



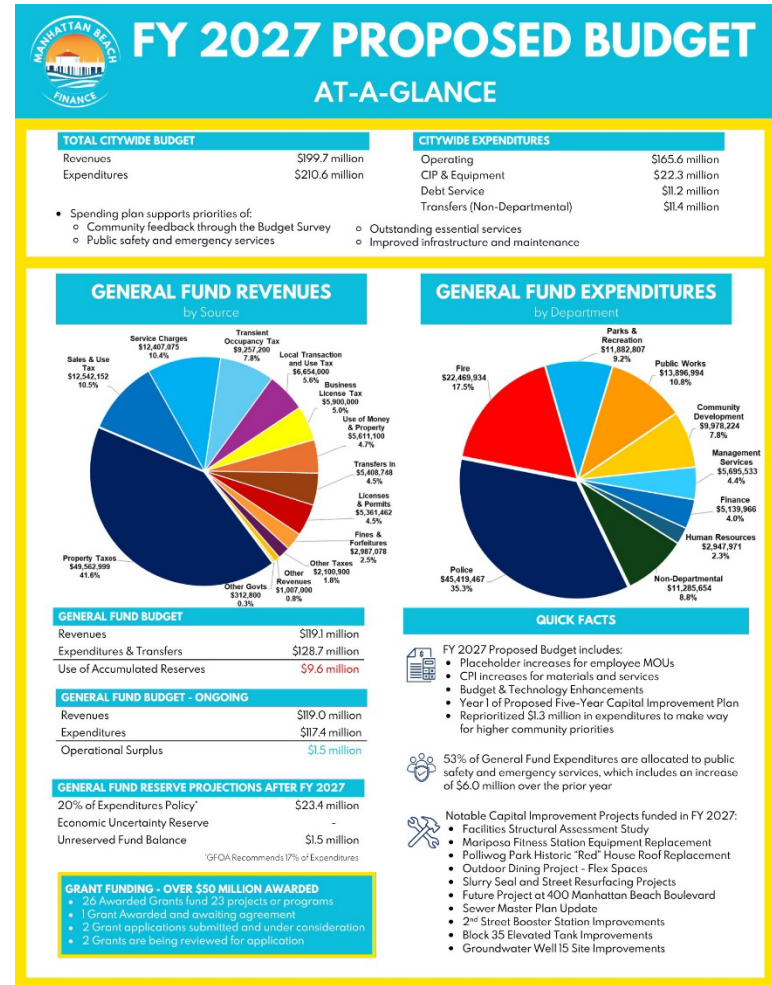
FY 2027 BUDGET PUBLIC HEARING, ADOPTION & GANN LIMIT APPROPRIATION

JUNE 2, 2026



FY 2027 BUDGET RESOURCES

- FY 2027 Proposed Budget and Budget At-A-Glance are both available online www.manhattanbeach.gov/Budget
- OpenFinance Transparency Portal available for real-time budget-to-actual reporting and vendor payments



AGENDA

Tonight serves as the Public Hearing for the Fiscal Year (FY) 2027 Operating Budget

- Proposed Operating Budget Overview
- Follow up Discussion from *May Budget Meetings*
 - Cost Containment
 - Revenue Enhancements
 - Modifications to the Proposed Operating Budget
- Resolutions for Adoption
 - FY 2027 Operating Budget
 - Gann Appropriation Limit



FISCAL OUTLOOK

- Spending plan supports priorities of City Council and community feedback through the Budget Survey:
 - Public safety and emergency services
 - Quality-of-life amenities, like enhanced Park Facilities
 - Outstanding essential services
 - Improved infrastructure and maintenance
- Revenues are stable/flattening in key areas, while expenditures continue to rise
- City's AAA credit rating re-affirmed by S&P in 2025
- Overall financial position allows us to maintain existing service levels and make strategic investments in infrastructure



FISCAL OUTLOOK

- Financial Headwinds
 - Economic uncertainty and slow-growth, high-cost fiscal environment
 - Growth in ongoing expenditures outpacing anticipated moderate growth in key revenues
 - CalPERS Unfunded Accrued Liability (UAL) payments rising from \$2.7 million in FY 2027 to \$3.6 million in FY 2029
 - Insurance Reserve Fund costs continue to escalate due to premiums, claims and litigation expenses
 - Equipment & fleet replacement costs significantly increased due to inflation, tariff uncertainty, etc.



FY 2027 PROPOSED CITYWIDE BUDGET

TOTAL CITYWIDE BUDGET

REVENUES	\$199.7 million
EXPENDITURES	\$210.6 million
<i>Operating</i>	<i>\$165.6 million</i>
<i>CIP & Equipment</i>	<i>\$22.3 million</i>
<i>Debt Service</i>	<i>\$11.2 million</i>
<i>Transfers</i>	<i>\$11.5 million</i>



GENERAL FUND BUDGET HIGHLIGHTS

Important impacts on General Fund trends:

- ✓ Increased financial transparency by classifying transfers as expenditures
 - ✓ \$5 million transfer to CIP Fund
 - ✓ \$6 million transfer to Insurance Fund due to underfunding in prior years
- ✓ Increased Insurance Fund (+\$1.8 million) and Fleet Fund (\$+530,195) charges due to underfunding in prior years
- ✓ Added one-time costs for capital equipment purchases
- ✓ Added new debt service payments for Public Safety Radios
- ✓ CalPERS UAL costs increasing
- ✓ Cost of Labor, Materials and Contract Services increasing per contractual agreements and with inflation/economic pressures



FY 2027 PROPOSED GENERAL FUND BUDGET

GENERAL FUND BUDGET

ONGOING REVENUES	\$118,965,764
ONGOING EXPENDITURES	\$116,993,996
STRUCTURAL SURPLUS/(DEFICIT)	\$1,971,768
TRANSFER IN FROM COUNTY LOTS FUND	\$146,750
ONE-TIME EQUIPMENT	(\$436,900)
TRANSFER OUT TO STREET LIGHTING FUND	(\$270,376)
TRANSFER OUT TO CIP FUND	(\$5,000,000)
TRANSFER OUT TO INSURANCE FUND	(\$6,000,000)
DECREASE IN FUND BALANCE	(\$9,588,758)



FY 2027 FUND BALANCE SUMMARY

General Fund Reserve Projections after FY 2027:

20% of Expenditures Policy	↑	\$23.4 million
Economic Uncertainty	↓	\$ -
Unreserved Fund Balance	↓	\$1.5 million

General Fund Balance impacted by transfers out to other funds:

- Street Lighting & Landscape Fund - \$270,376
- CIP Fund - \$5.0 million
- Insurance Fund - \$6.0 million
- Section 115 Trust Fund to prefund future pension costs – *PAUSED*

Section 115 Trust Fund Balance projected to be \$6.5 million in FY 2027



BUDGET RECAP – REPRIORITIZED CONTROLLABLE COSTS

Object Code Description	Reprioritization Amount
Contract Services	\$354,838
Community Development Total	\$354,838
Overtime	1,282
Software Purchases and Subscr	4,000
Training/Conferences/Meetings	5,630
Finance Total	\$10,912
Contract Services	49,840
Departmental Supplies	10,550
Fire Total	\$60,390
Departmental Supplies	2,000
Part Time Employee Salaries	66,000
Training/Conferences/Meetings	66,450
Human Resources Total	\$134,450

Recognizing expenditures are increasing while revenues remain flat, staff proactively reprioritized \$1.15 million in controllable costs as part of FY 2027 Proposed Budget

Object Code Description	Reprioritization Amount
Contract Services	16,950
Departmental Supplies	14,300
Training/Conferences/Meetings	53,430
Management Services Total	\$84,680
Contract Services	46,568
Part Time Employee Salaries	86,203
Parks & Recreation Total	\$132,771
Departmental Supplies	7,950
Overtime	41,000
Part Time Employee Salaries	20,050
Police Total	\$69,000
Contract Services	292,362
Departmental Supplies	8,500
Training/Conferences/Meetings	5,000
Public Works Total	\$305,862
Total Reprioritizations	\$1,152,903



BUDGET RECAP - PERSONNEL

FY 2027 Proposed Budget includes:

- Three (3) new full-time positions and three (3) position reclassifications to align with organizational needs

#	Description	Recurring	Fund	FY 2027 Request
Human Resources Department				
1	Add 1.0 FTE Human Resources Assistant	Yes	General Fund	\$0
Parks & Recreation Department				
2	Convert 1.0 FTE Transportation Services Operator to 1.0 FTE Recreation Coordinator	Yes	General Fund	(521)
Fire Department				
3	Upgrade 1.0 FTE Executive Assistant to 1.0 FTE Administrative Analyst	Yes	General Fund	7,234
Public Works Department				
4	Add 1.0 FTE Management Analyst (General/Water/Sewer/Parking/Fleet Funds)	Yes	Multiple Funds	88,953
5	Add 1.0 FTE Sewer Maintenance Worker	Yes	Sewer Fund	50,893
Information Technology Department				
6	Upgrade 1.0 FTE Office Assistant to 1.0 FTE Administrative Assistant	Yes	IT Fund	15,839
			TOTAL	\$162,399



BUDGET RECAP – OTHER REQUESTS

Budget Requests include 29 items for FY 2027 that support critical needs and community priorities identified in the Budget Survey:

#	Description	Fund Name	FY 2027 Request
Community Development			\$159,000
1	Consultant Services for Affordable Housing Monitoring Program	General Fund	150,000
2	Monitors for plan check staff and planners	General Fund	9,000
Fire			\$331,334
3	Administrative Analyst	General Fund	7,234
4	EMS Equipment	General Fund	15,000
5	EMS Medical Supplies	General Fund	19,100
6	Extrication Tools	General Fund	200,000
7	Fire Ops Tools and Equipment	General Fund	25,000
8	Fire Wellness Program for 1582 Physical Exam per MOU, cancer screening and City gym equipment replacement	General Fund	50,000
9	Fire Communications Replacement of Wildland Radios	General Fund	15,000
Human Resources			-
10	Adding a full-time FTE HR Assistant	General Fund	-
Information Technology			\$265,839
11	Office Assistant Reclassification to Administrative Assistant (FTE)	IT Fund	15,839
12	Phone System Replacement	IT Fund	250,000
			13-29 continued on next page



BUDGET RECAP – OTHER REQUESTS

#	Description	Fund Name	FY 2027 Request
Parks & Recreation			\$223,280
13	Instructor Payments for Older Adult Classes	General Fund	98,000
14	Leagues and Tournaments Officials Payments	General Fund	9,800
15	Monthly Bus Excursions	General Fund	18,000
16	Part-time Seasonal Program Coordinator - Concerts in the Park	General Fund	10,800
17	Part-time Sr. Recreation Leader Cultural Arts	General Fund	13,000
18	Recreation Coordinator - Older Adults	General Fund	(520)
19	Tennis Tournament Expenses	General Fund	4,200
20	Volleyball instructor payments	General Fund	70,000
Police			\$200,000
21	Departmentwide Workstation Ergonomic Updates	Asset Forfeiture Fund	200,000
Public Works			\$863,886
22	1.0 FTE - Sewer Maintenance Worker	Sewer Fund	50,893
23	American Martyrs Stormwater Sump Fencing Replacement	Storm Drain Fund	14,040
24	Cross-connection Control Program Hazard Assessment	Water Fund	75,000
25	Grant Match for Cybersecurity of Critical Water Infrastructure	Water Fund	260,000
26	Management Analyst	General Fund	88,953
27	Needs Assessment for Emergency Water Interties	Water Fund	75,000
28	Outfitting for Tiller	Fleet Fund	200,000
29	Purchase and installation of overhead hose reels and oil containment tanks	Fleet Fund	100,000
Grand Total			\$2,043,339



BUDGET RECAP – DEFERRED REQUESTS

The Deferred List includes 22 requests that were not included in FY 2027 Proposed Budget due to other higher priority needs

#	Description	Fund Name	Deferred Amount
Community Development			\$20,000
1	Window Shades	General Fund	20,000
Finance			\$65,000
2	TOT Payment Portal for Hotels and Short-Term Rentals & Related Compliance Services	General Fund	65,000
Fire			\$895,946
3	Suppression Staffing	General Fund	496,278
4	40-hour Training/EMS Captain	General Fund	297,713
5	Security Knox boxes (9) and platform subscription	General Fund	13,955
6	Tablet Command	General Fund	38,000
7	Fire Facility Safety Upgrades	General Fund	50,000
Human Resources			\$14,000
8	Recruitment Costs	General Fund	14,000
Information Technology			\$244,902
9	IT Applications Manager	IT Fund	244,902
Parks & Recreation			\$107,000
10	New Registration/Reservation Software (One-time)	General Fund	100,000
11	OAP Departmental Supplies	General Fund	7,000

12-22 continued on next page



BUDGET RECAP – DEFERRED REQUESTS

The Deferred List includes 22 requests that were not included in FY 2027 Proposed Budget due to other higher priority needs

#	Description	Fund Name	Deferred Amount
Police			\$613,841
12	Deputy Police Chief	General Fund	482,841
13	CSO Supervisor Vehicle	General Fund	75,000
14	Police Duty Handgun Replacement	General Fund	56,000
Public Works			\$723,212
15	Citywide Electronic Traffic Safety Device Monitoring System	General Fund	175,000
16	Engineering Plotter Replacement Request Form	General Fund	30,500
17	Maintenance Assistant	Street Lighting & Landscape Fund	82,712
18	Small Cell Tower Plan Check Review Fees	General Fund	50,000
19	Training and Conferences	General Fund	10,000
20	Standby Contract - Sewer	Sewer Fund	150,000
21	Standby Contract - Storm Drain	Storm Drain Fund	75,000
22	Standby Contract - Water	Water Fund	150,000
Grand Total			\$2,683,901



BUDGET RECAP – REPRIORITIZED CONTROLLABLE COSTS

The FY 2027 Proposed Budget factors the Re-prioritization of \$1.2 million in General Fund expenditures to accommodate higher community priorities:

Department	Reductions Already Factored in FY 2027 Proposed Budget
Management Services	\$ 84,680
Finance	10,912
Human Resources	152,450
Parks and Recreation	193,402
Police	69,000
Fire	60,390
Community Development	354,838
Public Works	305,862
Information Technology	-
Total Budget Reductions	\$ 1,231,534



QUESTIONS/DIRECTION ON

- Personnel Requests
- Other Request
- Deferred Requests
- Re-prioritization/Reductions

(All items above already factored in FY 2027 Proposed Budget totals, with exception to Deferred Requests)



FOLLOW UP ITEMS FROM MAY BUDGET MEETINGS

- Cost Containment Measures
- Revenue Enhancements
- Modifications to Budget
- CERT Funding Request



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Cost Containment - Review Contract & Professional Services**

Account	Title	2026 Adopted	FY 2027 Proposed	Change from FY 2026 Adopted	% Change
52101	Contract Services	\$9,580,796	\$10,798,455	\$1,217,659	12.7%
52102	Audit Services	75,000	70,000	(\$5,000)	(6.7%)
52103	Software Purchases and Subscriptions	874,482	1,080,507	206,025	23.6%
52104	Elections	1,300	170,500	169,200	13015.4%
52105	SBRPCA Communications	2,175,711	2,341,226	165,515	7.6%
52106	Physical/Psychological Exams	127,600	127,600	-	-
52107	Legal Services	1,784,420	1,844,420	60,000	3.4%
52108	Background Investigations	34,272	41,742	7,470	21.8%
52109	Automotive Repair Services	115,000	146,000	31,000	27.0%
	Contract & Professional Services	\$14,768,581	\$16,620,450	\$1,851,869	12.5%



FOLLOW UP ITEMS FROM MAY 5, 2026

• Cost Containment - Review of Materials & Services

Account	Title	2026	FY 2027	Change from	
		Adopted	Proposed	FY 2026 Adopted	% Change
52201	Departmental Supplies	\$1,525,997	\$1,631,659	\$105,662	6.9%
52202	Office Supplies	66,100	68,700	\$2,600	3.9%
52203	Printing	112,560	113,410	\$850	0.8%
52204	Postage	47,239	48,965	\$1,726	3.7%
52205	Uniforms/Safety Equipment	387,973	443,359	\$55,386	14.3%
52206	Advertising	161,900	152,200	(\$9,700)	(6.0%)
52207	Tools & Minor Equipment	11,000	51,000	\$40,000	363.6%
52301	Training/Conferences/Meetings	791,355	846,920	\$55,565	7.0%
52302	STC Training	6,800	7,200	\$400	5.9%
52303	POST Training	101,800	144,800	\$43,000	42.2%
52304	Employee Awards & Events	53,300	43,300	(\$10,000)	(18.8%)
52305	Recruitment Costs	77,450	51,000	(\$26,450)	(34.2%)
52306	Tuition Reimbursement	45,000	45,000	-	-
52307	Memberships & Dues	146,927	150,453	\$3,526	2.4%



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Cost Containment - Review of Materials & Services continued**

Account	Title	2026 Adopted	FY 2027 Proposed	Change from FY 2026 Adopted	% Change
52308	Reference Books & Periodicals	25,190	30,626	\$5,436	21.6%
52403	City Store Purchases	24,600	24,600	-	-
52404	Bank Service Charge	215,000	367,346	\$152,346	70.9%
52406	Assessments & Taxes	4,500	4,500	-	-
52602	Claims Paid	-	-	-	-
52702	Public Service Events	16,100	21,350	\$5,250	32.6%
52703	City Funds Match	15,000	15,000	-	-
52704	City Funds Exchange	-	-	-	-
52705	Service Agency Contributions	46,892	178,298	\$131,406	280.2%
52707	M.B. School Support	-	-	-	-
52801	Computers, Supplies & Software	49,270	46,982	(\$2,288)	(4.6%)
52803	Leased Property & Equipment	1,040,982	1,080,982	\$40,000	3.8%
	Materials & Services	\$4,972,935	\$5,567,650	\$594,715	12.0%



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Cost Containment - Review of Utilities**

Account	Title	2026 Adopted	FY 2027 Proposed	Change from FY 2026 Adopted	% Change
53101	Telephone	57,717	70,550	\$12,833	22.2%
53102	Electricity	1,065,692	866,640	\$(199,052)	(18.7%)
53103	Natural Gas	71,366	76,840	\$5,474	7.7%
53104	Water	506,555	495,020	\$(11,535)	(2.3%)
53105	Postage Allocation	53,381	45,170	\$(8,211)	(15.4%)
	Utilities	\$1,754,711	\$1,554,220	(\$200,491)	(11.4%)



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Cost Containment - Research refinancing existing debt obligations**

- The City's Municipal Advisors regularly monitor market conditions in relation to existing debt
- Current market conditions would not yield savings given the low rates of existing COPs:
 - Police/Fire Facility (2013 Refunding) – 2.547%
 - Marine Ave Park (2016 Refunding) – 2.645%
 - Fire Station 2 (2021) – 2.499%
 - 400 MBB Purchase (2025) – 3.485%
 - Public Safety Radios (2025) – 2.764%



FOLLOW UP ITEMS FROM MAY 5, 2026

- Cost Containment - General Fund reduction of \$1 Million**

Department	1 - Low	2 - Med	3 - High	Total
Management Services	\$ 110,400	\$ 13,500	\$ 2,500	\$ 126,400
Finance	16,900	6,000	4,000	26,900
Human Resources	-	25,000	-	25,000
Parks & Recreation	28,500	53,738	14,786	97,024
Police	22,000	207,200	150,850	380,050
Fire	-	-	200,000	200,000
Community Development	19,800	47,100	14,500	81,400
Public Works	-	78,840	57,964	136,804
Information Technology	60,000	85,000	-	145,000
Total	\$ 257,600	\$ 516,378	\$ 444,600	\$ 1,218,578

- Low Impact** = Little to No community/organizational impact
- Medium Impact** = Impact on internal City operations/Staff; Minor to No impact to Services in community
- High Impact** = Noticeable service impacts in community (Not Recommended)



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Cost Containment – Low Impact**
- Main reductions include:
 - \$16,000 Furniture & Fixtures (CD)
 - \$9,000 Contract Services (FN)
 - \$60,000 Computer/Software (IT)
 - \$9,000 Contract Services (MS)
 - \$80,000 Serv. Agency Contributions* (MS)
 - \$19,000 Software Purchases (PD)
 - \$21,000 Department Supplies (PR)

*Moved to State Pier & Parking Fund

Object Code Description	1 - Low Impact
Furniture & Fixtures	\$16,000
Training/Conferences/Meetings	3,800
Community Development Total	\$19,800
Contract Services	9,000
Departmental Supplies	1,100
Furniture & Fixtures	2,100
Printing	3,000
Training/Conferences/Meetings	1,700
Finance Total	\$16,900
Computers, Supplies & Software	60,000
Information Technology Total	\$60,000
Advertising	1,700
Contract Services	9,000
Departmental Supplies	5,150
Memberships & Dues	450
Public Service Events	400
Service Agency Contributions	80,000
Software Purchases/Subscriptions	200
Training/Conferences/Meetings	13,500
Management Services Total	\$110,400
Printing	3,000
Software Purchases /Subscriptions	19,000
Police Total	\$22,000
Advertising	3,500
Departmental Supplies	21,000
Printing	1,000
Training/Conferences/Meetings	3,000
Parks and Recreation Total	\$28,500
Total Low Impact	\$257,600



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Cost Containment – Medium Impact**
- Main reductions include:
 - \$20,000 Contract Services (CD)
 - \$22,100 Training (CD)
 - \$75,000 Software Purchases (IT)
 - \$200,000 Overtime Sworn (PD)
 - \$41,738 Contract Services (PR)
 - \$78,7840 Contract Services (PW)

Object Code Description	2 – Med Impact
Contract Services	20,000
Departmental Supplies	5,000
Training/Conferences/Meetings	22,100
Community Development Total	\$19,800
Departmental Supplies	2,000
Printing	4,000
Finance Total	\$6,000
Contract Services	15,000
Recruitment Costs	10,000
Human Resources Total	\$25,000
Computers, Supplies & Software	10,000
Software Purchases/Subscriptions	75,000
Information Technology Total	\$85,000
Contract Services	4,500
Departmental Supplies	3,000
Public Service Events	6,000
Management Services Total	\$13,500
Departmental Supplies	2,200
Overtime Regular Employees	5,000
Overtime Sworn Employees	200,000
Police Total	\$207,200
Contract Services	41,738
Software Purchases/ Subscriptions	12,000
Parks and Recreation Total	\$53,738
Contract Services	78,840
Public Works Total	\$78,840
Total Medium Impact	\$ 516,378



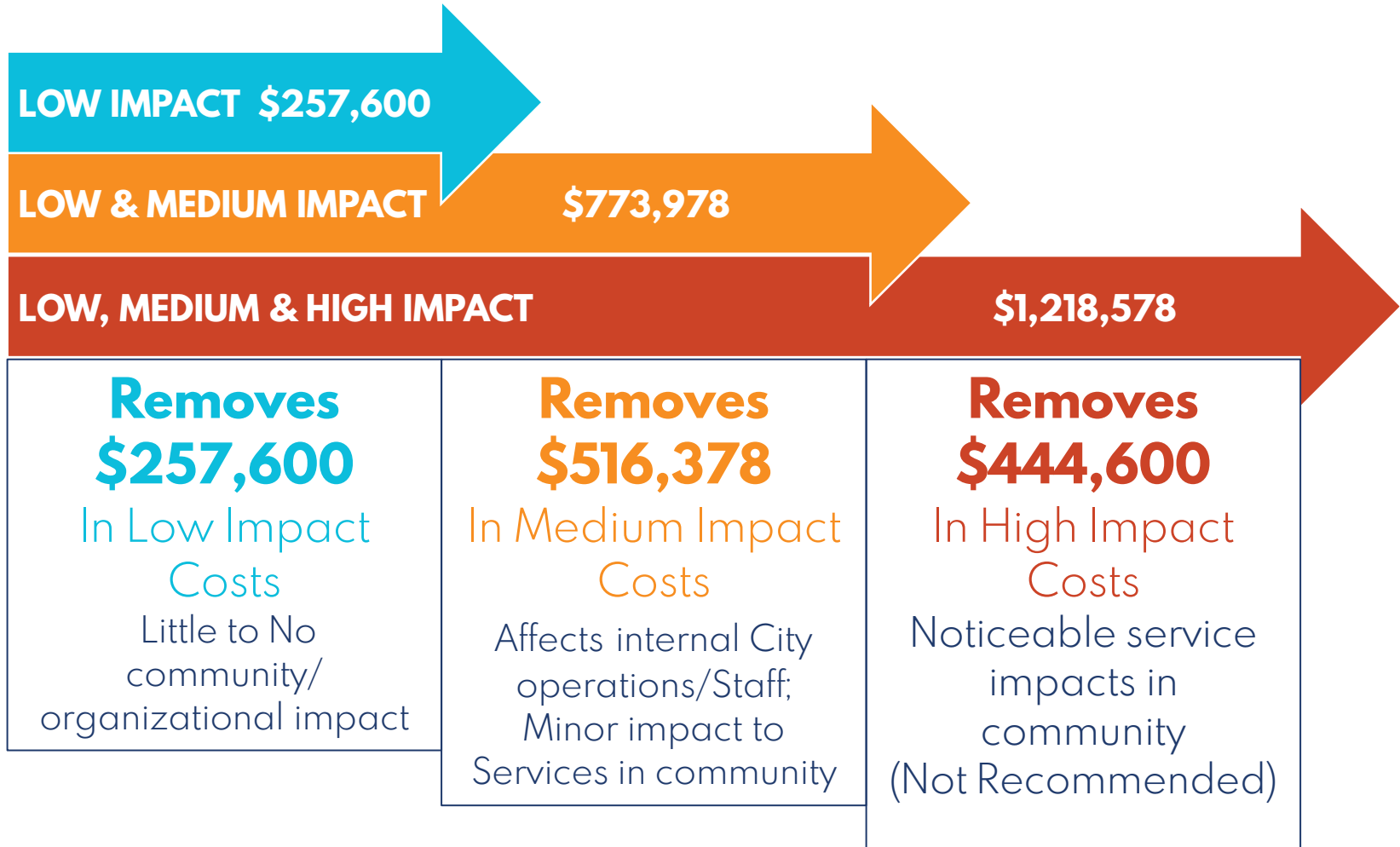
FOLLOW UP ITEMS FROM MAY 5, 2026

- **Cost Containment - High Impact**
(Not Recommended)
- Main reductions include:
 - \$10,500 Overtime (CD)
 - \$200,000 Equipment/Extrication Tools (FD)
 - \$80,000 Contract Services (PD)
 - \$13,6900 Dept Supplies (PD)
 - \$40,000 OT Special Events (PD)
 - \$17,250 OT Sworn (PD)
 - \$14,786 Contract Services (PR)
 - \$50,264 Contract Services (PW)

Object Code Description	3 – High Impact
Departmental Supplies	\$ 4,000
Overtime Regular Employees	10,500
Community Development Total	\$ 14,500
Departmental Supplies	4,000
Finance Total	\$ 4,000
Machinery & Equipment	200,000
Fire Total	\$ 200,000
Departmental Supplies	2,500
Management Services Total	\$ 2,500
Contract Services	80,000
Departmental Supplies	13,600
Overtime Special Events	40,000
Overtime Sworn Employees	17,250
Police Total	\$ 150,850
Contract Services	14,786
Parks and Recreation Total	\$ 14,786
Contract Services	50,264
Departmental Supplies	7,700
Public Works Total	\$ 57,964
Total High Impact	\$ 444,600



QUESTIONS/DIRECTION ON



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- **General Fund**

1. Credit Card Pass-through Fees
2. Parking Meter Citation Fines
3. Business License Tax (*Community polling in progress; Ballot Measure Required*)
4. 0.5% Sales Tax Measure (*Ballot Measure Required*)
5. Variable Transient Occupancy Tax rate applicable for Short-Term Rentals (*Ballot Measure Required*)
6. Utility Users Tax (*Ballot Measure Required*)
7. Short-Term lease for 400 MBB until construction begins (*Requires further research*)
8. Bond Measure to support infrastructure (*not recommended*)
9. Re-evaluate Special Event Fee Waivers

- **Other Funds**

1. Street Lighting & Landscaping Assessments (*Prop 218 Required*)
2. Parking Meter Rates



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- General Fund - Credit Card Pass-through Fees
- Requires Fee Resolution

Potential Action:

**Implement a 3% Credit Card Pass-Through Fee
on all applicable credit card transactions**



Revenue Impact:

Estimated \$350,000



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**
 - General Fund - Parking Citation Fines
 - Requires Fee Resolution

Potential Action:

Adjust Parking Citation Fine from \$59 to \$65



Revenue Impact:

Estimated \$300,000



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- General Fund - Parking Citation Fines Survey

#	CITY	Expired Meter / Parking Violation Fine	Street Sweeping Fine
1	Newport Beach	\$78	\$72
2	Redondo Beach	\$79	\$55
3	Huntington Beach	\$65	\$65
4	Santa Monica	\$63	\$73
5	Los Angeles	\$63	\$73
6	Hermosa Beach	\$63	\$48
7	Manhattan Beach	\$59	\$59
8	Culver City	\$55	\$60
9	Beverly Hills	\$55	\$68
10	West Hollywood	\$53	\$63



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- General Fund - Business License Tax Measure
- General Tax requires a majority vote

Potential Action:

**Update/Modernize Business License Tax
Structure to Alternative Tax Model**



Revenue Impact:

**Estimated \$800,000 Based on
Modified Tax Model 3**



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- General Fund – 0.5% Sales Tax Measure
- General Tax requires a majority vote

Potential Action:

Conduct community polling on a new Sales Tax Measure to reach maximum potential of 10.75%



Revenue Impact:

\$6.6 million



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- General Fund - Variable Transient Occupancy Tax (TOT) rate applicable for Short-Term Rentals
- General Tax requires a majority vote

Potential Action:

**Adjust TOT rate for Short Term Rentals from
14% to 16%**



Revenue Impact:

Estimated \$225,000



FOLLOW UP ITEMS FROM MAY 5, 2026

Survey of TOT Rates in major cities and surrounding areas

- Two Cities assess alternate TOT rates for Short Term Rentals
 - Santa Monica
 - Huntington Beach

* Los Angeles (City): Measure TT, currently on the ballot, proposes a temporary increase to TOT to 16% through December 31, 2028, then adjusts down to 15% permanently

#	City	Hotel TOT Rate	STR TOT Rate
1	Inglewood	15.5%	15.5%
2	Santa Monica	15%	17%
3	Malibu	15%	15%
4	Anaheim	15%	15%
5	Beverly Hills	14%	N/A
6	Culver City	14%	14%
7	Hermosa Beach	14%	14%
8	Los Angeles (City)*	14%	14%
9	Manhattan Beach	14%	14%
10	Redondo Beach	12%	12%
11	El Segundo	12%	12%
12	Torrance	11%	11%
13	Huntington Beach	10%	16%



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- General Fund – Explore Utility Users Tax (UUT)
- General Tax requires a majority vote

Potential Action:

**Establish a UUT to support increased costs in
General Fund**



Revenue Impact:

Unknown without UUT Study



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Survey on Utility Users Tax (UUT) in surrounding cities**

UUT Rate Types	Torrance	El Segundo	Redondo Beach	Hermosa Beach	Manhattan Beach
Water	6%	3%	4.75%	6%	0%
Electricity	6.50%	3%	4.75%	6%	0%
Gas	6.50%	3%	4.75%	6%	0%
Other	6.50%	3%	-	-	0%
Telecommunications/ Phone/Cable	-	2%	4.75%	5.50%	0%
Prepaid wireless	-	1.50%	-	5.50%	0%
Video	-	-	4.75%	-	0%
FY 2026 Budgeted Revenue	\$43,313,300	\$11,093,769	\$9,033,626	\$2,502,252	\$0

- Manhattan Beach is the only city without a UUT
- Franchise Fees and PEG Fees have decreased over time as more users have switched from cable to streaming services



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- General Fund – 400 MBB Short-Term lease
- Requires further research to protect current tax-exempt financing or refinance into taxable COPs

Potential Action:

**Consider Short-Term Lease to help support
Debt Service Costs of \$624,750**



Revenue Impact:

TBD



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- Bond Measure to support capital infrastructure (*Not Recommended*)
 - Overall project and financing costs remain, but repayments shift to a dedicated tax source instead of existing General Fund or other City revenues
 - Cities need **2/3rd** voter approval for any new special tax
 - Due to risk of a failed election, cities tend to rely on General Fund secured Certificates of Participation (COP) for speed and execution certainty, limited by budget affordability and asset availability for the lease
 - General Obligation COPs provide the strongest credit and lowest cost of funds for cities



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**
 - General Fund
 - Re-evaluate Special Event Fee Waivers
 - Reviewed Cost of providing services for 13 Special Events in 2025

#	Special Event
1	CT3 Foundation Polar Plunge
2	American Martyrs 5k
3	Grandview Gator 5k
4	Tour De Pier
5	MBEF Wine Auction
6	Grand Prix Bike Race
7	MB 10k
8	Hometown Fair
9	American Martyrs Parish Fair
10	NMB Holiday Stroll
11	Holiday Fireworks

2025 Special Event Review	Amount*
Actual Cost of Recurring 11 Special Events	\$729,780
Amount Reimbursed from Event Organizers	104,894
Amount Subsidized by City	\$624,886



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- Street Lighting & Landscape Fund Assessments
- Requires Prop 218 Majority Protest “Ballot”

Potential Action:

Update Engineer’s Report and analysis of benefit assessments; Conduct Public Hearing and Prop 218 Special Mail In Ballot



Revenue Impact:

**TBD Based on Engineer’s Assessment
(would eliminate \$270,376
Subsidy/Transfer from General Fund)**



FOLLOW UP ITEMS FROM MAY 5, 2026

- **Revenue Enhancement Options**

- Parking Funds– Parking Meter Rates

Potential Action:

Adjust hourly metered parking rates that align with Parking Strategies – variable seasonal rates up to \$4/hour



Revenue Impact:

In-depth analysis underway; PPIC to consider in May or June

Note: Based on operational expenses and 5 Year CIP List, the Parking Fund and State Peir & Parking Fund do not meet reserve policy and continue to have unfunded capital needs



NOT FACTORED INTO FY 2027 BUDGET

- **City recently awarded a grant up to \$2.8 million through FIFA World Cup 2026 Grant Program**
- Grant is based on eligible costs to support FIFA Special Event, Public Safety and Security
- Actual grant reimbursement will depend on City costs incurred within the dates of events
 - Staff will return to City Council for necessary budget adjustments for FY 2026 and FY 2027



QUESTIONS/DIRECTION ON

• Potential Revenue Enhancements

General Fund	Potential Amount
1. Credit Card Pass-through Fees	\$350,000
2. Parking Meter Citation Fines	\$300,000
3. Business License Tax (Ballot Measure Required)	\$800,000
4. 0.5% Sales Tax Measure (Ballot Measure Required)	\$6,600,000
5. Variable TOT rate applicable for Short-Term Rentals (Ballot Measure Required)	\$225,000
6. Utility Users Tax (Ballot Measure Required)	TBD
7. Short-Term lease for 400 MBB until construction begins (Requires further research)	TBD
8. Bond Measure to support infrastructure (not recommended)	-
9. Re-evaluate Special Event Fee Waivers	\$624,886
TOTAL GENERAL FUND REVENUE OPTIONS	\$8,899,886
Other Funds	Potential Amount
1. Street Lighting & Landscaping Assessments (Prop 218 Required)	\$270,376
2. Parking Meter Rates	TBD
TOTAL OTHER FUND REVENUE OPTIONS	\$270,376



FOLLOW UP ITEMS FROM MAY 5, 2026

Other Modifications to Budget

1. Discussion on CERT funding request (\$10,200 Annual Contribution)
2. Street Lighting & Landscape Fund Transfer from General Fund Update (May 2026 Engineer's Report)
3. Gas Tax Fund Revenue Increase (May 2026 Amended California State Fiscal Year 2026-27 Budget)
4. Correction to move Roundhouse Contribution from General Fund to State Pier & Parking Fund
5. Cost Containment Measures (Low & Medium Impact only)
6. CIP changes based on Council direction from May 12, 2026

Resolution allows adoption of FY 2027 Budget as amended by modifications



FOLLOW UP ITEMS FROM MAY 5, 2026

Complete List of Modifications to Proposed Budget

# Activity	Description	FY 2027 Modifications
GENERAL FUND:		
1	Increase expenditures Annual Contribution to CERT Volunteer Program	\$10,200
2	Increase expenditures Increase Transfer out to Steet Lighting and Landscape Fund based on latest Engineer's Report	\$312
3	Decrease expenditures Correction to move Roundhouse Contribution from General Fund to State Pier & Parking Fund	-\$80,000
4	Decrease expenditures Apply Low and Medium Impact Cost Containment Strategies (excluding Round House factored above)	-\$693,978
CHANGES TO FUND BALANCE		+\$763,466
STREET LIGHTING AND LANDSCAPE FUND:		
5	Decrease revenues Decrease revenues based on latest estimates from the draft Engineer's Report	-\$312
6	Increase revenues Increase Transfer In/Subsidy from the General Fund	\$312
CHANGES TO FUND BALANCE		\$0
GAS TAX FUND:		
7	Increase revenues Additional revenues for Gas Tax funding based on new revenue estimates from May 2026 Governor's Revised Budget for FY 2027	\$5,647
CHANGES TO FUND BALANCE		+\$5,647
Remaining modifications on next slide		



FOLLOW UP ITEMS FROM MAY 5, 2026

Complete List of Modifications to Proposed Budget

# Activity	Description	FY 2027 Modifications
CIP FUND:		
8	Decrease expenditures	De-obligate CIP projects based on direction from the May 12, 2026, CIP Budget Presentation, including the following projects: City Facility Renovations, Project at 400 Manhattan Beach Boulevard Project, Begg Pool Facility Upgrades, and the Sand Dune Park Improvement Project
9	Increase expenditures	Reallocate \$4,702,357 in funding for Senior & Scout Community Center Renovation based on direction from the May 12, 2026, CIP Budget Presentation
		CHANGES TO FUND BALANCE
		\$0
STATE PIER & PARKING FUND:		
10	Increase expenditures	Move Roundhouse Contribution from General Fund to State Pier & Parking Fund as an eligible expense for maintenance and repairs
11	Increase expenditures	CIP Related: Move up the Upper Pier Parking Lots Railing Replacement Project from FY 2028 to FY 2027
		CHANGES TO FUND BALANCE
		-\$280,000



FY 2027 GENERAL FUND SUMMARY WITH MODIFICATIONS

GENERAL FUND BUDGET	ORIGINAL PROPOSED BUDGET	REVISED FOR ADOPTION
ONGOING REVENUES	\$118,965,764	\$118,965,764
ONGOING EXPENDITURES	\$116,993,996	\$116,230,530
STRUCTURAL SURPLUS/(DEFICIT)	\$1,971,768	\$2,735,234
TRANSFER IN FROM COUNTY LOTS FUND	\$146,750	\$146,750
ONE-TIME EQUIPMENT	(\$436,900)	(\$436,900)
TRANSFER OUT TO STREET LIGHTING FUND	(\$270,376)	(\$270,688)
TRANSFER OUT TO CIP FUND	(\$5,000,000)	(\$5,000,000)
TRANSFER OUT TO INSURANCE FUND	(\$6,000,000)	(\$6,000,000)
DECREASE IN FUND BALANCE	(\$9,588,758)	(\$8,825,604)



FY 2027 SUMMARY WITH MODIFICATIONS – ALL FUNDS

Impact of Modifications	General Fund	Citywide / All Funds
Original Expenditures	\$128,701,272	\$210,560,517
Changes to Expenditures	(\$763,466)	(\$483,466)
Revised Expenditures for FY 2026	\$127,937,806	\$210,077,051
Original Revenues	\$119,112,514	\$199,708,791
Changes to Revenues	\$0	\$5,647
Revised Revenues for FY 2026	\$119,112,514	\$199,714,438

Total Expenditures include Transfers Out & One-time Costs and Revenue include Transfers In and One-time proceeds



FY 2027 FUND BALANCE SUMMARY WITH MODIFICATIONS

General Fund Balance impacted by interfund transfers:

General Fund Equity Transfers	Type of Transfer	FY 2027 Amount
Street Lighting & Landscape Fund	Transfer Out	(\$270,688)
CIP Fund	Transfer Out	(5,000,000)
Insurance Fund	Transfer Out	(6,000,000)
County Parking Lots Fund	Transfer In	146,750
Section 115 Trust Fund	Transfer Out	<i>Paused</i>
TOTAL TRANSFERS IN GENERAL FUND		(\$11,123,938)

Projected General Fund Reserve Ending Balances in FY 2027

Reserve Type	FY 2027 Amount
20% of Expenditures Policy	\$23.2 million
Economic Uncertainty	\$ 0
Unreserved Fund Balance	\$ 2.4 million
ENDING FUND BALANCE	\$25.6 million

Section 115 Trust Fund Balance projected to be \$6.5 million in FY 2027



RECOMMENDATION

Staff recommends City Council discuss and provide direction to:

1. Conduct a Public Hearing for Budget Adoption and Gann Limit Appropriations on June 2, 2026
2. Incorporate any Cost Containment Measures
3. Move forward with any Revenue Enhancements
4. Confirm modifications to FY 2027 Budget
5. Adopt Resolution No. 26-0049 adopting the FY 2027 Operating Budget as Proposed and Amended in Exhibit “A”
6. Adopt Resolution No. 26-0050 establishing the Gann Appropriation Limit for FY 2027
 - Remaining appropriation capacity: **\$28,500,424**
 - Available capacity as a percent of the limit: **24.83%**



