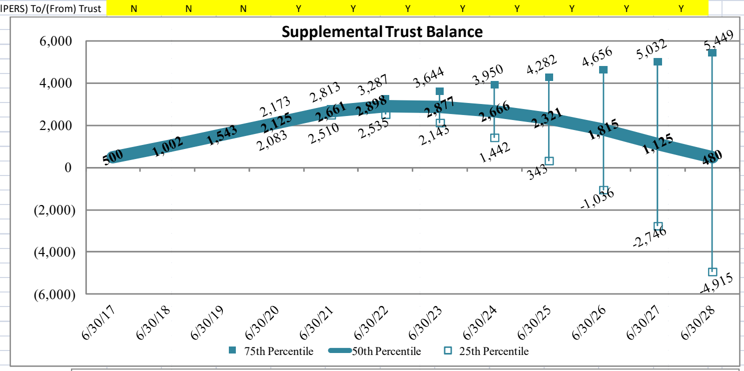
IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

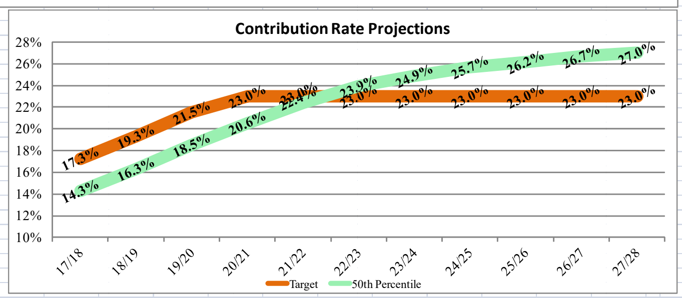
- Parameters:
  - Initial seed money?
  - Additional amount contributed in future years?
  - Target budget rate?
  - Year target budget rate kicks in?
    - Before or after CalPERS rate exceeds budgeted rate?

IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

Initial 6/30/17 Fund Balance ($000)	500										
Stabilization Fund - Rate of Return	5.0%										
Target Rate	23.0%										
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
End of Year Contribution ($000)	-	-	-	-	-	-	-	-	-	-	-
Additional Contribution - % of pay	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Budget - CalPERS Rate	17.3%	19.3%	21.5%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Pay (Budget-CalPERS) To/(From) Trust	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y

Miscellaneous Plan Rate Stabilization Fund Balance



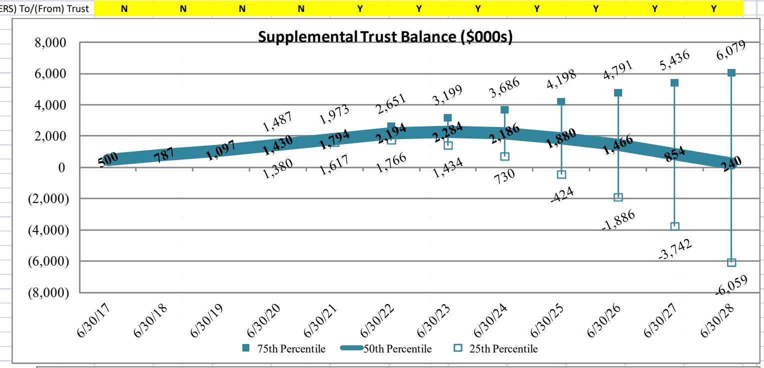


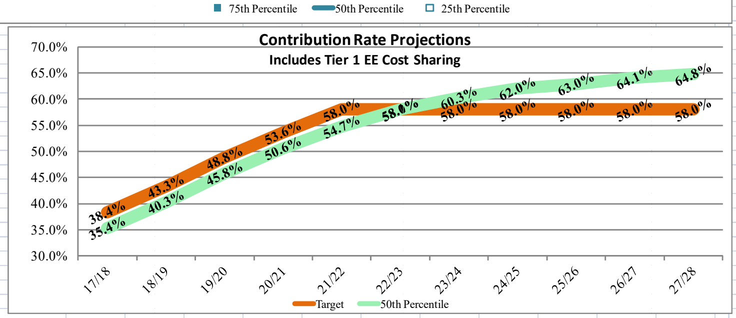
IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

Initial 6/30/17 Fund Balance ($000)	500										
Stabilization Fund - Rate of Return	5.0%										
Target Rate	58.0%										
	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
End of Year Contribution ($000)	-	-	-	-	-	-	-	-	-	-	-
Additional Contribution - % of pay	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Budget - CalPERS Rate	38.4%	43.3%	48.8%	53.6%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%
Pay (Budget-CalPERS) To/(From) Trust	N	N	N	N	Y	Y	Y	Y	Y	Y	Y

Police Safety Plan Rate Stabilization Fund Balance

Calculate

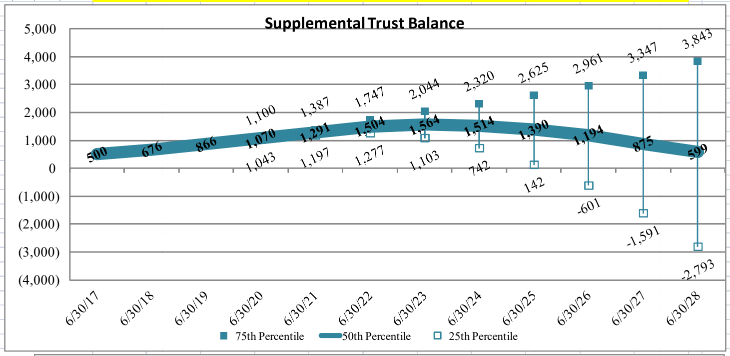


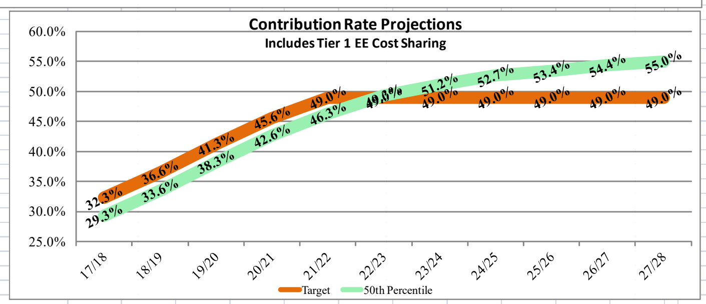


Fire Safety Plan Rate Stabilization Fund Balance

Initial 6/30/17 Fund Balance ($000)	500
Stabilization Fund - Rate of Return	5.0%
Target Rate	49.0%

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
End of Year Contribution ($000)	-	-	-	-	-	-	-	-	-	-	-
Additional Contribution - % of pay	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Budget - CalPERS Rate	32.3%	36.6%	41.3%	45.6%	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%
Pay (Budget-CalPERS) To/(From) Trust	N	N	N	N	Y	Y	Y	Y	Y	Y	Y





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APPENDICES – CONTRIBUTION PROJECTION TABLE

Miscellaneous ($000s)

Confidence Level	Normal Cost											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	1,107	1,227	1,318	1,408	1,567	1,587	1,609	1,659	1,681	1,732	1,808	1,832
50%	1,107	1,227	1,318	1,408	1,567	1,587	1,636	1,713	1,762	1,812	1,861	1,912
25%	1,107	1,227	1,318	1,408	1,567	1,641	1,718	1,767	1,815	1,866	1,941	1,992

Confidence Level	Unfunded Liability Payment											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	844	1,039	1,347	1,664	1,881	2,180	2,440	2,545	2,635	2,700	2,667	2,783
50%	844	1,039	1,347	1,712	2,002	2,414	2,769	3,010	3,260	3,453	3,671	3,860
25%	844	1,039	1,347	1,754	2,121	2,588	3,046	3,464	3,887	4,231	4,534	4,855

Confidence Level	Total Contributions											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	1,951	2,266	2,665	3,072	3,447	3,767	4,049	4,204	4,316	4,431	4,475	4,615
50%	1,951	2,266	2,665	3,120	3,568	4,001	4,406	4,723	5,022	5,265	5,532	5,772
25%	1,951	2,266	2,665	3,163	3,688	4,229	4,763	5,230	5,702	6,096	6,474	6,847

APPENDICES – CONTRIBUTION PROJECTION TABLE

Police Safety ($000s)

Confidence Level	Normal Cost											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	1,745	1,852	1,977	2,101	2,312	2,344	2,374	2,435	2,455	2,506	2,593	2,610
50%	1,745	1,852	1,977	2,101	2,312	2,344	2,409	2,507	2,562	2,612	2,664	2,715
25%	1,745	1,852	1,977	2,101	2,312	2,415	2,517	2,578	2,634	2,683	2,770	2,821

Confidence Level	Unfunded Liability Payment											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	1,210	1,495	1,913	2,346	2,641	3,027	3,356	3,498	3,638	3,715	3,698	3,854
50%	1,210	1,495	1,913	2,403	2,783	3,297	3,730	4,034	4,350	4,592	4,875	5,114
25%	1,210	1,495	1,913	2,453	2,924	3,496	4,049	4,567	5,074	5,506	5,877	6,284

Confidence Level	Employee Cost Sharing											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
All	247	255	257	257	257	254	251	246	240	231	223	215

Confidence Level	Total Contributions											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	2,709	3,092	3,634	4,190	4,696	5,117	5,479	5,687	5,853	5,990	6,068	6,249
50%	2,709	3,092	3,634	4,246	4,839	5,387	5,889	6,294	6,673	6,973	7,316	7,615
25%	2,709	3,092	3,634	4,296	4,979	5,656	6,315	6,898	7,468	7,959	8,424	8,890

APPENDICES – CONTRIBUTION PROJECTION TABLE

Fire Safety ($000s)

Confidence Level	Normal Cost											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	966	984	1,049	1,113	1,219	1,233	1,246	1,274	1,281	1,301	1,337	1,341
50%	966	984	1,049	1,113	1,219	1,233	1,263	1,308	1,331	1,349	1,368	1,385
25%	966	984	1,049	1,113	1,219	1,268	1,315	1,342	1,364	1,381	1,414	1,430

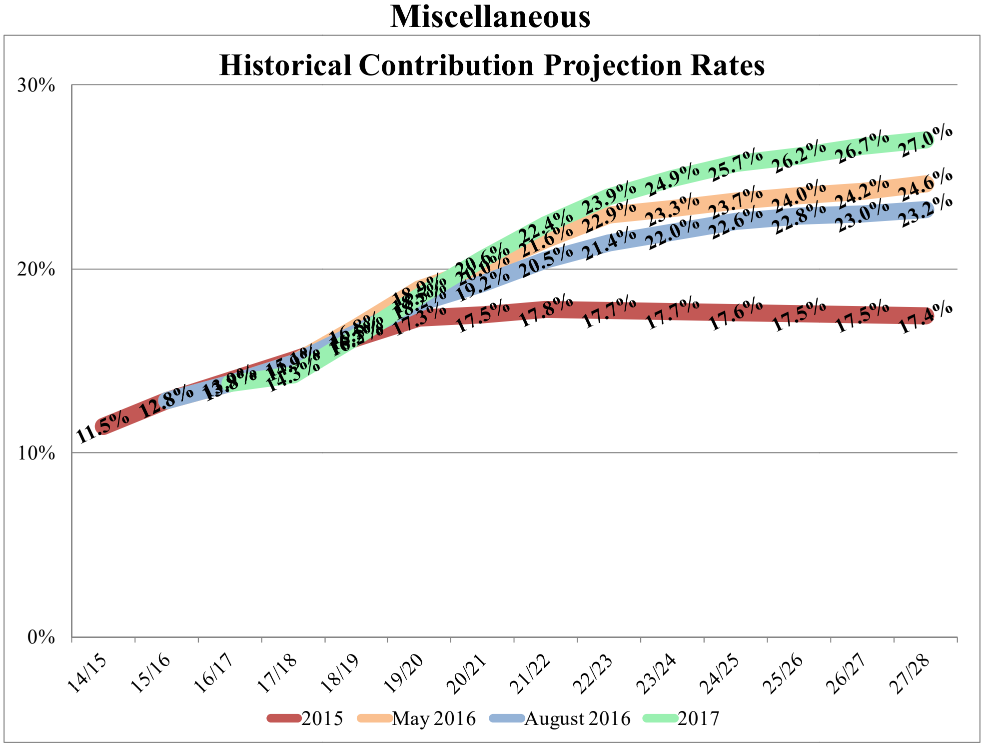
Confidence Level	Unfunded Liability Payment											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	508	642	846	1,056	1,204	1,399	1,558	1,624	1,683	1,713	1,712	1,762
50%	508	642	846	1,086	1,280	1,544	1,766	1,916	2,076	2,197	2,338	2,465
25%	508	642	846	1,113	1,355	1,652	1,938	2,201	2,475	2,697	2,899	3,104

Confidence Level	Employee Cost Sharing											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
All	150	151	152	152	151	149	147	144	140	135	130	125

Confidence Level	Total Contributions											
	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
75%	1,325	1,475	1,743	2,017	2,272	2,482	2,657	2,754	2,824	2,880	2,919	2,977
50%	1,325	1,475	1,743	2,047	2,348	2,628	2,883	3,080	3,267	3,411	3,576	3,725
25%	1,325	1,475	1,743	2,074	2,423	2,771	3,107	3,399	3,698	3,944	4,183	4,409

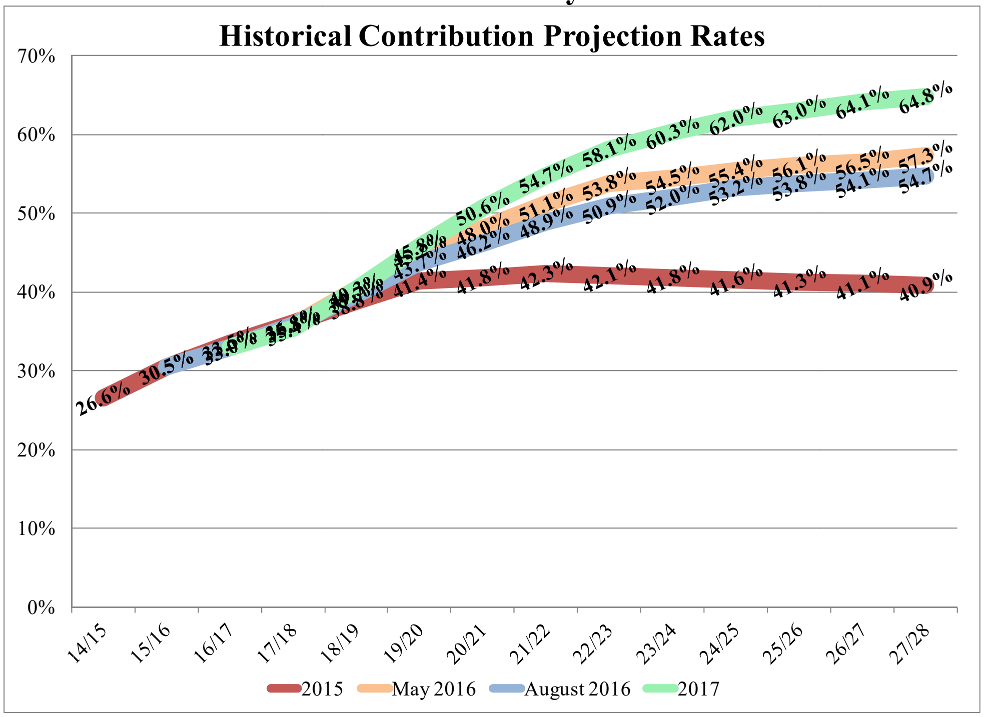
APPENDICES – CONTRIBUTION PROJECTION TABLE

Miscellaneous



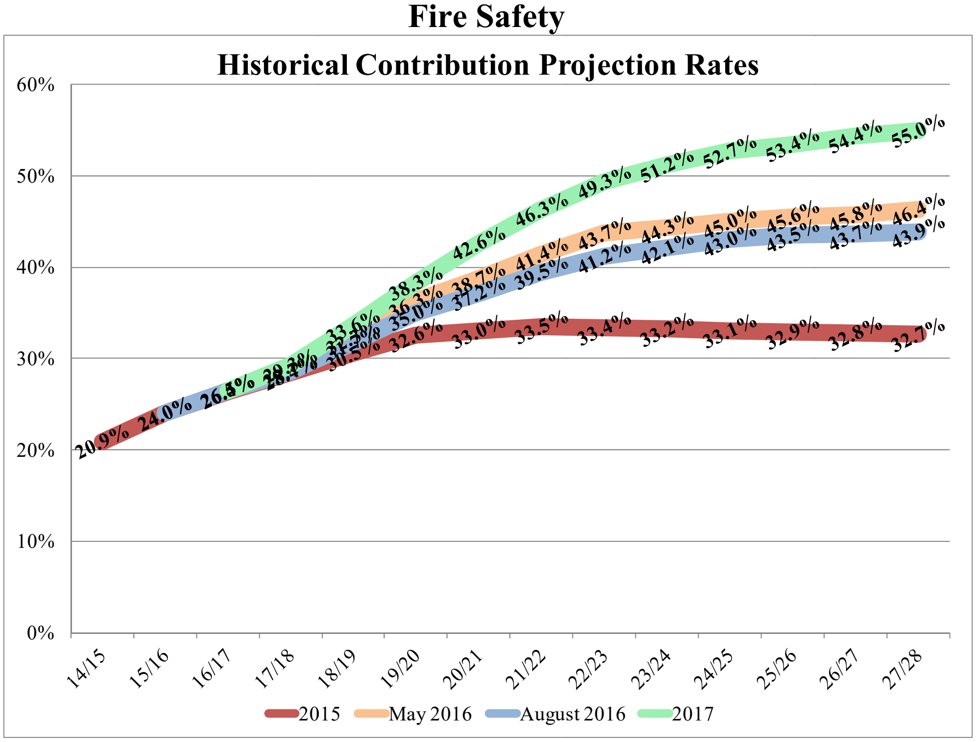
APPENDICES – CONTRIBUTION PROJECTION TABLE

Police Safety



APPENDICES – CONTRIBUTION PROJECTION TABLE

Fire Safety



Projected Unfunded Liability at 50% Confidence Level in Millions $

Study Date	Miscellaneous Plan											
	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/30/25
May 2016	14	18	26	28	29	31	31	32	32	32	32	31
August 2016	14	18	23	25	26	28	28	29	29	28	28	29
2017	14	18	24	27	32	35	36	37	39	39	38	39

Study Date	Police Safety Plan											
	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/30/25
May 2016	21	26	36	38	40	42	43	45	45	45	45	45
August 2016	21	26	33	35	37	39	40	41	41	40	41	41
2017	21	26	34	38	44	48	50	52	53	53	53	54

Study Date	Fire Safety Plan											
	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/30/25
May 2016	9	11	17	18	19	20	21	22	22	22	22	22
August 2016	9	11	15	16	17	18	19	19	19	19	19	19
2017	9	11	16	18	21	23	24	25	25	26	26	26

30-Year Amortization Schedule and Alternatives

	Current Amortization Schedule		Alternate Schedules: 20 Year Amortization		Alternate Schedules: 15 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2017	18,518,814	1,038,682	18,518,814	1,398,271	18,518,814	1,697,611
6/30/2018	18,830,798	1,244,238	18,457,967	1,440,219	18,147,604	1,748,539
6/30/2019	18,953,055	1,461,191	18,349,063	1,483,426	17,695,751	1,800,996
6/30/2020	18,859,537	1,540,093	18,187,195	1,527,928	17,155,620	1,855,025
6/30/2021	18,677,201	1,648,470	17,967,044	1,573,766	16,518,960	1,910,676
6/30/2022	18,368,820	1,697,926	17,682,857	1,620,979	15,776,851	1,967,997
6/30/2023	17,986,035	1,748,862	17,328,404	1,669,609	14,919,652	2,027,036
6/30/2024	17,521,730	1,801,328	16,896,947	1,719,697	13,936,950	2,087,847
6/30/2025	16,968,203	1,855,367	16,381,199	1,771,288	12,817,495	2,150,483
6/30/2026	16,317,131	1,911,030	15,773,278	1,824,426	11,549,139	2,214,997
6/30/2027	15,559,518	1,968,361	15,064,669	1,879,159	10,118,766	2,281,447
6/30/2028	14,685,645	2,027,411	14,246,165	1,935,534	8,512,219	2,349,891
6/30/2029	13,685,002	2,088,233	13,307,823	1,993,600	6,714,217	2,420,387
6/30/2030	12,546,254	2,150,880	12,238,901	2,053,408	4,708,272	2,492,999
6/30/2031	11,257,142	1,984,611	11,027,800	2,115,010	2,476,596	2,567,789
6/30/2032	10,043,737	1,910,701	9,661,996	2,178,461		
6/30/2033	8,815,961	1,606,061	8,127,969	2,243,814		
6/30/2034	7,811,959	1,512,667	6,411,131	2,311,129		
6/30/2035	6,829,492	1,412,225	4,495,736	2,380,463		
6/30/2036	5,877,477	1,304,393	2,364,800	2,451,877		
6/30/2037	4,965,861	1,343,526				
6/30/2038	3,945,305	1,383,831				
6/30/2039	2,806,417	1,037,430				
6/30/2040	1,941,268	1,068,553				
6/30/2041	978,964	556,300				
6/30/2042	475,602	384,608				
6/30/2043	112,502	(167,799)				
6/30/2044	294,915	189,558				
6/30/2045	120,497	3,836				
6/30/2046	125,556	130,180				
Totals		**39,842,753**		**37,572,064**		**31,573,720**
Estimated Savings				**2,270,689**		**8,269,033**

30-Year Amortization Schedule and Alternatives

	Current Amortization Schedule		Alternate Schedules: 20 Year Amortization		Alternate Schedules: 15 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2017	27,815,847	1,495,003	27,815,847	2,100,247	27,815,847	2,549,866
6/30/2018	28,351,983	1,795,849	27,724,452	2,163,255	27,258,278	2,626,362
6/30/2019	28,616,406	2,113,400	27,560,876	2,228,152	26,579,579	2,705,153
6/30/2020	28,571,417	2,251,645	27,317,744	2,294,997	25,768,286	2,786,307
6/30/2021	28,379,717	2,404,548	26,987,071	2,363,847	24,812,002	2,869,896
6/30/2022	28,015,108	2,476,684	26,560,213	2,434,762	23,697,331	2,955,993
6/30/2023	27,548,360	2,550,985	26,027,813	2,507,805	22,409,791	3,044,673
6/30/2024	26,969,569	2,627,515	25,379,751	2,583,039	20,933,742	3,136,013
6/30/2025	26,268,022	2,706,340	24,605,081	2,660,531	19,252,285	3,230,094
6/30/2026	25,432,130	2,787,530	23,691,965	2,740,346	17,347,174	3,326,996
6/30/2027	24,449,367	2,871,156	22,627,611	2,822,557	15,198,708	3,426,806
6/30/2028	23,306,192	2,957,291	21,398,192	2,907,234	12,785,623	3,529,611
6/30/2029	21,987,972	3,046,010	19,988,773	2,994,451	10,084,967	3,635,499
6/30/2030	20,478,900	3,137,390	18,383,218	3,084,284	7,071,974	3,744,564
6/30/2031	18,761,902	3,231,512	16,564,106	3,176,813	3,719,925	3,856,901
6/30/2032	16,818,542	3,146,486	14,512,624	3,272,117		
6/30/2033	14,817,587	3,053,451	12,208,468	3,370,281		
6/30/2034	12,763,020	2,952,002	9,629,722	3,471,389		
6/30/2035	10,659,545	2,841,718	6,752,738	3,575,531		
6/30/2036	8,512,654	2,722,161	3,552,004	3,682,797		
6/30/2037	6,328,707	1,189,686				
6/30/2038	5,569,868	1,225,376				
6/30/2039	4,717,111	1,262,138				
6/30/2040	3,762,282	1,300,002				
6/30/2041	2,696,582	973,001				
6/30/2042	1,889,997	885,139				
6/30/2043	1,114,015	627,584				
6/30/2044	546,873	353,779				
6/30/2045	221,083	62,981				
6/30/2046	172,364	178,711				
Totals		**61,227,073**		**56,434,434**		**47,424,733**
Estimated Savings				**4,792,639**		**13,802,340**

Current CalPERS Board policy prioritizes the order for which lump sum contributions in excess of the required employer contribution shall be applied. Excess contributions shall first be applied toward payment on the plan's side fund, and any remainder shall then be applied toward the plan's share of the pool's unfunded accrued liability.

Please contact the plan actuary before making such a payment to ensure that the payment is applied correctly.

30-Year Amortization Schedule and Alternatives

	Current Amortization Schedule		Alternate Schedules			
			20 Year Amortization		15 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2017	12,320,772	642,240	12,320,772	930,285	12,320,772	1,129,439
6/30/2018	12,578,942	783,623	12,280,290	958,194	12,073,802	1,163,323
6/30/2019	12,709,885	932,912	12,207,835	986,940	11,773,179	1,198,222
6/30/2020	12,695,863	998,311	12,100,142	1,016,548	11,413,824	1,234,169
6/30/2021	12,612,982	1,073,402	11,953,674	1,047,044	10,990,247	1,271,194
6/30/2022	12,446,029	1,105,605	11,764,601	1,078,455	10,496,514	1,309,330
6/30/2023	12,233,165	1,138,773	11,528,779	1,110,809	9,926,210	1,348,610
6/30/2024	11,969,948	1,172,936	11,241,726	1,144,133	9,272,407	1,389,068
6/30/2025	11,651,569	1,208,124	10,898,593	1,178,457	8,527,622	1,430,740
6/30/2026	11,272,827	1,244,368	10,494,137	1,213,811	7,683,770	1,473,662
6/30/2027	10,828,101	1,281,699	10,022,691	1,250,225	6,732,127	1,517,872
6/30/2028	10,311,315	1,320,150	9,478,131	1,287,732	5,663,274	1,563,408
6/30/2029	9,715,903	1,359,754	8,853,842	1,326,364	4,467,043	1,610,311
6/30/2030	9,034,773	1,400,547	8,142,677	1,366,155	3,132,465	1,658,620
6/30/2031	8,260,263	1,442,563	7,336,918	1,407,140	1,647,707	1,708,379
6/30/2032	7,384,102	1,393,290	6,428,233	1,449,354		
6/30/2033	6,493,315	1,339,762	5,407,628	1,492,835		
6/30/2034	5,591,219	1,281,769	4,265,396	1,537,620		
6/30/2035	4,681,594	1,219,090	2,991,063	1,583,748		
6/30/2036	3,768,733	1,151,497	1,573,328	1,631,261		
6/30/2037	2,857,490	534,205				
6/30/2038	2,517,927	550,231				
6/30/2039	2,136,280	566,738				
6/30/2040	1,708,895	583,740				
6/30/2041	1,231,828	429,842				
6/30/2042	878,546	402,857				
6/30/2043	526,745	287,370				
6/30/2044	268,300	164,590				
6/30/2045	117,772	34,185				
6/30/2046	91,162	94,519				
Totals		**27,138,688**		**24,997,111**		**21,006,347**
Estimated Savings				**2,141,577**		**6,132,341**

Current CalPERS Board policy prioritizes the order for which lump sum contributions in excess of the required employer contribution shall be applied. Excess contributions shall first be applied toward payment on the plan's side fund, and any remainder shall then be applied toward the plan's share of the pool's unfunded accrued liability.

Please contact the plan actuary before making such a payment to ensure that the payment is applied correctly.

Schedule of Amortization Bases

There is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2015.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: Fiscal Year 2017-18.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts are determined by multiplying the rate by the expected payroll for the applicable fiscal year, based on payroll as of the valuation date.

Reason for Base	Date Established	Amortization Period	Balance 6/30/15	Expected Payment 2015-16	Balance 6/30/16	Expected Payment 2016-17	Balance 6/30/17	Scheduled Payment for 2017-18
FRESH START	06/30/07	22	$2,821,265	$190,829	$2,835,004	$196,554	$2,843,838	$202,451
ASSUMPTION CHANGE	06/30/09	14	$1,641,975	$143,824	$1,616,004	$148,138	$1,583,611	$152,582
SPECIAL (GAIN)/LOSS	06/30/09	24	$1,902,402	$123,045	$1,917,506	$126,736	$1,929,916	$130,539
SPECIAL (GAIN)/LOSS	06/30/10	25	$915,451	$58,020	$923,953	$59,760	$931,289	$61,553
ASSUMPTION CHANGE	06/30/11	16	$1,631,235	$131,877	$1,616,844	$135,833	$1,597,273	$139,908
SPECIAL (GAIN)/LOSS	06/30/11	26	$2,695,859	$167,629	$2,724,247	$172,658	$2,749,550	$177,838
PAYMENT (GAIN)/LOSS	06/30/12	27	$35,642	$2,177	$36,058	$2,242	$36,438	$2,309
(GAIN)/LOSS	06/30/12	27	$(3,844,735)	$(234,814)	$(3,889,630)	$(241,858)	$(3,930,588)	$(249,114)
(GAIN)/LOSS	06/30/13	28	$9,196,417	$129,348	$9,752,037	$266,457	$10,207,172	$411,676
ASSUMPTION CHANGE	06/30/14	19	$4,014,768	$(48,258)	$4,365,911	$83,161	$4,607,132	$171,311
(GAIN)/LOSS	06/30/14	29	$(6,954,410)	$33,388	$(7,510,608)	$(105,637)	$(7,964,377)	$(217,612)
(GAIN)/LOSS	06/30/15	30	$3,570,143	$85,486	$3,749,270	$99,251	$3,927,560	$55,241
TOTAL			**$17,626,012**	**$782,551**	**$18,136,596**	**$943,295**	**$18,518,814**	**$1,038,682**

Schedule of Plan's Side Fund and Other Amortization Bases

There is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2015.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date: Fiscal Year 2017-18.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the payment on the UAL for the fiscal year and adjusting for interest.

							Amounts for Fiscal 2017-18	
Reason for Base	Date Established	Amortization Period	Balance 6/30/15	Payment 2015-16	Balance 6/30/16	Payment 2016-17	Balance 6/30/17	Scheduled Payment for 2017-18
SHARE OF PRE-2013 POOL UAL	06/30/13	20	$11,833,363	$842,407	$11,847,439	$867,680	$11,836,367	$893,710
ASSET (GAIN)/LOSS	06/30/13	28	$12,204,833	$171,661	$12,942,214	$353,623	$13,546,236	$546,347
NON-ASSET (GAIN)/LOSS	06/30/13	28	$(138,554)	$(1,949)	$(146,925)	$(4,014)	$(153,783)	$(6,202)
ASSET (GAIN)/LOSS	06/30/14	29	$(8,072,425)	$0	$(8,677,857)	$(122,054)	$(9,202,148)	$(251,432)
ASSUMPTION CHANGE	06/30/14	19	$5,462,362	$(78,445)	$5,953,373	$113,398	$6,282,302	$233,600
NON-ASSET (GAIN)/LOSS	06/30/14	29	$100,972	$0	$108,545	$1,527	$115,103	$3,145
ASSET (GAIN)/LOSS	06/30/15	30	$4,683,004	$0	$5,034,229	$0	$5,411,797	$76,117
NON-ASSET (GAIN)/LOSS	06/30/15	30	$(17,330)	$0	$(18,630)	$0	$(20,028)	$(282)
TOTAL			**$26,056,225**	**$933,674**	**$27,042,388**	**$1,210,160**	**$27,815,846**	**$1,495,003**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed on the previous page. These (gain)/loss bases will be amortized according to Board policy over 30 years with a 5-year ramp-up.

If the total Unfunded Liability is negative (i.e., plan has a surplus), the scheduled payment is $0, because the minimum required contribution under PEPRA must be at least equal to the normal cost.

Schedule of Plan's Side Fund and Other Amortization Bases

There is a two-year lag between the valuation date and the start of the contribution fiscal year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2015.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date: Fiscal Year 2017-18.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the payment on the UAL for the fiscal year and adjusting for interest.

							Amounts for Fiscal 2017-18	
Reason for Base	Date Established	Amortization Period	Balance 6/30/15	Payment 2015-16	Balance 6/30/16	Payment 2016-17	Balance 6/30/17	Scheduled Payment for 2017-18
SHARE OF PRE-2013 POOL UAL	06/30/13	20	$4,778,666	$340,189	$4,784,350	$350,395	$4,779,879	$360,907
ASSET (GAIN)/LOSS	06/30/13	28	$6,016,670	$84,625	$6,380,179	$174,327	$6,677,946	$269,335
NON-ASSET (GAIN)/LOSS	06/30/13	28	$(365,631)	$(5,143)	$(387,721)	$(10,594)	$(405,816)	$(16,367)
ASSET (GAIN)/LOSS	06/30/14	29	$(4,242,538)	$0	$(4,560,728)	$(64,147)	$(4,836,274)	$(132,142)
ASSUMPTION CHANGE	06/30/14	19	$2,770,632	$(47,691)	$3,027,876	$57,674	$3,195,169	$118,809
NON-ASSET (GAIN)/LOSS	06/30/14	29	$51,066	$0	$54,896	$772	$58,213	$1,591
ASSET (GAIN)/LOSS	06/30/15	30	$2,476,437	$0	$2,662,170	$0	$2,861,832	$40,252
NON-ASSET (GAIN)/LOSS	06/30/15	30	$(8,807)	$0	$(9,468)	$0	$(10,178)	$(143)
TOTAL			**$11,476,495**	**$371,980**	**$11,951,554**	**$508,427**	**$12,320,771**	**$642,242**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed on the previous page. These (gain)/loss bases will be amortized according to Board policy over 30 years with a 5-year ramp-up.

If the total Unfunded Liability is negative (i.e., plan has a surplus), the scheduled payment is $0, because the minimum required contribution under PEPRA must be at least equal to the normal cost.

HighMark® Capital Management

PARS DIVERSIFIED PORTFOLIOS
CONSERVATIVE

Q4 2016

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

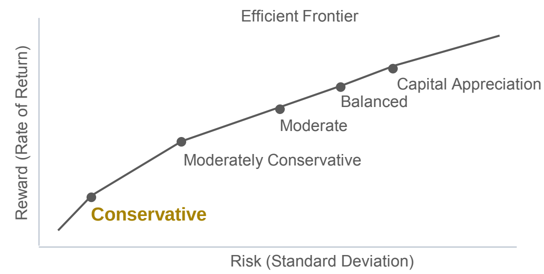
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



ASSET ALLOCATION — CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	5 – 20%	15%	15%
Fixed Income	60 – 95%	80%	79%
Cash	0 – 20%	5%	6%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)

Current Quarter*	-1.53%
*Blended Benchmark***	*-1.11%*
Year To Date	4.18%
Blended Benchmark	*3.92%*
1 Year	4.18%
Blended Benchmark	*3.92%*
3 Year	2.77%
Blended Benchmark	*2.97%*
5 Year	4.07%
Blended Benchmark	*3.40%*
10 Year	4.26%
Blended Benchmark	*3.87%*

Index Plus (Passive)

Current Quarter*	-1.61%
*Blended Benchmark***	*-1.11%*
Year To Date	3.75%
Blended Benchmark	*3.92%*
1 Year	3.75%
Blended Benchmark	*3.92%*
3 Year	2.69%
Blended Benchmark	*2.97%*
5 Year	3.53%
Blended Benchmark	*3.40%*
10 Year	3.84%
Blended Benchmark	*3.87%*

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM FREE, 2% MSCI EAFE, 52.25% BC US Agg, 25.75% ML 1-3 Yr US Corp/Gov't, 2% US High Yield Master II, 0.5% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 12% S&P 500; 1% Russell 2000, 2% MSCI EAFE, 40% ML 1-3 Year Corp./Govt, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 15% S&P 500, 40% ML 1-3Yr Corp/Gov, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)

2008	-9.04%
2009	15.59%
2010	8.68%
2011	2.19%
2012	8.45%
2013	3.69%
2014	3.88%
2015	0.29%
2016	4.18%

Index Plus (Passive)

2008	-6.70%
2009	10.49%
2010	7.67%
2011	3.70%
2012	6.22%
2013	3.40%
2014	4.32%
2015	0.06%
2016	3.75%

PORTFOLIO FACTS

HighMark Plus (Active)

Inception Data	07/2004
No of Funds in Portfolio	20

Index Plus (Passive)

Inception Data	07/2004
No of Funds in Portfolio	14

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic U.S. or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.

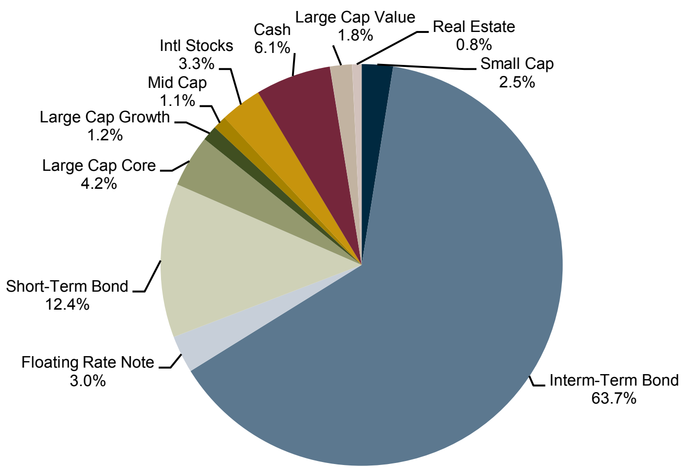
SAMPLE HOLDINGS

HighMark Plus (Active)
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
First American Government Obligations Z
Prudential Total Return
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Harbor Capital Appreciation
Hartford Schroders Emerging Markets Eq
Dodge & Cox Stock
Nuveen Real Estate Securities I
Undiscovered Managers Behavioral Value
Eaton Vance Floating Rate & High Income
Vanguard Growth & Income Adm

Index Plus (Passive)
iShares Core S&P 500 ETF
iShares S&P 500/Value
iShares S&P 500/Growth
iShares Russell 2000 Value
iShares Russell 2000 Growth
iShares MSCI EAFE
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Vanguard Short-Term Invest-Grade Adm
First American Government Obligations Z
Vanguard FTSE Emerging Markets ETF
Vanguard REIT ETF
iShares Core U.S. Aggregate
PowerShares Senior Loan

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2016, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to $12.54 million after fees (Net-of-Fees) and $12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from $750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

HIGHMARK CAPITAL MANAGEMENT

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Suite 1600
San Francisco, CA 94104
800-582-4734

www.highmarkcapital.com

ABOUT THE ADVISER
HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than $15.2 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®
Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Andrew Bates, CFA®
Portfolio Manager
Investment Experience: since 2008
HighMark Tenure: since 2015
Education: BS, University of Colorado

Salvatore "Tory" Milazzo III, CFA®
Senior Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2014
Education: BA, Colgate University

J. Keith Stribling, CFA®
Senior Portfolio Manager
Investment Experience: since 1985
HighMark Tenure: since 1995
Education: BA, Stetson University

Christiane Tsuda
Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®
Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee
Number of Members: 16
Average Years of Experience: 25
Average Tenure (Years): 12

Manager Review Group
Number of Members: 8
Average Years of Experience: 18
Average Tenure (Years): 6

HIGHMARK®
CAPITAL MANAGEMENT

PARS DIVERSIFIED PORTFOLIOS

MODERATELY CONSERVATIVE

Q4 2016

WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

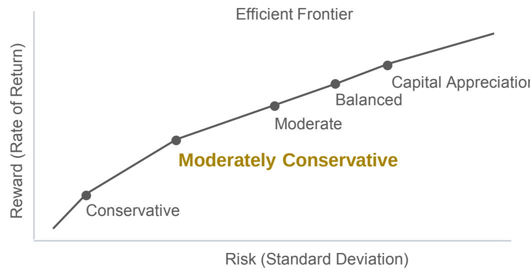
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide current income and moderate capital appreciation. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



ASSET ALLOCATION — MODERATELY CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	20 - 40%	30%	30%
Fixed Income	50 - 80%	65%	66%
Cash	0 - 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)

Current Quarter*	-0.90%
*Blended Benchmark***	*-0.52%*
Year To Date	4.93%
Blended Benchmark	*5.42%*
1 Year	4.93%
Blended Benchmark	*5.42%*
3 Year	3.20%
Blended Benchmark	*3.80%*
5 Year	5.51%
Blended Benchmark	*5.15%*
10 Year	4.64%
Blended Benchmark	*4.47%*

Index Plus (Passive)

Current Quarter*	-0.86%
*Blended Benchmark***	*-0.52%*
Year To Date	5.42%
Blended Benchmark	*5.42%*
1 Year	5.42%
Blended Benchmark	*5.42%*
3 Year	3.51%
Blended Benchmark	*3.80%*
5 Year	5.09%
Blended Benchmark	*5.15%*
10 Year	4.23%
Blended Benchmark	*4.47%*

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM FREE, 4% MSCI EAFE, 49.25% BC US Agg, 14% ML 1-3 Yr US Corp/Gov't, 1.75% US High Yield Master II, 1% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 25% S&P 500; 1.5% Russell 2000, 3.5% MSCI EAFE, 25% ML 1-3 Year Corp./Govt, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 30% S&P 500, 25% ML 1-3Yr Corp/Gov, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)

2008	-15.37%
2009	18.71%
2010	10.46%
2011	1.75%
2012	10.88%
2013	7.30%
2014	4.41%
2015	0.32%
2016	4.93%

Index Plus (Passive)

2008	-12.40%
2009	11.92%
2010	9.72%
2011	3.24%
2012	8.24%
2013	6.78%
2014	5.40%
2015	-0.18%
2016	5.42%

PORTFOLIO FACTS

HighMark Plus (Active)

Inception Data	08/2004
No of Funds in Portfolio	20

Index Plus (Passive)

Inception Data	05/2005
No of Funds in Portfolio	14

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.

SAMPLE HOLDINGS

HighMark Plus (Active)

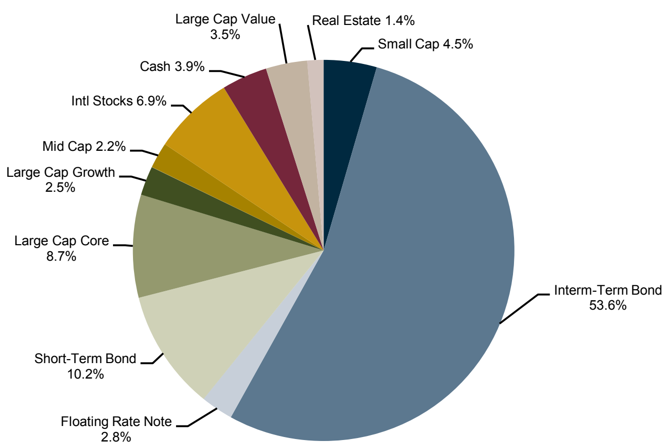
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
First American Government Obligations Z
Prudential Total Return
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Harbor Capital Appreciation
Hartford Schroders Emerging Markets Eq
Dodge & Cox Stock
Nuveen Real Estate Securities I
Undiscovered Managers Behavioral Value
Eaton Vance Floating Rate & High Income
Vanguard Growth & Income Adm

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500/Value
iShares S&P 500/Growth
iShares Russell 2000 Value
iShares Russell 2000 Growth
iShares MSCI EAFE
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Vanguard Short-Term Invest-Grade Adm
First American Government Obligations Z
Vanguard FTSE Emerging Markets ETF
Vanguard REIT ETF
iShares Core U.S. Aggregate
PowerShares Senior Loan

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderately Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

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Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

HIGHMARK CAPITAL MANAGEMENT

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ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than $15.2 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®
Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Andrew Bates, CFA®
Portfolio Manager
Investment Experience: since 2008
HighMark Tenure: since 2015
Education: BS, University of Colorado

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Senior Portfolio Manager
Investment Experience: since 2004
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Education: BA, Colgate University

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Senior Portfolio Manager
Investment Experience: since 1985
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Education: BA, Stetson University

Christiane Tsuda
Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®
Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee
Number of Members: 16
Average Years of Experience: 25
Average Tenure (Years): 12

Manager Review Group
Number of Members: 8
Average Years of Experience: 18
Average Tenure (Years): 6

HIGHMARK®
CAPITAL MANAGEMENT

PARS DIVERSIFIED PORTFOLIOS

MODERATE

Q4 2016

WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

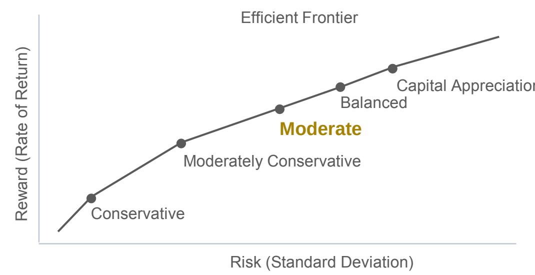
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



ASSET ALLOCATION — MODERATE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	40 - 60%	50%	49%
Fixed Income	40 - 60%	45%	47%
Cash	0 - 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)

Current Quarter*	0.20%
*Blended Benchmark***	*0.64%*
Year To Date	6.44%
Blended Benchmark	*7.41%*
1 Year	6.44%
Blended Benchmark	*7.41%*
3 Year	3.77%
Blended Benchmark	*4.69%*
5 Year	7.24%
Blended Benchmark	*7.42%*
10 Year	4.75%
Blended Benchmark	*5.38%*

Index Plus (Passive)

Current Quarter*	0.43%
*Blended Benchmark***	*0.64%*
Year To Date	7.23%
Blended Benchmark	*7.41%*
1 Year	7.23%
Blended Benchmark	*7.41%*
3 Year	4.09%
Blended Benchmark	*4.69%*
5 Year	7.12%
Blended Benchmark	*7.42%*
10 Year	4.95%
Blended Benchmark	*5.38%*

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM FREE, 6% MSCI EAFE, 33.50% BC US Agg, 10% ML 1-3 Yr US Corp/Gov't, 1.50% US High Yield Master II, 1.75% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 43% S&P 500; 2% Russell 2000, 5% MSCI EAFE, 15% ML 1-3 Year Corp./Govt, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 50% S&P 500, 15% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)

2008	-22.88%
2009	21.47%
2010	12.42%
2011	0.55%
2012	12.25%
2013	13.06%
2014	4.84%
2015	0.14%
2016	6.44%

Index Plus (Passive)

2008	-18.14%
2009	16.05%
2010	11.77%
2011	2.29%
2012	10.91%
2013	12.79%
2014	5.72%
2015	-0.52%
2016	7.23%

PORTFOLIO FACTS

HighMark Plus (Active)

Inception Data	10/2004
No of Funds in Portfolio	20

Index Plus (Passive)

Inception Data	05/2006
No of Funds in Portfolio	14

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic U.S. or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.

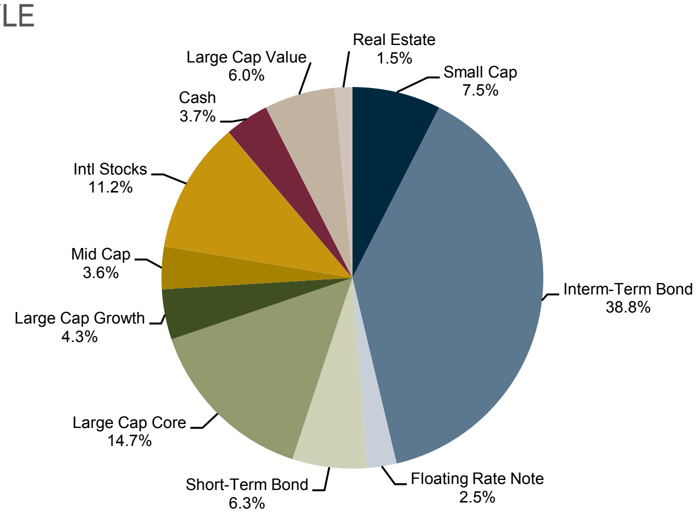
SAMPLE HOLDINGS

HighMark Plus (Active)
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
First American Government Obligations Z
Prudential Total Return
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Harbor Capital Appreciation
Hartford Schroders Emerging Markets Eq
Dodge & Cox Stock
Nuveen Real Estate Securities I
Undiscovered Managers Behavioral Value
Eaton Vance Floating Rate & High Income
Vanguard Growth & Income Adm

Index Plus (Passive)
iShares Core S&P 500 ETF
iShares S&P 500/Value
iShares S&P 500/Growth
iShares Russell 2000 Value
iShares Russell 2000 Growth
iShares MSCI EAFE
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Vanguard Short-Term Invest-Grade Adm
First American Government Obligations Z
Vanguard FTSE Emerging Markets ETF
Vanguard REIT ETF
iShares Core U.S. Aggregate
PowerShares Senior Loan

Holdings are subject to change at the discretion of the investment manager.

STYLE



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HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

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Investment Experience: since 2008
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Senior Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2014
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Senior Portfolio Manager
Investment Experience: since 1985
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Education: BA, Stetson University

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Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

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Education: BA, University of California, Santa Barbara

Asset Allocation Committee
Number of Members: 16
Average Years of Experience: 25
Average Tenure (Years): 12

Manager Review Group
Number of Members: 8
Average Years of Experience: 18
Average Tenure (Years): 6

HIGHMARK®
CAPITAL MANAGEMENT

PARS DIVERSIFIED PORTFOLIOS

BALANCED

Q4 2016

WHY THE PARS DIVERSIFIED BALANCED PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

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Flexible Investment Options

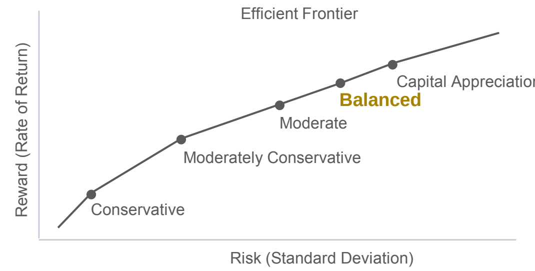
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return.



ASSET ALLOCATION — BALANCED PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	50 – 70%	60%	58%
Fixed Income	30 – 50%	35%	38%
Cash	0 – 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)

Current Quarter*	0.60%
*Blended Benchmark***	*1.18%*
Year To Date	6.82%
Blended Benchmark	*8.38%*
1 Year	6.82%
Blended Benchmark	*8.38%*
3 Year	3.81%
Blended Benchmark	*5.13%*
5 Year	8.12%
Blended Benchmark	*8.57%*
10 Year	4.78%
Blended Benchmark	*5.33%*

Index Plus (Passive)

Current Quarter*	1.07%
*Blended Benchmark***	*1.18%*
Year To Date	8.26%
Blended Benchmark	*8.38%*
1 Year	8.26%
Blended Benchmark	*8.38%*
3 Year	4.44%
Blended Benchmark	*5.13%*
5 Year	8.07%
Blended Benchmark	*8.57%*
Inception to Date (111-Mos.)	4.49%
Blended Benchmark	*5.02%*

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM FREE, 7% MSCI EAFE, 27% BC US Agg, 6.75% ML 1-3 Yr US Corp/Gov't, 1.25% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 51% S&P 500; 3% Russell 2000, 6% MSCI EAFE, 5% ML 1-3 Year Corp./Govt, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 60% S&P 500, 5% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)

2008	-25.72%
2009	21.36%
2010	14.11%
2011	-0.46%
2012	13.25%
2013	16.61%
2014	4.70%
2015	0.04%
2016	6.82%

Index Plus (Passive)

2008	-23.22%
2009	17.62%
2010	12.76%
2011	1.60%
2012	11.93%
2013	15.63%
2014	6.08%
2015	-0.81%
2016	8.26%

PORTFOLIO FACTS

HighMark Plus (Active)

Inception Data	10/2006
No of Funds in Portfolio	20

Index Plus (Passive)

Inception Data	10/2007
No of Funds in Portfolio	14

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic U.S. or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.

SAMPLE HOLDINGS

HighMark Plus (Active)
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
First American Government Obligations Z
Prudential Total Return
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Harbor Capital Appreciation
Hartford Schroders Emerging Markets Eq
Dodge & Cox Stock
Nuveen Real Estate Securities I
Undiscovered Managers Behavioral Value
Eaton Vance Floating Rate & High Income
Vanguard Growth & Income Adm

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iShares S&P 500/Value
iShares S&P 500/Growth
iShares Russell 2000 Value
iShares Russell 2000 Growth
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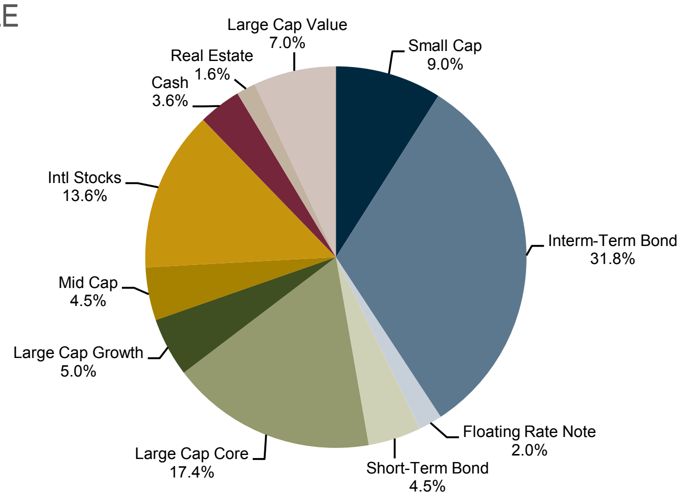
STYLE



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The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2016, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to $12.54 million after fees (Net-of-Fees) and $12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from $750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

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Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee
Number of Members: 16
Average Years of Experience: 25
Average Tenure (Years): 12

Manager Review Group
Number of Members: 8
Average Years of Experience: 18
Average Tenure (Years): 6

HIGHMARK®
CAPITAL MANAGEMENT

PARS DIVERSIFIED PORTFOLIOS

CAPITAL APPRECIATION

Q4 2016

WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

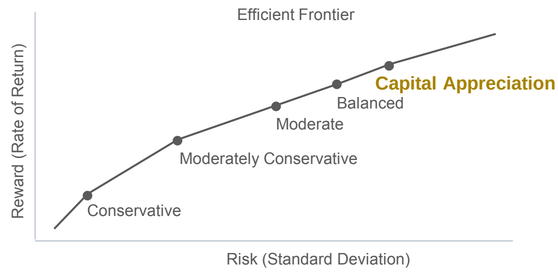
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

The primary goal of the Capital Appreciation objective is growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.



ASSET ALLOCATION — CAPITAL APPRECIATION PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	65 - 85%	75%	72%
Fixed Income	10 - 30%	20%	24%
Cash	0 - 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Current Quarter*	1.80%
*Blended Benchmark***	*1.91%*
Year To Date	8.81%
Blended Benchmark	*9.58%*
1 Year	8.81%
Blended Benchmark	*9.58%*
3 Year	4.79%
Blended Benchmark	*5.52%*
5 Year	9.53%
Blended Benchmark	*9.95%*
Inception to Date (96-Mos.)	10.20%
Blended Benchmark	*11.04%*

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 39.5% S&P500, 7.5% Russell Mid Cap, 10.5% Russell 2000, 5.25% MSCI EM FREE, 10.25% MSCI EAFE, 16% BC US Agg, 3% ML 1-3 Yr US Corp/Gov't, 1% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

2008	N/A%
2009	23.77%
2010	12.95%
2011	-1.35%
2012	13.87%
2013	20.33%
2014	6.05%
2015	-0.27%
2016	8.81%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	01/2009	Inception Data	N/A
No of Funds in Portfolio	20	No of Funds in Portfolio	14

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.

SAMPLE HOLDINGS

HighMark Plus (Active)

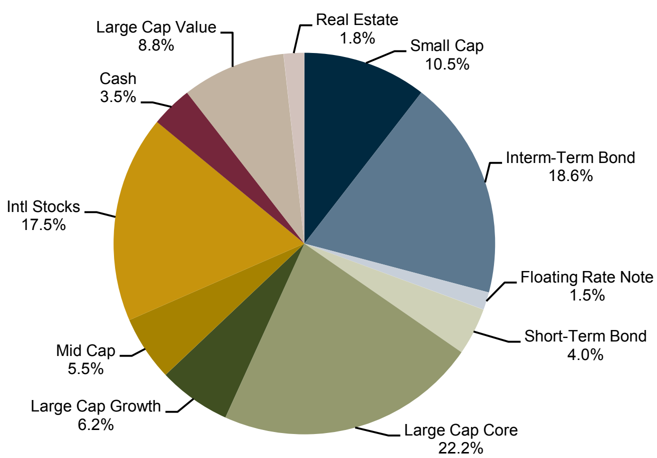
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
First American Government Obligations Z
Prudential Total Return
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Harbor Capital Appreciation
Hartford Schroders Emerging Markets Eq
Dodge & Cox Stock
Nuveen Real Estate Securities I
Undiscovered Managers Behavioral Value
Eaton Vance Floating Rate & High Income
Vanguard Growth & Income Adm

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500/Value
iShares S&P 500/Growth
iShares Russell 2000 Value
iShares Russell 2000 Growth
iShares MSCI EAFE
iShares Russell Mid-Cap ETF
iShares Russell Mid-Cap Value
Vanguard Short-Term Invest-Grade Adm
First American Government Obligations Z
Vanguard FTSE Emerging Markets ETF
Vanguard REIT ETF
iShares Core U.S. Aggregate
PowerShares Senior Loan

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Capital Appreciation active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2016, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to $12.54 million after fees (Net-of-Fees) and $12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from $750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and may lose value, including possible loss of principal.**

HIGHMARK CAPITAL MANAGEMENT

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ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than $15.2 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®
Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Andrew Bates, CFA®
Portfolio Manager
Investment Experience: since 2008
HighMark Tenure: since 2015
Education: BS, University of Colorado

Salvatore "Tory" Milazzo III, CFA®
Senior Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2014
Education: BA, Colgate University

J. Keith Stribling, CFA®
Senior Portfolio Manager
Investment Experience: since 1985
HighMark Tenure: since 1995
Education: BA, Stetson University

Christiane Tsuda
Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®
Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee
Number of Members: 16
Average Years of Experience: 25
Average Tenure (Years): 12

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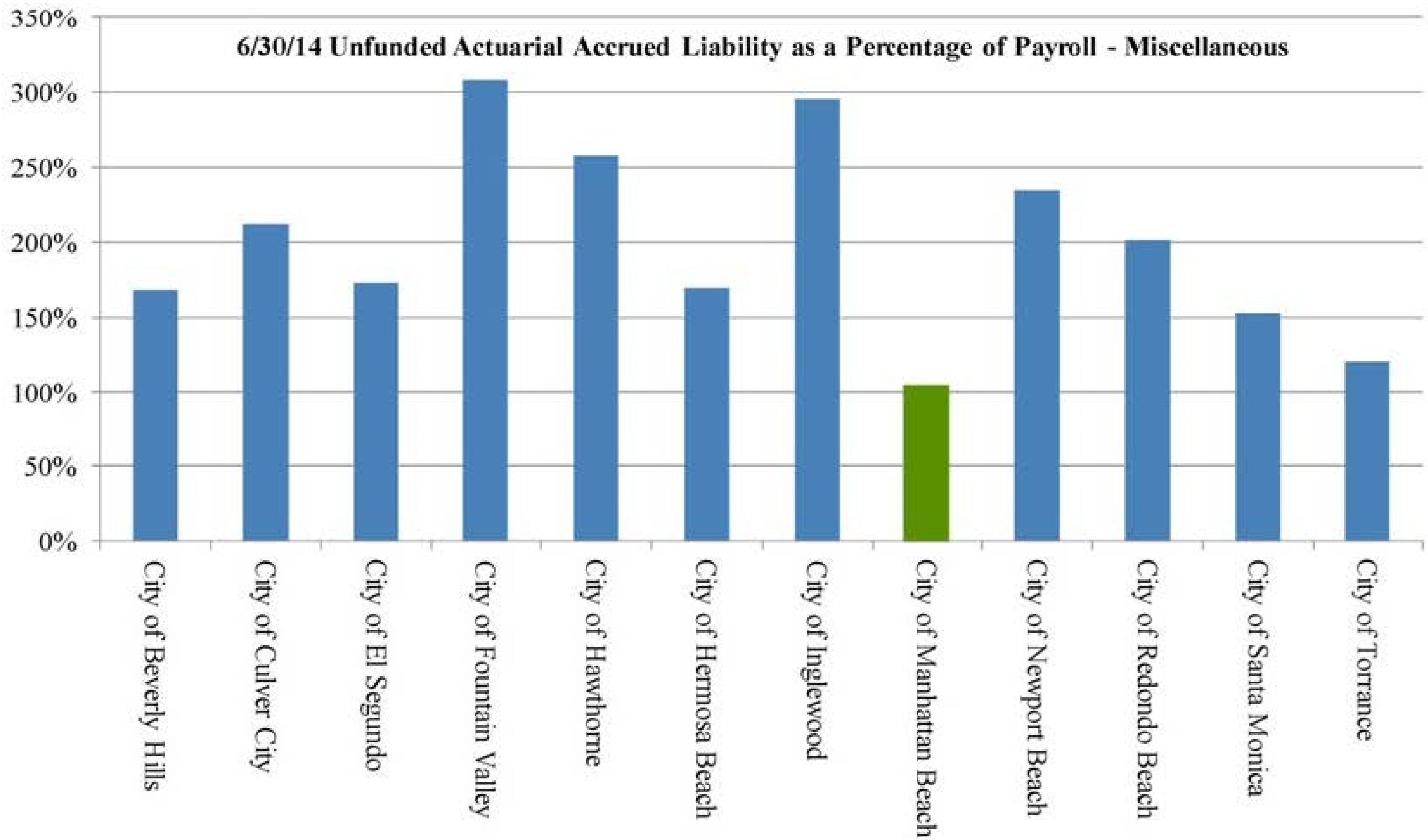
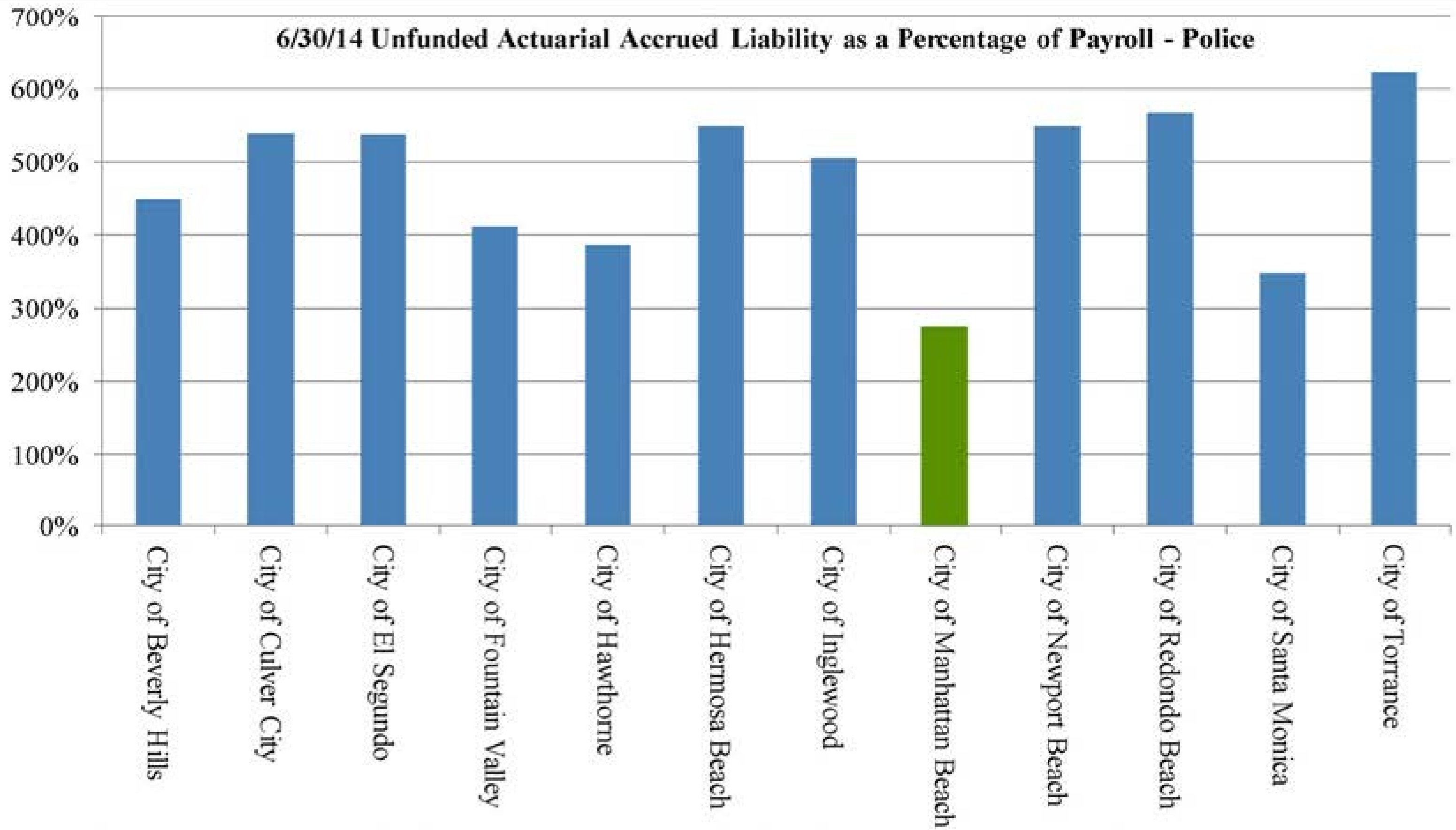
AGENCY COMPARISON



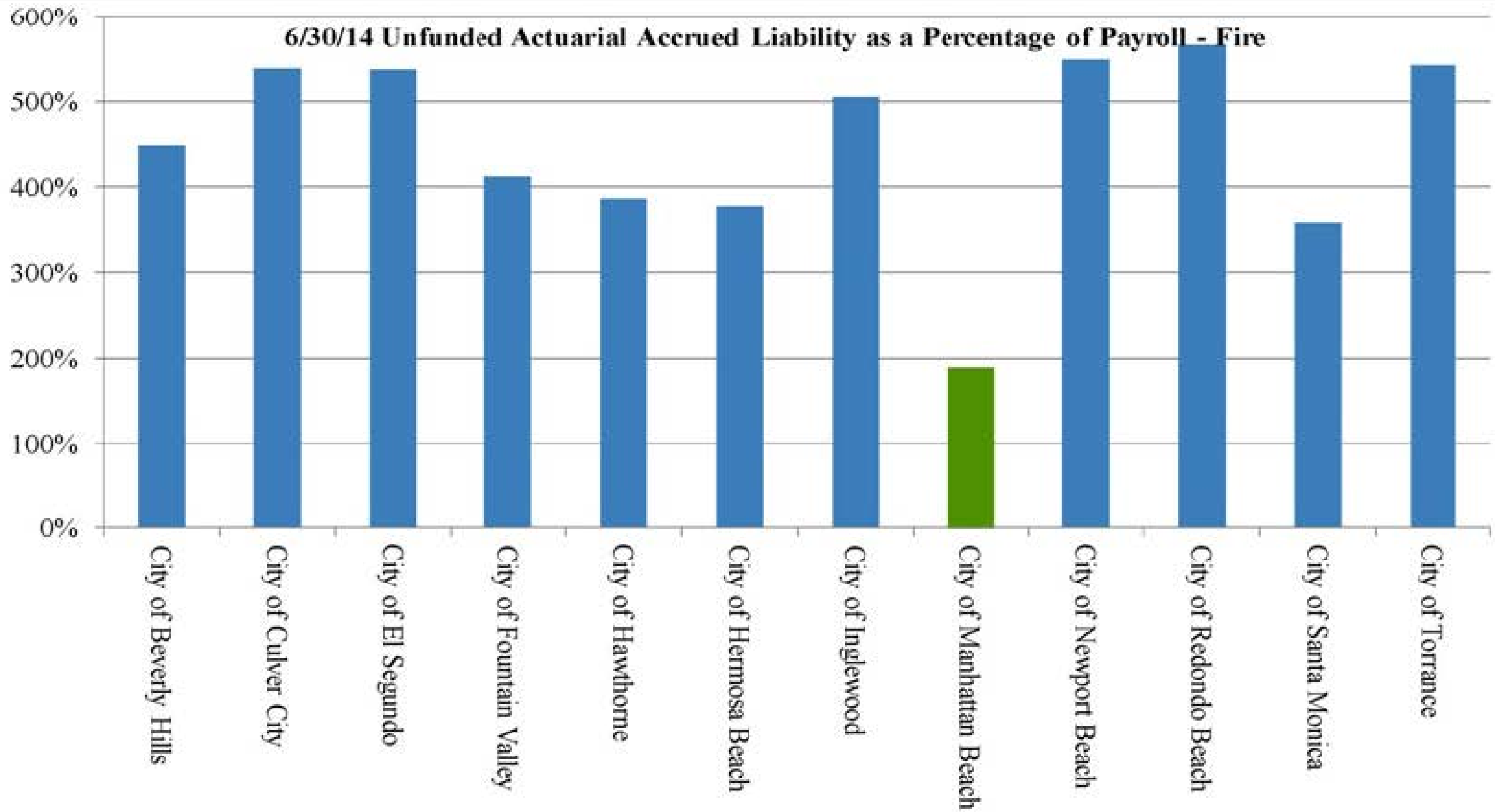
*All results taken from most recently available CalPERS 6/30/14 valuation reports.

AGENCY COMPARISON



*All results taken from most recently available CalPERS 6/30/14 valuation reports. Includes the Lifeguard Safety group for the City of Santa Monica.

AGENCY COMPARISON



*All results taken from most recently available CalPERS 6/30/14 valuation reports.

Pension Rate Stabilization Program (PRSP)

- PARS received a Favorable Private Letter Ruling (PLR) determination from the IRS in June 2015. Seventy-five (75) CA public agencies have adopted our program thus far:

Cities & Towns

City of Alameda
City of Brea
City of Brisbane
City of Capitola
City of Chino Hills
City of Coronado
City of Daly City
City of Fountain Valley
City of Fullerton
City of Half Moon Bay
City of Healdsburg
City of Huntington Beach
City of La Mesa
City of Lake Forest
City of Lodi
City of Morgan Hill
City of Napa
City of Palo Alto
City of Rancho Cucamonga
City of Rohnert Park
City of Santa Ana
City of Santa Clara
City of Sausalito
City of Solana Beach
City of Stanton
City of Tustin
City of Upland
City of Yuba City
Town of Colma
Town of Tiburon

Counties

County of Humboldt
County of Kings
County of Riverside
County of San Benito
County of Solano
County of Sutter

Educational Districts

Grossmont-Cuyamaca CCD
Hartnell CCD
Marin CCD
San Bernardino CCD
Victor Valley CCD
Yosemite CCD
Corning Union ESD
Bass Lake Joint Union ESD
Calistoga Joint USD
Campbell Union HSD
Cotati-Rohnert Park USD
River Delta USD
Riverdale Joint USD
San Marino USD
Santa Rita USD
Visalia USD
Hesperia Unified SD
Lakeside Union SD
Lemon Grove SD
Natomas USD
Ocean View SD
Ontario-Montclair SD
Placer Union SD
Whittier City SD

Special Districts

Delta Diablo (Sanitation District)
El Dorado Hills County Water District
Fallbrook Public Utility District
Great Basin Unified APCD
Mojave Desert AQMD
Moraga-Orinda Fire Protection District
Napa County Mosquito Abatement District
Novato Sanitary District
Rancho Cucamonga Fire PD
South Coast Water District
Superior Court of CA - County of Kern
Three Valleys Municipal Water District
Twentynine Palms Water District
West Bay Sanitary District

Updated: April 2017

City of Manhattan Beach

Options for Addressing Pension Costs

May 4, 2017

Overview

- Pension costs and unfunded liabilities rising
- Seeking options for addressing both the ability to weather large increases as well as reduce unfunded liabilities and costs
- Council reviewed pension stabilization trust fund option last summer and asked for more options

Pension Objectives

- 1. Reduce unfunded pension liabilities
- 2. Maintain budget flexibility
- 3. Reduce carrying costs of unfunded liabilities

Options for Addressing Pension Costs

- 1. Pension Rate Stabilization Fund
- 2. Accelerated Amortization
- 3. Payoff Selected Liabilities
- 4. Create Lower Internal Discount Rate

Option #1 - Trust Fund

- Pros:
  - City oversight of investments and risk control
  - Assets to be used to offset unexpected increases
  - Greater investment flexibility and risk diversification
  - May address Net Pension Liability
  - Rating agencies view positively
  - Maximizes budget flexibility
  - Can be used in conjunction with other options presented
- Cons:
  - Funds must be used for pension costs – no pullback
  - Still subject to market fluctuations

Objectives Met: 1, 2, 3

Option #2 - Accelerated Amortization of Unfunded Liabilities

- Pros:
  - Reduces interest cost of carrying liabilities at CalPERS

- Cons:
  - Reduces budget flexibility by locking-in higher required long-term payments which may be compounded when CalPERS earnings are below expectation

Objectives Met: 1, 3

Option #3 – Payoff Selected Liabilities

- Pros:
  - Reduces interest cost of carrying unfunded liabilities at CalPERS
  - Reduces on-going pension contributions

- Cons:
  - Reduces budget flexibility by reducing available cash

Objectives Met: 1, 3

Option #4 – Establish an Internal Discount Rate to Set Contributions

- Pros:
  - Increases amount of money allocated to pay down liabilities and/or stabilize rates

- Cons:
  - Reduces budget flexibility by allocating financial resources to pensions

Objectives Met: 1, 2 3

Recommendations

- Establish a Pension Rate Stabilization Trust Fund with PARS (Adopt Resolution #17-0128)
- Appoint the City Manager as Plan Administrator
- Authorize the City Manager to negotiate and execute the final trust documents
- Authorize the transfer of $500,000 in budgeted funds to the trust
- Assign responsibility and authority to the Finance Subcommittee to develop investment policy direct investments in the trust

PARS - Trust Administrator

- Leader in new segment of industry
- 75 public agencies using pension stabilization trust fund with PARS
- City experience with PARS for other retirement programs
- Low asset management costs

Trustee and Investment Advisor

- US Bank serves as trustee for PARS
- High Mark Capital Management serves as Investment Advisor
  - Preset investment options/objectives
  - Custom options as funds grow
  - Option to retain independent advisor at any time

Next Steps

- Establish Trust effective by end of fiscal year
- Investment Advisor to meet with Finance Subcommittee to develop investment and risk tolerance profile
- Fund trust with $500,000 budgeted in FY 2016-2017
- Finance Subcommittee to develop investment policies specific to trust (60-90 days)

Questions

Agenda Date: 5/4/2017

TO:
Honorable Mayor and Members of the City Council

THROUGH:
Mark Danaj, City Manager

FROM:
Stephanie Katsouleas Public Works Director
Prem Kumar, City Engineer
Anna Luke-Jones, Senior Management Analyst

SUBJECT:
Presentation of the Proposed 5-Year Capital Improvement Program (CIP) for FY 2017/18 Through FY 2021/22 (Public Works Director Katsouleas).
APPROVE

RECOMMENDATION:
Staff recommends that City Council 1) review the proposed 5-year CIP presented in Attachment 1, 2) Evaluate the priority ranking and approve the 5-Year CIP pending any changes or modifications, and 3) determine whether to direct staff to investigate/evaluate possible revenue opportunities that could help offset the significant CIP funding shortfall for the City's 23 unfunded projects.

EXECUTIVE SUMMARY:
The City of Manhattan Beach is committed to ensuring a well-maintained and up to date physical infrastructure. Indeed, it is a core mission of the City to ensure that its facilities and infrastructure meet the current and future needs of the community it serves. This is achieved by planning for and implementing a robust Capital Improvement Program (CIP), one that addresses the variety of physical assets throughout the City, including but not limited to streets and other rights-of-way facilities, water and sewer infrastructure, park and other community amenities and city buildings.

Each year, Public Works initiates a review of its 5-Year CIP and recommends additions, alterations and adjustments based on updated information and community input. The updated 5-Year CIP is ultimately presented to and reviewed by City Council and, pending any changes, becomes part of the adopted plan and operating budget for that fiscal year. This year, however, the City is undertaking a two-year cycle and thus the proposed CIP will address those projects recommended for implementation in years one and two of the 5-Year

CIP.

This report includes an extensive summary of the proposed CIP for FY 2017/18 through FY 2021/22. Projects are grouped by funding source and type and include future funding allocations as well as prior year appropriations. Lastly, the report highlights which projects are new versus which projects were included in prior year CIP documents and those projects for which no funding is currently available for implementation within the next five years. In all, there are 137 proposed projects valued at $125 million and another 23 unfunded projects valued at nearly $60 million. City Council will be asked to review and approve the proposed list and to consider whether some CIP revenue sources should be reevaluated for potential rate increases.

FISCAL IMPLICATIONS:
The proposed 5-Year Capital Improvement Program (CIP) includes 137 individual projects totaling $125,105,698. This includes projects already underway as well as those to be initiated within the next five years. The majority of the proposed expenditures are for projects that were approved in prior years, representing approximately $48 million. The balance of the proposed 5-Year CIP includes significant water infrastructure projects ($35 million), wastewater projects ($17 million), streets projects ($11.7 million), facility improvements ($7.6 million) and other miscellaneous projects ($5 million). The report also includes and Unfunded Projects list, which includes 23 projects valued at nearly $60 million.

BACKGROUND:
The 5-Year Capital Improvement Program (CIP) is the City's planning document that guides the selection and implementation of near and mid- term capital improvement projects. It is presented to and approved by City Council annually each spring as part of the budget adoption process. Projects listed in the 5-Year plan are aligned with the 6 City-wide Strategic Plan Pillars, with a focus on Effective Physical Asset Management - Infrastructure, Facilities and Amenities. They are also aligned with available funding resources and the established priorities of City Council, staff, user groups and the community at large.

In FY 2016/17, City Council undertook a two-year budget process with the understanding that the Capital Improvement Program would be fully evaluated as a two-year program in the "off" year. Thus, City Council is being asked to evaluate and approve funding for CIP projects for both the upcoming FY 2017/18 as well as FY 2018/19. Only minor changes to the 5-year CIP are expected in FY 2018/19, and would include funding adjustments or the addition of new projects should the City receive grants or change any of its rate structures.

DISCUSSION:
There are 137 individual capital projects identified in the 5-Year CIP within 94 line items and they are further grouped into eight (8) categories based on their funding sources and project eligibility (see Attachment 1). They include:

1. Streets and Sidewalks Projects
2. City Facilities and Buildings Infrastructure Projects
3. Water Infrastructure Projects
4. Wastewater Infrastructure Projects
5. Storm Drain Infrastructure Projects
6. Refuse and Solid Waste Collection Projects

7. City Parking Facilities Projects
8. State Pier and Parking Lots Projects

5-Year CIP List and Priorities (FY 2017/18 - FY 2021/22)
The body of this report highlights the 137 new and previously approved projects listed in the proposed 5-Year CIP and includes their funding sources, examples of the types of projects eligible for each funding within each source, and specific changes and additions to the proposed 5-Year CIP that differ from last year's adopted list. In all the proposed 5-Year CIP represent $125 million in projects to be initiated over the next five years. It is worth noting that the majority of eight (8) categories listed above have very specific project eligibility criteria, making it difficult move projects from one category to another unless they meet the eligibility criteria.

The proposed 5-Year CIP also identifies 23 "unfunded" projects worth a combined $59.7 million. More than half of funding needed for projects on the Unfunded Projects list could be generated through increases in user fees (e.g., water, sewer, storm water and parking meter rates), while the remaining portion could be generated through increases to the hotel tax and/or successful grant awards. Please note that some of these potential increases would require undertaking a Proposition 218 process in order to raise rates.

A complete list of the proposed 5-Year CIP projects and their recommended funding sources is included as Attachment A. Those projects that were included in prior 5-Year CIP lists are identified in black, while those projects that are new this year are listed in red. Additionally, any project (new and old) where the funding has increased, decreased or is being proposed for the first time is also shown in red along with a sidebar explanation.

Streets and Sidewalks
This category of projects primarily addresses the rehabilitation, improvement and/or enhancement needs of streets, sidewalks, curbs and gutters. This includes street resurfacing, slurry seal applications, replacement of damaged curbs, gutters and sidewalks, intersection and turn movement improvements, capacity enhancements and lane widening, pedestrian safety projects and Americans with Disabilities Act (ADA) access improvements.

There are four primary "local return" funding sources available for projects listed in the Streets and Sidewalks category, most of which are fairly flexible in what types of streets-related projects they can address. In addition, there are several grant awards for specific projects listed. Funding sources include:

a. Streets and Highways Fund (i.e., Gas Tax): This fund can be used for a broad array of street-and sidewalk-related projects. Both local and arterial roadway projects are eligible.
b. Prop C Fund (local return): This fund is limited to transportation corridors and can be used for street rehabilitation, maintenance and access improvements on these corridors.
c. Measure R Fund (local return): This fund can be used for a broad array of street-and sidewalk-related projects. Both local and arterial roadway projects are eligible.
d. Measure M Fund (local return): This fund can be used for a broad array of street-and sidewalk-related projects, as well as storm water pollution control projects. Both local and arterial roadway projects are eligible.

e. Grant Funds: This includes the South Bay Highway Program, Metro's Call for Projects and federal Surface Transportation Program (STP) grant funds awarded to the City for specific projects.

In the Streets and Sidewalks category, there are a total of 44 projects identified for implementation over the next five years for a combined value of $39,668,323. Of these, two (2) line items have been re-categorized into "annual programs" and four (4) projects are new. Overall, the 44 projects include:

- 26 projects valued at $11,573,833, which are funded through Gas Tax local returns and grants from the South Bay Highway Program and Highway Safety Improvement Program. Projects include local and arterial street resurfacing, sidewalk repairs and installation, slurry seal and pedestrian intersection improvements.
- 8 projects valued at $24,586,854, which are funded through Prop C local returns, grants from the South Bay Highway Program and Metro's Call for Projects. Projects include arterial street resurfacing, turn lane improvements, and widening and seismic retrofit of the Sepulveda Bridge.
- 7 projects valued at $2,222,636, which are funded through Measure R local returns. Projects include local street resurfacing, turn lane improvements, pedestrian intersection improvements and sidewalk installations.
- 3 projects valued at $1,285,000, which are funded through the new Measure M local return program. Projects include development of an ADA Transition Plan, sidewalk installations and residential roadway intersection improvements for stormwater flows.

City Facilities and Buildings Infrastructure:
This category of projects addresses all of the projects that do not otherwise qualify for funding from the seven other groups listed herein. The CIP fund is generated from a combination of the transient occupancy tax (TOT), parking citations and parking meter revenues. CIP projects primarily include building and other facility improvements, parks facility upgrades, studies and master plans, landscaping enhancements, signage, and other right-of-way and public property improvements.

In the City Facilities and Building Infrastructure category, there are a total of 44 projects identified for implementation over the next five years for a combined value of $16,577,564. Of these, only one project is new (see Attachment 4). The projects are generally described in the following groupings:

- 13 Building improvements valued at $6,446,623
- 4 Park facility Improvements valued at $2,193,681
- 9 Traffic-related and other ROW improvements $4,077,171
- 14 Pedestrian and non-motorized transportation improvements $3,480,089
- 4 Studies and masterplans valued at $380,000

Water Infrastructure
This category of projects addresses the infrastructure needs that support operations and maintenance of the City's water distribution system and includes water main and valve

replacements, pump station refurbishments, reservoir maintenance and/or replacement, well pumping and treatment activities, meter upgrades and automation, and all required studies and master plans. All projects in this category are fully funded through the Water Enterprise Fund using revenues collected through fixed and variable water rates.

In the Water Infrastructure category, there are a total of 17 projects identified for implementation over the next five years for a combined value of $42,215,946, of which only two (2) are new (see Attachment 4). The most significant water project is the replacement of Peck Reservoir, which accounts for more than half of the total funding allocation. Other projects include annual main replacements, potable water treatment improvements, rehabilitation of the elevated tank, booster station improvements, electronic upgrades and planning for the eventual replacement of Block 35 reservoir.

Storm Water Infrastructure

This category of projects addresses infrastructure needs for both storm water conveyance and national pollution discharge elimination system (NPDES) compliance requirements. Projects include storm drain repairs and upgrades, capacity enhancements, trash capture devices, storm water master plans and enhanced watershed management plan (EWMP) infrastructure needs (e.g., infiltration projects). The storm water fund is supported by storm water assessment fees and transfers from the general fund.

In the Storm Water Infrastructure category, there are a total of 12 projects identified for implementation over the next five years for a combined value of $5,000,591. Of these, ten (10) projects are existing and two (2) are new (see Attachment 4). The projects address both the efficient operations of the storm drain system as well as installation of devices to comply with NPDES mandates. The list also includes funding for a Storm Water Masterplan, which will help guide future plans for upgrading the system to address deficiencies in pipe diameter and pumping capacity. It is worth noting that staff expects a significant increase in funding will be needed within the next five years to address NPDES permit requirements outlined the Enhanced Watershed Management Program (EWMP) implementation plan. Staff has included a placeholder of $8 million in FY 2020/21 for Manhattan Beach's share of the total project costs, although the actual amount has yet to be determined.

Wastewater Infrastructure

This category of projects addresses the infrastructure needs that support operation and maintenance of the City's wastewater system and includes sewer main replacements, lift station refurbishments, radio telemetry, and all required studies and master plans. All projects in this category are fully funded through the Wastewater Enterprise Fund using revenues collected through sewer fees.

In the Wastewater Infrastructure category, there are a total of 11 projects identified for implementation over the next five years for a combined value of $18,773,366. Of these, one (1) project has been re-categorized into an "annual program" and two (2) projects are new. Notably, several of projects listed are for lift station upgrades. Lift stations are the backbone of an otherwise gravity flow system, and their proper care is paramount to the safe and effective operation of the entire wastewater system.

Refuse and Solid Waste Collection

This category of projects addresses the need for City trash enclosure improvements.

Revenues for Refuse and Solid Waste Collection are generated through trash collection user fees. There is only one (1) project listed in this category for $150,000, which represents 18 locations at City facilities where trash enclosures need to be connected to the sanitary sewer system and enclosures need to be reconstructed to better accommodate waste containers.

City Parking Facilities
This category or projects addresses the maintenance, repair and rehabilitation of the City's public parking lots and surrounding landscaped areas, including Metlox, other downtown parking structures, the North End parking lot and business district, and several beach parking lots owned by Los Angeles County. Funding for projects in this category come from the meter fees collected at city and county parking lots and curbside parking stalls.

In the City Parking Facilities category, there are a total of three (3) projects identified for implementation over the next five years for a combined value of $735,944. None of the projects listed are new. Existing projects include structural improvements to the Lot 1 retaining wall, streetscape improvement in the north end business district and completion of a structural analysis for parking lots 3 and 4. It is worth noting that the revenues currently generated from the City's parking meters only cover maintenance and operations, leaving virtually no funding for parking lot infrastructure rehabilitation.

State Pier and Parking Lots
This category of projects addresses the maintenance, repair and rehabilitation of the State public parking lots and Manhattan Beach Pier. Eligible projects include building upgrades to the Pier Roundhouse, pier railing and lighting replacement/rehab, installation of safety devices and deck repairs. Funding for projects in this category come from the meter fees collected by visitors and patrons at the State parking lots adjacent to the pier.

In the State Pier and Parking Lots category, there are a total of five (5) projects identified for implementation over the next five years for a combined value of $1,983,964. Of these, three (3) projects are existing and two (2) are new. Existing projects include infrastructure improvements to the pier, roundhouse and aquarium, and improved parking lot lighting. New projects include future repairs to the Pier's deck and railing.

Unfunded Projects
There are a total of 23 projects valued at $59,880,230 included in the Unfunded Projects list. They are grouped in four of the nine categories listed above and include:

- 17 projects valued at $25,280,230 in the City Facilities and Building Infrastructure category. The overwhelming majority of these 17 projects are for Parks and Recreation facilities and include building upgrades, synthetic turf installations, field lighting, and consideration of replacing Begg Pool.
- 2 Water projects valued at $13,250,000, which include replacing Block 35 reservoir and constructing a new water line from well 11A to Block 35.
- 1 storm water project for $8 million, which represents a place-holder for Manhattan Beach's estimated share of capital project(s) identified in the Enhanced Watershed Management Plan (EWMP).
- 3 projects valued at $13,350,000 for parking structure structural improvements for

Lots 3 and 4. The actual amount will be determined once a structural analysis is completed.

Staffing Resources Recap

On April 10, 2017 the Public Works Director provided a detailed assessment of the available resources versus demand of the CIP program, which has for years impacted the ability of staff implement capital projects in a timely manner. The data provided in the presentation highlighted the significant shortfall in staff hours needed to complete each project. Based on that information, City Council directed staff to bring back a funding plan that could pay for additional engineers without any additional impact on the general fund. The Finance Director has included a funding plan in the FY 2017/18 operating budget which proposes the following allocations:

- Funding one additional engineer with Water Enterprise Funds
- Funding one additional engineer with Wastewater Enterprise Funds
- Funding one additional engineer with CIP Funds
- Funding one additional engineer using grant administration funding (Gas Tax, Prop C, Measure R and Measure M).

There are sufficient funds available in each of the categories listed above to cover the fully burdened cost of the four additional engineers proposed.

5-Year CIP Prioritization

Setting priorities for the 5-Year CIP includes two components, which include: 1) reviewing and confirming the projects on the funded versus unfunded list (e.g., determining whether to move projects above or below the line based on funding availability); and 2) establishing the order of implementation for those projected listed as funded.

Priority Order of Implementation

Staff recommends that City Council review the proposed 5-Year CIP list and confirm the priorities for implementation, which includes continuing with the active 46 projects initially, and the focusing on the 25 previously funded but not -yet-initiated projects before taking on any new projects. It is worth noting that staff's priority recommendations are based on recognizing that many projects are already underway, some have grant deadlines, and some projects have been significantly delayed. The projects that are scheduled to receive funding in the future have not been prioritized for implementation within the next two years.

Review and Confirm Unfunded Projects

Staff recommends that City Council also review the 23 projects listed on the Unfunded Projects list to determine whether there is support for moving any of them above the line. If they are to be included with the funded list of projects, then staff will need direction from City Council on how the projects are to be funded. Options will include "swapping" the project with one that was previously funded, determining whether to raise revenues (discussed below) or whether to allocate additional dollars from the general fund for their implementation.

Funding Considerations
As mentioned earlier in the report, City Council may wish to consider whether to explore revenue enhancement opportunities that would provide additional funding for the proposed projects included on the Unfunded Projects list. Consideration could be given to:

1. Conducting a new Water and Sewer Rate Study. The last rate study was conducted and implemented in 2010. Any proposed rate increases would be subject to the Prop 218 ballot protest process. Staff recommends that this approach be considered in late FY 2018/19.
2. Increasing the Stormwater and/or the Street Lighting and Landscape District parcel taxes. This would be subject to the Prop 218 ballot protest process.
3. Increasing parking meter rates. Staff could conduct a Parking Meter Survey with internal resources to catalog the meter rates charged in surrounding communities and use this information as a basis for considering new rates. This would be cross-referenced with the rate increase that would be needed to fund additional parking lot infrastructure projects.
4. Increasing the Transient Occupancy Tax (TOT). This would require preparing a ballot initiative during an election cycle, as any rate increase would require voter approval. Manhattan Beach's 10% TOT rate is currently below the average TOT rate for surrounding cities.

CONCLUSION:
Staff recommends that City Council 1) review the proposed 5-year CIP presented in Attachment 1, 2) approve the 5-Year CIP pending any changes or modifications proposed by City Council, and 3) determine whether to direct staff to investigate/evaluate possible revenue opportunities that could help offset the significant CIP funding shortfall for the City's 23 unfunded projects.

PUBLIC OUTREACH/INTEREST:
There was no public outreach conducted in the preparation of this report. However, the existing and proposed projects included in the 5-Year CIP are the result of year-long public input through phone calls, go-reach submittals, electronic communications and user group input.

ENVIRONMENTAL REVIEW:
Receiving this report is not considered a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:
The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachments:

1. Proposed 5-Year CIP
2. 46 Active CIP Projects by Funding Year
3. 25 Pending CIP Projects by Funding Year
4. 5 Newly Proposed Projects Recommended for Funding in FY 2017/18
5. PowerPoint Presentation

SCHEDULE OF CAPITAL PROJECTS BY FUND & TYPE

		Prior Year	Budget	Proposed 5-Year CIP				TOTAL	
		Appropriation[1]	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	Five-Year	COMMENTS
CIP Project Funding Summary									
1a	Streets & Highways Fund	5,868,833	**500,000**	1,415,000	1,250,000	1,250,000	1,290,000	11,573,833	
1b	Prop C Fund	20,486,854	**1,300,000**	700,000	700,000	700,000	700,000	24,586,854	
1c	Measure R Fund	1,552,636	**250,000**	-	420,000	-	-	2,222,636	
1d	Measure M Fund	-	**200,000**	-	840,000	245,000	-	1,285,000	
2	CIP Fund	8,942,564	**2,715,000**	1,655,000	1,130,000	930,000	1,205,000	16,577,564	
3	Water Fund	7,095,946	**4,570,000**	25,750,000	1,500,000	1,800,000	1,500,000	42,215,946	
4	Stormwater Fund	1,200,591	**460,000**	710,000	1,210,000	710,000	710,000	5,000,591	
5	Wastewater Fund	1,523,366	**4,100,000**	3,500,000	3,250,000	3,300,000	3,100,000	18,773,366	
6	Refuse Fund	-	**-**	-	150,000	-	-	150,000	
7	Parking Fund	135,944	**600,000**	-	-	-	-	735,944	
8	State Pier & Parking Lot Fund	1,333,964	**-**	-	-	250,000	400,000	1,983,964	
		$48,140,698	**$14,695,000**	**$33,730,000**	**$10,450,000**	**$9,185,000**	**$8,905,000**	**$125,105,698**	
U	**Unfunded Projects**	**$160,230**	**$2,205,000**	**$1,245,000**	**$28,355,000**	**$25,420,000**	**$2,495,000**	**$59,880,230**	

[1] Prior Year Appropriation column includes estimated carryover funding that will be expended as multi-year projects progress. Reported carryover funds reflect the amount of fund balance previously committed to projects in prior year adopted budgets. In the Five Year Forecast, Opening Fund Balances include assumptions for Committed Capital Project expenditures and, where applicable, anticipated grant revenue.

SCHEDULE OF CAPITAL PROJECTS BY FUND & TYPE

#		Project	Prior Year Appropriation[1]	Budget FY17/18	Proposed 5-Year CIP FY18/19	FY19/20	FY20/21	FY21/22	TOTAL Five-Year	COMMENTS
		Streets & Highways Fund (Gas Tax)								
1		Annual Curb, Gutter and Ramp Replacement	617,803	-	365,000	365,000	365,000	365,000	2,077,803	
2	x	Parkview Sidewalk Project	110,622	-	-	-	-	-	110,622	
3		Annual Slurry Seal Program	723,078	Reduced	385,000	385,000	385,000	385,000	2,263,078	Carryover funds will cover implementation for 2017/18 so additional funds for this FY are not needed; carry over funds were reduced by $100,050 based on historical expenditures
4		Annual Residential Street Resurfacing Program	-	-	500,000	500,000	500,000	500,000	2,000,000	Bundled future projects into a single
5		Street Resurfacing Project: Rosecrans Avenue	250,000	500,000	-	-	-	-	750,000	Additional funding needed to complete project between Sepulveda and Aviation Blvds.
6	x	Manhattan Ave/Highland (1st - 8th) Ave Improvement Project	665,640	-	-	-	-	-	665,640	
7		Street Resurfacing: Morningside Drive from 10th to MBB	74,480	-	125,000	-	-	-	199,480	
8		Street Resurfacing: Blanche, Marine & 27th	375,000	-	-	-	-	-	375,000	
9	x	Street Resurfacing: MB Blvd from Sepulveda to Aviation	901,042	-	-	-	-	-	901,042	
10	x	Street Resurfacing: Oak, Redondo & 11th	222,510	-	-	-	-	-	222,510	
11		Triennial Pavement Management System Update	-	-	40,000	-	-	40,000	80,000	
12	x	Aviation at Artesia, SB to WB Right-Turn Lane (SBHP Grant)	1,481,990	-	-	-	-	-	1,481,990	
13	x	22 Intersection Pedestrian Improvements (HSIP Grant - Cycle 5)	226,477	-	-	-	-	-	226,477	
14	x	Sepulveda & 8th St Intersection Improvements (HSIP Grant)	220,191	-	-	-	-	-	220,191	
		Streets & Highways Total	**$5,868,833**	**$500,000**	**$1,415,000**	**$1,250,000**	**$1,250,000**	**$1,290,000**	**$11,573,833**	
		Prop C Fund								
15	x	Street Resurfacing: Marine from Sepulveda to Aviation	96,760	400,000	-	-	-	-	496,760	This project was reduced by $300,000 based on revised scope
16		Street Resurfacing: Arterial & Collector Roadways	-	-	700,000	700,000	700,000	700,000	2,800,000	Bundled future projects into a single title rather than calling them out individually. Selection based on PCI
17	x	Dual LT Lanes on MBB at Sepulveda (SBHP Grant)	1,338,773	-	-	-	-	-	1,338,773	
18	x	Sepulveda Bridge (SBHP Grant)	8,953,546	-	-	-	-	-	8,953,546	
	x	Sepulveda Bridge Widening (MTA Call Grant)	6,813,318	-	-	-	-	-	6,813,318	
	x	Sepulveda Bridge Widening (Prop C Local)	3,199,017	-	-	-	-	-	3,199,017	
19	x	Sepulveda Intersection Improvements (SBHP Grant)	85,440	900,000	-	-	-	-	985,440	
		Prop C Total	**$20,486,854**	**$1,300,000**	**$700,000**	**$700,000**	**$700,000**	**$700,000**	**$24,586,854**	

SCHEDULE OF CAPITAL PROJECTS BY FUND & TYPE

#		Project	Prior Year Appropriation[1]	Budget FY17/18	Proposed 5-Year CIP FY18/19	FY19/20	FY20/21	FY21/22	TOTAL Five-Year	COMMENTS
		Measure R Local Return								
20	x	Street Resurfacing Project: 1100 Block of 3rd St	319,773	-	-	-	-	-	319,773	
21	x	Street Resurfacing: Liberty Village	795,680	-	-	-	-	-	795,680	
22		Protected LT Lanes: MBB at Peck Ave	35,000	250,000	-	-	-	-	285,000	Increased funding by $75,000 based on revised estimate
23	x	Highland & 38th Improvements	130,863	-	-	-	-	-	130,863	
24	x	Raised Median Construction: MBB, West of Aviation	119,240	-	-	-	-	-	119,240	
25	x	Signalized Crosswalk: MBB at Target Driveway	152,080	-	-	-	-	-	152,080	
26		Aviation (West-side) and 33rd Sidewalk	-	-	-	420,000	-	-	420,000	
		Measure R Total	**$1,552,636**	**$250,000**	**-**	**$420,000**	**-**	**-**	**$2,222,636**	
		Measure M Local Return								
27		ADA Transition Plan within Public Rights of Way	-	200,000	-	-	-	-	200,000	Federal requirement to develop a plan for implementation
28		Rowell Avenue Sidewalk Connection (Curtis & 1st St.)	-	-	-	840,000	-	-	840,000	Installation of a missing sidewalk in front of Pennekamp Elementary; requires substantial work for ADA compliance and storm drain reconfiguration
29		Intersection Improvements at Laurel & 31st	-	-	-	-	245,000	-	245,000	This project will address a drainage problem impacting the storm drain system directly to the south of this intersection
		Measure M Total	**-**	**$200,000**	**-**	**$840,000**	**$245,000**	**-**	**$1,285,000**	

SCHEDULE OF CAPITAL PROJECTS BY FUND & TYPE

#			Prior Year Appropriation[1]	Budget FY17/18	Proposed 5-Year CIP FY18/19	FY19/20	FY20/21	FY21/22	TOTAL Five-Year	COMMENTS
		CIP Fund								
30		Facility Improvements	233,311	1,000,000	830,000	830,000	830,000	830,000	4,553,311	This funding was reduced by $170,000 annually to cover one new engineer
31	x	Streetlight Purchase and LED Retrofit	1,226,927						1,226,927	
32	x	City Hall 1st & 2nd Floor Restroom Remodel	41,731	450,000	-	-	-	-	491,731	This project uses the remaining funds from the welcome center remodel and added funds for 4 City Hall bathroom renovations (includes ADA upgrades and new plumbing)
33	x	Marine Ave Park Baseball Field Synthetic Turf	133,432	346,570	-	-	-	-	480,002	Supplementing prior appropriation to implement the project
34		Miraposa Fitness Station	55,000	-	200,000	-	-	-	255,000	Supplementing prior appropriation to implement the project
35		Begg Field Synthetic Turf & Light Fixture Replacement	1,332,000	-	-	-	-	-	1,332,000	
36		Ceramics Studio Renovation	267,000	-	-	-	-	-	267,000	
37		Community Development Front Counter & Office Remodel	220,000	-	-	-	-	-	220,000	
38	x	Engineering Division Space Planning	259,513	133,430	-	-	-	-	392,943	Additional funding needed to reconfigure PW Yard offices for Supervisors and new engineers
39	x	Fiber Master Plan	150,000	-	-	-	-	-	150,000	
40	x	Field Netting at Dorsey, Live Oak and Manhattan Heights	126,679	-	-	-	-	-	126,679	
41	x	Fire Station 2 Design Development	319,638	-	-	-	-	-	319,638	
42		Fire Station Security Card Installation	40,000	-	-	-	-	-	40,000	
43		Human Resources Offices Reconfiguration & Improvements	132,000	-	-	-	-	-	132,000	
44		Park Master Plan	100,000	-	-	-	-	-	100,000	
45		Replacement/Upgrade Fire Station 1 Diesel Exhaust Removal System	30,000	-	-	-	-	-	30,000	
46	x	Veterans Parkway Landscape/Hardscape	399,752	-	-	-	-	-	399,752	
47	x	Wayfinding Sign Program	52,800	-	-	-	-	-	52,800	
48	x	Downtown Streetscape Improvements: Traffic Signal Pole Replacements	1,048,703	-	-	-	-	-	1,048,703	
49		Traffic Signal Battery Back-Up Installation	110,000	-	-	-	-	-	110,000	
50	x	Traffic Signal Preemption Devices	150,000	75,000	75,000	-	-	-	300,000	
51		Sepulveda/Oak Neighborhood Intrusion Study	50,000	-	-	-	-	-	50,000	
52		CDBG Access Ramp Construction	119,462	200,000	-	200,000	-	200,000	719,462	
53	x	Cycle 10 Safe Routes to School Program	431,441	-	-	-	-	-	431,441	
54	x	Cycle 3 Safe Routes to School Program	489,725	-	-	-	-	-	489,725	
55	x	Non-Motorized Transportation Crosswalks, Bike Lanes, Etc.	276,410	180,000	100,000	100,000	100,000	100,000	856,410	Fund increased by $80,000 for previously planned projects
56	x	Non-Motorized Transportation Project: Rosecrans Ave Bike Lane	128,051	330,000	-	-	-	-	458,051	Restored funding needed for the remaining 250 ft on Chevron property
57		Ocean Drive Walkstreet Crossing	-	-	450,000	-	-	-	450,000	Project reduced by $50,000
58		Strand Bikeway Pier Undercrossing	-	-	-	-	-	75,000	75,000	Recommend removal of this project
59	x	Strand Stairs - Construction	938,989	-	-	-	-	-	938,989	
60		Veterans Parkway Pedestrian Access Master Plan	80,000	-	-	-	-	-	80,000	
		CIP Fund Total	**$8,942,564**	**$2,715,000**	**$1,655,000**	**$1,130,000**	**$930,000**	**$1,205,000**	**$16,577,564**	

SCHEDULE OF CAPITAL PROJECTS BY FUND & TYPE

#		Project	Prior Year Appropriation[1]	Budget FY17/18	Proposed 5-Year CIP FY18/19	FY19/20	FY20/21	FY21/22	TOTAL Five-Year	COMMENTS
		Water Fund								
61		Annual Pipe Replacement & Fire Hydrant Installations	182,656	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,682,656	Programming funding for annual main replacement program
62	x	Water Meter Upgrade and Automation	2,670,000	2,670,000	-	-	-	-	5,340,000	
63	x	Pier Water Main and Fire Service Replacements	-	400,000	-	-	-	-	400,000	Added and coordinated with Aquarium renovations
64		Block 35 Ground Level Reservoir Replacement (Design Only)	-	-	1,200,000	-	-	-	1,200,000	Project scaled back to cover design costs only. Funding not available for construction within this 5-year time
65		Chloramination System at Wells 11 & 15	302,879	-	-	-	-	-	302,879	
66		Larsson Street Booster Station Improvement	745,500	-	-	-	-	-	745,500	
67	x	Paint Block 35 Elevated Tank	863,744	-	-	-	-	-	863,744	
68	x	Peck Ground Level Reservoir Replacement	1,811,283	-	22,000,000	-	-	-	23,811,283	Funds added to cover cost of construction for 8 MG reservoir
69		Redrill & Equip Well 15	300,000	-	350,000	-	-	-	650,000	Total estimate for design and construction
70	x	Utility Radio Telemetry	219,884	-	-	-	-	-	219,884	
71		Well Collection Line from Well 11A to Block 35 (Design Only)	-	-	700,000	-	-	-	700,000	Project scaled back from $5.75M to cover design costs only. Funding not available for construction within this 5-year time frame
72		Water Masterplan Update	-	-	-	-	300,000	-	300,000	Last one completed in 2010; this is a 10-year update
		Water Total	**$7,095,946**	**$4,570,000**	**$25,750,000**	**$1,500,000**	**$1,800,000**	**$1,500,000**	**$42,215,946**	
		Stormwater Fund								
73	x	Storm Drain Debris Collection Devices	372,418	210,000	210,000	210,000	210,000	210,000	1,422,418	
74	x	Storm Drain Repairs	828,173	-	500,000	500,000	500,000	500,000	2,828,173	
75		Stormwater Masterplan Update	-	250,000	-	-	-	-	250,000	Needed to assess capacity deficiencies and need for future storm drain upgrades
76		Joint Watershed Project: Hermosa Greenbelt	-	-	-	500,000	-	-	500,000	Required match for grant received
		Stormwater Total	**$1,200,591**	**$460,000**	**$710,000**	**$1,210,000**	**$710,000**	**$710,000**	**$5,000,591**	
		Wastewater Fund								
77	x	Annual Rehabilitation of Gravity Sewer Mains	1,146,708	450,000	1,100,000	1,100,000	1,100,000	1,100,000	5,996,708	Programming funding for annual main replacement program
78		Poinsettia Sewage Lift Station and Force Main Replacement	300,000	3,000,000	-	-	-	-	3,300,000	
79	x	Pier Pump Station and Force Main Replacement Construction	-	650,000	-	-	-	-	650,000	Rehab needed
80	x	Utility Radio Telemetry	76,658	-	-	-	-	-	76,658	
81		Pacific Lift Station Upgrade	-	-	2,400,000	-	-	-	2,400,000	
82		Voorhees Lift Station Upgrade	-	-	-	2,150,000	-	-	2,150,000	
83		Meadows Lift Station Upgrade	-	-	-	-	1,900,000	-	1,900,000	
84		Wastewater Master Plan Update	-	-	-	-	300,000	-	300,000	Required every five years
85		Palm Lift Station Upgrade	-	-	-	-	-	2,000,000	2,000,000	Increased by $1.75M to cover both design and construction
		Wastewater Total	**$1,523,366**	**$4,100,000**	**$3,500,000**	**$3,250,000**	**$3,300,000**	**$3,100,000**	**$18,773,366**	

SCHEDULE OF CAPITAL PROJECTS BY FUND & TYPE

#		Project	Prior Year Appropriation[1]	Budget FY17/18	Proposed 5-Year CIP FY18/19	FY19/20	FY20/21	FY21/22	TOTAL Five-Year	COMMENTS
		Refuse Fund								
86		City-owned Refuse Enclosure Improvements Design	-	-	-	150,000	-	-	150,000	
		Refuse Total	**-**	**-**	**-**	**$150,000**	**-**	**-**	**$150,000**	
		Parking Fund								
87	x	Lot 1 Retaining Wall (10th & Bayview)	80,320	100,000	-	-	-	-	180,320	Revised estimate based completed design
88		North MB Business Improvement District Streetscape	55,624	-	-	-	-	-	55,624	
89		Parking Structure Structural Rehab Analysis (Lots 3 & 4)	-	500,000	-	-	-	-	500,000	Decreased by $314,500 to cover structural analysis only for lots 3 & 4
		Parking Total	**$135,944**	**$600,000**	**-**	**-**	**-**	**-**	**$735,944**	
		State Pier & Lot Fund								
90	x	Pier Improvements (Includes Roundhouse & Comfort Station)	647,988	-	-	-	-	-	647,988	
91	x	Pier Roundhouse Aquarium (Design & Project Management)	645,976	-	-	-	-	-	645,976	
92	x	Pier Lot Safety Lighting	40,000	-	-	-	-	-	40,000	Reduced by $175,000 due to revised implementation plan
93		Pier Deck Repairs	-	-	-	-	250,000	-	250,000	Anticipated upgrades needed in three years
94		Pier Railings	-	-	-	-	-	400,000	400,000	Anticipated upgrades needed in four years
		State Pier & Lot Fund Total	**$1,333,964**	**-**	**-**	**-**	**$250,000**	**$400,000**	**$1,983,964**	

SCHEDULE OF CAPITAL PROJECTS BY FUND & TYPE

#		Prior Year Appropriation[1]	Budget FY17/18	Proposed 5-Year CIP FY18/19	FY19/20	FY20/21	FY21/22	TOTAL Five-Year	COMMENTS
	Unfunded Projects								
	Facilities Projects								**Eligible Funding Sources**
1	Village Field Replacement Turf	160,230	1,500,000	-	-	-	-	1,660,230	CIP; General Fund
2	Heights Park Synthetic Grass Installation	-	150,000	-	-	-	-	150,000	CIP; General Fund
3	Joslyn Center Raised Garden	-	75,000	-	-	-	-	75,000	CIP; General Fund
4	Joslyn Center OASIS Patio and Outside Deck Installation					150,000			
5	Repair, Upgrade, Standardize Picnic Pad at all parks	-	80,000	80,000	80,000	80,000	80,000	400,000	CIP; General Fund
6	Manhattan Heights Rooms #6 & #7 Improvements	-	-	550,000	-	-	-	550,000	CIP; General Fund
7	Manhattan Heights Community Center Improvements	-	-	-	-	-	525,000	525,000	CIP; General Fund
8	Replace three pairs of Banner Poles across streets	-	-	450,000	-	-	-	450,000	CIP; General Fund
9	Replace Mobile EOC Shelter Storage Container with trailer unit	-	-	60,000	-	-	-	60,000	CIP; General Fund
10	Cultural Arts Center Track Light System	-	-	80,000	-	-	-	80,000	CIP; General Fund
11	Cultural Arts Center Flooring Replacement	-	-	-	100,000	-	-	100,000	CIP; General Fund
12	Cultural Arts Center Studio A Remodel	-	-	-	200,000	-	-	200,000	CIP; General Fund
13	Conversion of Engineering Division Office Space to Training Room	-	300,000	-	-	-	-	300,000	CIP; General Fund
14	Begg Pool Remodel/Replacement	-	-	-	1,500,000	16,500,000	-	18,000,000	CIP; General Fund
15	Village Field Restroom Upgrades	-	-	-	-	400,000	-	400,000	CIP; General Fund
16	Security Cameras at Parks, Facilities, Fields and Skate Spot	-	-	-	-	90,000	90,000	180,000	CIP; General Fund
17	Sand Dune Park Building Improvements	-	-	-	-	200,000	1,800,000	2,000,000	CIP; General Fund
	Facilities Projects Total	**$160,230**	**$2,105,000**	**$1,220,000**	**$1,880,000**	**$17,420,000**	**$2,495,000**	**$25,130,230**	
	Water Projects								
18	Block 35 Ground Level Reservoir Replacement (Construction)	-	-	-	7,500,000	-	-	7,500,000	Water Fund
19	Well Collection Line from Well 11A to Block 35 (Construction)	-	-	-	5,750,000	-	-	5,750,000	Water Fund
	Water Projects Total	**-**	**-**	**-**	**$13,250,000**	**-**	**-**	**$13,250,000**	
	Stormwater Projects								
20	Joint Watershed Project: Beach Outfall	-	-	-	-	8,000,000	-	8,000,000	CIP; General Fund
	Stormwater Projects Total	**-**	**-**	**-**	**-**	**$8,000,000**	**-**	**$8,000,000**	
	Parking Structure Projects								
21	Downtown Parking Facility Capital Investment Plan	-	100,000	-	-	-	-	100,000	CIP; General Fund; Parking Fund
22	Intelligent Parking Occupancy System (Lots 2, 3, Metlox & Civic Center)	-	-	25,000	225,000	-	-	250,000	CIP; General Fund; Parking Fund
23	Parking Structure Rehab Projects Per Structural Analysis	-	-	-	13,000,000	-	-	13,000,000	CIP; General Fund; Parking Fund
	Parking Structure Projects Total	**-**	**$100,000**	**$25,000**	**$13,225,000**	**-**	**-**	**$13,350,000**	
	Unfunded Projects Total	**$160,230**	**$2,205,000**	**$1,245,000**	**$28,355,000**	**$25,420,000**	**$2,495,000**	**$59,880,230**	

Removed: Sepulveda Multimodal streetscape plan

x - Project is currently active
Project Names listed in Red are new or the title has been changed.
Dollar values listed in Red are new or have been modified from the last approved 5-Year CIP.
Projects shaded in gray have received grants to cover or offset implementation costs.

Attachment 2: 46 Active Projects (Grouped by Funding Year)

	2008					
1	Dual Left Turn on MBB at Sepulveda	09823E	FY2008-09	$	1,338,773.00	SBHP
	2009					
2	Manhattan Ave./Highland Ave. Improv. Project (1st-8th)	10823E	FY2009-10	$	665,640.00	Gas Tax Fund
3	Sepulveda Bridge Widening	10827E,	FY2009-10	$	18,965,881.00	Prop C, SafeteaLu, MTA
4	Strand Stairs	10824E,	FY2009-10	$	938,989.00	CIP Fund
	2010					
5	Utility Telemetry (water)	11834E	FY2010-11	$	219,884.00	Water Fund
6	Utility Telemetry (sewer)	11838E	FY2010-11	$	76,658.00	Wastewater Fund
	2011					
7	Non Motorized Transportation Project: Rosecrans Bike Lane	13829E	FY 2012-13	$	458,051.00	CIP Fund
	2012					
8	Cycle 3 Safe Routes to School	13842E	FY2012-13	$	489,725.00	CIP Fund & State Grant
9	Cycle 10 Safe Routes to School	13844E	FY2012-13	$	431,441.00	CIP Fund & State Grant
10	Downtown Streetscape: Traffic Signal Pole Replacement	13822E	FY2012-13	$	1,048,703.00	CIP Fund
	2013					
11	Parkview Sidewalk Project	16109E	FY2013-14	$	110,622.00	Gas Tax Fund
12	Sepulveda and 8th St Intersection	14821E	FY2013-14	$	220,191.00	HSIP & Gas Tax
13	22 Intersection Pedestrian Improvements	14823E	FY2013-14	$	226,477.00	HSIP & Gas Tax
	2014					
14	Street Resurfacing: MBB (Sepulveda to Aviation)	15825E	FY2014-15	$	901,042.00	Gas Tax Fund
15	Traffic Devices at Highland & 38th	16105E	FY2014-15	$	130,863.00	Msr R Local Return
16	Signalized Crosswalk MBB @ Target Driveway	15826E	FY2014-15	$	152,080.00	Msr R Local Return
17	Raised Median: MBB west of Aviation	15827E	FY2014-15	$	119,240.00	Msr R Local Return
18	Annual Non-Motorized Transportation Program	15835E	FY 2014-15	$	456,410.00	CIP Fund
19	City Hall 1st & 2nd Floor Restroom Remodel	16215E	FY 2014-15	$	491,731.00	CIP Fund
20	Veterans Parkway - Landscape/Hardscape	15831E	FY2014-15	$	399,752.00	CIP Fund
21	Paint Block 35 Tank	15837E	FY2014-15	$	863,744.00	Water Fund
22	Peck Ground Level Reservoir Replacement	15836E	FY 2014-15	$	23,811,283.00	Water Fund
23	Annual Storm Drain Rehabilitation Program	15842E	FY 2014-15	$	828,173.00	Storm Drain Fund
24	Lot 1 Retaining Wall	15847E	FY 2014-15	$	180,320.00	Parking Fund
25	Wayfinding Sign Program	15832E	FY 2014-15	$	52,800.00	
26	Pier Improvements	15848E	FY 2014-15	$	647,988.00	State Pier Fund
	2015					
27	Street Resurfacing: Oak, Redondo & 11th	16103E	FY2015-16	$	222,510.00	Gas Tax Fund
28	Aviation at Artesia	16104E	FY2015-16	$	1,481,990.00	Gas Tax & Measure R
29	Traffic Signal Preemption Devices	16106E	FY2015-16	$	150,000.00	CIP Fund
30	Marine Ave Park Baseball Field Synthetic Turf	16209E	FY 2015-16	$	480,002.00	CIP Fund/User Group
31	Field Netting at Dorsey, Live Oak and Manhattan Heights	16205E	FY2015-16	$	126,679.00	CIP Fund
32	Engineering Division Space Planning/Relocation	16211E	FY2015-16	$	392,943.00	CIP Fund
33	Stormwater Quality Improvement Catch Basin Inserts	16401E	FY2015-16	$	582,418.00	Storm Drain Fund
34	Annual Rehabilitation of Gravity Sewer Mains (Title Revised)	15844E,	FY2015-16	$	1,596,708.00	Wastewater Fund
	2016					
35	Street Resurfacing: Marine (Aviation to Redondo)	16101E	FY2016-17	$	496,760.00	Proposition C
36	Sepulveda Intersection Improvements (Rosecrans, 33rd St., Cedar, 14th St & 2nd St.)	17102E	FY 2016-17	$	985,440.00	Proposition C: Measure R SBHP
37	Street Resurfacing: Liberty Village	17106E	FY2016-17	$	795,680.00	Msr R Local Return
38	Street Resurfacing: 1100 block of 3rd St	17105E	FY2016-17	$	319,773.00	Msr R Local Return
39	Streetlight Purchase		FY 2016/17	$	1,226,927.00	
40	Fiber Master Plan	17203E	FY2016-17	$	150,000.00	CIP Fund
41	Water Meter Upgrade and Automation	17302E	FY 2016-17	$	2,670,000.00	Water Fund
42	Pier Lot Safety Lighting	17801E	FY 2016-17	$	40,000.00	State Pier Fund
43	Pier Roundhouse Aquarium (Greenberg Trust)	17802E	FY2016-17	$	645,976.00	Trust #522-21588
44	Fire Station 2 Design & Assessment	15829E	FY2016-17	$	319,638.00	CIP Fund
	2017					
45	Pier Water Main Replacement		FY2016-17	$	400,000.00	Water Fund
46	Pier Pump Station Force Main Replacement		FY2016-17	$	650,000.00	Wastewater Fund
	Total Projects Value			**$**	**67,959,905**	

Attachment 3: 25 Previously Approved Projects (Grouped by Funding Year)

	PROJECT TITLE	Carryover Project Number	Original Funding Yr	Prior Year Appropriation	FUND SOURCE(S)
	2004, 2010 and 2011				
1	North End Business Improvement District	07829E	FY2006-07	$ 55,624	Parking Fund
2	Street Resurfacing: Rosecrans btwn Sepulveda and Aviation	11822E	FY2010-11	$ 750,000	Gas Tax Fund
3	Larsson St Pump Station Improvements	12828E	FY2011-12	$ 745,500	Water Fund
	2011				
4	Morningside Drive Rehabilitation (10th Pl to MBB)	15822E	FY2014-15	$ 74,480	Gas Tax Fund
5	Street Resurfacing: Blanche, Marine & 27th	15824E	FY2014-15	$ 375,000	Gas Tax Fund
6	Chloramination System at Wells 11 & 15	15838E	FY 2014-15	$ 302,879	Water Fund
7	Poinsettia Sewage Lift Station Replacement and Force Main Replacement	15843E	FY 2014-15	$ 3,300,000	Wastewater Fund
8	CDBG Access Ramp Construction Project	15834E	FY 2014-15	$ 119,462	CIP Fund (CDBG - 33%,Gas Tax -
9	Facility Improvements	15828E	FY 2014-15	$ 1,233,311	CIP Fund
	2014				
10	Fire Station Security Card Installation	15833E	FY2014-15	$ 40,000	CIP Fund
	2015				
11	Annual Curb, Gutter and Sidewalk Replacement Program	16108E	FY 2015-16	$ 617,803	Gas Tax Fund
12	Annual Rehabilitation of Gravity Sewer Mains (Title Revised)	15844E,	FY2015-16	$ 1,596,708	Wastewater Fund
13	Annual Slurry Seal Program	16102E	FY2015-16	$ 723,078	Gas Tax Fund
14	Replace Mariposa Fitness Station Equipment and Flooring	16207E	FY 2015-16	$ 55,000	CIP Fund/MB 10K-Hometown Fair
15	Park Masterplan	16213E	FY2015-16	$ 100,000	CIP Fund
16	Community Development Office: Two new work stations	16203E	FY2015-16	$ 220,000	CIP Fund
17	Human Resources Office Reconfiguration	16204E	FY2015-16	$ 132,000	CIP Fund
18	Begg Field Synthetic Turf and Light Fixture Replacement	16208E	FY2015-16	$ 1,332,000	CIP Fund
19	Replacement Upgrade Fire Station 1 Diesel Exhaust Removal System	16212E	FY2015-16	$ 30,000	CIP Fund
	2016				
20	Protected Left-Turns: Manhattan Beach Blvd at Peck Ave	17104E	FY 2016-17	$ 285,000	Msr R Local Return
21	Redrill & Equip Well 15	17301E	FY 2016-17	$ 300,000	Water Fund
22	Signal Battery Backup Installation	17207E	FY2016-17	$ 110,000	CIP Fund
23	Annual Pipe Replacement Program	16302E	FY 2016-17	$ 1,682,656	Water Fund
24	Ceramics Studio Renovation	17202E	FY2016-17	$ 267,000	CIP Fund
25	Sepulveda/Oak Neighbrhood Intrusion Study			$ 50,000.00	
	Total Projects Value			**$ 14,497,501**	

Attachment 4. New CIP Projects with Proposed Funding in FY 2017-2018

1. ADA (American Disabilities Act) Transition Plan within Public Rights of Way

Project Description: To develop a master plan of all locations within the City that need conversion to or introduction of ADA infrastructure.

Project Justification: Federal law requires cities to develop this plan. In its development, legal protection is provided to the city while addressing efforts to improve ADA access over time.

Prior Year Appropriation	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	5-Year Total
$ -	$200,000	$ -	$ -	$ -	$ -	$200,000

2. City Hall 1st and 2nd Floor Restroom Remodel

Project Description: to remodel four City Hall public restrooms (2 near the Council Chambers and 2 near the Welcome Center). The project scope includes design work, rerouting plumbing, removing and/or relocating walls, installing new ADA features, a new shower and tile work. The project budget covers design costs, construction and contingency.

Project Justification: The four public restrooms at City Hall do not properly accommodate ADA requirements, yet are heavily utilized by the public. The project will significantly improve ADA access to these facilities. Staff proposes to use the remaining funds from the Welcome Center Remodel and supplement an additional amount to improve these public facilities.

Prior Year Appropriation	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	5-Year Total
$ 41,000	$450,000	$ -	$ -	$ -	$ -	$491,000

3. Pier Water Main and Fire Service Replacements

Project Description: Replacement of the water main and fire service at Manhattan Beach Pier.

Project Justification: These replacements are proposed in advance of other main and fire service replacements so that it can be done concurrently with other Pier improvements, thereby minimizing the impact on the community.

Prior Year Appropriation	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	5-Year Total
$ -	$400,000	$ -	$ -	$ -	$ -	$400,000

4. Stormwater Masterplan Update						
Project Description: Create a masterplan to review capacity deficiencies and need for future storm drain updates.						
Project Justification: The City's current stormwater masterplan was last updated in 1996 (21 years ago). Since that time, the City has undergone dramatic redevelopment of residential properties, which in turn has affected both drainage patterns and the volume of runoff generated to the storm drain system. An evaluation of storm drain capacity and identification of which pipes need to be upgraded is needed.						
Prior Year Appropriation	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	5-Year Total
$ -	$250,000	$ -	$ -	$ -	$ -	$250,000

5. Pier Pump Station and Force Main Replacement Construction						
Project Description: Replace and construct a new pump station and force main at the Manhattan Beach Pier.						
Project Justification: These replacements are proposed in advance of other main and fire service replacements so that it can be done concurrently with other Pier improvements, thereby minimizing the impact on the community.						
Prior Year Appropriation	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	5-Year Total
$ -	$650,000	$ -	$ -	$ -	$ -	$650,000

Proposed
Capital Improvement Program
FY 2017/18- 2021/22

City of Manhattan Beach
Department of Public Works

Stephanie Katsouleas, P.E., Director
Prem Kumar, P.E., City Engineer
Anna Luke-Jones, Senior Management Analyst

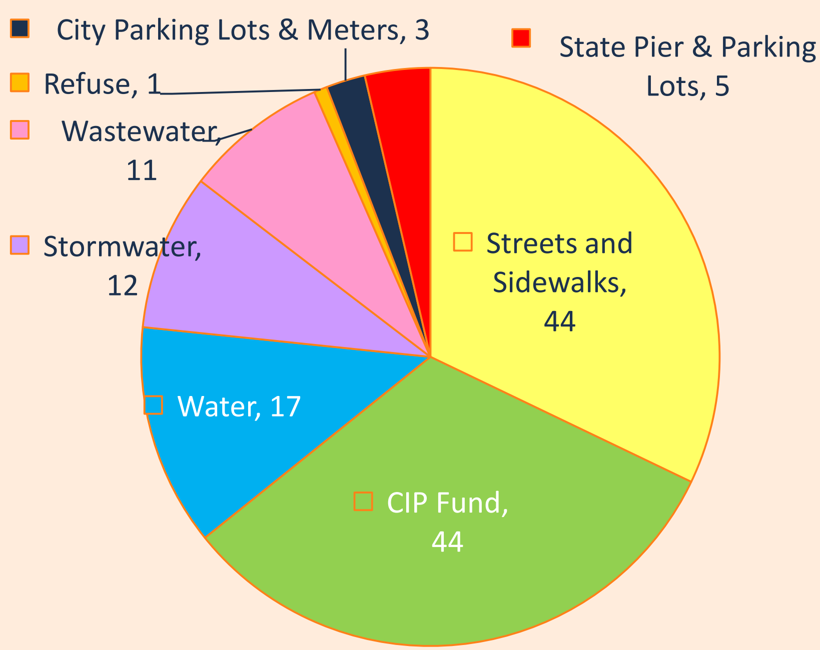
5-Year CIP Snapshot

46 Active Projects $67,959,905
25 Pending Projects (Previously Approved) $14,497,501
66 Upcoming Projects: 2017/18 - 2020/21 $42,648,292
137 Total Projects Active, in the Queue & Proposed

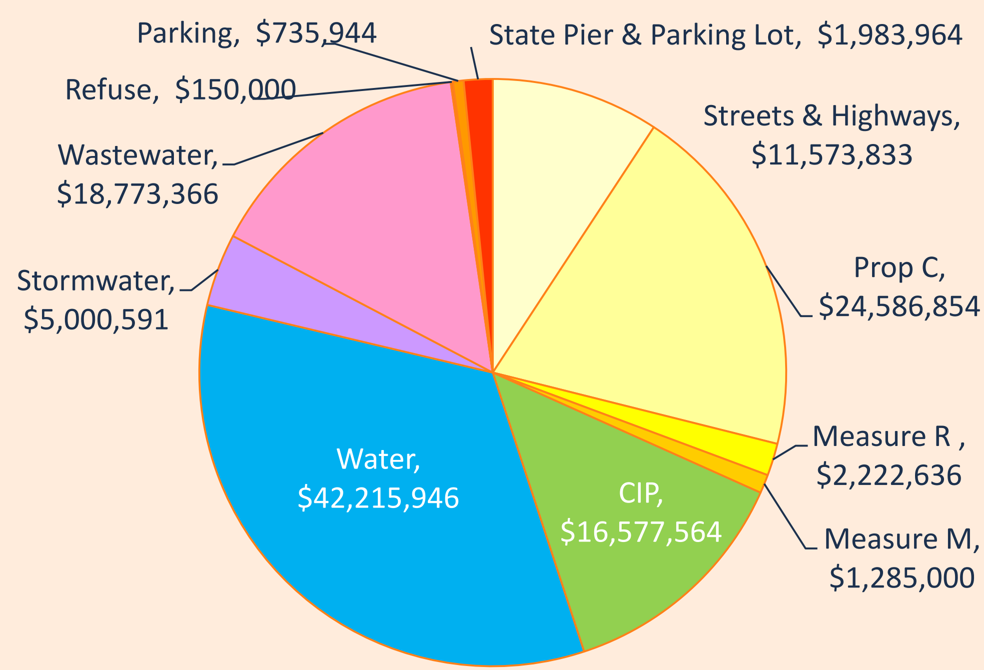
Proposed 5-Year CIP Budget
$125,105,698

Project Listed in the 5-Year CIP

Projects by Type



Project Funding Allocations



8 CIP Categories in the Budget

1. Streets and Sidewalks
   - Gas Tax, Prop C, Measure R and Measure M
2. CIP Fund
3. Water
4. Storm Water
5. Wastewater
6. Refuse
7. City Parking Lots/Meters
8. State Pier and Parking Lots

1. Streets and Sidewalks

- 44 Projects Listed
- $39,668,323
- 4 New
- 2 Re-categorized

Slurry seal, street resurfacing, intersection improvements, capacity enhancements, studies, ADA access improvements, sidewalks

2. CIP Fund

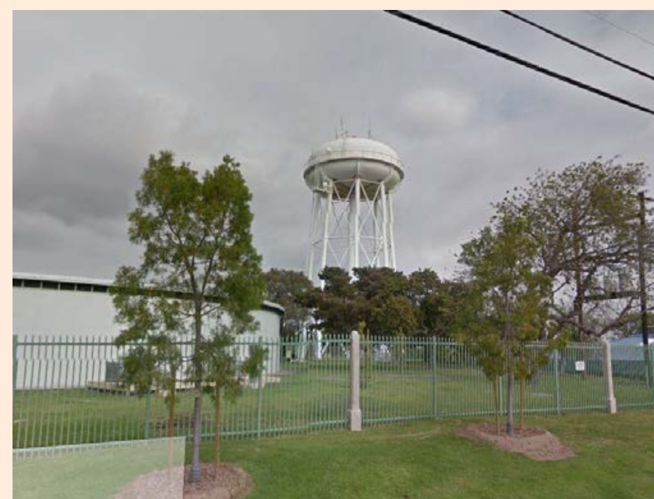
- 44 Projects Listed
- $16,577,564
- 1 New

Turf replacements, building and parks repairs/improvements, master plans, streetscape, traffic signals, pedestrian access, bike lanes, Veterans Parkway

3. Water Fund

- 17 Projects Listed
- $42,215,946
- 2 New

Water main replacement, reservoir upgrades, elevated tank painting, meter upgrades, well rehab and improved treatment processes



4. Storm Water Fund

- 12 Projects Listed
- $5,000,591
- 2 New

Storm drain improvements, storm water conveyance upgrades, NPDES compliance

5. Wastewater Fund

- 11 Projects Listed
- $18,773,366
- 1 New
- 1 Re-categorized

Sewer main replacement, pump station upgrades, improved telemetry, force main replacements

6. Refuse Fund

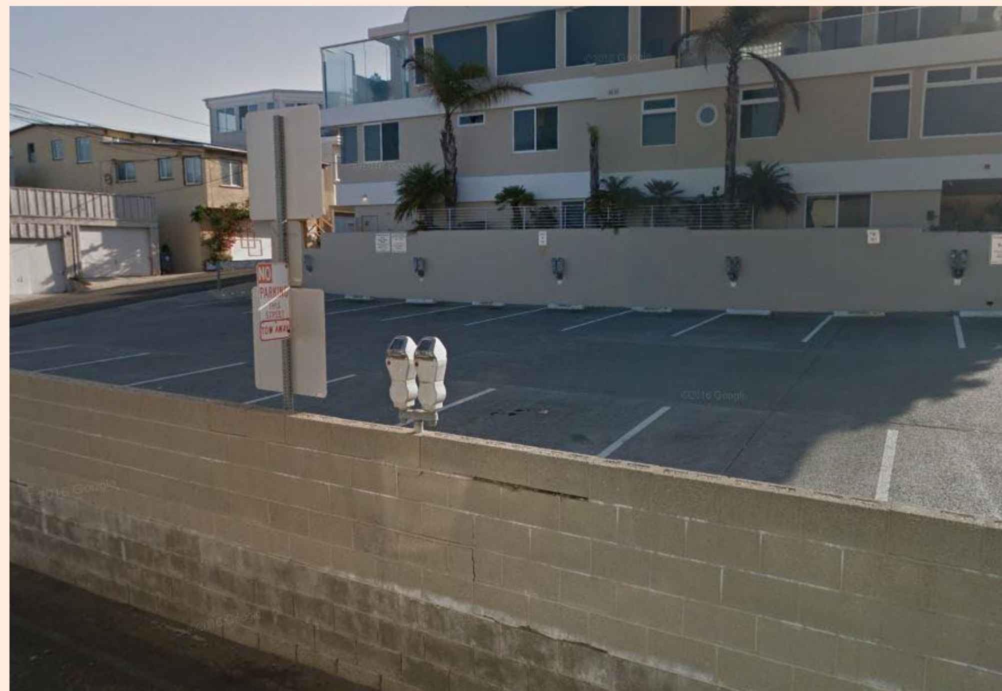
- 1 Project Listed
- $150,000

City trash enclosure enhancement and connection to the sanitary sewer system

7. City Parking Fund

- 3 Projects Listed
- $735,944
- 0 New

Parking lot structural improvements, streetscape improvements and structural analysis



8. State Pier & Parking Lots

- 5 Projects Listed
- $1,983,964
- 2 New

Pier utility improvements, deck replacement, safety lighting upgrades and pier railing replacement

23 Unfunded Projects

17 Facilities Projects:	$25,130,230
2 Water Projects	$13,250,000
1 Stormwater Project	$8,000,000
3 Parking Projects	$13,350,000

Unfunded Projects: $59,880,230

$18M	Begg Pool
$7.5M	Block 35 Reservoir
$13M	Lots 3/4

$38.5 Million (= 2/3 of Unfunded Dollars)

Priority Recommendations

Assumes addition of 4 new engineers in FY 2017/18

1. Complete all 46 active projects and clear the backlog
    - 16 Streets and Sidewalks Projects
    - 16 CIP Fund Projects
    - 5 Water Projects
    - 2 Stormwater Projects
    - 3 Wastewater Projects
    - 1 City Parking Lot Project
    - 3 State Pier & Parking Lot Projects

Approximately 2 years worth of work, depending on the scope of the project

Priority Recommendations

2. Initiate 25 pending projects
   - Received Prior Year's Funding but have not started
   - Focus on those with grant deadlines and safety as highest priorities
3. In FY 2018/19, reevaluate progress and update timeline accordingly. Determine impact of any new funding sources on CIP List/Schedule
4. Expect full catch-up in approximately 3-4 years

Proposed Funding Sources for New Engineers

1 FTE
Water Enterprise

1 FTE
Sewer Enterprise

1 FTE
CIP Fund
(TOT, Citations)

1 FTE
Other Funds
(e.g., Local Return)

Proposed Allocation of Resources

CIP FUND	Water/Sewer Categories	LOCAL RETURN and GRANTS	
TOT	Water	Prop C	CDBG
Parking Citations	Wastewater	Measure R	Safe Routes
City Parking Meters		Measure M	SBHP
		Gas Tax	Parks Grants
			Metro Call for Projects
			Federal (ICE-TEA, TIP)
$24,183,161	$49,374,615	$34,236,164	

Questions and Answers

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