

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Monday, February 11, 2019 – 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 January 14, 2019

4. DISCUSSION ITEMS

A. Civic Center Facility Tour

(City Manager)

In order for the Budget Standing Committee to make the informed recommendations to the City Council, it is important for the Committee members to be familiar with the Civic Center facility as well as the amenities at each site. City executive staff will provide the Committee with a tour of the following sites:

The Police Department (3201 Katella Avenue)
The Community Center (10911 Oak Street)
The Youth Center (10909 Oak Street)

B. Mid-Year General Fund Budget Review for Fiscal Year 2018-19
(Finance)

This report provides the Budget Standing Committee with a Mid-Year General Fund budget and financial update for the Fiscal Year 2018-19.

Recommendation: Review and discuss the mid-year budget and financial update for the Fiscal Year 2018-19; and recommend to City Council approval of budget amendments to Fiscal Year 2018-19 as discussed in report.

C. Fiscal Sustainability Update
(Finance)

To address shortfalls in the Ten-Year Financial Forecast due to escalating expenditures, staff is providing additional information on potential gap closure options. Staff is providing Fiscal Sustainability worksheets to the Budget Standing Committee, listing out pros and cons of each potential gap closure option.

Recommendation:

1. Discuss pros and cons of potential gap closures; and,
2. Set objectives of the next meeting with the Budget Standing Committee.

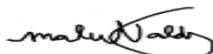
D. Development Services Department Sustainability
(Development Services)

This presentation provides background on the Development Services Department's organizational structure with recommendations for fiscal sustainability. In an effort to close the budget gap, the Development Services Department will present closure options.

Recommendation: Seek feedback and direction on next steps in the Fiscal Sustainability Plan for the City.

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, CPA, Finance Director

Date 02/07/19

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

SPECIAL MEETING

Monday, January 14, 2019 – 6:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met in Special Session at 6:00 p.m., Monday, January 14, 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, CPA, Finance Director
Eric R. Nunez, Chief of Police
Sean Connolly, Police Captain
Chris Karrer, Police Captain

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 November 13, 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 Audit Reports (Finance)

Finance Director Valdez provided an overview of the Fiscal Year 2017-18 audit reports. Director Valdez explained that the audit resulted in an “unmodified”, or clean, opinion and that the City’s Comprehensive Annual Financial Report is presented fairly. There were no findings reported in the audit reports. The Committee recommended that this item be forwarded to the full City Council for consideration.

B. Financial Solutions **(Finance)**

Finance Director Valdez discussed several revenue-generating and expenditure-saving options in order to address the long-term structural deficit. The Committee directed staff to form a pros and cons list for each option provided. The Committee would like to review each option and its full effect more thoroughly in the upcoming months.

C. Budget and Fiscal Sustainability Calendar **(Finance)**

Director Valdez provided the Committee with an outline of Fiscal Year 2019-20 Budget Calendar. Staff is proposing meetings to discuss the long-term Fiscal Sustainability of the City of Los Alamitos and budget challenges that are anticipated in the budget for Fiscal Year 2019-20 and following years. Staff would like to have open meetings to discussion options for closing the gap and balancing the budget in the upcoming years.

D. Police Department Sustainability **(Police)**

Chief of Police Nunez provided the Budget Standing Committee with background on the Police Department's organizational structure and budget. Chief explained that the Police Department's budget is a little less than 50% of the budget. In an effort to close the budget gap, the Police Department presented closure options which include contracting out the department, reducing some Police programs, and reducing the department.

5. ADJOURNMENT

The Budget Standing Committee adjourned at approximately 8:25 p.m.

Shelley Hasselbrink, Council Member

Attest:

Maria-Luisa Valdez, CPA, Finance Director

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: February 11, 2019

ITEM NUMBER: 4B

To: Budget Standing Committee Members

Presented By: Maria-Luisa Valdez, CPA, Finance Director

Subject: Mid-Year General Fund Budget Review for Fiscal Year 2018-19

SUMMARY

This report provides the Budget Standing Committee with a Mid-year General Fund budget and financial update for the Fiscal Year 2018-19.

RECOMMENDATION

Review the mid-year budget and financial update for Fiscal year 2018-19 and approve the budget amendments to Fiscal Year 2018-19 as discussed and recommended.

BACKGROUND

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

DISCUSSION

Fiscal Year 2018-19 General Fund Budget Overview

The original adopted budget for fiscal year 2018-19 projected a balanced General Fund budget with operating revenues exceeding operating expenditures by \$10,470. General Fund revenues were budgeted at \$13,617,388 and operating expenditures were budgeted at \$13,606,918 (excluding carryovers). On September 17, 2018, the City Council approved a \$154,965 in carryovers which included primarily the Zoning Code Update and other encumbrances. There were additional requests to Council for increase in expenditures of \$84,995 for election expenses, School Resource Officer, and minimum wage adjustments that were approved.

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

Fiscal Year 2018-19 General Fund Projected Revenues

The amended budget for Fiscal Year 2018-19 forecasted revenues for the General Fund totals \$13.617 million. Staff has put together a projection of FY 2018-2019 General Fund revenues included in the table below. We have provided an explanation for the sources of revenue that have significant budget variances below.

Revenues and Transfers In	2018-19 Amended Budget	2018-19 Projected	Budget Variance
Property Taxes	\$ 3,872,060	\$ 3,978,680	\$ 106,620
Sales & Use Taxes	3,307,000	3,527,900	220,900
Utility Users Taxes	2,049,800	2,024,210	(25,590)
Transient Occupancy Tax	232,500	184,000	(48,500)
Franchise Fees	658,200	669,080	10,880
Licenses & Permits	1,204,450	1,445,180	240,730
Fines & Forfeitures	719,300	744,285	24,985
Investment Earnings	73,000	108,000	35,000
Revenue From Other Agencies	163,778	168,535	4,757
Charges for Services	866,800	893,095	26,295
Miscellaneous Revenues	70,500	73,040	2,540
Interfund Transfers	400,000	400,000	-
Total Revenues and Transfers In	\$ 13,617,388	\$ 14,216,005	\$ 598,617

Material variances from the amended budget are as follows:

Property Taxes are projected to be approximately \$106,000 higher than budgeted based on projected increase in assessed valuation. There is an anticipated increase of secured property tax of \$70,000 due to increased assessed values of homes. Based on HdL's net taxable assessed value change in growth, the City's property value has increased by 4.4% when compared to the previous year. This is higher than the original estimated increase of 3.6%. Additionally, there has been a continued increase in property sales in the City therefore, there is approximately \$31,000 more in projected real estate transfer taxes.

Sales & Use Taxes are projected to be approximately \$221,000 higher than budget. This is primarily due to one-time sales tax received of \$134,000 from a elections services team that was stationed in Los Alamitos. The division was sold and closed as of September 1, 2018. Another factor contributing to the increase is stronger than expected sales from the Business & Industry and Restaurant & Hotels sales industries. Since the estimated increase in this fiscal year is mostly attributable to one-time increase in sales tax, the FY 2019-2020 forecast for sales tax is expected to be 6% less than the FY 2018-2019 estimated actual.

Licenses and permits are projected to be approximately \$240,000 higher than budgeted primarily due to higher than expected permits issued during the first half of Fiscal Year 2018-19 and anticipation of this continuing for the remainder of the fiscal year, which accounts for \$156,000 more in projected revenues. This increase in permit revenue is offset with \$50,000 more in building inspection services, as noted below in Development Services expenditures. Permit activity is overall higher than estimated and is also influenced by permit revenue from certain projects such as a new Starbuck's at Katella & Winners Circle and the Olson residential on Sausalito. Also included in this category, the City is projecting approximately \$44,000 more anticipated business licenses. Active business licenses are higher than the prior year by 85 more licenses. Lastly, revenue from public works permits are projected to be \$27,000 higher than estimated.

Investment Earnings are projected to be approximately \$35,000 higher than budgeted mainly attributable to higher interest rates on Certificates of Deposits. The weighted average yield of the portfolio has increased from 1.219% in June 2018 to 1.527% in December 2018.

Transient Occupancy Tax revenue is projected approximately \$48,500 less than budgeted for Fiscal Year 2018-19. This is primarily due to the Fiscal Year 2018-19 Budget including one quarter of TOT revenue, or \$65,000, for the new hotel development which was originally expected to open April 2019. Based on discussions with the developer and the likelihood that the hotel will not open until late Spring 2020, TOT revenue from the hotel has been removed in the 2018-19 budget. The decrease is offset with \$16,500 more in projected TOT revenues from the existing hotels.

Fiscal Year 2018-19 General Fund Projected Expenditures

The amended budget for Fiscal Year 2018-19 forecasted operating expenditures for the General Fund totals \$13.667 million. Staff has put together a projection of FY 2018-2019 General Fund expenditures included in the table below. We have provided an explanation for the categories of expenditures that have significant budget variances below.

Department	2018-19 Amended Budget	2018-19 Projected	Budget Variance
City Council	\$ 78,330	\$ 66,925	\$ 11,405
City Manager/City Clerk	750,367	750,335	32
Finance	720,041	718,290	1,751
City Attorney	164,000	199,540	(35,540)
Police	6,290,705	6,210,435	80,270
Development Services	2,832,553	2,722,115	110,438
Recreation and Community Services	1,544,651	1,556,860	(12,209)
Non-Departmental	521,310	546,310	(25,000)
Interfund Operating Transfers	765,338	765,338	-
Total Operating Expenditures and Transfers	\$ 13,667,295	\$ 13,536,148	\$ 131,147
Non-operating Expenditures			
Grant-related carryover	\$ 58,618	\$ 58,618	\$ -
Zoning Code Update	120,965	120,965	-
Total Non-operating Expenditures	\$ 179,583	\$ 179,583	\$ -

Material variances from the amended budget are as follows:

City Attorney – Fiscal Year 2018-2019 City Attorney expenditures are estimated to be \$36,000 higher than budget primarily due a higher volume of assignments handled by the City Attorney than was originally anticipated.

Police – Expenditures are currently estimated to be \$80,000 below budget, which is primarily attributable to \$205,000 in salary savings from four intermittent vacancies in the first half of Fiscal Year 2018-19 and anticipated retirement of Police Captain. The salary savings is offset with approximately \$52,000 more in projected overtime expenditures in order to cover shifts and \$90,000 more in projected payouts due to higher than anticipated departures. There is additional projected savings of approximately \$8,000 in training due to vacancies in the Police Department. With the staffing shortages, training needs have shifted from advanced officer development to basic officer and recruit requirements. The dollar costs have dropped due to not being able to backfill shifts in order to send current officers to training except those that are mandated or required by assignment.

Development Services – Expenditures are currently estimated to be \$110,000 below budget, which is primarily attributable to salary savings in the first half of Fiscal Year 2018-19 in the amount of \$125,000. There is six months of savings associated with the management analyst that was recently hired in January 2019. There is also salary savings from the Development Services Director position, which was filled on a permanent basis in September 2018. There are also savings of approximately \$48,000 related to utilities, primarily for less electricity and water consumption. Based upon current consumption patterns, water utility expense is estimated to be \$32,000 less and electricity utility expense will be \$13,000 lower. The savings in Development Services is offset with an expected \$50,000 increase in expense for building inspection and plan check services due to the increase in building permit activity.

Recreation and Community Services – Expenditures are currently estimated to be \$12,000 over budget, which is attributable to increase in part-time salaries due to a higher demand for Day Camp, Special Events such as the Escape Room and Family Dance, Sports program, and Playgrounds divisions. This cost is offset by higher anticipated revenues of approximately \$26,000 (identified under Charges for Services in the Revenue section of this report).

Police Department Capital Needs

The Men's Locker room has seen two minor re-configurations over the past 25 years. The current locker room suffers from a lack of air circulation, odors from the plumbing, and temperature control. The plumbing in the sinks and shower often fail and require repairs from Public Works personnel or a plumber. The lighting is inconsistent, creating over-lit and under-lit areas. The tiles are impossible to get clean at this point and the carpet is worn and filthy. The approximate cost to expand and remodel the Police Men's Locker Room is \$150,000. Due to expenditures savings, there is available funding in the General Fund for this capital need.

Community Center Roof Repair Capital Needs

On May 21, 2018 the City Council approved a contract with K&J Construction for necessary repairs to the Community Center Roof Project (CIP No. 17/18-02). Due to the age of the building and observed water damage, the contractor conducted asbestos and mold tests for the areas identified in need of repair. Asbestos was found in the loft roof and offices below the loft. Mold was found in the two bathrooms and closet (utility room) adjacent to the kitchen. As a result, on August 20, 2018 City Council approved additional funds for removal of asbestos from the loft roof area and the identified mold locations.

Once work was underway, additional mold was found in the wall between the restrooms and kitchen area, which required removal and restoring part of the wall in addition to mold removal. The cost for this extra work is \$13,850, which has yet to be approved by City Council but the work was performed due the urgent need to address such while treating the abutting area.

In addition to fixing the identified areas, multiple additional locations have experienced roof leaks during the recent rain events. As a result, staff is recommending that the entire Community Center roof be considered for replacement. This effort would prevent any additional water damage being caused by the roof leaks, provide a warranty for a minimum of 5 years, as well as comfort in knowing that the entire roof has been comprehensively addressed at the same time. The cost for this work is estimated to be approximately \$140,000. There is available funding in the Facilities, Streets, and Parks Capital Expenditures Fund for this capital need.

Park Development - Fund 40 Activity Update

Fiscal Year 2018-19 Budget included the following activity for budgeted revenues and expenditures:

Fund	Fund Balance as of July 1, 2018	2018-19 Revenues	2018-19 Capital Improvement Projects	Projected Fund Balance as of June 30, 2019
Park Development (40)	130,366	268,440	281,000	117,806

The City budgeted revenues of \$268,440 in park impact fees in connection with the Olsen development. In anticipation of these revenues in Fiscal Year 2018-19, the City adopted capital expenditures as detailed below:

Project	2018-19 Budget	Approved Budget Amendments	2018-19 Amended Budget
Community Center and Youth Center ADA Repairs	\$ 46,000	\$ 27,625	\$ 73,625
Little Cottonwood Park Basketball Court/Parking Lot	60,000	-	60,000
Coyote Creek Plants	5,000	-	5,000
Community Center Enlosure of outdoor storage space	20,000	-	20,000
Labourdette Park Playground Equipment and Surface	140,000	-	140,000
Labourdette Park Turf Renovations	10,000	-	10,000
Total	\$ 281,000	\$ 27,625	\$ 308,625

Staff has not received the anticipated revenues and in discussions with the developer, the developer is not planning on pulling any permits in Fiscal Year 2018-19. They indicated that the soils situation is the primary reason for their delay. The City is recommending to adjust the revenues for the delay for Fiscal Year 2018-19 and subsequently delay the expenditures. City has received \$80,472 in park impact fees for another project in Fiscal Year 2018-2019. No other park impact revenues are anticipated the rest of this fiscal year.

Staff recommends delaying certain capital expenditures in order to not create a deficit balance in the Park Development Fund. Staff recommends delaying the Labourdette Park

Playground Equipment and Surface project of \$140,000 and reducing the Community Center Enclosure of outdoor storage space by \$15,000. Lastly, to reflect the request of the Community Center roof repair, staff recommends a proposed adjustment of \$13,850 for this project. See detail below:

Project	2018-19 Budget	Proposed Amendment*	2018-19 Amended Budget
Community Center and Youth Center ADA Repairs	\$ 73,625	\$ 13,850	\$ 87,475
Little Cottonwood Park Basketball Court/Parking Lot	60,000		60,000
Coyote Creek Plants	5,000		5,000
Community Center Enclosure of outdoor storage space	20,000	(15,000)	5,000
Labourdette Park Playground Equipment and Surface	140,000	(140,000)	-
Labourdette Park Turf Renovations	10,000		10,000
Total	\$ 308,625	\$ (141,150)	\$ 167,475

With the proposed amendments in Fund 40, the new activity would be reflected as follows:

Fund	Fund Balance as of July 1, 2018	2018-19 Revenues	2018-19 Capital Improvement Projects	Projected Fund Balance as of June 30, 2019
Park Development (40)	130,366	80,472	167,475	43,363

Park Development funds anticipated for the Olsen properties will be properly accounted for in Fiscal Year 2019-20 budget for revenue and capital projects.

Fiscal Year 2018-19 Budget Amendments

It is recommended that the General Fund expenditures be increased by \$60,540 to account for the expected increase for City Attorney and Non-departmental expenditures. Staff recommends increasing the City Attorney budget by \$35,540 to cover additional costs that were incurred in the first half of the year for unanticipated litigation. Staff also recommends increasing the non-departmental budget by \$25,000 to cover shared cost portion for funding the construction and acquisition of new homeless centers and higher than anticipated pre-employment costs.

As noted above, the City is requesting \$13,850 more in funding for additional work previously completed for the Community Center asbestos and mold from the Park Development Fund. In addition to the internal roof work, the City is requesting \$140,000 from the Facilities, Streets, and Parks Capital Expenditures Fund (Fund 52) in order to replace the whole exterior roof for the Community Center.

There is also a request of \$150,000 from the General Fund's savings to remodel the men's locker room.

Funding Source	Budget Increase Request	Project Description
General Fund	\$ 60,540	City Attorney and Non-departmental
Park Development Fund (40) 40-570-5503.1936	13,850	Asbestos and mold in Community Center roof
Facilities, Streets and Parks Capital Expenditures (52)	140,000	Replacement of Community Center roof (exterior)
General Fund	150,000	Police Department's Men's Locker Room remodel

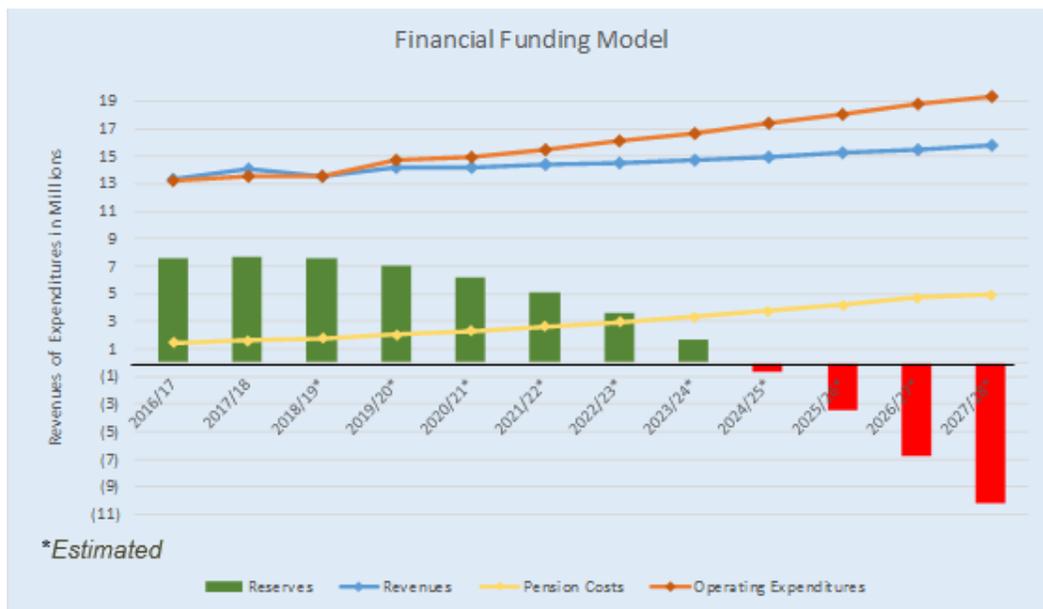
Staff is also proposing a decrease of revenue \$187,928 in Fund 40 due to delay in impact fees as noted above. There is a corresponding decrease in capital expenditures in Fund 40 of \$155,000 for delay of the Labourdette Park Playground Equipment and Surface project of \$140,000 and reduction of \$15,000 for the Community Center Enclosure of outdoor storage space.

Fiscal Sustainability

Based on the current revenue and expenditure assumptions and service levels included in the Ten Year Financial Forecast, it is projected that fund balance will be depleted by FY 2024-2025.

Staff has been meeting with the Budget Standing Committee and will continue to meet regularly with them to discuss the development of the Fiscal Sustainability Plan with the objective of eliminating the long-term General Fund structural deficit and providing long-term fiscal sustainability.

TEN-YEAR FINANCIAL FORECAST



There are several projects that are currently in process which will provide long-term revenues to the City once those projects have been completed. For example, there is a hotel development that would yield property tax, transient occupancy tax and utility tax revenue. In addition, Lincoln Properties plans to develop the 3131 Katella site for a new tenant, which may potentially provide future sales tax, property tax and utility tax revenue. These projects are expected to be completed in 2019-20 and therefore the related sales tax, property tax and transient occupancy tax revenue has not been included in the 2018-19 budget. Despite the expected increases in revenue, expenditures are expected to surpass the potential revenue sources forecasted over the next ten years and possibly beyond. The preliminary budget for Fiscal Year 2019-20 will be brought forward in March 2019. Additionally, a revised look on the Ten Year Forecast will be reviewed in April 2019.

On January 14, 2019, staff discussed options with the Budget Standing to discuss the development of the Fiscal Sustainability Project. Topics discussed included potential options to close the long-term General Fund structural deficit. Also, the Police Department management staff made a presentation to the Budget Standing Committee to explain the services they currently offer and potential programs and functional areas that could be reduced or eliminated along with the potential fiscal savings and associated service level impact. The Development Services Department will do a similar presentation to the Budget Standing Committee on February 11, 2019.

Staff is working on a powerpoint with the Budget Standing Committee. The objective is to be able to present this powerpoint in future community meetings anticipated in summer 2019. There will be continual fiscal sustainability updates in the upcoming months.

Fiscal Impact

The Fiscal Year 2018-19 estimated actual General Fund expenditures and revenues are based on the most likely projected scenarios and include a number of assumptions. As the year unfolds staff will continue to monitor the General Fund revenues and expenditures and will provide the City Council and Budget Standing Committee with an update in the third quarter of this fiscal year. Furthermore, staff will review budget for all other funds and the 7-Year CIP with the council during the budget process in May.

Budget Appropriations increases as detailed in the report include the following total effect:

- General Fund Expenditure Budget increase of \$210,540 – City Attorney (\$35,540), Non-departmental (\$25,000), and Police Men’s Locker Room remodel (\$150,000)
- Park Development Expenditure Budget increase of \$13,850 (40-570-5503.1936) for the Community Center asbestos and mold
- Facilities, Streets, and Parks Capital Expenditure Budget increase of \$140,000 for replacement of the Community Center roof from Park Development Funds

Budget Appropriations decreases as detailed in the report include the following total effect:

- Park Development Revenue Budget decrease of \$187,928 due to delay in impact fees in relation to the Olsen structure
- Park Development Expenditure Budget decrease of \$155,000 for the Labourdette Park Playground Equipment and Surface project (\$140,000; 40-570-5502.1938) and reduction of expenditures for the Community Center Enclosure of outdoor storage space (\$15,000; 40-570-5503.1937)

Submitted By: Maria-Luisa Valdez, CPA, Finance Director

Approved By: Bret M. Plumlee, City Manager

Attachment: 1. PowerPoint Presentation



CITY OF LOS ALAMITOS



2018-19 Mid-Year General Fund Budget Review

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Overview

2

- Review projected 2018-19 General Fund revenues and expenditures
- Approve budget amendments to Fiscal Year 2018-19

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2018-19 General Fund Revenues

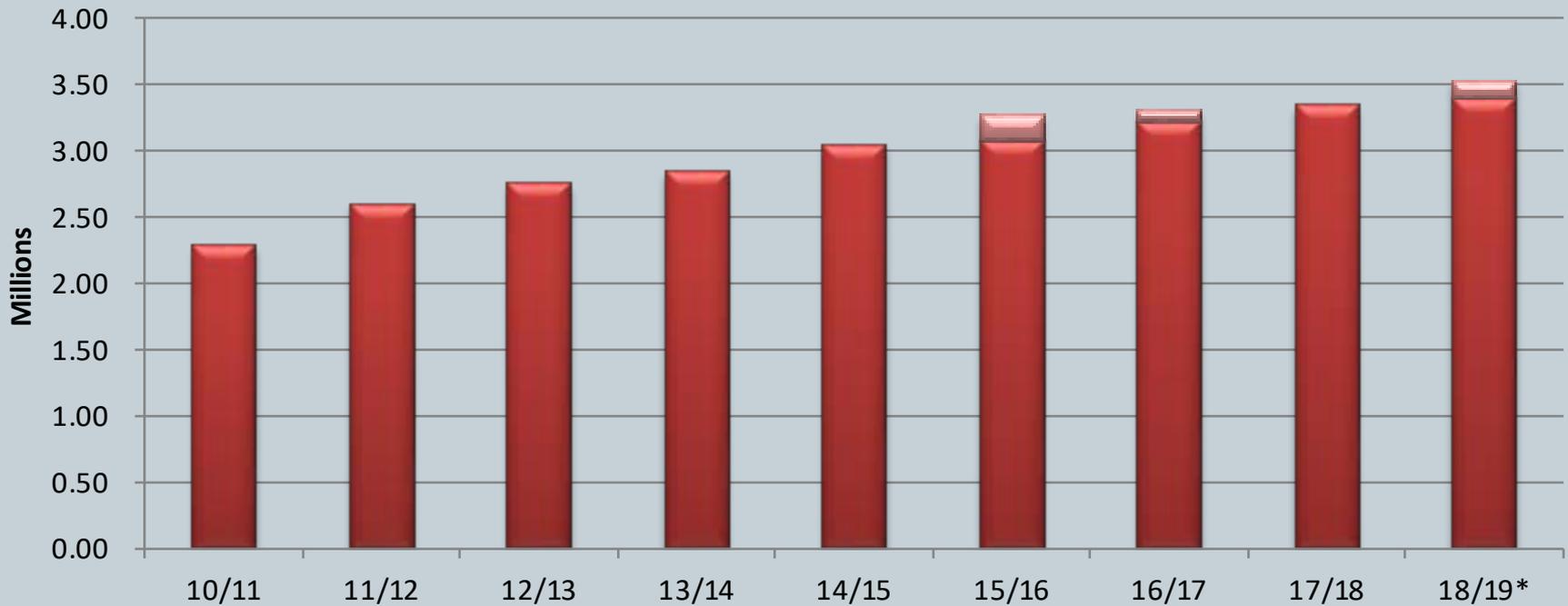
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Revenues and Transfers In	2018-19 Amended Budget	2018-19 Projected	Budget Variance
Property Taxes	\$ 3,872,060	\$ 3,978,680	\$ 106,620
Sales & Use Taxes	3,307,000	3,527,900	220,900
Utility Users Taxes	2,049,800	2,024,210	(25,590)
Transient Occupancy Tax	232,500	184,000	(48,500)
Franchise Fees	658,200	669,080	10,880
Licenses & Permits	1,204,450	1,445,180	240,730
Fines & Forfeitures	719,300	744,285	24,985
Investment Earnings	73,000	108,000	35,000
Revenue From Other Agencies	163,778	168,535	4,757
Charges for Services	866,800	893,095	26,295
Miscellaneous Revenues	70,500	73,040	2,540
Interfund Transfers	400,000	400,000	-
Total Revenues and Transfers In	\$ 13,617,388	\$ 14,216,005	\$ 598,617

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Sales and Use Tax Revenue

4



■ One-Time Adjustments

**Projected*

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2018-19 General Fund Expenditures

5

Department	2018-19 Amended Budget	2018-19 Projected	Budget Variance
City Council	\$ 78,330	\$ 66,925	\$ 11,405
City Manager/City Clerk	750,367	750,335	32
Finance	720,041	718,290	1,751
City Attorney	164,000	199,540	(35,540)
Police	6,290,705	6,210,435	80,270
Development Services	2,832,553	2,722,115	110,438
Recreation and Community Services	1,544,651	1,556,860	(12,209)
Non-Departmental	521,310	528,000	(6,690)
Interfund Operating Transfers	765,338	765,338	-
Total Operating Expenditures and Transfers	\$ 13,667,295	\$ 13,517,838	\$ 149,457
Non-operating Expenditures			
Grant-related carryover	\$ 58,618	\$ 58,618	\$ -
Zoning Code Update	120,965	120,965	-
Total Non-operating Expenditures	\$ 179,583	\$ 179,583	\$ -

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Police Department Capital Needs

6

- The Men's Locker room is undersized and needs remodeling.
- Current locker room suffers from a lack of air circulation, odors from the plumbing, and temperature control
- The Cost to expand and remodel the Police Men's Locker Room is \$150,000



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Community Center Capital Needs

7

- **Community Center Roof Repair (Internal)**
 - 5/21/18 - Council approved a contract with K&J Construction for necessary repairs to the Community Center Roof Project
 - 8/20/18 – Council approved new scope of contract for removal of asbestos in the roof
 - Current* - Once work was underway, additional mold was found in the wall between the restrooms and kitchen area, which required removal and restoring part of the wall in addition to mold removal. The cost for this extra work is \$13,850, which has yet to be approved by City Council but the work was performed due the urgent need to address such while treating the abutting area
- **Community Center Roof Repair (External)**
 - Multiple additional locations have experienced roof leaks during the recent rain events
 - Staff is recommending that the entire Community Center roof be considered for replacement
 - Cost is approximately \$140,000

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Park Development Fund Activity

8

2018-19 Budget accounted for the following Fund 40 Activity:

Fund	Fund Balance as of July 1, 2018	2018-19 Revenues	2018-19 Capital Improvement Projects	Projected Fund Balance as of June 30, 2019
Park Development (40)	130,366	268,400	281,000	117,766

However revenue is not anticipated for park impact fees, therefore activity needs to be adjusted as follows:

Fund	Fund Balance as of July 1, 2018	2018-19 Revenues	2018-19 Capital Improvement Projects	Projected Fund Balance as of June 30, 2019
Park Development (40)	130,366	80,472	167,475	43,363

Project	2018-19 Budget	Proposed Amendment*	2018-19 Amended Budget
Community Center and Youth Center ADA Repairs	\$ 73,625	\$ 13,850	\$ 87,475
Little Cottonwood Park Basketball Court/Parking Lot	60,000		60,000
Coyote Creek Plants	5,000		5,000
Community Center Enlosure of outdoor storage space	20,000	(15,000)	5,000
Labourdette Park Playground Equipment and Surface	140,000	(140,000)	-
Labourdette Park Turf Renovations	10,000		10,000
Total	<u>\$ 308,625</u>	<u>\$ (141,150)</u>	<u>\$ 167,475</u>

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Budget Calendar

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March 18th	5 PM Special Meeting (prior to Regular Meeting)	2019-20 Preliminary General Fund Budget
April 8th	5PM Special Meeting	Departments Overview – Administration and Police Departments
April 15th	5 PM Special Meeting (prior to Regular Meeting)	Departments Overview – Development Services and Recreation & Community Services Departments
May 20th	5 PM Special Meeting (prior to Regular Meeting)	2019-20 Budget Workshop CIP Workshop
June 3rd	5 PM Special Meeting (no Regular Meeting)	2018/19 Budget Workshop*
June 17th	6 PM Regular Meeting	Public Hearing – Budget Adoption <i>* If Needed</i>

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Staff Recommendations

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1. Receive and file the mid-year budget report for Fiscal Year 2018-19.
2. Approve budget amendment to Fiscal Year 2018-19 as discussed and recommended.

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City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: February 11, 2019

ITEM NUMBER: 4C

To: Budget Standing Committee Members

Presented By: Maria-Luisa Valdez, CPA, Finance Director

Subject: Fiscal Sustainability Update

SUMMARY

To address shortfalls in the Ten-Year Financial Forecast due to escalating expenditures, staff is providing additional information on potential gap closure options. Staff is providing “Fiscal Sustainability worksheets” to the Budget Standing Committee, listing out pros and cons of each potential gap closure option.

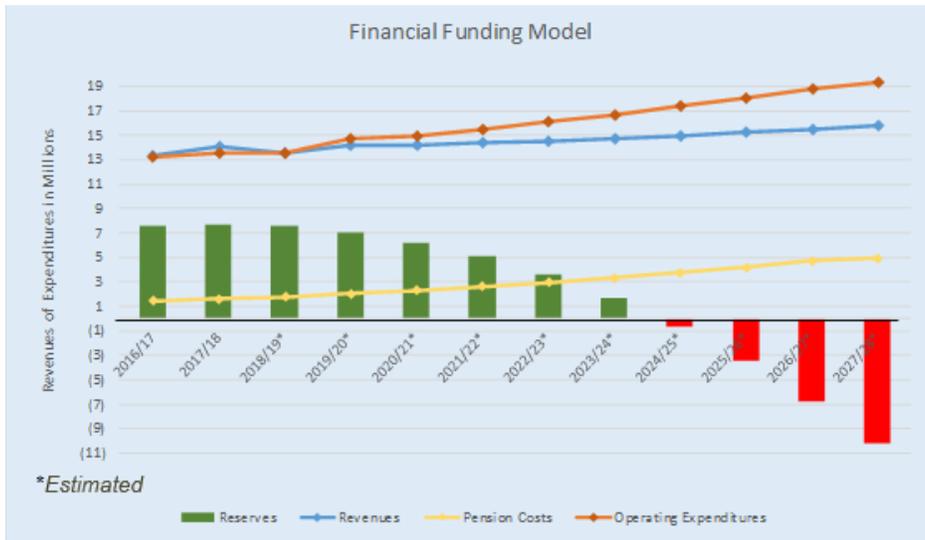
RECOMMENDATIONS

1. Discuss pros and cons of potential gap closures; and,
2. Set objectives of the next meeting with the Budget Standing Committee.

BACKGROUND

The economic conditions predict a challenging financial forecast for the upcoming years for the City of Los Alamitos. In October 2018, City presented a Ten-Year Financial Forecast that surfaced major fiscal conditions and projected future conditions based on current service levels and staffing. In January 2019, staff presented a list of options of potential gap closures to address the Ten-Year Financial Forecast deficit. Also, the Police Department management staff made a presentation to the Budget Standing Committee to explain the services they currently offer and potential programs and functional areas that could be reduced or eliminated along with the potential fiscal savings and associated service level impact. The Development Services Department will do a similar presentation to the Budget Standing Committee.

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. It is projected that 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.



DISCUSSION

Staff has been meeting with the Budget Standing Committee and will continue to meet regularly with them to discuss the development of the Fiscal Sustainability Plan with the objective of eliminating the long-term General Fund structural deficit and providing long-term fiscal sustainability.

FISCAL IMPACT

None.

Submitted By: Maria-Luisa Valdez, CPA, Finance Director
 Approved By: Bret M. Plumlee, City Manager

Attachment: 1. Fiscal Sustainability Plan Worksheet - Sample

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title:
Revenue Enhancer/Expense Reduction/Other

Short Summary:

Ballot Measure: Y/N

Election Date:

Implementation Date:

Projected Revenue Increase/Cost Savings:

Pros	Cons

Notes: