

FISCAL YEAR 2026 PROPOSED BUDGET

MAY 6, 2025



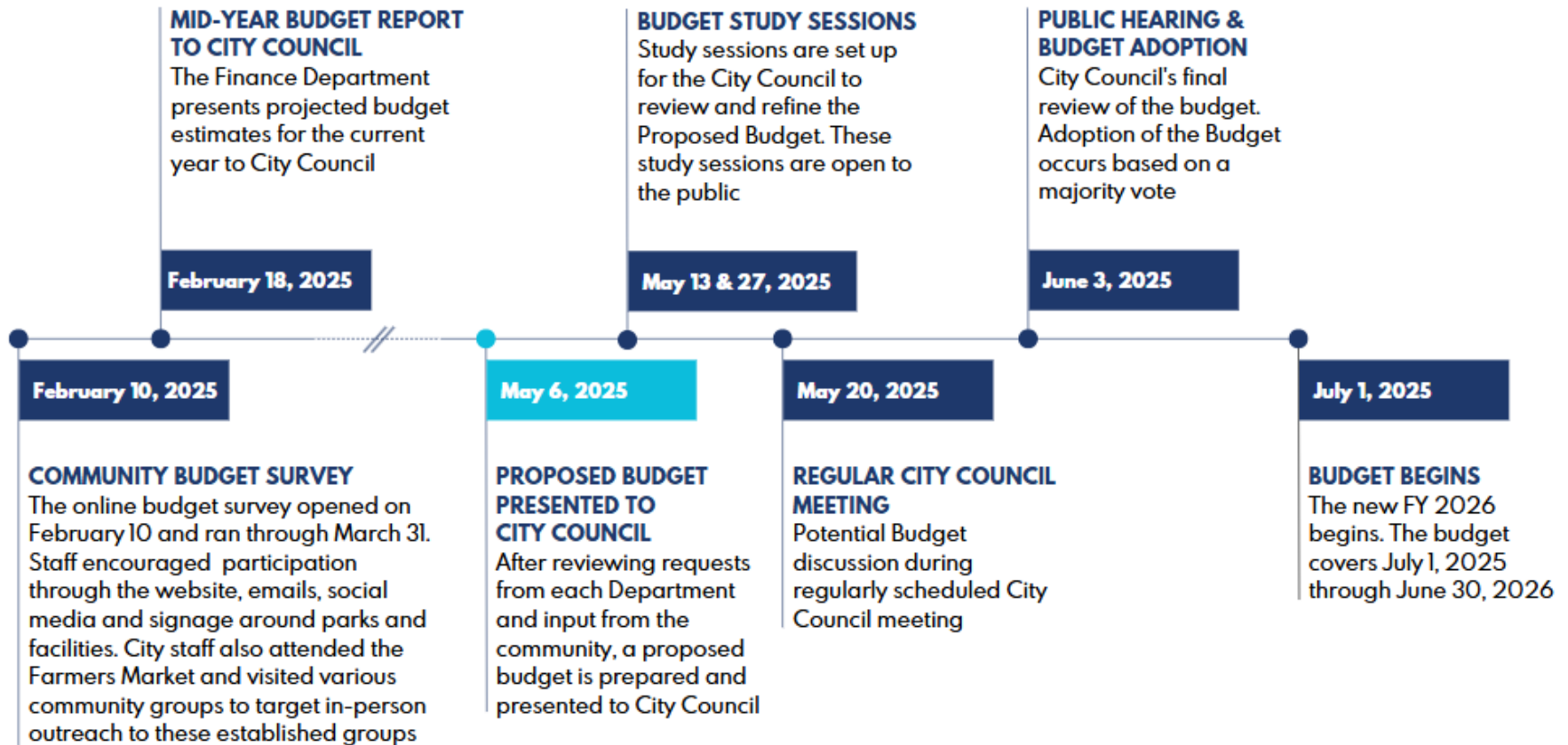
Note: This PowerPoint presentation is intended solely as a visual aid to an oral staff presentation of an agenda report topic. In the event of any differences between the presentation and the agenda report, the information in the agenda report prevails.

AGENDA

- Budget Overview
 - Budget Survey Results
 - Fiscal Outlook
 - Challenges and Opportunities
 - Budget Highlights
 - General Fund Trends
 - Proposed Policy Decisions and Transfers to Other Funds
 - CIP Funding
 - Pension Trust Fund
 - Other Fund Highlights will be presented with Department Presentations on May 13
- Questions/Feedback for May 13 Budget Study Session

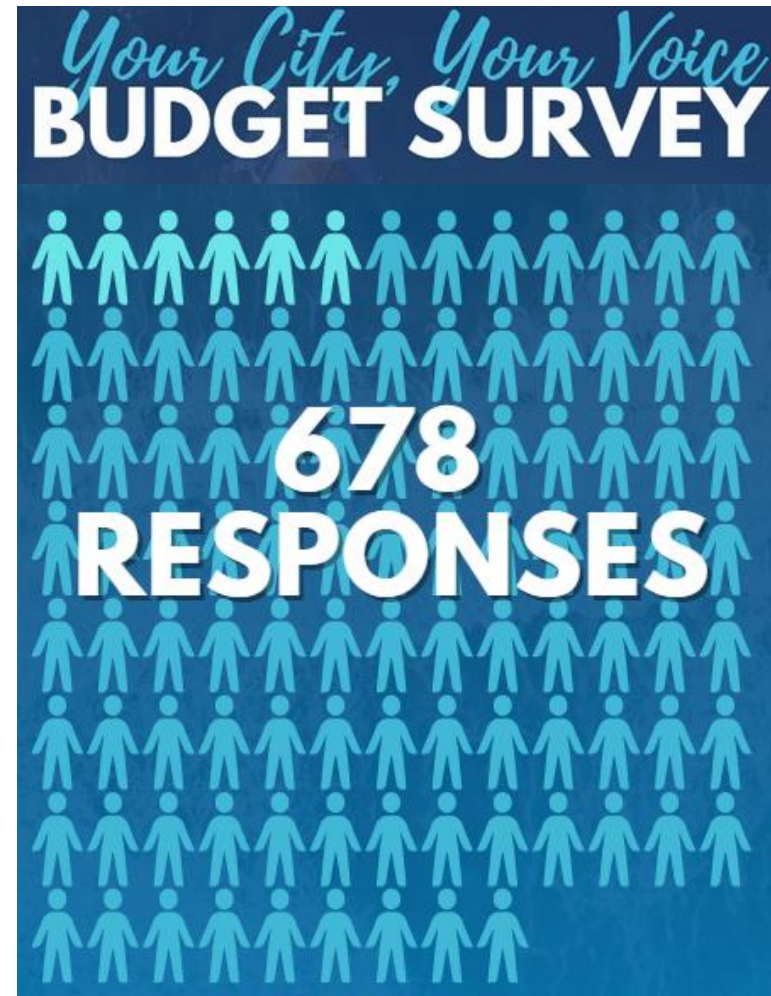


FY 2026 BUDGET TIMELINE



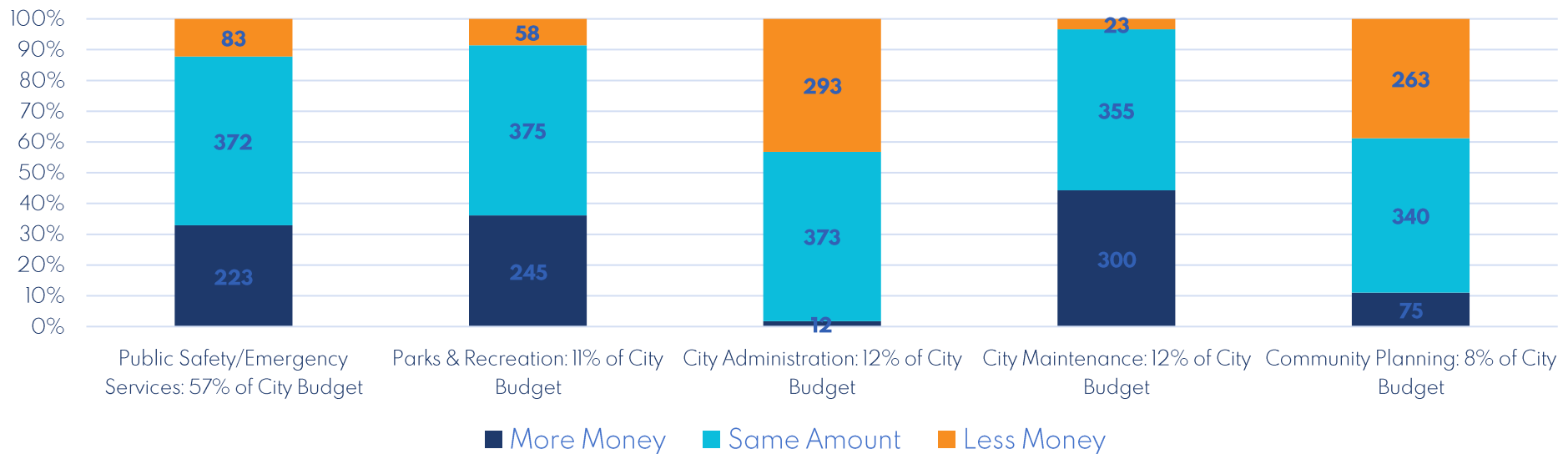
BUDGET SURVEY

- Survey Period: February 10– March 31, 2025
- Survey Responses: 678
- Public Outreach: Involved various engagement activities including:
 - Email and social media
 - Staging a Farmer's Market booth
 - Placing signage throughout the City
 - Attendance in various community meetings
 - Utilizing a user-friendly platform easily accessible by mobile device or desktop
- Overall, Survey Results revealed that residents deeply value their community's character and safety, with strong preferences for enhanced public safety, improved infrastructure, and community-centered development that preserves our small-town feel.



BUDGET SURVEY

Spending Priorities on City Operations Based on Survey Results

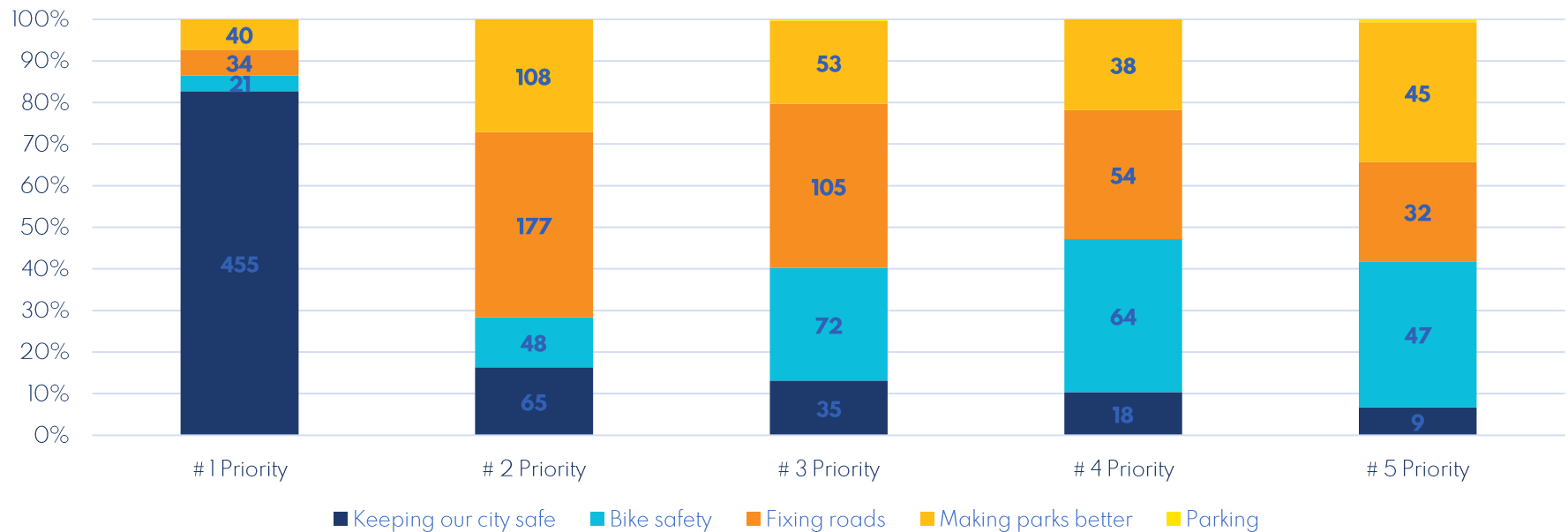


The Survey focused on obtaining spending priorities based on current funding levels of City operations. The results indicate that most respondents feel the City should spend the “Same Amount” on each type of operation.



BUDGET SURVEY

Top 5 Priorities in Manhattan Beach Based on Survey Results



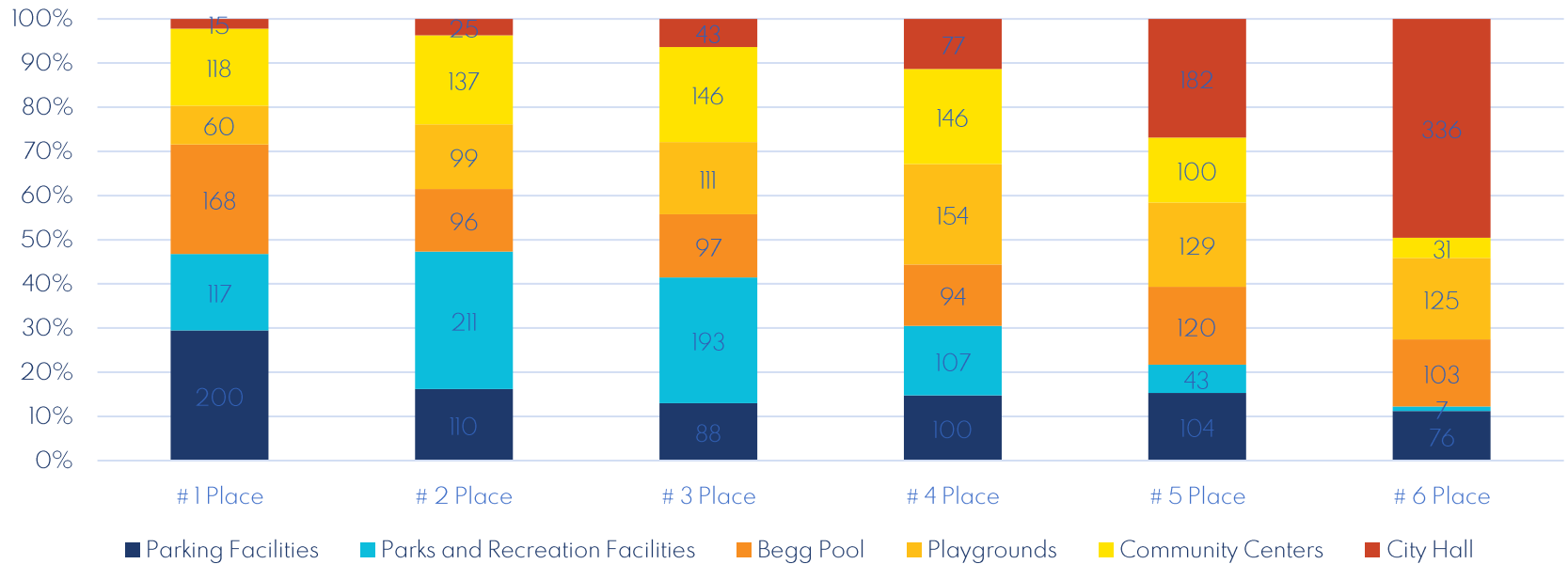
The Survey focused on obtaining the Top 5 Priorities from the community. The results indicate that most respondents' top priorities for the City are as follows:

1 - Keeping our City safe, # 2 - Fixing roads, # 3 - Making parks better,
4 - Bike safety, and # 5 - Parking



BUDGET SURVEY

Top 6 Places to Fix in Manhattan Beach Based on Survey Results



The Survey focused on obtaining the Top 6 Places to Fix from the community. The results indicate that most respondents' Top 6 Places to Fix are as follows:

1 – Parking Facilities, # 2 – Parks & Rec Facilities, # 3 – Begg Pool,
4 – Playgrounds, # 5 – Community Centers and # 6 – City Hall



FISCAL OUTLOOK

- Spending plan supports priorities of:
 - Community feedback through the Budget Survey
 - Public safety and emergency services
 - Outstanding essential services
 - Improved infrastructure and maintenance
- Revenues are stable in key areas
- Annual Measure MMB funds of \$5.9 million generating significant General Fund surpluses
- City's AAA credit rating re-affirmed by S&P in 2021
- Overall financial position allows investment in our infrastructure, maintenance and service levels



FISCAL OUTLOOK

- Challenges:
 - Economic Uncertainty and Slowing Growth
 - CalPERS Unfunded Accrued Liability (UAL) Payments rising from \$2.0 million in FY 2026 to \$4.0 million in FY 2030
 - Insurance Reserve Fund costs escalating due to premiums, claims and litigation



FISCAL OUTLOOK

- Opportunities:
 - Re-prioritized expenditures to accommodate higher community priorities
 - Cost recovery measures approved on April 15
 - General Fund surpluses allow for transfers to CIP Fund for deferred maintenance and infrastructure
 - Able to transfer 100% of POB savings to Pension Trust Fund for future pension costs
 - Long-term investments and development opportunities at 400 Manhattan Beach Boulevard and Parking Lot 3 (12th St & Morningside Drive)



BUDGET HIGHLIGHTS

- FY 2026 Proposed Budget includes:
 - Placeholder increases for employee MOUs
 - CPI increases for materials and services
 - Budget enhancements (if funding available)
 - Technology Enhancements
 - Year 1 of Proposed Five-Year Capital Improvement Plan (will be presented on May 13)



BUDGET HIGHLIGHTS

- FY 2026 Proposed Budget includes:
 - No new full-time positions
 - Reflects changes approved with Mid-Year Update on February 18
 - Modifications to six existing full-time positions:
 - Assistant City Manager (MGMT)
 - Senior Management Analyst (MGMT)
 - Management Analyst (FIN)
 - Administrative Assistant (PD)
 - Cross-Connection Control Specialist (PW – Water)
 - Senior Technology Systems Engineer (IT – IT Fund)



PERFORMANCE MEASURES

PERFORMANCE MEASURES

MAINTAIN AAA GENERAL OBLIGATION BOND RATING

	PRIOR YEAR		TARGET	FISCAL RESPONSIBILITY
FY 2023	FY 2024	FY 2025	FY 2026	
Actual	Actual	Estimate	Budget	
AAA	AAA	AAA	AAA	

The "AAA" issuer credit rating is a testament to the City's continued strong financial position, its tradition of prudent fiscal decisions and a resilient economic base. This is an achievement maintained by few California Cities.

ATTAIN AN UNMODIFIED AUDIT OPINION

	PRIOR YEAR		TARGET	FISCAL RESPONSIBILITY
FY 2023	FY 2024	FY 2025	FY 2026	
Actual	Actual	Estimate	Budget	
Yes	Yes	Yes	Yes	

The City's independent auditor issues an unmodified opinion when financial statements are presented, in all material respect, in accordance with accounting standards being used and accordance with the applicable reporting framework.

ATTAIN GFOA AND CSMFO BUDGET AWARDS

	PRIOR YEAR		TARGET	FISCAL RESPONSIBILITY
FY 2023	FY 2024	FY 2025	FY 2026	
Actual	Actual	Estimate	Budget	
Yes	Yes	Yes	Yes	

The Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO) review Budget documents and confer awards to Cities that meet their criteria

ATTAIN GFOA ANNUAL FINANCIAL REPORTING ACHIEVEMENT

	PRIOR YEAR		TARGET	FISCAL RESPONSIBILITY
FY 2023	FY 2024	FY 2025	FY 2026	
Actual	Actual	Estimate	Budget	
Yes	Yes	Yes	Yes	

GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program (COA) to recognize the requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit to transparency and full disclosure. The City strives to achieve this certificate on an annual basis.

AVERAGE ANNUAL INVESTMENT PORTFOLIO YIELD

	PRIOR YEAR		TARGET	FISCAL RESPONSIBILITY
FY 2023	FY 2024	FY 2025	FY 2026	
Actual	Actual	Estimate	Budget	
2.16%	2.89%	3.35%	3.00%	

The City's investments are managed in a prudent and diligent manner with an emphasis on safety, liquidity and yield, in that respective order. Reports on the City's investment portfolio and cash position are provided to the City Council on a monthly basis.

BY THE NUMBERS IN 2024

BUSINESS LICENSES BY CATEGORY



DID YOU KNOW, THE FINANCE DEPARTMENT IS RESPONSIBLE FOR...

93,951
UTILITY BILLS & NOTICES GENERATED

59,978
PARKING CITATIONS PROCESSED

1,265
SHORT-TERM RENTAL TOT REMITTANCES

7,150
INVOICES PAID

9,636
NUMBER OF PURCHASE CARD TRANSACTIONS



3,221
PARKING PERMITS
ISSUED



1,727
ANIMAL LICENSE
RENEWALS



14,500
CASHIERING
TRANSACTIONS



4,666
NUMBER OF
ACCOUNTS
PAYABLE CHECKS



706
ACCOUNTS
RECEIVABLE
INVOICES



103
NUMBER OF PURCHASE
ORDERS ISSUED



11
NUMBER OF REQUESTS
FOR PROPOSALS
COMPLETED



CITY OF
MANHATTAN BEACH

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FY 2026 SUMMARY

TOTAL CITYWIDE BUDGET	
REVENUES	\$196.5 million
EXPENDITURES	194.1 million
<i>Operating</i>	<i>\$151.3 million</i>
<i>CIP & Equipment</i>	<i>31.9 million</i>
<i>Debt Service</i>	<i>10.9 million</i>



FY 2026 SUMMARY

GENERAL FUND BUDGET	
REVENUES	\$125.4 million
EXPENDITURES	\$105.6 million
OPERATING SURPLUS	\$19.8 million
LESS BOND PROCEEDS	-\$13.2 million
REVISED SURPLUS	\$6.6 million



FY 2026 SUMMARY

General Fund Reserve Projections after FY 2026:

20% of Expenditures Policy	\$21.1 million
Economic Uncertainty	\$ 4.0 million
Unreserved Fund Balance	\$ 5.1 million

General Fund Balance impacted by transfers out to other funds:

Transfers to support operations and one-time projects:

- CIP Fund - \$5.0 million
- Storm Drain Fund - \$500,000
- Street Lighting & Landscape Fund - \$284,539

Transfers as a result of UAL Pension Policy:

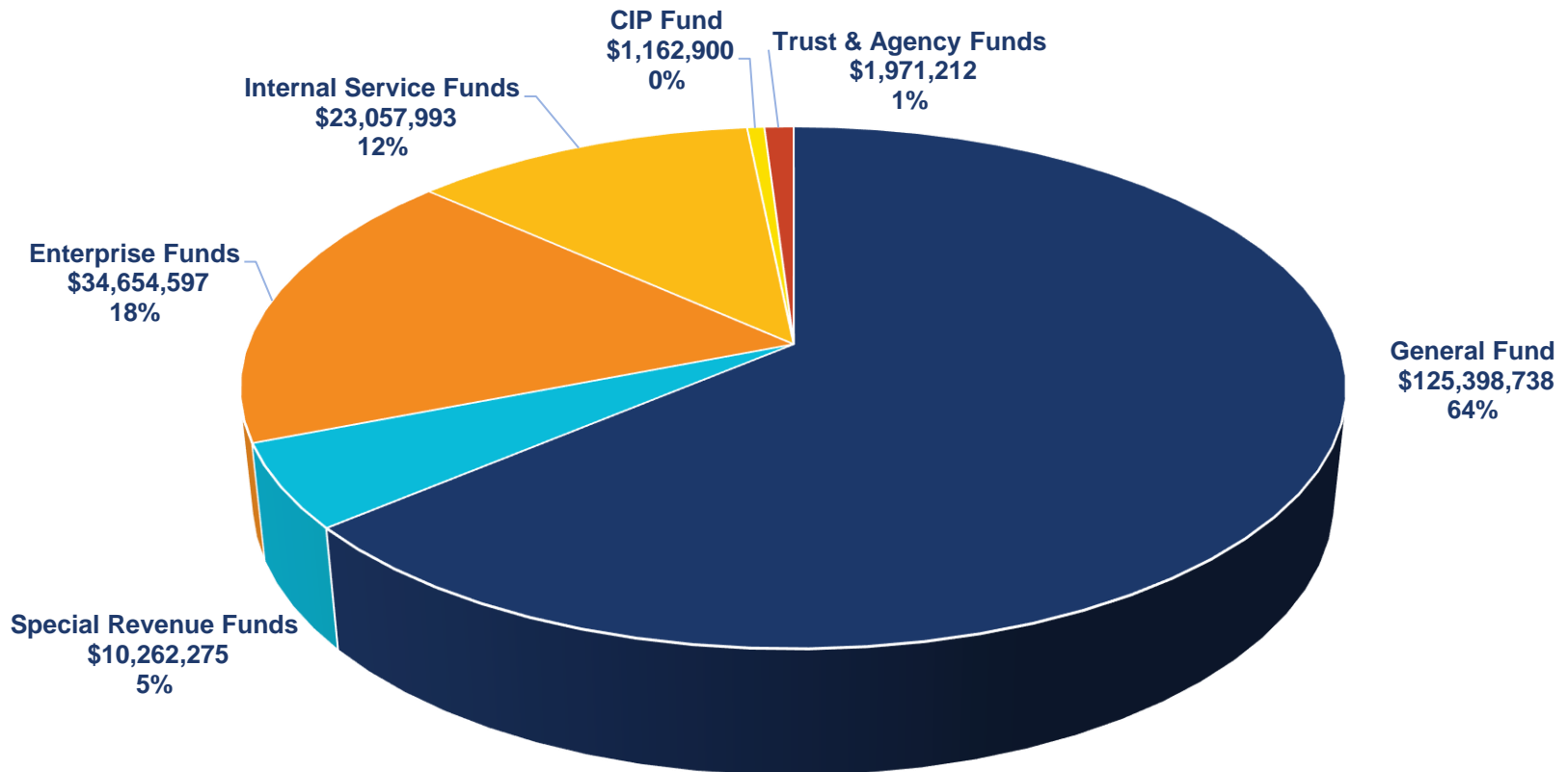
- Section 115 Trust Fund to prefund future pension costs - \$3,246,893

Section 115 Trust Fund Balance projected to be \$6.0 million in FY 2026



CITYWIDE REVENUES

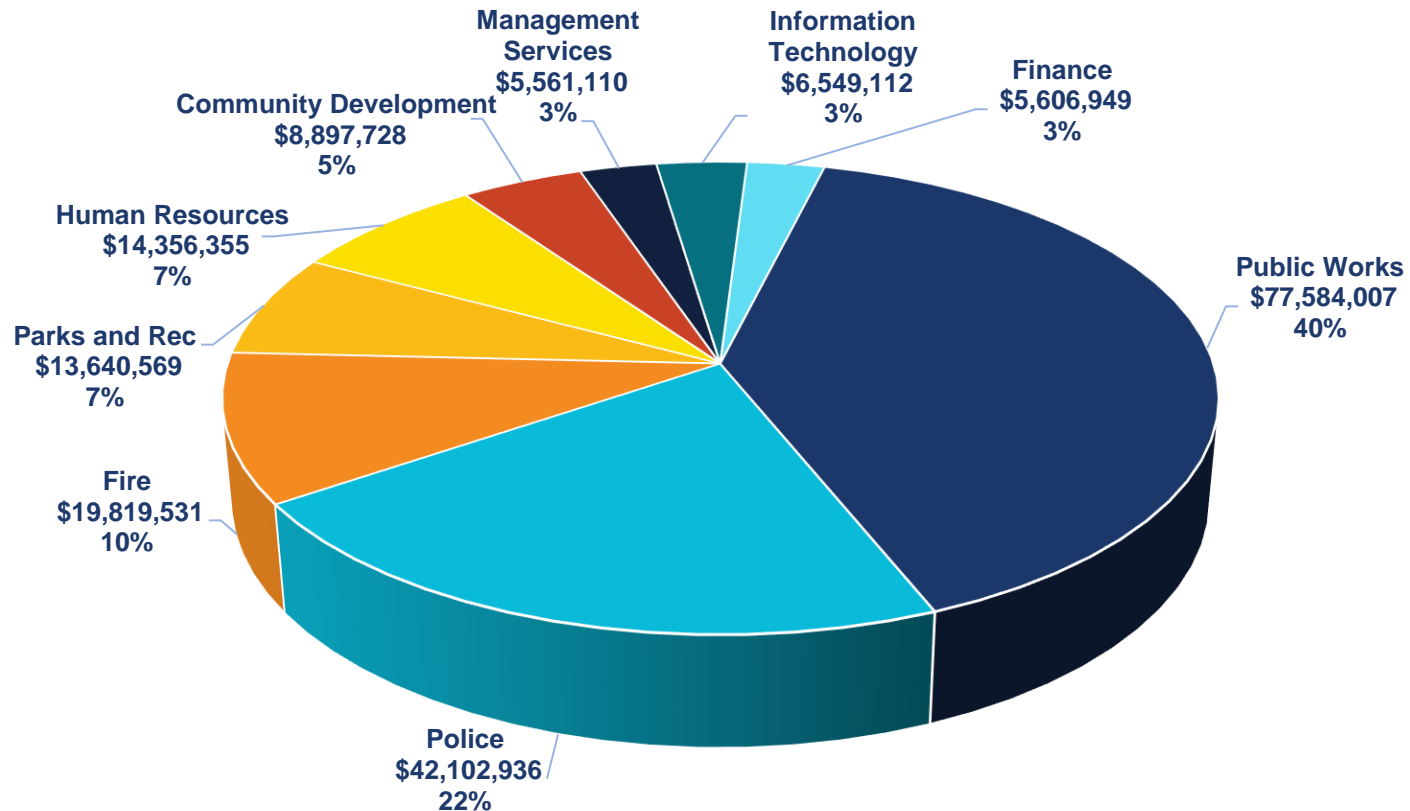
\$196,507,715



CITYWIDE EXPENDITURES

By Department

\$194,118,297

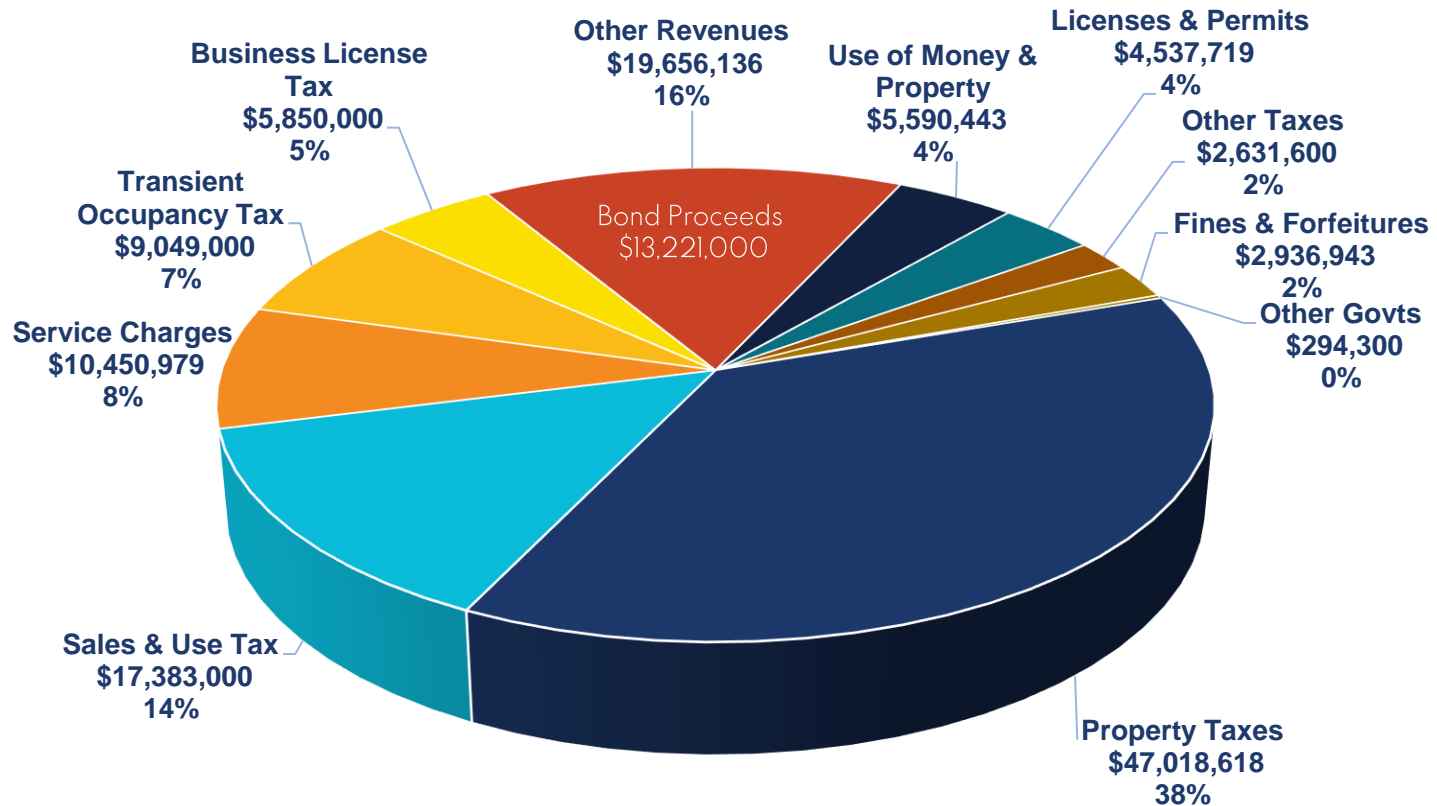


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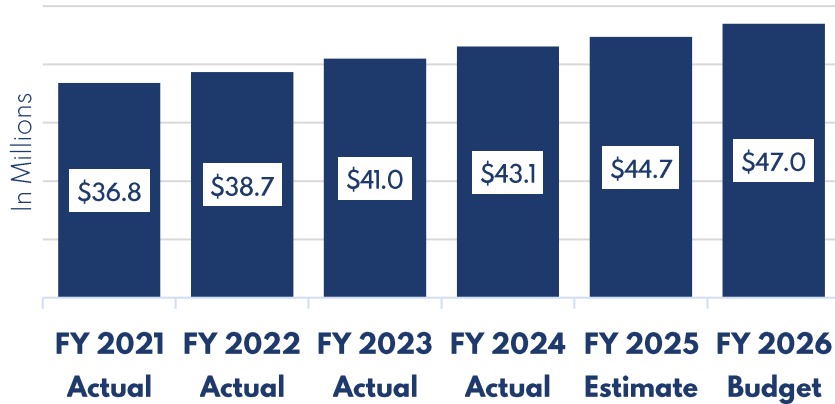
GENERAL FUND REVENUES

\$125,398,738

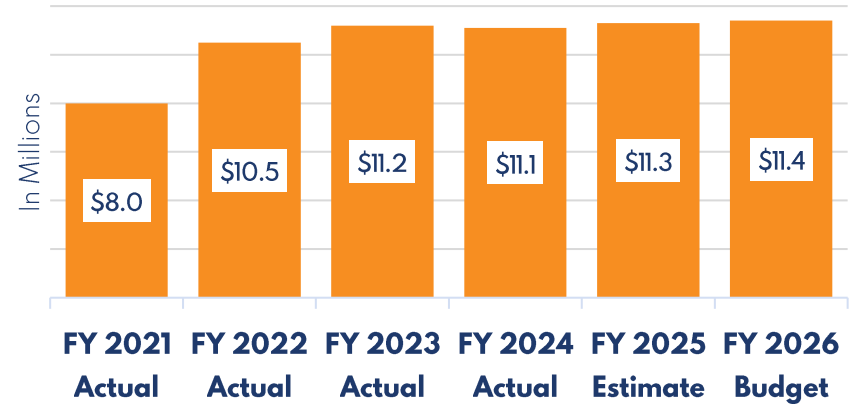


GENERAL FUND REVENUES

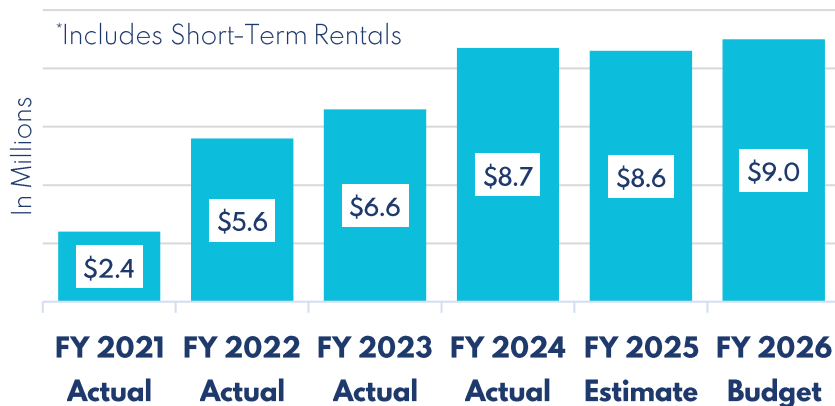
PROPERTY TAX



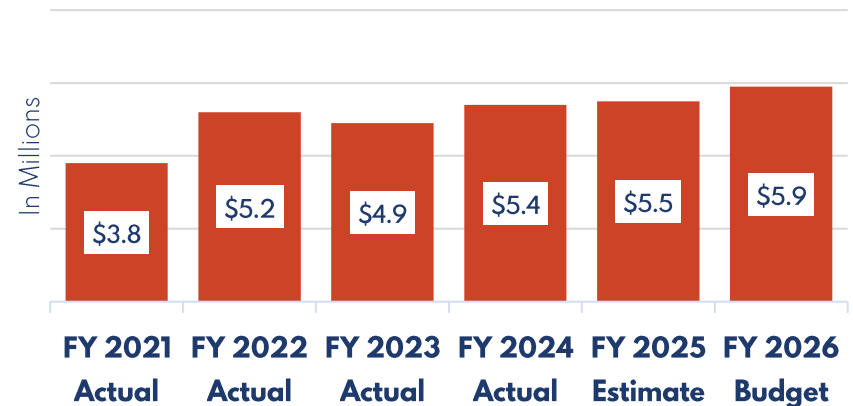
SALES & USE TAX



TRANSIENT OCCUPANCY TAX

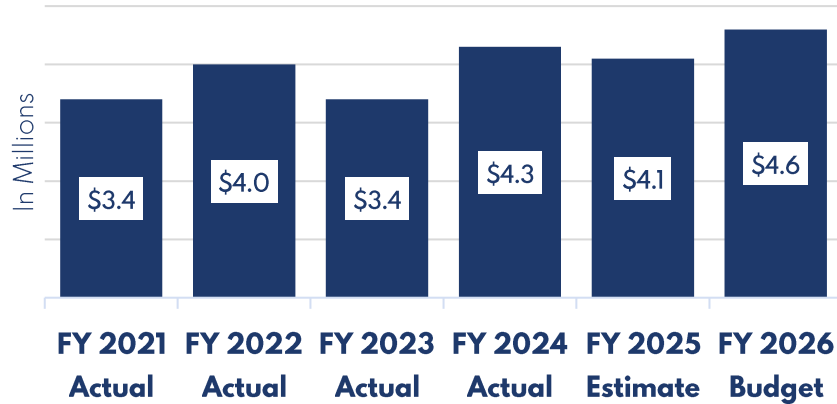


BUSINESS LICENSE TAX

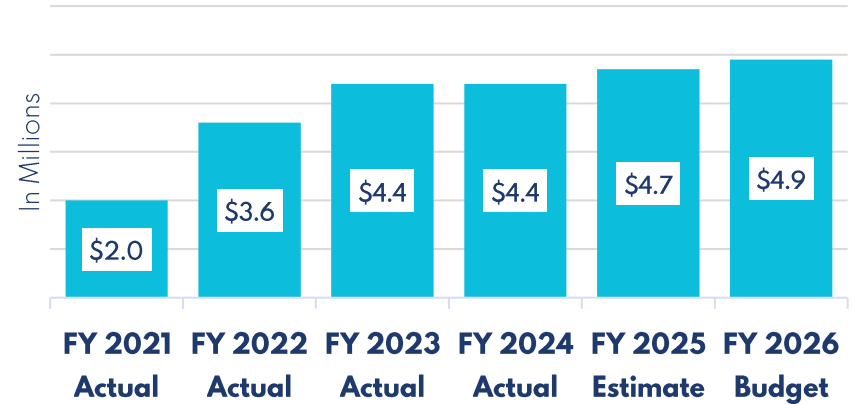


GENERAL FUND REVENUES

BUILDING PERMITS & PLAN CHECK FEES



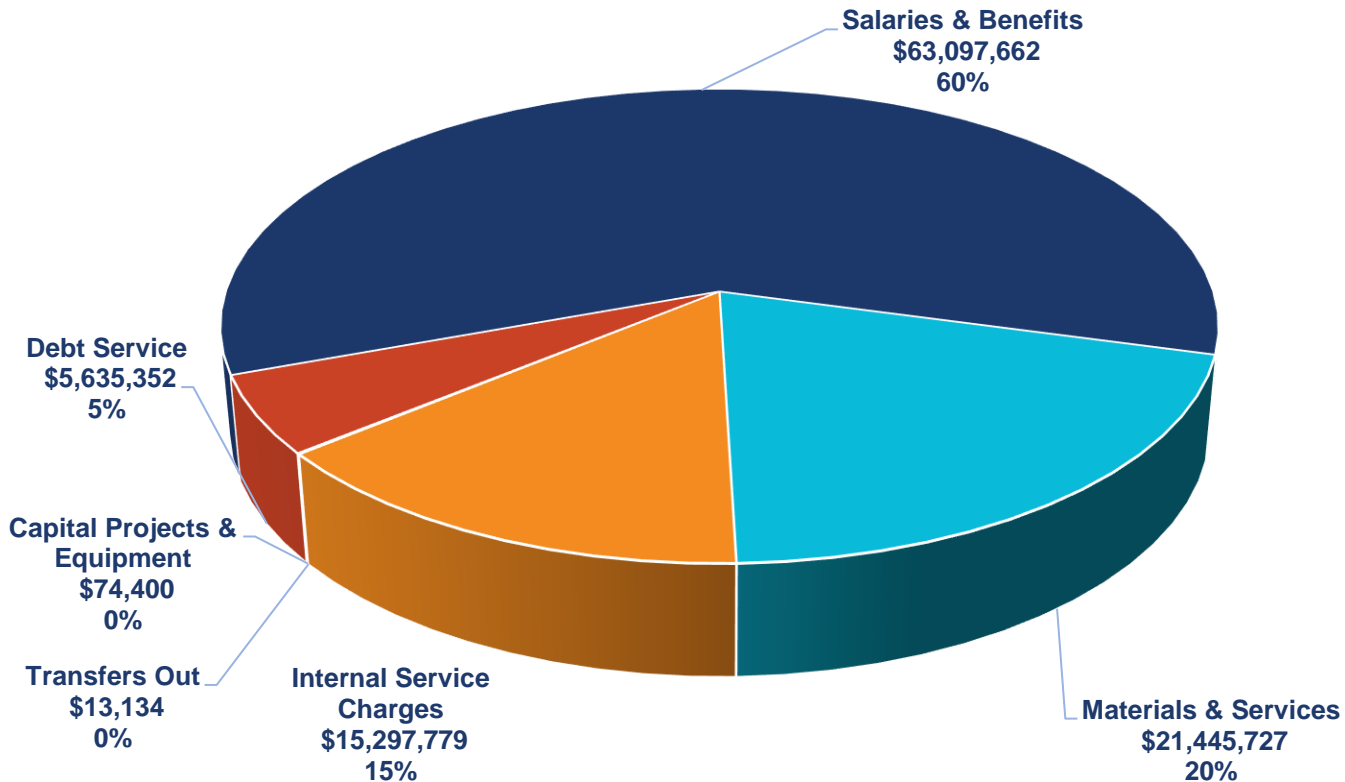
PARKS & RECREATION REVENUES



GENERAL FUND EXPENDITURES

By Category

\$105,564,054



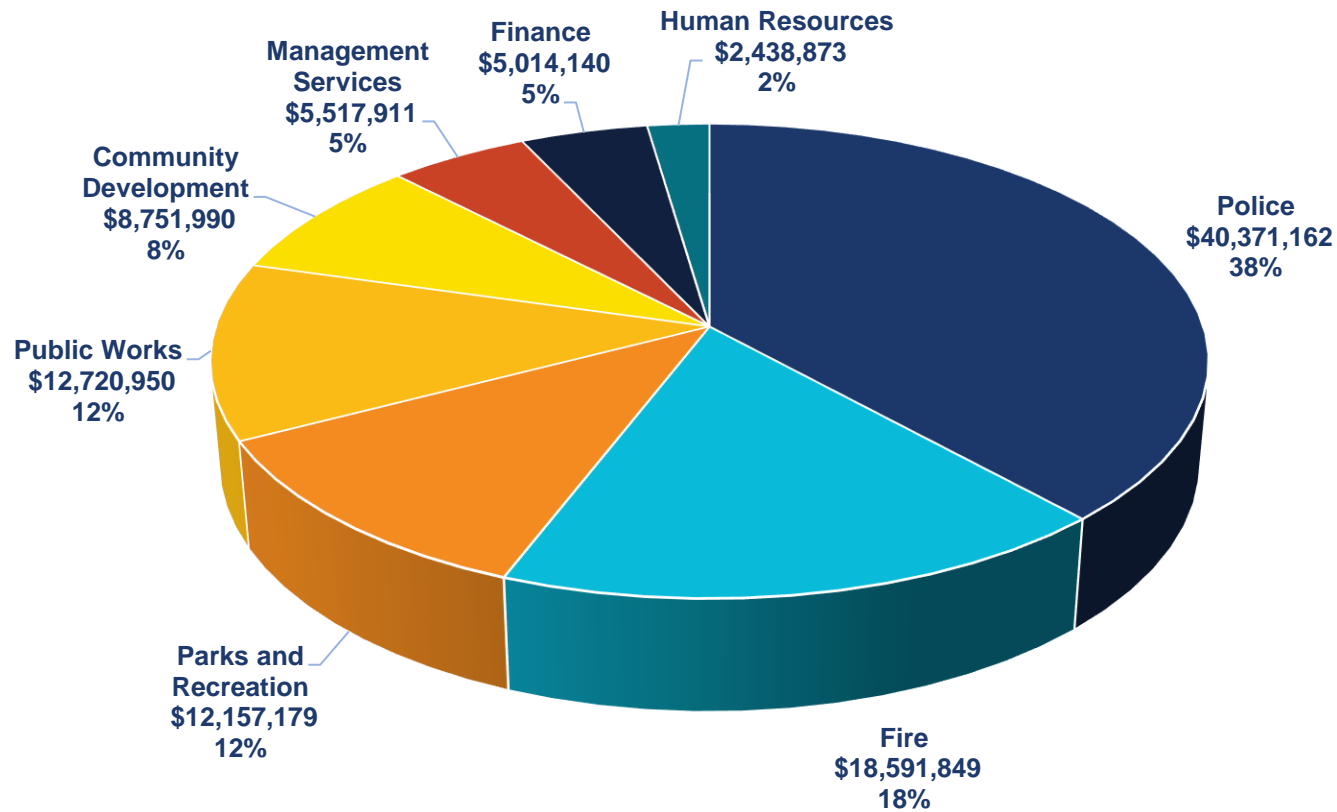
CITY OF
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GENERAL FUND EXPENDITURES

By Department

\$105,564,054



CITY OF
MANHATTAN BEACH

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GENERAL FUND EXPENDITURES

- Salaries and Benefits increasing \$4.4 million or 7.5%
 - Includes placeholder MOU adjustments and associated benefits
 - 6% Vacancy factor built in to recognize savings up front
 - General Fund staffing adjustments summary:
 - Full impact of position changes approved February 2025
 - Adjustments to full-time positions (\$134,367)
 - Part-time additions (\$111,546)
 - Benefits category includes:
 - Medical Insurance increase of \$621,046 (11.7%)
 - CalPERS current service costs increases totaling \$406,444



GENERAL FUND EXPENDITURES

- Materials & Services increasing \$562,146 due to:
 - Inflationary increases affecting costs of Contract Services, Utilities, and other materials
 - Additional contract services for Ceramics Instructors (\$52,400) and Emergency Medical Services (\$36,700)
 - Enhancement to Legal Services (\$90,000)
 - Additional funds within department supplies to replace Cardiac Monitors (\$100,000)
 - Moved \$1.0 million from Contract Services to Leased Property & Equipment for easier tracking in accordance with GASB 87

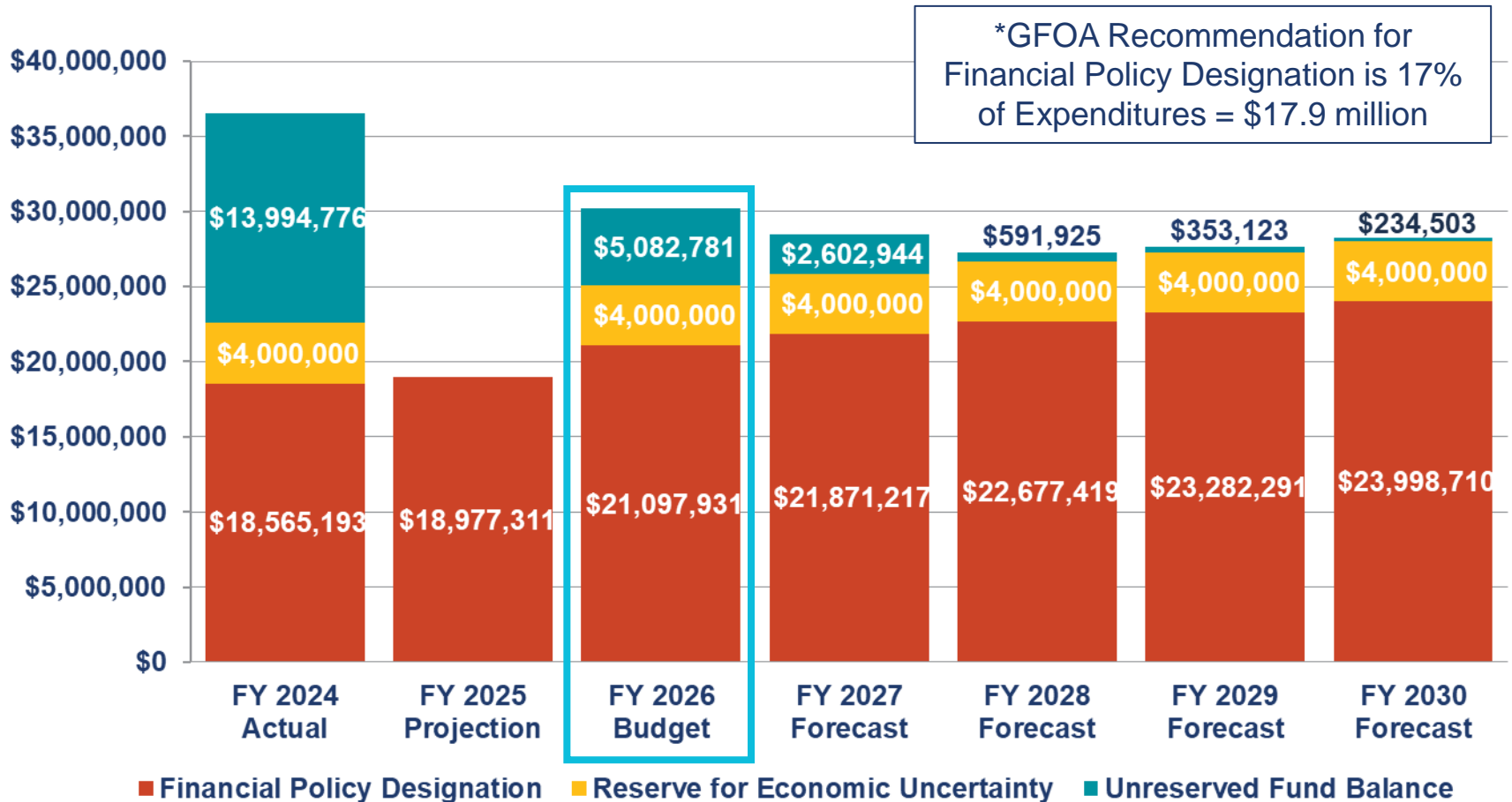


GENERAL FUND EXPENDITURES

- Internal Service Charge-outs increasing by:
 - Information Technology Fund (\$1,044,448)
 - Includes one-time critical IT infrastructure and security projects
 - Insurance Reserve Fund (\$1,375,740)
 - Additional funding will be needed for rising premiums, claims and litigation expenses
 - Claims Paid/Litigation Expenses usually budgeted using historical average; Recent trends indicate costs continue to escalate
 - Fleet Fund (\$122,834)
 - Includes vehicle maintenance and future replacements
 - Building Maintenance & Operations (\$222,717)
 - Includes funds for Electricity Audit (\$46,000)

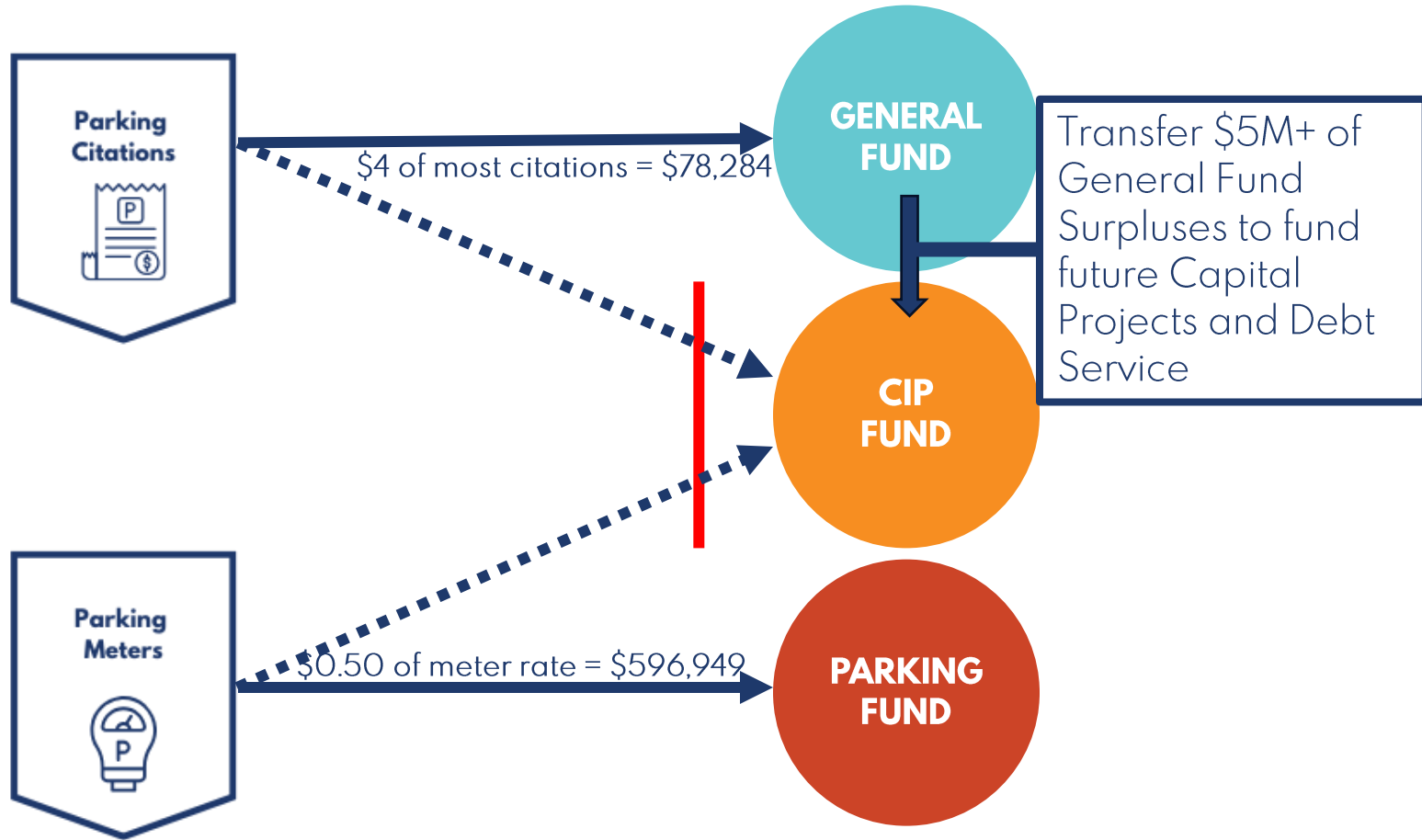


ESTIMATED GENERAL FUND BALANCE



FINANCIAL POLICIES - CIP FUNDING

- Recommended Financial Policy Changes to CIP Funding:



FINANCIAL POLICIES – PENSION FUNDING

- Volatility in CalPERS investment returns from assumed rate of 6.8% creates unfunded liabilities
 - FY 2021 21.3%
 - FY 2022 -6.1%
 - FY 2023 5.8%
 - FY 2024 9.3%
- Based on FY 2024 investment return, City's unfunded liability is estimated at \$30 million
- Unfunded Liability payment of \$2.0 million due FY 2026
- Finance staff will continue to monitor and provide updates to Finance Subcommittee

* June 30, 2024 Actuarial Reports will be released in August 2025



FINANCIAL POLICIES – PENSION FUNDING

- Pension Policy allows flexibility in the allocation of “savings” from the issuance of POBs
- Imperative to maintain fiscal discipline and continue transfers to Pension Trust Fund
- Staff recommends transferring 100% of “savings” to Section 115 Trust and utilizing these funds to pay CalPERS
 - If CalPERS future investment returns exceed discount rate, our UAL payments will go down, and funds would remain in Trust to offset pension costs in the future



BUDGET RECAP

- Stable revenues and balanced budget with General Fund surplus of \$6.6 million
- Essential services maintained
- Investments in infrastructure and maintenance
- Next steps
 - May 13: Budget Study Session and CIP Presentation
 - May 20: Potential Budget discussion at Regular Meeting
 - May 27: Budget Study Session (if needed)
 - Email comments to Budget@manhattanbeach.gov
 - June 3: Public Hearing and Budget/CIP Adoption



