

**MINUTES OF THE CITY COUNCIL
OF THE CITY OF LOS ALAMITOS**

SPECIAL MEETING – February 22, 2011

1. CALL TO ORDER

The City Council met in Special Session at 5:26 p.m., Tuesday, February 22, 2011 in the Council Chambers, 3191 Katella Avenue, Mayor Stephens presiding.

2. ROLL CALL

Present: Council Members: Kusumoto, Poe
Mayor Pro Tem Edgar, Mayor Stephens

Absent: Council Members: Graham-Mejia (Excused)

Present: Staff: Jeffrey L. Stewart, City Manager
Anita Agramonte, Finance Manager
Angie Avery, Community Services Director
Dave Hunt, City Engineer
Adria M. Jimenez, City Clerk
Todd Mattern, Police Chief
Steven Mendoza, Community Development Dir.

3. ORAL COMMUNICATIONS

Mayor Stephens opened Oral Communications.

Steffen Hammond, resident, expressed concern regarding budget accounting for LATV, and inquired if the City is paying money to keep Liberty Theatre going.

There being no one else wishing to speak, Mayor Stephens closed Oral Communications.

4. SPECIAL ORDERS OF THE DAY

MID YEAR BUDGET REVIEW FOR FISCAL YEAR 2010-11

This report provides the City Council with a Mid-Year budget and financial update for the Fiscal Year 2010-11. The report also makes recommendations for budget amendments, both to estimated revenues and to appropriations.

Anita Agramonte, Finance Manager, summarized the staff report, and gave a Power Point presentation outlining the following important categories of review:

Fiscal Year 2009-2010 Recap of General Fund Revenues

Ms. Agramonte noted an increase in Property Taxes of \$179,000 compared to prior years of \$132,000; a significant drop in license and permits of \$120,000 under budget due to less construction in the City; charges for services came in \$101,000 over budget mainly accredited to Recreation and Community Services special events, activities and classes; miscellaneous revenue came in \$119,000

over budget (\$50,000 for an Insurance Reimbursement; \$18,000 for reimbursement of Damage to City Property; and \$80,000 administrative fee from the refuse contract). Overall, City revenues came in over budget by 2.9% or \$302,000.

Fiscal Year 2009-2010 Recap of General Fund Expenditures

Utility cost came in \$20,000 over budget; water at \$12,000. In Public Works there also was \$78,000 realized in salary savings.

Ms. Agramonte advised the original adopted budget was balanced at ~~\$10,853,130~~ in revenues & expenditures. At mid-year, revenue projections showed significant reductions totaling over \$500,000. Departmental expenditure budgets were cut by \$300,000, filing the remainder of the budget from the prior year's surplus. However, revenues came in stronger than projected and the City ended the year with a \$92,000 surplus.

Economic Update

Ms. Agramonte provided a brief economic update for the City Council and highlighted the following: economist project the current recession has bottomed out, showing many signs of having turned a positive corner; the real estate market is on the mend with median prices increasing over the prior year by 7.14% in Orange County; the stock market is up with the Dow Jones above 12,000; and, unemployment rates remain high at 8.9% in Orange County. Ms. Agramonte also noted that the real estate market is improving; however, the City is still seeing the impacts of Proposition 8 adjustments.

City's Response to the Recession

Ms. Agramonte advised over the past three years the City has made numerous budget reductions to compensate for revenue reductions, and reviewed the PowerPoint slide noting some of those reductions.

Fiscal Year 2010-2011 Outlook

Ms. Agramonte provided information on FY 2010-2011 projections and prefaced by stating the projections presented are a result of an in-depth analysis of prior year trends, the current state of the economy, as well as this fiscal year's performance to date. She stated the original budgeted adopted was \$10.4 million and the current budget includes a \$250,000 adjustment for the refuse contract. She advised there is a \$245,000 or 2.3% General Fund Revenue surplus projected.

Property Taxes

Ms. Agramonte presented a graph which depicted property tax breakdown for Los Alamitos and property tax performance over the past 5 years. She noted \$2.9 million is projected this fiscal year, which is a slight decrease from last fiscal year due to Prop 8 adjustments.

Sales Taxes

Ms. Agramonte explained the distribution of the 8.75% sales tax collected in Los Alamitos and how the triple flip affects the City's budget. The city receives $\frac{3}{4}$ of the sales tax revenue from the state, which is a 2.9% increase this fiscal year over last. The remaining $\frac{1}{4}$ of the sales tax is withheld by the state as part of the triple flip and backfilled with property tax dollars filtered through the County. The backfill payment, including the true-up this fiscal year is expected to be 7.7% higher than last year. January receipt this year was \$294,824.04 and last year January was \$174,747.51.

Utility User Taxes

Ms. Agramonte advised that over the past five years Utility User revenues (Electric, Gas, Telephone, Water) have remained fairly level. Six percent tax is collected on Utilities.

Franchise Fees

Ms. Agramonte noted Franchise Fees have remained fairly level since FY 2006-2007, and provided a projection on the FY 2010-11 fees. An 8% fee is collected on cable television, refuse collection, electric, gas, water and other (pipeline).

Other General Fund Revenue Variances

The following General Fund Revenue Variances were reviewed by Ms. Agramonte:

- License and Permits – reductions are offset by corresponding expenditure reductions:
 - Building Permits - \$10,000 reduction projected
 - Public Work Permits - \$35,000 reduction projected
- Intergovernmental – Homeland Security/UASI Grant - Awarded to the Police Department: \$0 budgeted - \$10,500 estimated.
- Recreation Services - \$49,570 increase projected due to increased participation in Race on the Base.
- Interest Earnings - \$14,000 decrease projected.
- Miscellaneous Revenue – \$139,500 increase projected largely due to a one-time insurance refund.

General Fund Expenditures by Department

Ms. Agramonte advised departmental expenditures are on track for FY 2010-11, noting most department have savings. The City's original budget was \$10.497 million; this year actuals are \$10.290 million. The current budget includes \$90,000 for the Los Alamitos Blvd. Revitalization Project and a projected \$207,000 or 2% in savings.

Ms. Agramonte reviewed how each department spends its general fund dollars and provided the following savings projected by each department:

- Administration – Administrative Services Director Position Vacancy - \$156,408
- Police – Red Light Camera Enforcement Contract Savings - \$35,000
- Community Development – Contract Services savings due to a decline in Building and Public Works Plan Checks - \$46,000 (mirrors revenue decline in this category).

Ms. Agramonte advised additional funding is needed in the following department:

- Public Works – The Traffic Engineering Contract was omitted during the budget process - \$30,000

Fiscal Year 2010-11 Projections for Revenues and Expenditures

Projected revenues for FY 2010-2011 are \$10,903,283; expenditures are \$10,209,087 with an excess of \$613,196. This includes one-time revenue sources from the trash contract, insurance refund, and pipeline franchise. The expenditure budget includes \$90,000 for the Los Alamitos Boulevard Revitalization Project.

Other Post Employment Benefits (OPEB)

Ms. Agramonte advised in FY 09-10, the City paid \$133,729 in health care costs for retirees and reported \$83,068 in OPEB liabilities. Staff recommends establishing a \$250,000 general fund reserve to fund this liability.

Ms. Agramonte advised a consultant has been hired to prepare an actuarial report to determine the City's OPEB liability, and the report is currently being finalized for City Council review.

General Fund – Fund Balance

In FY 2010-2011, the fund balance is projected to increase to \$6.8 million, which represents 66% coverage of reserves to expenditures.

Other Projected Variances

- Interest Earnings – Reductions totaling \$8,200 projected across all funds.
- Gas Tax Fund - \$385,000 ARRA reimbursement anticipated for the Katella Avenue Resurfacing Project.

- o Measure M – Growth Management Area 2 Grant - \$0 budgeted \$45,000 projected.

Capital Project Carryovers/Adjustments

The following Capital Projects were reviewed by Ms. Agramonte:

Katella Avenue Resurfacing Project

Gas Tax Fund – ARRA Grant Funding

\$550,000 Budgeted for FY 2009-10 - \$336,000 Spent to Date

\$50,000 Projected FY 2010-2011

Arterial and Residential Tree Program

\$10,000 additional funding is requested to catch-up on recommending trimming.

Katella Medians at Chestnut

Traffic Improvement Fund – HSIP Grant

\$100,000 Budgeted FY 2008-09 - \$6,700 spent

\$113,120 Projected for FY 2010-2011

Cerritos Avenue/605 Freeway

Measure M Fund – GMA 2 Grant

\$45,000 Budgeted FY 2008-09 - \$0 Spent

\$45,000 Projected for FY 2010-11

Pool Fund

Ms. Agramonte advised the City Council that during the budget process last year, it was recommended that the Pool Fund be incorporated into the General Fund. This is addressed in tonight's recommendations, as well as the establishment of a Pool Capital Improvements Reserve in the General Fund.

The net effect of incorporating the Pool Fund into the General Fund is an influx of \$85,000 to the General Fund this Fiscal Year.

Mayor Stephens opened the floor for Council Member questions.

Council Member Kusumoto thanked Ms. Agramonte for her report and asked what happened to the Katella Avenue Resurfacing Project under-run of funds.

Dave Hunt, City Engineer, advised if the money is not used, the City loses the funds. It does not get carried over to the next fiscal year.

Council Member Kusumoto asked for additional information on the Pool Fund and why it needs to be moved to the General Fund.

Ms. Agramonte advised that when the Pool Fund was established, it was done so because grant money was received to fund improvements at the pool facility which requires that a separate fund be established. At that time, there was a

need for a separate designated fund. There is no longer the need for separate designated account, and according to GASB 54 it no longer qualifies as a Special Revenue Fund. Ms. Agramonte also noted that this was a request by the City Council during the City's budget session.

Mayor Pro Tem Edgar congratulated staff on the report. He stated that when he was first elected to the City Council the budget was \$400,000 in the negative. Last year there was \$99,000 surplus and this year there is a \$600,000 surplus. Mayor Pro Tem Edgar stated the Council has made decisions to structure the City for the future and he does not have any disagreements with staff's recommendations. He supports this and hopes the Council does as well.

Mayor Pro Tem Edgar asked the City Council to add a recommendation: Establish a General Fund Balance Reserve Fund for the Downtown Development Project in an amount of \$200,000. Mayor Pro Tem Edgar stated approving this recommendation would show how serious the City is to helping develop the revenue fund.

Council Member Poe thanked Ms. Agramonte for her report and asked when the median islands at Katella and Chestnut will be complete.

Mr. Hunt, advised the median islands will be complete by the end of the year, December 2011.

Mr. Stewart, City Manager, advised Council the median islands were on-hold because of the redevelopment of the CVS and whether or not they were going to change the driveway access.

Council Member Poe stated she understood the GASB 45 Funding, and is happy to see the City receiving Measure M Funds. Council Member Poe stated she agreed with Mayor Pro Tem Edgar's recommendation of funding the Downtown Revitalization Fund, and the other recommendations noted in the report.

Mayor Stephens thanked the City Manager and Ms. Agramonte for their work on the mid-year budget, stating it was very clear, accurate and easy to read. He expressed his appreciation for the Police Department's work on obtaining grants and Recreation's work on providing surpluses. Mayor Stephens stated he would like the City to remain cautious in spending.

Council Member Kusumoto, asked for additional information on the request for \$30,000 to fund a traffic engineer.

Mr. Stewart, City Manager, stated this was left out of the budget and it was discovered by Ms. Agramonte.

City Council agreed to pass the recommendations as a whole.

Council Member Poe congratulated staff and stated besides the tree trimming, residents have not noticed a decrease in City services.

Council Member Kusumoto asked for additional information on Mayor Pro Tem Edgar's additional recommendation.

Mayor Pro Tem Edgar explained his recommendation and referred to the PowerPoint presentation for assistance.

Motion/Second: Edgar/Poe
Unanimously carried (Graham-Mejia: Excused)

Recommendation:

1. Received and filed the Mid-Year budget report;
2. Approved the budget amendments to the Fiscal Year 2010-11 Operating and Capital Budget as recommended in Attachment E to this report; and,
3. Approved the General Fund Reserve Designations as recommended in Attachment "F" to this report.
4. Established a General Fund Balance Reserve Fund for the Downtown Development Project for \$200,000.

5. CLOSED SESSIONS

At 6:25 p.m., Mayor Stephens recessed the Special City Council Meeting to go into Closed Session.

A. Conference with Labor Negotiator

Agency Negotiators: Jeffrey L. Stewart, City Manager
Employee Organization: Los Alamitos City Employee Association
Authority: Government Code Section 54957.6

B. Conference with Legal Counsel – Existing Litigation

The City Council finds, based on advice from legal counsel, that discussion in open session will prejudice the position of the local agency in the litigation.

Name of Case: City of Los Alamitos vs. Citizens for a Fair Trash Contract
Case Number: Orange County Superior Court Case #00420414
Authority: Government Code Section 54956.9(a)

RECONVENE

At 7:04 p.m., the City Council Meeting was reconvened with all Council Members present.

Mayor Stephens announced there was nothing to report out from the Closed Session.

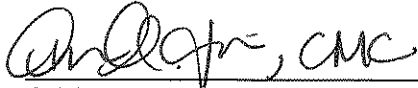
6. **ADJOURNMENT**

Mayor Stephens adjourned the Special City Council Meeting at 7:05 p.m.



Kenneth Stephens, Mayor

ATTEST:



Adria M. Jimenez, CMC
City Clerk