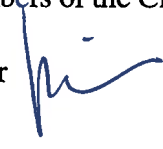





# Staff Report

## City of Manhattan Beach

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

**THROUGH:** Richard Thompson, Interim City Manager 

**FROM:** Bruce Moe, Finance Director 

**DATE:** October 19, 2010

**SUBJECT:** Consideration of Purchase of \$200,000 of Proposition "A" Funds from the City of Lakewood at a Cost of \$140,000 in General Funds

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### RECOMMENDATION:

The Finance Subcommittee and staff recommend that the City Council: a) approve the exchange of \$140,000 in General Fund money for \$200,000 in Proposition A funds with the City of Lakewood, and b) appropriate \$140,000 from the unreserved General Fund balance in order to accomplish the exchange.

### FISCAL IMPLICATION:

Funds to effect this exchange are available in the unreserved balance of the General Fund. The exchange rate is seventy cents (\$.70) for each \$1 of Proposition A funds. As a result, \$200,000 in Proposition A funds will cost the City \$140,000 in General Fund moneys.

The amount to be exchanged is based on the projected shortfall of Proposition A funds in the FY 2010-2011 budget (\$124,000), plus an additional \$76,000 for future allocation through the budget process (the Finance Subcommittee approved an exchange of up to \$200,000 in Proposition A funds). This exchange relieves the prior imbalance which was being made up with Measure R transportation funds, which were originally being reserved for a proposed trolley system. By exchanging General Funds for Lakewood's Proposition A funds, we can restore the Measure R funds by \$124,000 which will then be available for the trolley or other transportation related projects. The additional \$76,000 in Proposition A funds will be available for Council to allocate in the future.

This exchange is in addition to the \$44,395 in Proposition A exchange funds the City Council approved for enhanced Dial-A-Ride services in August 2010 (\$11,500) and continuation of the Beach Cities Transit line (\$32,895) approved in July 2010.

### BACKGROUND:

The FY 2010-2011 Proposition A budget includes \$503,700 in revenue and \$627,736 in expenditures, resulting in a deficit of \$124,036. Further, there is virtually no opening fund balance

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leaving no reserve from which to draw upon. As a result, the City Council authorized the transfer of approximately \$124,000 in Measure R funds to supplement the Proposition A budget. Measure R can be used for many of the same transportation purposes as Proposition A, which allows us to transfer the funds to support such programs as Dial-A-Ride.

**DICUSSION:**

Earlier this year, the City Council authorized staff to exchange General Funds for Proposition A funds to enhance Dial-A-Ride programs. At that time, the Council expressed an interest in further exchanges in order to secure cost effective funding for our transportation programs. Given the shortfall of Proposition A funds in FY 2010-2011, and the allocation of Measure R funds to subsidize the programs, an additional fund exchange is prudent, since we receive a 30% discount on the acquired funds through the exchange process.

Performing the exchange releases the Measure R funds for other transportation related projects, including implementation of a trolley, pothole repairs, major street resurfacing, left turn signals, bikeways, traffic signal synchronization, etc. Through this exchange, Measure R is expected to have a FY 2010-2011 year end fund balance of approximately \$490,000 – all of which will be available for such projects or programs. Sufficient General Fund moneys are available for this exchange if approved.

The Finance Subcommittee discussed this fund exchange at its September 21<sup>st</sup> meeting, and recommends the exchange (purchase) of up to \$200,000 in Proposition “A” funds at seventy cents on the dollar. The City of Lakewood has agreed to the exchange. By executing the attached contract, and appropriating \$140,000 in General Funds, we can complete the exchange, adequately fund our Proposition A activities for FY 2010-2011 and provide additional funds for future use.

- CC: Richard Gill
- Jim Arndt
- Steve Finton
- Eve Kelso

**FUND EXCHANGE AND ASSIGNMENT AGREEMENT**  
**BETWEEN THE CITY OF LAKEWOOD**  
**AND THE CITY OF MANHAATAN BEACH, CALIFORNIA**  
**(PROPOSITION A LOCAL RETURN ONLY)**

This Fund Exchange Assignment Agreement is made and entered into this 28<sup>th</sup> day of September, 2010, by and between the City of Lakewood, California and the City of Manhattan Beach, California with respect to the following facts:

- A. The City of Manhattan Beach proposes to provide the following services utilizing Proposition A funds: financial support of the Beach Cities Transit Line 109 for FY 2010-2011, and Dial-A-Ride services to its elderly and individuals with disabilities. Adequate Proposition A Local Return funding for such a service is not available given the limited amount of the City of Manhattan Beach Local Return allocation and the needs of other priority transit projects in the City.
- B. City of Lakewood has uncommitted funding authority for its Fiscal Year 2009-2010 allocations of Proposition A Local Return funds which could be made available to the City of Manhattan Beach to assist in providing the services discussed in Paragraph A of this Agreement.
- C. City of Manhattan Beach is willing to exchange its general funds in the amount indicated in Section 1 below in exchange for City of Lakewood's uncommitted Proposition A Local Return funds.
- D. City of Lakewood is willing to exchange its uncommitted Proposition A Local Return funding in the amount indicated in Section 1 below to City of Manhattan Beach, for the purpose identified in Paragraph A above, for City of Manhattan Beach's general funds.

Now, therefore, in consideration of the mutual benefits to be derived by the parties and of the premises herein contained, it is mutually agreed as follows:


1. Exchange. City of Lakewood willing to exchanging \$200,000 Proposition A Funds with the City of Manhattan Beach for which the City of Lakewood would receive seventy cents on the dollar (\$.70 per dollar), \$140,000 in General Funds. City of Lakewood shall record a transfer \$200,000 of its Fiscal Year 2009-2010, Proposition A Local Return Funds to the City of Manhattan Beach. In return, City of Manhattan Beach shall record a transfer of \$140,000 of its General Funds to City of Lakewood. Such transfer will be accomplished by the City of Lakewood writing a check to the City of Manhattan Beach in the amount of \$60,000.
2. Consideration. City of Lakewood shall transfer the Proposition A Local Return funds to City of Manhattan Beach in one lump sum payment. City of Manhattan Beach shall transfer its general funds to City of Lakewood in one lump sum payment.  
  
The payment shall be due and payable upon approval by the Los Angeles County Metropolitan Transportation Authority ("Metro") of City of Manhattan Beach's project description Form (Form A) covering the services discussed in Paragraph A above.
3. Term. This Agreement is effective on the date above written and for such time as is necessary for both parties to complete their mutual obligations under this Agreement.

4. Assurances

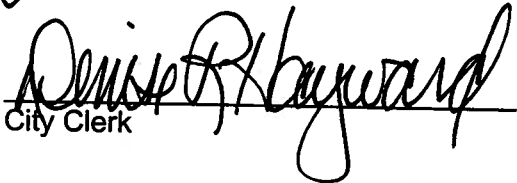
- A. City of Manhattan Beach shall use the assigned Proposition A Local Return funds only for the purpose of providing the services discussed in Paragraph A of this Agreement and within the time limits specified in Metro's Proposition A Local Return Program Guidelines.
  - B. Concurrently with the execution of this Agreement City of Manhattan Beach shall provide Metro with the Standard Assurances and Understandings Regarding Receipt and Use of Proposition A Funds specified in the Guidelines regarding the use of the assigned Proposition A Local Return funds.
5. This Agreement constitutes the entire understanding between the parties, with respect to the subject matter herein. This Agreement shall not be amended nor any provisions or breach hereof waived, except in writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Fund Exchange and Assignment Agreement to be executed by their respective officers, duly authorized, on the day and year above written.


CITY OF LAKEWOOD

BY   
Mayor

ATTEST:

  
City Clerk

Approved as to Form:

  
City Attorney

CITY OF MANHATTAN BEACH

BY \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

Approved as to Form:

\_\_\_\_\_  
City Attorney