

CITY OF LOS ALAMITOS

3191 Katella Ave.
Los Alamitos, CA 90720

AGENDA CITY COUNCIL SPECIAL MEETING Monday, May 16, 2016 – 5:00 p.m.

I, Richard D. Murphy, as Mayor of the City of Los Alamitos, do hereby call a special meeting of the City Council of the City of Los Alamitos, to be held at the time and place listed above to discuss the matters listed below.



Richard D. Murphy, Mayor of the City of Los Alamitos

NOTICE TO THE PUBLIC

This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at www.cityoflosalamitos.org once the agenda has been publicly posted.

Each matter on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "for information" or "for discussion" may also be the subject of an "action" taken by the City Council at the same meeting.

Any written materials relating to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, 3191 Katella Ave., Los Alamitos CA 90720, during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting.

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made. Assisted listening devices may be obtained from the City Clerk at the meeting for individuals with hearing impairments.

Persons wishing to address the City Council on any item on the City Council Agenda should complete a blue "Request to Speak" card and will be called upon at the time the agenda item is called or during the City Council's consideration of the item and may address the City Council for up to three minutes.

1. **CALL TO ORDER**

2. **ROLL CALL**
 - Council Member Edgar
 - Council Member Grose
 - Council Member Kusumoto
 - Mayor Pro Tem Hasselbrink
 - Mayor Murphy

3. SPECIAL ORDERS OF THE DAY

A. Update on 2015/16 General Fund Revenues and Expenditures and Proposed Fiscal Year 2016/17 General Fund Operating Budget

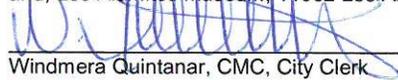
This report provides the City Council with an update on the 2015/16 General Fund revenues and expenditures and the Proposed Fiscal Year 2016/17 General Fund Proposed Operating Budget. This report also makes recommendations for budget amendments for Fiscal Year 2015/16.

Recommendations:

1. Review and discuss the 2015/16 General Fund Update and Proposed Fiscal Year 2016/17 General Fund Operating Budget; and,
2. Approve an increase to Fiscal Year 2015/16 budgeted revenues and expenditures in the amount of \$125,800 as outlined in this report.

4. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at the following locations: Los Alamitos City Hall, 3191 Katella Ave.; Los Alamitos Community Center, 10911 Oak Street; and, Los Alamitos Museum, 11062 Los Alamitos Blvd.; not less than 72 hours prior to the meeting.



Windmera Quintanar, CMC, City Clerk

5/11/16

Date

City of Los Alamitos

Agenda Report Special Orders

May 16, 2016
Item No: 3A

To: Mayor Richard D. Murphy & Members of the City Council

Via: Bret M. Plumlee, City Manager

From: Jason Al-Imam, Administrative Services Director

Subject: Update on 2015/16 General Fund Revenues and Expenditures and Proposed Fiscal Year 2016/17 General Fund Operating Budget

Summary: This report provides the City Council with an update on the 2015/16 General Fund revenues and expenditures and the Proposed Fiscal Year 2016/17 General Fund Proposed Operating Budget. This report also makes recommendations for budget amendments for Fiscal Year 2015/16.

Recommendations:

1. Review and discuss the 2015/16 General Fund Update and Proposed Fiscal Year 2016/17 General Fund Operating Budget; and,
2. Approve an increase to Fiscal Year 2015/16 budgeted revenues and expenditures in the amount of \$125,800 as outlined in this report.

Background

In February 2016 staff provided the City Council with a mid-year update on the 2015/16 General Fund budget. In February 2016, a budget surplus of approximately \$62,000 was projected. At this time, a budget surplus of approximately \$79,000 is currently projected.

| | 2015/16 Amended Budget | 2015/16 Projected | Budget Variance |
|--|------------------------------|----------------------|--------------------|
| Beginning Fund Balance | 7,469,886 | 7,469,886 | - |
| Add: Prior Year Carry-Forward | 54,066 | 54,066 | - |
| Add: Revenue and Transfers In | 12,902,035 | 13,072,717 | 170,682 |
| Less: Operating Expenditures/Transfers Out | (12,954,472) | (13,045,737) | (91,265) |
| Less: Capital Expenditures | (200,000) | (200,000) | - |
| Ending Fund Balance | 7,271,515 | 7,350,932 | 79,417 |
| Change in Fund Balance | \$ (198,371) | \$ (118,954) | \$ 79,417 |

Discussion

At mid-year (February 2016), General Fund revenues were projected to be \$12,902,035. Revenues are currently projected to be \$13,072,717.

| Revenues and Transfers In | 2015/16 Amended Budget | 2015/16 Projected | Budget Variance |
|--|------------------------------|----------------------|--------------------|
| Property Taxes | \$ 3,372,412 | \$ 3,381,175 | \$ 8,763 |
| Sales & Use Taxes | 3,289,579 | 3,279,579 | (10,000) |
| Utility Users Taxes | 2,101,672 | 2,122,323 | 20,651 |
| Transient Occupancy Tax | 145,000 | 150,000 | 5,000 |
| Franchise Fees | 677,705 | 679,461 | 1,756 |
| Licenses & Permits | 775,203 | 856,420 | 81,217 |
| Fines & Forfeitures | 715,300 | 725,300 | 10,000 |
| Investment Earnings | 57,000 | 52,012 | (4,988) |
| Revenue From Other Agencies | 101,401 | 101,400 | (1) |
| Charges for Services | 1,178,972 | 1,219,203 | 40,231 |
| Miscellaneous Revenues | 122,124 | 140,177 | 18,053 |
| Interfund Transfers | 365,667 | 365,667 | - |
| Total Revenues and Transfers In | \$ 12,902,035 | \$ 13,072,717 | \$ 170,682 |

The increase is largely due to building and public works permit revenue (\$81,000), which is partially offset with contractual services for building and safety services.

At mid-year (February 2016), General Fund operating expenditures were projected to be \$12,892,967. General Fund operating expenditures are currently projected to be \$13,045,737. The increase is partly due to a retrospective adjustment due to the California Joint Powers Insurance Authority (CJPIA) in the amount of \$76,747 based on the October 2015 Retrospective Computation. In addition, contractual services for building and safety services are projected to be approximately \$43,000 higher due to a number of projects that were unexpected, which was offset with building permit revenue.

| Department | 2015/16 | | Budget Variance |
|---|----------------------|----------------------|--------------------|
| | Amended Budget | 2015/16 Projected | |
| City Council | \$ 75,415 | \$ 73,646 | \$ 1,769 |
| City Manager/City Clerk | 556,473 | 545,132 | 11,341 |
| City Attorney | 106,000 | 117,796 | (11,796) |
| Administrative Services | 715,456 | 714,798 | 658 |
| Police | 5,807,947 | 5,810,044 | (2,097) |
| Development Services | 2,503,723 | 2,533,884 | (30,161) |
| Recreation and Community Services | 1,798,322 | 1,777,850 | 20,472 |
| Non-Departmental | 1,205,936 | 1,287,387 | (81,451) |
| Interfund Operating Transfers | 185,200 | 185,200 | - |
| Total Operating Expenditures and Transfers | \$ 12,954,472 | \$ 13,045,737 | \$ (91,265) |

| Capital Expenditures | | | |
|-----------------------------------|-------------------|-------------------|-------------|
| Los Alamitos Blvd. Project | \$ 200,000 | \$ 200,000 | \$ - |
| Total Capital Expenditures | \$ 200,000 | \$ 200,000 | \$ - |

(1) In Fiscal Year 2015/16 \$200,000 was budgeted to be spent from reserves on Los Alamitos Blvd. Amount not spent in 2015/16 will be carried-over into Fiscal Year 2016/17 and therefore is shown as expended.

Fiscal Year 2015/16 Budget Amendments

It is recommended that Fiscal Year 2015/16 General Fund revenue and expenditure budgets be increased by \$125,800 as outlined below:

| Revenues | |
|--|---------------|
| Utility Users Taxes (Telecommunications) | \$ 20,000 |
| Building & Public Works Permit Revenue | 79,000 |
| Charges for Services (Aquatics) | <u>26,800</u> |
| | \$125,800 |

| Expenditures (Department) | |
|---------------------------|---------------|
| City Attorney | \$ 12,000 |
| Police | 2,100 |
| Development Services | 30,200 |
| Non-Departmental | <u>81,500</u> |
| | \$125,800 |

Proposed Fiscal Year 2016/17 General Fund Operating Budget

In February 2016 staff also provided the City Council with a preliminary budget for Fiscal Year 2016/17, which reflected a preliminary deficit of approximately \$250,000. The projected budget gap was largely due to a year over year decrease in sales and use tax revenue and increases in salaries and benefit costs.

Sales and use tax revenue is projected to increase approximately 4% on an economic (or full-accrual) basis. However, year over year cash receipts from the State for sales tax will be down \$56,000 due to a timing difference associated with payments made by the State in Fiscal Year 2015/16 which was owed to the City from previous years. Approximately \$193,000 was received in Fiscal Year 2015/16 due to the wind down of the triple-flip.

Salaries and benefits are projected to increase by approximately \$301,500 due to the following:

- o Increase in PERS contribution rates based on the new amortization periods, which include a 5-year ramp up in contribution rates [**\$96,000**]
- o Salary savings are estimated to be approximately \$212,000 in Fiscal Year 2015/16. Salary savings are estimated to be \$90,500 in Fiscal 2016/17, which increased salary and benefit costs by approximately **\$121,500**.
- o **\$69,250** increase in salaries related to 1.5% increase for POA employees, 2% increase for CEA employees and merit increases.
- o Increase in estimated photo enforcement officer time related to red light camera enforcement [**\$6,000**]. In addition, the proposed budget includes a recommendation to increase the hourly rate from \$30 per hour to \$35 for part-time non-benefited photo enforcement officers [**\$8,750**].

The current proposed Fiscal Year 2016/17 General Fund Operating Budget projects a balanced budget with revenues exceeding expenditures by \$267.

| Fiscal Year 2016/17 General Fund Proposed Budget | |
|--|------------------|
| Beginning Fund Balance | 7,333,020 |
| Add: Revenue and Transfers In | 12,989,394 |
| Less: Operating Expenditures/Transfers Out | (12,989,127) |
| Ending Fund Balance | 7,333,287 |
| Change in Fund Balance | \$ 267 |

In February, 2016/17 revenues were projected to be \$12,908,552. 2016/17 revenues are currently projected to be \$12,989,394, which is approximately \$81,000 higher than originally projected. The increase in revenue is largely due to an increase in transfers from the Gas Tax Fund and Supplemental Law Enforcement Services Fund (SLESF) to offset the costs of street maintenance and police costs in the General Fund.

| Revenues and Transfers In | 2016/17 Preliminary Estimate | 2016/17 Proposed Budget | Increase/ (Decrease) |
|--|------------------------------------|-------------------------------|-------------------------|
| Property Taxes | \$ 3,480,970 | \$ 3,489,695 | \$ 8,725 |
| Sales & Use Taxes | 3,233,579 | 3,233,579 | - |
| Utility Users Taxes | 2,129,441 | 2,129,441 | - |
| Transient Occupancy Tax | 150,000 | 155,000 | 5,000 |
| Franchise Fees | 677,705 | 679,461 | 1,756 |
| Licenses & Permits | 789,220 | 780,323 | (8,897) |
| Fines & Forfeitures | 720,000 | 720,300 | 300 |
| Investment Earnings | 57,570 | 52,500 | (5,070) |
| Revenue From Other Agencies | 96,870 | 90,970 | (5,900) |
| Charges for Services | 1,063,668 | 1,082,263 | 18,595 |
| Miscellaneous Revenues | 161,862 | 161,862 | - |
| Interfund Transfers | 347,667 | 414,000 | 66,333 |
| Total Revenues and Transfers In | \$ 12,908,552 | \$ 12,989,394 | \$ 80,842 |

In February, 2016/17 expenditures were projected to be \$13,158,741. 2016/17 expenditures are currently projected to be \$12,989,127, which is approximately \$170,000 lower than originally projected. The decrease is largely due to the projected cost savings from leaving CJPIA. Based on the quotes and cost analysis (taking into account third party administrator costs, training costs, actuarial costs and estimated claims expense), the City will save approximately \$251,000. These savings were partially offset with an increase in the amount set-aside for capital replacement.

| Department | 2016/17 Preliminary Estimate | 2016/17 Proposed Budget | Increase/ (Decrease) |
|---|------------------------------------|-------------------------------|-------------------------|
| City Council | \$ 77,429 | \$ 77,429 | \$ - |
| City Manager/City Clerk | 605,533 | 607,533 | 2,000 |
| City Attorney | 106,000 | 121,000 | 15,000 |
| Administrative Services | 732,867 | 735,367 | 2,500 |
| Police | 6,017,408 | 6,013,833 | (3,575) |
| Development Services | 2,530,487 | 2,531,486 | 999 |
| Recreation and Community Services | 1,750,643 | 1,758,443 | 7,800 |
| Non-Departmental | 1,123,374 | 859,036 | (264,338) |
| Interfund Operating Transfers | 215,000 | 215,000 | 0 |
| Capital Replacement Charges | - | 70,000 | 70,000 |
| Total Operating Expenditures and Transfers | \$ 13,158,741 | \$ 12,989,127 | \$ (169,614) |

The Proposed 2016/17 Budget also includes the following, which were also included in the original budget that was discussed with the City Council in February 2016:

- ❖ Increase in salary and benefit costs (as outlined within this report) 301,500
- ❖ Increase in retiree health insurance payments due to recent retirements in 2015/16 and anticipated retirements in 2016/17. 47,000

- ❖ Proposed salary increase of 1% for non-represented employees along with increases to the City's share of medical insurance premiums for non-represented employees. 23,560

Capital Needs

The Police Capital Expenditures Fund and the Facilities, Streets and Parks Capital Expenditures Fund are projected to have \$391,577 and \$706,263, respectively at June 30, 2016. These two funds were initially funded with \$1.1 million in Fiscal Year 2014/15, which largely remains unspent and therefore the proposed budget for 2016/17 does not include additional amounts set-aside by the General Fund for capital replacement purposes.

Based on the vehicle replacement schedule, 7 police vehicles have been recommended for replacement in Fiscal Year 2016/17. The estimated cost to buy the 7 vehicles and to equip the vehicles with any necessary lighting or communications equipment is approximately \$269,175. If the City financed these vehicles with a four-year capital lease, the annual debt service on the capital lease would be approximately \$70,000 at 1.75%. Therefore, a capital replacement charge of \$70,000 has been included in the proposed General Fund budget for 2016/17.

PERS Costs

The 2016/17 preliminary General Fund budget includes \$1,444,955 for estimated payments to PERS. The contribution to PERS covers two components – the “normal cost” and the amount related to the unfunded liability. The “normal cost” equates to the new benefits earned by the active participants each year. The normal cost is expressed as a percentage of payroll. The normal cost rate is approximately 11.6% and 19.5% for classic miscellaneous and safety employees, respectively. The normal cost rates are projected to remain flat. However, the required contributions towards the unfunded liability are projected to increase over the next several years.

Projected Payments on Unfunded Pensions

| | <u>Misc.</u> | <u>Safety</u> | <u>Total</u> | <u>Annual Increase</u> | <u>Accumulated Annual Increases¹</u> |
|----------------|--------------|---------------|--------------|----------------------------|---|
| 2016/17 | 362,052 | 321,046 | 683,098 | 96,000 | 96,000 |
| 2017/18 | 427,325 | 397,592 | 824,917 | 141,819 | 237,819 |
| 2018/19 | 496,188 | 478,442 | 974,630 | 149,713 | 387,532 |
| 2019/20 | 568,799 | 563,785 | 1,132,584 | 157,954 | 545,486 |
| 2020/21 | 601,349 | 600,310 | 1,201,659 | 69,075 | 614,561 |
| 2021/22 | 639,540 | 641,653 | 1,281,193 | 79,534 | 694,095 |

¹ Accumulated annual increases excludes increase of \$329,464 in 2015/16.

*Amounts exclude the related normal cost which is 19.5% of payroll for classic safety employees and 11.6% of payroll for classic miscellaneous employees. The normal cost for 2016/17 is estimated to be \$761,857.

**Projected increases in PERS contributions for fiscal years 2017/18 and beyond will be incorporated into future budgets.

***The payment towards the unfunded liability in fiscal year 2022/23 and beyond is projected to remain at approximately the same level of funding through 2036, which is when the City's pension liability is projected to be fully funded.

****Contribution rates assume CalPERS earns 7.50 percent every fiscal year thereafter.

The ramp-up in PERS contributions will improve the City's funded status. As of the most recent actuarial valuation (6/30/14) the City's pensions were 81.21% funded. As reflected below, the combined funded status is 86.66% when combined with the City's PERS reserve of \$3.15 million. The average funded status for public agencies is 77.9%.

| | |
|-------------------------|------------------|
| Pension Liability | \$57,798,777 |
| Assets Held by PERS | \$46,938,124 |
| City-Held PERS Reserves | <u>3,150,000</u> |
| Total Assets | \$50,088,124 |
| Funded Status | 86.66% |

Fiscal Impact

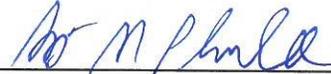
The projections provide for a balanced General Fund budget for Fiscal Year 2015/16 and 2016/17.

Submitted By:



Jason Al-Imam
Administrative Services Director

Approved By:



Bret M. Plumlee
City Manager

Attachment: 1. PowerPoint Presentation



CITY OF LOS ALAMITOS



2015/16 General Fund Update & 2016/17 Proposed General Fund Budget

2015/16 General Fund Budget Overview

2

| | 2015/16 Amended Budget | 2015/16 Projected | Budget Variance |
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(1) In Fiscal Year 2015/16 \$200,000 was budgeted to be spent from reserves on Los Alamitos Blvd. The amount not spent in 2015/16 will be carried-over into Fiscal Year 2016/17 and is shown as expended since these funds have been set-aside.

2015/16 General Fund Revenues

3

| Revenues and Transfers In | 2015/16 Amended Budget | 2015/16 Projected | Budget Variance |
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| Property Taxes | \$ 3,372,412 | \$ 3,381,175 | \$ 8,763 |
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2015/16 General Fund Expenditures

4

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| City Manager/City Clerk | 556,473 | 545,132 | 11,341 |
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| Non-Departmental | 1,205,936 | 1,287,387 | (81,451) |
| Interfund Operating Transfers | 185,200 | 185,200 | - |
| Total Operating Expenditures and Transfers | \$ 12,954,472 | \$ 13,045,737 | \$ (91,265) |
| Capital Expenditures | | | |
| Los Alamitos Blvd. Project | \$ 200,000 | \$ 200,000 | \$ - |
| Total Capital Expenditures | \$ 200,000 | \$ 200,000 | \$ - |

(1) In Fiscal Year 2015/16 \$200,000 was budgeted to be spent from reserves on Los Alamitos Blvd. Amount not spent in 2015/16 will be carried-over into Fiscal Year 2016/17 and therefore is shown as expended.

2016/17 General Fund Budget

5

Fiscal Year 2016/17 General Fund Proposed Budget

| | |
|--|------------------|
| Beginning Fund Balance | 7,333,020 |
| Add: Revenue and Transfers In | 12,989,394 |
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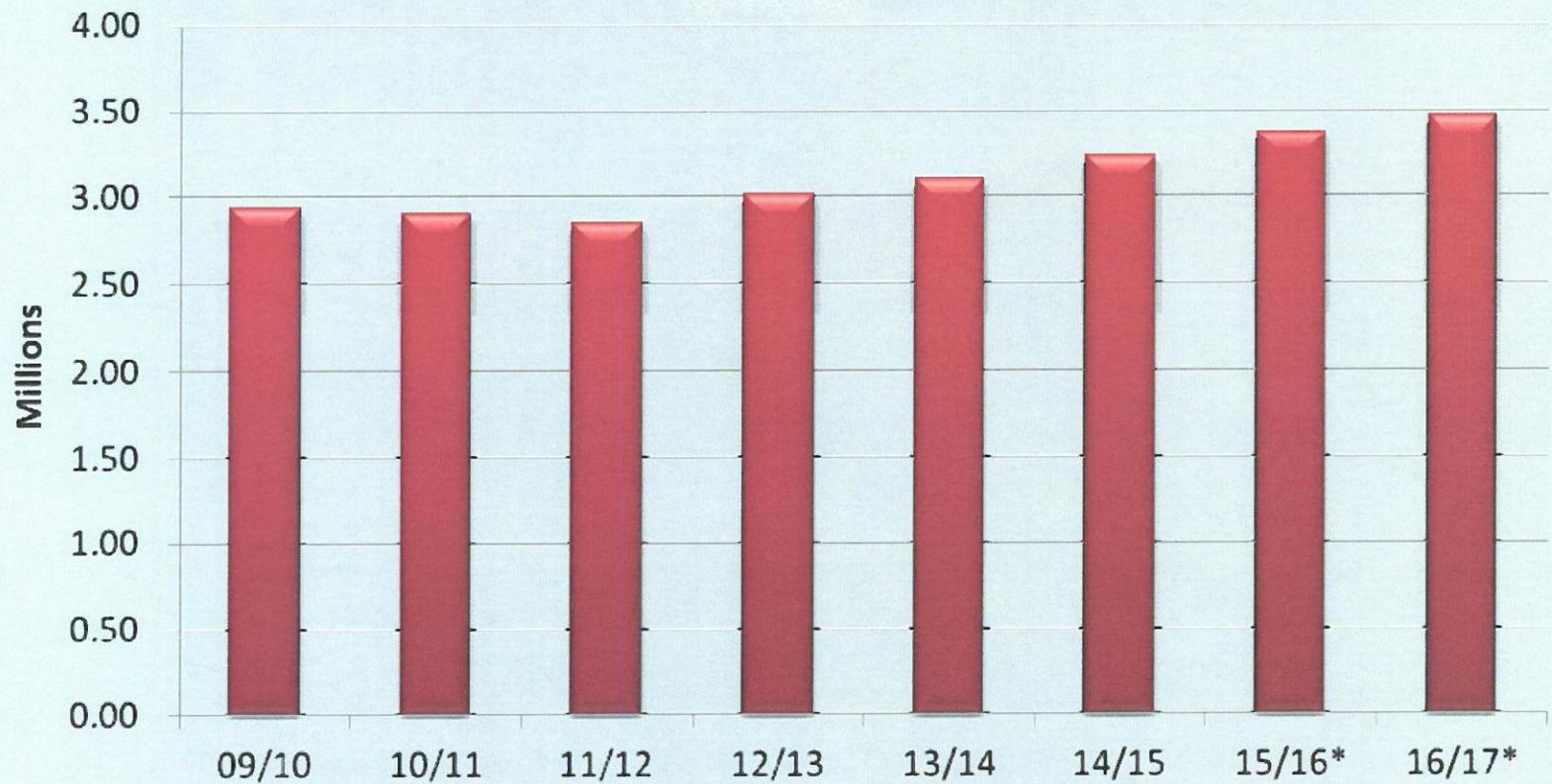
2016/17 General Fund Revenue Forecast

6

| Revenues and Transfers In | 2016/17 Preliminary Estimate | 2016/17 Proposed Budget | Increase/ (Decrease) |
|--|------------------------------------|-------------------------------|-------------------------|
| Property Taxes | \$ 3,480,970 | \$ 3,489,695 | \$ 8,725 |
| Sales & Use Taxes | 3,233,579 | 3,233,579 | - |
| Utility Users Taxes | 2,129,441 | 2,129,441 | - |
| Transient Occupancy Tax | 150,000 | 155,000 | 5,000 |
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| Interfund Transfers | 347,667 | 414,000 | 66,333 |
| Total Revenues and Transfers In | \$ 12,908,552 | \$ 12,989,394 | \$ 80,842 |

Property Tax Revenue

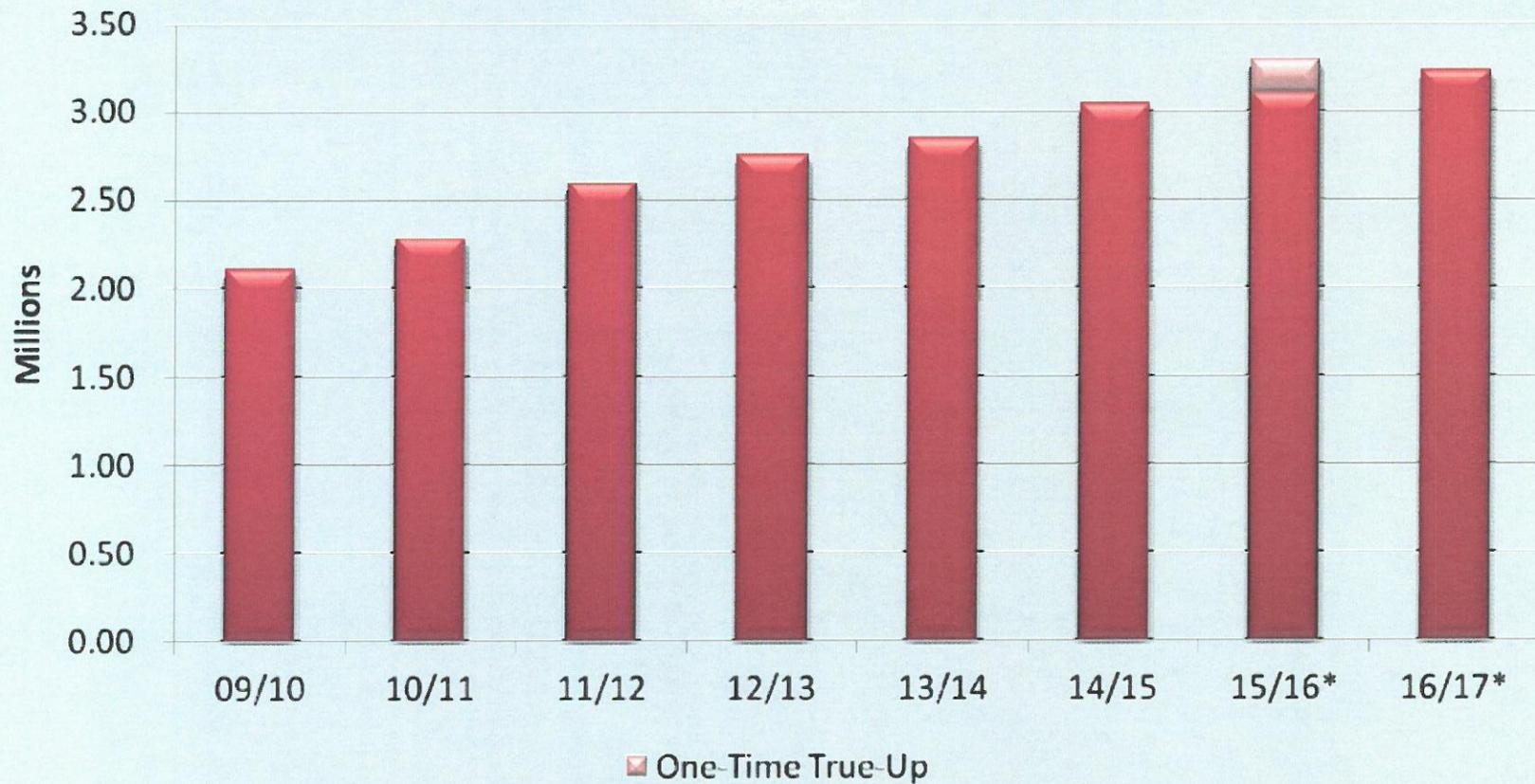
7



**Projected*

Sales and Use Tax Revenue

8



*Projected

2016/17 Expenditure Forecast

9

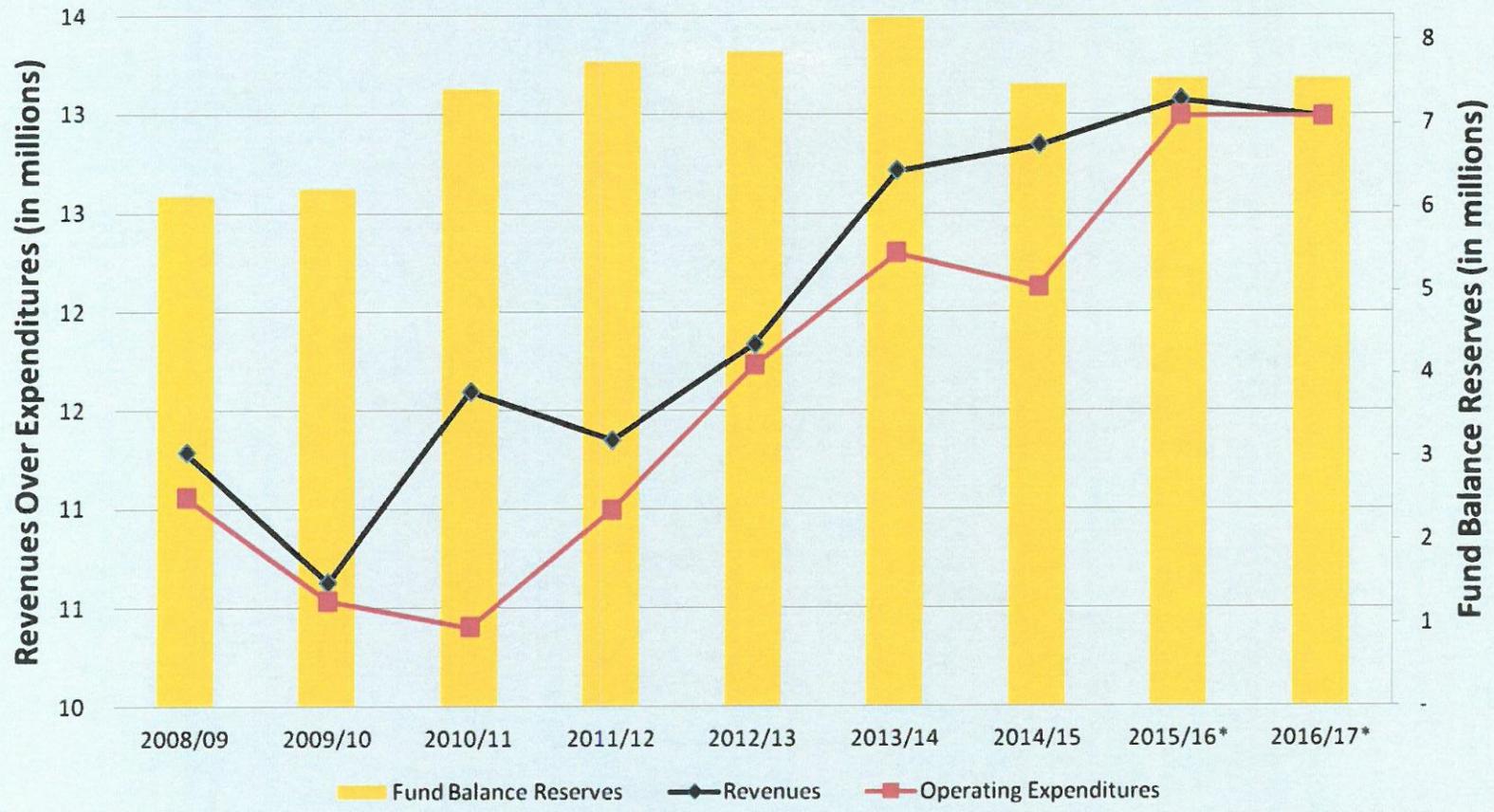
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| Development Services | 2,530,487 | 2,531,486 | 999 |
| Recreation and Community Services | 1,750,643 | 1,758,443 | 7,800 |
| Non-Departmental | 1,123,374 | 859,036 | (264,338) |
| Interfund Operating Transfers | 215,000 | 215,000 | 0 |
| Capital Replacement Charges | - | 70,000 | 70,000 |
| Total Operating Expenditures and Transfers | \$ 13,158,741 | \$ 12,989,127 | \$ (169,614) |

2016/17 Expenditures

10

- The Proposed 2016/17 Budget includes the following, which were also included in the original budget that was discussed with the City Council in February 2016:
 - Salary and Benefit cost increases - \$302k increase
 - ✦ \$96k Increase in PERS Costs
 - ✦ Full-Staffing in 2016/17 (Loss of Vacancy Savings of \$122k)
 - ✦ COLAs & Merit Increases (\$69k)
 - ✦ Photo Enforcement (\$15k)
 - Retiree health costs- \$47k increase
 - Proposed Increases for Non-Represented Employees (\$24k)

General Fund Reserves & Operating Results



* Projected

(1) In Fiscal Year 2014/15 \$1.1 million was transferred to two new capital internal services funds.

Staff Recommendations

12

1. Review and discuss the General Fund budget update for Fiscal Year 2015/16 and Proposed Fiscal Year 2016/17 General Fund Operating Budget.
2. Approve an increase to Fiscal Year 2015/16 budgeted revenues and expenditures in the amount of \$125,800 as outlined in the staff report.