

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Thursday, October 4, 2018 – 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

Council Member Chirco
Council Member Hasselbrink

3. CONSENT CALENDAR

A. Approval of Minutes

Approve the Minutes of the Special Meeting on September 10, 2018

4. DISCUSSION ITEMS

A. City's Ten-Year Financial Forecast (Finance)

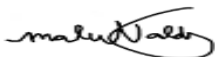
This report provides the City Council with a Ten-Year Financial Forecast for the City of Los Alamitos that spans from Fiscal Years 2018-19 to 2027-28. The purpose of the forecast is to help make informed budgetary and operational decisions by anticipating future revenues and expenditures, as well as highlighting anticipated fiscal risks and opportunities.

Recommendations:

1. Receive and file the ten-year financial forecast; and,
2. Provide direction on the Revenue and Expenditure Assumptions included in the ten-year financial forecast; and,
3. Receive and file information on the GASB 75 (Other Post Employment Benefits); and,
4. Set objectives of the next meeting with the Budget Standing Committee.

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

10/03/18

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

SPECIAL MEETING

Monday, September 10, 2018 – 5:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 5:00 p.m., Monday, September 10, 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

3. CONSENT CALENDAR

A. Approval of Minutes

Motion/Second: Chirco/Hasselbrink

Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting on May 8, 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. Fiscal Year 2017-18 Results and Fund Balance Reservations (Finance)

Director Valdez provided the Fiscal Year 2017-18 General Fund operating results with recommended transfers and fund balance reservations.

The Budget Standing Committee reviewed and discussed the fiscal results for Fiscal Year 2017-18. There were changes to the fund balance policies for Internal Service Funds and General Fund.

5. ADJOURNMENT

The Budget Standing Committee adjourned at approximately 6:20 p.m.

Shelley Hasselbrink, Council Member

Attest:

Maria-Luisa Valdez, Finance Director

Budget Standing Committee

Agenda Report Discussion Items

October 4, 2018
Item No: 4A

To: Budget Standing Committee Members
Via: Bret M. Plumlee, City Manager
From: Maria-Luisa Valdez, Finance Director
Subject: City's Ten-Year Financial Forecast

Summary: This report provides the Budget Standing Committee with a financial forecast for the City considering the revenues and expenditure escalations and fund balance reserves over the next ten years. The report provides information regarding the major revenue sources and operating and capital expenditures that are anticipated.

Recommendations:

That the Budget Standing Committee recommend that the City Council:

- 1) Receive and file the ten-year financial forecast;
- 2) Provide direction on the Revenue and Expenditure Assumptions included in the ten-year financial forecast;
- 3) Receive and file information on the GASB 75 (Other Post Employment Benefits);
- 4) Set objectives of the next meeting with the Budget Standing Committee.

Background

The Ten-Year Financial Forecast for the City of Los Alamitos spans from Fiscal Years 2018-19 to 2027-28. The purpose of the forecast is to help make informed budgetary and operational decisions by anticipating future revenues and expenditures, as well as highlighting anticipated fiscal risks and opportunities.

The City reported a General Fund budgetary fund balance of \$7.728 million for the year ended June 30, 2018 (unaudited). For the past several years, the City Council has continued to focus on controlling costs while maintaining services available to the community. Staffing levels have been reduced while service levels have remained constant. The number of citywide full-time equivalent positions has decreased from 93 to 73 in the past 10 years. Considering all the factors, the Ten-year Financial Forecast illustrates a long-term structural deficit where expenditures increasingly exceed revenues on an annual basis.

The City has limited ability to generate significant new revenues to cover the growing structural budget deficit forecasted. The current outstanding services that the Los Alamitos community has come to expect are not sustainable without significant restructuring of the budget. At this time, staff is seeking feedback from the Budget Standing Committee on all of the revenue and expenditure assumptions included in the Ten Year Financial Forecast. We will make any recommended changes and incorporate them into a revised report to present to the full City Council on October 15, 2018. We will also start preparing for the next meeting with the Budget Standing Committee, which will include an analysis and laundry list of potential gap closure options. We will be seeking direction and feedback from the Budget Standing Committee at that second meeting on developing a laundry list of options to close the gap. We will then take that list to the full City Council at the November 19, 2018 City Council meeting.

Discussion

Ten-Year Financial Forecast

The Ten-year Financial Forecast details anticipated trends for revenues and expenditures for the General Fund for the next ten years. Executing the ten-year financial projection incorporated several assumptions provided by consultants, trend analysis and internal assessments. The report will list all the assumed annual rate increases for all revenue and expenditure categories for transparency. Staff is seeking direction and feedback from the Budget Standing Committee on all revenue and expenditure assumptions included in this Forecast.

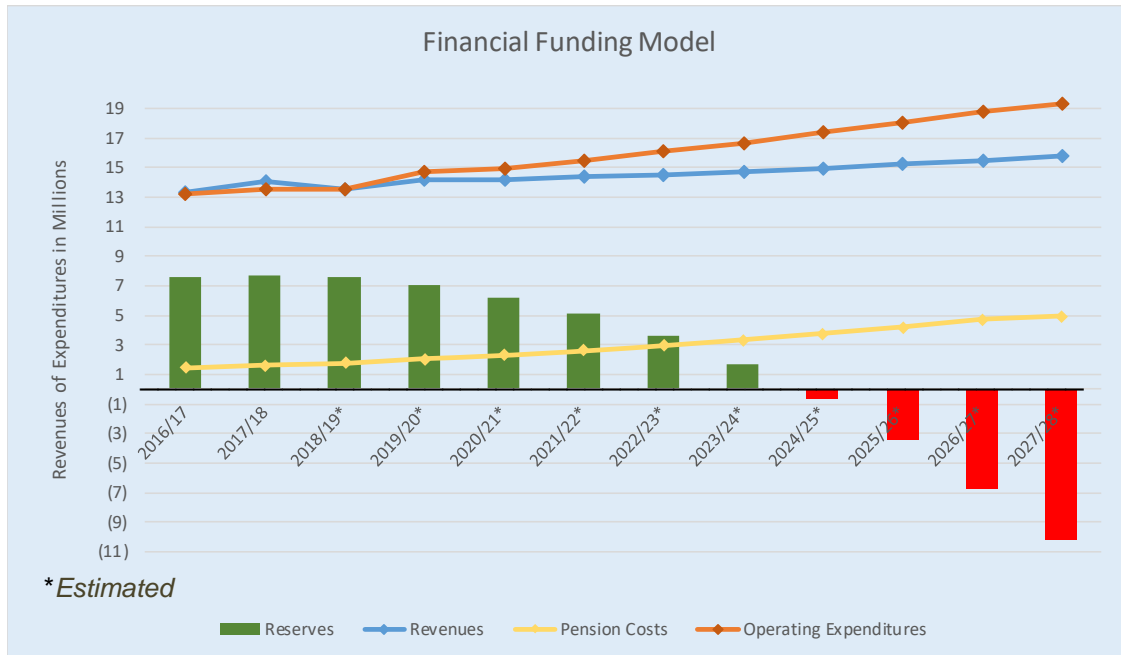
Total General Fund Revenues are anticipated to increase by approximately \$630,000, or 4.6%, in the next Fiscal Year 2019-20 while expenditures are expected to increase by approximately \$1.2 million, or 8.9%. The expenditures include \$413,980 specifically for capital projects. The capital project estimate is derived from the City's 7-Year Capital Improvement Plan. The projects identified as unfunded have been included in the Forecast. If we cannot identify a funding source for the projects, then they will be moved out one year, which continues to postpone the capital improvements that are needed. Historically, the City has lacked significant dedicated funding streams for capital improvement of buildings, facilities, parks and open space and as such most funding for these projects is derived from the General Fund or special one-time grant funds. The assumptions in the Ten-year Financial Forecast include assumptions of capital project improvements as detailed in the 7-Year Capital Improvement Plan.

The Ten-Year Financial Forecast surfaces major fiscal conditions and projected future conditions based on current service levels and staffing. The Forecast is a necessary strategic planning tool for financial sustainability. As a result of the long-term forecasts, the City continues to implement sound financial policies to weather any unforeseen economic downturns. The City's Charter requires adoption of a balanced budget each fiscal year. For the development of the next budget for FY 2019-2020, the City will need to develop strategies to address shortfalls projected in the Forecast. It is projected that in Fiscal Year 2019-20, expenditures will exceed revenues by \$597,386, of which \$413,980 is due to capital improvements. Analyzing the Ten-Year Financial Forecast as presented,

fund balance will be depleted by FY 2024-25 and expenditures will exceed revenues by approximately \$2.4 million. In Fiscal Year 2027-28, expenditures will exceed revenues by approximately \$3.5 million.

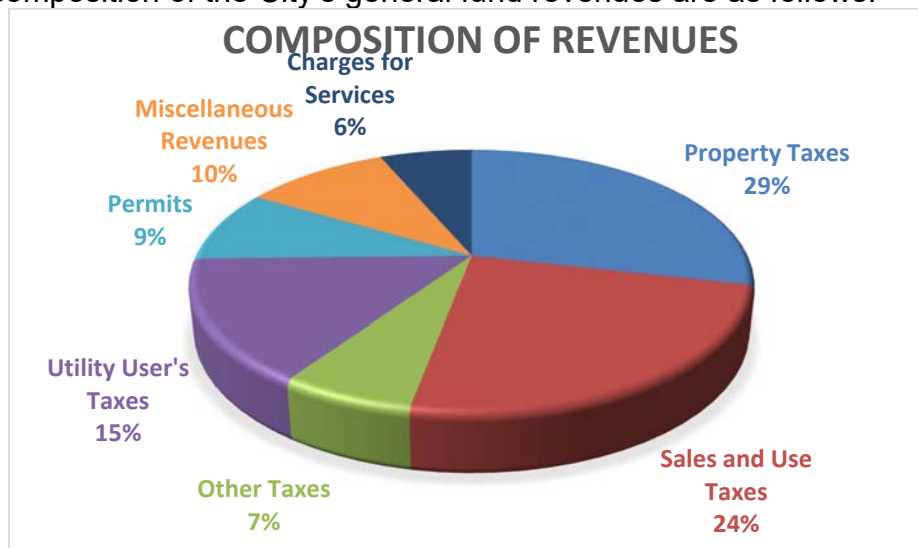
There are underlying assumptions with increasing revenues and expenditures. The Fiscal Year 2018-19 Adopted Budget was used as the starting point to forecast revenues and expenditures ten-years forward. There is no assumption of economic slowdown or contraction during the forecast period.

Over the next ten-year span, there would be a cumulative deficit of approximately \$18.15 million.



General Fund Revenue Assumptions

The main composition of the City’s general fund revenues are as follows:



The projected increase in revenues is mainly driven by increases in property tax, sales tax and business license tax revenue. This is made possible due to the City's trending benefit from increased property values, increased consumer spending, and a growing business sector. Other categories like utility consumption tax, miscellaneous (including grants, investment earnings, and fines) remain relatively flat.

Revenue Category	Description	Assumed Annual Rate Increase
Property Tax	HdL consultants	2019-20 through 2022-23 - 3.75% 2023-24 & thereafter - 3.0%
Sales & Use Tax	HdL consultants	2019-20 through 2022-23 - 0% 2023-24 & thereafter - 2%
Utility User's Tax	Electric, Gas, Telecommunications, Water - plateau for next 4 years then add 1% annual growth for FY2022-23 and thereafter	2019-20 through 2021-22 - Flat 2022-23 & thereafter - 1%

The following major sources of General Fund revenues add up to 68% of the total revenue and are described below:

- ❖ Property Tax represents 29% General Fund revenues for Fiscal Year 2018-19 budget. Property tax revenues have increased at a steady pace for several years averaging 3-4% year-over-year growth since 2011-12 and is projected to increase by 3% in Fiscal Year 2018-19. This revenue category includes secured, unsecured, lighting and landscape, supplemental, prior years, property in-lieu of VLF, and property transfer tax (when property changes ownership). The assumed annual increase in the Ten-year Financial Forecast is 3.75% until Fiscal year 2022-23 and 3.0% for Fiscal Year 2023-24 and thereafter.
- ❖ Sales Tax represents 24% of General Fund revenues for Fiscal Year 2018-19. The City receives 1% sales tax allocated and is estimated to receive approximately \$3,307,000 in sales tax revenues for FY 2018-19. Sales and Use Tax applies to the retail sale or use of "tangible personal property." The total sales tax percentage in the City of Los Alamitos is 7.75% meaning on a \$1 taxable purchase, the sales tax paid is 7.75 cents. The City receives 1% of the total taxable sales, meaning the City receives 1 cent on a \$1 purchase. The remaining 6.75% is allocated to the state, county and Measure M transportation tax. Sales tax revenue generally coincides with overall strength of the local, regional, and national economy. The assumed annual increase in the Ten-year Financial Forecast is 0% for the next 5 years based on HdL projections and 2% for Fiscal Year 2023-24 and thereafter.
- ❖ Utility User's tax (UUT) represents 15% of the City's General Fund revenues. This revenue source is projected to remain relatively flat over the next three years. The current UUT rate is 5% for all telephone, electricity, gas and water for residential and commercial accounts. Increases in water usage is offset by reductions in gas and electrical consumption due to energy efficiency projects and "green" buildings. The assumed annual increase in the Ten-year Financial Forecast is 1% for all UUT (electric, gas, telecommunications and water) starting Fiscal Year 2022-23.

Revenue Category	Description	Assumed Annual Rate Increase
Transient Occupancy Tax	Average growth rate	1%
Franchise Fees	In line with UUT for electric, gas, water Trash Franchise assumed a 1% annual increase for FY2022-23 & thereafter	Same as Utility User's Tax
Business Licenses	Growth rate based on past trend	3%
Charges for Services	Assumed annual rate increase assumes increased enrollment and success in	1%
Permits	Assumes full-recovery of costs of Master Fee Implementation - incorporates a CPI increase of 2% annually	2%
Fines and Forfeitures	Moving violations, red light camera, parking and other fines	Remain flat at \$720,000
Investment Earnings	Based on current market of Certificates of	3%
Revenue from Other Agencies	Intergovernmental grant revenues	+\$5,000/annually
Miscellaneous Revenues	Includes various reimbursements and Waste Disposal Agreement revenue from the County	+\$1,000/annually

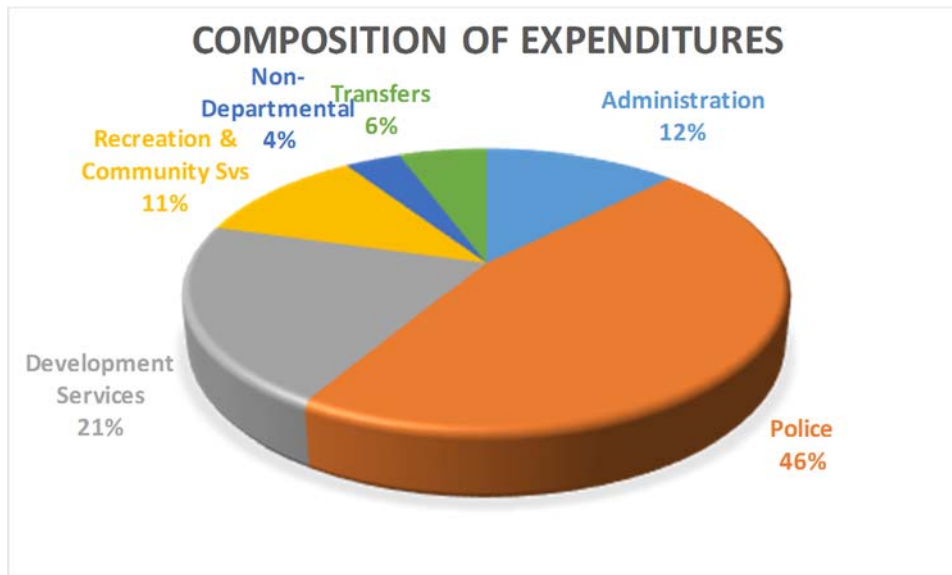
Other sources of revenue are described below:

- ❖ The Transient Occupancy Tax (TOT) rate is 8% of the hotel rate and is paid by individuals who stay thirty days or less in a hotel located within the City of Los Alamitos. The assumed annual increase in the Ten-year Financial Forecast is 1%.
- ❖ Franchise taxes are consistent with the Utility User's Tax revenue trend. The assumed annual increase in the Ten-year Financial Forecast is 1% for all franchise fees (electric, trash, cable television, gas, telecommunications and water) starting Fiscal Year 2022-23.
- ❖ Business licenses have increased year after year since 2012. In the last 2 years the growth has been 7.6% (2016-17 growth) and 6.3% (2017-18 growth). The assumed annual increase in the Ten-year Financial Forecast is 3% for anticipated business growth.
- ❖ Charges for Services includes Recreation revenues and miscellaneous police fees. The receipts collected are for day camp, park programs, sports, special classes and special events within the Recreation and Community Services Department. In the last couple of years, there have been changes to the department programs and employee structure, such as eliminating the Aquatics program and reducing some programs due to reduced staffing. The assumed annual increase in the Ten-year Financial Forecast is 1%.
- ❖ Permit revenue varies year-to year. This category fluctuates and is heavily dependent on construction activity. In Fiscal Year 2017-18, there was more revenue collected in this category due to implementation of the Master Fee Schedule, which resulted in full recovery of costs, and higher than normal construction activity, and large projects. Using Fiscal Year 2018-19 budget as a baseline with current fees and projects expected, the assumed annual increase in the Ten-year Financial Forecast is 2%.
- ❖ Fines and Forfeitures include moving violations, red light camera, parking and other fines. This category fluctuates annually. We are using a baseline of \$720,000 in the Ten-year Financial Forecast, with no annual increase.

- ❖ The assumed annual increase for Investments Earnings in the Ten-year Financial Forecast is 3%. The investment earnings are removed in Fiscal Year 2024-25 since fund balances are projected to be depleted.
- ❖ Revenue from other Agencies includes the various intergovernmental amounts the City receives such as School Resource Officer reimbursements, federal grants, and police state grants. The annual increase in the Ten-year Financial Forecast is \$5,000.
- ❖ Miscellaneous Revenues includes damages to City properties, reimbursements and Waste Disposal Agreement revenue from the County. The annual increase for Miscellaneous Revenues in the Ten-year Financial Forecast is \$1,000.
- ❖ Transfers-In Revenue assumes the amounts remain the same as:
 - Gas Tax transfer of \$185,000
 - Public Safety Augmentation transfer of \$100,000
 - Supplemental Law Enforcement transfer of \$110,000
 - Traffic Safety transfer of \$5,000

General Fund Expenditure Assumptions

The main composition of the City’s general fund expenditures by department are as follows:



The expenditure forecast follows the guidance of the Government Finance Officers Association (GFOA), which recommends that expenditures be grouped into meaningful units of analysis, such as standard budget categories of expenditures. It also directs that operating, capital, and non-current liability expenditures be addressed.

Key expenditure categories in the Ten-year Financial Forecast include salaries, pension, healthcare, post-employment benefit, capital projects and other operating costs. The forecast assumes that staffing and services will continue at existing levels. Thus, changes

in personnel and O&M expenditures reflect increases to the costs that drive those expenditures rather than additional positions or services.

The assumptions used in the Ten-year Financial Forecast by major category of expenditure is summarized below:

Expenditure Category	Description	Assumed Annual Rate Increase
Full-Time Salaries and Hourly Wages	Includes annual increase for merit, cost of living and incorporates changes in minimum wage	1.75%
Pension Costs	Increase in pension costs and Unfunded Accrued Liability	Information provided by CalPERS
Health Insurance	Average increase in health insurance	\$24,000
Other Benefits, Overtime, Vacation and Sick Payouts	In line with Salaries	1.75%
Retirement Health	Based on actuarially determined contribution trend analysis for OPEB liability	5%
Capital Projects	Derived from 7-Year Capital Improvement Plan spread out over 10 years	1%
Utilities	Increases in water, electricity, gas	3%
West-Comm	Contract increase	3%
Other Operating Costs	Maintenance and Operations	1%

The amount calculated for Capital Projects is the total amount included in the 7-Year Capital Improvement Plan (excluding street projects funded by gas tax and Measure M funds, large bridge projects, and other large projects that grant-funding is assumed to be pursued) that was reviewed in the Budget Workshop in May 2018. To make an annual estimate and smooth out the increase, staff has divided the total amount of \$4,139,800 by ten years to arrive at \$413,980 for Fiscal Year 2019-20. The assumed annual increase for capital projects in the Ten-year Financial Forecast is 1%.

Other Operating Costs includes maintenance and operations, dues, training, legal services, contractual services (including audit, animal services, consulting, building inspection, NPDES contract, engineering). The assumed annual increase in the Ten-year Financial Forecast is 1%.

The City's mission is to deliver cost-effective public services to provide a safe and desirable community that enriches its residents and businesses. The report provides background on major sources of revenue and expenditures in considering fiscal sustainability in future years.

Other Post-Employment Benefits (OPEB) Plan

In June 2015, the Governmental Accounting Standards Board (GASB) released new accounting standard No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for public sector postretirement benefit programs and the employers that sponsor them. GASB Statement 75 replaces GASB 45 effective for fiscal years beginning after June 30, 2017. Many of the provisions of GASB 75 are parallel to

provisions in GASB 68 for pensions. The new GASB pronouncement requires a liability for OPEB obligations to be recognized on the balance sheet of the City of Los Alamitos. The actuarial accrued liability represents the portion of the present value of the total projected benefits that is attributable to employees' service prior to the valuation date. GASB determined that OPEB plans are conceptually similar to pension plans therefore requires actuaries to consider the implicit rate subsidy in their reports. Staff received the new actuarial report for measurement date June 30, 2018 and has a reported Total OPEB liability of \$4,517,345. This will be presented on the City's government-wide financial statements.

Changes in Net OPEB Liability as of June 30, 2018

	<i>TOL</i>	<i>FNP</i>	<i>NOL</i>
Roll back balance at June 30, 2017	\$4,409,058	\$0	\$4,409,058
Service Cost	\$170,756	\$0	\$170,756
Interest on TOL	\$166,352	\$0	\$166,352
Employer Contributions	\$0	\$228,821	(\$228,821)
Employee Contributions	\$0	\$0	\$0
Actual Investment Income	\$0	\$0	\$0
Administrative Expense	\$0	\$0	\$0
Benefit Payments	(\$228,821)	(\$228,821)	\$0
Other	\$0	\$0	\$0
Net Change during 2017-18	\$108,287	\$0	\$108,287
<u>Balance at June 30, 2018 *</u>	<u>\$4,517,345</u>	<u>\$0</u>	<u>\$4,517,345</u>

Next Steps

As revenues are limited in growth, expenditures are increasing rapidly. Staff is requesting guidance in reviewing alternative revenue and expenditure avenues. Staff will start preparing for the next meeting with the Budget Standing Committee, which will include an analysis and laundry list of potential gap closure options. We will be seeking direction and feedback from the Budget Standing Committee at that second meeting on developing a laundry list of options to close the gap.

Fiscal Impact

The Ten-year Financial Forecast is not a budget, and does not include any proposed balancing solutions or revised service levels. Instead, the forecast is a planning tool to identify opportunities and challenges over a longer time frame and discuss possible solutions to address the shortfalls identified. We are seeking feedback and direction from the Budget Standing Committee at this time regarding all of the General Fund Revenue and Expenditure Assumptions.

Submitted By: Maria-Luisa Valdez, Finance Director

Approved By: Bret M. Plumlee, City Manager

- Attachments:
1. Ten-Year Forecast
 2. Ten-Year Forecast PowerPoint


CITY OF LOS ALAMITOS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Property Taxes	3,864,760	4,009,689	4,160,052	4,316,054	4,477,906	4,589,853	4,704,600	4,822,215	4,942,770	5,066,339
Sales & Use Taxes	3,307,000	3,312,000	3,312,000	3,312,000	3,237,000	3,301,740	3,367,775	3,435,130	3,503,833	3,573,910
Utility Users Taxes	2,047,300	2,034,000	2,034,000	2,034,000	2,054,340	2,074,883	2,095,632	2,116,589	2,137,754	2,159,132
Transient Occupancy Taxes	167,500	169,175	170,867	172,575	174,301	176,044	177,805	179,583	181,378	183,192
Franchise Taxes	658,200	663,590	665,520	667,490	670,050	672,640	675,260	677,920	680,605	683,320
Business Licenses Taxes	637,500	656,625	676,324	696,613	717,512	739,037	761,208	784,045	807,566	831,793
Charges for Services	866,800	875,468	884,223	893,065	901,996	911,016	920,126	929,327	938,620	948,006
Permits	568,470	579,839	591,436	603,265	615,330	627,637	640,190	652,993	666,053	679,374
Fines and Forfeitures	719,300	719,300	720,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000
Investment Earnings	73,000	75,190	77,446	79,769	82,162	42,314	0	0	0	0
Revenue From Other Agencies	105,140	110,140	115,140	120,140	125,140	130,140	135,140	140,140	145,140	150,140
Miscellaneous Revenues	70,500	71,000	72,000	73,000	74,000	75,000	76,000	77,000	78,000	79,000
Interfund Transfers	400,000	620,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Total Revenues	13,485,470	13,896,016	13,879,007	14,087,972	14,249,737	14,460,304	14,673,735	14,934,941	15,201,720	15,474,207
Expenditures										
Full-Time Salaries	4,786,992	4,870,764	4,956,003	5,042,733	5,130,981	5,220,773	5,312,136	5,405,099	5,499,688	5,595,932
Hourly Wages and Benefits	683,083	705,537	728,384	751,631	775,284	799,352	813,340	827,574	842,056	856,792
Pension Costs	1,794,650	2,046,056	2,323,862	2,630,530	2,969,564	3,343,532	3,756,043	4,211,774	4,714,480	4,954,317
Health Insurance	570,420	594,420	618,420	642,420	666,420	690,420	714,420	738,420	762,420	786,420
Retirement Leave Payouts	25,075	65,000	65,000	27,500	27,500	27,500	27,500	27,500	27,500	27,500
Other Benefits	148,802	151,406	154,056	156,752	159,495	162,286	165,126	168,016	170,956	173,948
Retiree Health	290,000	304,500	319,725	335,711	352,497	370,122	388,628	408,059	428,462	449,885
Overtime	314,825	320,334	325,940	331,644	337,448	343,353	349,362	355,476	361,697	368,026
Capital Projects	55,000	413,980	418,120	422,301	426,524	430,789	435,097	439,448	443,843	448,281
Vacation and Sick Payouts	78,450	79,823	81,220	82,641	84,087	85,559	87,056	88,580	90,130	91,707
Utilities	534,046	550,067	566,569	583,566	601,073	619,106	637,679	656,809	676,513	696,809
West-Comm	622,000	640,660	659,880	679,676	700,066	721,068	742,701	764,982	787,931	811,569
Other Operating Costs	2,909,617	3,188,713	2,968,100	2,997,781	3,027,759	3,058,037	3,088,617	3,119,503	3,150,698	3,182,205
Interfund Operating Transfers	765,340	855,340	855,340	855,340	855,340	855,340	855,340	855,340	855,340	855,340
Total Expenditures	13,578,300	14,786,602	15,040,619	15,540,227	16,114,039	16,727,236	17,373,045	18,066,579	18,811,714	19,298,732
Preliminary Projected Deficit	(92,830)	(890,586)	(1,161,612)	(1,452,255)	(1,864,302)	(2,266,932)	(2,699,310)	(3,131,638)	(3,609,994)	(3,824,525)
Potential Revenues & Cost Savings										
Hotel Revenue	73,300	293,200	296,132	299,093	302,084	305,105	308,156	311,238	314,350	317,494
	73,300	293,200	296,132	299,093	302,084	305,105	308,156	311,238	314,350	317,494
Projected Budget Surplus/(Deficit)	(19,530)	(597,386)	(865,480)	(1,153,162)	(1,562,218)	(1,961,827)	(2,391,154)	(2,820,400)	(3,295,644)	(3,507,032)
								Cumulative Deficit		(18,154,302)



LOS ALAMITOS TEN-YEAR FINANCIAL FORECAST

October 4, 2018



General Fund Ten-Year Financial Forecast

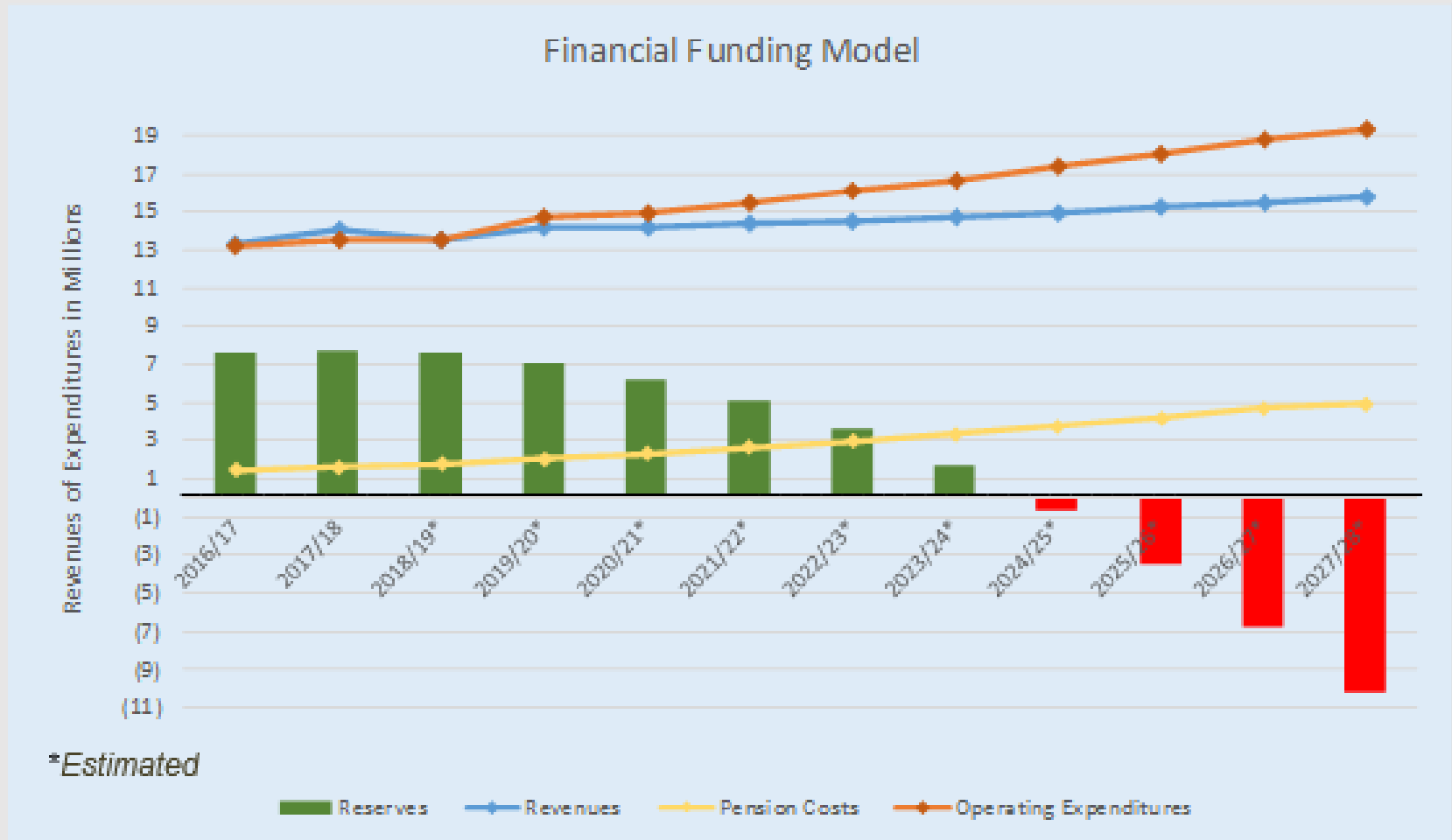
Summary

- Objective: Help make informed budgetary and operational decisions by anticipating future revenues and expenditures (Providing budgetary information for Fiscal Year 2018-19 to 2027-28)
- Ten-year Financial Forecast illustrates a long-term structural deficit where expenditures increasingly exceed revenues on an annual basis

City of Los Alamitos



Ten- Year Financial Forecast

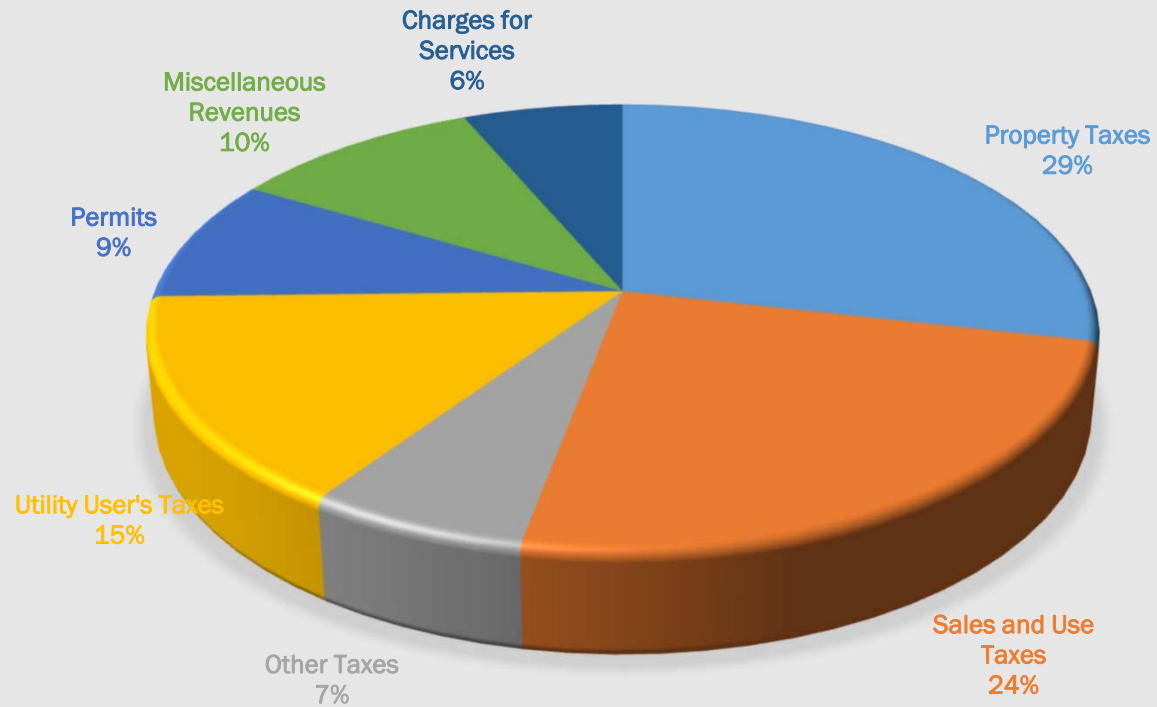


City of Los Alamitos



Major General Fund Revenue Assumptions

COMPOSITION OF REVENUES



City of Los Alamitos



Major General Fund Revenue Assumptions

Revenue Category	Description	Assumed Annual Rate Increase
Property Tax	HdL consultants	2019-20 through 2022-23 - 3.75% 2023-24 & thereafter - 3.0%
Sales & Use Tax	HdL consultants	2019-20 through 2022-23 - 0% 2023-24 & thereafter - 2%
Utility User's Tax	Electric, Gas, Telecommunications, Water - plateau for next 4 years then add 1% annual growth for FY2022-23 and thereafter	2019-20 through 2021-22 - Flat 2022-23 & thereafter - 1%

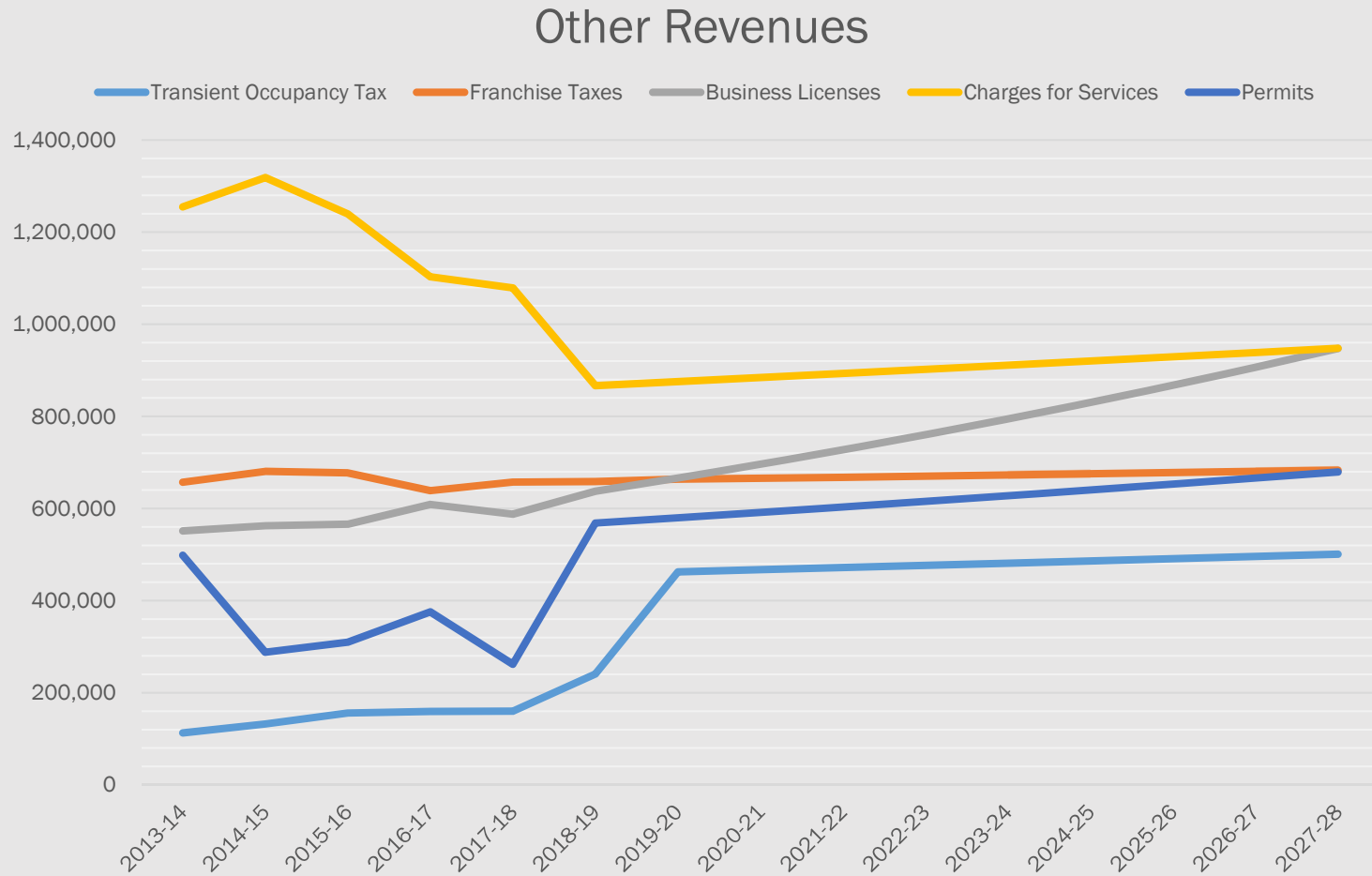
Property - Sales & Use - Utility User's Taxes



City of Los Alamitos



Other General Fund Revenue Assumptions



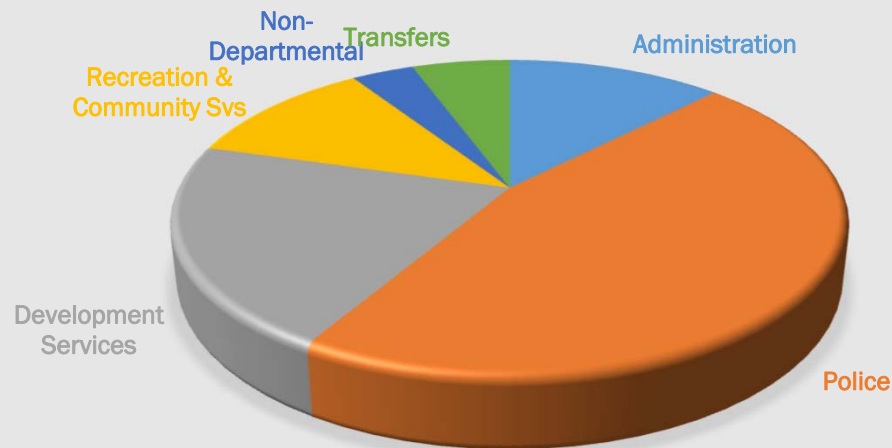
City of Los Alamitos



General Fund Expenditure Assumptions

Expenditure Category	Description	Assumed Annual Rate Increase
Full-Time Salaries and Hourly Wages	Includes annual increase for merit, cost of living and incorporates changes in minimum wage	1.75%
Pension Costs	Increase in pension costs and Unfunded Accrued Liability	Information provided by CalPERS
Health Insurance	Average increase in health insurance	\$24,000
Other Benefits, Overtime, Vacation and Sick Payouts	In line with Salaries	1.75%
Retirement Health	Based on actuarially determined contribution trend analysis for OPEB liability	5.0%
Capital Projects	Derived from 7-Year Capital Improvement Plan spread out over 10 years	1%
Utilities	Increases in water, electricity, gas	3%
West-Comm	Contract increase	3%
Other Operating Costs	Maintenance and Operations	1%

COMPOSITION OF EXPENDITURES



City of Los Alamitos



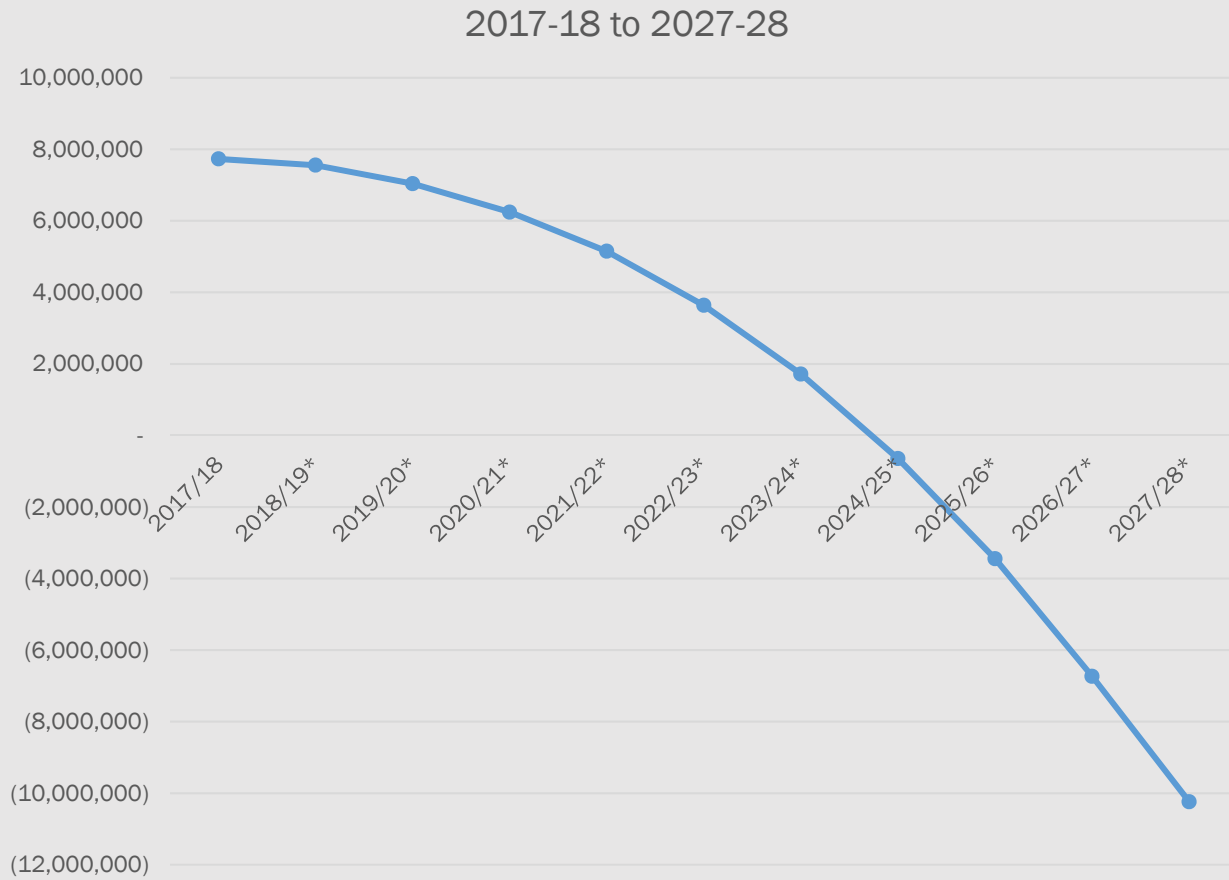
CITY OF LOS ALAMITOS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Property Taxes	3,864,760	4,009,689	4,160,052	4,316,054	4,477,906	4,589,853	4,704,600	4,822,215	4,942,770	5,066,339
Sales & Use Taxes	3,307,000	3,312,000	3,312,000	3,312,000	3,237,000	3,301,740	3,367,775	3,435,130	3,503,833	3,573,910
Utility Users Taxes	2,047,300	2,034,000	2,034,000	2,034,000	2,054,340	2,074,883	2,095,632	2,116,589	2,137,754	2,159,132
Transient Occupancy Taxes	167,500	169,175	170,867	172,575	174,301	176,044	177,805	179,583	181,378	183,192
Franchise Taxes	658,200	663,590	665,520	667,490	670,050	672,640	675,260	677,920	680,605	683,320
Business Licenses Taxes	637,500	656,625	676,324	696,613	717,512	739,037	761,208	784,045	807,566	831,793
Charges for Services	866,800	875,468	884,223	893,065	901,996	911,016	920,126	929,327	938,620	948,006
Permits	568,470	579,839	591,436	603,265	615,330	627,637	640,190	652,993	666,053	679,374
Fines and Forfeitures	719,300	719,300	720,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000
Investment Earnings	73,000	75,190	77,446	79,769	82,162	84,314	0	0	0	0
Revenue From Other Agencies	105,140	110,140	115,140	120,140	125,140	130,140	135,140	140,140	145,140	150,140
Miscellaneous Revenues	70,500	71,000	72,000	73,000	74,000	75,000	76,000	77,000	78,000	79,000
Interfund Transfers	400,000	620,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Total Revenues	13,485,470	13,896,016	13,879,007	14,087,972	14,249,737	14,460,304	14,673,735	14,934,941	15,201,720	15,474,207
Expenditures										
Full-Time Salaries	4,786,992	4,870,764	4,956,003	5,042,733	5,130,981	5,220,773	5,312,136	5,405,099	5,499,688	5,595,932
Hourly Wages and Benefits	683,083	705,537	728,384	751,631	775,284	799,352	813,340	827,574	842,056	856,792
Pension Costs	1,794,650	2,046,056	2,323,862	2,630,530	2,969,564	3,343,532	3,756,043	4,211,774	4,714,480	4,954,317
Health Insurance	570,420	594,420	618,420	642,420	666,420	690,420	714,420	738,420	762,420	786,420
Retirement Leave Payouts	25,075	65,000	65,000	27,500	27,500	27,500	27,500	27,500	27,500	27,500
Other Benefits	148,802	151,406	154,056	156,752	159,495	162,286	165,126	168,016	170,956	173,948
Retiree Health	290,000	304,500	319,725	335,711	352,497	370,122	388,628	408,059	428,462	449,885
Overtime	314,825	320,334	325,940	331,644	337,448	343,353	349,362	355,476	361,697	368,026
Capital Projects	55,000	413,980	418,120	422,301	426,524	430,789	435,097	439,448	443,843	448,281
Vacation and Sick Payouts	78,450	79,823	81,220	82,641	84,087	85,559	87,056	88,580	90,130	91,707
Utilities	534,046	550,067	566,569	583,566	601,073	619,106	637,679	656,809	676,513	696,809
West-Comm	622,000	640,660	659,880	679,676	700,066	721,068	742,701	764,982	787,931	811,569
Other Operating Costs	2,909,617	3,188,713	2,968,100	2,997,781	3,027,759	3,058,037	3,088,617	3,119,503	3,150,698	3,182,205
Interfund Operating Transfers	765,340	855,340	855,340	855,340	855,340	855,340	855,340	855,340	855,340	855,340
Total Expenditures	13,578,300	14,786,602	15,040,619	15,540,227	16,114,039	16,727,236	17,373,045	18,066,579	18,811,714	19,298,732
Preliminary Projected Deficit	(92,830)	(890,586)	(1,161,612)	(1,452,255)	(1,864,302)	(2,266,932)	(2,699,310)	(3,131,638)	(3,609,994)	(3,824,525)
Potential Revenues & Cost Savings										
Hotel Revenue	73,300	293,200	296,132	299,093	302,084	305,105	308,156	311,238	314,350	317,494
	73,300	293,200	296,132	299,093	302,084	305,105	308,156	311,238	314,350	317,494
Projected Budget Surplus/(Deficit)	(19,530)	(597,386)	(865,480)	(1,153,162)	(1,562,218)	(1,961,827)	(2,391,154)	(2,820,400)	(3,295,644)	(3,507,032)
Cumulative Deficit										(18,154,302)

City of Los Alamitos



General Fund Balance



City of Los Alamitos

