



Agenda Item #: \_\_\_\_\_

# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Cohen and City Council

**FROM:** Geoff Dolan  
City Manager

**DATE:** April 15, 2009

**SUBJECT:** Consideration of Request from the Manhattan Beach Unified School District for Financial Assistance for the 2009 -2010 Budget Year

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**RECOMMENDATION:**

The City Council School Sub-committee, Mayor Cohen and Councilmember Tell, recommend approval of a \$1 million contribution to the Manhattan Beach Unified School District for the 2009-2010 school year. They further recommend that it be spent to replace spending reductions as prioritized by the Manhattan Beach Unified School District School Board.

**FISCAL IMPLICATION:**

This contribution will increase the City's projected General Fund deficit from \$3.6 million to \$4.6 million for the 2009–2010 budget year. This shortfall can be made up by one or more of a combination of reducing General Fund expenditures, use of reserves and new General Fund revenues. The proposed City Budget will be presented to City Council on May 19<sup>th</sup> and an all day budget meeting is scheduled for May 26<sup>th</sup>.

**DISCUSSION:**

The City of Manhattan Beach and the Manhattan Beach School District have a long history of working cooperatively in the best interest of our community. In 2008, City Council committed to building an even stronger partnership with the School District. As a result, the Council/School District Subcommittee was reenergized and began meeting several times throughout the year to discuss areas of collaboration. The focus of the most recent subcommittee meetings have been financial collaboration, due to this year's even greater shortfall in state funding to the District as a result of the budget crisis.

For many years now the City and School District have maintained agreements allowing for the shared use of facilities such as Begg Pool, the Mira Costa tennis courts and various other school facilities, as well as parks and school fields. The school district recently extended special invitations to seniors for school events and of course our police department has provided School Resource Officers and the Crossing Guard Program, plus maintains the School's athletic fields. These services cost the City over \$1 million dollars (see list attached). This has helped allow the

School District to focus their resources on education and maintaining our school system as one of the very best in the State of California.

As a result of the recent budget crisis faced by the State of California, our School District has been faced with the need to reduce expenditures. These have been so significant that this year, 2008-2009, the City of Manhattan Beach made a direct financial contribution to the School District of \$520,000.

In 2008, the District was successful in passing Measure BB, a bond initiative that would enable the District to refinance old debt and free up monies for teachers and curriculum. However, due to the continuing financial challenges and because of the market conditions making it unfavorable to the taxpayer to refinance their Certificate of Participation (COP) debt the District is asking the City to provide financial assistance again this year. Their request is for \$1 million. Understanding the District's plans to refinance their debt in the coming year and recognizing that this will then free up approximately \$1.3 million in the School's General Fund for future years, this is requested as a one time contribution.

The Subcommittee has had preliminary discussions about a long-term strategy to deal with these challenges. Possibilities for the future might include City lease of surplus school property, devotion of a portion of a new City revenue stream such as a Utility Use Tax or an increased existing revenue stream such as the TOT. It also must include consideration by the School District of a Parcel Tax as in many other districts. It is the intention of the Subcommittee to continue to explore these and any other ideas that will provide long term solutions.

While the City staff certainly values and appreciates the importance of the schools in our community we have some serious concerns about the City's ability to further contribute financially to the schools. Staff strongly recommends that if this contribution is made this year, it is clearly understood to be for one year only, to assist in the current economic difficulties and the inability to refinance Certificates of Participation.

As the City Council is aware the City is facing its own General Fund challenges with a projected deficit of \$3.6 million for next year. As we discussed during the Mid Year Budget Review we have developed a structural General Fund deficit, meaning for the foreseeable future General Fund revenues will not be sufficient to cover the General Fund expenses. While it will be possible to reduce some expenses for next year without affecting services we are certain the entire shortfall will not be able to be covered in this manner. We will have to look hard at all spending and in some cases determine what service levels we are willing to reduce. Staff looks forward to our comprehensive budget review process.

The use of reserves is another budget balancing strategy that we can consider and will likely be necessary to some extent for 2009-2010. But contrary to what has been suggested by some, our reserves are not extensive by any means. Even if one counts some miscellaneous reserves such as our Fleet, I.S., or our CIP fund our resources are appropriate for a well run fiscally sound full service, AAA rated municipality. Further if one looks at our Insurance reserves (both liability and workers comp) it can be argued that \$2 million is insufficient given the liability insurance deductible of \$500,000 and workers comp deductible of \$750,000.

In terms of what the general practice is throughout the State of California it is still rare to find city governments that make direct contributions to their school districts. Most cities face their own challenges of meeting every day municipal services such as police and fire, park and street maintenance, code enforcement and other services that are vital to a safe, healthy, thriving community.

While there is a general perception that Manhattan Beach is a high wealth community that does not necessarily translate into exceptional city revenues or for that matter General Fund spending. In fact over the years city councils have been very conservative in our spending. With regard to employee salaries (the largest percentage of our budget), other than police, our salaries and benefits are mid market or slightly below average. Our fire staffing levels are well below average and other departments do not have excessive staff for the services expected of us.

For comparison purposes I thought I would share some information contrasting Beverly Hills, Santa Monica and Manhattan Beach. (Cities that provide school funding).

|                         | Manhattan Beach   | Beverly Hills    | Santa Monica     |
|-------------------------|-------------------|------------------|------------------|
| Population              | 35,000            | 35,000           | 90,000           |
| General Fund            | \$52,000,000      | \$173,000,000    | \$250,000,000    |
| Revenues Per Capita     | \$1,486           | \$4,943          | \$2,778          |
| Sales Tax Per Capita    | \$223             | \$700            | \$342            |
| Sales Rating State Wide | 106 <sup>th</sup> | 12 <sup>th</sup> | 32 <sup>nd</sup> |

I am the first to admit that comparing these types of numbers is difficult. Without extensive work it's tough to make sure we're comparing apples to apples. Never the less the order of magnitude does provide some insight.

Finally many city councils and employees have worked diligently to make solid financial decisions over the years to make sure Manhattan Beach remained fiscally sound. We have been successful and even rewarded with a AAA bond rating (which allows us to borrow money at the lowest possible rates). I urge Council to proceed cautiously as decisions made today will have ramifications down the road.

**CONCLUSION:**

In conclusion the City is not immune to these difficult economic times and it is facing serious budget challenges of its own. Going forward it is certain levels of service must be reduced and or new revenue streams generated. Direct City to School District contributions is uncommon in the State of California. While Beverly Hills and Santa Monica are often cited as cities that do so, it is clear they have resources beyond those we have in the City of Manhattan Beach. If the Council makes a financial contribution to the schools for next year, the staff strongly recommends it be the last time unless a new City revenue stream is guaranteed. Otherwise, the schools will be supported at the expense of adequate City services.

## City Support for School District Activities

| <b>Annual On-Going Support Description</b>                                                                          | <b>Amount</b>       |
|---------------------------------------------------------------------------------------------------------------------|---------------------|
| Field Maintenance                                                                                                   | \$ 177,105          |
| School Resource Officer (2)                                                                                         | \$ 327,311          |
| Crossing Guard Program                                                                                              | \$ 301,800          |
| Water for School Fields                                                                                             | \$ 59,800           |
| GRAD Night Support                                                                                                  | \$ 7,500            |
| School Bus Passes (Proposition A)                                                                                   | \$ 5,570            |
| Arts in Education Grant                                                                                             | \$ 12,000           |
| Begg Pool Maintenance                                                                                               | \$ 26,000           |
| Purchasing of Fuel from City (annual savings over purchasing at retail)                                             | \$ 2,300            |
| Mira Costa Football Game Security                                                                                   | \$ 11,700           |
| Mira Costa Graduation Security, Traffic/Parking Support                                                             | \$ 2,823            |
| Fees waived for support of the Grandview 5K run                                                                     | \$ 8,944            |
| Fees waived for support of the Robinson Fun Run                                                                     | \$ 10,584           |
| <b>Annual Total</b>                                                                                                 | <b>\$ 953,437</b>   |
| <b>One-Time Support Description</b>                                                                                 |                     |
| <b>Amount</b>                                                                                                       |                     |
| FY 2008-2009 Cash Contribution                                                                                      | \$ 520,000          |
| Polliwog Park Playground Improvements (2008)                                                                        | \$ 812,424          |
| Mira Costa Track Rehabilitation (2003-2007)                                                                         | \$ 50,000           |
| Arts in Education Master Plan (1997-1998)                                                                           | \$ 2,500            |
| Fencing at Grandview School (1998-1999)                                                                             | \$ 1,000            |
| Community Survey (1998-1999)                                                                                        | \$ 7,750            |
| Begg Pool Enhancements:                                                                                             |                     |
| Replastering (2007)                                                                                                 | \$ 62,390           |
| Shade Structure (2004)                                                                                              | \$ 6,000            |
| Replacement of Swim Lanes (2006)                                                                                    | \$ 5,000            |
| Dry Decking for Locker Rooms (2006)                                                                                 | \$ 3,000            |
| Community Gardens at Several Elementary Schools (2003)                                                              | \$ 10,000           |
| Gate and Walkway Improvements at MCHS for Anticipated Parking (2004)                                                | \$ 25,000           |
| Improvements to Mira Costa main student parking lot (removal of tree roots and construction of 25 new spaces (2004) | \$ 25,000           |
| Grandview Parking and Traffic Improvements (2006)                                                                   | \$ 25,000           |
| Flashing School Crossing Beacons at MBB and Redondo (2007)                                                          | \$ 8,500            |
| Robinson School Parking and Traffic Improvements (2007)                                                             | \$ 4,016            |
| Pacific School Parking and Traffic Improvements (2007)                                                              | \$ 2,844            |
| Windscreens at Mira Costa tennis Courts (Replacements) (2008)                                                       | \$ 3,434            |
| <b>One-Time Total</b>                                                                                               | <b>\$ 1,573,858</b> |

Beverly J. Rohrer, Ed.D.  
Superintendent of Schools



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## **Manhattan Beach Unified School District**

325 South Peck Avenue • Manhattan Beach • California 90266 • (310) 318-7345 • FAX (310) 303-3822

April 15, 2009

The Honorable Mayor Portia Cohen  
The Honorable Richard Montgomery  
The Honorable Wayne Powell  
The Honorable Nick Tell  
The Honorable Mitch Ward

Honorable Mayor and City Council:

The Manhattan Beach Unified School District Board of Trustees would like to take this opportunity to thank you for the renewed partnership between the District and the City that we all, as residents of Manhattan Beach, have been and are continuing to enjoy. Working with you on issues facing our residents has been productive and invaluable.

Most residents are aware of the in-kind services that the City has provided to the District for many years. The cooperation between our entities has benefited our young people, as well as our seniors, by providing excellent recreational facilities at Polliwog Park, and sports fields at our schools. Our new partnership with the City in our "Be Our Guest" program has been a wonderful addition to our community. Last year, of course, the City graciously granted to the District the sum of \$520,000, when the District was facing severe budget reductions. This grant was significant in saving programs at our schools that would otherwise have been cut.

As you are aware, the District was successful in passing a \$67 million bond last November to be used for modernization and expansion of Mira Costa High School, as well as to pay off certain Certificates of Participation owed by the District. At present, the COPs cost the District about \$1.3 million per year from the general fund. It was our intent that we would immediately go forward with the issuing of general obligation bonds in order to pay down those loans. However, the unparalleled economic downturn has had the unfortunate result of requiring us to wait to issue the bonds until a more favorable market exists. This requires that we continue to pay the approximate \$1.3 million, which is due in August.

The even more urgent result of this unprecedented fiscal crisis facing the State of California has been the reductions in the District's revenues. As you know, we have had to give preliminary notice to over 60 teachers and other staff members that they will not be employed with the District in the coming school year. This proposed reduction in our staff and our educational programs has had a devastating impact on our students, parents, teachers, and staff.

April 15, 2009

Page Two

We understand that the City of Manhattan Beach will be facing financial challenges as well. The State of California's fiscal crisis affects us all. However, due to the overwhelming impact that the program reductions at the District will have on our City, we are respectfully asking the City if it would again grant to the Manhattan Beach Unified School District an amount that would assist in returning educational programs back to our schools. We request that this grant be \$1 million, but understand that if that is not possible due to your own fiscal restraints, any amount would be greatly appreciated.

Please be assured that any fiscal support from the City to the District will be used to return educational programs back into our schools within the priorities set by the Board of Trustees.

Thank you for your consideration of our request.

Sincerely,

*Nancy Hersman*

Nancy Hersman, President  
Board of Trustees

cc: Geoff Dolan  
Board of Trustees  
Dr. Beverly J. Rohrer