

FISCAL YEAR 2027 PROPOSED BUDGET



MAY 5, 2026

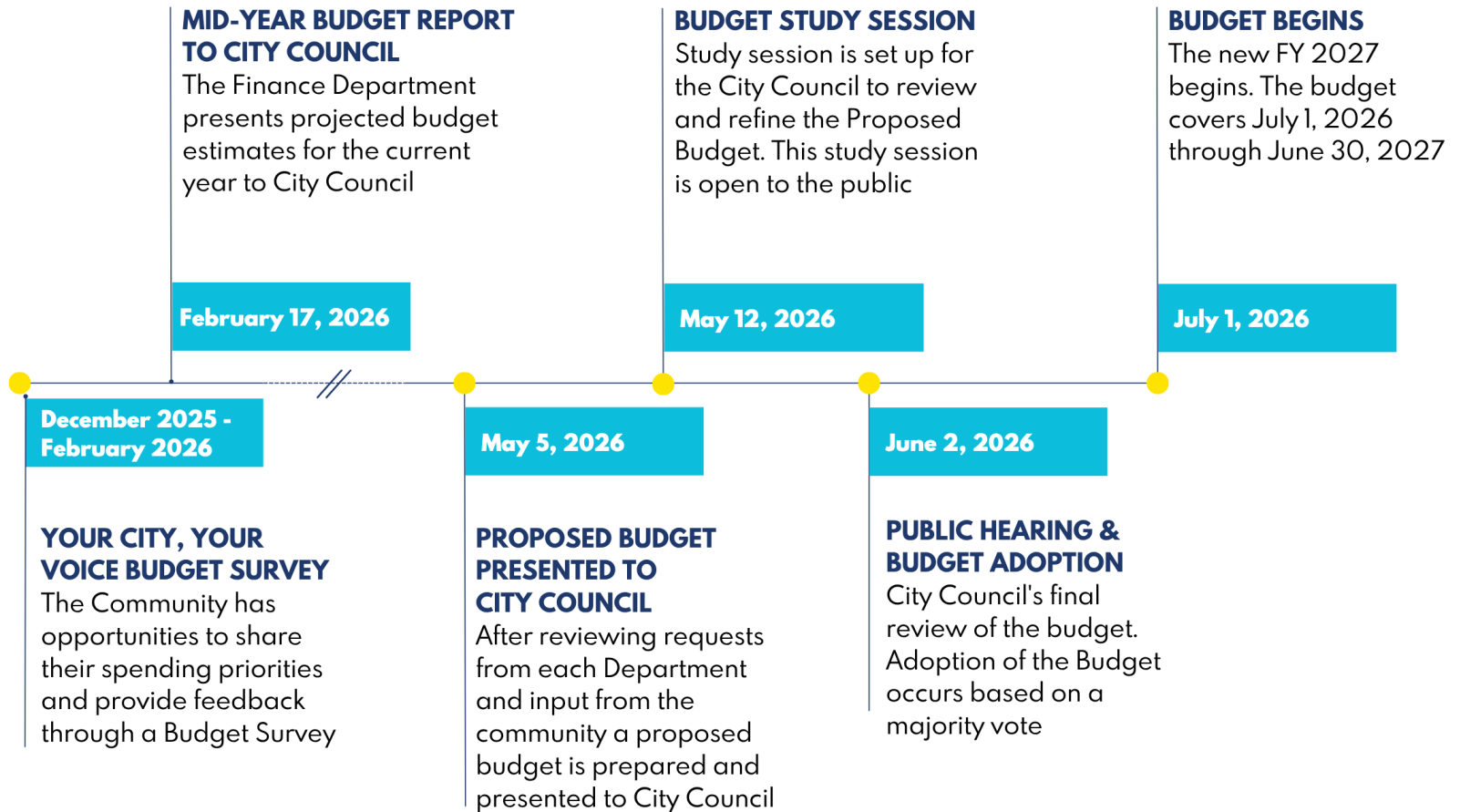


AGENDA

- Budget Overview
 - Budget Survey Results
 - Fiscal Outlook
 - Budget Highlights
 - General Fund Trends
 - Proposed Transfers to Other Funds
 - Other Fund Highlights will be presented with Department Presentations on May 12
- Questions/Feedback for May 12 Budget Study Session

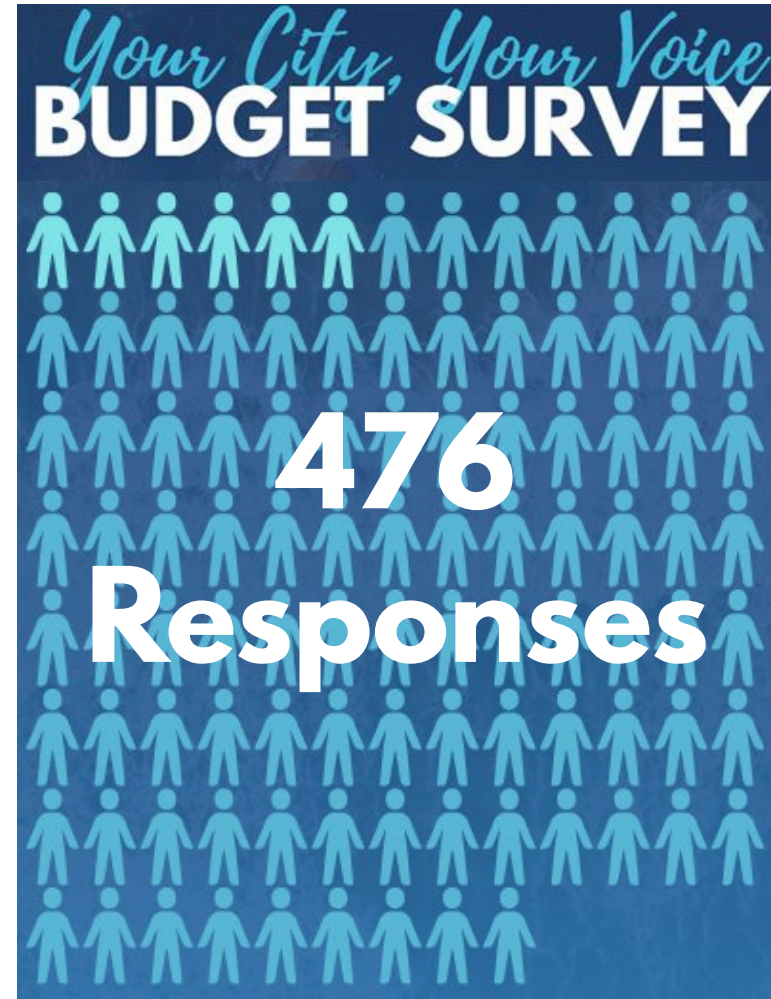


FY 2027 BUDGET TIMELINE



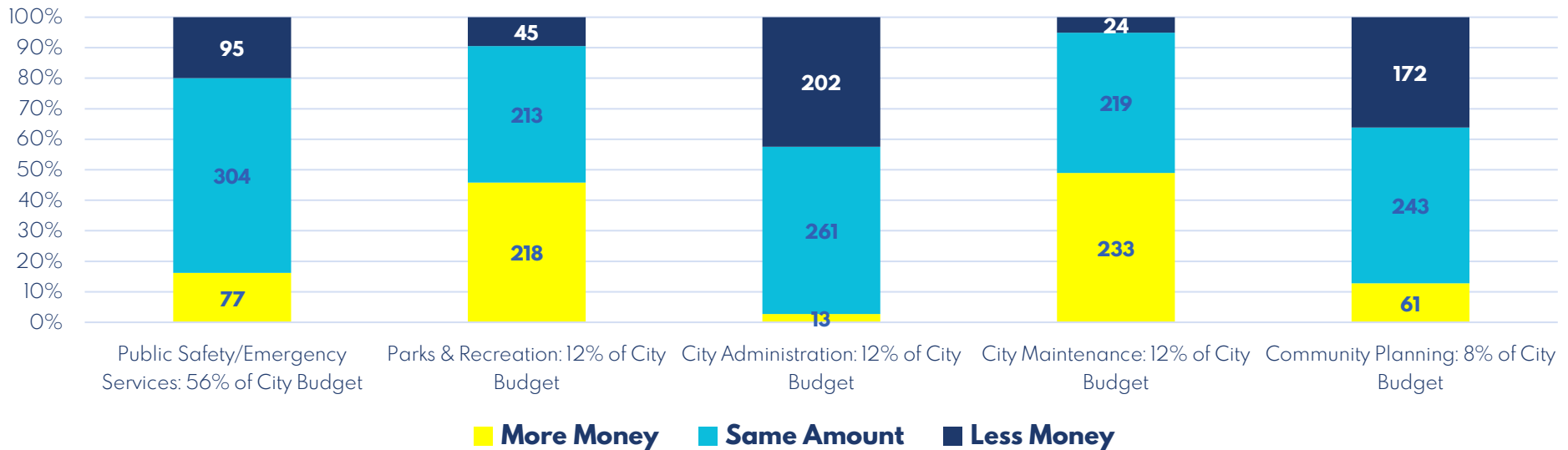
BUDGET SURVEY

- Survey Period: December 19, 2025– February 28, 2026
- Survey Responses: 476
- Public Outreach: Involved various engagement activities including:
 - Email and social media
 - Attendance in various meetings and Community Announcements
 - Advertisements in The Beach Reporter
 - User-friendly platform easily accessible by mobile device or desktop
- Overall, Survey Results revealed that **residents favor maintaining core services, while increasing investment in infrastructure and quality-of-life amenities, like enhanced public safety and park facilities**



BUDGET SURVEY

Spending Priorities on City Operations Based on Survey Results

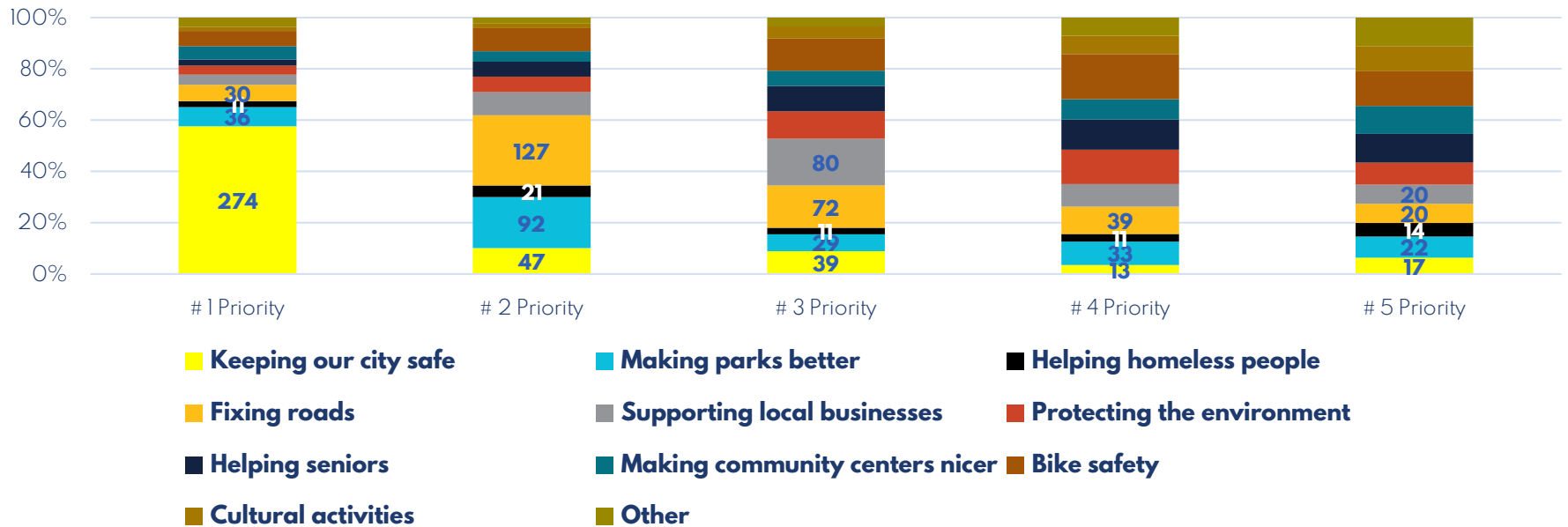


The Survey focused on obtaining spending priorities based on current funding levels of City operations. The results indicate that most respondents feel the City should spend the “Same Amount” on each type of operation.



BUDGET SURVEY

Top 5 Priorities in Manhattan Beach Based on Survey Results



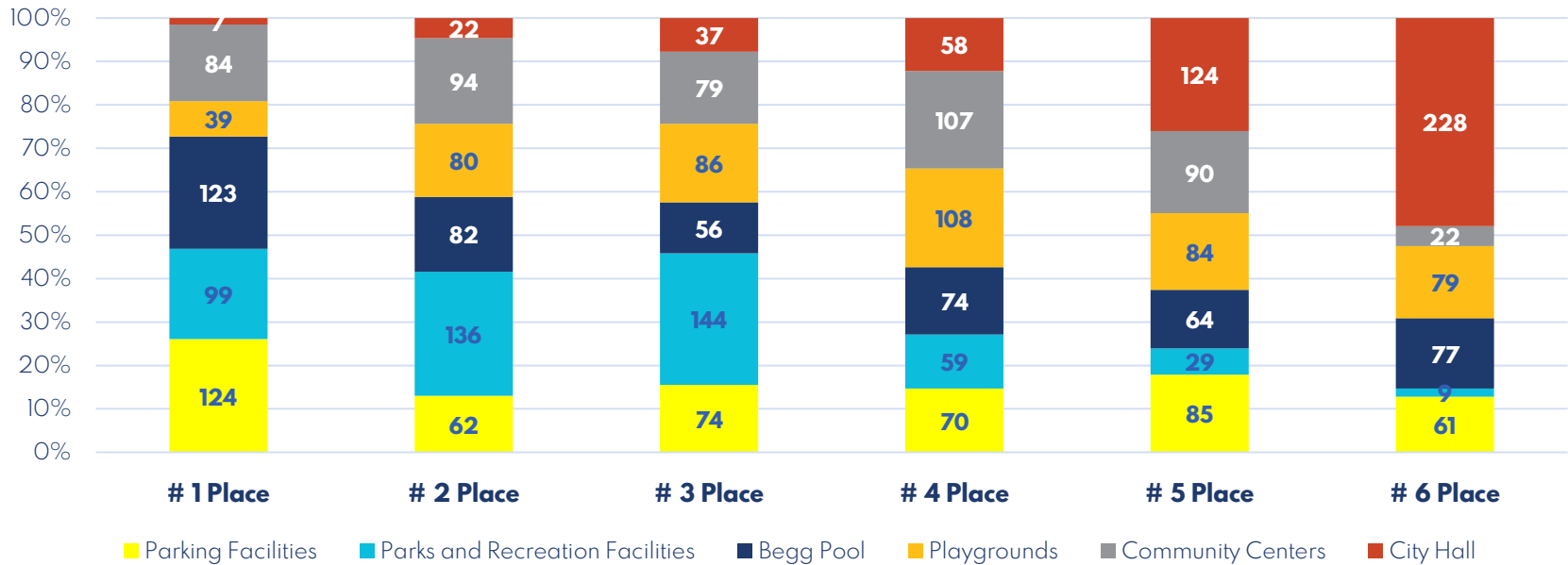
The Survey focused on obtaining the Top 5 Priorities from the community. The results indicate that most respondents' top priorities for the City are as follows:

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
- City's AAA credit rating re-affirmed by S&P in 2025
- Overall financial position allows us to maintain outstanding 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.



BUDGET HIGHLIGHTS

- FY 2027 Proposed Budget includes:
 - Labor Group MOU increases
 - CPI increases for materials and services
 - Budget enhancements (if funding available)
 - Re-prioritization of \$1.1 million in General Fund expenditures to accommodate higher community priorities
 - Equipment and Fleet Replacements totaling \$3.2 million
 - Year 1 of Proposed Five-Year Capital Improvement Plan



BUDGET HIGHLIGHTS

- FY 2027 Proposed Budget includes:
 - Three new full-time positions:
 - Human Resources Assistant (HR)
 - Sewer Maintenance Worker (PW – Sewer)
 - Management Analyst (PW – GF/Water/Sewer/Parking/Fleet)
 - Modifications to three existing full-time positions:
 - Recreation Coordinator (P&R)
 - Administrative Analyst (FD)
 - Administrative Assistant (IT – IT Fund)



PERFORMANCE MEASURES

PERFORMANCE MEASURES

MAINTAIN AAA GENERAL OBLIGATION BOND RATING

PRIOR YEAR			TARGET	FISCAL RESPONSIBILITY
FY 2024	FY 2025	FY 2026	FY 2027	
Actual	Actual	Actual	Target	
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 2024	FY 2025	FY 2026	FY 2027	
Actual	Actual	Estimate	Target	
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 2024	FY 2025	FY 2026	FY 2027	
Actual	Actual	Actual	Target	
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

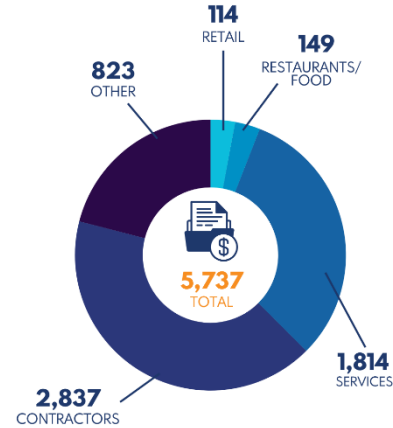
PRIOR YEAR			TARGET	FISCAL RESPONSIBILITY
FY 2024	FY 2025	FY 2026	FY 2027	
Actual	Actual	Estimate	Target	
Yes	Yes	Yes	Yes	

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 2024	FY 2025	FY 2026	FY 2027	
Actual	Actual	Estimate	Target	
3.238%	3.439%	3.782%	3.500%	

BUSINESS LICENSES BY CATEGORY



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

91,270 UTILITY BILLS & NOTICES GENERATED

60,939 PARKING CITATIONS PROCESSED

1,982 SHORT-TERM RENTAL TOT REMITTANCES

7,953 INVOICES PAID

9,991 NUMBER OF PURCHASE CARD TRANSACTIONS



4,003
PARKING PERMITS ISSUED



1,539
ANIMAL LICENSE RENEWALS



12,983
CASHIERING TRANSACTIONS



4,531
NUMBER OF ACCOUNTS PAYABLE CHECKS



763
ACCOUNTS RECEIVABLE INVOICES



90
NUMBER OF PURCHASE ORDERS ISSUED



21
NUMBER OF REQUESTS FOR PROPOSALS COMPLETED



CITY OF
MANHATTAN BEACH

FY 2027 PROPOSED BUDGET
MAY 5, 2026

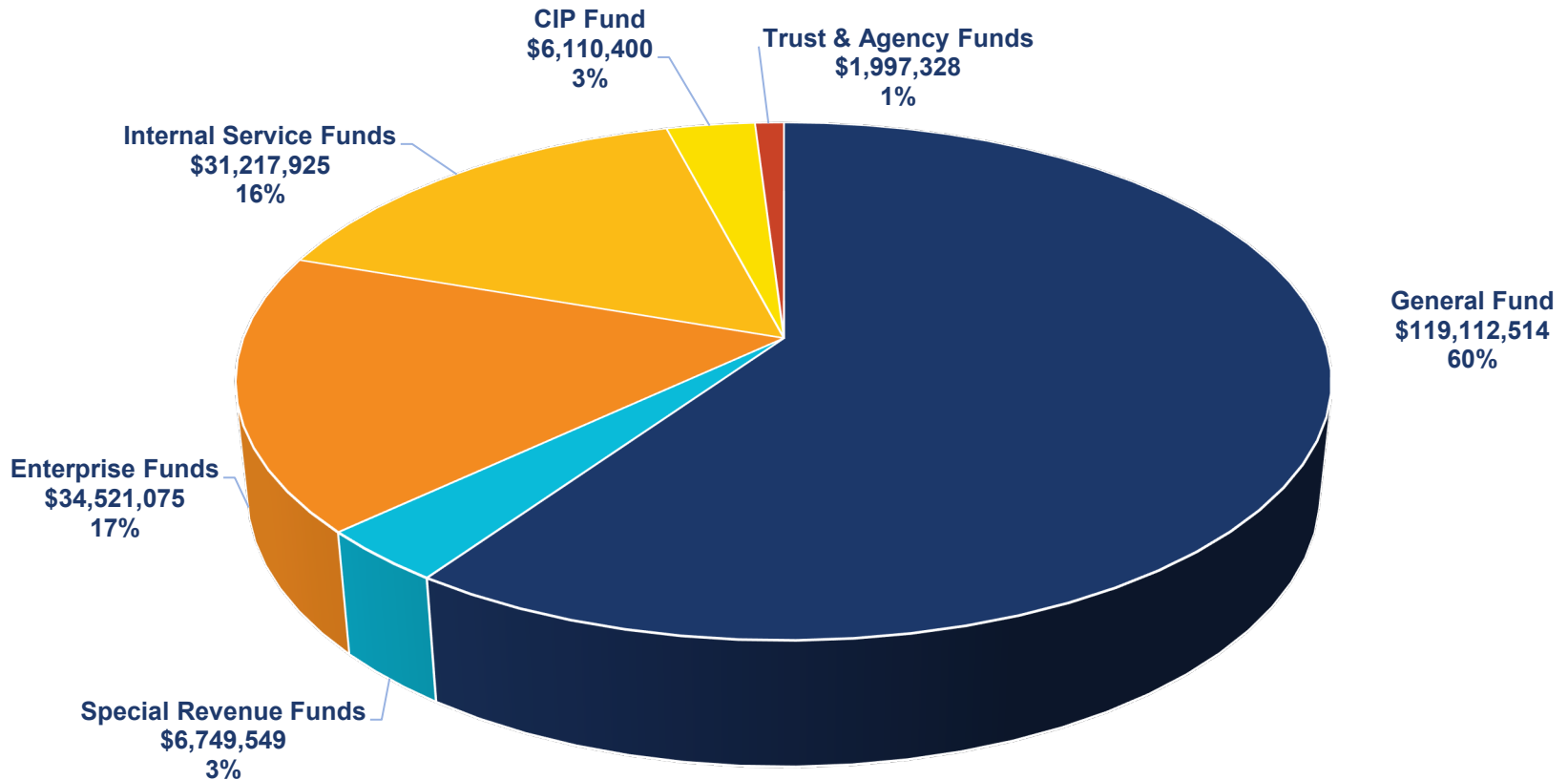
FY 2027 SUMMARY

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>



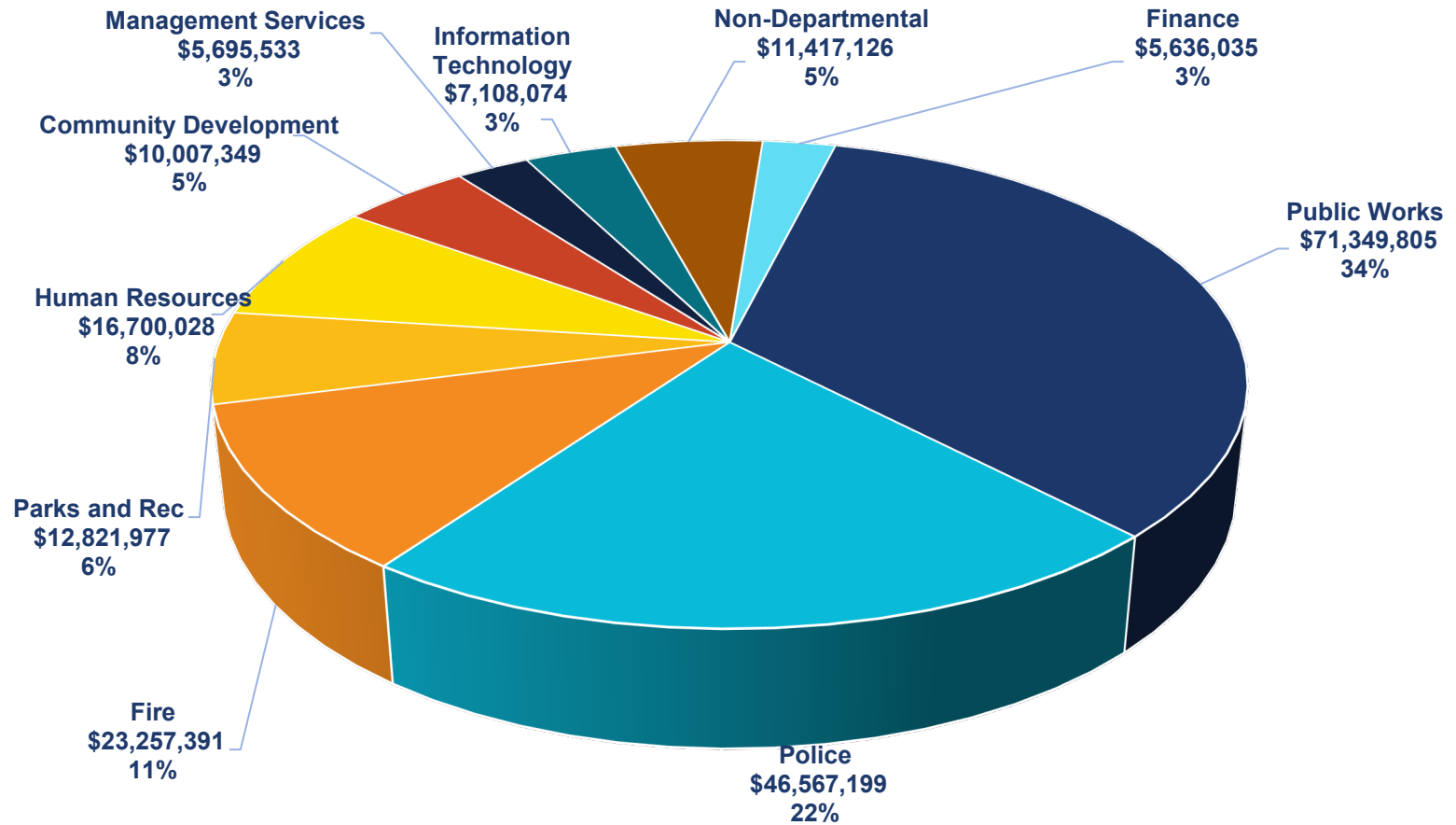
CITYWIDE REVENUES

\$199,708,791



CITYWIDE EXPENDITURES

By Department **\$210,560,517**



FY 2027 GENERAL FUND SUMMARY

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:

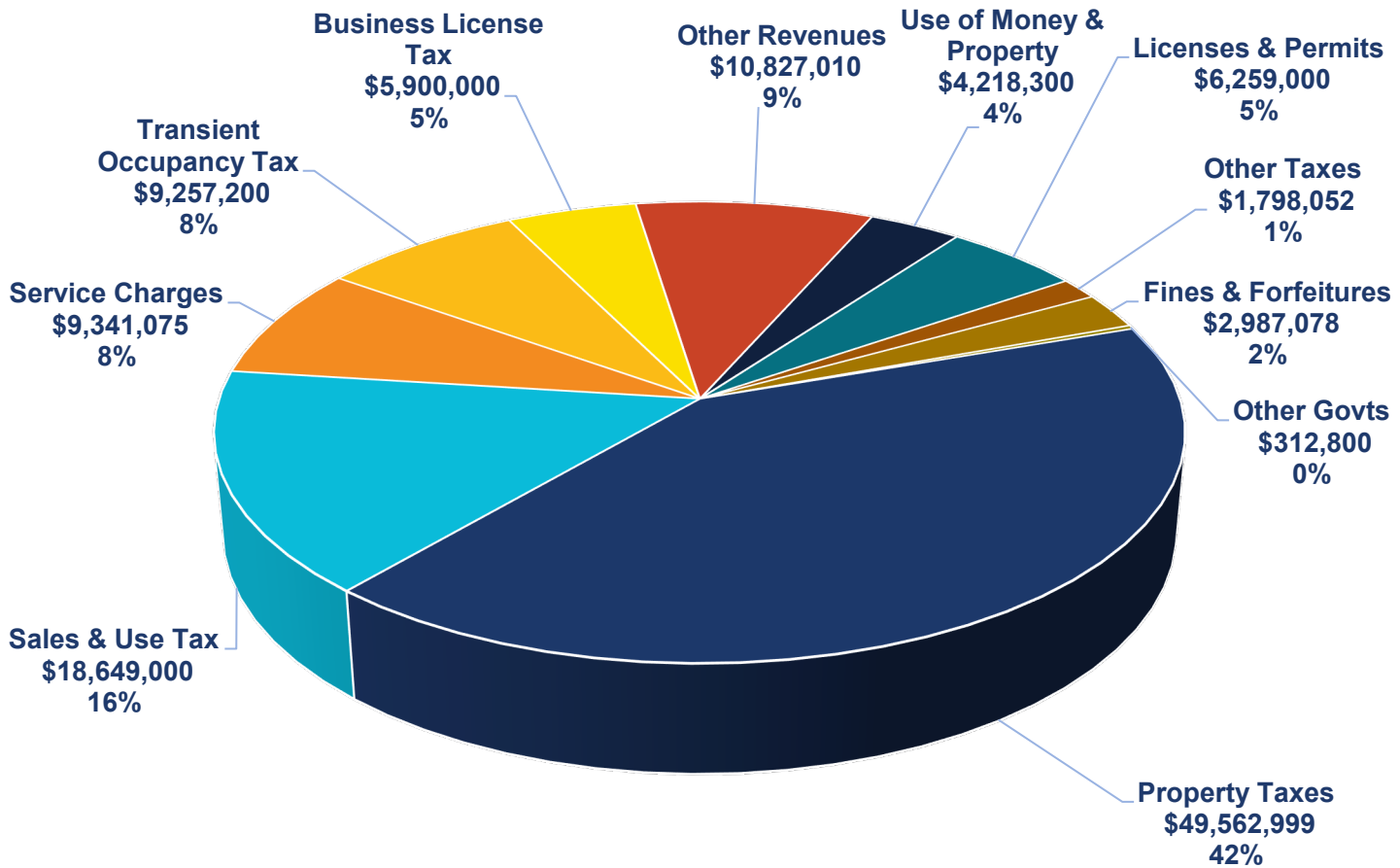
- Street Lighting & Landscape Fund - \$270,376
- CIP Fund - \$5.0 million
- Insurance Fund - \$6.0 million
- Section 115 Trust Fund to prefund future pension costs – *PAUSED*

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



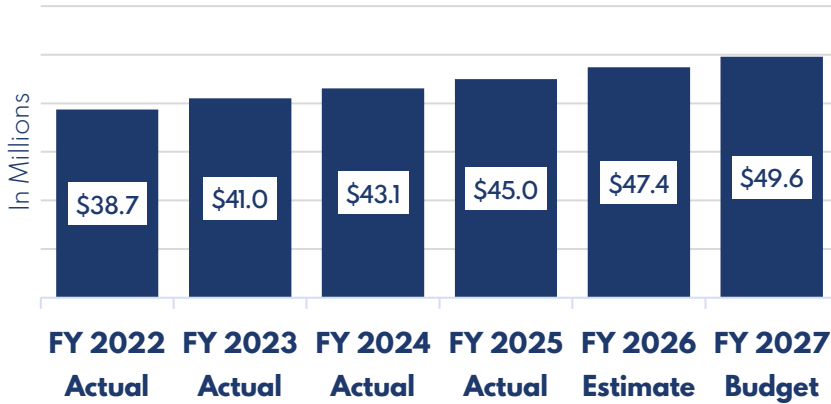
GENERAL FUND REVENUES

\$119,112,514

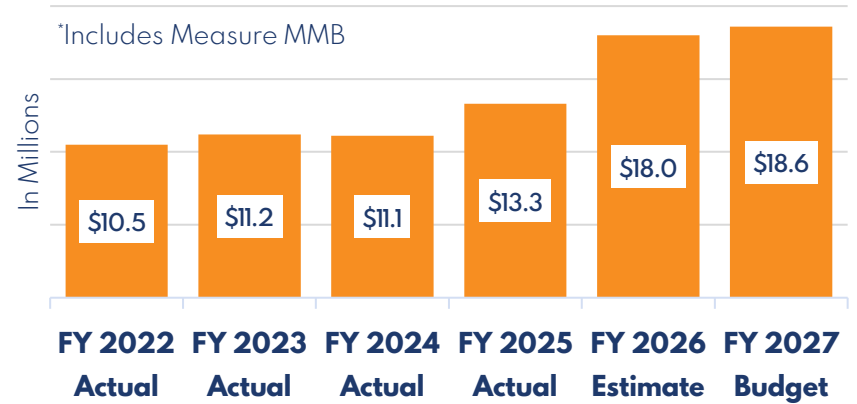


GENERAL FUND MAJOR REVENUES

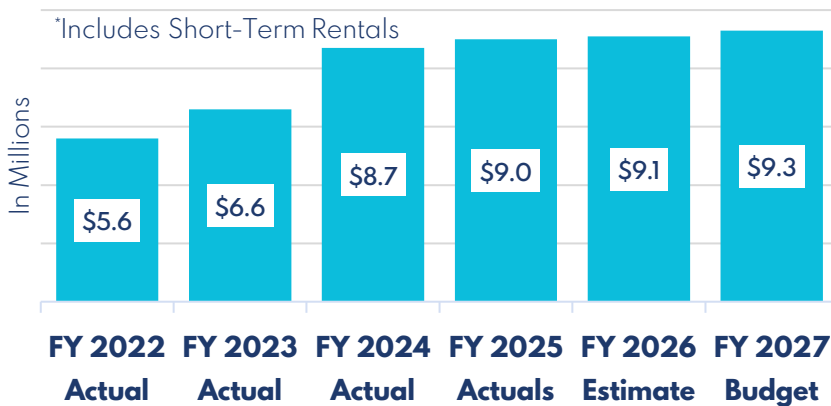
PROPERTY TAX



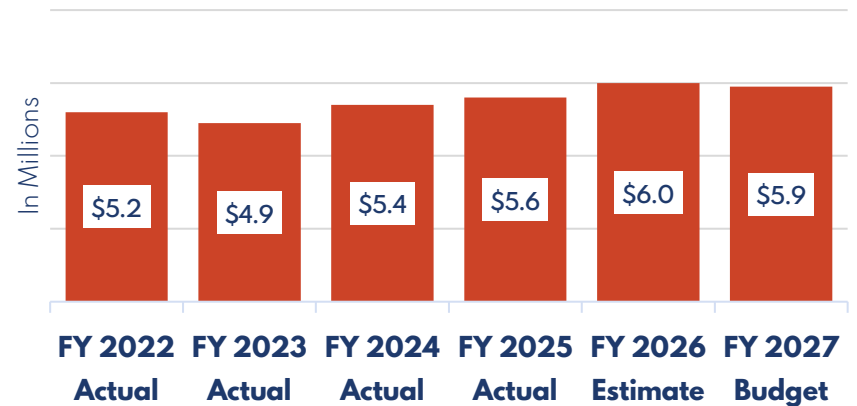
SALES & USE TAX



TRANSIENT OCCUPANCY TAX

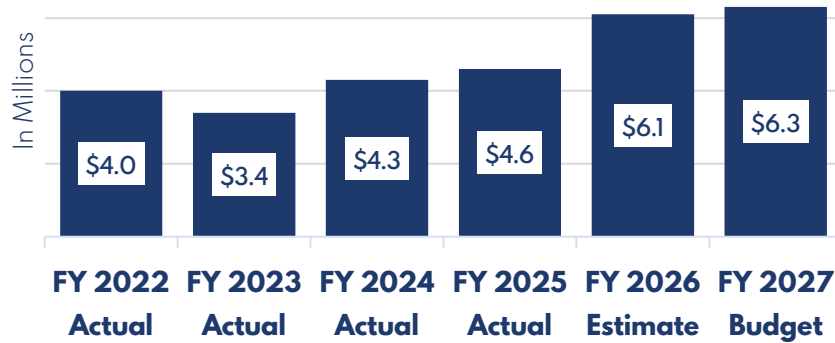


BUSINESS LICENSE TAX

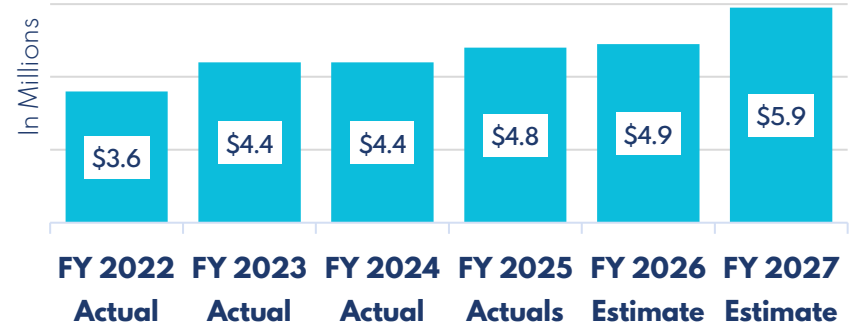


GENERAL FUND MAJOR REVENUES

BUILDING PERMITS & PLAN CHECK FEES

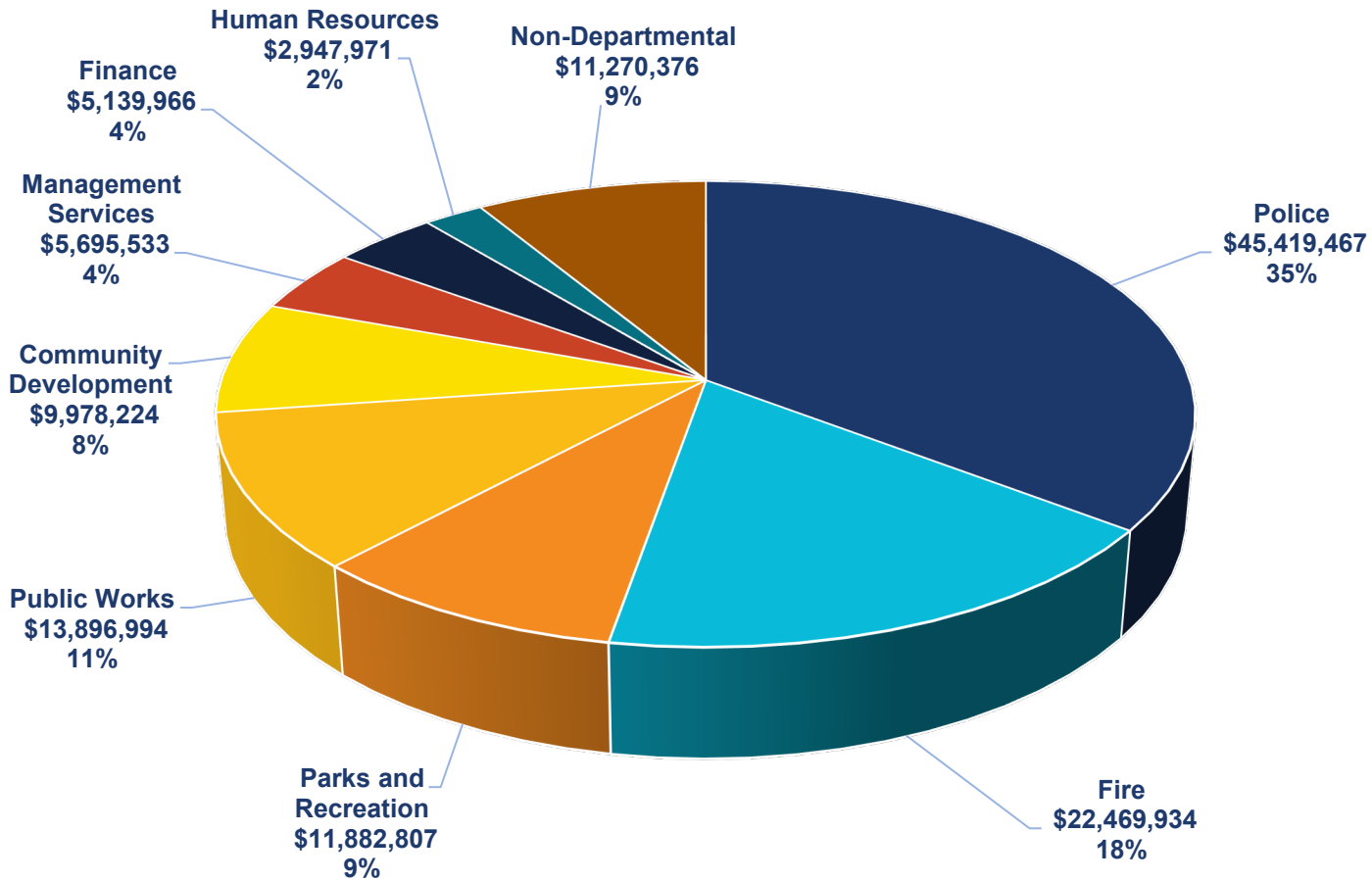


PARKS & RECREATION REVENUES



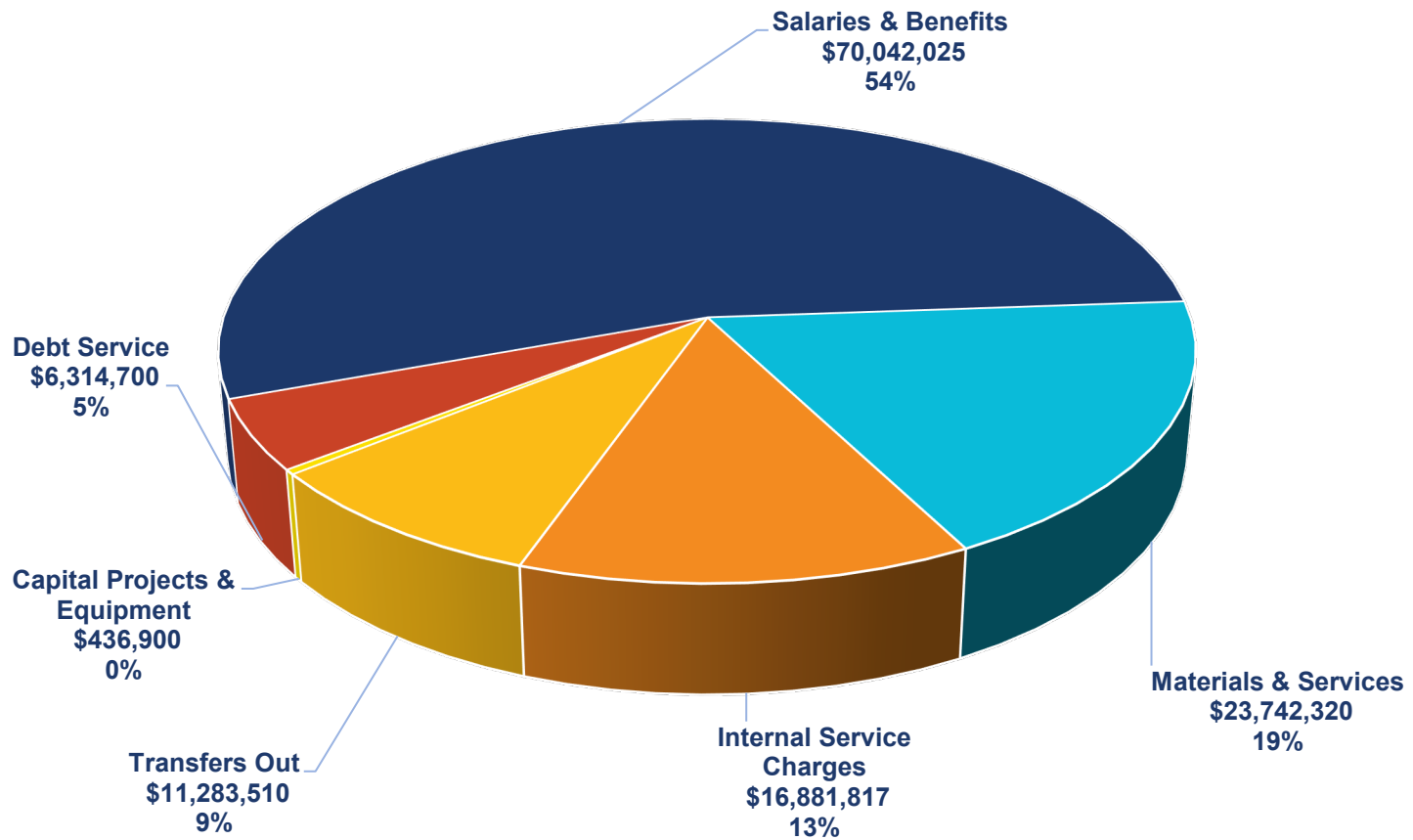
GENERAL FUND EXPENDITURES

By Department \$128,701,272



GENERAL FUND EXPENDITURES

By Category \$128,701,272



GENERAL FUND EXPENDITURES

- Salaries are increasing \$2.6 million or 5.7%
 - Includes MOU adjustments and associated benefits
 - 6% Vacancy factor built in to recognize savings up front
 - General Fund staffing adjustments summary:
 - Adjustments to full-time positions (\$162,919)
 - Part-time additions (\$23,800)
- Benefits are increasing \$4.3 million or 25.4%
 - Medical Insurance increase of \$576,926 (9.7%)
 - CalPERS current service costs increases total \$264,985 (4.7%)
 - CalPERS UAL payments total \$2,593,803
 - Workers Compensation Allocation \$720,193 (16.8%)

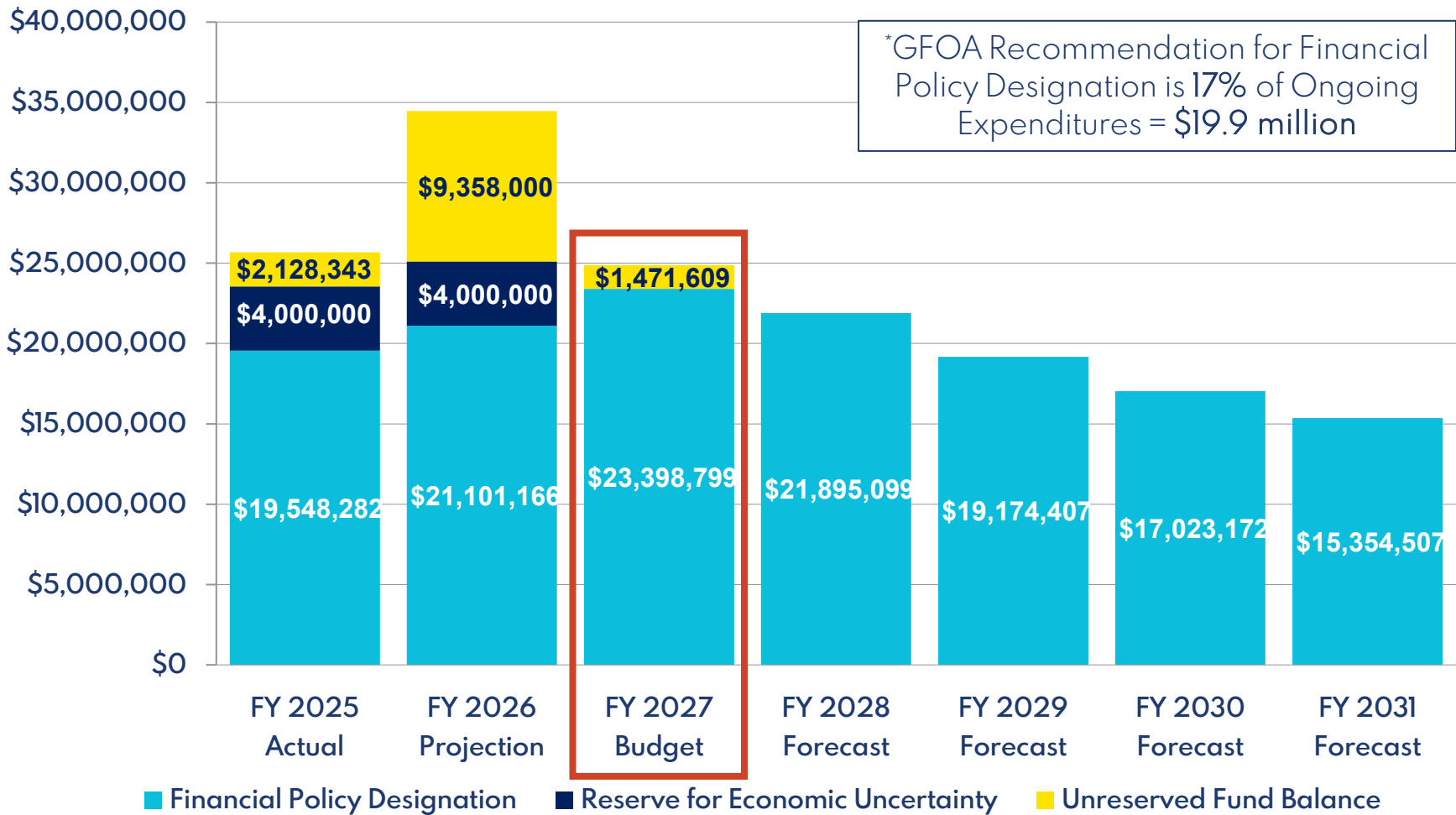


GENERAL FUND EXPENDITURES

- Materials & Services increasing \$2.2 million (10.5%)
- Internal Service Charge-outs increasing by 10.4%:
 - Information Technology Fund (+\$130,878)
 - Fleet Fund (+\$530,295)
 - Includes vehicle maintenance and future replacements
 - Building Maintenance & Operations (-\$163,065)
 - Insurance Reserve Fund (+\$1,079,760)
 - Additional funding needed for rising premiums, claims and litigation expenses
 - Claims Paid/Litigation Expenses usually budgeted using historical average; Recent trends indicate costs continue to escalate
- Debt Service increased by \$679,348 (12%) due to Public Safety radio equipment purchased in 2025



ESTIMATED GENERAL FUND BALANCE



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%
 - FY 2025 11.6%
- Based on FY 2025 investment return, City's unfunded liability is estimated at \$15 million
- Unfunded Liability payment of \$2.8 million due in FY 2027

* June 30, 2025 Actuarial Reports will be released in August 2026



FINANCIAL POLICIES – PENSION FUNDING

- Pension Policy allows flexibility in the allocation of “savings” from the issuance of POBs
- Staff recommends temporarily **pausing** transfers to Section 115 Trust and utilizing these funds to pay CalPERS UAL payments and other critical needs
- Section 115 Trust Fund Balance projected to be \$6.5 million in FY 2027
- Finance staff will continue to monitor and provide updates to Finance Subcommittee



FINANCIAL POLICIES - CIP FUNDING

- CIP Fund funding sources :
 - \$1.1 million in Transient Occupancy Tax revenue
 - Beginning FY 2026, City implemented annual transfer of \$5.0 million for capital projects and debt service
- Ongoing Expenditures in CIP Fund include debt service of \$1.8 million
 - Police/Fire Facility (\$763,663)
 - Fire Station No. 2 (\$402,875)
 - Purchase of 400 Manhattan Beach Boulevard (\$624,750)
 - Other potential projects requiring debt service include the future project at 400 Manhattan Boulevard and Lot 3



BUDGET RECAP

- Essential services maintained with modest growth in revenues
- Budget allows for strategic investments in infrastructure
- Next steps
 - May 12: Budget Study Session and CIP Presentation
 - Email comments to Budget@manhattanbeach.gov
 - June 2: Public Hearing and Budget/CIP Adoption
- Questions/Feedback for May 12 Budget Study Session



