



Legislation Text

File #: 19-0202, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Steve S. Charelian, Finance Director
Henry Mitzner, Controller
Libby Bretthauer, Senior Financial Analyst

SUBJECT:

Public Hearing to Consider Adoption of the Fiscal Year 2019-2020 Operating Budget and Gann Appropriation Limit for Fiscal Year 2019-2020 (Finance Director Charelian).

- a) **CONDUCT PUBLIC HEARING**
- b) **ADOPT RESOLUTION NOS. 19-0049 AND 19-0050**

RECOMMENDATION:

Staff recommends that the City Council: a) conduct a Public Hearing; b) adopt Resolution No. 19-0049 adopting the Fiscal Year 2019-2020 Operating Budget and authorizing the City Manager to take certain personnel-related actions; and c) adopt Resolution No. 19-0050 establishing the Appropriation Limit for Fiscal Year 2019-2020.

Resolution No. 19-0049 includes authorization for the City Manager to make salary grade changes to the positions of Crime Analyst and Purchasing Clerk.

FISCAL IMPLICATIONS:

This budget addendum includes changes to the second year of the biennial spending plan covering fiscal years 2018-2019 ("FY 2019") and 2019-2020 ("FY 2020"). With the passage of Resolution No. 18-0084 on June 19, 2018, the City Council adopted the FY 2019 Budget (for the fiscal year beginning July 1, 2018, through June 30, 2019) and approved the FY 2020 Budget. With the passage of Resolution No. 19-0049, the FY 2020 Budget will be adopted, as modified, for the fiscal year commencing on July 1, 2019.

The FY 2020 budget includes revenues of \$128,930,652 and expenditures totaling \$128,589,749 across all funds. The General Fund is balanced with revenues of \$76,085,386 and expenditures of \$75,024,437 resulting in a projected surplus of \$1,060,949. Year-end surpluses add to unreserved fund balance unless allocated by the City Council for expenditure.

The total FY 2019 year-end General Fund balance is estimated to be \$24.4 million, of which \$5.5 million is unreserved. The FY 2020 budget, as amended for budget adoption, projects a General Fund balance on June 30, 2020, after adjustments and net transfers out, of \$24.0 million. Within the

total fund balance, \$19.0 million has been designated to policy and economic uncertainty reserves. The balance of \$5.0 million is unreserved.

Please note that all annual surpluses and estimated fund balances listed in the budget and five year forecast include up-to-date pension rate projections.

BACKGROUND:

The Proposed Budget Addendum to the Operating Budget for FY 2020 was presented at the City Council meeting on May 7, 2019. The overview presentation outlined budgeted revenues, expenditures and changes in the fund balance due to transfer activity. For highlights, a reading of the Budget Message within the Budget document is recommended.

Subsequent budget discussions occurred during a City Council meeting on May 21, 2019, and a Budget Study Session held on May 23, 2019. In addition to reviewing the Proposed Budget Addendum, potential reductions to the Budget were also discussed by the City Council resulting in further changes.

DISCUSSION:

The Proposed Budget Addendum to the Operating Budget is attached to this report and available on the City's website at www.citymb.info/Budget <<http://www.citymb.info/Budget>>.

The Proposed Budget Addendum included several service delivery investments to address priorities of the City Council and community. Notable modifications to the Approved FY 2020 Budget included:

- \$275,000 - Climate Adaptation and Resiliency Project (partially offset by California Coastal Commission Grant award of \$225,000);
- \$205,000 - Carryforward Replacement of Police/Fire Dispatch and Records Management System;
- \$123,124 - Carryforward Public Safety Equipment and Traffic Safety Police Patrols (offset by grants);
- \$70,000 - Carryforward Document Scanning Services for Public Works and Human Resources Documents;
- \$43,376 - Carryforward ERP Implementation Consulting Services (will only be used if needed);
- \$40,000 - Concerts in the Park Temporary Stage Rental (Construction of a permanent stage is also included in the CIP Fund);
- \$29,521 - Additional Ceramics Classes (offset by \$32,000 in class fee revenue);
- \$20,000 - Carryforward Community Survey.

The Proposed Budget Addendum also included some staffing adjustments to meet workload demands and enhance efficiencies. These changes will not result in an addition of full-time employees. The personnel changes, and their associated budgetary impacts in FY 2020, include:

City-wide - \$173,308

- Part-time Salary Adjustments to meet new minimum wage requirement and align part-time positions with full-time equivalents.

Finance - Net \$0

- Part-time Administrative Clerk II (fully offset by reduction in Community Development Contract

- Services) added to backfill City Hall receptionist and assist with various clerical duties;
- Reclassification of Account Services Representative positions to a new Account Services Representative I/II flex classification;
 - Change salary grade of Purchasing Clerk position on salary schedule.

Police Department - \$15,659

- Reclassification of one vacant Secretary position to Crime Analyst.

Information Technology Department - Net savings of \$8,056

- Reclassification of one vacant GIS Technician position to IS Specialist;
- Elimination of IT Intern hours to fund a part-time GIS technician.

New job classifications are required for the positions of Crime Analyst and Account Services Representative I/II. Additionally, the salary grade change for the position of Purchasing Clerk is recommended to re-align it with the Secretary classification. Staff recommends the City Council authorize the City Manager to approve the job specifications and salary ranges of these new and revised classifications once finalized by the Human Resources Department.

On May 23, 2019, the City Council also reviewed potential reductions to the budget in an effort to minimize ongoing costs. Nearly \$1.7 million was reduced from the overall City budget during the meeting. Upon further review by staff, one item was retained in the budget until City staff can discuss the reduction with Manhattan Beach Unified School District (MBUSD). If MBUSD and the MBX Foundation agree to take over management of pool rentals at Mira Costa Pool, a net cost of \$24,102 will be eliminated from the budget.

The total budget reductions were also offset by the following items approved by the City Council on May 21, 2019:

- Addition of \$25,000 for Closed Captioning Services;
- Addition of \$102,513 for Electricity cost increases due to the switch to 100% renewable energy;
- Addition of \$37,200 for Park/Grounds Maintenance costs for manual weeding, gopher trapping, and organic pesticides.

These items are included in Exhibit A of the attached Resolution No. 19-0049 as well as one other minor adjustment identified by staff during the final budget review process:

- Addition of \$70,000 in General Fund Revenue to reflect increased Administrative Service Charges in the Streets and Highways Fund and Measure R Fund.

With these final changes, overall City expenditures were reduced from the Approved Budget by \$1.5 million, which includes a decrease in General Fund expenditures of \$637,992. Staff recommends that these changes also be incorporated into the final budget and adopted with the attached Resolution No. 19-0049. Additionally, the resolution contains approval to establish the Crime Analyst and Account Services Representative I/II position classifications as well as adjust the Purchasing Clerk position in the salary schedule.

The revised FY 2020 Operating Budget, as first presented in the attached Proposed Budget and

modified per Exhibit A of Resolution No. 19-0049, will be incorporated into a revised Five Year Forecast to provide an updated assessment of fund balances and reserves. The revised document will be published as an addendum on May 31, 2019.

GANN APPROPRIATIONS LIMIT

In 1980, California voters adopted Article XIIIB of the California State Constitution, commonly referred to as the Gann Initiative or Gann Appropriations Limit, placing limits on the amount of tax proceeds that State and local agencies can appropriate each year. The City's limit is adjusted each year for inflation, population and other factors.

On June 5, 1990, Proposition 111 was voted into California law. Among other provisions, Proposition 111 provided for changes in the calculation of the Gann Appropriation Limit. The annual adjustments to the spending limit were liberalized by Proposition 111 to be more closely linked to the rate of economic growth in personal income or the percent increase in the local tax roll due to nonresidential property construction. Additionally, cities can choose to use the rate of change in population either within the City or County, whichever is higher. The City utilized elements of these adjustment factors in calculating this year's Gann Appropriation Limit. The Gann calculation is reviewed annually by the City's external audit firm as part of the annual audit process.

Staff has calculated the FY 2019 Gann limit to be \$82,461,392. The City's tax proceeds subject to the FY 2019 Gann Limit equal \$55,136,806. Therefore, the City is under the Gann limitation by \$27,324,586 and in compliance with state law. This Gann limit calculation is attached.

PUBLIC OUTREACH:

Ads were published in The Beach Reporter on April 25, 2019, and May 16, 2019, inviting the community to attend Budget Study Session held on May 23, 2019. Public Hearing notices were published in the Daily Breeze and The Beach Reporter on May 24, 2019, and May 30, 2019, respectively, for the adoption of the Budget and Capital Improvement Plan. Additional outreach was conducted using social media and eNews notifications.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that there is no possibility that the activity may have a significant effect on the environment; therefore, pursuant to Section 15061(b)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

ATTACHMENTS:

1. Resolution No. 19-0049 (Budget Adoption)
2. Resolution No. 19-0050 (Gann Appropriations Limit)
3. Proposed Budget Addendum for Fiscal Year 2019-2020
4. 2019-2020 Gann Appropriation Limit Calculation
5. Updated Five Year Forecast (To Be Delivered Under Separate Cover on May 31, 2019)

