



Legislation Text

File #: 20-0147, **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
Marcelo Serrano, Management Analyst

SUBJECT:

Public Hearing and Adoption of the Fiscal Year 2020-2021 Operating Budget, Including the Gann Appropriation Limit (Finance Director Charelian).

- a) **CONDUCT PUBLIC HEARING**
- b) **ADOPT RESOLUTION NO. 20-0075 AND 20-0076**

RECOMMENDATION:

Staff recommends that the City Council: conduct a public hearing; adopt Resolution No. 20-0076 establishing the Gann appropriation limit for Fiscal Year 2020-2021; and adopt Resolution No. 20-0075 approving the Fiscal Year 2020-2021 Operating Budget.

FISCAL IMPLICATIONS:

With the passage of Resolution No. 20-0075, the FY 2020-2021 Budget will be adopted, as modified, for the fiscal year commencing on July 1, 2020.

The FY 2020-2021 Budget includes revenues of \$123,823,559 and expenditures totaling \$135,144,491 across all funds. The General Fund is nearly balanced with revenues of \$73,122,730 and expenditures of \$73,184,594 resulting in a projected year-end deficit of (\$61,864). Year-end surpluses or deficits add to or reduce the unreserved fund balance.

The total FY 2019-2020 year-end General Fund balance is estimated to be \$27.3 million, of which \$8.3 million is unreserved. The FY 2020-2021 Budget, as amended for budget adoption, projects a General Fund balance on June 30, 2021, after adjustments and net transfers out, of \$25.0 million. Within the total fund balance, \$18.6 million has been designated to policy and economic uncertainty reserves. The balance of \$6.4 million is unreserved.

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

BACKGROUND:

The Proposed Budget for FY 2020-2021 was presented at the City Council meeting on May 26, 2020. 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 City Council meetings on May 28, June 2, June 4, June 9, June 11, and June 18, 2020. In addition to reviewing the proposed spending plan, budget enhancements and reductions were discussed by the City Council resulting in further changes which are listed on Attachment #4.

DISCUSSION:

The Revised Proposed Budget is attached to this report and available on the City's website at www.citymb.info/Budget. This document has been updated with recent City Council direction provided during public discussions.

Notable modifications to the FY 2020-2021 Proposed Budget included:

- Including annual special events except Manhattan Beach Open, Concerts In the Park, and Grand Prix Bike Race, which have been canceled due to physical distancing recommendations
 - If budgeted special events are canceled, then expenditures will not be incurred resulting in budgetary savings
- Allocating \$50,000 for the Beach Cities Health District Juvenile Diversion Program
- Removing staff proposed additions for Personnel changes, capital equipment and other items:
 - Two additional Police Officers (-\$350,212)
 - Upgrade to Water Meter Reader position to Water Meter Technician (-\$7,113)
 - Technology to improve Cellular Connectivity in the Police Department (-\$30,000)
 - Replacement of LiveScan Machine (-\$4,500)
 - Upgrade Police Department Security Access Control (-\$48,000)
 - Reduced cost estimate for the Police Department data backup solution and additional storage capacity (-\$159,000)
 - Reduced cost estimate for the replacement of a Core Switch in the IT Fund (-60,000)
 - Replacement of Patrol Vehicle In-Car Video systems (-\$60,680)
 - Barrier Rental for City Special Events (-\$15,000)

During budget discussions, the City Council also reviewed numerous "minor" reductions with minimal impact to ongoing services. Items added back to the budget (itemized in Exhibit A of Resolution 20-0075) totaled \$141,650. After these modifications, over \$1.7 million was still reduced from the overall City budget. Of this amount, General Fund reductions totaled \$1.1 million.

Citywide, the most notable expenditure categories reduced were:

- Computers, Supplies and Software (-\$338,800)

- Employee training and conferences (-\$309,333)
- Contract Services (-\$286,282)
- Departmental supplies (-\$174,376)
- Overtime (-\$139,486)
- Part-time Salaries (-\$82,406)
- Computer Contract Services (-\$64,900)
- Automotive Fuel (-\$57,100)

Other items included in Exhibit A of the attached Resolution No. 20-0075 are a few additional adjustments identified by staff during the final budget review process:

- Addition of \$123,056 in Gas Tax Revenue to reflect revised estimates provided by the State.
- Addition of \$3,640,000 MBATS Grant and related CIP Expenditure for the Manhattan Beach Automated Traffic Signal Sync Project
- Removed \$9.2 million in the Utility Undergrounding Construction Fund since the City Council approved Budget Adjustments for these expenditures in FY 2019-20.

The Proposed Budget also included some staffing adjustments to meet workload demands, enhance efficiencies, and adjust salaries to reflect the work being performed. These changes resulted in the addition of two full-time employees. The personnel changes, and their associated budgetary impacts in FY 2020-2021, include:

City-wide - \$210,781

- Additions
 - Property & Evidence Officer (General Fund - \$89,820)
 - Public Works Water Division Management Analyst (Water Fund - \$83,698)
- Position Re-classifications and Changes
 - Upgrade Police Department Administrative Clerk I/II to Public Records Specialist (General Fund - \$9,720)
 - Upgrade Accountant classification (General Fund - \$8,876 for two positions)
 - Promote one Code Enforcement Officer to Supervising Code Enforcement Officer (General Fund - \$6,761)
 - Upgrade Human Resources Assistant (General Fund - \$5,976)
 - Re-classify Senior Accountant position (General Fund - \$5,930)

New job classifications are required for the positions of Property & Evidence Officer, Public Records Specialist, and Supervising Code Enforcement Officer. 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.

Staff recommends that these changes be incorporated into the final budget and adopted with the attached Resolution No. 20-0075. Additionally, the resolution contains approval for the recommended staffing changes.

The Proposed FY 2020-2021 Operating Budget, as revised and presented in the attached document with modifications per Exhibit A of Resolution No. 20-0075, was incorporated into the revised Five

Year Forecast to provide an updated assessment of fund balances and reserves. With some Safer at Home orders now relaxed ahead of earlier expectations, staff also reviewed and revised some core revenue growth factors to realign them with more up-to-date projections.

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 2020-2021 Gann limit to be \$85,443,111. The City's tax proceeds subject to the FY 2020-2021 Gann Limit equal \$53,966,268. Therefore, the City is under the Gann limitation by \$31,476,843 and in compliance with state law. This Gann limit calculation is attached.

PUBLIC OUTREACH:

A Public Hearing notice was published in The Beach Reporter on May 11, 2020, 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. 20-0075 (Budget Adoption and Exhibit A)
2. Resolution No. 20-0076 (Gann Appropriations Limit)
3. Proposed Budget for Fiscal Year 2020-2021
4. Summary of Budget Reductions and Enhancements
5. FY 2020-2021 Gann Appropriation Limit Calculation