

City of Manhattan Beach

Biennial Budget – Year 2 FY 2017-2018 Amendments May 4, 2017



Agenda

- ▶ Fiscal Year (FY) 2016-17 Update
- ▶ Proposed Amendments to FY 2017-18 Budget
 - Revenue & Expenditure Trends
 - Policy Changes vs. Technical Changes
- ▶ Five Year Forecast
- ▶ Other Funds
 - Asset Forfeiture
 - Street Lighting & Landscape District Fund
- ▶ Long-term Financial Planning
- ▶ Q&A



Important Dates

- ▶ May 4 Budget Study Session
- ▶ May 30 Budget Study Session (if necessary)
- ▶ June 20 Public Hearing and Adoption
- ▶ July 1 Effective date of budget

Directed changes will be incorporated by Resolution
at time of adoption



Two Year Budget

- ▶ Encourage long range planning
- ▶ Strategic Plan focus
- ▶ Greater emphasis on service delivery
- ▶ First year adopted – second year approved
- ▶ Revisit FY 2017-2018 at end of year one, then adopt
- ▶ CIP focus in year two



Economic Outlook

- ▶ Overall economic stability
- ▶ Labor agreements factored into budget
- ▶ Closely and actively monitoring and addressing pension costs
- ▶ Medical costs continue to rise
- ▶ Workers compensation claims continuing upward trend
- ▶ Subsidies to other funds continue to burden General Fund



Budget Outlook

- ▶ FY 2017-18 General Fund Proposed Budget is balanced (Surplus of \$423,202)
- ▶ Overall positive fiscal position
- ▶ Forecast has slim margins
- ▶ **Fiscal health of City is good but needs proactive action on several funding issues**



Service Delivery Investments

- ▶ Public Safety
 - Police/Fire Radio Interoperability
 - RCC Dispatch Software (Shared Cost)
 - Enhanced Ambulance Operator Program
 - Crossing Guards at two new locations
- ▶ Technology Investments
 - Finance/HR (ERP) System
- ▶ Arts
 - Replacement Ceramics Kiln
- ▶ Revised Capital Improvements Program
 - Added four Senior Civil Engineers to match workload



FY 2016-17 - By the Numbers...



FY 2016-17 Budget - By the Numbers...

	Adopted Budget (millions)	Adj. Budget (millions)	Estimate (millions)
City-wide Budget			
Revenues	\$113.8	\$136.0	\$114.3
Expenditures	114.3	159.3	112.9
<i>Operating</i>	98.6	99.7	98.4
<i>Capital Projects & Equipment</i>	11.7	55.7	10.7
<i>Debt Service</i>	4.0	4.0	3.8
General Fund Budget			
Revenues	\$67.8	\$67.8	\$67.7
Expenditures	\$67.4	\$68.2	\$66.9
Surplus/(Deficit)	\$416,425	(\$355,555)	\$832,228

*\$542,008 due to delayed one-time projects & capital purchases



FY 2016-17

Year-end Estimates

▶ General Fund Balance Designations

- Financial Policy (20% of Expenditures) \$13.5 million
 - Increase of \$768,000
- Economic Uncertainty (\$4.0 million) \$2.0 million
- Undesignated \$3.4 million
 - Includes \$780,000 One-time Property Transfer Fee received in FY 2015-16 from sale of Marriott
 - FY 2016-17 Transfers In/Out of General Fund included:

• Stormwater Fund	(\$1,263,233)
• Insurance Reserve Fund	(\$ 667,000)
• CIP Fund	(\$ 500,000)
• Street Lighting & Landscape	(\$ 206,903)
• Information Technology Fund	\$ 561,684
• County Parking Lots Fund	<u>\$ 80,606</u>
	(\$1,994,846)



FY 2016-17

Year-end Estimates

- ▶ Other Fund reserves within policy except
 - Storm Water (0%)
 - Refuse (46%)
 - Parking Funds (68%)
- ▶ Insurance Fund expenditures trending over due to Workers' Compensation costs
 - Year-end budget adjustment will be requested so that expenditures do not exceed total fund appropriations



FY 2017-2018 Budget

All Funds

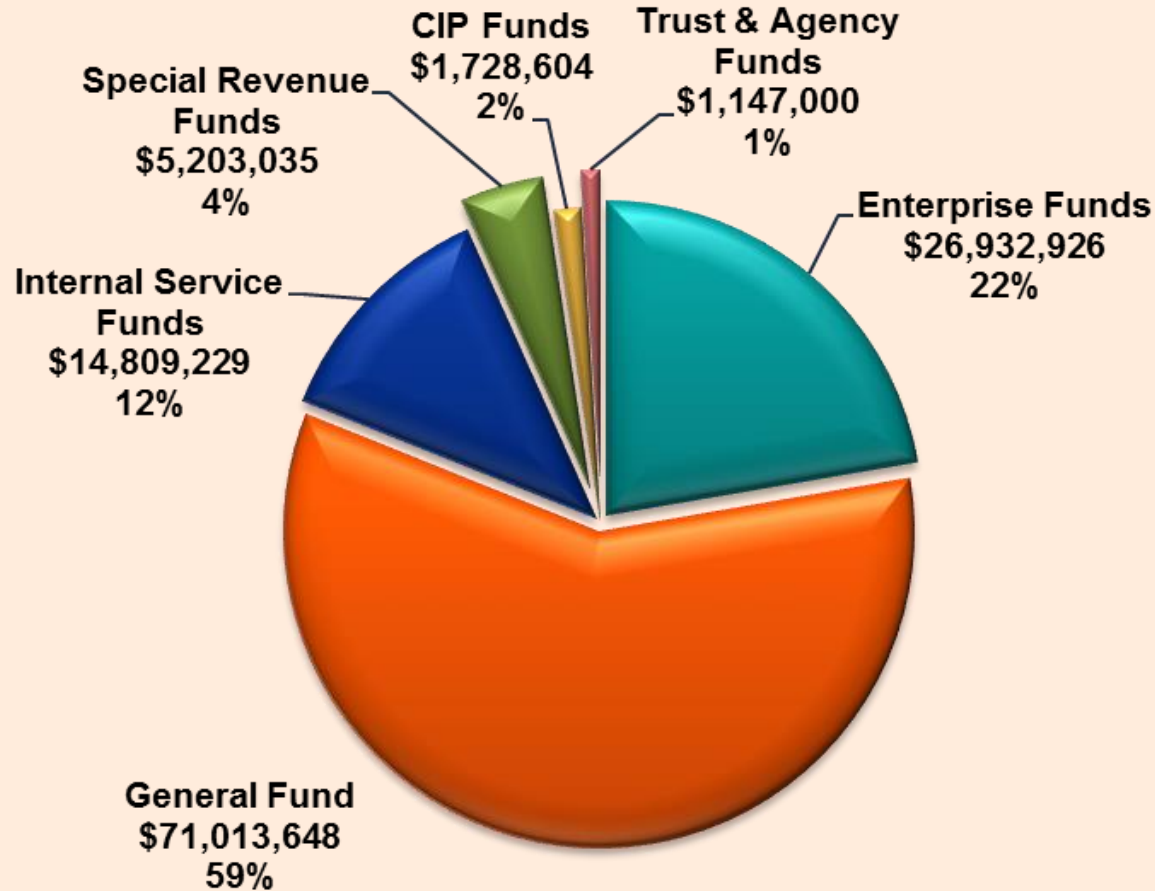


FY 2017-18 Budget - By the Numbers...

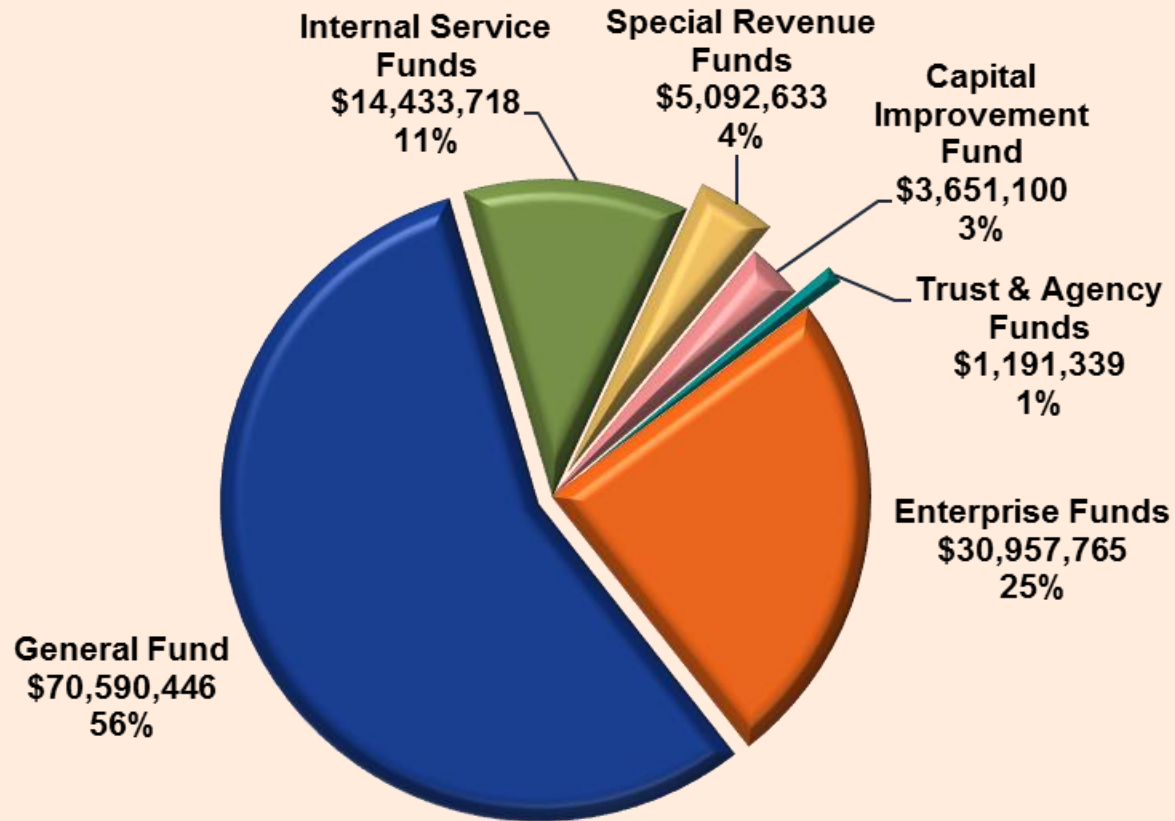
	Approved Budget (millions)	Proposed (millions)	Variance (millions)
City-wide Budget			
Revenues	121.7	120.8	-\$0.9
Expenditures	132.9	125.9	-\$7.0
<i>Operating</i>	101.7	102.8	\$1.1
<i>Capital Projects & Equipment</i>	26.7	18.8	-\$7.8
<i>Debt Service</i>	4.5	4.3	-\$0.3
General Fund Budget			
Revenues	\$69.7	\$71.0	\$1.3
Expenditures	\$69.6	\$70.6	\$1.0
Surplus/(Deficit)	\$162,517	\$423,202	+\$260,685



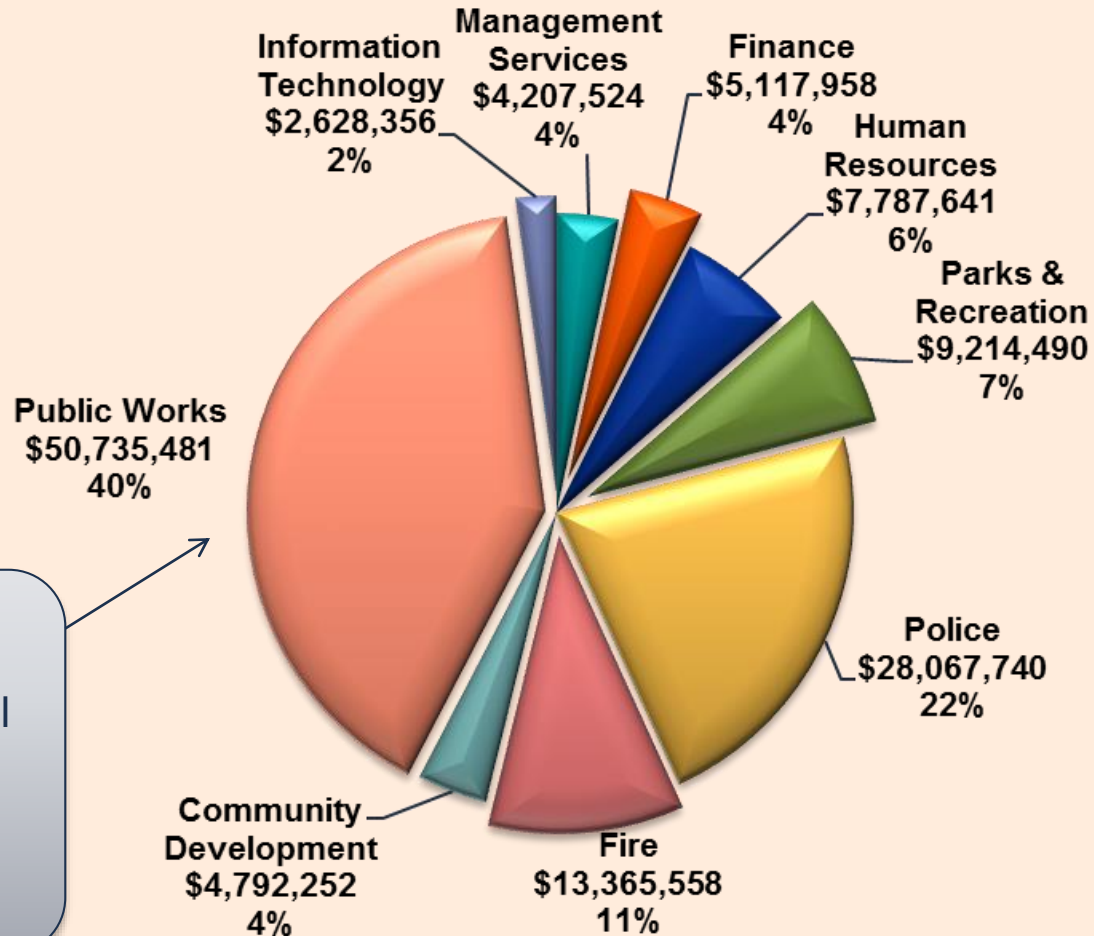
FY 2017-2018 Proposed Source of Funds - City-Wide = \$120,834,442



FY 2017-2018 Proposed Use of Funds - City-Wide = \$125,917,000



FY 2017-2018 Proposed Use of Funds - City-Wide = \$125,917,000



Most Enterprise, CIP, Special Revenue, Internal Service Funds



FY 2017-18

Proposed Budget

- ▶ General Fund Balance Designations at 6/30/2018
 - Financial Policy (20% of Expenditures) \$14.1 million
 - Increase of \$636,880
 - Economic Uncertainty (\$4.0 million) \$2.0 million
 - Undesignated \$1.5 million
 - Projected FY 2017-18 Transfers In/Out of General Fund:
 - Stormwater Fund (\$ 982,418)
 - Insurance Reserve Fund (\$ 667,000)
 - Street Lighting & Landscape (\$ 223,655)
 - County Parking Lots Fund \$ 179,181
 - (\$1,693,892)



FY 2017-18

Proposed Budget

- ▶ Other Fund reserves within policy except
 - Stormwater (0%)
 - Refuse (39%)
 - Parking Funds (1% due to capital project funded by reserves)
- ▶ Insurance Reserve Fund
 - Realigned Workers' Comp and Liability Claims Paid with recent loss experiences (overall change +\$560,000)
 - Premium costs reduced by about \$1.1 million per new estimates from CSAC-EIA



FY 2017-18

Proposed Budget

- ▶ Policy Changes (Attachment #4)
 1. Addition of four Senior Civil Engineers
 - Funded by Water, Wastewater, CIP and Special Revenues
 - No net impact on General Fund
 2. Pension Stabilization Reserve Fund Annual Appropriation - Reduced from \$500,000 to \$250,000
 3. Transient Occupancy Tax - Discontinued \$500,000 allocation dedicated to CIP Fund deferred maintenance



FY 2017-18

Proposed Budget

► Policy Changes

4. Ambulance Operator Program – Cost Neutral
 - Basic life support ambulance transportation utilizing part-time staffing instead of Fire Dept. Reserves
 - Revenues conservatively estimated
5. Crossing Guards - \$36,000 added to contract
 - Pacific Avenue/17th Street and Rowell Avenue/Gates Avenue
6. Reinstate Equipment Mechanic (Fleet Fund)
 - Position eliminated during recession but workload remained
 - Recommend converting long-term contract employee to full-time employee to meet federal/state regulations



FY 2017-18

Proposed Budget

▶ Technical Changes - General Fund Revenues

• Property Tax	\$604,004
• Sales Tax	(\$500,000)
• Building Permits	(\$297,200)
• Real Estate Transfer Tax	(\$260,000)
• Workers' Comp Salary Continuation	\$200,000
• Right of Way Permits	\$184,500
• Transient Occupancy Tax	(\$173,500)
• Interest Earnings	\$100,000
• Special Events	\$ 94,600
• Building Plan Check Fees	\$ 69,600
• Arts/Education Classes	(\$ 53,500)



FY 2017-18

Proposed Budget

▶ Technical Changes - General Fund Expenditures

• Retiree Medical Contributions	(\$238,512)
• Police/Fire Dispatch Software	\$238,648
• Carryforward Finance/HR ERP System	\$178,585
• Carryforward Historic Preservation Program	\$176,200
• Savings from Marine Bond Refunding	(\$122,431)
• Carryforward License Plate Reader/Cameras	\$100,000
• Remove LPR Cameras Debt Service	(\$ 85,238)
• Carryforward Permitting Software Solution	\$ 74,123
• Replacement Ceramics Kiln	\$ 45,000
• Legal Services for Labor Negotiations	\$ 30,000



FY 2017-18

Proposed Budget

▶ Technical Changes – Other Funds Revenues

• Stormwater Utility Service Charges	(\$2,055,000)
• TOT Allocation (CIP Fund)	(\$ 500,000)
• Measure M Sales Tax (New Fund)	\$ 415,899
• CDBG Grant Funds (CIP Fund)	\$ 100,000
• Water Utility Connection/Meter Fees	(\$ 56,500)
• Asset Forfeiture	(\$ 50,000)
• Gas Tax Revenue Changes (net)	\$ 48,528
• Sewer Utility Connection Fees	(\$ 27,800)
• Refuse Fee	(\$ 20,000)



FY 2017-18

Proposed Budget

▶ Technical Changes – Other Funds Expenditures

- Insurance Fund
 - Premiums through CSAC-EIA (\$1,228,800)
 - Workers' Comp Claims Paid \$ 960,000
 - Liability Claims Paid (\$ 400,000)
 - Risk Mgmt Ancillary Costs \$ 132,680
- Work Order Mgmt System (Water) \$ 45,000
- Work Order Mgmt System (Sewer) \$ 45,000
- Carryforward IT Data Encryption \$ 50,000

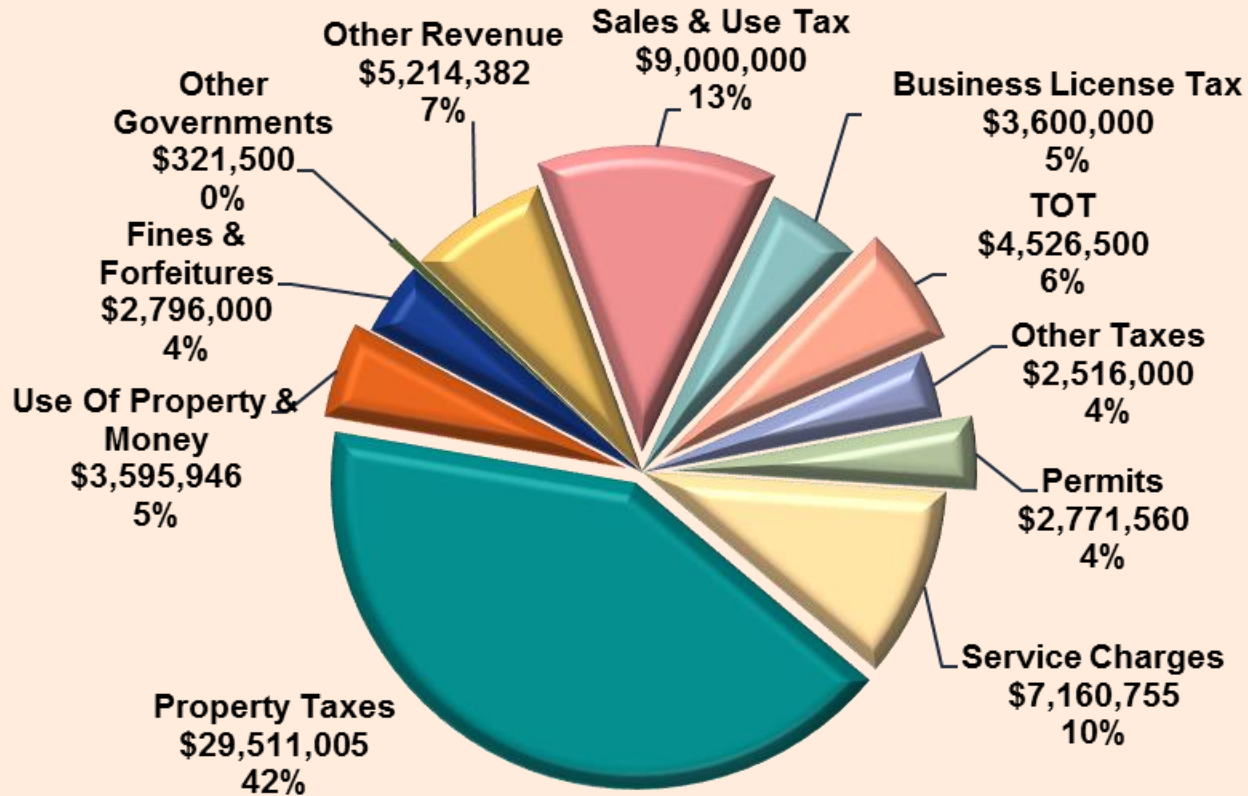
- **Capital Projects identified in revised Capital Improvement Plan**



FY 2017-18 General Fund Proposed Budget



FY 2017-2018 Proposed Source of Funds – General Fund = \$71,013,648



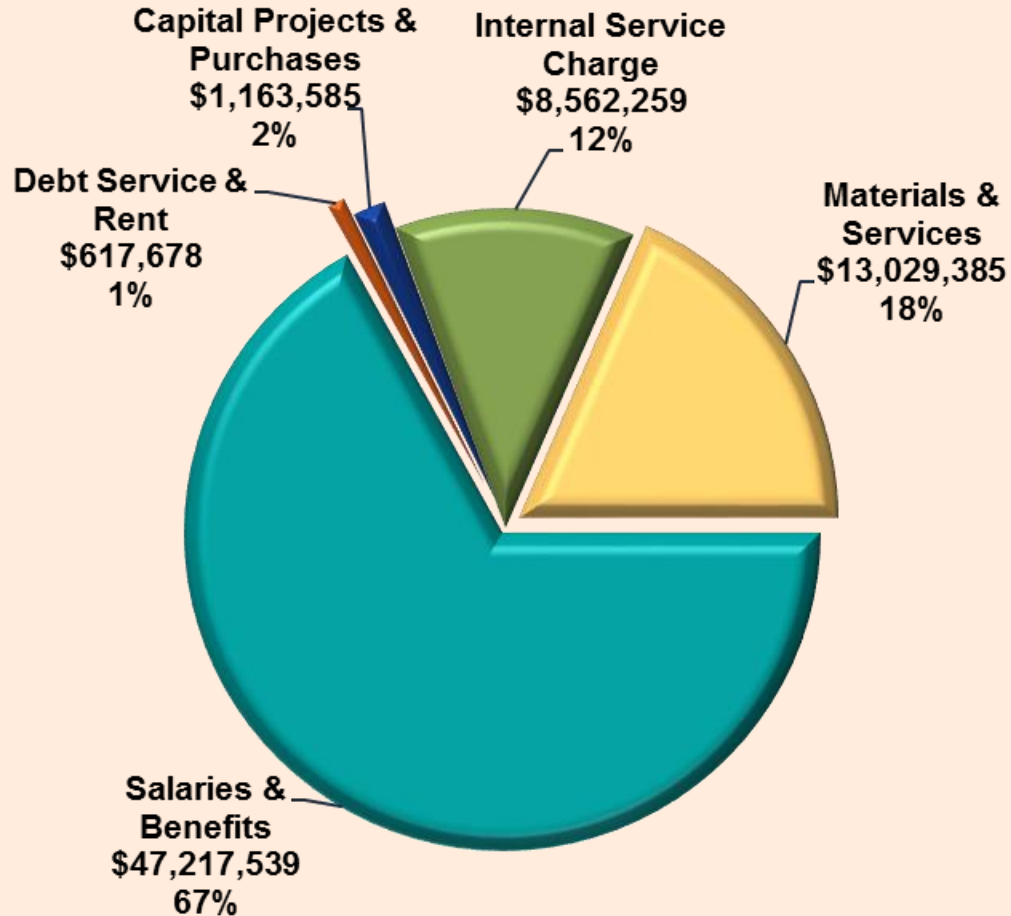
FY 2017-18

Proposed Budget vs. Approved

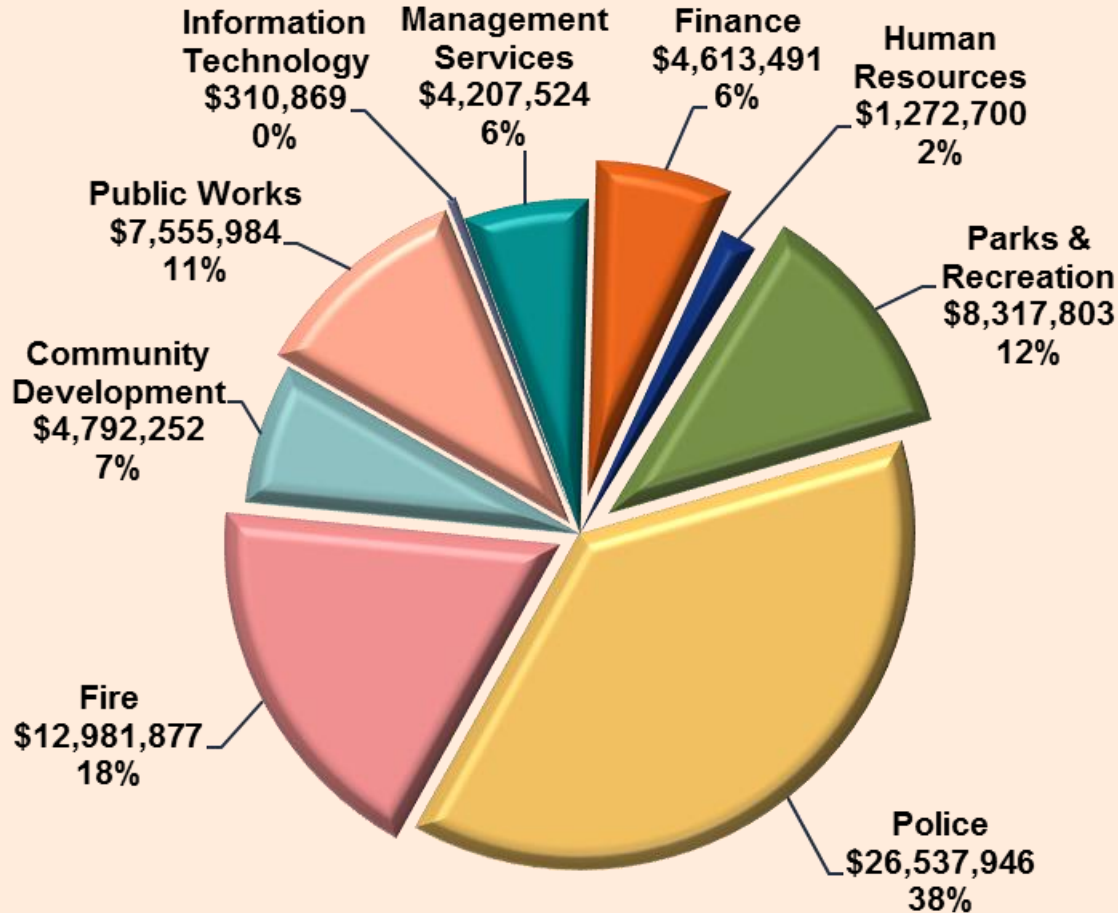
- ▶ Revenues – Big 3
 - Property Tax approved budget increase of 4%
 - Revised projection now 5.34% per latest assessed values
 - Sales Tax approved budget increase of 2%
 - Revised projection now flat with FY 2016-17 Estimate
 - Transient Occupancy Tax approved budget increase of 4%
 - Revised projection 3% higher than 2016-17 Estimate
 - Reallocation from CIP recommended



FY 2017-2018 Proposed Use of Funds – General Fund = \$70,590,446



FY 2017-2018 Proposed Use of Funds – General Fund = \$70,590,446



FY 2017-18

Proposed Budget as Approved


- ▶ General Fund Expenditures
 - Salary and benefit adjustments per MOUs
 - Vacancy factor of 4.0% (\$1.4 million) built-in
 - Council Contingency maintained at \$100,000
 - School District Joint Use Agreement included at existing terms
 - Pension costs rising but accommodated
 - Finance/HR System budgeted for \$750,000
 - Fire Department radios budgeted for \$80,000
 - Police Dept. radios budgeted using Asset Forfeiture funds



FY 2017-18

General Fund Comparison

General Fund Summary	2017 Estimate	FY 2018	
		Approved*	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


+\$260,685



Five Year Forecast General Fund



Five Year Forecast

- ▶ Conservative assumptions on revenue and expenditure growth
- ▶ General Fund is balanced with surpluses ranging from \$3,854 to \$431,979
- ▶ CalPERS contributions will nearly double to \$12 million
- ▶ General Fund Balance is reduced by \$7.4 million over the next five years due to subsidies and transfers



Five Year Forecast

- ▶ Strains on General Fund impact ability to enhance services or contribute to CIP Fund for capital improvements
- ▶ Parking Fund revenues from meters cover only operations and debt service – limits infrastructure improvements
- ▶ Water and Wastewater fund balances will be drawn down by large capital projects
 - Rate structures need to be reviewed to ensure funding will be available for next wave of large infrastructure projects
- ▶ Insurance Fund costs (i.e. Workers' Compensation) continue to grow (premiums reduced with new risk pool)

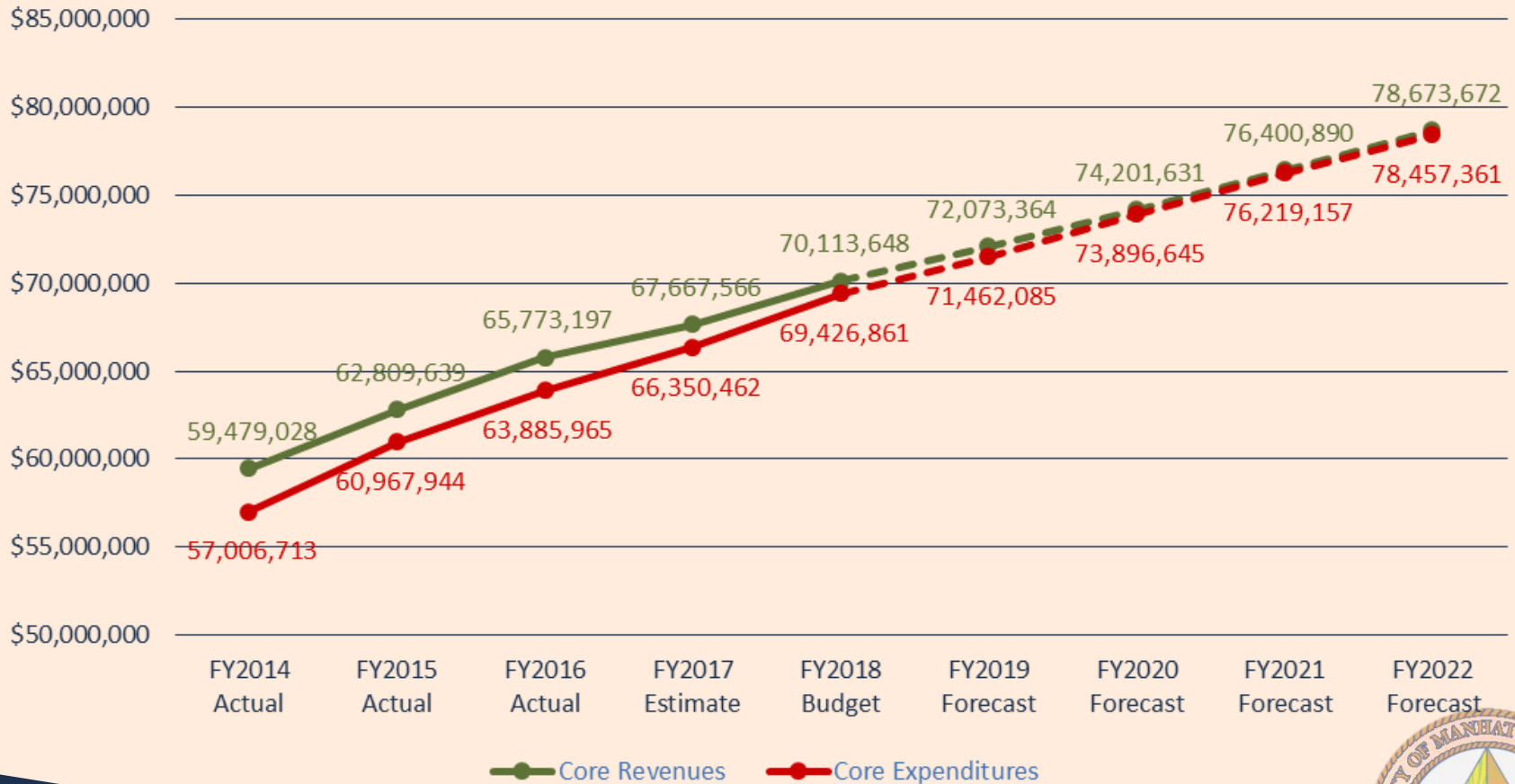


Five Year Forecast

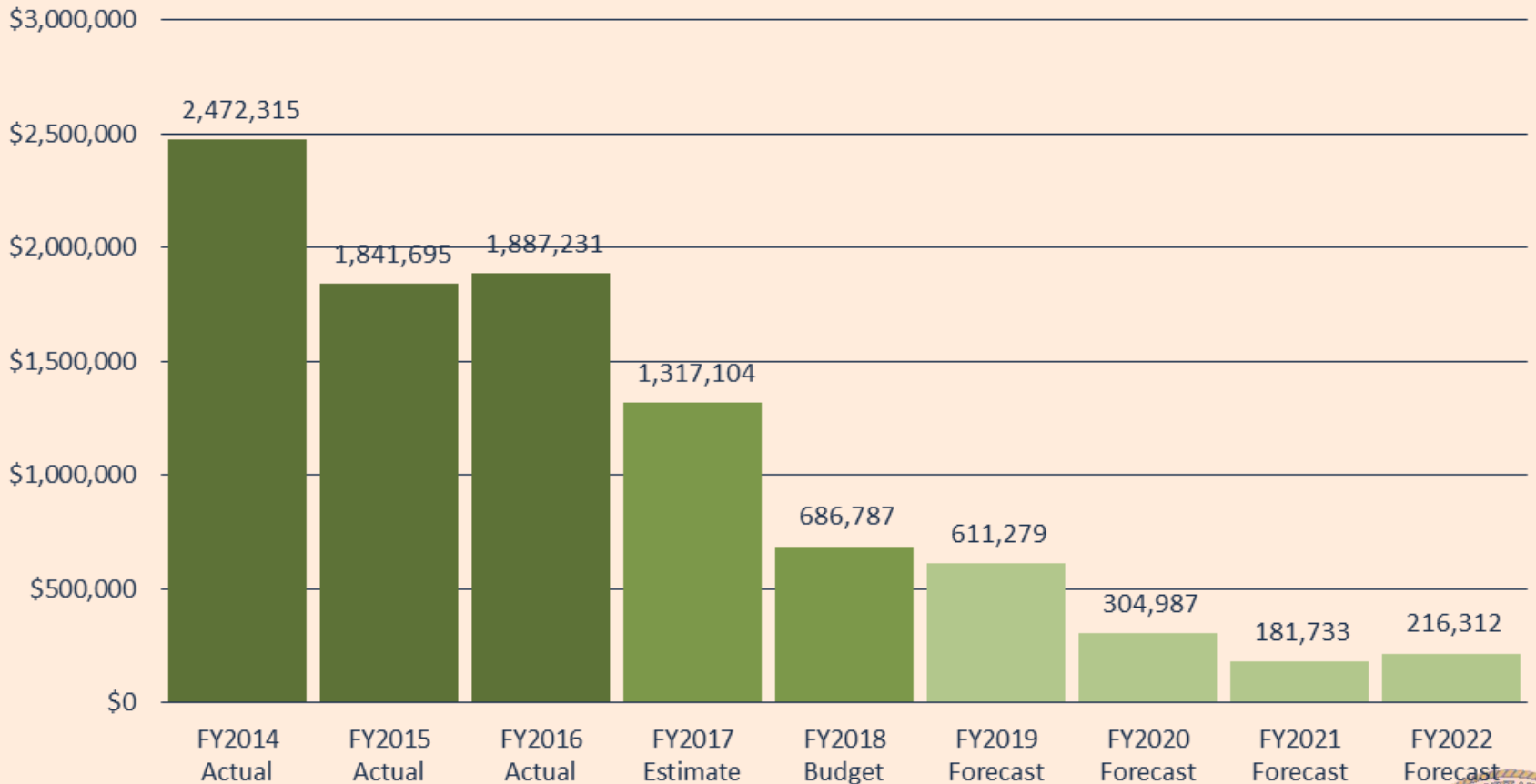
- ▶ General Fund structurally balanced when comparing Core Revenues and Expenditures
 - One-time revenues (Grants, Lease Purchase Proceeds, etc.) removed
 - One-time Expenditures and Capital Purchases (Finance/HR ERP System, capital equipment, etc.) removed
 - Structural surpluses ranging from \$181,733 to \$686,787
- ▶ Trend in structural surplus warrants discussion and action plan



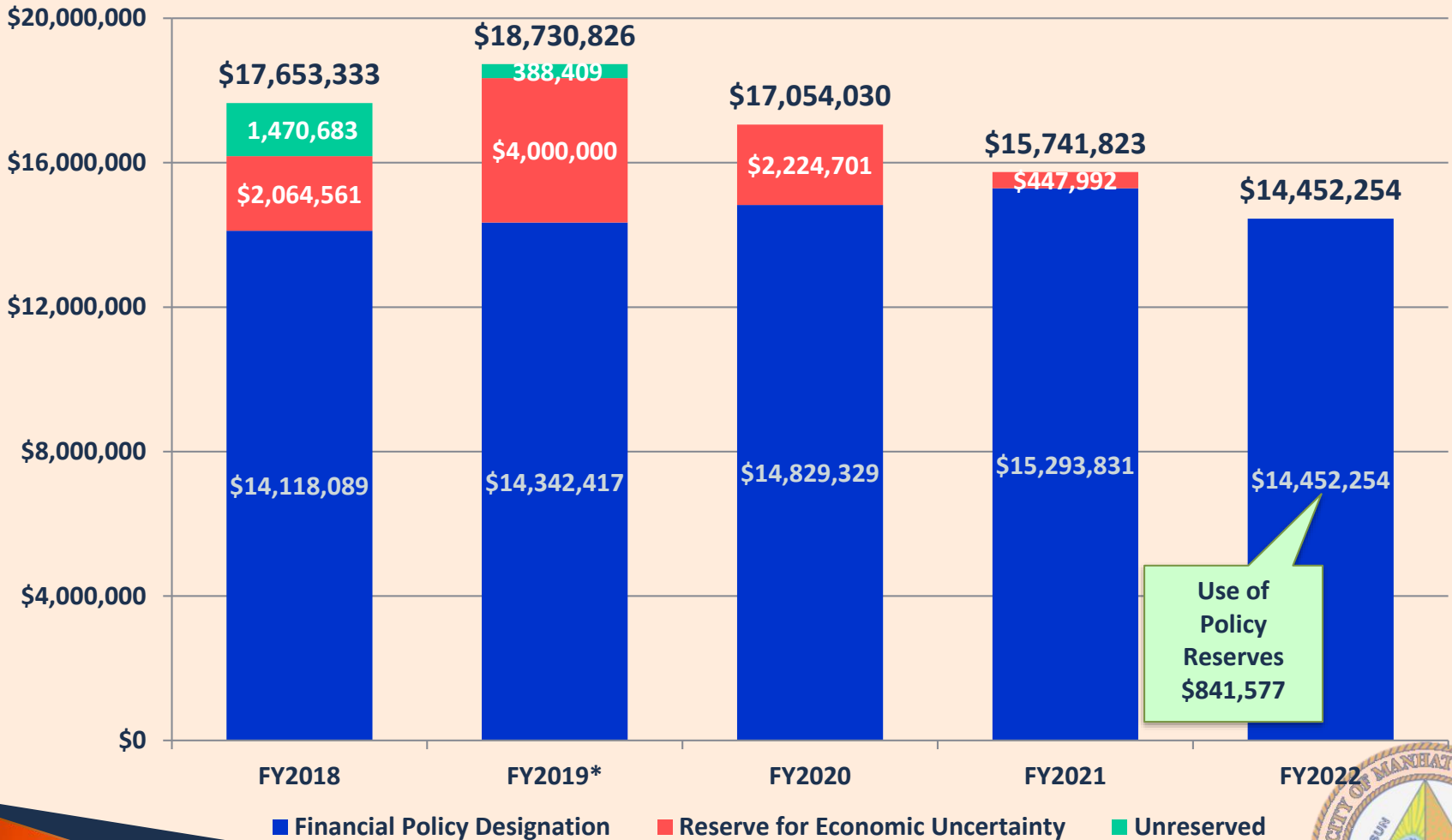
General Fund Core Revenues & Expenditures



General Fund Structural Surplus/(Deficit)



General Fund Total Fund Balance Projections



Other Funds



Asset Forfeiture Fund

- ▶ Unable to budget for Asset Forfeiture revenue
 - Received average of \$76,668 from FY2008-FY2016
 - Highest Year – FY2009 \$156,441
 - Lowest Year – FY2013 \$ 23,907
- ▶ Budgeted for Police Radios (compatible with new regional interoperability features)
- ▶ Expect incoming revenues to fund most lease/purchase payments
 - General Fund may have to supplement if asset forfeiture does not materialize



Street Lighting & Landscape Fund

- ▶ History of Street Lighting & Landscape Districts
 - Fund Balance was depleted in 2009 causing General Fund subsidies
 - General Fund has transferred \$1.76 million since 2009
- ▶ Annual Subsidies by District:
 - General Street Lighting - \$84,471
 - Downtown Streetscape - \$54,558
 - Gas Lamp - \$38,042
 - Strand Lighting - \$20,733
 - Arbolado Tract - \$5,175
 - Walkstreets - \$4,429



Street Lighting & Landscape Fund

- ▶ Assessment Revenue
 - Paid by property owners on tax bill
 - Assessments unchanged since 1996
- ▶ Revenues total \$396,139 per year



Street Lighting & Landscape Fund

- ▶ Expenditures total \$619,794
 - Energy Costs total \$404,154 (102% of Revenues)
 - 63% of Energy costs goes to electricity and natural gas
 - Contract Services make up 23% of costs
 - Power washing the downtown district - \$60,900
 - Landscape Maintenance downtown - \$61,660
 - Contract Electrician - \$8,200
 - Annual Assessment Report - \$7,000
 - City Overhead Costs - \$58,339



Street Lighting & Landscape Fund

- ▶ Utility Audit currently underway
- ▶ Reducing other costs (contract services) would impact service levels



Financial Planning for the Long Term



Financial Planning

- ▶ To Recap:
 - FY 2017-18 Proposed Budget is balanced
 - Overall positive fiscal position
 - Forecast has slim margins
 - **Fiscal health of City is good but need proactive action on several funding issues**



Financial Planning

- ▶ Funding areas to address:
 - Pension Costs
 - General Fund Subsidies to Stormwater Enterprise Fund
 - General Fund Subsidies to Street Lighting & 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



Financial Planning

▶ Recommendations

- Continue to identify efficiencies and cost savings
 - Attachment #10 provides recent measures by department
- Research new/enhanced revenue options
- Create a comprehensive financial plan
 - Fully identify and vet the issues
 - Present potential solutions
 - Assign timetable for completion
 - Oversight by Finance Subcommittee with final report provided to full City Council



Budget Summary



Summary

- ▶ General Fund budgets balanced with surpluses
 - FY16-17 Year-end Estimate: \$832,228
 - FY17-18 Proposed Budget: \$468,201
- ▶ Unreserved General Fund balances at year end
 - FY16-17 Year-end Estimate: \$3.4 million
 - FY17-18 Proposed Budget: \$1.5 million
 - *Reduction due to significant General Fund takeaways to support other funds*



Summary

- ▶ Action necessary to address significant longer-term funding concerns
- ▶ Recommend development of a Comprehensive Financial Plan with oversight by Finance Subcommittee
 - Final Report to City Council in coming year



Budget Q & A

