



**CITY OF MANHATTAN BEACH CITY HALL**

1400 Highland Avenue, Manhattan Beach, CA 90266

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

**FROM:** Steve Charelian, Finance Director

**MEETING:** City Council Regular Meeting, May 4, 2021

**SUBJECT:** Agenda Item No. 9 – Fiscal Year 2021-2022 Proposed Operating Budget.

**DATE:** May 4, 2021

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## **SUPPLEMENTAL ATTACHMENT**

- PowerPoint Presentation



# CITY OF MANHATTAN BEACH FY 2021-2022 PROPOSED BUDGET

MAY 04, 2021



# AGENDA

- Overview of Budget Process
- FY 2021-2022 Proposed Budget
  - Source of Funds (Revenues)
  - Use of Funds (Expenditures)
  - Recommended Changes Included in the Proposed Budget
  - Five Year Forecast and Reserves
  - Attachments
- Questions



# BUDGET SCHEDULE

MAY							JUNE						
Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su
26	27	28	29	30	1	2	31	1	2	3	4	5	6
3	4	5	6	7	8	9	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28	29	30	1	2	3	4
31	1	2	3	4	5	6	5	6	7	8	9	10	11

- May 4 Proposed Budget Introduction
- May 11 Budget Study Session #1
- May 18 Proposed CIP Discussion and Budget Discussion
- May 25 Budget Study Session #2 (if needed)
- June 1 Budget Discussion (if needed)
- June 15 Public Hearing Operating Budget & CIP Adoption

Directed Changes will be incorporated by Resolution at time of adoption in June.

All meetings held will be Live Streamed and Broadcast



# FISCAL OUTLOOK

- Full extent of revenue impacts to be determined
- American Rescue Plan (ARP) Act funds of \$6.6 million included
- Stormwater Fund and Streetlighting & Landscape Fund subsidies continue to impact General Fund
- Pension Obligation Bond debt service payments of \$5.7 million included
  - Successful POB sale resulted in additional savings of approximately \$172,000, which will be incorporated in final budget for adoption
    - Additional savings to be split 40% CIP Fund / 60% Pension Stabilization Trust Fund per Pension Policy



# Proposed Budget

By the Numbers...



# FY 2021-2022 SUMMARY

## Total City Budget

• Revenues	<b>\$133.1 million</b>
• Expenditures	<b>\$135.2 million</b>
• Operating	<i>\$106.6 million</i>
• CIP and Equipment	<i>\$17.9 million</i>
• Debt Service	<i>\$10.7 million</i>

## General Fund Budget

• Revenues*	<b>\$81.3 million</b>
• Expenditures	<b>\$77.8 million</b>
• Operating Surplus	<b><u>\$ 3.5 million</u></b>
• Operating Surplus without ARP funds	<b><u>\$ 253,236</u></b>

\*Includes American Rescue Plan act funds of \$3.3 million; Does not include potential FEMA reimbursement



# FY 2021-2022 SUMMARY

## General Fund Reserve Estimates after FY 2021-2022

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• 20% of Expenditures Policy	\$15.6 million
• Economic Uncertainty	\$4.0 million
• American Rescue Plan Funds	\$6.6 million
• Unreserved Fund Balance	\$3.4 million

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## General Fund Balance impacted by transfers out to other funds:

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Fund subsidies:

- Stormwater Fund - \$1,007,849
- Street Lighting & Landscape Fund - \$180,784


Transfers in accordance UAL Pension Policy:

- Pension Stabilization Fund\* - \$603,944
- CIP Fund - \$450,000

\* Pension Stabilization Fund balance as of FY 2021 is \$1.7 million





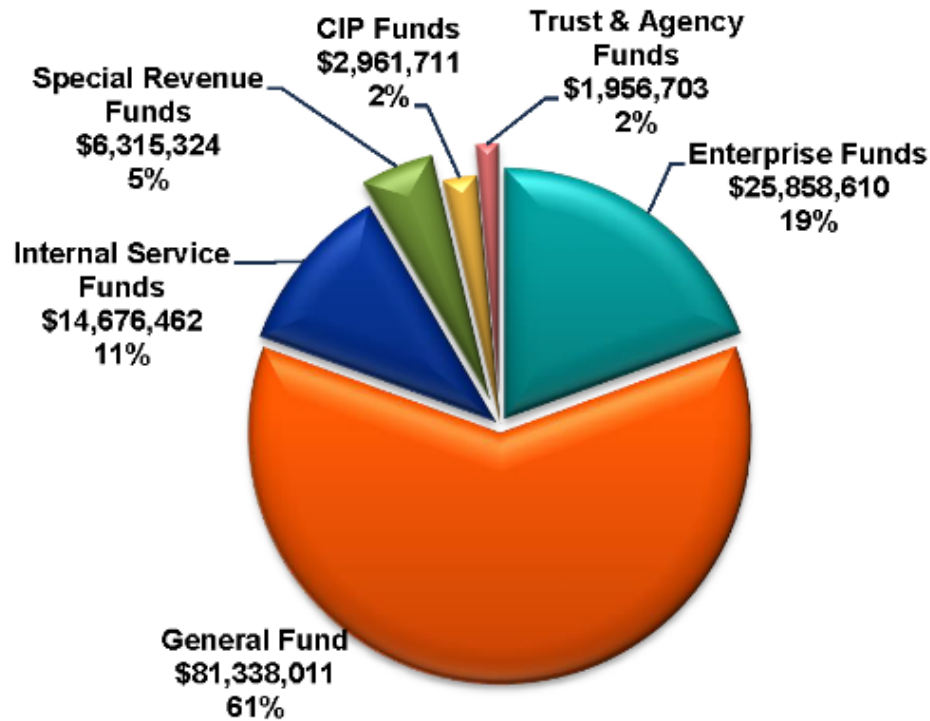


# Proposed Budget Citywide FY 2021-2022



# FY 2021-2022 SOURCE OF FUNDS

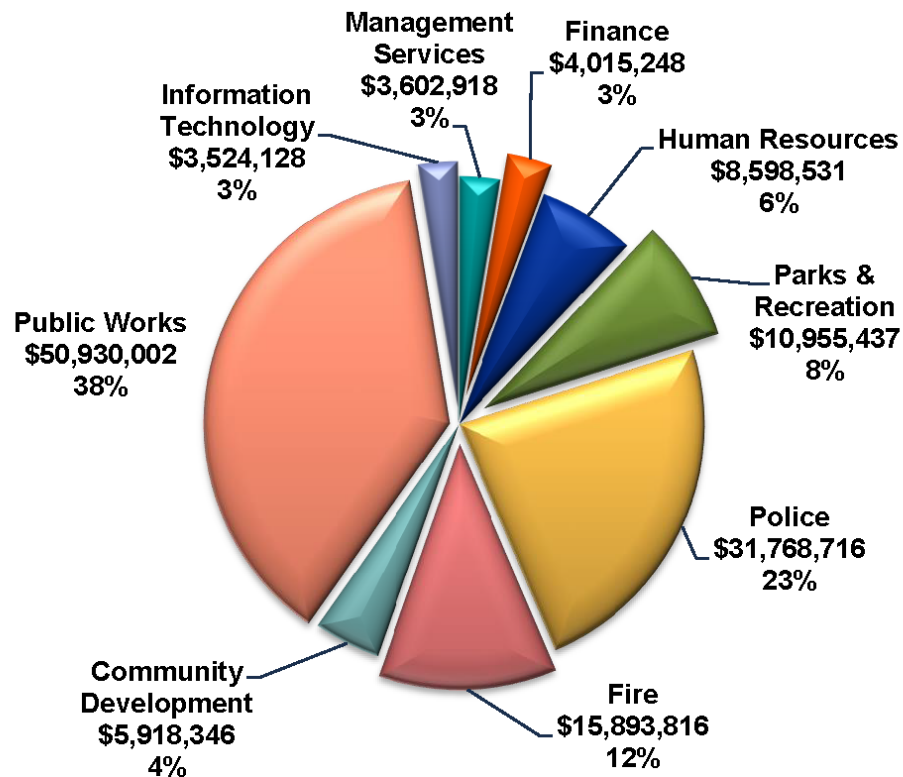
**Citywide = \$133,106,821**



# FY 2021-2022 USE OF FUNDS

## By Department

Citywide = \$135,207,142





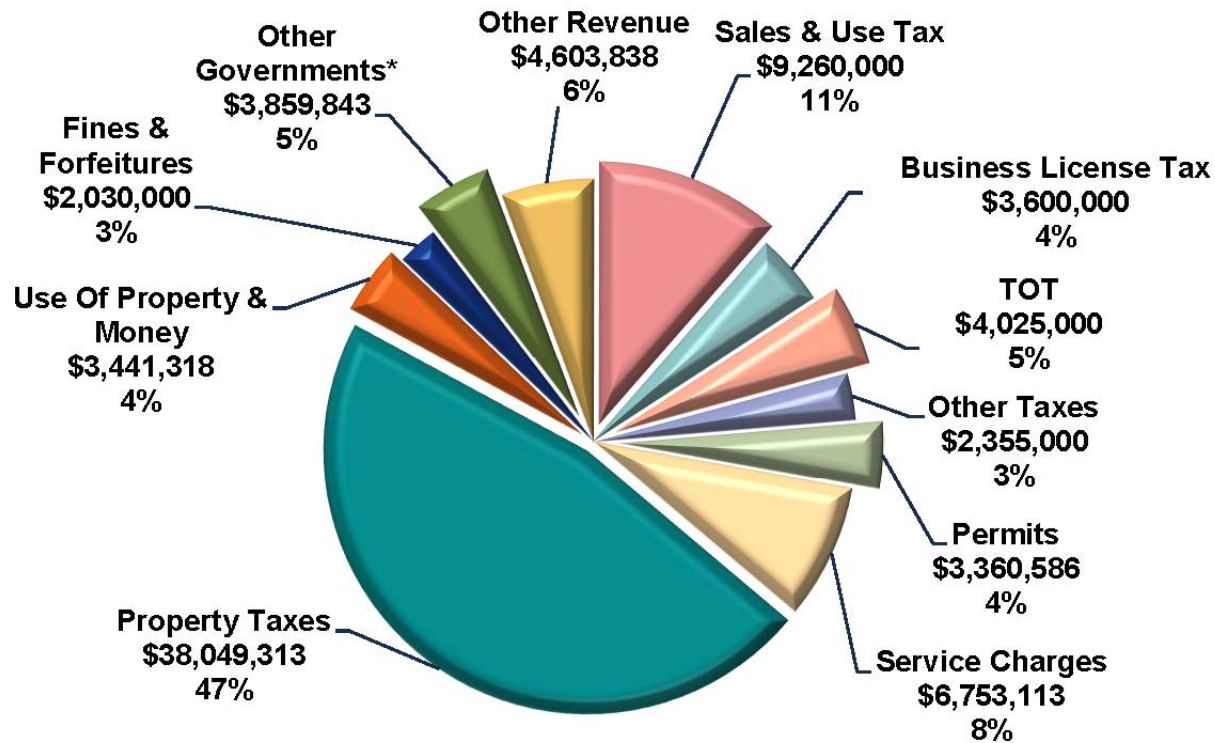
# Proposed Budget General Fund

FY 2021-2022



# FY 2021-2022 SOURCE OF FUNDS

**General Fund = \$81,338,011**

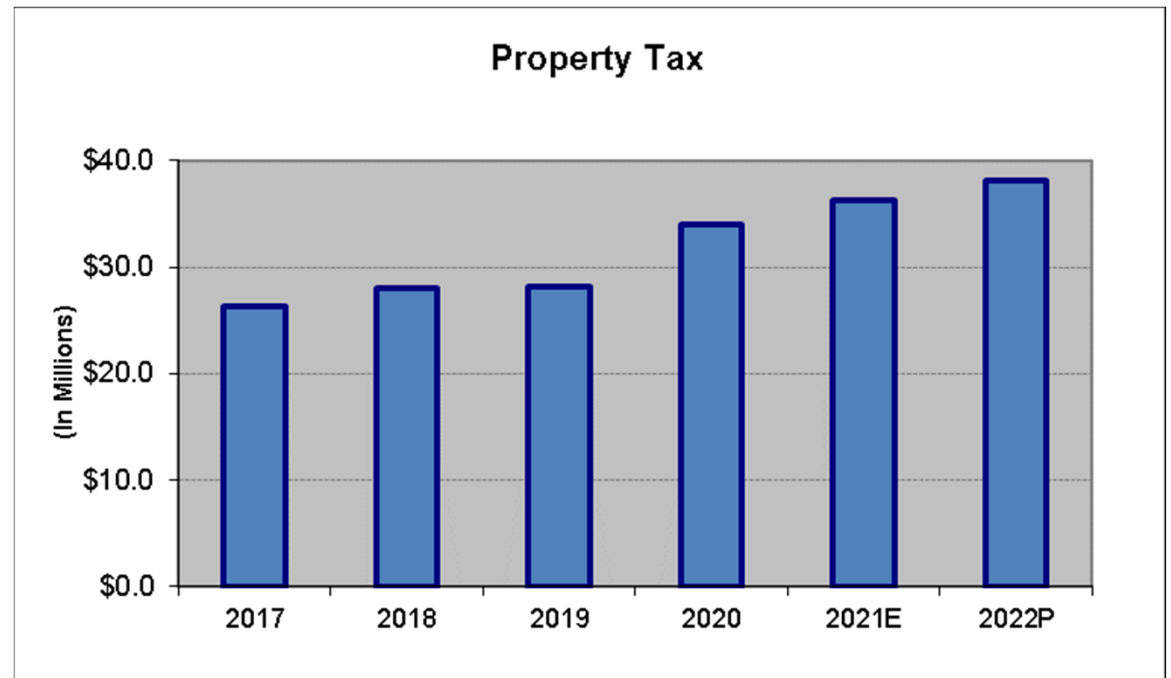


\* Includes second installment of American Rescue Plan Funds totaling \$3.3 million dollars



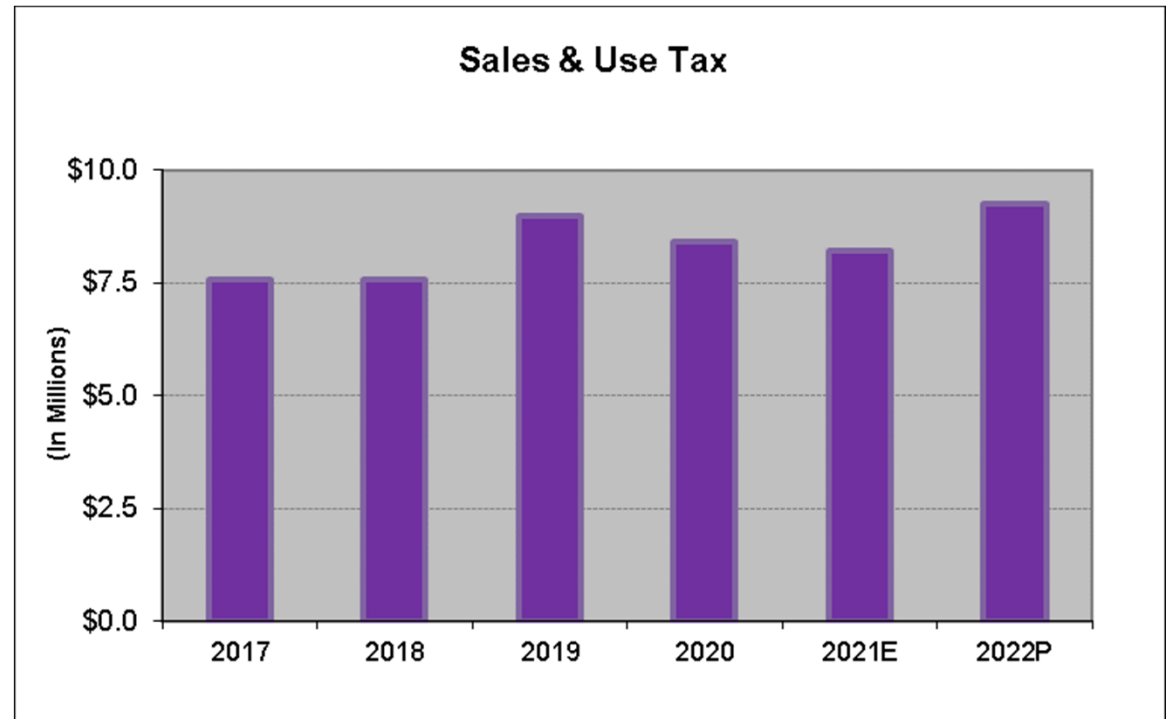
# GENERAL FUND REVENUES

- Property Tax remains the largest component of General Fund revenues
  - 47% of total General Fund Revenues
- Compared to the recent FY 2020-2021 projection, Property Taxes are estimated to increase by \$1.9 million (5.1%).
- Low supply and pent-up demand continues to bolster sales prices



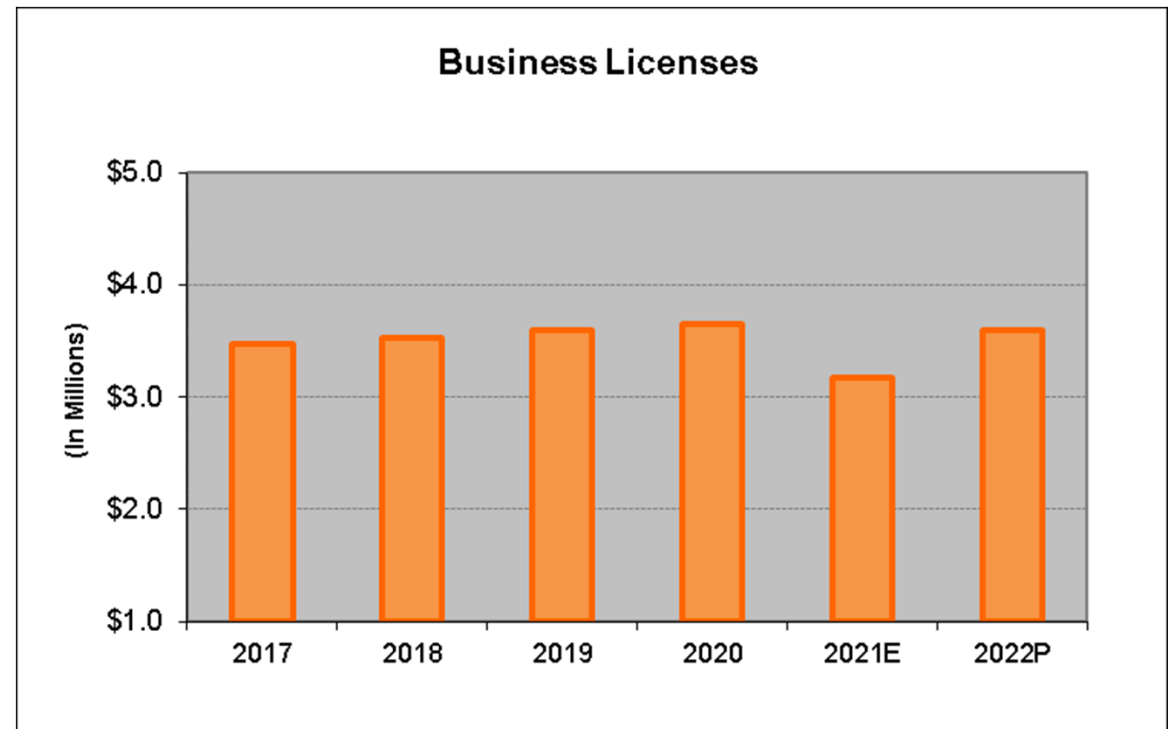
# GENERAL FUND REVENUES

- Sales Tax is second largest General Fund revenue source
  - 11% of General Fund Revenue
- Expected to increase from the FY 2020-2021 projection by \$1.1 million
- Post-pandemic rebound expected for retail and restaurants
  - New Manhattan Village Mall “Village Shops” open-air dining and retail space expected to be regional draw



# GENERAL FUND REVENUES

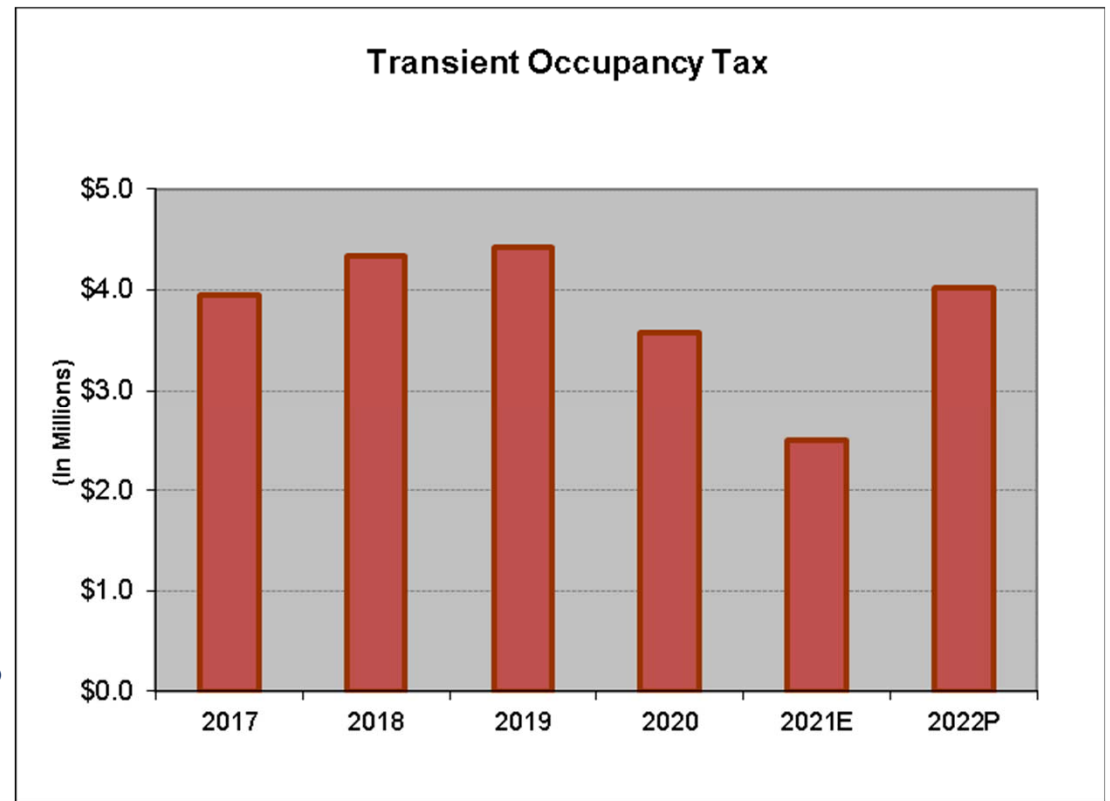
- Business License Tax is anticipated to increase \$425,000 above the FY 2020-2021 projection.
- Historically this revenue source has been stable with our business mix.
- Business license tax payments due date deferred.
- Business activity impacted by the Pandemic during the FY 2021.





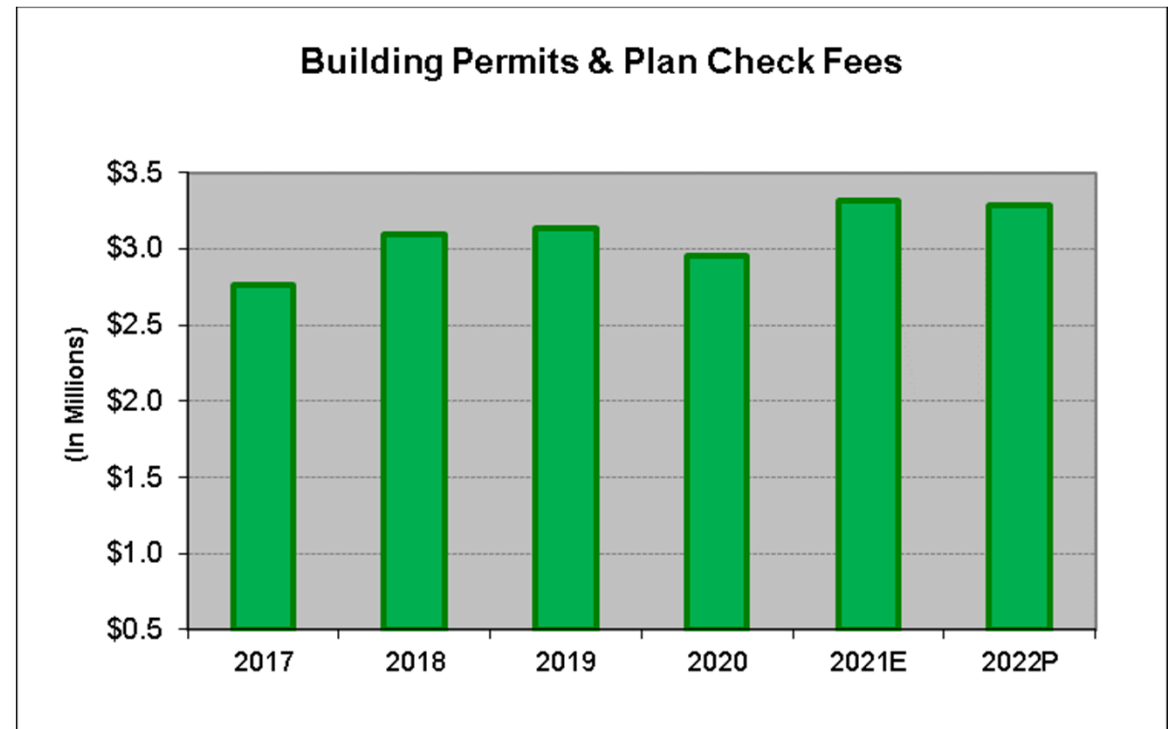
# GENERAL FUND REVENUES

- FY 2021-2022 TOT revenue is expected to generate approximately \$1.5 million (over the current year est.)
- Occupancy rates dropped as low as 25% during the pandemic
  - Resulting in revenue loss of \$1.9 million for FY 2020-2021 year end projections
  - FY 2021-2022 includes increase of \$675,000 from rate change from 10% to 12% (*Measure A*)



# GENERAL FUND REVENUES

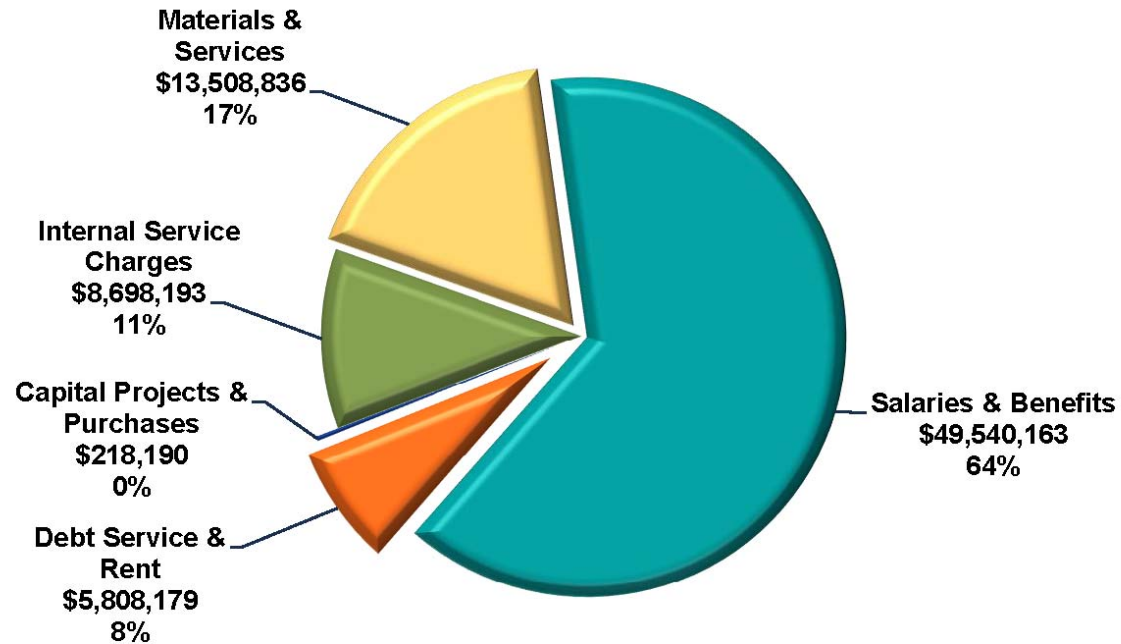
- Fees from Building Permits and Plan Check Services are expected to increase by \$55,000 over the FY 2020-2021 year-end projection.
- Residential and Commercial building activity remains strong within the City.
- City's new online permitting system has sped processing times and allows for easier online payments.



# FY 2021-2022 USE OF FUNDS

## By Category

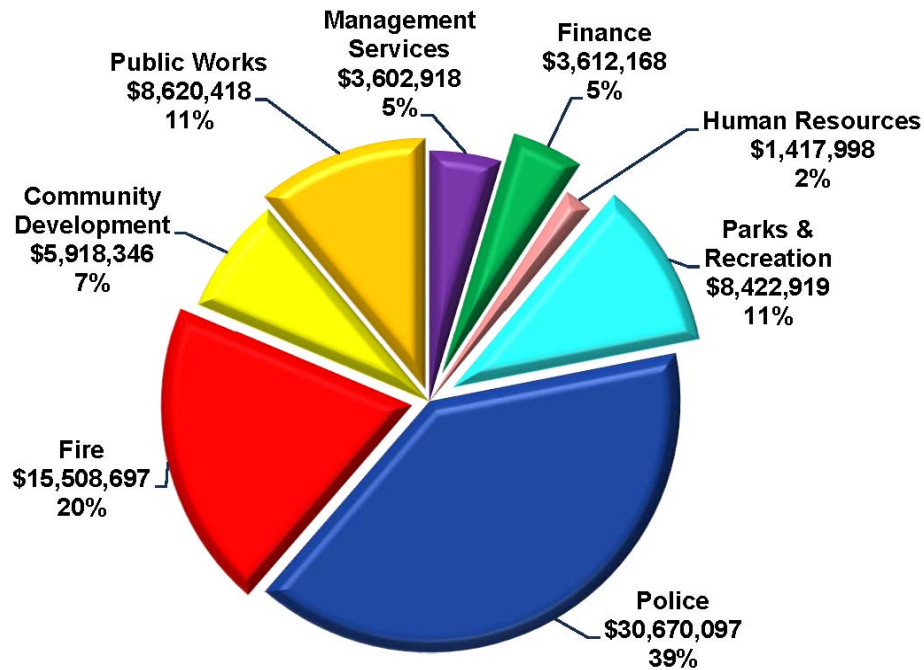
**General Fund = \$77,773,561**



# FY 2021-2022 USE OF FUNDS

## By Department

**General Fund = \$77,773,561**



# GENERAL FUND EXPENDITURES

- Salaries and benefit adjustments (e.g. pension contributions, medical insurance, etc.) included
- Vacancy factor of 4.0% (\$1.5 million) built-in
- Three vacant full-time positions remain frozen and not funded in FY 2021-2022 (savings of \$255,662)
- Other public safety and infrastructure needs included
- CalPERS pension obligations for UAL (past service) replaced by Pension Obligation Bond (POB) debt service
- Cost controls maintained where appropriate (e.g. Training & Conferences, departmental supplies, etc.)



# PROPOSED BUDGET

- Recommended personnel changes included in the Proposed Budget:
  - One net-new full-time position in Fire Department
    - Fire Inspector
  - Two new Code Enforcement Officers with no impact to full-time headcount
  - Other changes from department re-organizations, reclassifications, and under-filled vacancies
  - Early Retirement Incentive program resulted in net reduction of 5 full-time positions and savings of roughly \$507,953.
- All changes to be discussed by Departments during the Budget Study Session on May 11 at 6PM



# PROPOSED BUDGET

- Recommended changes included in the Proposed Budget:

## General Fund

• Reinstatement Landscaping Contract	\$164,377
• Citywide Speed Survey	\$50,000
• Police Station Access Control	\$49,500
• Patrol Vehicle In-Car Video	\$42,000
• Upgrade of Cellular Connectivity	\$30,000
• Purchase of 3 net new vehicles	\$110,000
(1 Fire Inspector and 2 Code Enforcement Officers)	



# PROPOSED BUDGET

- Recommended changes included in the Proposed Budget:

## IT Fund

• Technology Refresh Reinstatement	\$100,014
• Office365 Software Subscription & Implementation	\$75,000
• Storage Area Network Expansion	\$55,000
• Core Switch Redundancy	\$35,000
• Disaster Recovery Infrastructure	\$20,000
• OnBase Upgrades & Enhancements	\$18,000
• Secondary Fiber Connection to City Hall and the Public Safety building	\$10,000





# Five Year Forecast

## General Fund



# REVENUES & EXPENDITURES

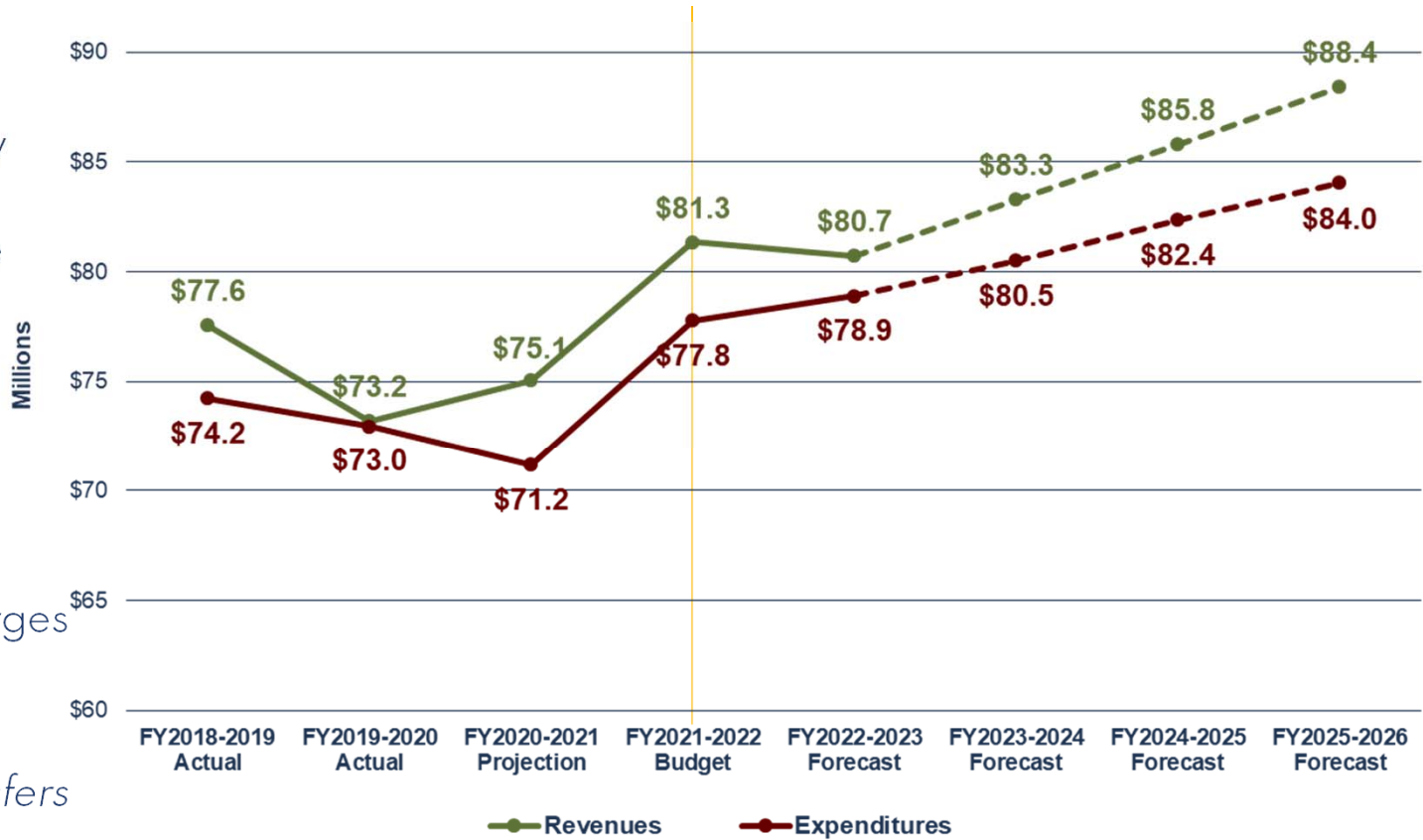
## Revenues include:

- Property Tax
- Sales & Use Tax
- Transient Occupancy Tax
- FY 21 & FY 22 include one-time ARP Funds

## Expenditures include:

- Salaries & Benefits
- Materials & Services
- Internal Service Charges
- Debt Service

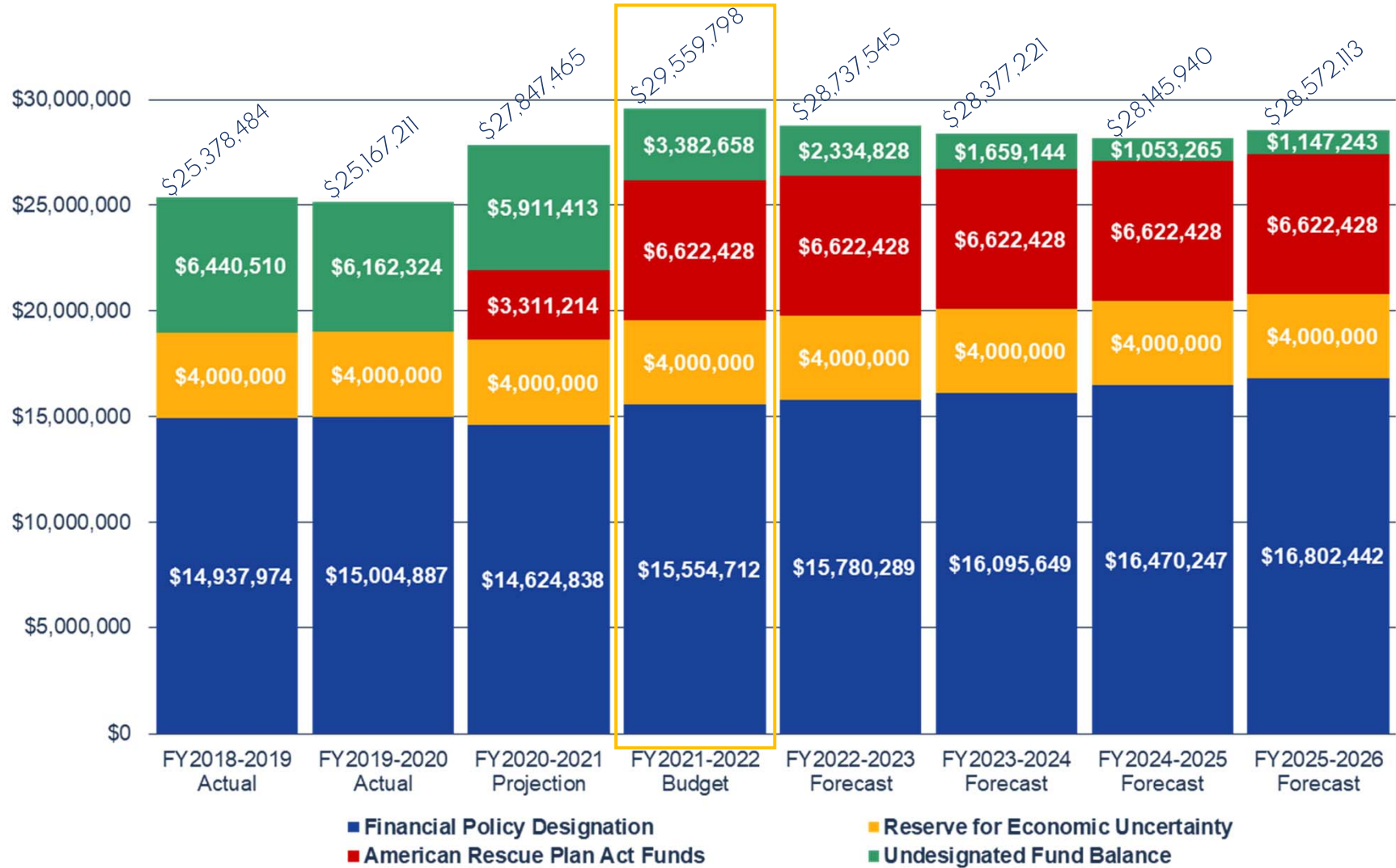
*\*Does Not Include Transfers In/Out*



Dashed lines represent forecasted projections



# ESTIMATED GENERAL FUND BALANCE



# POB ESTIMATED SAVINGS – 10 YEARS

- CalPERS UAL payments over the next 10 years were expected to vary between \$6.7 to \$10 million.
- Debt service for Pension Obligation Bonds now at roughly \$ 5.5 million annually
- Potential annual savings over the next decade will range between \$1.2 to \$4.4 million

Fiscal Year	CalPERS Payment	POB Debt Service	Estimated Savings
2022	\$6,754,607	\$5,523,117	<b>\$1,231,490</b>
2023	7,513,526	5,517,795	<b>1,995,731</b>
2024	8,005,770	5,518,470	<b>2,487,300</b>
2025	8,507,820	5,521,642	<b>2,986,178</b>
2026	8,765,371	5,518,478	<b>3,246,893</b>
2027	8,997,287	5,519,460	<b>3,477,827</b>
2028	9,237,346	5,513,315	<b>3,724,031</b>
2029	9,484,007	5,517,765	<b>3,966,242</b>
2030	9,737,446	5,514,757	<b>4,222,689</b>
2031	9,997,867	5,520,819	<b>4,477,048</b>
	<b>\$87,001,047</b>	<b>\$55,185,619</b>	<b>\$31,815,428</b>



# FY 2021-2022 SUMMARY

- General Fund Budget\*
  - FY 2021-2022 Proposed Budget Surplus: \$ 3.5 million
- Unreserved General Fund balance at year end
  - FY 2021-2022 Proposed Budget: \$ 3.4 million
- Fund Balance impacted by support to other funds:
  - Stormwater Fund \$ 1,007,849
  - Streetlighting Fund \$ 180,784
  - Pension Stabilization Fund\*\* \$ 603,944
  - CIP Fund\*\* \$ 450,000

\*Includes American Rescue Plan act funds of \$3.3 million; Does not include potential FEMA reimbursement

\*\*In accordance with UAL Policy



# PROPOSED BUDGET FY 2021-2022

## Questions

