

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Tuesday, February 13, 2018 – 8:00 a.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

Council Member Chirco
Council Member Hasselbrink

3. CONSENT CALENDAR

A. Approval of Minutes

Approve the Minutes of the Special Meeting on September 6, 2017

4. DISCUSSION ITEMS

A. Mid-Year General Fund Budget Review for Fiscal Year 2017/18

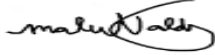
This report provides the City Council with a Mid-Year General Fund budget and financial update for the Fiscal Year 2017/18.

Recommendation:

Review and discuss the mid-year budget and financial update for Fiscal Year 2017/18 and provide direction to Staff.

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.



Maria-Luisa Valdez, Interim Administrative Services Director

2/8/2018

Date

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

SPECIAL MEETING

Wednesday, September 6, 2017 – 9:00 a.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 9:00 a.m., Wednesday, September 6, 2017, at City Hall, 3191 Katella Avenue, Council Members Murphy and Wilson presiding.

2. ROLL CALL

Present: Committee Members: Council Member Murphy
Council Member Wilson

Absent: Committee Members: None

Present: Staff: Bret Plumlee, City Manager
Jason Al-Imam, Admin. Services Director
Maria-Luisa Valdez, Interim 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: Wilson/Murphy

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

A. Approval of Minutes

Approved the Minutes of the Special Meeting on May 24, 2017

4. DISCUSSION ITEMS

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

A. Fiscal Year 2016-17 Results and Fund Balance Reservations

Administrative Services Director Jason Al-Imam provided an update on the unaudited year-end results for fiscal year 2016-17. There was a projected operating surplus of \$489,359. There were several factors that increased the

actual operating surplus from the projected surplus of \$193,961 since the mid-year analysis. The projected operating surplus brings General Fund balance reserves to approximately \$7.869 million.

B. Pensions

Administrative Services Director Jason Al-Imam provided an overview of the rising costs of pensions. He stated that the City could issue Pension Obligation Bonds to refinance a portion of the City's unfunded net pension liability. This would enable the City to refinance its net pension liability at significantly lower interest rates and over a 30-year level term.

5. ADJOURNMENT

The Budget Standing Committee adjourned at approximately 10:00 a.m.

Richard D. Murphy, Council Member

Attest:

Maria-Luisa Valdez, Interim
Administrative Services Director

Budget Standing Committee

**Agenda Report
Discussion Items**

**February 13, 2018
Item No: 4A**

To: Budget Standing Committee Members

Via: Bret M. Plumlee, City Manager

From: Maria-Luisa Valdez, Interim Administrative Services Director

Subject: Mid-Year General Fund Budget Review for Fiscal Year 2017/18

Summary: This report provides the Budget Standing Committee with a Mid-Year General Fund budget and financial update for the Fiscal Year 2017/18.

Recommendation:

Review and discuss the mid-year budget and financial update for Fiscal Year 2017/18 and provide direction to Staff.

Background

It is customary to conduct a thorough analysis of all estimated revenues and appropriations at the end of the first six months of the fiscal year. This process updates the Budget Standing Committee on the fiscal status of the City's General Fund at the midpoint of the fiscal year and provides a forum to address potential budget amendments or adjustments.

Discussion

Fiscal Year 2017/18 General Fund Budget Overview

The original adopted budget for fiscal year 2017/18 projected a balanced General Fund budget with operating revenues exceeding operating expenditures by \$4,466. Revenues were budgeted at \$13,148,403 and operating expenditures were budgeted at \$13,143,937 (excluding capital and grant-related carryovers). On July 31, 2017, the City Council approved a \$146,000 increase in budgeted expenditures associated with the Zoning Code update, which is anticipated to be offset with the recovery of costs that were previously subsidized by the General Fund for services relating to the new Master Fee Schedule. On the following page is an overview of the amended budget and projected revenues, expenditures and fund balance.

	2017/18 Amended Budget	2017/18 Projected	Budget Variance
Beginning Fund Balance	7,554,585	7,554,585	-
Add: Revenue and Transfers In	13,211,821	13,260,769	48,948
Less: Operating Expenditures/Transfers Out	(13,143,937)	(12,941,638)	202,299
Less: Non-operating Expenditures	(505,397)	(485,397)	20,000
Ending Fund Balance	7,117,072	7,388,319	271,247
Change in Fund Balance	\$ (437,513)	\$ (166,266)	\$ 271,247

The forecast of estimated General Fund revenues and expenditures included in this report is based on the most likely projected scenario, which is based on a number of assumptions. As the year unfolds staff will continue to monitor the General Fund revenues and expenditures and will provide the City Council with an update later in the fiscal year.

Fiscal Year 2017/18 General Fund Projected Revenues

The amended budget for Fiscal Year 2017/18 forecasted revenues for the General Fund totaling \$13.211 million. For the reasons outlined on the following pages, the mid-year forecast of General Fund revenue is \$13.260 million.

	2017/18 Amended Budget	2017/18 Projected	Budget Variance
Revenues and Transfers In			
Property Taxes	\$ 3,624,989	\$ 3,694,630	\$ 69,641
Sales & Use Taxes	3,293,423	3,285,645	(7,778)
Utility Users Taxes	2,047,260	2,050,927	3,667
Transient Occupancy Tax	160,000	165,668	5,668
Franchise Fees	657,444	657,490	46
Licenses & Permits	849,420	1,051,075	201,655
Fines & Forfeitures	740,300	716,516	(23,784)
Investment Earnings	72,000	72,022	22
Revenue From Other Agencies	168,576	168,377	(199)
Charges for Services	1,078,909	890,538	(188,371)
Miscellaneous Revenues	119,500	107,881	(11,619)
Interfund Transfers	400,000	400,000	-
Total Revenues and Transfers In	\$ 13,211,821	\$ 13,260,769	\$ 48,948

Material variances from the amended budget are as follows:

- ❖ **Licenses and permits** revenue is projected to be approximately \$201,700 higher than budgeted primarily due to higher than expected permits issued, which account for \$114,000 more in projected revenues. The main factor for the higher projected permit revenue is the full-recovery of costs charged for permits due to the implementation of the new Master Fee Schedule. Also included in this category, we received approximately \$25,000 more projected for NPDES inspections, \$22,000 for building plan checks and \$25,000 more anticipated for business licenses.

- ❖ **Charges for Services** revenue is down approximately \$188,000 primarily attributable to the cancellation of aquatics which resulted with approximately \$89,000 less in budgeted revenue, which was partially offset with approximately \$75,000 in aquatics expenditure savings. Additionally, Race on the Base revenues are projected to be approximately \$66,000 lower than budgeted. This is due to several factors including a decline in sponsorships, fewer people registering when compared to the same time frame last year, later registration start and fewer vendors allowed to participate in the event. Other factors contributing to this budget shortfall include \$17,000 less revenue for Fourth of July and \$29,000 less in revenue in Adult Soccer than originally anticipated in the budget.

Fiscal Year 2017/18 General Fund Projected Expenditures

Department	2017/18 Amended Budget	2017/18 Projected	Budget Variance
City Council	\$ 75,772	\$ 70,567	\$ 5,205
City Manager/City Clerk	628,025	627,377	648
City Attorney	121,000	156,772	(35,772)
Administrative Services	765,359	763,905	1,454
Police	6,087,081	5,904,329	182,752
Development Services	2,434,136	2,570,520	(136,384)
Recreation and Community Services	1,719,075	1,554,789	164,286
Non-Departmental	478,151	458,041	20,110
Interfund Operating Transfers	835,338	835,338	-
Total Operating Expenditures and Transfers	\$ 13,143,937	\$ 12,941,638	\$ 202,299

Non-operating Expenditures			
Los Alamitos Blvd. Project	\$ 295,979	\$ 295,979	\$ -
Grant-related carryover	63,418	63,418	-
Zoning Code Update	146,000	126,000	20,000
Total Non-operating Expenditures	\$ 505,397	\$ 485,397	\$ 20,000

Material variances from the amended budget are as follows:

- ❖ **City Attorney** – Fiscal Year 2017-2018 City Attorney expenditures are estimated to be \$36,000 higher than budget primarily due to costs incurred during the transition from Wallin, Kress, Reisman & Kranitz to Woodruff, Spradlin & Smart. In addition to costs associated with the transition of legal services, there has been a higher volume of assignments handled by the City Attorney this year than was originally anticipated.

The original budget included \$400,000 of citywide salary savings (expenditure budget reduction), which was originally allocated to Non-Departmental. The savings was distributed to the departments as follows:

Department	Position(s) with Temporary Freeze	Amount
Development Services	Public Services Superintendent	\$ (202,500)
	Public Works Maintenance Worker	
Police	Police Officer	(111,180)
	Recreation and Community Services	
Recreation and Community Services	Recreation Coordinator	
	Recreation Secretary (FT)	(138,900)
Recreation and Community Services	PT Receptionist and Other Part-time positions to backfill	52,580
	Net Salary Savings	\$ (400,000)

The positions were unfunded at the beginning of the fiscal year. The savings associated with the vacancies were projected to be realized and therefore a portion of the budgeted salary savings has been allocated to each respective departments' budget for the position listed. While the department vacancies were held frozen in an effort to close a budget

gap of \$273,831 and balance the FY 2017-2018 General Fund, the City Council approved a contract with Matrix Consulting Group to perform an Organizational Assessment, which focused on the Development Services and the Recreational and Cultural Arts Departments. These two departments have a combined number of five of the total six positions that have been held frozen. Additionally, during this fiscal year, the Recreation and Cultural Arts Department Director left the City for another Director position, and this position has been held vacant since his departure. While the \$400,000 in salary savings resulting from the original six vacant positions was already included into the FY 2017-2018 budget, we are reflecting estimated actual expenditures which are anticipated to be incurred in the last quarter of this fiscal year resulting from recommendations coming forward from the organizational assessment. This study is anticipated to be completed and submitted to City Council in the next two months.

Aside from the salary savings of \$400,000 already incorporated into the budget, there were material variances in the following departments:

- ❖ **Police** – The Fiscal Year 2017-2018 estimated actual expenditures in this department includes anticipated savings in the amount of \$183,000; primarily due to three current vacancies that will be filled in the next few months since recruitment has been difficult. There is \$179,000 salary savings which is offset with approximately \$75,000 more in projected overtime expenditures in order to cover shifts. In addition, there is approximately \$38,000 in savings due to negotiating a lower monthly contract with Redflex, the company monitoring the 3 red light cameras. There is also additional savings of approximately \$29,000 in part-time salaries due to vacancies and reduced hours of the part-time Records Aide and Property Aide in the Police Department. With the difficulty in recruiting both positions of part-time Police Aide in the Police Department and Code Enforcement in the Development Services Department, staff will likely be bringing forward a recommendation to the City Council to combine the two part-time positions into one full-time position. This will help both departments in recruiting and retaining the position to fulfill both organizational functions.
- ❖ **Development Services** – There is an anticipated increase in expenditures of \$136,000, which is primarily attributable to an expected increase in building inspections of \$97,000. The increase in projected expenditures is offset with building permit revenue which is also projected to be higher. The Development Services Department currently continues to have three vacancies (Public Services Superintendent, Public Works Maintenance Worker, and Mechanic). This has left the department in a position that makes it difficult to fulfill ongoing duties and critical functions previously handled by those positions. There will be a recommendation coming forward from the Focused Organizational Assessment being completed by Matrix Consulting Group to permanently increase compensation for those positions that have taken on additional duties and to hire a Management Analyst to backfill duties and to ensure that critical functions are being appropriately addressed and completed. As a result, there is \$29,000 increase in wages and benefits

for these recommended changes included in the last quarter of this fiscal year. If these changes are approved, a full year of this increase will be included in the FY 2018-2019 Preliminary Budget. Additionally, there is an estimated increase of \$22,000 water expenses which were higher than what as originally budgeted.

- ❖ **Recreation and Community Services Department** – The department has realized significant salary savings in the amount of \$99,000 projected with the departure of the Recreation Director position (which was vacated in November 2017) and there will be recommendations coming forward from the Focused Organizational Assessment being completed by Matrix Consulting Group to permanently increase compensation for those positions that have taken on additional duties impacted by the department's other two vacancies (Recreation Secretary and Recreation Coordinator). There will also be a recommendation to eliminate the Recreation and Cultural Arts Director position and hire a new Recreation Coordinator to assist in backfilling the duties due to the elimination. As a result, there is \$21,000 increase in wages and benefits for these recommended changes included in the last quarter of this fiscal year. If these changes are approved, a full year of this increase will be included in the FY 2018-2019 Preliminary Budget. Offsetting the increases will be a full year of savings for the vacant Recreation and Cultural Arts Director, which will also will be reflected in the FY 2018-2019 Preliminary Budget.

There is another slight offset to the savings with a projected increase in part-time salaries of approximately \$33,000. As aforementioned, there is savings due to the elimination of the aquatics program and related expenditure savings is approximately \$75,000 or 1.8 Full-time Equivalent positions. In addition, there were also expenditure savings for the Fourth of July event of approximately \$21,000 and the Race on the Base event of \$28,000.

Fiscal Impact

The Fiscal Year 2017-18 estimated actual General Fund expenditures and revenues are based on the most likely projected scenarios and include a number of assumptions. As the year unfolds staff will continue to monitor the General Fund revenues and expenditures and will provide the City Council and Budget Standing Committee with an update later in the fiscal year. Furthermore, staff will review budget for all other funds and the 7-Year CIP with the council during the budget process in April.

Submitted By: Maria-Luisa Valdez, Interim Administrative Services Director
Approved By: Bret M. Plumlee, City Manager

Attachment: 1. PowerPoint Presentation



CITY OF LOS ALAMITOS



2017/18 Mid-Year General Fund Budget Review

Overview

2

- Review projected 2017/18 General Fund revenues and expenditures

2017/18 General Fund Budget Overview

3

	2017/18 Amended Budget	2017/18 Projected	Budget Variance
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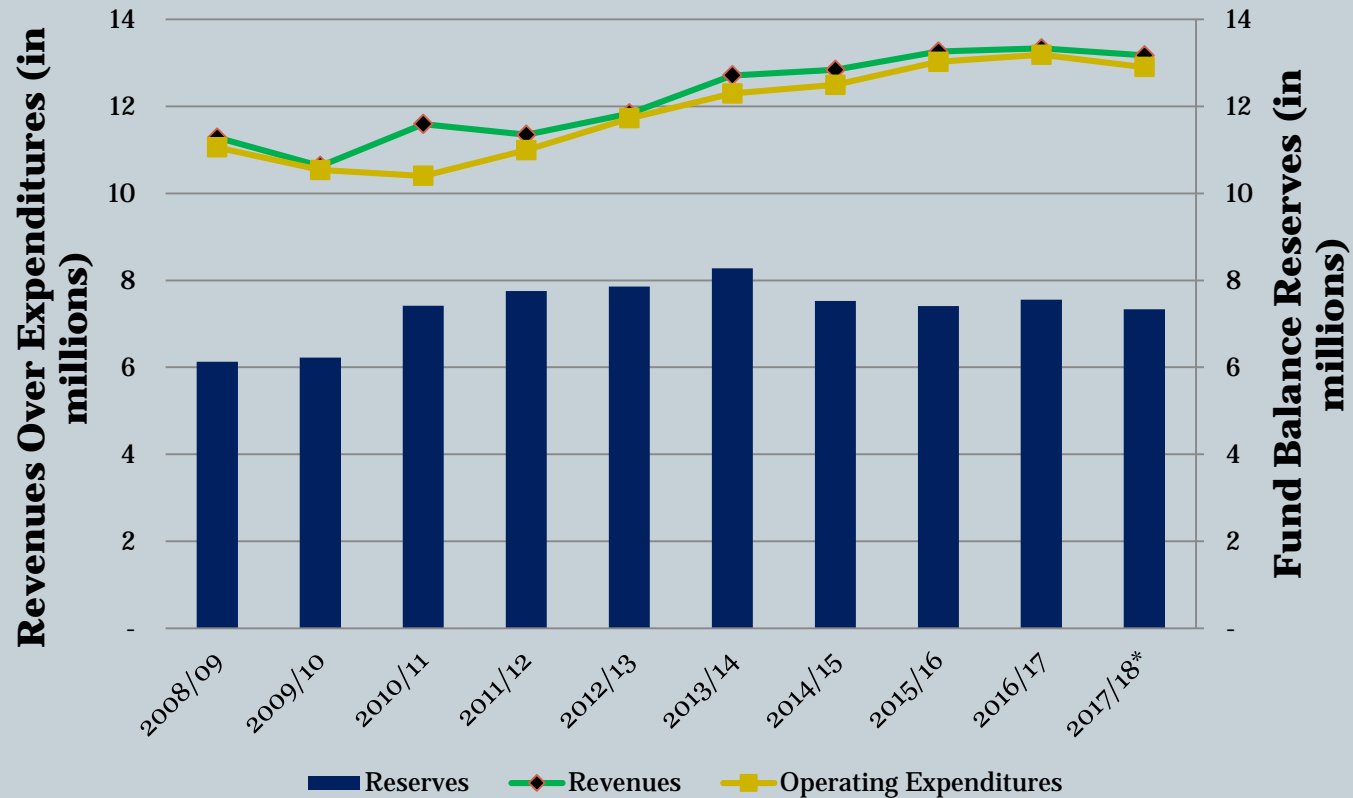
2017/18 General Fund Revenues

4

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General Fund Reserves & Operating Results

5



* Projected

General Fund Salary Savings

6

- The following positions were unfunded at the beginning of the fiscal year due to hiring freeze

Department	Position(s) with Temporary Freeze	Amount
Development Services	Public Services Superintendent	\$ (202,500)
	Public Works Maintenance Worker	
Police	Police Officer	(111,180)
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Recreation and Community Services	PT Receptionist and Other Part-time positions to backfill	52,580
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2017/18 General Fund Expenditures

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Total Non-operating Expenditures	\$ 505,397	\$ 485,397	\$ 20,000

Budget Calendar

8

March 19th	5 PM Special Meeting (prior to Regular Meeting)	2018/19 Preliminary General Fund Budget
April 16th	5 PM Special Meeting (prior to Regular Meeting)	Department Overview
May 21st	5 PM Special Meeting (prior to Regular Meeting)	2018/19 Budget Workshop CIP Workshop
June 4th	5 PM Special Meeting (no Regular Meeting)	2018/19 Budget Workshop*
June 18th	6 PM Regular Meeting	Public Hearing – Budget Adoption

** If Needed*

Staff Recommendations

9

1. Receive and file the mid-year budget report for Fiscal Year 2017/18.