

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Monday, August 12, 2019 – 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 July 22, 2019

4. DISCUSSION ITEMS

A. Review of Fiscal Sustainability Pros & Cons Lists (Finance)

Recommendations:

1. Review and approve the Fiscal Sustainability Pros and Cons Lists of budget and finance options created and evaluated during the 2019-20 Budget process.

2. Direct staff to present to the City Council the Budget Standing Committee report of the Pros and Cons list.

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.

Eric Hendrickson

Eric Hendrickson, Finance Director

08/8/19

Date

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

SPECIAL MEETING Monday, July 22, 2019 – 6:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 6:00 p.m., Monday, July 22, 2019, 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
Eric Hendrickson, Finance Director
Chris Karrer, Police Captain
Les Johnson, Development Services Director
David Cain, Fiscal Sustainability Manager

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 7, 2019

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. Review of 115 Trust Investment Options and related items

The Budget Standing Committee reviewed and discussed the opening of a Section 115 Trust. Representatives from PARS and HighMark were available to present their materials and answer any questions. Discussion occurred about possible dates for funding the trust assets based on maturity dates of the City's General Fund investments and cash flow needs. Discussion ensued about revising the City's Reserve Policy to allow for a Section 115 Trust.

B. Community Priority Survey Focus and Community Meetings

The Budget Standing Committee reviewed and discussed sample survey questions to determine what key areas the City should focus on during the formal community survey. Discussion occurred about the evaluation of future community stakeholder meetings and identifying community patriots.

C. Discussion Item – Pros and Cons List related to Fiscal Sustainability

The Budget Standing Committee directed staff to bring forth at the next meeting the pros and cons lists previously assembled during the Annual Budget process for FY 2019-20.

5. ADJOURNMENT

The Budget Standing Committee adjourned at approximately 7:30 p.m.

Eric Hendrickson, Finance Director

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: August 12, 2019

ITEM NUMBER: 4A

To: Budget Standing Committee Members

Presented By: David D. Cain, Fiscal Sustainability Manager

Subject: Fiscal Sustainability Pros and Cons Lists

SUMMARY

The Budget Standing Committee and Staff compiled detailed pros and cons lists of potential ideas related to addressing fiscal sustainability challenges during the 2019-20 Budget Process.

RECOMMENDATIONS

Review the full list of pros and cons and recommend sending a full report to the City Council at the next regular meeting.

BACKGROUND & DISCUSSION

At the July 15, 2019 City Council meeting, Committee member Hasselbrink discussed the possibility of publishing the pros and cons lists of potential ideas related to fiscal sustainability.

The City of Los Alamitos has been proactively developing a long term fiscal sustainability process to endure that the City can maintain essential City services utilizing ongoing revenues to cover ongoing costs. Over the last year, City staff has worked closely with the Council Budget Standing Committee to review all the pros and cons of cost cutting and revenue enhancement opportunities.

A ten year mid-term financial plan was developed that showed the City's General Fund would run out of cash in just a few years and a structural budget deficit would grow to over \$3.4 million dollars per year without the City taking extraordinary measures to mitigate the projected budget shortfall. Without significant changes to revenue enhancements or expenditure reductions, it would eliminate the City's ability to maintain the required designated reserves in the City's General Fund.

The current Council policy requires emergency reserves of 25% of General Fund appropriations. These fund balances are actually used by the City to deal with uneven cash flow due to the varied timing of property tax revenues and other city revenues. Without changes to the currently reserve policy it precludes the City from utilizing the

“emergency reserves” to balance the budget even in the short term and will have impacts on cash required to fund day-to-day operations.

The City has already taken steps to cut costs including the reduction of a variety of City programs and services and reducing full time staff by 25 employees over the last ten years. The City has been faced with the reduction of revenues due to State of California taking property taxes (Cumulative \$12.3M or \$770,000 on going per year), not reimbursing the City for mandated programs and imposing other State legislative requirement on the City. Another contributing factor to the City’s financial challenges is the ongoing costs that are out of the City’s control including increased costs to providing City services and the payment the unfunded and ongoing pension and OPEB obligations due to CalPERS changes in a variety of actuarial retirement plan assumptions.

The detailed pros and cons lists includes potential reductions to expenditures and options for revenue enhancement. The options include reducing citywide maintenance and residential paving projects; reducing tree trimming and city mowing; reducing or eliminating senior, park and special event programs; eliminating the SRO, crossing guards, explorer programs; and reducing the number of motor officers. Also, there will be a delay or elimination in \$60M of construction and city facility maintenance projects. There is a possible contracting out of recreation, planning and public works programs. Revenue enhancement options include adjustments of sales tax, implementation of a parcel tax or increase in existing Hotel Bed Tax and Utility Users Tax.

General Fund Budget and Reserves Overview:

The General Fund currently has a \$14.4M operating budget which provides funding for the many essential City services and programs provided its residents and business community. The City has adopted a balanced budget for Fiscal Year 2019-20 but not without making many difficult decisions, including freezing positions, delaying hiring, deferring replacement of equipment and infrastructure. Limits on raising revenue have hampered efforts to maintain structurally balanced budgets.

Over the next ten years it is estimated there will be a growing annual structural budget deficit which will reach \$3.4M in 2028-29. The City will have exhausted all cash by Fiscal Year 2024-25. The City will need to update the GF reserve policies to address the funding of the 115 Trust for utilization of money reserves for pension and OPEB obligations. As stated at the time of the 2019-20 budget adoption, “the City of Los Alamitos is not fiscally sustainable in the long run” without making some significant changes to ongoing revenues required to fund essential ongoing City services, programs and projects.

The City’s budget policy requires a balanced budget, meaning annual budgeted expenditures should not exceed budgeted revenues. Deficit spending means the City must tap into reserves to bridge revenue shortfalls or reduce essential City Services. In addition to a budget policy, the City gauges its General Fund as a benchmark tool to assess financial performance and sustainability.

The City also has adopted City Council reserve policies including non-spendable, restricted, committed and assigned reserves. The only reserves which could be used for “balancing” a given budget is the “unassigned” balance which is less than \$50k as of June

30, 2018. In order to maintain targeted reserve levels in accordance with the adopted policy, further service cuts will be required or revenue enhancement measures need to be considered starting in Fiscal Year 2020-21. Doing nothing is not an option for the City going forward.

FISCAL IMPACT

There are two options to begin to address the forecasted annual structural budget deficits:

1. Make major cuts to essential programs and services currently provided to the community, including level of public safety services, senior and youth programs, public works activities, street and park maintenance, capital projects and other essential programs. However, these cuts alone will not address the ongoing long term structural budget deficit.
2. Enhance revenues, including consideration of extraordinary revenue measures, including a one-percent sales tax. Raising the Transient Occupancy Tax (Hotel Bed Tax) rate and/or Utility Users Tax or implementing paid parking meters by themselves, without considering significant additional revenue enhancements, will not solve the projected budget deficit.

Submitted By: David D. Cain, Fiscal Sustainability Manager

Reviewed By: Eric Hendrickson, Finance Director

Approved By: Bret M. Plumlee, City Manager

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: REDUCE MAINTENANCE & OPERATIONS IN EACH DEPARTMENT
Type: Expenditure Savings

Short Summary: A difficult decision to make in order to create a smaller deficit for the Ten-Year Financial Forecast is to have each department reduce their maintenance & operations budget. The City has analyzed each department's budget and a straight percentage or dollar amount cannot be realistically eliminated from each department's budget, therefore we have presented options by category.

Maintenance & Operations Category	Potential Annual Savings
1 Travel & Training	\$ 39,600
2 City-sponsored events (Commissioner Appreciation, Employee Service Awards)	7,650
3 Supplies Expense reduced by 5%	11,900
Total	59,150

Ballot Measure: N

Election Date: N/A

Implementation Date: Every budget year

Projected Revenue Increase/Cost Savings: Cost savings range from \$7,650 to \$59,145

Pros	Cons
Fiscal Impact: Generate up to \$59,000 in expenditure savings	While not ideal, the City could consider eliminating all travel and training, with the exception of mandatory training of police officers. This would significantly impact the ability to develop skills and professional growth of our employees
Another consideration in this category is the elimination of Commissioner Appreciation and Employee Service Awards, which would generate \$7,650 in annual savings.	Loss of network and appreciation gesture for Commissioners and employees.
Supplies could be reduced by 5%, which would generate \$11,900 in annual savings	There would be less resources available to staff and make stress constraints
	Effect decreased employee morale

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: ELIMINATION OF SENIOR PROGRAM
Type: Expenditure Savings

Short Summary: Eliminate Recreation & Community Services Departments' Senior Programs

- Senior Lunch & Bread Donation Program (Dine In & Dough House) - \$10,000
- Senior Club Staff Support - \$5,312
- Senior Club Breakdown - \$1,989
- Senior Grocery Program - \$7,521
- Senior Prom - \$500
 - Total savings - \$25,322

Savings include supplies, staffing costs, vendor fees, and sponsorships associated with each event.

Ballot Measure: NO

Election Date:

Implementation Date: TBD

Projected Revenue Increase/Cost Savings: Cost savings of \$25,322

Pros	Cons
Savings of \$25,322	Sponsorship loss from Senior Club for Spring Carnival, Trunk or Treat, Senior Prom=\$1,200, and \$1,200 towards the Lunch Program
	Eliminates programs that provide seniors social, active and engagement in their community as the City is the only program and Community Center offering Citywide services to older adults
	Removes a program that helps seniors who cannot afford groceries on a limited income
	Lose the Senior Club of nearly 200 members
	Lose \$5,000 in revenue per year generated by the Bread Program
	Eliminates a program that provides a low cost meal to seniors and provide them an atmosphere to socialize
	Eliminate programs for a rapidly increasing population. By 2030, all baby boomers will be older than age 65. This will expand the size of the older population so that 1 in every 5 residents will be retirement age

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: ELIMINATION OF SUMMER PARKS PROGRAM
Type: Expenditure Savings

Short Summary: Eliminate Recreation & Community Services Departments' Summer Parks Program

- Staffing & Benefits - \$26,154
- Supplies - \$1,000
- Excursions - \$5,920
 - Total savings - \$33,074

Savings include supplies, staffing costs, vendor fees, and sponsorships associated with each event.

Ballot Measure: NO

Election Date: N/A

Implementation Date: TBD

Projected Revenue Increase/Cost Savings: Cost savings up to \$33,074

Pros	Cons
Savings up to \$33,074	Sponsorship loss of \$1,750 (Southland Credit Union)
	Remove supervision of over 2,000 participants for 9 weeks of summer
	Remove safe alternative for families who cannot afford Day Camp or Day Care
	Eliminate activities for youth to stay out of trouble while on summer break
	Eliminate opportunities for kids to be able to go on free excursions that they could not otherwise afford
	Eliminates a program that provides children ages 5-12 years old a place to socialize and stay connected with other children, receive physical activity, and to receive recreational and enrichment activities.

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: ELIMINATION OF RECREATION SPECIAL EVENTS
Type: Expenditure Savings

Short Summary: Eliminate Recreation & Community Services Departments' Special Events.

- Trunk or Treat - \$5,900
- Spring Carnival - \$5,900
- Music & Movies Event Series - \$8,964
- Weekend of Art - \$5,873
 - Total savings - \$26,637 net

Savings include supplies, staffing costs associated with each event.

Ballot Measure: NO

Election Date: N/A

Implementation Date: TBD

Projected Revenue Increase/Cost Savings: Cost savings up to \$26,637 net

Pros	Cons
Trunk or Treat – net cost savings of \$5,900	Sponsorship loss of \$2,000 (AYSO) Event hosts approximately 3,000 people <ul style="list-style-type: none"> • Safe alternative for families to celebrate Halloween.
Spring Carnival – net cost savings of \$5,900	Sponsorship loss of \$2,000 (AYSO) Event hosts approximately 2,500 people
Music & Movies Event Series – cost savings of \$8,964	Sponsorship loss of \$1,500 (Randy Hill) Community Event as each event is targeting a specific Los Alamitos neighborhood. <ul style="list-style-type: none"> • Little Cottonwood Park – Apartment Row and Suburbia • Sunburst Field at the Joint Forces Training Base – Apartment Row and Carrier Row • School District Field – Greenbrook, Woodcrest, College Park North • Orville R. Lewis Park – Highlands and Old Dutch Haven
Weekend of Arts - \$5,873	Eliminate a cultural art element from the City
	Loss of marketing avenues for sponsors and “Quality of Life” partnership program.

	Loss of Community events that serves over 7,000 people
	Loss of marketing/selling of items for the local community businesses and non-profits

Notes:

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CITY OF LOS ALAMITOS
 FINANCIAL SUSTAINABILITY PLAN

Idea Title: CONTRACT OUT RECREATION & COMMUNITY SERVICES DEPARTMENT
Type: Expenditure Savings

Short Summary: Contract out Recreation & Community Services Department

Ballot Measure: NO **Election Date:** N/A

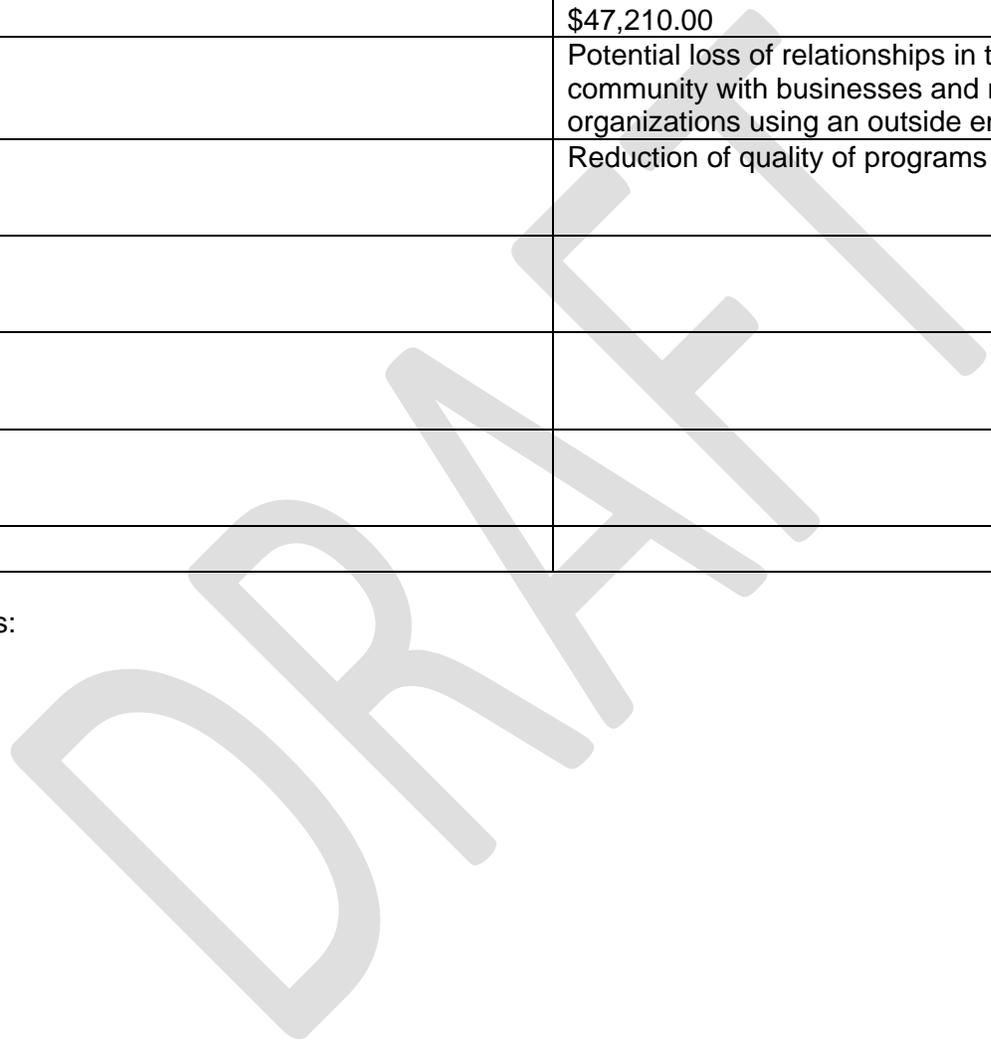
Implementation Date: TBD

Projected Revenue Increase/Cost Savings: \$0

Pros	Cons
None	<p>Staff contacted City of Long Beach Parks, Recreation & Marine to see about the cost of contracting out the entire Los Alamitos Recreation and Community Services Department. Long Beach staff said they would be unable to contract out the entire department. They indicated they may be able to assist with contract classes and sports, but the overhead would be too high and they do not have the staff to be able to handle absorbing everything the department offers. Their department also does not do special events. There is another department in the City of Long Beach who produces events.</p>
	<p>Staff contacted a private special events company to see how much it would be to produce one of the Department’s smaller special events Spring Carnival. The cost was five times the cost at \$32,059 without marketing and sponsor solicitation, compared to \$5,900 that it costs the City in-house to do, including marketing and sponsor solicitation.</p> <p>Staff received another quote from a different private events company and the total costs to plan and execute all the City’s Recreation events totaled \$366,216 not including all event supplies and contracted services.</p> <p>Individual event prices are below: Price for Spring Carnival: \$32,080.00 Price for 4th of July Event: \$93,214.00 Price for Senior Prom Event: \$12,332.00 Price for Race Base – 2 Day Event: \$37,931.00</p>

	Price for Weekend of Art – 2 Day Event: \$16,135.00 Price for Love Los Alamitos – 2 Day Event: \$15,297.00 Price for Family Dance School Fundraiser Event: \$32,453.00 Price for 4 Music and Movies Events: \$52,066.00 Price for Trunk or Treat Event: \$27,498.00 Price for Winter Wonderland Event: \$47,210.00
	Potential loss of relationships in the community with businesses and nonprofit organizations using an outside entity.
	Reduction of quality of programs and events

Notes:



CITY OF LOS ALAMITOS
 FINANCIAL SUSTAINABILITY PLAN

Idea Title: Eliminate School Resource Officer (SRO)
 Revenue Enhancer/Expenditure Reduction/Other

Short Summary: The Police Department currently has a sworn police officer assigned and trained to provide School Resource Officer (SRO) services to the Los Alamitos School District. The officer is a liaison between the Police Department and the District, provides counseling to reduce incidents of crime and substance abuse, and is a visible deterrent to threats against local school students, staff, and property. The Police Department currently funds 45% of the fully burdened costs of the officer, the District funds 30%, and the City of Seal Beach funds the remaining 25%.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: FY 2021/22

Projected Revenue Increase/Cost Savings: Cost savings is anticipated to be \$56,175, which represents the portion funded by the City of Los Alamitos.

Pros	Cons
Estimated cost savings of approximately \$56,175	Elimination of enhanced, dedicated police services to the Los Alamitos School District
	Reduced presence on the High School and other campuses
	Reduction of public safety oriented counseling to the students and staff in the District
	Reduction in intelligence gathering in order to provide crime prevention efforts for student safety
	Reduction in opportunities to build positive relationships with students and staff
	Reduction in ability to enhance physical safety on school campuses
	Reduces ability for proactive policing and crime prevention activities, and supports a return to a reactionary style of policing contrary to modern standards

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: Eliminate Motor Officer
Revenue Enhancer/Expenditure Reduction/Other

Short Summary: The Police Department currently has a sworn officer dedicated as a motor officer specializing in traffic enforcement, safety, and collision investigation. The officer's primary duty is traffic enforcement of violations of primary collision factors in impacted areas. In addition, their perspective and experience allows them to provide education to motorists and the public, and provide support to engineering efforts for our roadways.

Ballot Measure: Y/**N**

Election Date: N/A

Implementation Date: FY 2021/22

Projected Revenue Increase/Cost Savings: Cost savings is anticipated to be \$129,250 in the elimination of the position.

Pros	Cons
Estimated cost savings of approximately \$129,250	Elimination of dedicated traffic safety enforcement asset
	Elimination of tool to address specific traffic hazard issues, especially in highly impacted roadways
	Elimination of specialized resource for public and traffic engineering education and input
	Reduces ability for proactive policing and prevention activities, and supports a return to a reactionary style of policing contrary to modern standards

Notes:

CITY OF LOS ALAMITOS
 FINANCIAL SUSTAINABILITY PLAN

Idea Title: Eliminate Crossing Guard Program
 Revenue Enhancer/Expenditure Reduction/Other

Short Summary: The Police Department currently contracts with an outside vendor to provide professional crossing guard services. This includes the human resource support, supervision, and liability for the program, which encompasses six crossing points with seven guards during the school year and briefly during summer school.

Ballot Measure: Y/**N**

Election Date: N/A

Implementation Date: FY 2021/22

Projected Revenue Increase/Cost Savings: Cost savings is anticipated to be \$82,000 in contractual services.

Pros	Cons
Estimated cost savings of approximately \$82,000	Reduces role of Police Department in supporting student safety before and after school
	Eliminates tool for enhanced safety of student pedestrians at highly impacted intersections

Notes:

CITY OF LOS ALAMITOS
 FINANCIAL SUSTAINABILITY PLAN

Idea Title: Eliminate Explorer Program
 Revenue Enhancer/Expenditure Reduction/Other

Short Summary: The Police Department currently sponsors a Police Explorer post where teens have an opportunity to explore the law enforcement profession under the supervision of trained police officers, certified to be advisors. Teens learn about aspects of the profession, receive training to assist them in pursuing related careers, and they provide volunteer hours in support of the Department and City. The program is supported by a BSCC disbursement for the support of teen diversionary programs, and the funds could be used for other BSCC appropriate training and programs.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: FY 2021/22

Projected Revenue Increase/Cost Savings: Cost savings is anticipated to be \$8,000

Pros	Cons
Estimated cost savings of approximately \$8,000	Reduces the Department's ability to support youth who are interested in the law enforcement profession
	Reduces the Department's engagement with teen youth and divert their interests from negative influences towards positive action
	Reduces the Department's ability to develop a pipeline of future candidates for local public safety positions
	Reduces ability for proactive activities, and supports a return to a reactionary style of policing contrary to modern standards

Notes:

CITY OF LOS ALAMITOS
 FINANCIAL SUSTAINABILITY PLAN

Idea Title: DISCONTINUE GENERAL FUND SUBSIDY TO RESIDENTIAL PAVING PROJECTS

Type: Expenditure Savings

Short Summary: The Fiscal Year 2018-2019 Gas Tax revenue budget is \$292,000, which does not include SB1 funds. Approximately \$185,000 is transferred from this Gas Tax budget to the General Fund for streets maintenance, and the remainder is budgeted for other street projects. In Fiscal Year 2018-19, street projects include Median Islands drought tolerant plants, rehab/crack seal budget, street markings/stripping, tree planting, and replacement of overhead street signs at intersections. If these other projects were eliminated, then the remainder of \$107,000 could be transferred back to the General Fund for street maintenance and operations.

Ballot Measure: N

Election Date: N/A

Implementation Date: Every budget year

Projected Revenue Increase/Cost Savings: Up to \$107,000

Pros	Cons
Fiscal Impact: Increase General Fund transfer in revenue by \$107,000	This will delay projects included in the 7-Year CIP- such as the city-wide catch basin installation, ADA curb repairs, and/or alley improvements that are projected in the upcoming years to be funded with gas tax revenue

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: Reduce Servicing Parks Restroom
Type: Expenditure Savings

Short Summary: Parks restrooms are currently open daily and are serviced by Public Works. Restroom use is consistent with park activity, which is heavy throughout the year. Reducing availability of restrooms to three days/ week would result in an annual cost savings of approximately \$12,000.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: Fiscal year 2021/22

Projected Revenue Increase/Cost Savings: Reducing restroom service from seven to three days/ week would result in an annual cost savings of approximately \$12,000.

Pros	Cons
Estimated cost savings of approximately \$12,000	Restrooms closed four days/ week
	Negative impact to park users with no other public restrooms available nearby
	Likely to reduce park use
	Likely to impact reservations

Notes:

CITY OF LOS ALAMITOS
 FINANCIAL SUSTAINABILITY PLAN

Idea Title: Eliminate or Reduce Mowing City-wide
Type: Expenditure Savings

Short Summary: The City currently contracts out for mowing and landscape services of City-owned facilities, parks (excluding McAuliffe Field), median islands and certain arterial parkways. In considering the annual contract and staff expense, there is a potential savings of approximately \$83,000 if this were eliminated. However, a certain amount of maintenance is necessary in order to ensure a certain aesthetic exists and to minimize increasing risk and liability. For example, mowing could be reduced from weekly to every other week, which could result in an annual cost savings of approximately \$25,000 to \$30,000.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: Fiscal year 2021/22

Projected Revenue Increase/Cost Savings: Reducing mowing service from once a week to every other week would result in an estimated annual cost savings of approximately \$25,000 to \$30,000. \$83,000 savings if mowing were eliminated city-wide, however there would be an upfront cost to convert all grass to an alternative.

Pros	Cons
Estimated cost savings of approximately \$25,000 to \$30,000.	Negative aesthetic impact resulting from reduced lawn maintenance
	Potential increase in risk and liability, especially in parks
	Potential staff resource impact due to increased need to address turf maintenance issues

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: Reduction in Annual Tree Trimming Services

Idea Type: Expenditure Savings

Short Summary: The City currently maintains all street trees. Street trees are trimmed every three years. Annual street tree trimming service is conducted with approximately 1/3 of street trees being trimmed. Due to many street trees being immediately adjacent to residential units, many residents have great interest in the maintenance of street trees.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: Fiscal Year 2021

Projected Revenue Increase/Cost Savings: Eliminating the annual tree trimming would result in an expenditure savings of approximately \$67,000. Extending the trimming cycle to every four years would reduce the annual cost by approximately \$15,000.

Pros	Cons
Estimated cost savings of approximately \$15,000	Cannot eliminate annual tree trimming due to City's obligation to maintain street and park trees.
	Deferring trimming one additional year when trimming should be done every other year
	Risk of damage to trees and property
	Higher potential for loss of trees
	Estimated savings could be absorbed by cost of tree replacement and/or property damage
	The tree trimming budget addresses trees in City parks and most street trees. Most street trees are within public rights of way and are the City's responsibility to manage. Trimming back dead branches or useless shooters lessen the potential risk of fire, conflict with electrical and overhead utility lines as well as the breaking of branches or loss of a tree. Lack of maintenance will increase the City's risk and liability as well as result in an increase in mature tree loss.
	If City were to take out all trees, the tree trimming expenditure cost would be reduced by \$67,000.

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: ELIMINATION OF PARTNERSHIP FOR CHAMBER EVENTS
Type: Expenditure Savings

Short Summary: Consider reduction or elimination of subsidy with the Chamber for the State of the City, Police Appreciation Luncheon, and Winter Wonderland. All of these events are co-sponsored events in which the City partners with the Chamber. The following imposed costs have been identified per event:

	Program Name	Potential Annual Savings
1	State of the City	\$ 20,025
2	Police Appreciation Luncheon	11,800
3	Winter Wonderland	24,800
	Additional Revenue from Republic per contract	3,500
	Total	60,125

Ballot Measure: N

Election Date: N/A

Implementation Date: Fiscal Year 2019-20

Projected Revenue Increase/Cost Savings: Up to savings of approximately \$60,125 annually

Pros	Cons
Fiscal Impact: Generate up \$60,125 in savings	Chamber relies on the City's assistance and subsidy of these events. The funding makes up a significant portion of their budget and would have a negative impact on the Chamber's budget.
More available time of full-time City staff to accomplish other projects/goals	Loss of collaboration with the Chamber
	Loss of marketing avenues for sponsors and partnership programs.

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: Sworn Captain versus Civilian Manager

Idea Type: Expenditure Savings

Short Summary:

In May of 2019, Captain Connolly will be retiring after 25 years of service to the City. There has been a question regarding if the backfilling of that position could be better served with a Civilian Manager, which had been the previous model up until 2015. The recommendation is to not reclassify the Services Division Sworn Captain to a Civilian Manager for the reasons listed below. The bottom line is that the only benefit is that it saves some money but does not improve workflow or lean out the process or roles of that position.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: May of 2019

Projected Revenue Increase/Cost Savings: \$56,700 (Salary/Benefits)

Pros	Cons
Saves money approximately \$56,700 in Salary and Benefits	Civilian Managers cannot supervise sworn personnel. They have not completed a police academy nor have they typically completed any of the POST requirements and training to be a Sworn Police Manager. They would only handle the administrative responsibilities of a police department
	This would negatively impact the succession planning and development of the next Chief of Police as the opportunity to cross train the Captains would be eliminated. (Typically the Operations Captain would rotate into the Services Captain position after three years to learn both sides of the police department.
	This would also impact recruitment and retention as we would have fewer opportunities for promotions in the 30+ year careers of growing numbers of PEPRA Police Officers
	The difficulty of recruiting any civilian with the level of law enforcement experience or understanding about police operations who would possess such administrative skills is great, and their numbers are extremely rare. Their role is generally very narrow and limited and in much larger agencies they only operate in the non-sworn side of the police department. Our current Services Captain

	operates in both the sworn and non-sworn (civilian) side of the police department.
	In terms of redundancy for training, vacations, illness, emergency situations, or law enforcement critical incidents, having two sworn captains who have operational experience, state certification to enforce the law, the appropriate leadership training to command, and the ability to arrest and use force (even lethal force) would be dangerously and severely impacted by civilianizing a police management position for a 24/7 operation.

Notes:

The police department is a 24/7 operations, which is to say that unlike any other department within the City it never closes its doors or goes dark for 15 hours a day or the entire weekend and/or holidays. So essentially we are operating 3 different departments with only one Director and two Managers although the management team does work together on the same days and times they are all subject to answering calls for advice, consent, and critical incident briefings 24/7. By dividing the work of the police department into two separate Divisions (Services and Operations) it allows the most tried and true and logical allocation of resources for the appropriate management and supervision of programs and personnel.

The Services Captain has less personnel to directly supervise (1-Sergeant and 2-Detectives and 2-Fulltime Records Specialist and several part time employees to include the Investigations Bureau, Records, Property & Evidence) the lion share of their time is spent managing the department budget, procurement and contractual obligations.

The Operations Captain has the greatest amount of personnel to directly supervise and fall under his purview (4 Sergeants, 4 Corporals who directly supervise 10 patrol officers). Although the Operations Captain directly manages a few important programs related to police operations a significant amount of their time is spent leading, training, mentoring and developing the actual people who are providing the high level of police service.

In Orange County the City of La Palma is the only municipal police department that operates with a Chief, one sworn manager and one civilian manager.

The only pro is that it is cheaper. And actually not a whole lot. I am working on numbers for the comparison between promoting from within versus hiring outside for a civilian manager. Just so you know we do get some salary savings from promoting from within as we start a lower step

captain, a lower step sergeant and add a new A step officer. I will tell you that the ballpark figure in going with a Civilian Manager is roughly about 57K without including the other listed items that I have yet to calculate but I am guessing it would bring it down about 10 to 15K less of a savings. I will work on this issue. But when you think what we presented to the SBC of our original program cuts equaling \$273,000 (Which essentially includes the SRO Officer) plus this \$57,000 you get less than 10% of the \$3.5 million budget gap and wind up with a police department undermanaged (higher risk of lawsuits internally and externally) that is only officer core level services (Patrol and Detectives) nothing else and an inability to properly oversee EOC and Disaster Preparedness duties. Based on Los Alamitos previous Civilian Manager Model it is estimated by Finance that the Salary and Benefits would be 137, 800. The fact that Los Alamitos Police Captains are the second lowest paid Captains in the County of Orange their total salary and benefits is approximately \$194,500, which a personnel cost savings of \$56,700.

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: CONTRACT PLANNING DIVISION SERVICES

Idea Type: Expenditure Savings

Short Summary: Planning Services currently administered by in-house staff, primarily served by the Associate Planner and Development Services Director. Office counter hours are 7:30AM-10:00AM, consistent with the Building Division. The Associate Planner does field telephone calls and conduct meetings outside of office hours. The Associate Planner also provides staff support to other functions, such as managing the City's CDBG and NPDES programs. Planning services could be performed with contract staff. However, do so will likely limit staff availability as well as impact the CDBG and NPDES programs.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: Fiscal Year 2021/22

Projected Revenue Increase/Cost Savings: Cost savings is anticipated from contracting out Planning services, which is estimated to be approximately \$40,000 annually.

Pros	Cons
Estimated cost savings of approximately \$40,000	Loss of availability of staff to engage with customers, residents and business owners during business hours
Reliance upon competent staff	Loss of in-house resources to facilitate CDBG and NPDES programs
	Loss of institutional knowledge and consistency with in-house staff
	Potential for overall service level impact

Notes:

CITY OF LOS ALAMITOS
 FINANCIAL SUSTAINABILITY PLAN

Idea Title: CONTRACT SERVICES FOR PUBLIC WORKS

Idea Type: Expenditure Savings

Short Summary: Public Works is currently administered by an in-house staff of 7 full-time and 2 part-time staff. The team performs a variety of services and functions for the City, including street maintenance, building/facilities maintenance, vehicle fleet maintenance (Public Works and Police vehicles), and Parks maintenance. Staff operations are primarily during standard weekday hours with on-call staff available 24/7. The annual personnel expense for Public Works is approximately \$980,000. Utilization of contract versus in-house staff is anticipated to result in a cost savings of less than 10%.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: Fiscal Year 2021/22

Projected Revenue Increase/Cost Savings: Cost savings is anticipated to be less than 10% of the current \$980,000 budget, no greater than \$98,000.

Pros	Cons
Estimated cost savings of no greater than \$98,000	Loss of availability of staff to quickly respond and address variety of issues
	Potential for reduction to high level of customer service
	Loss of institutional knowledge and consistency with in-house staff
	Potential for additional cost with special needs or requests (assist with special events or unique projects)

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: Contract with Orange County Sheriff's Department
Revenue Enhancer/Expenditure Reduction/Other

Short Summary: The Police Department is currently operated and controlled by the City of Los Alamitos. The City can contract with another agency, such as the Orange County Sheriff's Department, for police services. A model was constructed using contracts from other Orange County cities to make reasonable assumptions and gain an accurate estimate of the potential cost of a contract with OCSD. Typically, OCSD charges \$30,000 to \$40,000 to complete a study that would become a baseline of their proposal. This model is not a recommended service level, but was designed to include the services already provided, but it results in reduced hours in service to the City.

Ballot Measure: Y/N

Election Date: N/A

Implementation Date: FY 2021/22

Projected Revenue Increase/Cost Savings: The model developed for analysis resulted in a \$49,106 **increase** in anticipated costs.

Pros	Cons
None	Estimated increase in costs of approximately \$49,106
	Average annual increase in contractual cost of 4%, based on historical increases in other Orange County city contracts
	Reduced control of additional costs due to unplanned events and unusual cases
	Estimated cost of \$30,000 to \$40,000 for OCSD analysis
	Potential loss or reduction of executive level oversight, and interaction
	Potential loss or reduction of supervisory level oversight, and interaction
	Potential cost of appropriate public safety facility, if operations from the City and not a remote site are desired
	Potential loss of 28% of field hours in patrol
	Potential reduction of six (6) sworn employees providing service direct to the City

	Potential loss of local counter customer service, or a reduction in counter customer service
	City still required to pay the full balance of the PERS unfunded liability obligations even with no staff members or contracting out
	Potential reduction of more than 2 FTE non-sworn employees providing service direct to the City
	Loss of Red Light Photo Enforcement program providing traffic safety and a reduction of collisions at major intersections, and funds for other public safety needs

Notes:

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CITY OF LOS ALAMITOS
 FINANCIAL SUSTAINABILITY PLAN

Idea Title: Regionalization of Los Alamitos/Cypress/Seal Beach
 Revenue Enhancer/Expense Reduction/Other

Short Summary:

Although the idea of regionalization of police services for the three listed cities is not a new concept, in fact it came up shortly after the regionalization of police dispatch services for these three agencies in the 90's, (it has been revisited several times), however in the last two decades it has been met with similar non-starter issues. The issues are generally, loss of local control, lowering of direct services and very little in terms of cost savings especially to the smallest agency who would only save approximately 24% of any savings realized.

Ballot Measure: Y/N

Election Date:

Implementation Date: May of 2019

Projected Revenue Increase/Cost Savings: \$729,000 (Salary/Benefits)

Pros	Cons
Saves money: approximately \$729,000 in Salary and Benefits	Would need to establish a JPA which would require hiring an outside firm to conduct a feasibility study for services, cost breakdown per member for personnel, operations and maintenance (which includes equipment, training, contract services, insurance and legal representation). The study would also have to include whether to recognize tenure and all the accumulated benefits such as vacation accrual rates and totals as well as every other leave.
Will also have some maintenance and operations cost savings (undetermined at this time) but that cost savings will be divided up among the JPA and we will only realize 24.3% of that figure.	The JPA would have to create appropriate policies and procedures, equity practices in terms of how they will hire their new employees as you could not grandfather everyone as a new employee or there is very little cost savings at the line level.
	All three police departments would have to have all of their members resign from being City Employees and go through the new hire process as required with POST (Background, Medical, Psychological). All of which is extremely costly and some may not be eligible due to medical or psychological issues which would mean a medical retirement or separation from their former employees (Very Costly).

	<p>Using the West Cities Communications cost allocation model as a guide, it is conceivable that a similar allocation of Council representation would be utilized. A possible representative proportion would be: 1-Los Alamitos, 2-Seal Beach, 4-Cypress. In terms of local control the City would not nor should they expect the same number of delegates or level of police services.</p>
	<p>As we have seen with the physical location of WestComm there exists a kinship directly proportionate between WestComm and Seal Beach PD as a natural result of their proximity. I say this to question where would the Chief of Police and Captains' offices be located. I am sure it would not be in Los Alamitos who would be paying the least amount for this service. The same is true where the officers' are housed and the majority of civilian services.</p>
	<p>Neither Chief is interested in regionalizing police efforts as their CM's and Councils view it as a loss of their respective city's identity and would only receive 45.3% and 30.3% of the total cost savings and no actual increase in police service.</p>
	<p>Bottomline it would mean reducing 2 Chiefs and 1 Captain and about 18 officers. This would functionally mean that the reductions of 1-Chief, 1-Captain, and 18 Officers would come from Los Alamitos as both Chiefs have told me they would not recommend any of their employees be given pink slips unless forced to do so.</p>
	<p>The pay difference between a top-step officer at Seal Beach is higher than Cypress and 14% higher than Los Alamitos so in creating a JPA we would have to establish a salary schedule that would be amenable to both Cypress and Seal Beach to insure they do not lose their employees already policing their cities. Los Alamitos will be paying a higher rate per police officer at every rank, especially Captains and Chief albeit 24.4 % of that position.</p>

Notes:

In reviewing a basic concept of regionalizing police services for the Cities of Los Alamitos, Cypress and Seal Beach, I first needed to get a city with their own police department who were comparable geographically, in terms of size and population of our three cities (Seal Beach, Cypress, Los Alamitos) combined in Orange County,

This comparison is in no means a deep dive into the maintenance and operations cost which we would expect to have some, but as the Council is aware, 78% of our cost is directly related to salary and benefits. Some of the M/O costs we would still be expected to pay (24.4 percent for 100 sworn personnel) include things such as training, equipment and continued contractual costs such as WestComm (in full as 24.4 % would not change which is approximately \$600,000).

The City of Tustin was chosen for comparison as they are approximately an 11 Square mile city with about 80, 000 population. The Tustin Police Department employs 100 sworn officers and 55 Civilian employees (to include Police Communications). Its organizational structure includes a police dispatch center with a Civilian Manager reporting to the Chief. They also have a 1-Deputy Chief (who operates like a captain) 1-Captain position, with 4- lieutenants, and about 17 sergeants and about 76 officers. With a total budget of about 28 million.

The three cities (Los Al, Cypress and SB) combined have a patrolled land base of 11.5 square miles with a total population 84,000. The combined police departments have 3-Chiefs, 2-Captains, 5-Commanders, No-Lieutenants, 22-Sergeants, and 89 cops for a total sworn of 121, approximately 32 non-sworn FTE's and all three pay into a JPA for Police Communication Services with a combined police budget of approximately 35 million.

Given the land mass patrolled and the population policed it would appear that Tustin is doing a much more efficient job with their resources and resource allocations of personnel but there are some significant differences in the area patrolled and even seasonal populations. Seal Beach has 1.5 miles of beach front real estate and the summer time/vacation time population increases in tourism, swimmers and the related crimes and emergency incidents that come with them. Tustin would obviously have to hire additional personnel for that which could be around 6-10 officers and related equipment that would increase their budgetary impacts. Cypress has a large and active Community College within their jurisdiction which places additional demands on the police department that must be accounted for and both Seal Beach and Los Alamitos have active military bases that they must interface with and utilize resources to train, help defend against terrorism and crime, which Tustin no longer has in their jurisdiction.

Be that as it may, even if we could get three City Councils, Managers and Police Chiefs and the public on board to even consider paying for a study by an agreed upon third party (which would be about 80-100K) we can ballpark the personnel cost savings which would be slightly under 3 million dollars.

Using \$3,000,000 dollars as our total savings by cutting 2 Chiefs, 1-Captains (we would have to reclassify one of the 5 Commanders as a Captain and the remaining 4 would become Lieutenants) and 18 officers the breakdown in terms of the same percentage we agreed to with the cost and cost savings split would be as follows:

Cypress:	\$1,359,000
Seal Beach	\$909,080
Los Alamitos	\$729,000

As is obvious the two agencies who believe that their cities are solvent and budgets are growing, who also believe they are right sized or have gone out for the public vote on tax initiative to increase their strength by 6 sworn officers are receiving the highest level of savings. Whereas, the City of Los Alamitos who is looking to fill a 3.5-million-dollar budget gap is only realizing about a fourth of that number and will still have a contractual requirement of 5,471,000 with an 10,370,065 unfunded liability that does not go away with even less people to help pay that cost.

Also, if Seal Beach and Cypress decide to return to their former police department models, they could do so with very little start-up costs, whereas Los Alamitos could not afford the significant startup costs necessary to staff a police department from scratch as 95 of the 100 officers will go to work for Cypress (55) and Seal Beach (40), which means Los Alamitos would have to recruit at least 19 officers of which, one would have to be a Chief and 2 would have to be Captains.

These are all ballpark estimations meant for the purposes of taking a high-level look at Regionalizing Police Services, but the simple math comes down to a potential reduction in cost of about 12% for about 76% reduction in local control, service, and accessibility.

	Approval rate for all parcel taxes in California is 56% (low passing rate) in the November 2018 election. There were 59 ballot measures in the November 2018 election and only 33 passed.
	Needs to be for a special purpose
	There were no Orange County cities that had a parcel tax on the ballot in November 2018 election. 2 out of the Los Angeles' cities that had this on the ballot did not pass and 0 out of the 3 San Diego cities that had a parcel tax on the ballot failed as well.

Notes:

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CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: SALES TAX INCREASE
Type: Revenue Enhancer

Short Summary: 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 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.

Ballot Measure: Y

Election Date: November 2020

Implementation Date: April 1, 2021

Projected Revenue Increase/Cost Savings: Range from \$787,500 - \$4,725,000 annual revenue if 0.25-1.5% rate increase was passed

Funding Source	City's Current Tax Rate	Quarter Percent (8%)	Half Percent (8.25%)	One Percent (8.75%)	1.5 Percent (9.25%)
Sales Tax 7.75%	7.75%	\$ 787,500	\$ 1.575M	\$ 3.15M	\$4.725M

Pros	Cons
Fiscal Impact: Could generate up to \$4,725,000 if a 1.5% sales tax increase was approved. With this tax increase alone, it would provide fiscal sustainability for the next 10 years and beyond.	The sales tax would increase the price of goods by 1% Drive shoppers to surrounding cities. (However, HDL reports that history proves that this does not happen)
Sales Tax can be imposed indefinitely	Although it could be an indefinite tax, sales taxes can include a sunset clause
Approval rate for all sales tax increases in California is 86% from the November election (53 were new taxes, 16 were to extend or replace existing tax measures). 59 out of the 69 sales tax measures passed.	10 out of the 69 sales tax measures did not pass – Paso Robles, Alturas, Fort Bragg, Kern County Unincorporated, Dixon, Gonzales, Laguna Beach, Eureka, Mendota, and Folsom
It creates an “equal” system of taxation to both residents and non-residents when making purchases at Los Alamitos’ businesses	
Sales tax makes up the 2 nd largest source of revenue for the City, therefore the sales tax goes back into the City to assist all its residents with various programs and Police protection – tax stays local and protected by state constitution from state take away.	

4 out of the 5 Orange County cities that had a sales tax increase in the November 2018 election got approved for the sales tax increase (Garden Grove, Placentia, Santa Ana, Seal Beach)	Laguna Beach sales tax failed in the November 2018 election (Laguna Beach Emergency Response Sales Tax with 25 years sunset- utility undergrounding and other fire safety measures special tax and failed with 53.85% no)
Provide a stable source of General Fund monies in line with strong financial market and provide for long term fiscal sustainability and allow the City to maintain essential city services	
	Not placing an item on the ballot for voter consideration would have an impact if another agency sought and received a sales tax adjustment since there is a sales tax cap. Any amount over the cap would require special legislative approval
9 out of 34 Orange County cities have over 7.75% sales tax rate (Garden Grove, Placentia, Santa Ana, Seal Beach, Westminster, Fountain Valley, Stanton, La Habra, La Palma) with 4 out of the 9 recently increased in the latest election.	
Needs over 50% "yes" to pass the tax for general sales tax (opposed to supermajority 2/3s vote- this would be required if it were a special tax – designated for specific purpose)	
Neighboring cities have increased sales tax- Long Beach 10.25% Garden Grove 8.75% Seal Beach 8.75%	

Notes: There could be an Oversight Committee established in order to ensure proper purpose of the sales tax funds (as could be proposed in the election). The City could adopt a spending pledge and commit that the funds would be subject to an annual outside audit.

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: TRANSIENT OCCUPANCY TAX INCREASE
Type: Revenue Enhancer

Short Summary: The TOT rate (hotel rate) is 8% for the City and is paid by individuals who stay thirty days or less in a hotel located within the City of Los Alamitos. The City currently receives \$167,500 in transient company tax. Staff is estimating that the new hotel will generate \$260,000 for one full year of TOT. This assumes a room rate of \$110, a TOT rate of 8%, and occupancy of the rooms at 75%. Based on these assumptions, if the TOT rate is increased 2% to a total of 10%, the City would receive approximately \$106,000 in additional revenue annually. The estimates include the new hotel development in the City projected to open in summer of 2020.

Ballot Measure: Y

Election Date: November 2020

Implementation Date: April 1, 2021

Projected Revenue Increase/Cost Savings: Range from \$53,438 - \$320,625 annual revenue if a 1-6% increase was approved.

Funding Source	City's Current Tax Rate	One Percent (9%)	Two Percent (10%)	Four Percent (12%)	Six Percent (14%)
Transient Occupancy Tax	8%	\$ 53,438	\$ 106,875	\$ 213,750	\$ 320,625

Pros	Cons
Fiscal Impact: Could generate up to \$320,625 if transient occupancy tax was increased by 6% to TOT rate of 14%	With a TOT increase of approx. \$213,750, the extra revenue generated would not sustain the deficit forecasted for the City of Los Alamitos at the end of FY2027-28 (\$3.5M annual deficit is forecasted)
The City of Los Alamitos' TOT rate is one of the lowest in the County. La Palma and Westminster have an 8% TOT rate as well however most have 9% or above.	
Approval rate for all TOT increases in California is 90% from the November election. 35 out of the 39 Transient Occupancy Tax Measures passed.	4 out of the 39 TOT measures failed in the CA November election – San Clemente, Atwater, American Canyon, El Dorado County
Opponents are typically only the owners of hotels and motels	
A stable source of general fund monies	

If not a special tax, tax would require simple majority, over 50% yes	Could be presented as a special tax which requires a 2/3 passing vote
It is a shared tax upon visitors – any individual staying at a hotel	

Notes:

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CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: UTILITY USER'S TAX INCREASE
Type: Revenue Enhancer

Short Summary: The current UUT rate is 5% for telephone and 6% for all electricity, gas and water on residents and commercial users. Utility User's Tax is a usage tax on communication, electric and gas charges billed to a resident.

Ballot Measure: Y

Election Date: November 2020

Implementation Date: April 1, 2021

Projected Revenue Increase/Cost Savings: Range from \$175,000 - \$700,000 annual revenue if a 0.5-2% increase was approved.

Funding Source	City's Current Tax Rate	Half Percent Increase	One Percent Increase	Two Percent Increase
Utility User's Tax	6%; 5% - Telecommunications	\$ 175,000	\$ 350,000	700,000

Pros	Cons
Fiscal Impact: Could generate up to \$700,000 if utility user's tax was increased by 2% to UUT rate of 7%	With a 2% increase, the extra UUT revenue generated would not sustain the deficit forecasted for the City of Los Alamitos at the end of FY2027-28 (\$3.5M annual deficit is forecasted)
Needs over 50% "yes" to pass the tax	Most surrounding Orange County cities have similar UUT rate of 5%. La Palma – 5% Stanton – 5% Huntington Beach – 5% Westminster – 4% Long Beach – 5% (Los Angeles County) Seal Beach – 10% Cypress – 0% Garden Grove – 0% Lakewood – 0%
	Approval rate for all UUT taxes in California is 37.5% in November 2018 election (3 out of 8 ballot measures were approved in CA – Pinole, Canyon Lake, <i>Parlier Advisory Clarification</i>)
	5 out of the 8 ballot measures for Utility User's Tax failed in November 2018 in

	California (South Pasadena, Arvin, McFarland, Parlier, <i>Banning Authorization Transfer</i>)
	Community Impact: Would <u>only</u> be imposed and affect City of Los Alamitos residents and businesses
	Utility user's tax rate can be imposed indefinitely

Notes:

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Contributions into trusts are “assets” that offset liabilities on financial statements	
Would give the City the ability to determine when and what to pay to CalPERS which would generate the greatest savings for the City	
The funds held in the 115 trust can be used to pay future unfunded liability or pay current year City CalPERS or OPEB payments (helping balance a given year’s budget)	

Notes:

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CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: ASSET TRANSFER TO PERS
Type: Other Saving Options

Short Summary: An asset transfer to CalPERS may be completed directly from the City or from a Trust (as described above). When assets are transferred over to CalPERS, the liability as of that date is reduced. As of June 30, 2018, there is \$3.62 million in PERS reserves. Some or all of these assets may be transferred to PERS to pay down a portion of the unfunded pension liability. If there is lower than expected returns in CalPERS however, the liability will grow.

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Pension Liability	\$ 64,468,876	\$ 68,141,278
Assets Held by PERS	46,316,806	49,842,157
City-Held PERS Reserves	3,400,000	3,400,000
Total Assets	<u>\$ 49,716,806</u>	<u>\$ 53,242,157</u>
Unfunded Accrued Liability	\$ 18,152,070	\$ 18,299,121
Funded Status	77.1%	78.1%

Ballot Measure: N

Election Date: N/A

Implementation Date: TBD

Projected Revenue Increase/Cost Savings: Projected savings depends on investment portfolio performance of CalPERS (discount rate)

Pros	Cons
Fiscal Impact: Decrease the pension liability by amount transferred to PERS to pay off liability	An asset transfer to PERS would reduce the City's General Fund's fund balance (Change in policy)
	If the City decides to transfer cash to PERS from the General Fund reserves, there will need to be adjustments to our current City's investments since there is a maximum percentage allowed by the State's Investment Policy
	Earnings depend on market fluctuations with CalPERS (there is no control on portfolio investments)
	The projected "savings" at the time of payment could be reduced as CalPERS changes actuarial and investment assumptions over time.

Notes:

CITY OF LOS ALAMITOS
FINANCIAL SUSTAINABILITY PLAN

Idea Title: PENSION OBLIGATION BONDS
Type: Other Saving Options

Short Summary: A Pension Obligation Bond (“POB”) is a debt instrument issued by a municipal entity such as a Town to fund all or a portion of the Unfunded Actuarially Accrued Liability (“UAAL”) for its pension or OPEB plan. In August 2018, CalPERS released the actuarial reports for the valuations that were performed on June 30, 2017. As reflected below, the valuation reports show that the City’s funded status increased from 77.1% to 78.1% since the last valuation.

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Pension Liability	\$ 64,468,876	\$ 68,141,278
Assets Held by PERS	46,316,806	49,842,157
City-Held PERS Reserves	3,400,000	3,400,000
Total Assets	<u>\$ 49,716,806</u>	<u>\$ 53,242,157</u>
Unfunded Accrued Liability	\$ 18,152,070	\$ 18,299,121
Funded Status	77.1%	78.1%

The funded status above includes amounts set-aside and assets held by PERS. The unfunded accrued liability increased by \$147,051 to \$18.3 million at June 30, 2017. Of the liability, approximately two-thirds is attributable to retirees.

The City could issue Pension Obligation Bonds to refinance a portion of the City’s unfunded net pension liability. This would enable the City to refinance its net pension liability at significantly lower interest rates and over a 30-year level term. The “all-in true interest cost” on a 30-year Pension Obligation Bond, based on current market conditions, is approximately 4.9% (depending on City’s rating), which creates arbitrage savings as long as the long-term rate of return earned by CalPERS exceeds the interest paid on the bonds.

Ballot Measure: N **Election Date:** N/A

Implementation Date: TBD

Projected Revenue Increase/Cost Savings: Projected savings depends on investment portfolio performance of CalPERS (discount rate)

Pros	Cons
Fiscal Impact: POB financing refunds all or a portion of the City’s Unfunded Accrued Liability	Potentially affect City’s credit rating
Fixed debt repayment schedule is developed over 30 years to level out the bond versus a steep incline in required Unfunded Accrued Liability payments	“Crowds out” the City’s ability to issue other debt for capital improvements

	The City's UAL liability may still increase
	Their overall effectiveness cannot be concretely demonstrated until the end of the loan cycle, which is typically 20 or 30 years.
	POB's are complex instruments that carry considerable risk per GFOA Best Practices

Notes: Issuing Pension Obligation Bonds replaces UAL payment.

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