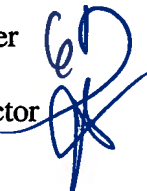





Staff Report

City of Manhattan Beach

TO: Honorable Mayor Cohen and Members of the City Council

THROUGH: Geoff Dolan, City Manager 

FROM: Bruce Moe, Finance Director 

DATE: June 16, 2009

SUBJECT: Public Hearing and Adoption of Fiscal Year 2009-2010 Operating Budget and 2009-2014 Capital Improvement Plan

RECOMMENDATION:

Staff recommends that the City Council: a) conduct a Public Hearing; b) adopt Resolution No. 6197 establishing the appropriations limit for the 2009-2010 Fiscal Year; c) adopt Resolution No. 6198 approving the FY 2009-2010 Operating Budget; and d) adopt Resolution No. 6199 approving the 2009-2014 Capital Improvement Plan.

FISCAL IMPLICATION:

Through the various budget study sessions and meetings, the City Council directed staff to make a number of changes to the proposed budget. These adjustments, along with other staff-suggested changes, are presented on Attachment "A" of this report. All changes will appear in the final adopted budget document.

The General Fund revenue and expenditure changes are as follows:

	<u>Proposed Budget</u>	<u>Revised Budget</u>	<u>Difference</u>
Revenues	\$49,272,520	\$49,402,520	\$ 130,000
Expenditures	<u>\$52,303,768</u>	<u>\$50,911,195</u>	<u>(\$1,329,573)</u>
Deficit	<u>\$ 3,031,248</u>	<u>\$ 1,508,675¹</u>	<u>(\$ 1,522,573)</u>

The revised budget results in an estimated unreserved General Fund balance of \$1,896,043 at the end of FY 2009-2010. This amount is sufficient to cover the potential State "loan" being debated in Sacramento. The City's Financial Policy reserve of 20% is maintained, as is the \$4 million Economic Uncertainty reserve.

¹ This includes the \$1.3 million contribution to MBUSD.

Please note that the Proposed Budget document had a discrepancy in the amount of revenue in the Federal and State Grant Fund as shown at the bottom of page seven. The correct total is \$2,674,000, in increase of \$264,000. The correct total was presented on the summary sheets on pages 18 and 19. The total revenue across all funds is \$81,247,007, which will be reflected in the adopted budget. This does not affect the General Fund.

Funding for the first year of the 2009-2014 Capital Improvement Project (CIP) plan is included in the FY 2009-2010 budget. The total amount across all funds for CIP's is \$7,748,956.

DISCUSSION:

Tonight's meeting is the culmination of the budget process for FY 2009-2010. Several steps need to be taken in order to approve this financial plan that will take effect on July 1, 2009. These include adoption of resolutions approving our legally-required spending limits (Gann limit) and approving the operating budget and capital improvements plan.

As part of the Council's direction for preparing the final budget for adoption, the City Manager was instructed to reduce General Fund expenditures by an additional \$400,000. This reduction has to be accounted for in an expenditure line item. As a result, the \$400,000 has been budgeted by reducing salary accounts by that amount². The City Manager will be responsible for achieving these cost reductions through position vacancies or operational expenditure savings.

The FY 2009-2010 budget is a testament to Council's detailed deliberations and tough choices. It is remarkable what has been accomplished when compared to the prior year budget:

	<u>2008-2009</u>	<u>2009-2010</u>	<u>Difference</u>
Revenues	\$51,813,219	\$49,402,520	(\$2,410,699)
Expenditures	\$52,321,483	\$50,911,195	(\$1,410,288)

While our revenues dropped by \$2.4 million, we were able to reduce our expenditures by \$2,190,288 (before accounting for the \$1.3 million to the school district; a year-over-year net increase of \$780,000), bringing us within \$220,411 of balancing the budget. Salaries and benefits rose by only .9% or \$347,149 despite the existence of fixed labor agreements. That small increase is also attributable to savings of approximately \$621,200 achieved through the elimination of seven positions. Operating expenses (contract services, office supplies, special departmental supplies, 911 dispatch center charges, fleet and information systems charge-outs) have been reduced by \$1,738,194 (11.1%), despite the inclusion of \$1.3 million in FY 2010 for the school district.

Ultimately, the FY 2009-2010 budget funds city services at a somewhat lower level, significantly supports the school district, retains adequate unreserved funds for the potential state takeaway and maintains established financial reserves.

² All departments' General Fund salary budgets were reduced proportionately with the exception of sworn personnel in the Fire Department since minimum staffing requirements result in no savings from vacancies.

Budget-Related Resolutions

The budget related resolutions establish the City’s spending limit in compliance with State law (Resolution No. 6197 – Attachment “B”), and authorize the City Manager to proceed in implementing the FY 2009-2010 proposed operating budget (Resolution No. 6198 – Attachment “D”). The 2009-2014 Capital Improvement Plan (CIP) will be adopted with the passage of Resolution No. 6199 (Attachment “E”). The 09-10 budget includes the first year of the plan, while out-year projects will be appropriated in the respective future budget years.

Appropriation Limit

In 1980, California voters adopted Article XIIB of the California State Constitution, commonly referred to as the Gann Initiative or Gann Appropriations Limit, placing limits on the amount of tax proceeds that State and local agencies can appropriate each year. The City’s limit is adjusted each year for inflation, population and other factors.

On June 5, 1990, Proposition 111 was voted into California law. Among other provisions, Proposition 111 provided for changes in the calculation of the Gann Appropriation Limit. The annual adjustments to the spending limit were liberalized by Proposition 111 to be more closely linked to the rate of economic growth. Beyond local inflation and population factors, the provisions allow a City to use the higher of the percentage growth in personal income or the percent increase in the local tax roll due to non-residential property construction. Additionally, cities can choose to use the rate of change in population either within the City or County, whichever is higher. The City utilized elements of these adjustment factors in calculating this year’s Gann Appropriation Limit.

Staff has calculated the Gann limit to be \$47,612,334. The City’s tax proceeds subject to the FY 2009-2010 Gann limit equal \$33,308,850. Therefore, the City is within the Gann limitation by \$14,303,484, and in compliance with state law. This Gann limit calculation is attached as Attachment “C.”

Section 7910 of the State Government Code requires a governing body to annually adopt, by resolution, an Appropriations Limit for the upcoming fiscal year when the budget is adopted. City Council may do so by adopting Resolution No. 6197 (Attachment “B”).

CONCLUSION:

Staff is pleased to present the FY 2009-2010 operating budget and 2009-2014 CIP plan for your final consideration and adoption. The final budget will be available in July, and will also be available to our community on the City’s website at www.citymb.info.

- Attachments A. Summary of financial changes to the budget
- B. Resolution No. 6197
- C. Gann limit calculation
- D. Resolution No. 6198
- E. Resolution No. 6199

City of Manhattan Beach FY 2009-2010 Budget Modifications to be Included in Adopted Budget

Attachment "A"

Department	Description	General Fund		Notes	On-Going?
		Change in Budgeted Expenditures increase/(decrease)	Change in Budgeted Revenues increase/(decrease)		
All	Budget for staff vacancies in all departments with the exception of Fire (minimum staffing requirement)				
Community Dev	Eliminate Vacant Associate Planner position	\$ (400,000)			Yes
Community Dev	Suspend attendance at conferences for Planning Commission members	\$ (102,840)			Yes
Community Dev		\$ (6,000)			Yes
Community Dev	Suspend Tree Committee Budget Allocation	\$ (13,000)		Tree program to be moved under the Environmental Task Force purview.	Yes
Community Dev	Reduce arborist contract by \$10K (new total \$10K)	\$ (10,000)			Yes
Community Dev	Suspend Neighborhood Traffic Management Programs	\$ (25,000)			Yes
Finance	Reduce Coordinating Council participation - maintain one \$50 membership	\$ (2,184)			Yes
Finance	Suspend Chamber of Commerce Allocation	\$ (210,000)		Multiple departments	Yes
Finance	Suspend Holiday Parking meter Bagging and allocate moneys to the General Fund				Yes
Fire	Reduce Public Education budget (Overtime, general materials)	\$ 110,000			Yes
Human Resources	Reduce Employee Recognition programs to a new total of \$10,000	\$ (4,000)			Yes
Management Services	Council Contingency - add back in \$50,000 bringing the new total to \$100,000	\$ (6,230)			Yes
Management Services	Suspend lobbyist contract	\$ 50,000			Yes
Management Services	Council conferences and meetings - reduce by 50% (full amount of \$57,170)	\$ (13,000)			Yes
Management Services	Reduce City Manager's conferences and meetings budget by 50% (original amount of \$16,133)	\$ (28,585)			Yes
Management Services	Suspend Grad Night Contribution to MCHS	\$ (8,067)			Yes
Management Services	Reduce the City Treasurer's Budget by \$3,000	\$ (7,500)			Yes
Management Services		\$ (3,000)			Yes
Management Services	Combine Quarterly Newsletter with P&R brochure	\$ (6,000)		estimated savings	Yes
Parks & Recreation	Reduce funding for Earth Day to 50% level (full budget of \$7,856)	\$ (3,928)			Yes
Parks & Recreation	Reinstate 50% funding for Pet Appreciation Day (full budget of \$9,612)	\$ 4,806		See below - June 2nd. Funding completely suspended	Yes
Parks & Recreation	Suspend Sand Castle Design Contest	\$ (1,237)			Yes
Parks & Recreation	Suspend Family Fishing Derby	\$ (1,685)			Yes
Parks & Recreation	Suspend Halloween Carnival	\$ (3,347)			Yes
Parks & Recreation	Suspend Family Holiday Crafts Night	\$ (1,527)			Yes
Parks & Recreation	Suspend Family Kite Festival	\$ (1,379)			Yes
Parks & Recreation	Suspend Pumpkin Race	\$ (15,586)			Yes
Parks & Recreation	Suspend Arts Manhattan Funding	\$ (20,000)			Yes
Parks & Recreation	Suspend Metlox Series	\$ (16,500)		6/2/09: Added supplies and advertising to the original reduction. New total is \$16,500 savings.	Yes
Parks & Recreation	Suspend MBUSD Art Education Program	\$ (12,000)			Yes

City of Manhattan Beach FY 2009-2010 Budget Modifications to be Included in Adopted Budget

Attachment "A"

Department	Description	General Fund		Notes	On-Going?
		Change in Budgeted Expenditures increase/(decrease)	Change in Budgeted Revenues increase/(decrease)		
Parks & Recreation	Reduce funding for OASIS weekend staffing (original cost of \$6,400)	\$ (3,400)			Yes
Parks & Recreation	Increase fees for AYSO and MB Little League from \$5 to \$10 per participant		\$ 30,000		Yes
Parks & Recreation	Related costs in other departments associated with the P&R events listed above	\$ (10,094)		Public Works and Police Department support	Yes
Parks & Recreation	Suspend Pet Appreciation Day	\$ (4,806)		Previous 50% funding level eliminated	Yes
Parks & Recreation	Arts Festival revenues and expenditures not removed from budget when event was originally eliminated	\$ (10,088)	\$ (10,000)		Yes
Parks & Recreation/Police	Reduce Funding for Volunteer Recognition Dinner (original budget of \$24,000)	\$ (11,000)			Yes
Police	Update of PERS contribution rate (Finance)	\$ 63,184		Split proportionately between P&R and Police	Yes
Police	Eliminate Code Blue emergency call boxes	\$ (6,500)		Original amount is \$63,184	Yes
Police	Scale back Wellness Program to Police personnel only (original cost \$55,000 - new \$30,000)	\$ (25,000)			Yes
Police	Reduce Community Police Academy from two classes per year to one class per year	\$ (11,150)			Yes
Police	Combine Crime Prevention and one School Resource Officer positions into one combined position, thereby eliminating one Police Officer (full year total)	\$ (144,610)		City Manager and Police Chief recommend as an alternative one sworn officer position be eliminated, but actual deployment of police officers to be determined by the Chief of Police. (Number updated for final by \$17)	Yes
Public Works	Reduce Landscaping Contract by an Additional 20%	\$ (97,773)			Yes
Public Works	Increase Reduction in Fleet Allocation from \$500,000 to \$800,000 and Utilize Fund Balance	\$ (262,305)		Original General Fund benefit estimated at \$240,000. Actual amount = \$262,305.	No
Public Works	Reduction in General Fund expenditures required for Streetscape due to overall reduction in Fleet charge-outs	\$ (1,242)			No
Summary of Changes in General Fund					
		Expenditures			
	Total of Proposed Changes increase/(decrease)	\$ (1,392,573)	\$ 130,000		
	Original Proposed Budget	\$ 52,303,768	\$ 49,272,520		
	Revised Budget Totals	\$ 50,911,195	\$ 49,402,520		
	Original Deficit	\$ (3,031,248)			
	Revised Deficit	\$ (1,508,675)			
	Net Increase/(Decrease)	\$ (1,522,573)			

City of Manhattan Beach FY 2009-2010 Budget Modifications to be Included in Adopted Budget

Attachment "A"

Summary of Changes in Other Funds			
Fund Name	Change in Budgeted Expenditures increase/(decrease)	Change in Budgeted Revenues increase/(decrease)	Notes
Street Lighting and Landscaping	\$ (4,265)	\$ (1,242)	Fleet allocation reduced consistent with the General Fund reductions. General Fund transfer (revenue) to support Streetscape reduced due to lower fleet allocation.
Proposition "A"	\$ (1,419)		Fleet allocation reduced consistent with the General Fund reductions.
Water Fund	\$ (15,442)		Fleet allocation reduced consistent with the General Fund reductions + overall landscape maintenance reductions.
Stormwater Fund	\$ (1,099)		Landscape maintenance reductions
Wastewater Fund	\$ (11,390)		Fleet allocation reduced consistent with the General Fund reductions + overall landscape maintenance reductions. Also, \$136,250 was transferred from the Building Maintenance program to the Sewer Maintenance program to accurately reflect the allocation of the Public Works Yard Master plan CIP plan. Intradepartmental change only - no change in total dollars.
Parking Fund	\$ (4,680)		Fleet allocation reduced consistent with the General Fund reductions + overall landscape maintenance reductions.
County Parking Lot Fund	\$ (1,780)		Landscape maintenance reductions
Fleet Management Fund		\$ (300,000)	Fleet allocation reductions (reducing revenue from charge-outs.
Building Maintenance and Operations Fund	\$ (6,507)	\$ (550)	Fleet allocation reduced consistent with the General Fund reductions (expenditures). Revenues reduced by \$550 due to a reduction in Warehouse Purchases by using departments.
Subtotal of Other Non General Fund Changes	\$ (46,582)	\$ (301,792)	
Summary of Changes in All Funds			
	Expenditures	Revenues	
Total of Proposed Changes increase/(decrease)	\$ (1,439,155)	\$ (171,792)	
Original Proposed Budget (All Funds)	\$ 88,705,517	\$ 81,418,799	
Revised Budget Totals (All Funds)	\$ 87,266,362	\$ 81,247,007	

113"

RESOLUTION NO. 6197

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MANHATTAN BEACH, CALIFORNIA, ESTABLISHING THE
APPROPRIATIONS LIMIT FOR FISCAL YEAR 2009-2010

SECTION 1. The City Council of the City of Manhattan Beach, California, hereby makes the following findings:

- A. Government Code Section 7910 requires the City Council to establish its appropriations limit pursuant to Article XIII B of the State Constitution; and
- B. The appropriations limit to be applied to the "proceeds of taxes" as defined by Section 7910 of the Government Code for Fiscal Year 2009-2010 has been calculated to be \$47,612,334.

SECTION 2. That the annual adjustment factors used in making such calculation based on the percentage changes in California per capita income and the annual population for the City of Manhattan Beach.

SECTION 3. That this resolution shall become effective as of, on and after the 1st day of July, 2009.

SECTION 4. That the City Clerk shall certify to the passage and adoption of this resolution; shall cause the same to be entered among the original resolutions of said City; and shall make a minute of the passage and adoption thereof in the records of the proceedings of the City Council of said City in the minutes of the meeting at which the same is passed and adopted.

PASSED, APPROVED and ADOPTED this 16th day of June, 2009.

Ayes:
Noes:
Absent:
Abstain:

Mayor, City of Manhattan Beach, California

ATTEST:

City Clerk

APPROVED AS TO FORM:

By 
City Attorney

APPROPRIATIONS LIMIT CALCULATION

Article XIII B of the California State Constitution, commonly referred to as the Gann Initiative or Gann Appropriations Limit, was adopted by California voters in 1980 and placed limits on the amount of proceeds of taxes that State and local agencies can appropriate and spend each year.

The limit is different for every agency and changes each year. The annual limit is based on the amount of tax proceeds that were authorized to be spent in FY 1978-79, modified for changes in inflation and population. Inflationary adjustments are based on increases in the California per capita income or the increase in non-residential assessed valuation due to new construction. An adjustment is also made based on changes in Manhattan Beach's population or County population.

For FY 2009-2010, the estimated tax proceeds appropriated by the Manhattan Beach City Council are under the Limit. The adjusted Appropriation Limit for FY 2009-2010 is \$47,612,334. This amount is the maximum amount of tax proceeds the City is able to appropriate and spend in FY 2009-2010. The appropriations subject to the Limit are \$33,308,850 leaving the City with an appropriations capacity under the Limit of \$14,303,484.

Section 7910 of the State Government Code requires a governing body to annually adopt, by resolution, an Appropriations Limit for the upcoming fiscal year.

SPENDING LIMIT CALCULATION FY 2009-2010

Appropriations subject to limit

FY 2009-2010 Revenues (all funds)		\$81,247,007
Less: Nonproceeds of tax		47,938,157
Plus: User fees in excess of costs		0
Total appropriations subject to limit		<u>\$33,308,850</u>

Appropriation limit

FY 2008-2009 adjusted appropriation limit		\$46,293,421
A. Population adjustment	1.011	
(Based on change in City's/County population)		
B. Percent growth in non residential assessed valuation	1.0173	

Total Annual Adjustment = (A multiplied by B)	<u>1.0284903</u>	
Increase in appropriation limit		<u>\$1,318,913</u>
FY 2009-2010 appropriation limit		<u>\$47,612,334</u>
Remaining appropriation capacity (deficit)		<u>\$</u> <u>14,303,484</u>

"D"

RESOLUTION NO. 6198

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MANHATTAN BEACH, CALIFORNIA, ADOPTING THE ANNUAL
BUDGET FOR FISCAL YEAR 2009-2010

SECTION 1. The City Council hereby makes the following findings:

- A. The Manhattan Beach Municipal Code provides that the City Manager of Manhattan Beach shall cause to be prepared and submitted to the City Council an annual budget; and
- B. The budget covering the fiscal year 2009-2010 has been reviewed by the City Council with regard to the approval of estimated revenues and expenditures; and
- C. The City Council has made such necessary revisions to the budget as provided for in Exhibit "A" attached hereto.

SECTION 2. The 2009-2010 proposed budget, as amended by Exhibit "A" attached hereto, is hereby approved and adopted as the official municipal budget for the City of Manhattan Beach.

SECTION 3. The City Clerk is directed to maintain three copies of the municipal budget on file at all times for inspection by the public.

SECTION 4. Effective July 1, 2009 the City Manager is hereby authorized to proceed with the implementation of the work program as incorporated in the approved and adopted budget, and that he has the authority to transfer any sum of appropriated funds between departments and programs provided they do not cross funds.

SECTION 5. Unexpended appropriations may be carried forward to the next fiscal year provided the funds have been previously encumbered for a specific purpose, or apply to authorized, but uncompleted projects in the Capital Improvement Plan.

SECTION 6. This resolution shall become effective as of, on and after the 1st day of July 2009.

SECTION 7. The City Clerk shall certify to the passage and adoption of this resolution; shall cause the same to be entered among the original resolutions of said City; and shall make a minute of the passage and adoption thereof in the records of the proceedings of the City Council of said City in the minutes of the meeting at which the same is passed and adopted.

PASSED, APPROVED and ADOPTED this 16th day of June, 2009.

Ayes:
Noes:
Absent:
Abstain:

Mayor, City of Manhattan Beach, California

ATTEST:

City Clerk

APPROVED AS TO FORM:

By 

City Attorney

"E"

RESOLUTION NO. 6199

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MANHATTAN BEACH, CALIFORNIA, ADOPTING THE CAPITAL IMPROVEMENT PLAN FOR YEARS 2009-2014

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MANHATTAN BEACH, CALIFORNIA, DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council hereby makes the following findings:

A. It is the desire of the Manhattan Beach City Council to develop a proactive capital improvement plan to meet the community's needs and desires for future services, programs and facilities, and improve the City's ability to continue providing essential services in an emergency situation; and

B. The proposed Capital Improvement Plan was reviewed by the Parking and Public Improvements Commission; and

C. The proposed Capital Improvement Plan was presented to the City Council on May 19, 2009.

SECTION 2. The Capital Improvement Plan for years 2009-2014 is hereby approved and adopted.

SECTION 3. The City Clerk is directed to maintain three copies of the Capital Improvement Plan on file at all times for inspection by the public.

SECTION 4. By adoption of the 2009-2014 Capital Improvement Plan, it is the intent of the City Council to revise the five year plan each year by continuing to identify capital improvement projects five years into the future and re-prioritize existing capital improvements based on perceived community need.

SECTION 5. This resolution shall become effective as of, on and after the 1st day of July, 2009.

SECTION 6. The City Clerk shall certify to the passage and adoption of this Resolution; shall cause the same to be entered among the original resolutions of said City; and shall make a minute of the passage and adoption thereof in the records of the proceedings of the City Council of said City in the minutes of the meeting at which the same is passed and adopted.

PASSED, APPROVED and ADOPTED this 16th day of June, 2009.

Ayes:
Noes:
Absent:
Abstain:

Mayor, City of Manhattan Beach, California

ATTEST:

City Clerk

APPROVED AS TO FORM:

By 

City Attorney