

Fiscal Year 2017-18 Mid Year Budget Review



Introduction

- ▶ Status report halfway through the fiscal year (July 1 - December 31, 2017)
- ▶ Discuss Community Budget Social and online Budget Survey



Mid-Year Trends and Results

- ▶ Unreserved General Fund Balance estimated at \$6.1M
- ▶ General Fund Revenues expected to **exceed** budget by \$510,588 or 0.7%
- ▶ General Fund Expenditures expected to end year **under** budget by \$2,335,886 or 3.3%
- ▶ Year-end projections indicate actual Revenues will exceed actual Expenditures by \$3,084,881
 - Policy Reserve maintained at 20% of Expenditures (\$14.1 million)
 - Economic Uncertainty Reserve at \$4.0 million



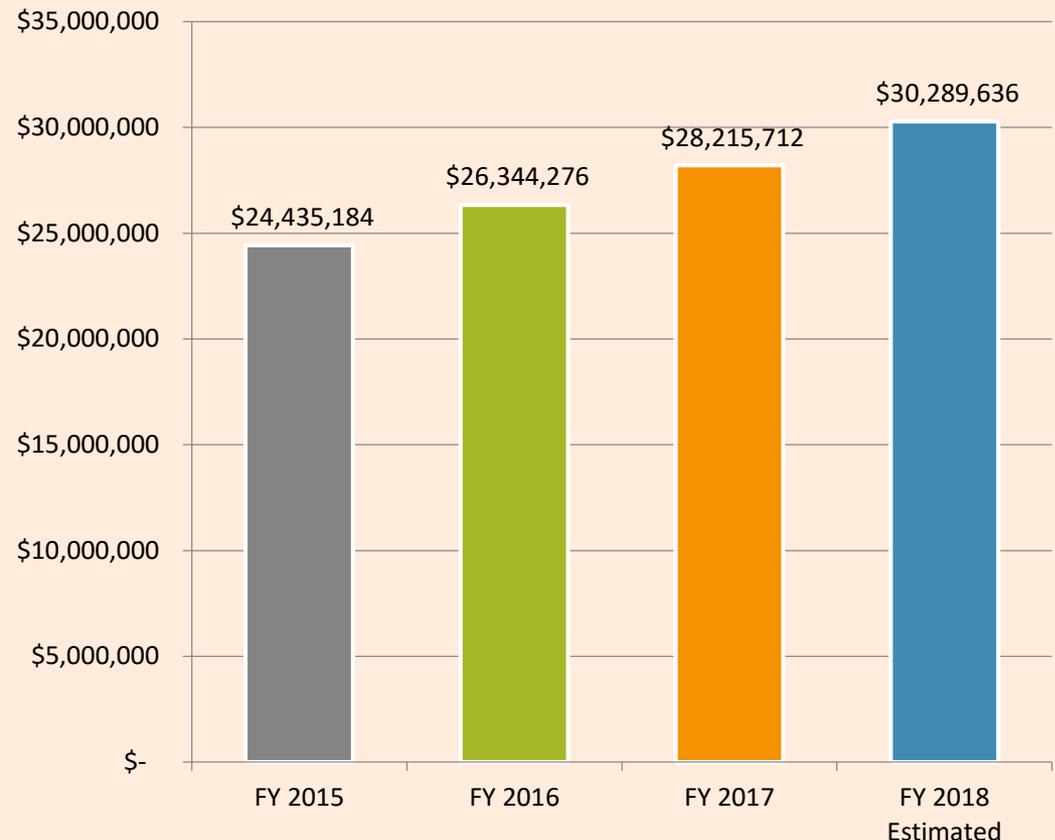
General Fund Revenues

Fiscal Year 2017-18 Mid Year Report



Property Tax

- ▶ City's largest General Fund revenue source – 40% of total
- ▶ Estimated to exceed budget by \$778,631 (2.6%)
- ▶ \$2,073,924 (7.4%) over FY 2016-17
- ▶ Assessed values up 7.0% from FY 2017; on par with prior year's growth of 7.1%



Source: HdL Property Tax Data



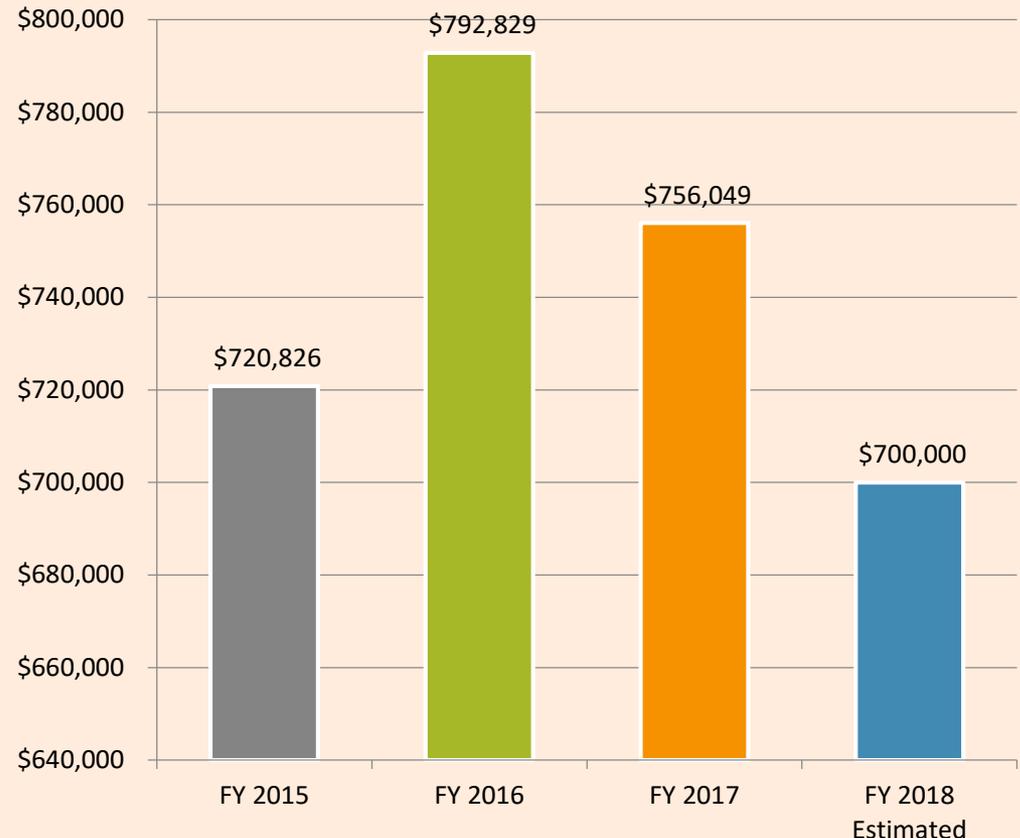
Real Estate Transfer Tax

- ▶ Levy of \$.55 per \$500 of sales price (0.11%)
- ▶ Split evenly between County and City
- ▶ Example:
 - Sale Price \$1,800,000
 - R/E Tax @ 0.11% \$ 1,980
 - City revenue \$ 990
 - County share \$ 990



Real Estate Transfer Tax

- ▶ Median SFR home price in 2017: \$2.37 million
- ▶ Volume of home sales in 2017 (379 units) similar to 2016 (365 units)
- ▶ Forecasted year-end to come in \$100,000 over budget (16.7%) but \$56,047 (-7.4%) below prior year due to anomalous large valuations

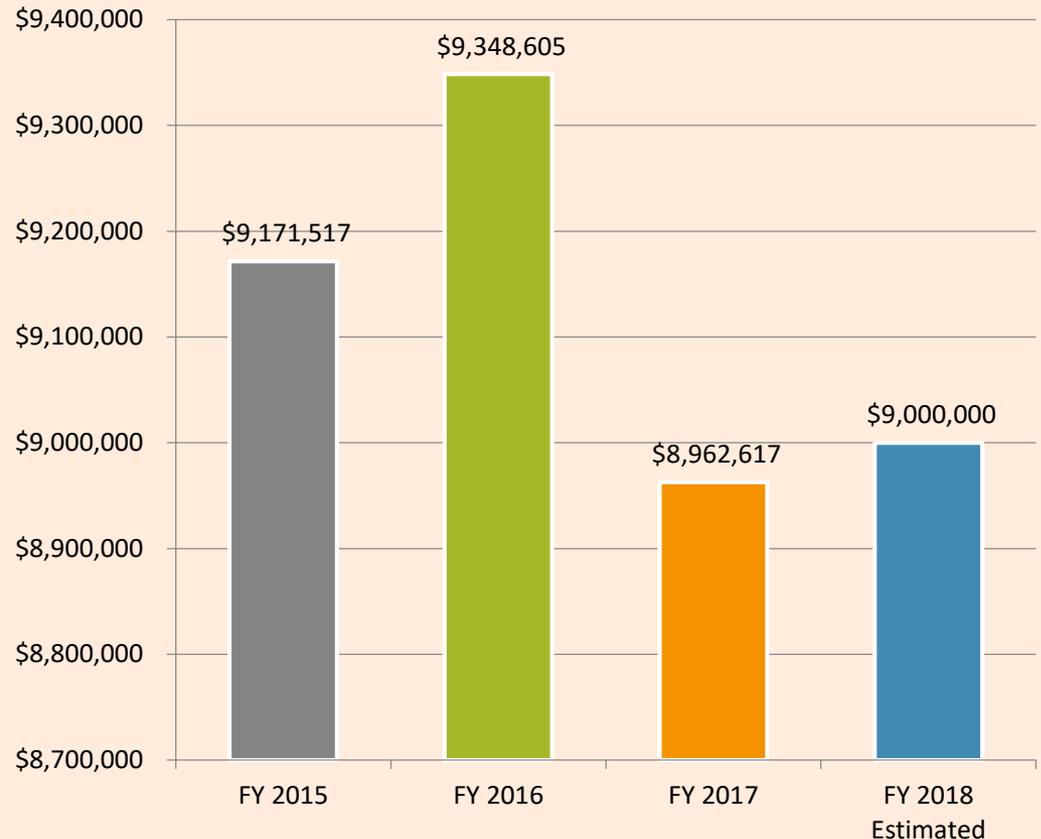


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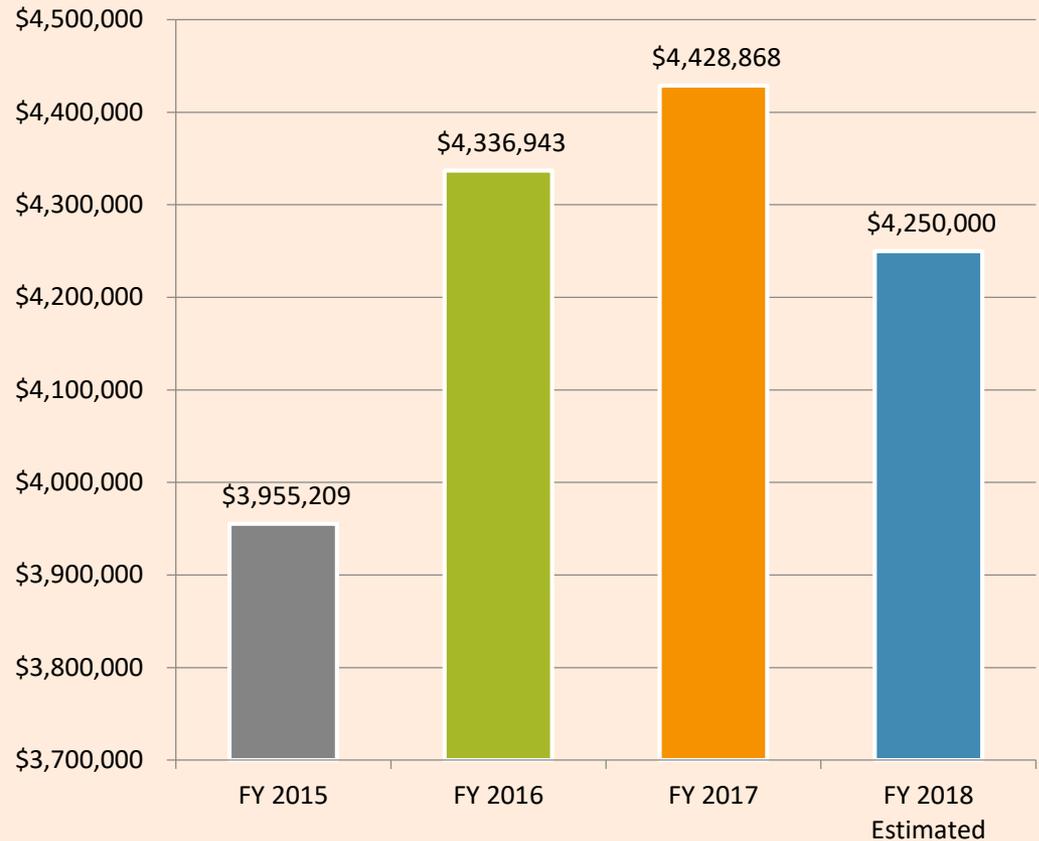
Sales Tax

- ▶ Second largest General Fund revenue source (13%)
- ▶ Projected at budget; \$37,383 over FY 2017 (0.4%)
- ▶ Lost significant Sales Tax producer in FY 2015; FY 2016 included Triple Flip one-time adjustment
- ▶ Overall modest growth in retail sales expected



Transient Occupancy Tax

- ▶ City levies 10% tax on hotel room rentals
- ▶ 8.5% to General Fund
- ▶ 1.5% to CIP Fund
- ▶ General Fund Revenues projected under budget by \$276,500 (-6.1%) due to remodel of WestDrift (Marriott)



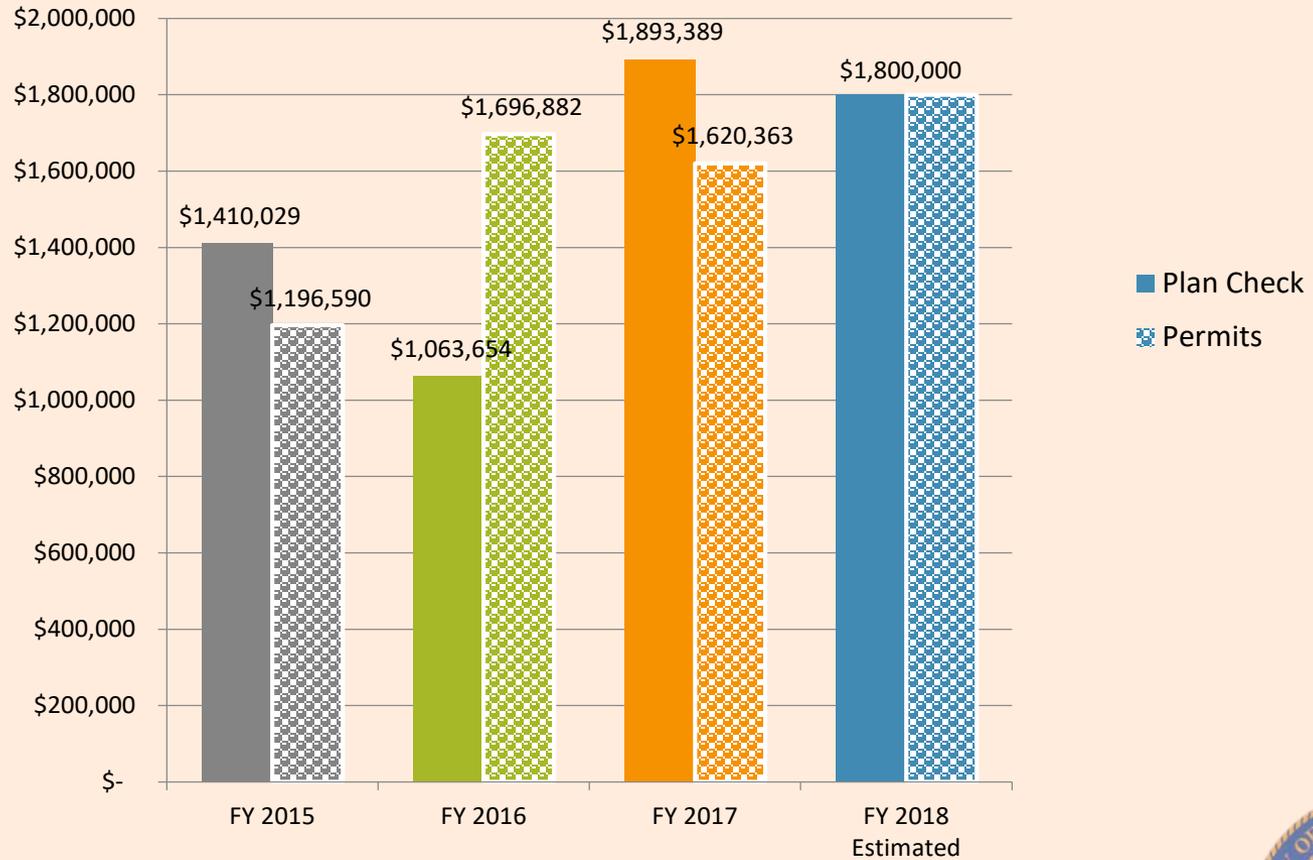
Plan Check/Building Permits

- ▶ Together trending \$462,300 (14.7%) over budget and higher than FY 2016-17 by \$86,248 or 2.5%
- ▶ Number of Plan Check submittals is higher than prior year, but total valuation is lower
 - Prior year spike due to high-value submittals (e.g. Manhattan Village Mall)
- ▶ Building Permit activity higher than prior year and total valuation is higher due to high-value projects reaching permit stage

	Applied Plan Checks		Issued Permits w/ Value	
July-Dec 2016	597	\$138,522,592	604	\$65,559,979
July-Dec 2017	692	107,165,811	744	\$76,811,132
Incr./-Decr.	+95	-\$31,356,781	+140	+\$11,251,153

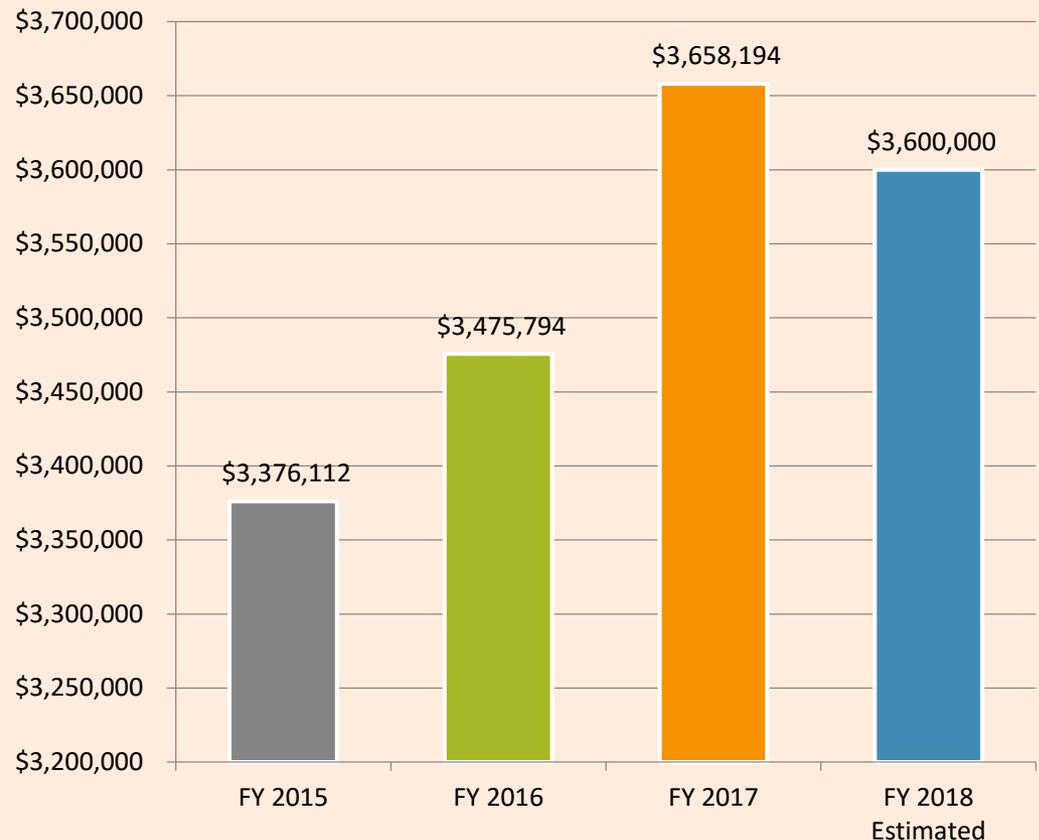


Plan Check/Building Permits



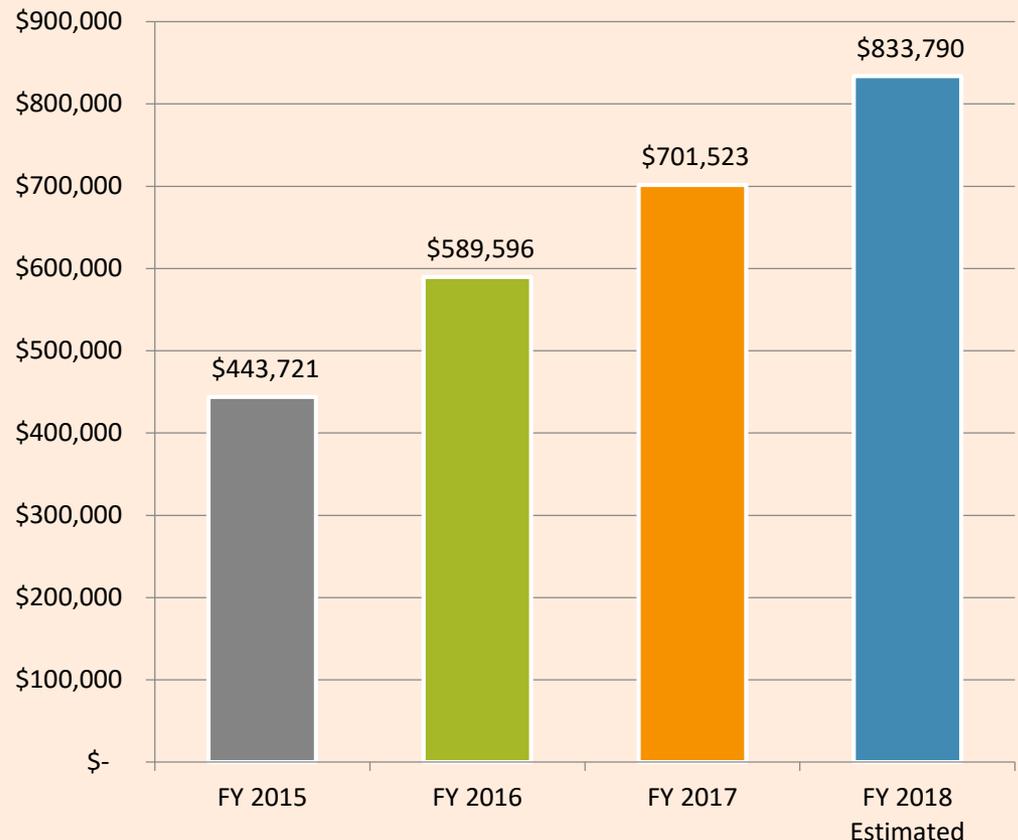
Business License Tax

- ▶ Issue approximately 5,000 annually
- ▶ Stable revenue source generally based on gross receipts
- ▶ Approximately 82 businesses pay maximum cap
- ▶ Conservatively estimated at budget



Interest Income

- ▶ Investment of idle cash
- ▶ Portfolio includes:
 - State Local Agency Investment Fund (LAIF)
 - Government Agencies (Freddie Mac, Fannie Mae)
 - Corporate Notes
 - U.S. Treasury Notes
 - Insured negotiable bank CDs
- ▶ City's Investment Policy provides guidance
- ▶ Interest rate increases expected in 2018



General Fund Expenditures

Fiscal Year 2017-18 Mid Year Report



General Fund Expenditures

- ▶ Overall trending 3.3% or \$2,335,886 under budget for full year
 - \$1.2 million of savings due to delayed procurements of one-time capital expenditures, including \$928,585 for Enterprise Resource Planning (ERP) system
- ▶ Salaries & Wages – Over Budget by \$370,989 (1.1%)
 - Regular salaries expected to be under budget by \$442,837 (-3.3%) due to open positions
 - Recruitments underway except for Assistant City Manager and Economic Vitality Manager which will not be re-budgeted
 - Savings partially offset by Overtime and Part-time Salaries to sustain workload
 - Sworn Salaries (Police and Fire) trending over budget \$230,324 (1.8%) due to Police Overtime to cover for vacancies and nearly full staffing in Fire Department



General Fund Expenditures

- ▶ Employee Benefits – Under Budget by \$550,956 (-3.8%)
 - Variance due to vacancies and lower than anticipated medical cost increases
- ▶ Contract & Professional Services under budget by \$397,830 (-4.4%)
 - Mostly due to delay in RCC's CAD System upgrade project (City shares cost with other owner agencies)
- ▶ Materials & Services under budget by \$194,565 (-6.5%)



General Fund Expenditures

- ▶ Property & Equipment anticipated to be under budget by \$1,171,695
 - Mostly related to Information Systems Master Plan projects not expected to be completed by year end
 - Remaining portion of projects will be re-budgeted in FY 2018-19 for completion
- ▶ Utility Costs and Internal Service Charges both trending lower due to smaller cost increases than anticipated
- ▶ Debt Service under budget by \$154,953 due to delayed capital financing



Other Funds

- ▶ Trending as appropriate through mid year
- ▶ Storm Water Fund and Street Lighting & Landscape District Fund operating at deficits as expected
 - No fund balances
 - General Fund transfers required until a Proposition 218 assessment vote is successful
- ▶ Insurance Fund claims activity continues to be a concern
 - FY 2017-18 last year of phased 3-Year transfer plan to correct fund imbalance caused by higher than expected claims activity in FY 2014-15
 - Liability Claims activity seeing increased activity this fiscal year
 - Expenditures are expected to exceed budget at year-end



Summary

- ▶ Mid Year results are overall positive – both Revenues and Expenditures performing better than budget
- ▶ Revenues expected to exceed Expenditures by \$3,084,881

Revenues		Expenditures	
↑	Property Taxes	↑	Salaries & Wages
↑	Building Plan Check fees	↓	Employee Benefits
↑	Interest Earnings	↓	Contract & Professional Services
↑	Real Estate Transfer Tax	↓	Materials & Services
↓	Transient Occupancy Tax	↓	Property & Equipment
↓	Fines	↓	Utilities/Internal Serv. Charges



Budget Initiatives

- ▶ Community Budget Social held on January 30
- ▶ Open City Hall Budget Survey concluded on February 19
- ▶ www.citymb.info/Budget



When you hear "quality of life" in Manhattan Beach, what does that mean to you?

community clean accessible great safe environment air open well water where neighbors
 resources public friendly education family oriented all means living people neighborliness



Looking Ahead...



- ▶ Strategic Plan and Budget Survey incorporated into budget
- ▶ Proposed Biennial Budget - May 1, 2018
- ▶ Budget Study Sessions in May
- ▶ FY 2018-19 Budget **adopted** in June; FY 2019-20 will be **approved**
 - Adoption of FY 2019-20 Budget will occur in June 2019



Questions

