

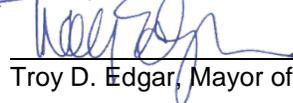
CITY OF LOS ALAMITOS

3191 Katella Ave.
Los Alamitos, CA 90720

AGENDA CITY COUNCIL SPECIAL MEETING

Monday, March 19, 2018– 5:00 p.m.

I, Troy D. Edgar, 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.



Troy D. Edgar, 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**
 - Mayor Edgar
 - Mayor Pro Tem Kusumoto
 - Council Member Chirco
 - Council Member Hasselbrink
 - Council Member Murphy

3. SPECIAL ORDERS OF THE DAY

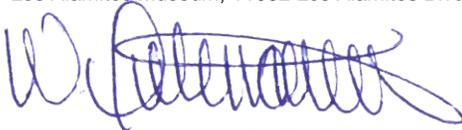
**A. Preliminary General Fund Budget for Fiscal Year 2018-19
(Administrative Services)**

The report provides a preliminary budget for the General Fund for Fiscal Year 2018-19.

Recommendation: Review and discuss the preliminary budget for the General Fund for Fiscal Year 2018-19 and provide direction to Staff.

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 24 hours prior to the meeting.



Windmera Quintanar, CMC, City Clerk

Date: March 14, 2018

City of Los Alamitos

Agenda Report Special Orders

March 19, 2018
Item No: 3A

To: Mayor Troy Edgar & Members of the Council
Via: Bret M. Plumlee, City Manager
From: Maria-Luisa Valdez, Interim Administrative Services Director
Subject: Preliminary General Fund Budget for Fiscal Year 2018-19

Summary: The report provides a preliminary budget for the General Fund for Fiscal Year 2018-19.

Recommendation: Review and discuss the preliminary budget for the General Fund for Fiscal Year 2018-19 and provide direction to Staff.

Background

It is customary to conduct a preliminary analysis of all estimated revenues and appropriations for the upcoming fiscal year. This process updates the City Council on the forecasted fiscal status of the City's General Fund to address potential gap closures and/or use of reserves.

Discussion

Fiscal Year 2017-18 General Fund Budget

The preliminary General Fund budget for Fiscal Year 2018-19 projects a preliminary gap of \$29,530.

Fiscal Year 2018-19 General Fund Preliminary Budget

Beginning Fund Balance	7,388,319
Add: Revenue and Transfers In	13,542,770
Less: Operating Expenditures/Transfers Out	(13,572,300)
Ending Fund Balance	7,358,789
Change in Fund Balance	\$ (29,530)

As shown below, Fiscal Year 2018-19 revenues are projected to increase over Fiscal Year 2017-18 Revenues by approximately \$282,000 to \$13,542,770.

Revenues and Transfers In	2017-18 Estimated Actual	2018-19 Preliminary Budget	Increase/ (Decrease)
Property Taxes	\$ 3,694,630	\$ 3,872,060	\$ 177,430
Sales & Use Taxes	3,285,645	3,307,000	21,355
Utility Users Taxes	2,050,930	2,049,800	(1,130)
Transient Occupancy Tax	165,670	232,500	66,830
Franchise Fees	657,490	658,200	710
Licenses & Permits	1,051,075	1,188,470	137,395
Fines & Forfeitures	716,515	719,300	2,785
Investment Earnings	72,020	73,000	980
Revenue From Other Agencies	168,375	105,140	(63,235)
Charges for Services	890,540	866,800	(23,740)
Miscellaneous Revenues	107,880	70,500	(37,380)
Interfund Transfers	400,000	400,000	-
Total Revenues and Transfers In	\$13,260,770	\$13,542,770	\$ 282,000

The changes in revenues over the prior year are primarily due to the following:

- ❖ **Property Taxes** are projected to increase approximately 4% based on HdL's projected increase in assessed valuations over the previous fiscal year's budget.
- ❖ **Licenses and permits** are projected to increase approximately \$137,000 primarily based on expected increase for building and public works permits. Building permit revenue is expected to be higher than normal due to various known developments anticipated in FY 2018-19 and a proposed multi-family structure. Public works permit revenue is expected higher due to construction activity anticipated by the Orange County Sanitation District.
- ❖ **Transient Occupancy Tax (TOT)** is projected to increase based on inclusion of one quarter of TOT revenue, or \$65,000, for the new hotel development expected to open in FY 2018-19. We have included the increase based on a 75% occupancy at our 8% TOT tax. The average room rate is expected at \$110/day with about 108 rooms available. The budget also includes one quarter of associated increases for property tax and utility user's tax. We will review the actual revenue received in FY 2018-19 during the midyear review to analyze if this needs to be adjusted.
- ❖ **Revenue From Other Agencies** is projected to decrease by approximately \$63,000 due to a police grant received in the prior year.

As shown below, Fiscal Year 2018-19 expenditures are projected to increase over Fiscal Year 2017-18 estimated actual expenditures by approximately \$630,665 to \$13,572,300.

Department	2017-18	2018-19	Increase/ (Decrease)
	Estimated Actual	Preliminary Budget	
City Council	\$ 73,315	\$ 74,330	\$ 1,015
City Manager/City Clerk	624,625	679,770	55,145
City Attorney	156,770	164,000	7,230
Administrative Services	763,905	764,490	585
Police	5,904,330	6,248,410	344,080
Development Services	2,570,520	2,856,000	285,480
Recreation and Community Services	1,554,790	1,532,650	(22,140)
Non-Departmental	458,040	487,310	29,270
Interfund Operating Transfers	835,340	765,340	(70,000)
Total Operating Expenditures and Transfers	\$ 12,941,635	\$ 13,572,300	\$ 630,665

The changes in citywide expenditures over the prior year's estimated actual expenditures are primarily due to salary and benefit costs (including pension costs), which are projected to increase by approximately \$547,000 in Fiscal Year 2018-19. Included in the overall increase is an increase in pension costs in the amount of \$200,350. The 2018-19 Budget assumes that the City will prepay the unfunded portion of the City's pension costs, which will save the City \$36,150 and has already been reflected in amounts shown above. This means the \$200,350 increase in pension costs would be \$36,150 higher if the City did not prepay the unfunded portion of the City's pension costs.

As reported in the FY 2017-2018 Midyear Review, the City Council previously approved contract with Matrix Consulting Group to perform an Organizational Assessment, which focused on the Development Services and the Recreation and Community Services Departments. These two departments have a combined number of five of the total six positions that have been held frozen for more than one year. The sixth position is a Police Officer position that has been held vacant. Additionally, during this fiscal year, the Recreation and Community Services Department Director left the City for another Director position, and this position has been held vacant since his departure. We have included the recommendations from the organizational assessment in the FY 2018-2019 Preliminary Budget.

Material variances from the 2018-19 Preliminary Budget are as follows:

- ❖ **Police** –The \$344,080 increase in the Police Department's Budget is primarily due to salary and benefits increase of approximately \$387,000, which consists of \$205,000 in wages and benefits other than pension and in increase of \$182,000 in pension costs. This increase is offset with anticipated savings in overtime charges of \$75,000 between FY 2017-2018 estimated actual expenditures and FY 2018-2019 budget. The amounts that are projected for 2017-18 reflect salary savings associated with vacancies in Police. The 2018-19 Budget assumes that these vacant positions are filled the entire year.

- ❖ **Development Services** –The \$285,480 increase in the Development Services Department’s Budget is primarily due to salary and benefits of \$204,000. The Development Services Department currently continues to have three vacancies (Public Works Superintendent, Public Works Maintenance Worker, and Mechanic). The savings from these vacancies, which have been vacant for over a year, has already been included in the FY 2018-2019 Preliminary Budget. This has left the department in a position that makes it difficult to fulfill ongoing duties and critical functions previously handled by those positions; therefore there is a recommendation coming forward 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. The fiscal impact of these changes is an increase of approximately \$126,000. Additionally, there is an anticipated \$54,000 increase in pension costs. For other expenditures, Development Services has additionally budgeted for increased building inspection expenses of approximately \$33,000 in relation to higher building and public works permit revenue, \$23,000 more in utilities for increase electric and water charges and \$24,000 more in maintenance for the Finley pump station.

- ❖ **City Manager/City Clerk** – The \$55,145 increase in this department is primarily attributable to an increase in salaries and benefits of approximately \$36,000, which includes \$14,000 in increased pension costs and \$15,000 for a third part-time receptionist to assist in providing customer service at the front counter and assisting with the upcoming election. The budget also includes costs of \$11,000 for the 2018 Municipal Election and \$8,000 for codification services.

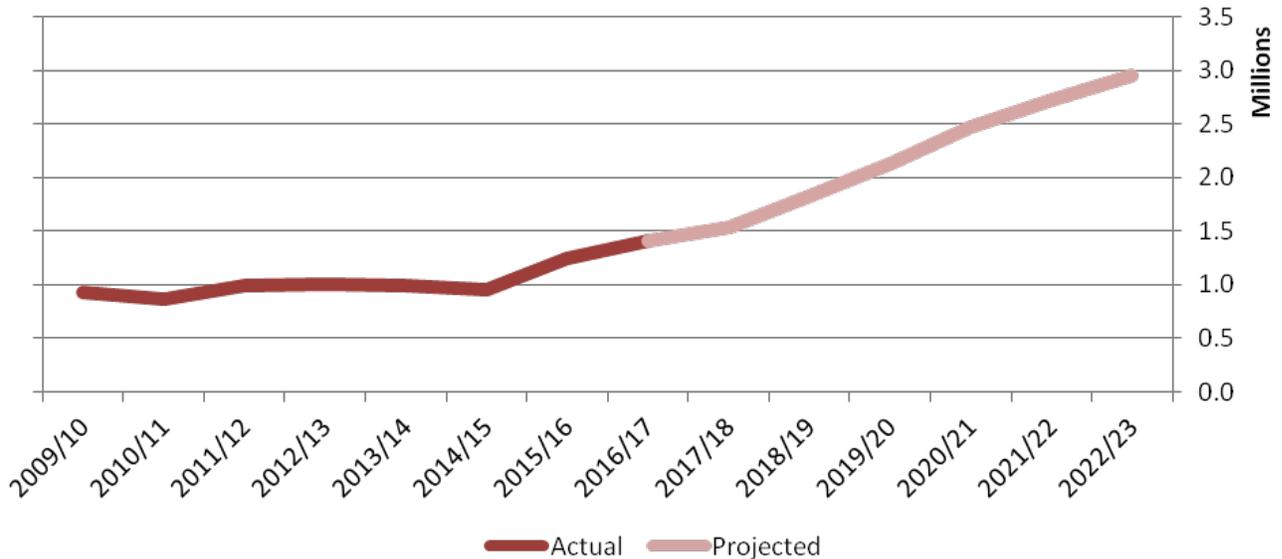
Pension Costs

The CalPERS Board of Directors approved a plan on December 21, 2016 to lower its discount rate (the expected rate of return on portfolio investments) from the current rate of 7.5% to 7% over the next three years with corresponding incremental increases in contributions over an eight-year smoothing period.

The impact on rates from the change in the discount rate is in addition to the ramp-up in contributions based on previous action taken by CalPERS in 2013, which resulted in shorter amortization periods and higher pension costs. In Fiscal Year 2018-19, the City is projected to pay \$1,796,280 to CalPERS in pension costs, which includes the UAL (Unfunded Accrued Liability) payment for 2018-19 of \$997,411. This is an overall increase of \$200,353, or 25%, from prior year’s UAL cost of \$797,058. The projected cost for fiscal year 2019-20 is \$2.0 million, which will be an increase of approximately \$253,000 compared to FY 2018-2019.

As shown below, the City’s annual pension cost is projected to increase to approximately \$3 million annually by FY 2022-23, which is a \$1.2 million increase in the City’s annual budgeted pension expenditures over FY 2018-2019 and would be phased-in over four years.

Historical and Projected Pension Costs



On February 14, 2018, the CalPERS Board of Administration adopted staff’s recommendation to reduce the amortization policy from 30 years to 20 years for all investment gains and losses on a prospective basis. It is staff’s understanding at this time that this means there will be an additional increase in annual pension costs if actual investment returns are less than the CalPERS assumed rate of return because these annual losses will be amortized over a shorter period of time.

Fiscal Impact

The FY 2018-2019 preliminary budget presents an initial budget gap of \$29,530. The forecast for the preliminary 2018-19 budget is the most likely projected scenario at this time. Staff will discuss various options for closing the budget gap throughout the budget process with the Budget Standing Committee and the City Council.

Submitted By: Maria-Luisa Valdez, Interim Administrative Services Director

Approved By: Bret M. Plumlee, City Manager

Attachments: 1. PowerPoint Presentation



CITY OF LOS ALAMITOS



2018/19 Preliminary General Fund Budget

Overview

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- **Review the Preliminary Budget for 2018/19 General Fund revenues and expenditures**

2018/19 General Fund Budget Forecast

3

Fiscal Year 2018-19 General Fund Preliminary Budget

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2018/19 General Fund Revenue Forecast

4

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2018/19 Expenditure Forecast

5

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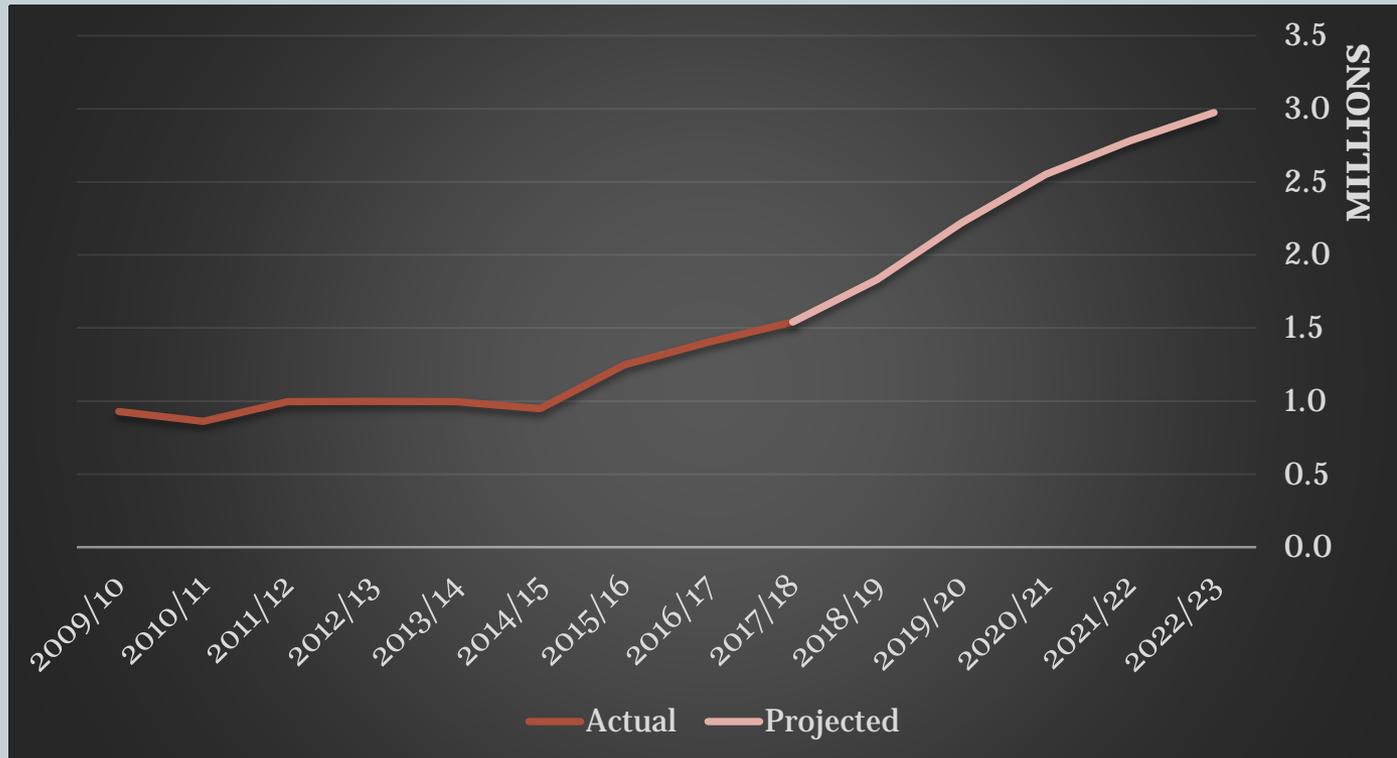
2018/19 Expenditures

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- **\$630k increase in expenditures primarily due to:**
 - **Salaries and Benefits - \$547k increase**
 - ✦ **\$200k Increase in PERS UAL payment**
 - ✦ **Full-Staffing in 2018/19 (Loss of some vacancy savings) and also includes 2 new positions in the Recreation and Development Services Departments**
- **Budget workshop on April 16th will provide an overview of each department's budget and how those dollars are used to serve the community.**

Historical and Projected Pension Costs

7



Staff Recommendations

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1. Review the preliminary General Fund budget for Fiscal Year 2018/19 and direct staff regarding potential gap closure items.