

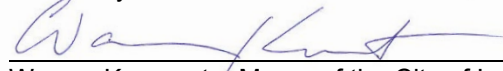
CITY OF LOS ALAMITOS

3191 Katella Ave.
Los Alamitos, CA 90720

AGENDA CITY COUNCIL SPECIAL MEETING

Monday, March 18, 2019 – 5:00 p.m.

I, Warren Kusumoto, as Mayor of the City of Los Alamitos, do hereby call a special meeting of the City Council of the City of Los Alamitos, to be held at the time and place listed above to discuss the matters listed below.



Warren Kusumoto, Mayor of the City of Los Alamitos

NOTICE TO THE PUBLIC

This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at www.cityoflosalamitos.org once the agenda has been publicly posted.

Each matter on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "for information" or "for discussion" may also be the subject of an "action" taken by the City Council at the same meeting.

Any written materials relating to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, 3191 Katella Ave., Los Alamitos CA 90720, during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting.

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made. Assisted listening devices may be obtained from the City Clerk at the meeting for individuals with hearing impairments.

Persons wishing to address the City Council on any item on the City Council Agenda will be called upon at the time the agenda item is called or during the City Council's consideration of the item and may address the City Council for up to three minutes.

1. CALL TO ORDER

2. ROLL CALL

Mayor Kusumoto
Mayor Pro Tem Murphy
Council Member Chirco
Council Member Grose
Council Member Hasselbrink

3. SPECIAL ORDERS OF THE DAY

A. Preliminary General Fund Budget for Fiscal Year 2019-20

The report provides a preliminary budget for the General Fund for Fiscal Year 2019-20.

Recommendation: Review and discuss the preliminary budget for the General Fund for Fiscal Year 2019-20 and provide direction to Staff.

4. CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) and paragraph (1) of subdivision (e) of Government Code Section 54956.9: (1 potential case).

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.



Windmera Quintanar, MMC, City Clerk
Date: March 13, 2019

City of Los Alamitos

CITY COUNCIL AGENDA REPORT

MEETING DATE: March 18, 2019

ITEM NUMBER: 3A

To: Mayor Warren Kusumoto & Members of the City Council

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

Subject: Preliminary General Fund Budget for Fiscal Year 2019-20

SUMMARY

The report provides a preliminary budget for the General Fund for Fiscal Year 2019-20.

RECOMMENDATION

Review and discuss the preliminary budget for the General Fund for Fiscal Year 2019-20 and provide direction to Staff.

BACKGROUND

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

DISCUSSION

Fiscal Year 2019-20 General Fund Budget Overview

The preliminary General Fund budget for Fiscal Year 2019-20 projects a preliminary gap of \$482,510.

Fiscal Year 2019-20 General Fund Preliminary Budget

Beginning Fund Balance	7,728,682
Add: Revenue and Transfers In	14,305,665
Less: Operating Expenditures/Transfers Out	(14,788,175)
Ending Fund Balance	7,246,172
Change in Fund Balance	\$ (482,510)

The budget gap deficit does not include any capital improvement projects in the expenditures. Historically, capital improvements are deferred in an effort to balance the

budget. No such CIP expenditures are included in the Fiscal Year 2019-20 General Fund Budget.

In September 2018, the Budget Standing Committee recommended prudently assigning \$220,000 for the PERS' Fiscal Year 2019-20 unfunded accrued liability (UAL) contribution increase. This was assigned in the Fund Balance in Fiscal Year 2017-18 to help address the increasing pension costs. Based on the direction of the Budget Standing Committee, we have not yet used this \$220,000 to reduce the funding gap so we can show the full General Fund initial structural deficit.

Fiscal Year 2019-20 General Fund Revenues

As shown below, Fiscal Year 2019-20 Preliminary Budget Revenues are projected to increase over Fiscal Year 2018-19 Budget by approximately \$688,000 to \$14,305,665.

Revenues and Transfers In	2018-19 Amended Budget	2019-20 Preliminary Budget	Increase/ (Decrease)
Property Taxes	\$ 3,872,060	\$ 4,065,220	\$ 193,160
Sales & Use Taxes	3,307,000	3,404,700	97,700
Utility Users Taxes	2,049,800	2,006,740	(43,060)
Transient Occupancy Tax	232,500	187,680	(44,820)
Franchise Fees	658,200	673,025	14,825
Licenses & Permits	1,204,450	1,527,765	323,315
Fines & Forfeitures	719,300	720,500	1,200
Investment Earnings	73,000	105,000	32,000
Revenue From Other Agencies	163,778	117,505	(46,273)
Charges for Services	866,800	995,530	128,730
Miscellaneous Revenues	70,500	72,000	1,500
Interfund Transfers	400,000	430,000	30,000
Total Revenues and Transfers In	\$13,617,388	\$ 14,305,665	\$ 688,277

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

- ❖ **Property Taxes** are projected to increase by approximately \$193,000. Based on HdL's projected increase of 3%, there is an increase in assessed valuations over the previous fiscal year's revenue for secured property taxes and property tax in lieu of VLF. Real estate transfer and supplemental taxes have been budgeted to remain flat.
- ❖ **Sales and Use Taxes** are projected to increase by \$98,000. HdL projected a slight increase of less than 0.2% when compared to 2018-19 Expected Revenues (less the one-time allocation). This flat increase has been appropriately incorporated in the Ten-Year Financial Forecast presented in October 2018.
- ❖ **Licenses and permits** are projected to increase approximately \$323,300 which is primarily based upon multiple large development projects anticipated to commence construction next fiscal year. Two multi-family

developments and tenant improvements for the 3131 Katella office project are the main contributors to the anticipated revenue increase of \$280,000. The remaining \$43,000 in additional revenue is projected for business licenses. There is an offset of \$148,000 more in contractual services for the City's building plan check and inspection services. This is reflected in the FY 2019-2020 General Fund Preliminary Budget expenditures.

- ❖ **Revenue From Other Agencies** is projected to decrease by approximately \$46,000 due to a police grant received in the prior year.
- ❖ **Charges for Services** is projected to increase approximately \$128,000. The increase is attributed to several factors- approximately \$51,000 more in sponsorships, \$28,000 increase forecasted for special event revenue, \$25,000 for increased field fee revenues, \$15,000 increase forecasted for Special Interest revenue and \$9,000 increase in Basketball and Soccer Sports revenue.

Fiscal Year 2019-20 General Fund Expenditures

As shown below, Fiscal Year 2019-20 General Fund Preliminary Budget expenditures are projected to increase over Fiscal Year 2018-19 budgeted expenditures by \$1.1 million to \$14,788,175.

Department	2018-19 Amended Budget	2019-20 Preliminary Budget	Increase/ (Decrease)
City Council	\$ 78,330	\$ 66,895	\$ (11,435)
City Manager/City Clerk	750,367	797,755	47,388
Finance	720,041	764,845	44,804
City Attorney	164,000	176,000	12,000
Police	6,290,705	6,659,155	368,450
Development Services	2,832,553	3,076,695	244,142
Recreation and Community Services	1,544,651	1,700,150	155,499
Non-Departmental	521,310	737,680	216,370
Interfund Operating Transfers	765,338	809,000	43,662
Total Operating Expenditures and Transfers	\$ 13,667,295	\$ 14,788,175	\$ 1,120,880

The changes in citywide expenditures over the prior year's budgeted expenditures are primarily due to salary and benefit costs which increased by approximately \$741,000, or 68%. Majority of the wages and benefits increase is due to full-time salaries and pension costs. The remaining expenditure increase is related to increased contractual services of approximately \$148,000 in connection with increased permit revenue (Development Services Department), an increase of approximately \$78,000 for additional contractual services for consultants (described in Non-Departmental Expenses), and increase of \$43,000 in operating transfers.

	Fiscal Year 2018-19 Budget "A"	Fiscal Year 2018-19 Estimated Actual "B"	Fiscal Year 2019-20 Budget "C"	Variance (C-A)
Personnel Costs				
Full-Time Salaries	\$ 4,780,356	\$ 4,493,281	\$ 5,115,933	\$ 335,577
Part-Time Salaries	696,383	728,896	748,967	52,584
Pension Costs	1,795,350	1,752,742	2,090,544	295,194
Other Benefits	750,933	719,002	820,758	69,825
Vacation and Sick Payouts	78,450	149,010	66,623	(11,827)
Overtime	314,825	360,271	314,425	(400)
	<u>\$ 8,416,297</u>	<u>\$ 8,203,202</u>	<u>\$ 9,157,250</u>	<u>\$ 740,953</u>

Full-time salaries has increased by approximately \$335,000 for FY 2019-20 General Fund Budget over the FY 2018-19 General Fund Budget mainly attributable to salary steps, compensation study and negotiated labor increases, and funding for a full-time Neighborhood Preservation Officer. The Fiscal Year 2018-19 budget includes a part-time Neighborhood Preservation Officer. This position assists with addressing complaints of violations of certain portions of the City's municipal code that pertain to quality of life in our neighborhoods, commercial corridors and industrial areas. The City finds a need to increase hours for this position. This position could assist the Police Department with photo red light enforcement, which is an on-going public safety need. The photo red light enforcement is currently performed by part-time reserve officers who have held these positions for approximately fifteen years and both have indicated their strong desire over the past year to leave the program. The Neighborhood Preservation Officer, with the appropriate training, can provide stability for this vital traffic safety program. By increasing the hours to a full-time position, the Neighborhood Preservation Officer would devote 30 hours per week to code compliance matters and the remainder of time to photo red light enforcement matters.

Included in the overall pension increase is an increase in the unfunded accrued liability in the amount of \$219,077. The 2019-20 Budget assumes that the City will prepay the unfunded portion of the City's pension costs, which will save the City \$43,327 and has already been reflected in amounts shown above.

Material variances from the 2019-20 Preliminary Budget are as follows:

- ❖ **City Manager/City Clerk** –The City Manager/City Clerk's FY 2019-2020 General Fund Budget increased over FY 2018-2019 General Fund Budget by approximately \$47,000, or 6%. Increase is primarily due to pensions. The pension costs in this department increased by approximately \$43,000.
- ❖ **Finance** – The Finance Department's FY 2019-20 General Fund Budget increased over FY 2018-19 General Fund Budget by approximately \$45,000, or 6%. Increase is primarily due to salary and benefits. The pension costs in this department increased by approximately \$27,000. The remaining increase is due to salaries and benefits.

- ❖ **Police** –The Police Department’s FY 2019-20 General Fund Budget increased over FY 2018-19 General Fund Budget by approximately \$368,000, or 6%, mainly attributable to increases in salary and benefits. The pension costs in this department increased by approximately \$176,000. The remaining increase is due to salaries and benefits. The 2019-20 Budget incorporated the Police Officer’s Association Memorandum of Understanding approved January 22, 2019. The 2019-20 budget assumes all current vacant positions are filled the entire year.

- ❖ **Development Services** –The Development Services’ FY 2019-20 General Fund Budget increased over FY 2018-19 General Fund Budget by approximately \$244,000, or 9%. The increase is primarily due to contractual services. There is an increase of \$148,000 in the building inspection division due to higher permit revenue, \$19,000 for the new landscaping contract with Greentek, \$11,000 more expenses for NPDES, and \$10,000 in other various contract services. There is an \$18,000 increase projected for traffic signals maintenance. The remaining increase is attributable to an increase of \$38,000 in pension costs. .

- ❖ **Recreation and Community Services** – The Recreation FY 2019-20 General Fund Budget increased over FY 2018-19 General Fund Budget by approximately \$155,000, or 10%. The increase is primarily attributable to an increase in salaries and benefits of approximately \$81,000 (\$25,000 full-time and \$56,000 in part-time wages). The part-time wages is attributable to an increase in programs of \$129,000 which are reflected in the FY 2019-2020 General Fund Revenue Preliminary Budget. The other increases in this department include \$74,000 more for Recreation events such as Fourth of July (\$17,500), Winter Wonderland (\$10,000), more in supplies for the Family Dance, Music & Movies (\$15,000), and other programs and events (\$31,500).

- ❖ **Non-Departmental** – The Non-Departmental FY 2019-20 General Fund Budget increased over FY 2018-19 General Fund Budget by \$216,000, or 42%. The increase is attributable to salaries that are accounted in this department (\$117,000) and contract services (\$79,000). See increases requested detailed below by category:

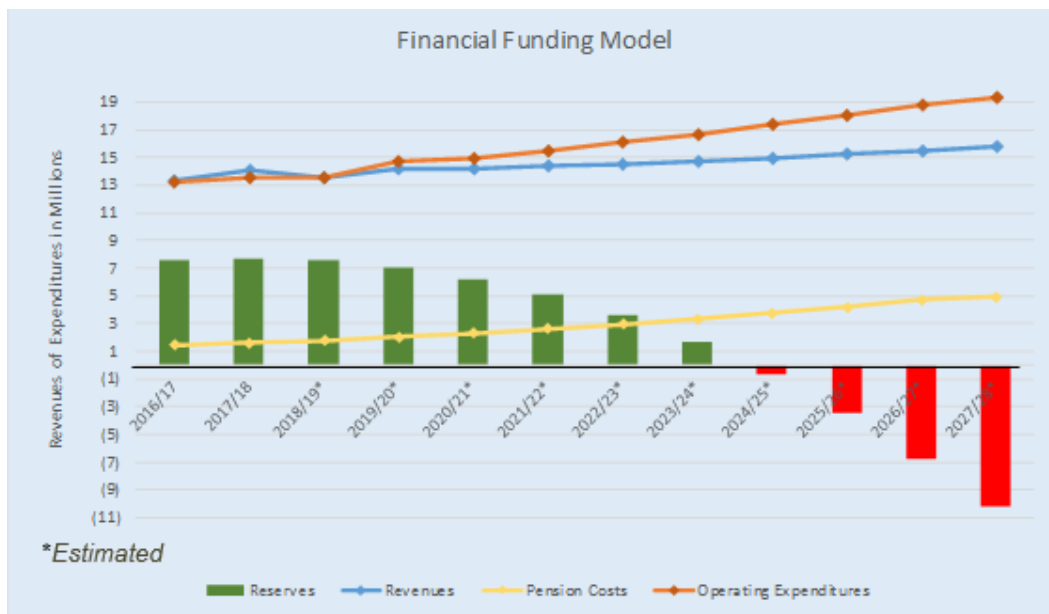
Salaries and Benefits	\$ 116,815
Contract Services	78,800
Maintenance & Operations	10,755
Retiree Health Insurance	10,000
	216,370

Salaries and Benefits increased primarily due to inclusion two positions- a part-time Fiscal Sustainability Manager and converting the Neighborhood Preservation Officer from part-time to full-time. Contract services increased due to inclusion of a community outreach consulting group that would assist the City Council, Budget Standing Committee, Fiscal Sustainability Manager, Finance Director and executive team with a long-term fiscal plan, a public-private partnership consultant budgeted to assist in determining if a public and private partnership can be developed to finance improvements or new civic center facilities, and a Waste Franchise Agreement Negotiation Consultant to assist with the upcoming waste franchise procurement process. . These increases are offset by a decrease in labor negotiations attorney costs that were budgeted in Fiscal Year 2018-19 but not needed in Fiscal Year 2019-20.

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.

TEN-YEAR FINANCIAL FORECAST



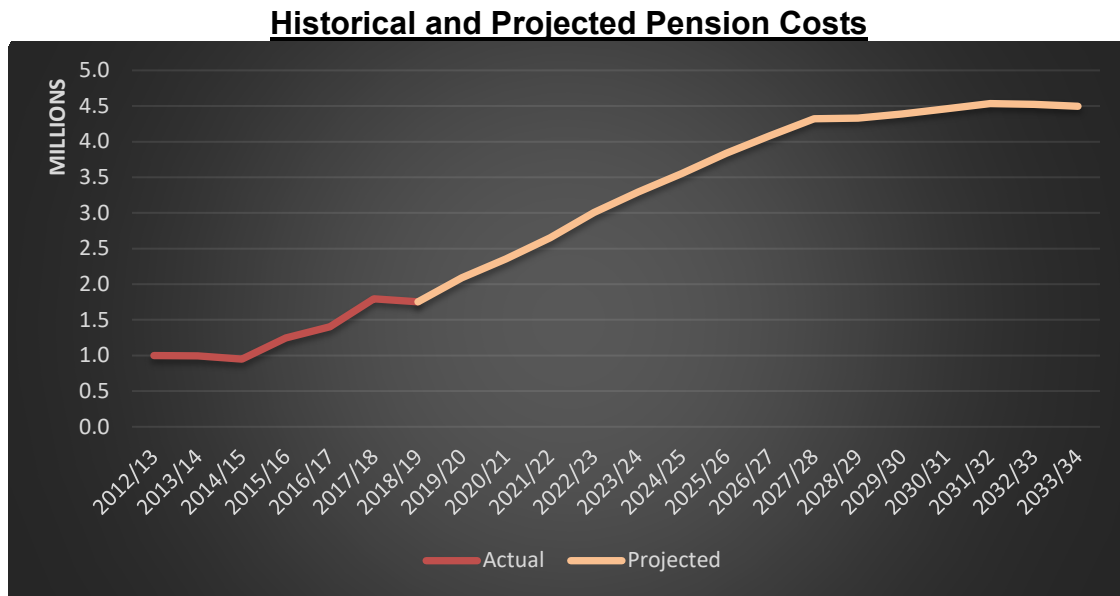
Staff has been meeting with the Budget Standing Committee and will continue to meet regularly with them to discuss the development of the Fiscal Sustainability Plan with the objective of eliminating the long-term General Fund structural deficit and providing long-term fiscal sustainability. The Budget Standing Committee has been meeting regularly with staff to discuss the development of the Fiscal Sustainability Plan with the objective of addressing the long-term General Fund structural deficit. Topics discussed included potential options to close the long-term General Fund structural deficit through increasing revenues or decreasing General Fund expenditures.

The Budget Standing Committee will provide continual updates to the City Council on the process being made. The Fiscal Sustainability Manager is scheduled to commence work at the City March 19th and the target is to start community outreach meetings in July 2019.

Pension Costs

The City is projected to pay \$2,090,544 to CalPERS in pension costs for Fiscal Year 2019-20, which includes the UAL payment of \$1,216,488. This is an overall increase of \$219,077, or 22%, from prior year’s UAL cost of \$997,411. The projected pension cost for Fiscal Year 2020-21 is approximately \$2.36 million, which will be an increase of approximately \$283,000 compared to Fiscal Year 2019-20.

As shown below, the City’s annual pension cost is projected to increase over \$3 million annually by Fiscal Year 2022-23, which is over a \$1 million increase in the City’s current annual budget expenditures. This increase would be phased-in over four years. The graph below illustrates the climbing pension costs forecasted over the next fifteen years.



FISCAL IMPACT

The FY 2019-20 preliminary budget presents an initial budget gap of \$482,510. The forecast for the preliminary 2019-20 budget is the most likely projected scenario at this time. Staff will discuss various options for closing the budget gap throughout the budget process with the Budget Standing Committee and the City Council.

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

Approved By: Bret M. Plumlee, City Manager

Attachments: 1. PowerPoint Presentation



CITY OF LOS ALAMITOS



2019-20 Preliminary General Fund Budget

Overview

2

- Review the Preliminary Budget for 2019-20 General Fund revenues and expenditures

2019-20 General Fund Budget Forecast

3

Fiscal Year 2019-20 General Fund Preliminary Budget

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2019-20 Revenue Forecast

4

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Property Taxes	\$ 3,872,060	\$ 4,065,220	\$ 193,160
Sales & Use Taxes	3,307,000	3,404,700	97,700
Utility Users Taxes	2,049,800	2,006,740	(43,060)
Transient Occupancy Tax	232,500	187,680	(44,820)
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Investment Earnings	73,000	105,000	32,000
Revenue From Other Agencies	163,778	117,505	(46,273)
Charges for Services	866,800	995,530	128,730
Miscellaneous Revenues	70,500	72,000	1,500
Interfund Transfers	400,000	430,000	30,000
Total Revenues and Transfers In	\$13,617,388	\$ 14,305,665	\$ 688,277

2019-20 Expenditure Forecast

5

Department	2018-19 Amended Budget	2019-20 Preliminary Budget	Increase/ (Decrease)
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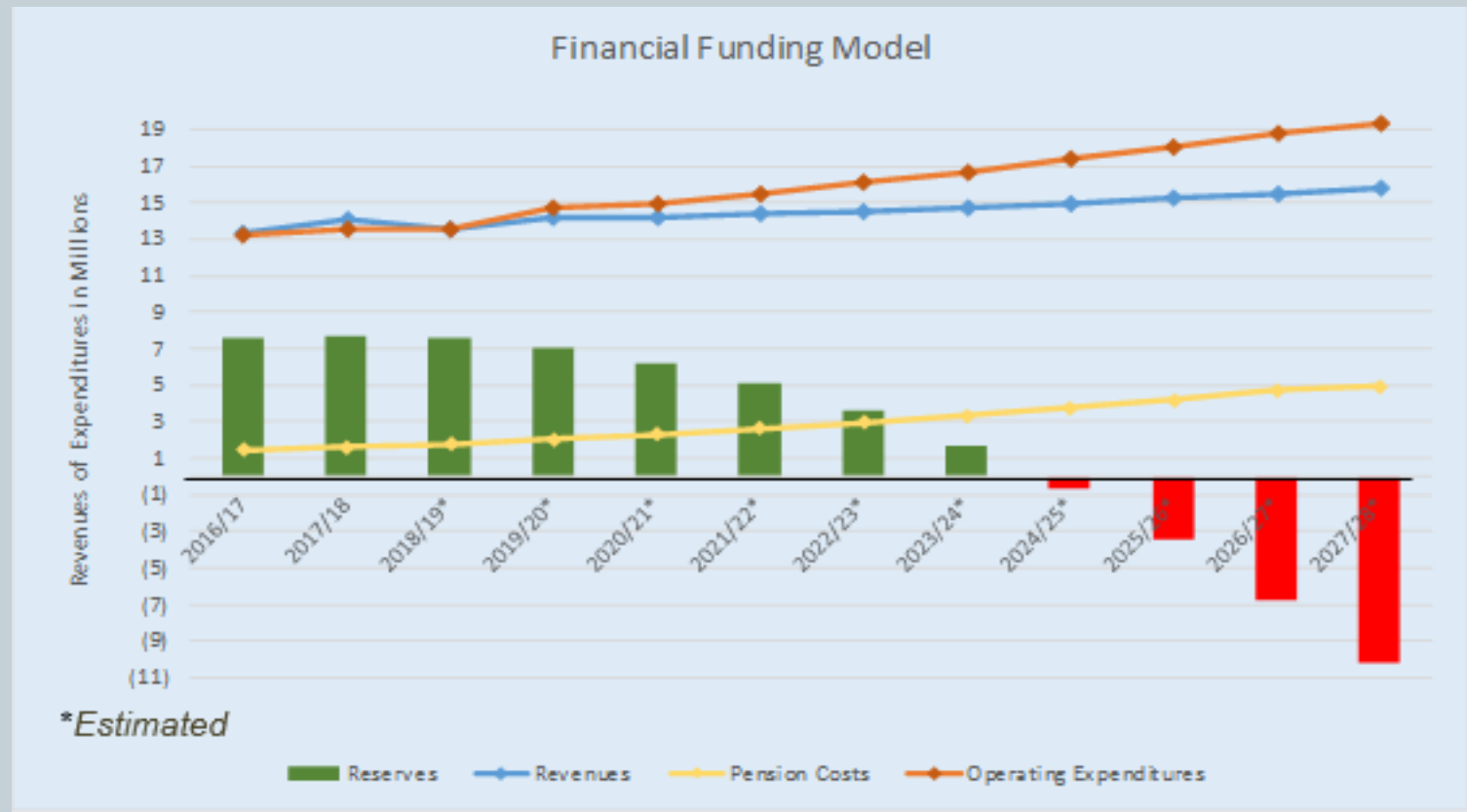
2019-20 Expenditures

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- \$1.1M increase in expenditures primarily due to:
 - Salaries and Benefits - \$741k increase
 - ✦ \$295K increase in pension costs
 - \$220k Increase in PERS UAL payment
 - ✦ Full-Staffing in 2019-20
 - ✦ Includes a new Full-time Neighborhood Preservation Officer position and Part-Time Fiscal Sustainability Manager
 - ✦ MOU Increases
- Budget workshops on April 8th and 15th will provide an overview of each department's budget and how those dollars are used to serve the community.

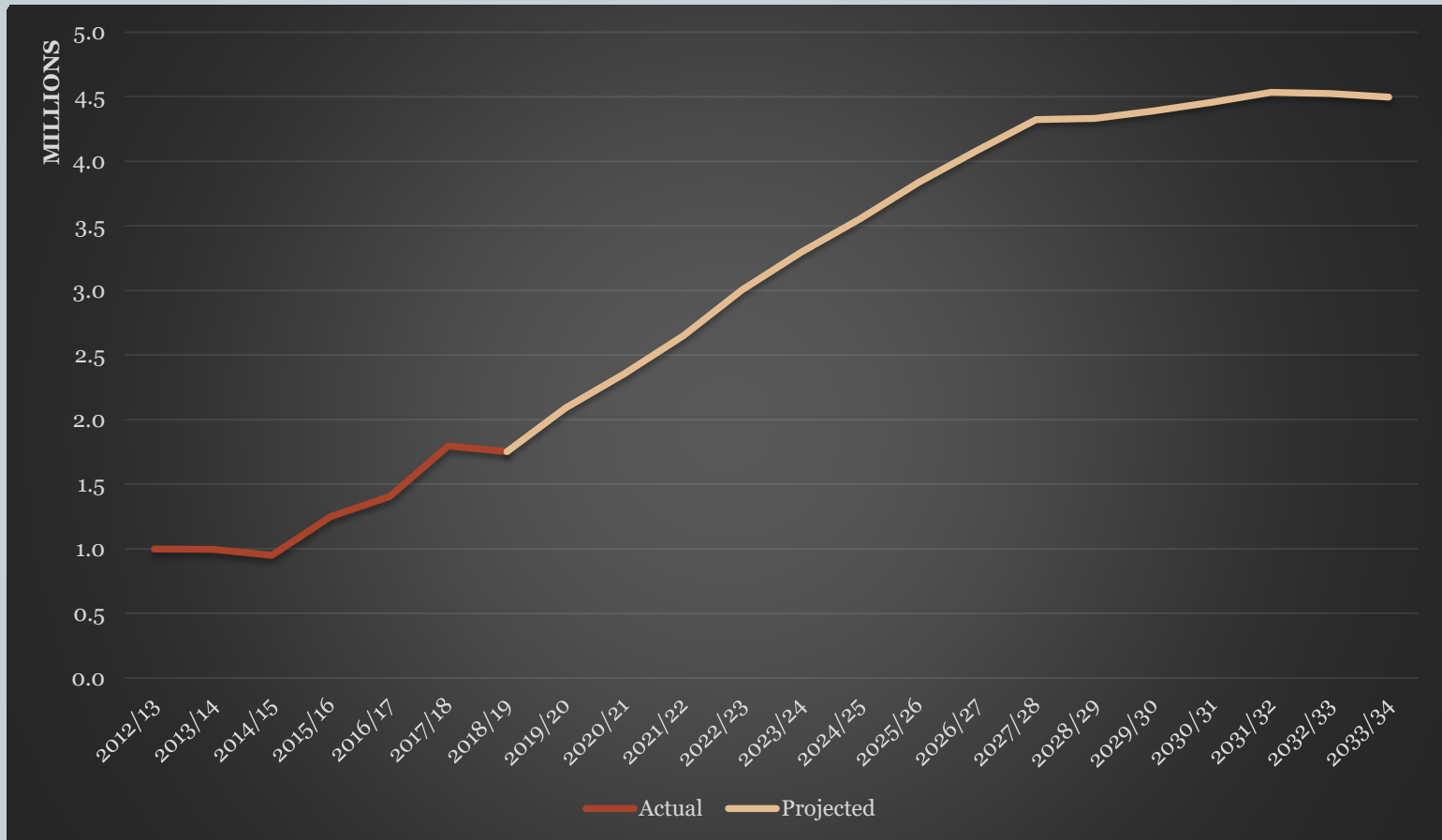
Ten Year Financial Forecast

7



Historical and Projected Pension Costs

8



Staff Recommendations

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1. Review the preliminary General Fund budget for Fiscal Year 2019-20 and direct staff regarding potential gap closure items.