

# CITY OF LOS ALAMITOS

3191 Katella Avenue  
Los Alamitos, CA 90720

## AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Tuesday, March 6, 2018 – 7:00 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](http://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 February 13, 2018

**4. DISCUSSION ITEMS**

**A. Preliminary General Fund Budget Review for Fiscal Year 2018/19**

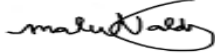
This report provides the Budget Standing Committee with a preliminary budget for the General Fund for Fiscal Year 2018/19.

Recommendation:

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

**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

03/02/2018

\_\_\_\_\_  
Date

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

## **SPECIAL MEETING**

**Tuesday, February 13, 2018 – 8:00 a.m.**

### **1. CALL TO ORDER**

The Budget Standing Committee met in Special Session at 8:00 a.m., Tuesday, February 13, 2018, at City Hall, 3191 Katella Avenue, Council Members Chirco and Hasselbrink presiding.

### **2. ROLL CALL**

**Present:** Committee Members: Council Member Chirco  
Council Member Hasselbrink

**Absent:** Committee Members: None

**Present:** Staff: Bret Plumlee, City Manager  
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.

The Budget Standing Committee abstained since they were not present for the following Consent Calendar item:

#### **A. Approval of Minutes**

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

### **4. DISCUSSION ITEMS**

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

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

Interim Administrative Services Director Maria-Luisa Valdez provided the Committee with a Mid-Year General Fund budget and financial update for the Fiscal Year 2017/18. There were significant salary savings that were discussed during the year. Staff answered questions from the Budget

Standing Committee and revised the staff agenda to include a Recreation budget change of revenues versus expenditures.

**5. ADJOURNMENT**

The Budget Standing Committee adjourned at approximately 8:30 a.m.

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Shelley Hasselbrink, Council Member

Attest:

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Maria-Luisa Valdez, Interim  
Administrative Services Director

# City of Los Alamitos

## Agenda Report Discussion Item

March 6, 2018  
Item No: 4A

To: Budget Standing Committee Members  
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 disclosures 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 \$101,500.

### Fiscal Year 2018/19 General Fund Preliminary Budget

Beginning Fund Balance	7,388,319
Add: Revenue and Transfers In	13,469,470
Less: Operating Expenditures/Transfers Out	(13,570,970)
<b>Ending Fund Balance</b>	<b>7,286,819</b>
<b>Change in Fund Balance</b>	<b>\$ (101,500)</b>

As shown below, Fiscal Year 2018-19 revenues are projected to increase over Fiscal Year 2017-18 Revenues by approximately \$208,700 to \$13,469,470.

Revenues and Transfers In	2017/18	2018/19	Increase/ (Decrease)
	Projected	Preliminary Budget	
Property Taxes	\$ 3,694,630	\$ 3,866,260	\$ 171,630
Sales & Use Taxes	3,285,645	3,307,000	21,355
Utility Users Taxes	2,050,930	2,047,300	(3,630)
Transient Occupancy Tax	165,670	167,500	1,830
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	-
<b>Total Revenues and Transfers In</b>	<b>\$13,260,770</b>	<b>\$ 13,469,470</b>	<b>\$ 208,700</b>

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 is expected higher due to construction activity anticipated by the Orange County Sanitation District.
- ❖ **Transient Occupancy Tax** is projected to remain consistent however there is a pending hotel development that will bring in additional transient occupancy tax once the hotel is built. Staff has not included any additional transient occupancy tax in the FY 2018-2019 budget.
- ❖ **Revenue From Other Agencies** is projected to decrease by approximately \$63,000 due to a police grant received in fiscal year 2016-17.

As shown below, Fiscal Year 2018-19 expenditures are projected to increase over Fiscal Year 2017-18 estimated actual expenditures by approximately \$629,335 to \$13,570,970.

Department	2017/18	2018/19	Increase/ (Decrease)
	Projected	Preliminary Budget	
City Council	\$ 70,565	\$ 72,430	\$ 1,865
City Manager/City Clerk	627,375	681,670	54,295
City Attorney	156,770	164,000	7,230
Administrative Services	763,905	764,490	585
Police	5,904,330	6,259,810	355,480
Development Services	2,570,520	2,843,270	272,750
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)
<b>Total Operating Expenditures and Transfers</b>	<b>\$ 12,941,635</b>	<b>\$ 13,570,970</b>	<b>\$ 629,335</b>

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 \$355,480 increase in the Police Department's Budget is primarily due to salary and benefits increase of approximately \$382,000, which consists of \$249,000 in wages and benefits other than pension and in increase of \$133,000 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 \$272,750 increase in the Development Services Department’s Budget is primarily due to salary and benefits of \$180,000. 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 \$39,000 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 pump station.

## **Pension Costs**

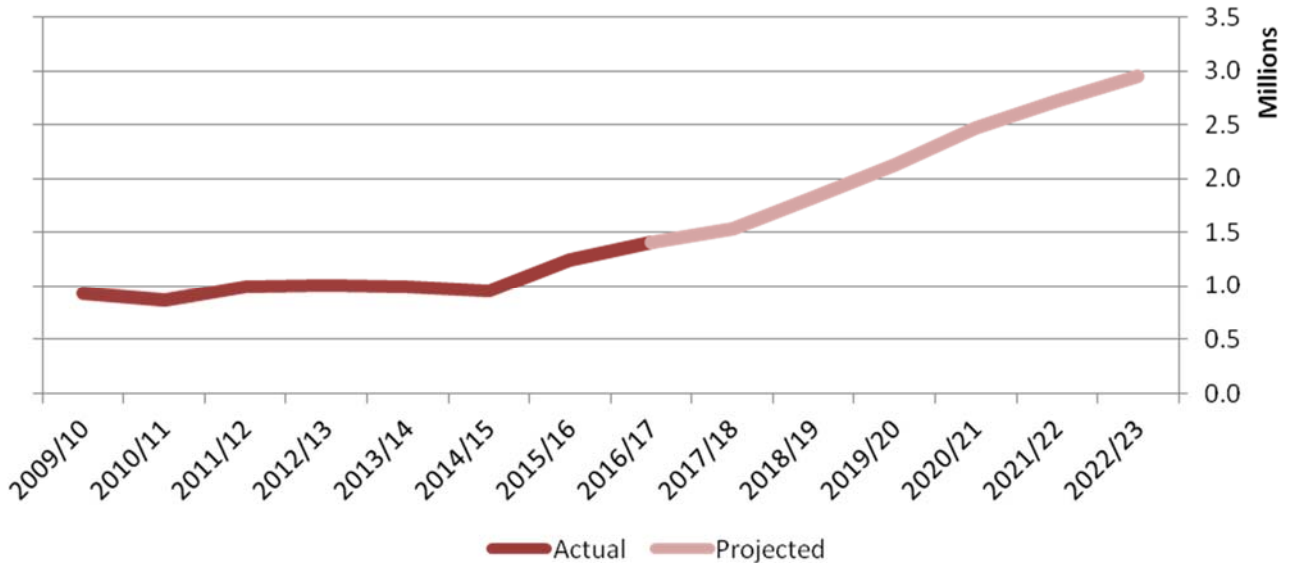
The CalPERS Board of Directors approved a plan on December 21, 2016 to lower its discount rate (the expected rate of return on portfolio investments) from the current rate of 7.5% to 7% over the next three years with corresponding incremental increases in contributions over an eight-year smoothing period.

The impact on rates from the change in the discount rate is in addition to the ramp-up in contributions that resulted from a previous action taken by CalPERS in 2013 that 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 2022/23, which is a \$1.2 million increase in the City’s annual budgeted pension expenditures and would be phased-in over the next five 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. Staff is still trying to determine what impact this action taken by the board will have on the City of Los Alamitos.

**Fiscal Impact**

The preliminary budget presents a deficit of \$101,500. 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

Attachment: 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

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## Fiscal Year 2018/19 General Fund Preliminary Budget

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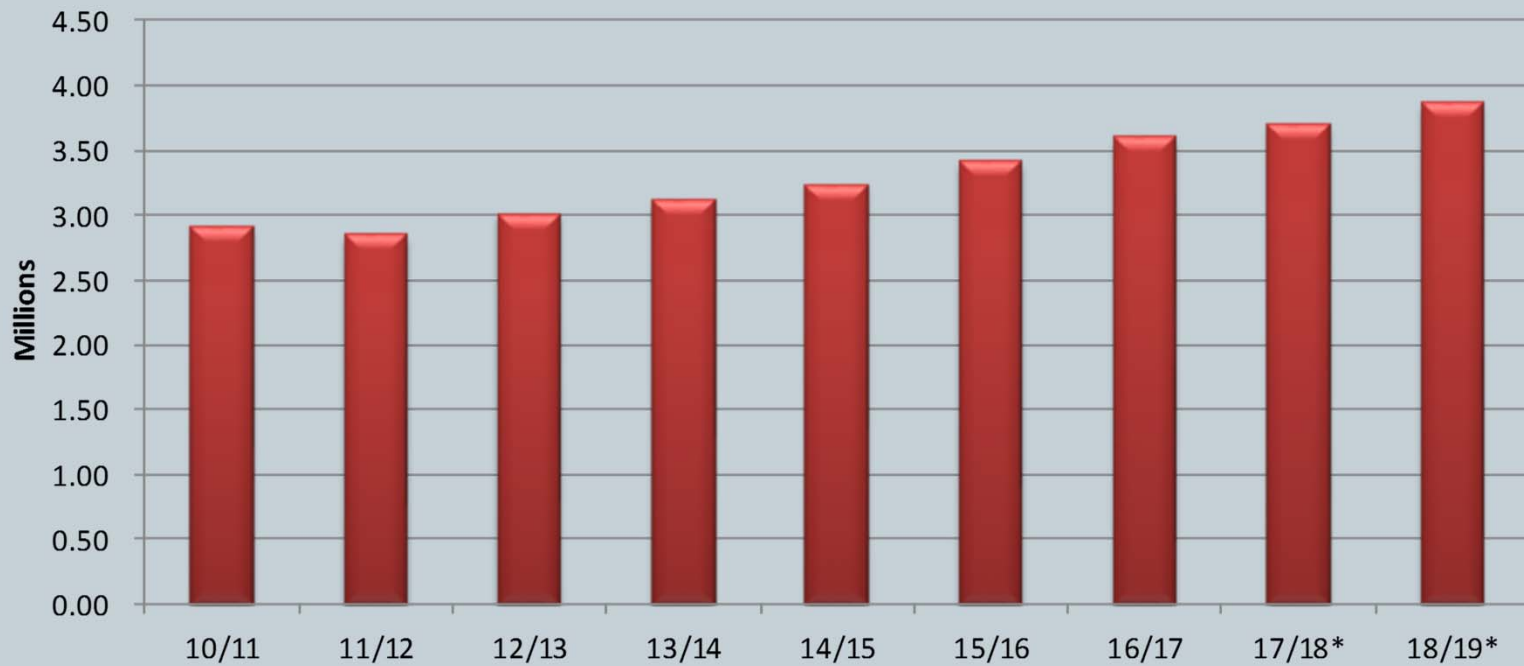
# 2018/19 General Fund Revenue Forecast

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<b>Revenues and Transfers In</b>	<b>2017/18 Projected</b>	<b>2018/19 Preliminary Budget</b>	<b>Increase/ (Decrease)</b>
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# Property Tax Revenue

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*\*Projected*

# 2018/19 Expenditure Forecast

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# 2018/19 Expenditures

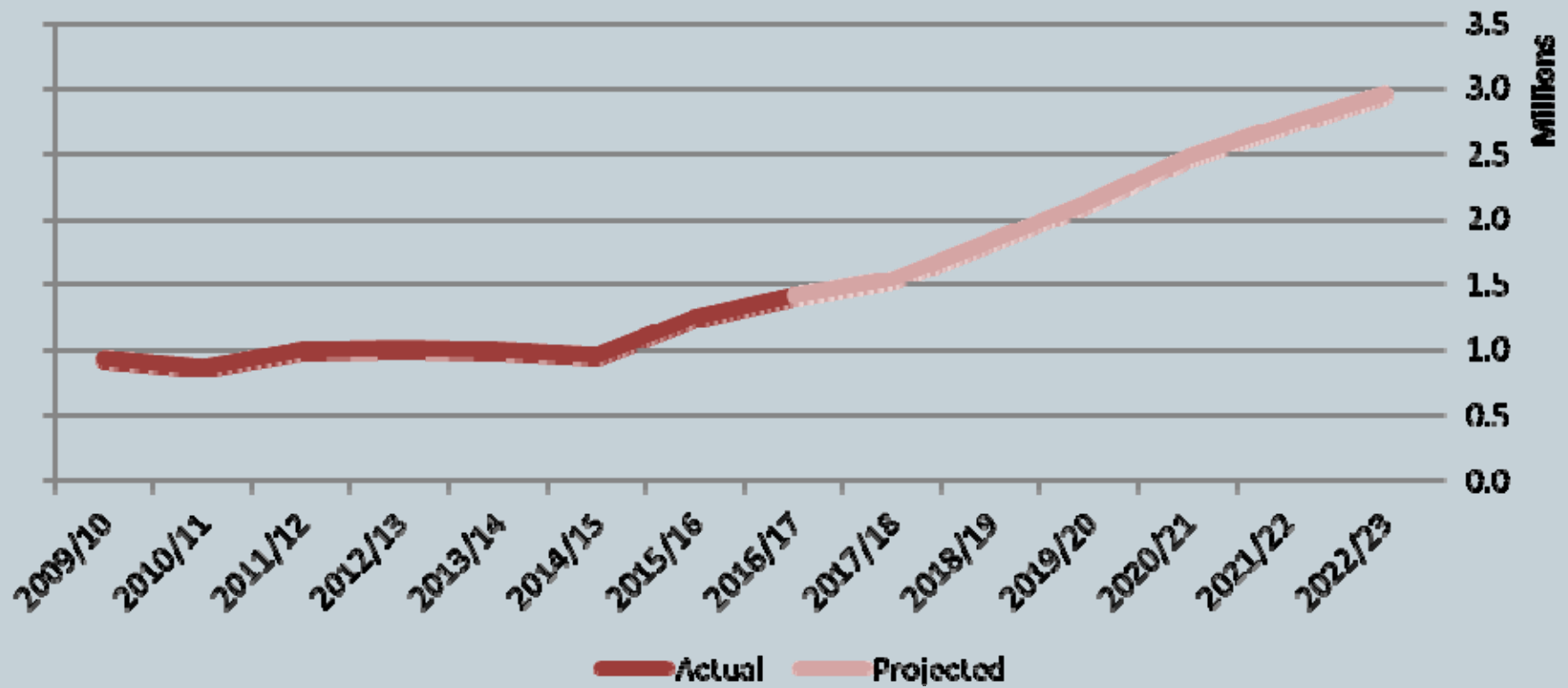
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- **\$629k increase in expenditures primarily due to:**
  - **Salaries and Benefits - \$547k increase**
    - ✦ \$200k Increase in PERS Costs
    - ✦ Full-Staffing in 2018/19 (Loss of Vacancy Savings)
- **Budget workshop on March 20<sup>th</sup> will provide an overview of each department's budget and how those dollars are used to serve the community.**



# Historical and Projected Pension Costs

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# 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.