

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING MONDAY, September 12, 2016 – 6:00 p.m.

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.

Any written materials relating to an item on this agenda submitted 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 Committee on any item on the agenda will be called upon at the time the agenda item is called or during the Committee's consideration of the item and may address the Committee for up to three minutes.

1. CALL TO ORDER

2. ROLL CALL

Mayor Murphy
Council Member Edgar

3. CONSENT CALENDAR

A. Approval of Minutes

Approve the Minutes of the Special Meetings on December 14, 2015, April 25, 2016, May 2, 2016, June 6, 2016 and August 29, 2016

4. DISCUSSION ITEMS

A. Fiscal Year 2015-16 Results and Fund Balance Reservations

5. 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 24 hours prior to the meeting.



Jason Al-Imam, Administrative Services Director

9/8/16

Date

**MINUTES OF THE
BUDGET STANDING COMMITTEE
OF THE CITY OF LOS ALAMITOS**

SPECIAL MEETING

MONDAY, December 14, 2015 – 4:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 4:00 p.m., Monday, December 14, 2015, at City Hall, 3191 Katella Avenue, Mayor Murphy presiding.

2. ROLL CALL

Present: Committee Members: Mayor Murphy
Mayor Pro Tem Edgar

Absent: Committee Members: None

Present: Staff: Bret M. Plumlee, City Manager
Jason Al-Imam, Admin. Services Director

3. CONSENT CALENDAR

All Consent Calendar items may be acted upon by one motion unless a Committee Member requests separate action on a specific item.

Motion/Second: Edgar/Murphy

Unanimously Carried: The Budget Standing Committee approved the following Consent Calendar item:

A. Approval of Minutes

Approved the Minutes of the Special Meetings on April 23, 2015; May 4, 2015; June 1, 2015; and September 4, 2015

4. DISCUSSION ITEMS

Mayor Murphy opened the item for public comment. There being no one present wishing to speak, Mayor Murphy closed the item for public comment.

A. Online Financial Data Transparency Portal

Administrative Services Director, Al-Imam, gave an online presentation for the City's new financial data transparency tool. Committee Member Edgar stated it was a great tool for the community, but stated concern for the commitment to the community to respond and the turnaround time. Administrative Services Director, Al-Imam indicated that if requests became burdensome Staff would bring that information back for further consideration.

B. Fiscal Year 2016/17 Budget Calendar

The budget calendar for Fiscal Year 2016/17 was discussed and the following proposed meeting dates were tentative established:

February 8 th	Preliminary 2016-17 General Fund Budget Review
April 5 th	Strategic Planning/Departmental Goal Setting Session
April 25 th	2016-17 Budget Workshop
May 2 nd	2016-17 Budget Workshop
June 6 th	2016-17 Budget Workshop (if needed)

5. ADJOURNMENT

The Budget Standing Committee adjourned at 4:50 p.m.

Richard D. Murphy, Mayor

Attest:

Jason Al-Imam, Director
Administrative Services Department

MINUTES OF THE BUDGET STANDING COMMITTEE OF THE CITY OF LOS ALAMITOS

SPECIAL MEETING MONDAY, April 25, 2016 – 8:30 a.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 8:30 a.m., Monday, April 25, 2016, at City Hall, 3191 Katella Avenue, Mayor Murphy presiding.

2. ROLL CALL

Present: Committee Members: Mayor Murphy
Council Member Edgar

Absent: Committee Members: None

Present: Staff: Bret M. Plumlee, City Manager
Jason Al-Imam, Admin. Services Director
Steven Mendoza, Development Svcs. Director
Tony Brandyberry, Pub. Works Superintendent
Dave Hunt, City Engineer
Corey Lakin, Rec. & Comm. Svcs. Director

3. DISCUSSION ITEMS

Mayor Murphy opened the item for public comment. There being no one present wishing to speak, Mayor Murphy closed the item for public comment.

A. 7-Year Capital Improvement Program

The City Engineer, Dave Hunt, provided an overview of the City's 7-Year Capital Improvement Program (CIP) and Pavement Management Plan. The 7-Year CIP includes regular scheduled maintenance of streets along with special funded projects such as the Los Alamitos Boulevard Revitalization Project which is funded from the 2015 Certificates of Participation and General Fund reserves. The CIP continues to provide a significant amount of funding for public safety, parks and street projects.

B. Proposed Budget for Vehicle Replacements

Staff discussed the recommended replacement of seven police vehicles, including 3 patrol vehicles, 2 police captain vehicles, a police watch commander vehicle and the Police Chief's vehicle. The estimated cost to replace the seven vehicles amount to \$269,175, which includes any necessary lighting or communications equipment. Staff also discussed the possibility of financing the

vehicles with a capital lease. The estimated annual debt service on a four-year capital lease would be approximately \$70,000 at 1.75%.

C. Proposed Budget for the Replacement of the City's Phone System

Administrative Services Director, Al-Imam, discussed the recommended replacement of the City's phone system that was purchased in the 1990s. The estimated cost to replace the City's aging phone system is approximately \$75,000. The Technology Replacement Fund has approximately \$150,000 of fund balance reserves available to fund the project.

4. ADJOURNMENT

The Budget Standing Committee adjourned at 9:55 a.m.

Richard D. Murphy, Mayor

Attest:

Jason Al-Imam, Director
Administrative Services Department

MINUTES OF THE BUDGET STANDING COMMITTEE OF THE CITY OF LOS ALAMITOS

SPECIAL MEETING MONDAY, May 2, 2016 – 3:30 p.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 3:30 p.m., Monday, May 2, 2016, at City Hall, 3191 Katella Avenue, Mayor Murphy presiding.

2. ROLL CALL

Present: Committee Members: Mayor Murphy
Council Member Edgar

Absent: Committee Members: None

Present: Staff: Bret M. Plumlee, City Manager
Jason Al-Imam, Admin. Services Director
Dave Hunt, City Engineer

3. DISCUSSION ITEMS

Mayor Murphy opened the item for public comment. There being no one present wishing to speak, Mayor Murphy closed the item for public comment.

A. 7-Year Capital Improvement Program

The City Engineer, Dave Hunt, provided an update on the City's 7-Year Capital Improvement Program (CIP) based on information recently received from the Orange County Transportation Authority informing the City that the grant funding for Cerritos Avenue had been withdrawn due to project milestones not being met. There was discussion about the management of grants and staff agreed to bring an item back to the Budget Standing Committee on grant revenues and the management of grant funds.

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

Administrative Services Director, Al-Imam, provided an update on the 2015/16 General Fund revenues and expenditures and the proposed 2016/17 General Fund Operating Budget. A budget surplus of approximately \$79,000 was projected for the 2015/16 Fiscal Year primarily due to better than projected revenues, which is largely due to building and public works permit revenue.

Administrative Services Director, Al-Imam, also provided an update on the proposed 2016/17 budget, which was balanced with revenues exceeding expenditures by \$267. The preliminary budget gap of approximately \$250,000 had been eliminated primarily due to cost savings that the City expects to realize by joining CSAC-EIA, which provides the City with excess insurance for its workers' compensation and general liability programs at a competitive rate.

4. **ADJOURNMENT**

The Budget Standing Committee adjourned at 4:30 p.m.

Richard D. Murphy, Mayor

Attest:

Jason Al-Imam, Director
Administrative Services Department

MINUTES OF THE BUDGET STANDING COMMITTEE OF THE CITY OF LOS ALAMITOS

SPECIAL MEETING MONDAY, June 6, 2016 – 4:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 4:00 p.m., Monday, June 6, 2016, at City Hall, 3191 Katella Avenue, Mayor Murphy presiding.

2. ROLL CALL

Present: Committee Members: Mayor Murphy
Council Member Edgar

Absent: Committee Members: None

Present: Staff: Bret M. Plumlee, City Manager
Jason Al-Imam, Admin. Services Director
Rich Kikuchi, Lance, Soll & Lunghard

3. DISCUSSION ITEMS

Mayor Murphy opened the item for public comment. There being no one present wishing to speak, Mayor Murphy closed the item for public comment.

A. Rich Kikuchi, Managing Partner at Lance, Soll & Lunghard, LLP discussed the following items:

- Audit Responsibilities and Process
- Auditor Communication Letter

There was discussion about the audit process, including but not limited to the risk assessment of internal control and procedures to be performed during the planning phase of the audit, which is scheduled to take place during the week of June 13th. Rich Kikuchi agreed to return to the Budget Standing Committee with the results from the planning phase of the audit at a future meeting.

B. Review and discussion of the City Attorney's request for an increase in fees

The Committee reviewed and discussed the request for the following modifications to the City Attorney's contract:

- Increase in the monthly retainer by 6% to \$6,360 per month
- Increase in the hourly rate for excess retainer time by 6.67% to \$250/hour
- Increase in the hourly rate for hours reimbursed by 3rd parties by 6% to \$265 per hour

- Increase in reimbursement for training and conferences to \$1,200 per year
- Payment for travel time of no more than one hour total per meeting for all non-routine meetings
- Clarification that West-Comm hours are non-routine services

4. **ADJOURNMENT**

The Budget Standing Committee adjourned at 4:45 p.m.

Richard D. Murphy, Mayor

Attest:

Jason Al-Imam, Director
Administrative Services Department

MINUTES OF THE BUDGET STANDING COMMITTEE OF THE CITY OF LOS ALAMITOS

SPECIAL MEETING

MONDAY, August 29, 2016 – 7:30 a.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 7:30 a.m., Monday, August 29, 2016, at City Hall, 3191 Katella Avenue, Mayor Murphy presiding.

2. ROLL CALL

Present: Committee Members: Mayor Murphy
Council Member Edgar

Absent: Committee Members: None

Present: Staff: Bret M. Plumlee, City Manager
Jason Al-Imam, Admin. Services Director
Rich Kikuchi, Lance, Soll & Lunghard

3. DISCUSSION ITEMS

Mayor Murphy opened the item for public comment. There being no one present wishing to speak, Mayor Murphy closed the item for public comment.

A. Rich Kikuchi, Managing Partner at Lance, Soll & Lunghard, LLP discussed the results from the interim planning phase of the annual financial statement audit.

Rich Kikuchi, Managing Partner at Lance, Soll & Lunghard discussed the results from the interim planning phase of the annual financial statement audit, which was conducted in June 2016. Rich Kikuchi provided an overview of the auditor's risk assessment and how that resulted in a tailored audit plan. The Committee requested that the auditors consider in their auditing procedures procurement policies and City Council approval of items that exceed the City Manager's contract authority. In addition, the Committee asked that the auditors look at expense reimbursements. Rich Kikuchi indicated that this would be factored into their risk assessment and the planning of procedures to be performed during the final phase of the audit which will take place in October 2016.

B. Review and Discussion of Grant Revenues and the Management of Grant Funds

Grant revenues and the management of grant funds were discussed with the Committee. The Committee discussed the status of certain grant funded projects along with projects funded by bond proceeds.

4. ADJOURNMENT

The Budget Standing Committee adjourned at 8:35 a.m.

Richard D. Murphy, Mayor

Attest:

Jason Al-Imam, Director
Administrative Services Department

Budget Standing Committee

Agenda Report Discussion Items

September 12, 2016
Item No: 4A

To: Budget Standing Committee Members
Via: Bret M. Plumlee, City Manager
From: Jason Al-Imam, Administrative Services Director
Subject: Fiscal Year 2015-16 Results and Fund Balance Reservations

Summary: This report provides the Budget Standing Committee with an update on Fiscal Year 2015-16 revenues and expenditures and recommends adjustments to fund balance reserves.

Recommendations:

That the Budget Standing Committee recommend that the City Council:

- 1) Receive and file this year-end report for Fiscal Year 2015-16;
- 2) Approve carryover of appropriations to Fiscal Year 2016-17 for various projects as outlined in this report;
- 3) Adopt Resolution No. 2016-31, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, ESTABLISHING A FUND BALANCE POLICY FOR THE GENERAL FUND AND REPEALING RESOLUTION NO. 2015-23";
- 4) Adopt Resolution No. 2016-32, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, ESTABLISHING A FUND BALANCE POLICY FOR THE INTERNAL SERVICE FUNDS AND REPEALING RESOLUTION NO. 2014-23";
- 5) Approve transfers from the General Fund in the amounts of \$100,000 to the Police Capital Internal Service Fund and \$350,000 to the Self-Insurance Trust Fund; and,
- 6) Approve transfer of \$71,898 from the Rivers & Mountains Conservancy (RMC) Fund to the Police Capital Internal Service Fund associated with Coyote Creek project costs that were originally funded by the General Fund and have since been reimbursed.

Background

In May 2016 staff provided City Council with an update on the Fiscal Year 2015-16 projected revenues and expenditures, which projected ending fund balance to be \$7.35 million at June 30, 2016. This report provides the City Council with an update on Fiscal Year 2015-16 revenues and expenditures and recommends adjustments to General Fund reserves.

Discussion

Fiscal Year 2015-16 Revenues & Expenditures

In May 2016 staff provided the City Council with an update on the 2015-16 General Fund budget. At that time, an operating surplus of approximately \$81,000 was projected. However, now that the books have been closed, year-end actual (unaudited) revenues over expenditures (excluding capital amounts) are approximately \$281,000 better with ending fund balance at approximately \$7.83 million including \$200,000 that has been set-aside for the Los Alamitos Boulevard Revitalization Project.

	Amended Budget	Projected	Actual (Unaudited)
Beginning Fund Balance	7,469,886	7,469,886	7,469,886
Add: Prior Year Carry-Forward	54,066	54,066	54,066
Add: Revenue and Transfers In	13,027,833	13,072,717	13,188,016
Less: Operating Expenditures/Transfers Out	(13,080,272)	(13,045,737)	(12,880,455)
Operating Surplus	1,627	81,046	361,627
Less: Capital Expenditures	(200,000)	(200,000)	-
Ending Fund Balance	\$ 7,271,513	\$ 7,350,932	\$ 7,831,513

In May 2016 revenues were projected to be \$13,072,717. However, actual revenues were approximately \$115,000 higher than projected primarily due to red light camera fine revenue (\$45,000), permit revenue (\$19,000), investment earnings (\$23,000) and workers' compensation insurance reimbursements (\$14,000).

Approximately 68% of General Fund revenue consists of tax revenue, which is comprised of property taxes, sales and use tax, utility users' taxes and transient occupancy taxes. While variances exist between the various types of tax revenue, total tax revenue for the year was in line with projected amounts with actual revenues \$252 better than projected.

	(A) Amended Budget	Projected	(B) Actual (Unaudited)	(B) - (A) Budget Variance
Revenues and Transfers In				
Property Taxes	\$ 3,372,411	\$ 3,381,175	\$ 3,416,216	\$ 43,805
Sales & Use Taxes	3,289,579	3,279,579	3,269,005	(20,574)
Utility Users Taxes	2,121,672	2,122,323	2,092,020	(29,652)
Transient Occupancy Tax	145,000	150,000	156,088	11,088
Franchise Fees	677,705	679,461	677,163	(542)
Licenses & Permits	854,203	856,420	875,700	21,497
Fines & Forfeitures	715,300	725,300	775,449	60,149
Investment Earnings	57,000	52,012	75,031	18,031
Revenue From Other Agencies	101,400	101,400	94,217	(7,183)
Charges for Services	1,205,772	1,219,203	1,239,525	33,753
Miscellaneous Revenues	122,124	140,177	154,313	32,189
Interfund Transfers	365,667	365,667	363,289	(2,378)
Total Revenues and Transfers In	\$ 13,027,833	\$ 13,072,717	\$ 13,188,016	\$ 160,183

In May 2016 operating expenditures were projected to be \$13,045,737 whereas actual operating expenditures were \$12,880,455. While variances exist between the various departments, total expenditures were approximately \$165,000 lower than projected, which is primarily attributable to salary savings in the Police department (\$110,000). In addition, Recreation's expenditures were approximately \$39,000 lower than projected, which is also largely due to salary savings.

Department	(A)		(B)	(A) - (B)
	Amended Budget	Projected	Expended (Unaudited)	Budget Variance
City Council	\$ 75,415	\$ 73,646	\$ 71,702	\$ 3,713
City Manager/City Clerk	556,473	545,132	554,671	1,802
City Attorney	118,000	117,796	120,199	(2,199)
Administrative Services	715,458	714,798	714,518	940
Police	5,810,047	5,810,044	5,700,406	109,641
Development Services	2,533,923	2,533,884	2,518,804	15,119
Recreation and Community Services	1,798,322	1,777,850	1,738,511	59,811
Non-Departmental	1,287,434	1,287,387	1,276,444	10,990
Interfund Operating Transfers	185,200	185,200	185,200	-
Total Operating Expenditures and Transfers	\$ 13,080,272	\$ 13,045,737	\$ 12,880,455	\$ 199,817
Capital Expenditures				
Los Alamitos Blvd. Project	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Total Capital Expenditures	\$ 200,000	\$ 200,000	\$ -	\$ 200,000

¹ Includes encumbrances related to the 15-16 audit (\$16,693), the user fees & charges study (\$4,400), and the strategic plan (\$6,110) which have been encumbered against the 15-16 budget.

Capital Project Carryovers

The City's Municipal Code provides that all appropriations shall lapse at the end of the fiscal year to the extent that they have not been expended or encumbered. Therefore, it is recommended that remaining unspent appropriations for the following ongoing capital projects be carried-over into Fiscal Year 2016-17.

Description	Funding Source	Account	Carryover to FY 2016-17
ADA RAMPS/SIDEWALKS	GAS TAX	20-570-5501.3102	46,937.33
ADA RAMPS/SIDEWALKS	MEASURE M	26-570-5501.3102	47,717.10
ALLEY IMPROVEMENTS	CDBG	19-570-5501.1106	131,400.00
ALLEY IMPROVEMENTS	MEASURE M	26-570-5501.1106	8,838.00
CITY HALL GENERATOR	BUILDING IMPROV. FUND	25-570-5503.1431	90,350.50
COYOTE CREEK PROJECT	RMC GRANT	41-570-5502.1109	319,001.21
MEDIAN ISLANDS	GAS TAX	20-570-5501.1501	12,002.05
MEDIAN ISLANDS	MEASURE M	26-570-5501.1501	6,001.02
MEDIAN ISLANDS	TRAFFIC IMPROV. FUNDS	44-570-5501.1501	6,001.02
RUBBERIZED PARK PROJECT	PARK DEVELOPMENT FUNDS	40-570-5502.3121	161,000.00
RUBBERIZED PARK PROJECT	CALRECYCLE GRANT	40-570-5502.1621	72,000.00

General Fund Balance Policy

The Government Finance Officers Association (GFOA) recommends that governments adopt a formal fund balance policy that defines the appropriate level of fund balance target levels. On September 21, 2015, the City Council approved a Fund Balance Policy for the General Fund, which requires an annual review of the policy after adoption of the budget. It is recommended that the Fund Balance Policy for the General Fund for Fiscal Year 2016-17 (**Attachment 1**) be adopted by the City Council, which incorporates the following recommended changes:

- An increase in the amount set aside for PERS reserves by \$250,000, which brings the reserve balance to \$3,400,000. CalPERS recently released the actuarial reports for the valuations that were performed on June 30, 2015. The actuarial reports reflected a net pension liability of \$13.88 million (\$60.69 million pension liability less \$46.81 million in assets held by CalPERS). The funded status would be 83% if the amount set-aside was increased to \$3.4 million.
- An adjustment to the amount set-aside for emergencies at 25% of General Fund budgeted expenditures for Fiscal Year 2016-17.
- A transfer of \$350,000 to the Self-Insurance Trust Fund for Workers' Compensation/Liability Reserves. The Self-Insurance Trust Fund is a new internal service fund that will be used to account for the operations of the City's self-insured workers' compensation, general liability and property insurance programs. Since claims expense will be paid out of this fund it is recommended that the amounts set aside for future potential claims be transferred to the internal service fund. These amounts will not be expended until the City Council has authorized an appropriation of these amounts at a future date.
- A transfer of \$100,000 to the Police Capital Expenditures Fund, which has a fund balance of \$706,263 at June 30, 2016 – of which \$431,112 is earmarked for the 800 MHz project. The remaining balance of \$275,151 is available for other police capital needs such as the CAD/RMS project. If \$100,000 is transferred from the General Fund and \$71,898 is transferred from the RMC Fund (which is available to reimburse the General Fund for costs associated with the Coyote Creek project), \$447,049 would be available for the CAD/RMS project. These amounts will not be expended until the City Council has authorized an appropriation of these amounts at a future date.
- A modification to the policy that would permit the use of PERS reserves when annual required contributions increase year-over-year by 5% or more and the PERS funded status (including amounts set-aside) is greater than 80%. Previously, the policy required that PERS reserves only be used when annual required contributions increase year-over-year by 10%.

If the aforementioned recommendations are approved, budgetary fund balance reserves for the General Fund would consist of the following (which excludes \$27,203 that has been encumbered against the 2016/17 budget):

Budgetary Fund Balance			
	6/30/15	Increase/ (Decrease)	6/30/16
Nonspendable:			
Employee Loans	\$ 6,512	\$ (1,400)	\$ 5,112
Restricted for:			
Pool CIP	56,040	(56,040)	-
Assigned for:			
Emergencies	3,273,754	(26,472)	3,247,282
PERS	3,150,000	250,000	3,400,000
Workers' Compensation/Liability	250,000	(250,000)	-
Los Alamitos Boulevard Revitalization	200,000	-	200,000
Other Post-Employment Benefits (OPEB)	500,000	-	500,000
	<u>7,373,754</u>	<u>(26,472)</u>	<u>7,347,282</u>
Unassigned	33,580	(4,461)	29,119
Less Proposed Transfers to:			
Self-Insurance Trust Fund	-	350,000	350,000
Police Capital Internal Service Fund	-	100,000	100,000
	<u>33,580</u>	<u>445,539</u>	<u>479,119</u>
Total Budgetary Fund Balance	\$ 7,469,886	\$ 361,627	\$ 7,831,513

Fund Balance Policy for Internal Service Funds

On September 8, 2014, the City Council approved a Fund Balance Policy for the Internal Service Funds. It is recommended that the Fund Balance Policy for the Internal Service Funds for Fiscal Year 2016-17 (**Attachment 1**) be adopted by the City Council, which incorporates the following recommended changes:

- The annual capital replacement charge for vehicles and equipment shall be \$70,000 per year beginning in Fiscal Year 2016-17.
- The annual capital replacement for Police capital expenditures shall be \$35,000 per year beginning in Fiscal Year 2017-18.
- The Facilities, Streets and Parks Capital Expenditures Fund was established at \$400,000, as part of the adoption of the budget for FY 2014-15, which remains largely unspent with a balance of \$391,577 at June 30, 2016. At this time, no

amounts are recommended for replacement since these funds have not yet been expended.

- The Self-Insurance Trust Fund is a new internal service fund that will be used to account for the operations of the City's self-insured workers' compensation, general liability and property insurance programs. Since claims expense will be paid out of this fund it is recommended that \$350,000 be set aside for future potential claims funded from a one-time General Fund transfer. These amounts that are set-aside for claims will not be expended until the City Council has authorized an appropriation of these amounts at a future date. At this time, no amounts are recommended for replacement since these funds have not yet been expended.

Fiscal Impact

There is no direct fiscal impact of implementing the fund balance policy for the General Fund. The reserves will remain in place until changes to the reserve levels are approved by City Council or until Council approves appropriations to spend any portion of the reserves.

Submitted By:



Jason Al-Imam
Administrative Services Director

Approved By:



Bret M. Plumlee
City Manager

Attachments:

1. Resolution No. 2016-31
2. Resolution No. 2016-32

RESOLUTION NO. 2016-31

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, ESTABLISHING A FUND BALANCE POLICY FOR THE GENERAL FUND AND REPEALING RESOLUTION NO. 2015-23

WHEREAS, the City Council has established certain reserves in the City's General Fund, and

WHEREAS, the City Council desires to establish the circumstances under which the reserves will be amended each fiscal year,

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The City Council of the City of Los Alamitos, California, finds that the above recitals are true and correct.

SECTION 2. That the City Council of the City of Los Alamitos approves a fund balance policy for the General Fund of the City, Exhibit A.

SECTION 3. That the reserves were established within the budget adopted by City Council that became effective starting July 1, 2016.

SECTION 4. That the City Council will revisit the reserves each fiscal year after the budget is adopted to approve any recommended changes to the levels of each individual established reserve.

SECTION 5. The City Clerk shall certify as to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED this 19th day of September, 2016.

Richard D. Murphy, Mayor

ATTEST:

Windmera Quintanar, CMC, City Clerk

APPROVED AS TO FORM:

Cary S. Reisman, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LOS ALAMITOS)

I, Windmera Quintanar, CMC, City Clerk of the City of Los Alamitos, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council held on the 19th day of September, 2016, by the following vote to wit:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:
ABSTAIN: COUNCILMEMBERS:

Windmera Quintanar, CMC, City Clerk

City of Los Alamitos

**Fund Balance Policy for the General Fund
Fiscal Year 2016-17**

This Fund Balance Policy (“Policy”), as set forth by the City of Los Alamitos (“City”), provides the guidelines for amending General Fund Reserves established by the City Council as of July 1, 2016.

This Policy is subject to annual review by the City Council. No changes shall be made to the established reserves unless approved by City Council.

1. Purpose: This statement sets forth policies which shall govern the establishment and amendment of General Fund reserves.

2. Application: It is intended that this policy shall apply only to the General Fund of the City. Reserves established in other funds of the City shall be subject to separate policies for those funds, but are described below for purposes of comparison.

3. Regulation:

Reserve for Emergencies

The Reserve for Emergencies shall be maintained at 25% of General Fund appropriations. This is the minimum amount of reserves established for the General Fund. The Reserve for Emergencies shall never go below 25% of General Fund appropriations unless City Council declares an emergency for natural disasters or financial emergencies that temporarily cause the reserve to fall below 25%. A financial emergency is considered when annual revenues decrease by 5% or more or when annual expenditures increase by 5% or more. City Council will approve the amounts transferred to this reserve each year to maintain the reserve at 25% of General Fund appropriations.

PERS Reserves

PERS Reserves are intended to maintain a funded ratio near 80% of the Actuarial Accrued Liability established each year by PERS in the annual valuation. City Council can increase the funded ratio above the 80% level if investment returns earned by CalPERS in any given year automatically increase the funded level above the 80%. Any recommended changes to this reserve will be brought back to City Council each fiscal year after receipt of the annual valuation report from CalPERS. If there are excess

reserves as a result of exceptional investment returns by CalPERS, Council can decide to reduce the PERS reserves and allocate the excess to other General Fund reserves, Internal Service Fund reserves, or to Unassigned General Fund Reserves. PERS Reserves may be used if the following conditions are both present:

- a. Annual required contributions increase year-over-year by 5% or more
- b. PERS funded status (including amounts set-aside) is greater than 80%

The PERS Reserve has been increased by \$250,000, which brings the reserve balance to \$3,400,000. CalPERS recently released the actuarial reports for the valuations that were performed on June 30, 2015. The actuarial reports reflected a net pension liability of \$13.88 million (\$60.69 million pension liability less \$46.81 million in assets held by CalPERS). The funded status is 83%, which includes amounts set-aside and assets held by PERS.

Other Post Employment Benefit Reserves (OPEB)

The OPEB Reserve is \$500,000, which is approximately 12% of the unfunded OPEB liability. The unfunded OPEB liability is approximately \$4.29 million based on the actuarial report that is completed every three years, which was last completed in December 2015. The amount set aside for OPEB Reserves will be reevaluated annually and will take into consideration information reflected in the actuarial study.

Los Alamitos Blvd. Rehabilitation Reserve

The reserve for the Los Alamitos Boulevard Rehabilitation Project has been established at \$200,000. \$400,000 has been budgeted for the Los Alamitos Blvd. Project in 2016/17, which is funded by the 2015 Certificates of Participation. The amount set-aside to be spent from General Fund reserves is expected to be expended in Fiscal Year 2017/18.

Undesignated Reserves

Any amounts in excess of the reserves established above will be maintained as undesignated reserves, or may be transferred to existing reserves, or new reserves, but only upon approval of City Council.

Policy Review

The Fund Balance Policy for the General Fund shall be submitted to the City Council for approval each fiscal year after the adoption of the budget. The CalPERS annual valuation report is generally received each fiscal year around October, and the actuarial report will determine the amount of PERS reserves needed to maintain funding at 80%, or some other percentage amount as approved by City Council. In addition, the emergency reserve cannot be determined until the budget is adopted by City Council, and the amount of 25% of General Fund appropriations is calculated.

RESOLUTION NO. 2016-32

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, ESTABLISHING A FUND BALANCE POLICY FOR THE INTERNAL SERVICE FUNDS AND REPEALING RESOLUTION NO. 2014-23

WHEREAS, the City Council has established certain reserves in the City's Internal Service Funds; and,

WHEREAS, the City Council desires to establish the circumstances under which the reserves will be amended each fiscal year.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The City Council of the City of Los Alamitos, California, finds that the above recitals are true and correct.

SECTION 2. That the City Council of the City of Los Alamitos approves a fund balance policy for the Internal Service Funds of the City, Exhibit A.

SECTION 3. That the reserves were established within the budget adopted by City Council that became effective starting July 1, 2016.

SECTION 4. That the City Council will revisit the reserves each fiscal year after the budget is adopted to approve any recommended changes to the levels of each individual established reserve, or the allocations to the departments to replenish the reserves.

SECTION 5. The City Clerk shall certify as to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED this 19th day of September, 2016.

Richard D. Murphy, Mayor

ATTEST:

Windmera Quintanar, CMC, City Clerk

APPROVED AS TO FORM:

Cary S. Reisman, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LOS ALAMITOS)

I, Windmera Quintanar, CMC, City Clerk of the City of Los Alamitos, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council held on the 19th day of September, 2016, by the following vote to wit:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:
ABSTAIN: COUNCILMEMBERS:

Windmera Quintanar, CMC, City Clerk

City of Los Alamitos

**Fund Balance Policy for the Internal Service Funds
Fiscal Year 2016-2017**

This Fund Balance Policy (“Policy”), as set forth by the City of Los Alamitos (“City”), provides the guidelines for amending Internal Service Funds Reserves established by the City Council as of July 1, 2016.

This Policy is subject to annual review by the City Council. No changes shall be made to the established reserves unless approved by City Council.

1. Purpose: This statement sets forth policies which shall govern the establishment and amendment of Internal Service Funds reserves.

2. Application: It is intended that this policy shall apply only to the Internal Funds of the City discussed in this policy.

3. Regulation:

Vehicles and Equipment Fund

The Vehicles & Equipment Fund will replenish reserves based upon allocations to the departments for Salaries and Benefits, Maintenance and Operations, Capital Outlay and Debt Service Payments (Principal and Interest Cost) for vehicles and equipment based upon an equipment replacement schedule, Exhibit B, that shall be updated annually by the Public Works Superintendent. The allocations for Salaries and Benefits and Maintenance and Support will be based upon the actual budget of the Fleet Maintenance Division each year. The allocation to the departments for vehicle and equipment replacement shall be \$70,000 per year beginning in Fiscal Year 2016/17, which covers the estimated annual debt service associated with the capital lease with Wells Fargo Equipment Finance that was approved by the City Council on June 20, 2016 for the purchase of seven Police vehicles, which is being financed over four years at an annual interest rate of 1.8446%.

Technology Replacement Fund

The reserves in the Technology Replacement Fund are currently sufficient to fund the capital needs of the departments for computers, software, maintenance and supplies. The allocations to the departments each year will be based upon the actual budget for the information technology division.

Police Capital Expenditures Fund

The Police Capital Expenditures Fund reserves were established at \$700,000 in the adopted Fiscal Year 2014-2015 budget. The fund had a balance of \$706,263 at June 30, 2016 – of which \$431,112 is earmarked for the 800 MHz project. The remaining balance of \$275,151 is available for other police capital needs such as the CAD/RMS project. It is recommended that \$100,000 from the General Fund and \$71,898 from the RMC Fund (which is available to reimburse the General Fund for costs associated with the Coyote Creek project) be transferred to the Police Capital Expenditures Fund. If these transfers are approved, \$447,049 would be available for the CAD/RMS project. These amounts will not be expended until the City Council has authorized an appropriation of these amounts at a future date. The replenishment of this fund will be based upon an annual allocation to the Police Department established at \$35,000 per year beginning in Fiscal Year 2017/18, to be increased each year based upon CPI.

Facilities, Streets and Parks Capital Expenditures Fund

The Facilities, Streets and Parks Capital Expenditures Fund was established at \$400,000, as part of the adoption of the budget for FY 2014-2015, which remains largely unspent with a balance of \$391,577 at June 30, 2016. At this time, no amounts are recommended for replacement since these funds have not yet been expended.

Self-Insurance Trust Fund

The Self-Insurance Trust Fund is a new internal service fund that will be used to account for the operations of the City's self-insured workers' compensation, general liability and property insurance programs. The expenditure budget consists of amounts appropriated for insurance premiums, third-party administration fees, actuarial services, training costs and estimated claims expense, which is funded from an annual transfer from the General Fund beginning in Fiscal Year 2016/17 to cover budgeted expenditures. In addition, since claims expense will be paid out of this fund it is recommended that \$350,000 be set aside for future potential claims funded from a one-time General Fund transfer. These amounts that are set-aside for claims will not be expended until the City Council has authorized an appropriation of these amounts at a future date. At this time, no amounts are recommended for replacement since these funds have not yet been expended.

Policy Review

The Fund Balance Policy for the Internal Services Funds shall be submitted to the City Council for approval each fiscal year after the adoption of the budget. No funds shall be expended from the Internal Services Funds without the express consent of City Council and approval of the appropriations therefor.

EXHIBIT B

Vehicle & Equipment Replacement Schedule
(over \$5k)

UNIT #/ ID	VIN #/SERIAL #	MAKE	MODEL	YEAR	PURCHASE COST	TARGETED	ESTIMATED	POLICY	ESTIMATED						2021-22
						REPLACEMENT CYCLE (YEARS) ₁	REPLACEMENT COST	REPLACEMENT YEAR	REPLACEMENT YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	and Beyond
POLICE															
522	48-1	1GNLC2E07CR190184	Chevy	Tahoe	2012	40,000	5	45,000	2016-17	2016-17	45,000				
522	48-2		Dodge	Charger	2014	35,000	4	37,100	2017-18	2017-18		37,100			
528	48-3		Dodge	Charger	2016	35,000	4	35,000	2019-20	2019-20			35,000		
522	48-4	2C3CDXATXCH287838	Dodge	Charger	2012	35,000	4	37,100	2015-16	2016-17	37,100				
522	48-5	2C3CDXAT6CH287836	Dodge	Charger	2012	35,000	4	37,100	2015-16	2016-17	37,100				
522	48-6	2C3CDXAT4CH287835	Dodge	Charger	2012	35,000	4	37,100	2015-16	2016-17	37,100				
522	48-7		Dodge	Charger	2016	35,000	4	35,000	2019-20	2019-20				35,000	
526	PC-1	2FDPF17M54CA76321	Ford	F150cng	2004	30,000	10	34,500	2013-14	2018-19		34,500			
524	BI05	2G1WF52K859190995	Chevy	Impala PI	2005	27,000	10	31,050	2014-15	2016-17		31,050			
523	DT CHG BLU	2C3CDXAT1DH560506	Dodge	Charger	2012	35,000	5	37,625	2016-17	2017-18		37,625			
523	DT JEEP		Jeep	Cherokee	2015	35,000	5	37,625	2019-20	2020-21				37,625	
523	DT HYBRID PD	3GCUCUEJ6DG148222	Chevy	1500HYB	2013	43,000	5	46,225	2017-18	2017-18		46,225			
521	CAPTAINS Sean	2B3KA43H47H770417	Dodge	Charger	2007	35,000	5	37,625	2011-12	2016-17	37,625				
521	CAPTAINS Rick	2C3CDXAT6H261737	Dodge	Charger	2012	35,000	5	37,625	2016-17	2016-17	37,625				
521	CHIEFS	2B3LA43H08H314565	Dodge	Charger	2008	35,000	5	37,625	2012-13	2016-17	37,625				
528	Motorcycle-trainer	JH2SC51765M300271	Honda	Motor	2006		BUMP	2005-06	BUMP						
528	Motorcycle	JH2SC5156DK100046	Honda	Motor	2014	27,000	4	28,620	2017-18	2017-18	28,620				
523	03CNGPD	1HGEN26573L000393	Honda	CNG civic	2003	25,000	10	28,750	2012-13	2022-23					28,750
CITY HALL															
512	CITY ADMIN	1HGEN1643XL000351	Honda	CNG civic	1999	25,000	10	28,750	2008-09	2018-19		28,750			
COMMUNITY DEVELOPMENT															
543	CODE ENF.	2FAHP71W65X119552	Ford	CVPI	2004	25,000	10	28,750	2013-14	2018-19		28,750			
PUBLIC WORKS															
TRUCKS															
542	PS1	1FTBF2A66CEC99622	Ford	F250	2012	40,000	10	46,000	2021-22	2026-27					46,000
543	PS2	1FTBF2A68CEC99623	Ford	F250	2012	40,000	10	46,000	2021-22	2026-27					46,000
543	PS3IRR	1FDWFF30599EA32799	Ford	F350	2008	45,000	10	51,750	2017-18	2026-27					51,750
543	PS4STK	1FDWFF36Y99EA32800	Ford	F350	2008	45,000	10	51,750	2017-18	2026-27					51,750
543	PS5550	1FDAF56S73ED54609	Ford	F550	2003	63,000	15	77,175	2017-18	2022-23					77,175
542	PS6MEC	1GCGC24R8XR710246	Chevy	2500	1999	30,000	10	38,000	2008-09	2017-18	38,000				
542	PS12SPR	1HGEN26441L000632	Honda	CNG civic	2001	25,000	10	28,750	2010-11	2020-21			28,750		
542	PS7SPR	1GCEC19R3W1108954	Chevy	1500	1997	28,000	10	40,000	2006-07	2017-18	40,000				
542	PS8CNGPU	1GCHC24U87E177962	Chevy	2500	2007	40,000	10	46,000	2016-17	2021-22					46,000
542	PS10DMP	3FDNF65222MA16634	Ford	F650	2002	65,000	15	79,625	2016-17	2021-22					79,625
542	PS11BOOM	1FDXF46S24ED66432	Ford	F450	2004	65,000	15	79,625	2018-19	2023-24					79,625
EQUIPMENT															
544	Floor Machine	351012080Z544	Adfinity	20R Ecoflex	2012	5,000	5	5,375	2016-17	2017-18		5,375			
546	shop compressor	8489-71/11401	Wofley/Hill Bros		1970	5,000	25	6,875	1994-95	BUMP					6,875
543	Cage Trailer	16VVX1011X1A17516	Big Tex		1999	5,000	20	6,500	2018-19	2018-19		6,500			
542	Heavy Equip Trl	1ZCE22E20ZP14929	ZIEMAN		1988	5,000	20	6,500	2007-08	2017-18		6,500	6,500		
543	Tilt Trailer	16VAX1217V1C94369	Big Tex		1997	5,000	20	6,500	2016-17	2021-22					6,500
542	Arrow board Trl	5F11S101011000877	Wanco		2001	5,500	20	7,150	2020-21	2020-21				7,150	
542	Light Tower Trl	4GNLT08152B900648	MultiQuip		2002	5,500	20	7,150	2021-22	2021-22					7,150
543	Dual Equip Trailer	4ZCLT2020E1063033	LOAD TRAIL		2014	5,300	20	6,890	2033-34	2033-34					6,890
542	Compressor Trl	hol110-042	Atlas cop co.		1983	13,000	20	16,900	2002-03	BUMP					16,900
542	Crack Sealer Trl	1C9EP1226T1418200	Crafco		1996	25,000	20	32,500	2015-16	2020-21					32,500

Vehicle & Equipment Replacement Schedule
(over \$5k)

UNIT #/ ID	VIN #/SERIAL #	MAKE	MODEL	YEAR	PURCHASE COST	TARGETED	ESTIMATED	POLICY	ESTIMATED	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 and Beyond		
						REPLACEMENT CYCLE (YEARS) ¹	REPLACEMENT COST	REPLACEMENT YEAR	REPLACEMENT YEAR								
542	Tack Sprayer Trl	L150T80	Lee Bov	1990	8,000	20	16,000	2009-10	BUMP				16,000				
542	Press. Washer Trl	1W9DC061XK1063087	FMC/Los AL PW	2013	5,000	20	6,500	2032-33	BUMP						6,500		
543	Over seeder	F08503	Turfco	2003	5,000	15	6,125	2017-18	2022-23						6,125		
543	plug aerator	F00111	TURFCO	2003	6,000	15	7,350	2017-18	2022-23						7,350		
543	knife aerator	92141490005	Aerway	2014	10,000	15	12,250	2028-29	2033-34						12,250		
543	small ride on mower	46171	Encore	2005	5,000	15	6,125	2019-20	2019-20				6,125				
543	72" ride on mower	6310544	Grasshopper	2012	15,000	15	18,375	2026-27	2026-27						18,375		
543	3 wing mower	9461060469	Cushman	1995	60,000	15	73,500	2009-10	2019-20				73,500				
543	walk behind mower	370829	Exmark	2000	5,000	15	6,125	2014-15	2021-22						6,125		
543	walk behind mower	228487	Exmark Viking	2000	5,000	15	6,125	2014-15	2021-22						6,125		
542	bobcat	502422578	Bobcat Corp.	1986	9,000	25	97,000	2010-11	2017-18	97,000							
543	Reel Mower	8211	National	2003	18,000	15	22,050	2017-18	2019-20				22,050				
543	turf vacuum	G1602	Smithco	2003	15,000	15	18,375	2017-18	2017-18	18,375							
543	turf Tractor	M-Y3702	Massey Ferguson	2003	22,000	25	30,250	2027-28	2027-28						30,250		
542	Striping machine		Graco	2005	16,000	25	22,000	2029-30	2029-30						22,000		
542	BACK HOE	JJG0232727	Case	1996	30,000	25	41,250	2020-21	2022-23						41,250		
RECREATION																	
551	REC HYBRID	3GCUCUEJ7DG243419	Chevy	1500HYB	2013	43,000	10	49,450	2022-23	2027-28					49,450		
551	RECVAN	2D8HN44E79R625663	Dodge	caravan	2009	25,000	10	28,750	2018-19	2024-25					28,750		
551	REC TRLR	53BTV1213DF004879	Looks	Vision	2012	6,000	20	7,800	2031-32	2036-37					7,800		
CABLE TV																	
511	LATV	1FTEE14Y1THA31907	Ford	E150	1995	25,000	10	28,750	2004-05	2020-21				28,750			
							Vehicles	1,262,845			Vehicles	269,175	258,620	92,000	70,000	66,375	506,675
							Equip	606,490			Equip	0	127,250	6,500	117,675	68,400	286,665
							Total	1,869,335			Total	269,175	385,870	98,500	187,675	134,775	793,340

1 - Per Vehicle/Equipment Replacement Policy Approved by City Council on April 15, 2013