

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Monday, September 10, 2018 – 5:00 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

Council Member Chirco
Council Member Hasselbrink

3. CONSENT CALENDAR

A. Approval of Minutes

Approve the Minutes of the Special Meeting on May 8, 2018

4. DISCUSSION ITEMS

A. Fiscal Year 2017-18 Results and Fund Balance Reservations (Finance)

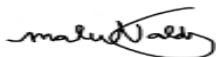
This report provides the City Council with an update on Fiscal Year 2017-18 revenues and expenditures and recommends adjustments to fund balance and additionally seeks direction and feedback for adjustments to fund balance reserves.

Recommendations:

1. Receive and file this year-end report for Fiscal Year 2017-18; and,
2. Approve carryover of appropriations to Fiscal Year 2018-19 for various projects as outlined in this report; and,
3. Approve budget amendments to the Fiscal Year 2017-18 Operating Budget as outlined in this report; and,
4. Adopt Resolution No. 2018-XX, 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. 2017-18", and,
5. Adopt Resolution No. 2018-XX, 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. 2017-19"; and,
6. Approve transfers from the General Fund in the amounts of \$100,000 to the Facilities, Streets and Parks Capital Fund, \$100,000 to the Vehicles & Equipment Fund, and \$100,000 to the Self-Insurance Fund.

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, Finance Director

Date

9/6/18

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

SPECIAL MEETING
Tuesday, May 8, 2018 – 7:00 a.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 7:00 a.m., Tuesday, May 8, 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
Andy Perea, Interim Development Services Director
Dave Hunt, City Engineer
Ron Noda, Recreation Manager

3. CONSENT CALENDAR

A. Approval of Minutes

Motion/Second: Hasselbrink/Chirco

Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting on March 26, 2018

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. 7-Year Capital Improvement Program (Administrative Services)

Interim Administrative Services Director Valdez gave a brief introduction to the capital budget and summary of each fund balance for the special revenue funds, internal services funds and capital project funds.

City Engineer Hunt summarized the staff report and answered questions from Budget Standing Committee. Committee and staff discussed the process for Orange County Transportation funding for special projects.

The Budget Standing Committee reviewed and discussed the Preliminary Seven-Year Capital Improvement Program for Fiscal Years 2018-19 through 2023-24. There were changes to project timelines for the Capital Improvement Program.

**B. Vehicle and Equipment Replacement Schedule
(Administrative Services)**

Interim Administrative Services Director Valdez summarized the staff report and answered questions from the Budget Standing Committee.

5. ADJOURNMENT

The Budget Standing Committee adjourned at approximately 8:20 a.m.

Shelley Hasselbrink, Council Member

Attest:

Maria-Luisa Valdez, Interim
Administrative Services Director

Budget Standing Committee

Agenda Report Discussion Items

September 10, 2018
Item No: 4A

To: Budget Standing Committee Members
Via: Bret M. Plumlee, City Manager
From: Maria-Luisa Valdez, Finance Director
Subject: Fiscal Year 2017-18 Results and Fund Balance Reservations

Summary: This report provides the Budget Standing Committee with an update on Fiscal Year 2017-18 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 2017-18;
- 2) Approve carryover of appropriations to Fiscal Year 2018-19 for various projects as outlined in this report;
- 3) Approve budget amendments to the Fiscal Year 2017-18 Operating Budget as outlined in this report;
- 4) Approve the changes to the Fund Balance Policies for the General Fund and Internal Service Funds as outlined in this report; and,
- 5) Approve transfers from the General Fund as outlined in this report.

Background

In June 2018 staff provided City Council with an update on the Fiscal Year 2017-18 projected revenues and expenditures, which projected ending fund balance to be \$7.388 million at June 30, 2018. This report provides the City Council with an update on Fiscal Year 2017-18 revenues and expenditures and recommends adjustments to General Fund reserves.

Discussion

Fiscal Year 2017-18 General Fund Revenues & Expenditures

In June 2018 General Fund balance was projected at \$7.388 million. However, now the books have been closed, which brings General Fund balance reserves to approximately \$7.729 million.

	(A) Amended Budget	Projected	(B) Actual (Unaudited)
Beginning Fund Balance	7,554,585	7,554,585	7,554,585
Add: Revenue and Transfers In	13,211,821	13,260,769	14,061,434
Less: Operating Expenditures/Transfers Out	(13,212,937)	(12,941,638)	(13,261,279)
Less: Proposed Transfers	-	-	(300,000)
Less: Capital Expenditures	\$ (505,397)	\$ (485,397)	\$ (325,814)
Ending Fund Balance	\$ 7,048,072	\$ 7,388,319	\$ 7,728,926

General Fund revenues were projected to be \$13,260,769. However, actual revenues were approximately \$801,000 higher than projected primarily due to licenses and permit revenue (\$607,670), charges for services (\$80,762) and property tax (\$78,810).

Revenues and Transfers In	(A) Amended Budget	Projected	(B) Actual (Unaudited)	(B) - (A) Budget Variance
Property Taxes	\$ 3,624,989	\$ 3,694,630	\$ 3,773,440	\$ 148,451
Sales & Use Taxes	3,293,423	3,285,645	3,336,434	43,011
Utility Users Taxes	2,047,260	2,050,927	2,033,871	(13,389)
Transient Occupancy Tax	160,000	165,668	167,390	7,390
Franchise Fees	657,444	657,490	663,356	5,912
Licenses & Permits	849,420	1,051,075	1,658,745	809,325
Fines & Forfeitures	740,300	716,516	776,487	36,187
Investment Earnings	72,000	72,022	90,312	18,312
Revenue From Other Agencies	168,576	168,377	119,169	(49,407)
Charges for Services	1,078,909	890,538	971,300	(107,609)
Miscellaneous Revenues	119,500	107,881	70,930	(48,570)
Interfund Transfers	400,000	400,000	400,000	-
Total Revenues and Transfers In	\$ 13,211,821	\$ 13,260,769	\$ 14,061,434	\$ 849,613

The increase in permit revenue compared to projected amounts is primarily due to increased building permit and public works permits revenue. Building permits was approximately \$369,000 in Fiscal Year 2017-18 compared to \$82,000 in the prior year and \$150,000 that was projected at mid-year. Permit revenue was higher than normal due to fees received from the new hotel development, which were received in May. Plan checks received from this project also increased which contributes to \$83,000 of the increase. Additionally, public works permit revenue was approximately \$140,000 more than projected. The increase is due to construction activity related to the Orange County Sanitation District, the Olson properties and the new hotel development. Related contract expenditures for building and plan checks has increased by \$341,000 more than projected.

Charges for services was higher than projected by approximately \$81,000. The primary reason for the increase is due to increased enrollment in the Preschool program (\$18,000) and increases in enrollment in various classes such as Exercise and Fitness (\$9,000), Dance (\$7,000), Day Camp (\$5,000), and Tennis (\$5,000) classes. Related part-time salaries and contract expenses increased by \$22,000.

The increase in property tax revenue is largely associated with property transfer tax revenue and supplemental property taxes due to higher than expected turnover in properties, which accounts for \$57,000 of the increase than what was expected at mid-year. Property transfer tax revenue varies from year to year.

Department	(A)		(B)	
	Amended Budget	Projected	Actual (Unaudited)	Budget Variance
City Council	\$ 75,772	\$ 70,567	\$ 64,061	\$ 11,711
City Manager/City Clerk	648,025	627,377	630,488	17,537
City Attorney	121,000	156,772	246,436	(125,436)
Administrative Services	765,359	763,905	765,157	202
Police	6,087,081	5,904,329	5,750,622	336,459
Development Services	2,483,136	2,570,520	2,915,300	(432,164)
Recreation and Community Services	1,719,075	1,554,789	1,598,060	121,015
Non-Departmental	478,151	458,041	455,817	22,334
Interfund Operating Transfers	835,338	835,338	835,338	-
Total Operating Expenditures and Transfers	\$ 13,212,937	\$ 12,941,638	\$ 13,261,279	\$ (48,342)
Non-operating Expenditures				
Los Alamitos Blvd. Project	\$ 295,979	\$ 295,979	\$ 295,979	\$ -
Grant-related carryover	63,418	63,418	4,800	58,618
Zoning Code Update	146,000	126,000	25,035	120,965
Total Non-operating Expenditures	\$ 505,397	\$ 485,397	\$ 325,814	\$ 179,583

General Fund operating expenditures were projected to be \$12,941,638. However, actual expenditures ended the year \$320,000 higher than projected at midyear primarily due to Development related contractual services associated with the aforementioned projects and City Attorney expenditures due to unanticipated litigation costs. This was partially offset with vacancy savings in the Police and Recreation Departments.

Fiscal Year 2017-18 Budget Amendments

It is recommended that General Fund appropriations be increased by \$559,000 to cover the budget variance in City Attorney and Development Services departments that are associated with contractual services which was offset with permit revenue.

Department	Budget Increase
City Attorney	\$ 126,000
Development Services	433,000
Total Adjustment	\$ 559,000

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 2018-19.

Description	Funding Source	Account	Carryover to FY 2018-19
Briggeman Street Widening	Traffic Improvement Funds	44-570-5501.1719	136,779.00
BSCC Local Assistance	BSCC Grant	10-570-5501.1703	58,618.23
Los Alamitos Blvd. Median Project	Gas Tax	20-570-5501.3101	931.98
Los Alamitos Blvd. Median Project	Measure M2	26-570-5501.3101	129,302.08
Los Alamitos Blvd. Median Project	Traffic Improvement Funds	44-570-5501.3101	9,525.37
Greenbrook Street Rehabilitation	Gas Tax	20-570-5501.1832	60,931.00

Additionally, there are operational carryovers recommended based on unexpended amounts in Fiscal Year 2017-18 but are needed for operations in the upcoming fiscal year. These amounts are included as encumbrances in the General Fund's balance.

Description	Funding Source	Account	Carryover to FY 2018-19
Zoning Code Update	General Fund	10-532-5260.1260	120,965
Commissioner Appreciation	General Fund	10-510-5238	1,500
Los Alamitos Blvd. Beautification Ceremony	General Fund	10-510-5207	2,500
Community Outreach Consultant	General Fund	10-511-5260	10,000
Labor contractual services	General Fund	10-560-5260	20,000
		Total	154,965

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 18, 2017, 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 2018-19 be adopted by the City Council, which incorporates the following recommended changes:

- An adjustment to the amount set-aside for emergencies at 25% of General Fund budgeted expenditures for Fiscal Year 2018-19. Per the policy, 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%. The appropriations for General Fund that were adopted for Fiscal Year 2018-19 was \$13,548,300. (25% is \$3,387,075) This reserve needs to be increased by \$101,091 to comply with the policy.

- A transfer of \$100,000 to the Facilities, Streets and Parks Capital Fund, which would be available to pay a variety of capital repairs and/or additional costs associated with the Civic Center relocation and feasibility project or other projects. 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 Vehicles & Equipment Fund. The Fund is projected to have approximately \$280,000 in fund balance reserves. However, over \$742,000 of vehicles and equipment are scheduled to be replaced over the next two fiscal years. In Fiscal Year 2019-2020, there are seven vehicles and three equipment items scheduled for replacement that total a request of approximately \$347,000. The allocation to the departments for vehicle and equipment replacement shall be \$70,000 per year, 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.
- A transfer of \$220,000 to the PERS reserve. Staff is recommending setting aside one-time funds received in FY 2017-2018 to cover the additional retirement premium anticipated in FY 2019-2020.
- A transfer of \$100,000 to the Self-Insurance fund to cover additional litigation costs related to existing claims and legal expenses.

If the aforementioned recommendations are approved, budgetary fund balance reserves for the General Fund would consist of the following:

Budgetary Fund Balance			
	6/30/2017	Increase/ (Decrease)	6/30/2018
Nonspendable:			
Employee Loans	\$ 6,075	\$ 2,925	\$ 9,000
Assigned for:			
Emergencies	3,285,984	101,091	3,387,075
PERS	3,400,000	220,000	3,620,000
Los Alamitos Boulevard Revitalization	295,979	(295,979)	-
Encumbrances	49,900	105,065	154,965
Other Post-Employment Benefits	500,000		500,000
	<u>7,531,863</u>	<u>130,177</u>	<u>7,662,040</u>
Unassigned	16,647	41,239	57,886
Total Budgetary Fund Balance	<u>7,554,585</u>	<u>174,341</u>	<u>7,728,926</u>

Fund Balance Policy for Internal Service Funds

On September 18, 2017, 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 2018-19 be adopted by the City Council.

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: Maria-Luisa Valdez, Finance Director

Approved By: Bret M Plumlee, City Manager

- Attachments:*
1. *City Council Resolution 2018-XX, Establishing a Fund Balance Policy for the General Fund*
 2. *City Council Resolution 2018-XX, Establishing a Fund Balance Policy for the Internal Service Funds*

RESOLUTION NO. 2018-XX

**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. 2017-18**

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, 2018.

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 17th day of September, 2018.

Troy D Edgar, Mayor

ATTEST:

Windmera Quintanar, CMC, City Clerk

APPROVED AS TO FORM:

Michael S Daudt, 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 17th day of September, 2018, 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 2018-19

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, 2018.

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 balance is recommended to increase by \$220,000 from \$3,400,000 to \$3,620,000. The increase in PERS reserve is intended to cover additional retirement premium anticipated in Fiscal Year 2019-2020. The increase in payment for the Unfunded Accrued liability is derived from the recently released CalPERS actuarial reports. When the payment is paid in Fiscal Year 2019-2020, the balance will return to \$3,400,000. The actuarial reports also reflected a net pension liability of \$18.3 million (\$68.1 million pension liability less \$49.8 million in assets held by CalPERS). The funded status is 78.46%, 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.

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 August, 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. 2018-XX
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. 2017-19

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, 2018.

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 17th day of September, 2018.

Troy D Edgar, Mayor

ATTEST:

Windmera Quintanar, CMC, City Clerk
APPROVED AS TO FORM:

Michael S. Daudt, 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 17th day of September, 2018, 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 2018-2019**

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, 2018.

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, that shall be updated annually. 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, 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%. It is recommended that \$100,000 be transferred from the General Fund. If this transfer is approved, approximately \$280,000 would be available for vehicle and equipment purchases and replacements scheduled to take place in future years.

Technology Replacement Fund

The Technology Replacement Fund funds the capital needs of the departments for computers, software, maintenance and supplies. The Technology Replacement Fund had a balance of \$201,438 at June 30, 2018 however the available balance is \$51,438 since Council approved to purchase the City’s generator for \$150,000 out of this fund. In

the future, the City would like to upgrade the current outdated general ledger system, and include the city's AP and payroll approval procedures in an effort to strengthen internal controls and streamline the process. These amounts will not be expended until the City Council has authorized an appropriation of these amounts at a future date.

Police Capital Expenditures Fund

The Police Capital Expenditures Fund had a balance of \$98,736 as of June 30, 2018 – which is available for police capital needs such as MDCs. The replenishment of this fund will be based upon an annual allocation to the Police Department established at \$40,000 per year beginning in Fiscal Year 2019-20, 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. The balance of June 30, 2018 was \$124,577. It is recommended that \$100,000 be transferred from the General Fund. If this transfer is approved, \$224,577 would be available to fund a variety of capital repairs and/or additional costs associated with the Civic Center relocation and feasibility project. The replenishment of this fund will be based upon an annual allocation established at \$40,000 per year beginning in Fiscal Year 2019-2020, to be increased each year based upon CPI. These amounts will not be expended until the City Council has authorized an appropriation of these amounts at a future date.

Self-Insurance Trust Fund

The Self-Insurance Trust Fund is used to account for the operations of the City's self-insured workers' compensation, general liability and property insurance programs. The General Fund will transfer \$560,338 each year to this fund to pay for insurance premiums, third-party administrator costs, training costs, actuarial services and estimated claims expense. The amount of the annual transfer to fund the City's self-insurance and risk management activities will be reviewed each year at the time the policy is reviewed and approved. At this time, \$100,000 is recommended to be transferred to cover additional litigation costs related to existing claims and legal expenses, bringing the new total in this fund to \$300,000.

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.