

## Martha Alvarez

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**From:** Gary Osterhout <garyosterhout@verizon.net>  
**Sent:** Monday, May 07, 2018 4:14 PM  
**To:** City Clerk  
**Subject:** Public Comment: Budget Study Session #1  
**Attachments:** Public Comment on Two Year Operating Budget.docx

Please forward the attached public comment for Budget Session #1, per instructions below.

Thank you,  
Gary Osterhout

-----Original Message-----

From: City of Manhattan Beach <CityOfManhattanBeach@citymb.info>  
To: garyosterhout <garyosterhout@verizon.net>  
Sent: Wed, May 2, 2018 6:49 pm  
Subject: City of Manhattan Beach: City Council Adjourned Regular Meeting (eComment Now)

### City Council Adjourned Regular Meeting (eComment Now) Budget Study Session #1

- Date: 05/08/2018 6:00 PM - 9:00 PM
- Location: City Council Chambers  
[1400 Highland Ave](#)  
[Manhattan Beach, California 90266](#)

**PLEASE NOTE, DUE TO SOME TECHNICAL DIFFICULTIES, THE E-COMMENT FEATURE IS NOT CURRENTLY AVAILABLE. IF YOU WISH TO PROVIDE ANY PUBLIC COMMENTS RELATED TO THE ITEM(S) DISCUSSED ON THE MAY 8, 2018 - BUDGET STUDY SESSION #1 AGENDA, PLEASE EMAIL PUBLIC COMMENTS TO [CITYCLERK@CITYMB.INFO](mailto:CITYCLERK@CITYMB.INFO) OR YOU CAN CONTACT THE CITY CLERK'S OFFICE AT 310-802-5056.**

**ONCE THE E-COMMENT FEATURE IS AVAILABLE, THERE WILL BE AN ADDITIONAL ENOTIFICATION SENT WITH A LINK.**

The City of Manhattan Beach is pleased to announce study sessions for the proposed biennial budgets for fiscal year 2018-2019 and 2019-2020. Additionally, prior years' budget information can be found on the [Finance Department's Budget page](#).

An introduction to the Fiscal Year (FY) 2018-2019 Proposed Operating Budget was provided at the City Council Meeting on May 1, 2018. Final adoption of the Fiscal Year 2018-2019 Budget is scheduled for Tuesday, June 19, 2018, during the regularly scheduled City Council meeting.

#### **Additional Budget Study Sessions (If Necessary):**

**Thursday, May 10, 2018 at 6:00 PM**

**Tuesday, May 22, 2018 at 6:00 PM**

Meetings are broadcast live through Manhattan Beach Local Community Cable, Channel 8 (Spectrum), Channel 35 (Frontier), and live streaming via the City's website. Past meetings are rebroadcast at 12:00 PM and 8:00 PM Thursdays and Saturdays following the Tuesday meeting on Channel 8 (Spectrum), Channel 35 (Frontier) and on demand via the City's website. To view other on demand webcasts the City provides for residents and viewers, go to [www.citymb.info/MBTV](http://www.citymb.info/MBTV).

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[Agenda Packet](#)(PDF)

[eComment on the Agenda](#) (eComment Window Expires 24 Hours Prior to the Meeting)

[Webcast](#) (Video link only viewable during live meeting)

- Agenda: [Budget Study Session #1 Agenda - May 8, 2018 \(PDF\)](#)

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## Comments on Two Year Operating Budget – 2018-2020

Gary Osterhout

May 7, 2018

Councilmembers:

Below are my comments on this year's budget presentation and the budget process.

I have little expectation that you will spend any more time on this than you did with my input on the Budget Policies. But in my opinion your budget process is broken, the process allows for no informed community input, and your blanket acceptance of staff representations is concerning.

One big step you could take—and this applies to all Staff Reports—is to ask staff to remove as much hyperbole and subjective wording from all presentations. I think if you lined through such in the CM message (which is at least this year being signed by the author), you would reduce it down to a two-page report. I can't even imagine who the CM's budget letter is being written to. Certainly you folks should be able to read through the hyperbole and I can tell you that few residents read this at all (and those like me who do read just find it irritating). Perhaps, as evidenced by an almost full page of discussing community input we all know was meaningless, it is intended solely for outside third-party award granters (the same way the latest Manhappenings addresses its awards on the first page).

But to substance, I reiterate about a balanced budget: every city is legally required to present a balanced budget. The City can't print money. If that means no borrowing, well you do that in many ways whether through COPs or just by not recognizing adequate facility replacement costs, or otherwise kicking issues down the road (i.e., "borrowing from the future").

Our budgeting methods, at least to the extent that the budget can be intelligently discussed by those with just enough knowledge, have grown stale. Currently the budget is confined to the chart of accounts, revenue sources (instead of program expenditure goals), and an overwritten and unreviewed array of financial policies and budget policies.

Staff clearly doesn't intend to recognize the fungibility of money or how to discuss fund balance to make it understandable for discussion. Thus we get statements like "fund balance is estimated to decrease....primarily due to General Fund subsidies for Storm Water and Lighting/Landscaping." Since all expenses including storm water costs go to reduce the fund balance, the special districts are being made the whipping boy (primarily because Staff wants to raise the taxes on these funds to spend money elsewhere). In respect to fund balance, look at the 2<sup>nd</sup> paragraph of the two-year budget presentation. In that paragraph is staff talking fund balance in respect to the difference between revenues and expenditures for the year, or accumulated fund balance? Because both are being discussed in the same dialog without differentiation.

How can staff legitimately talk about reducing the Economic Uncertainty Reserve (EUR) when that reserve is dedicated to cover a period of uncertainty and elsewhere in the budget it is claimed that finances are stable? Why is reducing the EUR discussed in terms of directly supporting storm water,

when actually utilization of such funds would be to support the General Fund as a whole (including unnecessary or exorbitant staff salaries, benefits and pensions). Utilization of the reserve for that purpose is not only contrary to the financial policies but would be confiscatory in that the funds to set up the EUR from the beginning (and I argued against that) was otherwise designated for CIP-facilities.

If you folks think that this EUR reserve no longer is needed (and it never has been), then it would seem the best process would be to totally revert the entire balance back to the general fund and appropriate from that level (it would be even more fair to revert the balance to CIP-facilities).

Related to the above, how can staff say that fund balance (and by this I think they mean the overall fund balance including reserves) will over time be depleted by the storm water subsidies? Fungibility of money aside, reduction of fund balance (that is, use of reserves) for other than the current period utilization for CIP or “one time events” is prohibited by Policy. This would mean you are deficit spending. Policy says that you must correct a structural imbalance within the year.

How can staff discuss a “deficit” in Storm Water, when the special revenue for that fund was voted by residents for Storm *Drain* maintenance? Certainly Sacramento has changed the laws to allow anything tangentially related to storm water to fall in the Storm Drain/Sewer definition, but that wasn’t the case when the voters approved the measure. Nor was the allocation of city overhead (“CRC”) to the fund, nor were the various storm water treatment mandates imposed by various governmental districts. Nor was street sweeping included in those costs back then—those costs only came over to Storm water when Carmany identified the separate street sweeping levy as unconstitutional (it was previously included in the waste management department).

If you thought that street sweeping charges would be supported by residents, then that should have been addressed along with the refund. But I think you know there is insufficient support for paying for year-round street sweeping, and so you want to fool the residents by bundling it in with storm water.

This fund is in a “deficit” and being “subsidized” only because staff has arranged definitions and pounded in unrelated costs so that it forces a deficit, and doesn’t present the real aspects of events and the related decision-making points. And, face it folks, increasing storm water fees to then free up general fund money to spend on non-storm water programs is the same as imposing a UUT for the non-storm water programs. Of course, not imposing a UUT (when most other cities have one) is pretty much a “subsidy” for the hotel/restaurant industry.

For the City Manager’ Budget Message to say “unmitigated, these subsidies will eventually cause service level reductions in the most basic of services valued by our public,” is in fact unmitigated gall. There is no way any CM would hold their job in this town if there is a “service level reduction in the most basic of services valued by our public.” We live in one of the wealthiest towns in the U.S., without significant crime or welfare need (or even snow removal, or brush fire, or landslide costs). If our basic services cannot be met while “subsidizing” storm water, then maybe it’s time for the CM to start defining his terms (or quit talking in hyperbole). Frankly, I could identify about 5 employees at the manager or senior level that could be removed and few would notice.

Also, in respect to storm water, it seems intentionally deceptive not to include mention of the proposed county storm water tax slated for November.

The orientation toward confining expenditures to specific revenues does not allow for understanding the mix of resources that can be used to achieve a desired goal, and even confuses staff. Thus we get sentences like “Prop A is being subsidized . . .” when Prop A is a county revenue measure, not a program expenditure fund. Two years ago Bruce Moe was trying to explain our various funds (at a JosylN meeting—look it up, it’s on tape) and was saying that funds from one program cannot be used to supplement other funds—but forgot that the General Fund can supplement anything. This also leads to such sentences like “Dial-a-Ride’s shortfall was subsidized by Measure R transportation dollars, which are now being redirected back to their intended primary use of roadway and sidewalk projects” — Measure R is a transportation fund to be primarily used for things like Dial-a-Ride (and other transportation-related projects).

Because of this orientation to the revenue side to define programs (instead of defining the expenditures and then identifying the revenues), we get classifications such as the recreational bus trips charged against “Prop A,” when instead the excursion costs should be classified and tracked to a program expense (such as Older Adults, or welfare), where for instance the Prop A funds used for this should be clearly associated. Then we can make judgement calls as to whether we want Prop A funds to be for teen ski trips, or maybe those funds could be used for some intra-city transportation programs to better benefit the population.

Now, as to Lighting/Landscaping. To me, regardless of what voters approved over two decades ago to defeat Prop 13 restrictions, storm water is not a “subsidized” cost, because the program inures to the general benefit. I would say the same as to generic street lighting. To the extent, though, that some groups (Strand/Gas Lamp/Village) are benefitting from discretionary ornamental lighting or exclusive use, then there is a real subsidy when those who benefit are not paying the costs—especially to the 1000% subsidy enjoyed by the Strand owners for years. This is even more egregious when all the lighting districts had fund balance stripped out to fund the Strand lighting with the anticipation that the fund would be soon replenished with a voted hike—and that never happened.

Now, let’s talk about a real “subsidy.” We get a significant amount of revenues from the Marriott property and the Country Club. Parks and Rec seems to get \$45k annual from field lease revenue. I believe there is sort of a building rental component to the City Recovery Costs. In the main, nothing is done by staff to “earn” these revenues, but all these proceeds get put into unsegregated general fund revenues, which then goes to “subsidize” various activities (such as unnecessary and exorbitant staff salaries, benefits and pensions). I see from the last meeting that Council is acting to get field fees escrowed. That’s good. We need to do the same for these other revenues (they should go to CIP-facilities).

In the budget documents, Staff refers to 20% expenditure reserves are “prudent.” Actually, they are excessive, and automatically add 20% to all new expenditures. 14% reserves would still get us a AAA rating (for all the good that’s done us).

As to new and upgraded staffing: I see the same step-and-grade dance that has become all too familiar. I would like to see something that shows how my life will be so much better if we just add new positions or pay people more for the same job. Still waiting for the effects of the four civil engineers authorized last year. Remember that each time a new person is hired, that increases the HR/administrative burden and pension and benefit costs for years in the future, and stresses the city's office infrastructure. I believe that until public employee pension and benefit costs become more aligned with those received by the people paying for it (the taxpayers), that in the long run it is better to outsource—including the ability to scale back during recessionary times. [The same goes for purchased equipment, that needs housed and maintained, and becomes obsolete quicker compared to rented equipment.]

If the Management Analyst mentioned is the one currently in charge of community engagement activities and online civic engagement, I would suggest you first review these activities to determine if the community is really getting any benefit (because in general, I find city efforts in this area really bad). And we somehow managed to do better in earlier years without a management analyst.

For Staff (per the powerpoint slide at the council meeting) to say that the upgrade of the Management Analyst results in a Management Service “net savings” of \$458,347 is pure sophistry. When two positions are eliminated that never should have been allowed in the first place, one cannot claim a “savings.”

I continue to disagree with not budgeting to full authorized capacity. A different policy would allow more fund balance accumulation at year end for facility utilization.

The Insurance Fund “decrease” suggests more staff hijinks. It was just a year or so ago that a windfall from the Marriott sale was used in part to augment the “distressed” Insurance Fund. That was money that could have been used for facilities. I strongly recommend that the regular insurance charge-out continue, and the \$1.5M generated be reverted to supplemental CIP-facility funds. I would also recommend the finance committee to do a deep dive on this fund's activities for the past two decades to see how it has been used as a way to soak up windfall revenues without charging out to the departments, again diverting funds from CIP-facilities.

On page 23 of the CM's budget message, it shows \$420K being used for the Aviation and 33<sup>rd</sup> sidewalk. Your Mobility Plan says “for areas with intermittent sidewalks, the priority will be on implementing sidewalks over time as the adjacent properties develop or turnover and also focusing on streets and paths leading to schools and other pedestrian destinations.” There is nothing in this project that meets this factor of the Mobility Plan. The area not only has an adjacent parking lot accessible for pedestrians, but also a wide sidewalk on the other side of the street. This is either a subsidy of the large adjacent defense contractor, or a totally useless expenditure designed to use up transportation funds so they are not used for something like, perhaps, intracity transit. If you are going to approve this expenditure, I believe you owe residents an explanation why the Mobility Plan is not being followed.

As to the use of Measure M funds for Curtis and 1<sup>st</sup>, although it seems to be an important project, sidewalks were way down the list of items to be funded by Measure M, and I believe voters approved

the Measure to improve traffic flow. Using funds from another source would free up Measure M funds for their more intended purpose.

In ending, I often cite back to the three city amenities identified in a Hermosa Beach-commissioned study of the features residents remember most: trees, trails and transit.

**Transit.** The Downtowner has demonstrated that a intracity transit system would be well used. It is time that you folks embrace such. I have no idea why the opposition. If nothing else, start with some one-off projects and build from there. Certainly if you want more visitors downtown, it is far more efficient to build a transit system than a parking garage.

**Trails.** If you folks don't really want to get behind an intracity transit program (because, hey, people might use it), then perhaps consider traffic signal synchronization. The light at Highland and Rosecrans allows way too much east/west traffic and holds up way too much north/south. Same for left turns on westbound Rosecrans (left turn light shuts off just as you get there; reactivates when after a lull traffic is coming in the opposite direction and holds up that natural traffic stream).

I cannot understand your spend on bike lanes except for the brownie points. One can easily see there has not been a material increase in ridership or safety as a result, and glopping up the view in the process (see, for instance, the one-sign-per-block on the south side of Rosecrans, where it is already obvious where there is a bikelane). You need to come up with more bolder ideas in respect to biking, including a carve off from the parkway and at least two safe cross-Sepulveda transits.

You need to spend more money on Strand steam cleaning given the increase in dog ownership, and need to keep the Strand bikeway swept (as per the recent TBR letter to editor). You need to proactively keep sidewalks clear of foliage, and when sidewalks are not present, you need to enforce vehicle parking so there is room for pedestrians (see, Tree Section).

Greenbelt Jogging Surface. Again, you need to improve the greenbelt jogging path by somewhat leveling the surface under the chips. It would be too soon and not cost effective to do that this September (should have been done last September), but should budget for 2019. The exception is the portion of the pathway used by the Hometown Fair, which should be reconstructed each year after that use. This regular maintenance used to be done within the Public Works budget without special appropriation.

**Trees.** Again there is no programmatic focus in this budget. There is only one mention of trees in the 136 pages of budget, for a city that prides itself on its environmental husbandry, and that involved monitoring trees for sidewalk incursion. And I recall at least one councilmember calling for a more structure tree planting and preservation program. We have lost a number of trees in the parkway and Sand Dune in the past couple years that I know of. And none have been replaced. This needs formally addressed in the budget.

Thank you for your consideration.

Gary Osterhout