

City Council Adjourned Regular Meeting

Budget Study Session
Tuesday, May 24, 2022
6:00 PM
Zoom Meeting



ELECTED OFFICIALS

Mayor Hildy Stern

Mayor Pro Tem Steve Napolitano

Councilmember Richard Montgomery

Councilmember Joe Franklin

Councilmember Suzanne Hadley

City Treasurer Tim Lilligren

EXECUTIVE TEAM

City Manager Bruce Moe

City Attorney Quinn Barrow

City Clerk Liza Tamura

Community Development Director Carrie Tai

Finance Director Steve Charelian

Fire Chief Michael Lang

Human Resources Director Lisa Jenkins

Information Technology Director Terry Hackelman

Parks and Recreation Director Mark Leyman

Interim Police Chief Derrick Abell

Public Works Director Erick Lee

MISSION STATEMENT:

Our mission is to provide excellent municipal services,
preserve our small beach town character, and enhance the quality of life for our
residents, businesses and visitors.

MANHATTAN BEACH'S CITY COUNCIL WELCOMES YOU!

By participating in City Council meetings, you are participating in the process of representative government. To encourage that participation, the City Council 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.

*The City continues to offer an opportunity to participate in Council meetings via Zoom. In the interest of maintaining appropriate social distancing, the City Council encourages the public to participate by submitting comments in advance of the meeting, no later than **5:30 PM, May 24, 2022** (the day of the meeting), via:*

- 1) eComment at <http://www.manhattanbeach.gov/ecomment>
- 2) email to cityclerk@manhattanbeach.gov or
- 3) telephone message recorded at **(310) 802-5030**.

All of your comments provided by the deadlines above will be available to the City Council and the public prior to the meeting.

In addition, you may participate by joining Zoom during the meeting. Instructions are provided on item D (Public Comments).

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.manhattanbeach.gov, 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.

Meetings are broadcast live through Manhattan Beach Local Community Cable, Channel 8 (Spectrum), Channel 35 (Frontier), and live streaming via the City's website.

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). Notification 36 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting. 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 Wednesday, May 18, 2022, 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)

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.

The City Council encourages the public to participate by submitting comments in advance of the meeting, no later than **5:30 PM, May 24, 2022** (the day of the meeting), via:

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All of your comments provided by the deadlines above will be available to the City Council and the public prior to the meeting.

NOON PUBLIC PARTICIPATION

If you wish to speak on any item on the agenda, please register in advance by clicking the following link: <https://citymb.seamlessdocs.com/f/publiccomment>, even when submitting this request you will need to use the "raise hand" feature via Zoom during the presentation of that Agenda Item in order to confirm with the City Clerk's Office that you wish to provide comments.

- 1) Join Zoom Meeting via the internet:

Direct URL: <https://citymb-info.zoom.us/j/93376200363>, Meeting ID: 933 7620 0363

During the meeting you will need to use the "raise hand" button through Zoom at the time the Agenda Item is being presented for City Council consideration.

- 2) Join Zoom Meeting via Phone Conference (Voice Only):

Phone Number: (669) 900-6833, Meeting ID: 933 7620 0363

During the meeting you will need to enter *9 on the phone's dial pad to "raise your hand" at the time the Agenda Item is being presented for City Council consideration.

Please note, the City is not responsible for the public's use of Zoom as it relates to the software, configuration, and setting on a personal device. The public is encouraged to visit the Zoom website for information on use of this software. The City's use of Zoom is consistent with the platform features and functions as described on the Zoom

E. GENERAL BUSINESS

1. Discussion of the Fiscal Year 2022-2023 Proposed Operating Budget and Five Year Capital Improvement Program (Finance Director Charelian and Public Works Director Lee).

[22-0261](#)

(Estimated Time: 3 Hr.)

DISCUSS AND PROVIDE DIRECTION

Attachments: [Links to Attachments](#)

F. ADJOURNMENT



Agenda Date: 5/24/2022

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Steve S. Charelian, Finance Director
Erick Lee, Public Work Director
Libby Bretthauer, Financial Services Manager
Julie Bondarchuk, Financial Controller
Marcelo Serrano, Management Analyst

SUBJECT:

Discussion of the Fiscal Year 2022-2023 Proposed Operating Budget and Five Year Capital Improvement Program (Finance Director Charelian and Public Works Director Lee).

(Estimated Time: 3 Hr.)

DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that the City Council provide direction on the Proposed Operating Budget for Fiscal Year (FY) 2022-2023 and Five-Year Capital Improvement Program (CIP) for fiscal years 2022-2023 through 2026-2027.

FISCAL IMPLICATIONS:

The Proposed Budget for FY 2022-2023 includes revenues and expenditures for all of the City's Funds. The document includes conservative estimates for ongoing operations as well as planned projects in the Capital Improvements Program (CIP).

As presented in the Proposed Budget, the General Fund had a projected surplus of \$1,210,209 in FY 2022-2023. Subsequently, the City Council approved part-time salary schedule adjustments at the May 17, 2022, City Council meeting resulting in an increase of \$130,000 to General Fund Expenditures. Based on these adjustments, the City's General Fund is now projected to have a surplus of \$1,080,209 in FY 2022-2023 as reflected below.

Revenues	\$86,453,227
Expenditures	<u>\$85,373,018</u>

FY 2022-2023 Revised Budget Surplus \$ 1,080,209

The City’s current Financial Policy reserve is 20% of operating expenditures, or about \$17.1 million in FY 2022-2023, which is greater than the Government Finance Officers’ Association (GFOA) recommendation of “no less than two months (17%) of regular general fund operating revenues or regular general fund operating expenditures.” In addition, the City Council has set aside \$4.0 million as an “Economic Uncertainty” reserve.

After taking into account the projected operating surplus of \$1,080,209 and net transfers out from the General Fund totaling \$7.3 million, the General Fund Unreserved Fund Balance is estimated to be \$7.35 million at the end of FY 2022-2023. These funds may be drawn upon for one-time projects and initiatives (they may also be necessary to subsidize future years’ revenue shortfalls in the Storm Water Fund and the Street Lighting and Landscaping Fund as is currently anticipated in the five year forecast). The City’s financial position is a result of judicious decisions for cost controls, including long-term pension cost reductions through the issuance of Pension Obligation Bonds (POBs), as well as a practice of balancing the budget and ensuring adequate reserves.

BACKGROUND:

On February 18, 2022, staff presented the FY 2021-2022 Mid-Year Budget report. Year-end estimates for FY 2021-2022 indicate that revenues will exceed expenditures by about \$8.5 million before transfers. Excluding the one-time American Rescue Plan Act (ARPA) funds of \$4.2 million, the projected surplus would be \$4.3 million. This anticipated surplus is primarily due to temporary cost controls adopted with the FY 2021-2022 Budget, unanticipated savings from vacant positions, and revenues exceeding conservative estimates.

Revenues	\$86,966,164
Expenditures	<u>78,452,354</u>
FY 2021-2022 Year-End Projection	\$ 8,513,810
FY 2021-2022 ARPA Allocation	<u>(4,208,260)</u>
FY 2021-2022 Projected Surplus	\$ 4,305,550

Based on the year-end projection, the unreserved (available) General Fund balance on June 30, 2022, is projected to be \$15.1 million after accounting for financial policy designations. These funds will be needed to fund capital priorities and relieve future anticipated deficits in the Stormwater Fund and Street Lighting & Landscape Fund.

DISCUSSION:

The FY 2022-2023 Proposed Budget was presented at the May 10, 2022, City Council Budget Study Session. After an initial Budget Overview presentation, departments presented expenditures by program, performance measures/metrics, key objectives for FY 2022-2023, and investments in service delivery, maintenance and infrastructure.

Subsequently, at the May 17 Regular City Council meeting, two items were approved with budget implications for FY 2022-2023.

- 1) Part-time Salary Adjustments: Part-time salary schedule adjustments will increase General Fund expenditures by \$130,000.

2) Senior and Scout Community Center: The City Council dedicated an additional \$1.9 million to the Senior and Scout Community Center project. This funding will be budgeted in the CIP fund in FY 2022-2023.

To offset the impact to the CIP Fund, staff recommends a re-allocation of the budgetary “savings” transfers that resulted from the issuance of Pension Obligation Bonds in 2021. A Pension Liability Policy was approved by the City Council in 2021 to provide guidance on the allocation of “savings” with the baseline standard being 40% to the CIP Fund (for debt service or capital projects) and 60% to the Pension Stabilization Trust Fund (for future pension costs). The Policy also states that a recommendation for the precise allocation will be determined annually during the budget process.

Accordingly, the recommended allocation for the total transfer of \$1,995,731 in FY 2022-2023 is:

- **\$1,596,585 (80%)** to the CIP Fund. This transfer is sufficient to pay for debt service on Fire Station No. 2 (\$400,875) and help fund capital projects, including the Senior and Scout Community Center.
- **\$399,146 (20%)** to the Pension Stabilization Trust Fund. The City Council has the discretion to use funds accumulated in the Trust fund to pay ongoing pension costs directly to CalPERS, which would provide General Fund relief if needed.

The standard allocation of 40% to the CIP Fund (for debt service or capital projects) and 60% to the Pension Stabilization Trust Fund (for future pension costs) will continue to be programmed in future years of the Five Year Forecast.

With the reduced transfer to the Pension Stabilization Trust Fund, the estimated ending fund balance in FY 2022-2023 will be \$2.9 million.

Budget Process and Opportunities for Community Input

The budget@manhattanbeach.gov email has been useful for gathering input from the community, and it will once again remain active throughout the budget process in order for the community to communicate budget priorities to staff.

The Beach Reporter recently included an advertisement announcing the following budget discussion schedule:

Tuesday, May 10 City Council Meeting Budget Study Session #1 - 6:00 PM
Tuesday, May 24 City Council Meeting Budget Study Session #2 - 6:00 PM
Tuesday, June 7 Regular City Council Meeting - Public Hearing and Budget/CIP Adoption -
6:00 PM

PUBLIC OUTREACH:

Future opportunities for public input are described above.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not 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.

ATTACHMENT:

1. Links to Attachments



CITY OF MANHATTAN BEACH CITY HALL

1400 Highland Avenue, Manhattan Beach, CA 90266

WEBSITE: www.manhattanbeach.gov • **PHONE:** (310) 802-5000

LINKS TO ATTACHMENTS

ATTACHMENT: [Fiscal Year 2022-2023 Proposed Budget](#)

ATTACHMENT: [Five Year Capital Improvement Program \(CIP\) Schedule of Projects by Fund](#)

