

City of Laguna Woods

Fiscal Year 2011-12 All Funds Budget

July 1, 2011 – June 30, 2012

July 1, 2011

Budget Summary

The adopted Fiscal Year 2011-12 all funds budget is a \$9.6 million package of services, programs and projects for the benefit of Laguna Woods' residents and businesses. This budget contains \$7.6 million of current year programs and \$2 million of capital improvement project funding carried forward from the prior fiscal years. The adopted budget is balanced and in conformance with City budget policies.

Goals

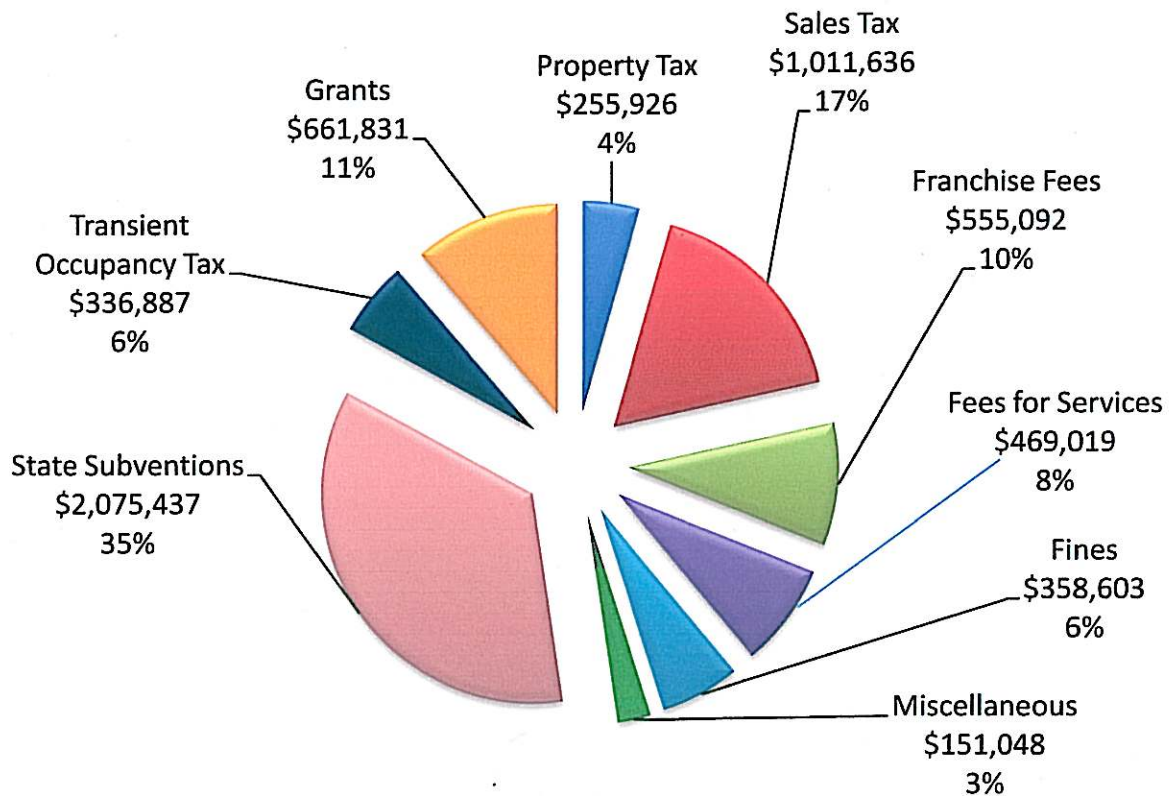
The Fiscal Year 2011-12 budget anticipates the following work plan:

- Continue all existing programs at current service levels.
- Revise and update purchasing, special events, administrative citation and business license regulations.
- Improve website appearance and content, adding current events and additional informational articles about City functions.
- Automate planning and building permit deposit account tracking.
- Review planning and building fees and implement modifications.
- Complete a local hazard mitigation plan.
- Complete acquisition of City Hall and energy efficiency and accessibility modifications.
- Complete City Centre Park and Ridge Route Linear Park improvements.
- Complete Santa Maria median construction and street resurfacing.
- Rebid consulting contracts, including street and traffic signal maintenance, city engineering, building inspection and planning
- Implement requirements of new NPDES permits.

Revenues

The Fiscal Year 2011-12 budget estimates new revenue for all funds will total \$5,875,479, which represents a \$675,031, or 10.3% decrease when compared to Fiscal Year 2010-11 anticipated actual receipts. This decrease incorporates a 2.2% increase to the General Fund, a 60.7% decrease to the Transportation Funds and a 17.7% increase to Special Funds.

Fiscal Year 2011-12 Revenues \$5,875,479



General Fund

General Fund revenues are projected to increase by \$97,799 or 2.2%. This increase anticipates the continued reduction in property taxes and state subventions and modest sales tax and transient occupancy tax increases during the first and second quarters of the year. Interest revenue continues to decrease; although the interest rate shows a slight increase during the year, the General Fund balance is and has decreased significantly as final payments for the acquisition of City Hall have been processed. Per prior City Council action, the re-implementation of the cable television franchise fee, effective October 1, 2011 has been included in the proposed budget.

Transportation Fund

Transportation Funds are anticipated to decrease by \$899,976 or 60.7%. The majority of this decrease relates to one-time Measure M and Coastal Area Road Improvements/Traffic Signals (CARITS) revenues received in Fiscal Year 2010-11. In addition, however, both ongoing Measure M turnback and gas tax funds are also anticipated to decrease in Fiscal Year 2011-12 due to the City's

2010 census population numbers and the continued state of the economy. The majority of the City's Gas Tax receipts are distributed on a population basis – census numbers represent a 14% drop in the number used in Fiscal Year 2010-11. Measure M turnback funding is a function of: 1) sales tax (both the City and the region's); 2) City population as a component of regional population; and 3) City lane miles.

Self Insurance Fund

Self Insurance Fund revenues consist of a \$131,572 transfer from the General Fund for insurance premiums and the California Joint Powers Insurance Authority retrospective deposit. This amount represents a \$2,946, or 2.2% decrease over the prior year transfer. The decrease reflects the City's positive workers compensation experience.

Special Funds

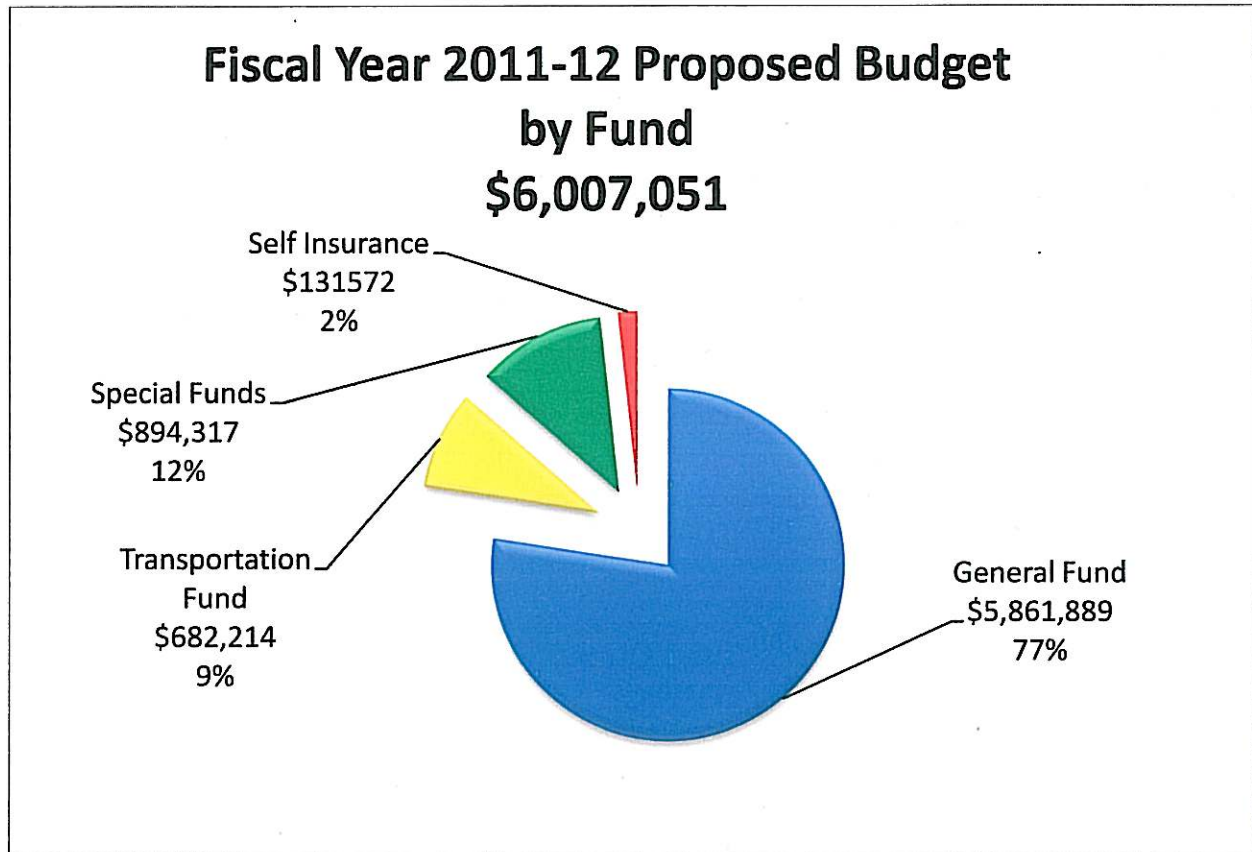
Special Funds include grant and other miscellaneous special purpose allocations that the City holds in individual accounts and tracks separately. Special Funds are anticipated to increase by \$127,146 or 17.5%. This budget includes new revenues to nine separate funds. The majority of the Special Funds relate to grants which are competitive and generally awarded for either a limited period of time or a particular project. Other Special Funds include funding for particular projects such as the cable television PEG (public access channel equipment). The proposed budget includes the receipt of additional competitive Community Development Block Grant funding and approval of new Disaster Recovery Initiative money. The projection also includes the loss of state Supplemental Law Enforcement funding and a reduction in emergency management funding.

Fiscal Year 2011-12 revenue projections anticipate no new taxes; however, they do include re-implementation of the full cable television franchise fee in October 2011. Chart A summarizes Fiscal Year 2011-12 revenue projections and compares them to budgeted and anticipated actual Fiscal Year 2010-11 receipts. Percentage changes represent a comparison of Fiscal Year 2010-11 anticipated actual receipts and 2011-12 projections.

Expenditures

The adopted Fiscal Year 2011-12 expenditure budget totals \$7,569,992, which represents a \$2,517,234, or 24.9%, decrease in expenditures when compared to the approved 2010-11 budget. This decrease is a combination of general expenditure

reductions for ongoing programs and a reduction of monies committed to capital improvements.



City Budget Policies

The Fiscal Year 2011-12 budget was prepared with the following City budget policies in mind:

1. With the exception of transfers to capital projects, current year General Fund expenditures should not exceed current year revenues. The adopted budget, including the reserve for economic uncertainties and the council contingency account, is \$26,012 less than projected revenues.
2. The General Fund budget should include a 5 - 10% reserve for economic uncertainties. This year's budget includes \$203,587, a 5% reserve.
3. The unbudgeted fund balance in the General Fund should be reserved for special one-time projects or capital improvements. This year's operations budget includes no expenditures from the Fund

Balance. The budget does include a \$1,450,000 transfer from the unreserved General Fund balance for the city hall acquisition project.

4. Annually, the City should allocate an amount of money for competitive community services grants for not-for-profit organizations that provide services to residents. The Fiscal Year 2011-12 budget includes \$130,000 for this program.

5. The City should maintain a \$500,000 reserve in the Self Insurance Fund; this budget includes maintenance of that reserve.

6. Capital Improvement Projects are budgeted on a multi-year basis. Once allocated, funds remain with a project until the project is complete or the monies are re-prioritized by the City Council. This budget proposes a \$50,000 allocation to continue the City's annual slurry seal program; no other new or modified projects are included.

7. Grant Funds are often distributed on a reimbursement basis. The General Fund unencumbered Fund Balance may be used for temporary "loans" until reimbursements are received. These "loans" are not reflected in the budget.

8. Transportation and Special Funds budgets should assure that monies are spent and/or obligated within required timeframes. This budget will meet all such timeframes.

9. The City should reserve an amount annually for uncompensated employee absences (accrued annual leave). This budget includes \$135,098 and is based on the prior year's financial audit.

General Fund

The adopted General Fund budget, which contains the majority of the City's operating and discretionary funds, totals \$5,861,889, and includes: 1) a \$203,587 reserve for economic uncertainties; 2) a \$50,000 council contingency account; 3) a \$131,572 transfer to the Self-Insurance Fund, 4) a \$5,000 transfer to the Senior Mobility taxi voucher program and 5) a \$1.45 million transfer for the city hall acquisition. Excluding the city hall transfer, the Fiscal Year 11-12 budget represents a \$26,189, or .6%, decrease when compared to the approved Fiscal Year 2010-11 budget. This budget continues all existing staff and services at current levels and reflects Councilmember discussion at April and May 2011 meetings. It should be noted that in Fiscal Year 2010-11, the City's legal service budget was

significantly over spent due primarily to the redlight camera program. The 14.8% increase in the Fiscal year 2011-12 administrative services department budget reflects an increase in this line item based on current year experience.

Transportation Fund

The Transportation Fund utilizes revenues that are restricted to public right-of-way construction, rehabilitation and maintenance. The Fiscal Year 2011-12 Transportation Fund budget totals \$682,214 and contains expenditures from three separate revenue sources: 1) Gas Taxes (Fuel tax and Proposition 42); 2) Measure M turnback (local sales tax) and 3) Coastal Area Road Improvements/Traffic Signals (CARITS). The Fiscal Year 2010-11 budget included \$500,000 in grant funding for the construction of the Santa Maria multimodal trail; although potential state, federal and local grants for capital improvements may be available during the new fiscal year, they have not been included in this budget.

The majority (\$632,214) of the City's Gas Tax and Measure M turnback funds all allocated in this budget for public right-of-way maintenance. The budget also includes the use of a portion of remaining CARITS funds for traffic signal maintenance. The use of CARITS funding is suggested for Fiscal Year 2011-12 only and anticipates that the City will be successful in its appeal of 2010 Census population numbers used to allocate gas tax.

The proposed Fiscal Year 2011-12 Transportation Fund budget also includes \$50,000 for continuation of the City's annual slurry seal program.

As adopted, the portion of the Transportation Fund budget committed to maintenance represents an \$11,940, or 6%, decrease over Fiscal Year 2010-11 anticipated expenditures. The recent completion of improvements along Moulton Parkway at the intersections of El Toro Road and Santa Maria should reduce cost in these areas for the next two years. In addition, a recent change in the landscape maintenance contract is expected to lower routine maintenance expenses.

Self Insurance Fund

The Self Insurance Fund is used to account for deposits to the California Joint Powers Insurance Authority Pool and the purchase of liability and property insurance. Revenue to this Fund consists of a \$131,572 transfer from the General Fund, which represents a 7.3% decrease when compared to the Fiscal Year 2010-11 budget. This reduction reflects the City's continued lack of workers compensation claims.

Special Funds

The Special Funds budget includes programs, whose revenues are restricted to specific purposes and which must be tracked separately. The Fiscal Year 2011-12 Special Funds budget contains eleven distinct programs and totals \$894,317. This budget represents a \$50,015, or 5.9% increase when compared to the Fiscal Year 2010-11 budget and contains funds for support of emergency management planning, continuation of the taxi voucher program, energy efficiency equipment retrofit program, city hall accessibility improvements, purchase of equipment to support the City's television channel, purchase of recycling trash bins for businesses and educational recycling material (recycled oil and beverage cans). New programs include a storm drain study, citywide hazard mitigation plan and abandoned vehicle abatement.

As noted above, the Special Funds budget includes continuation of the City's subsidized taxi voucher program. With the exception of travel to and from John Wayne airport, all fares for this program will remain the same for the next year. The fare for the taxi voucher program will increase on July 1, 2011 from \$22 to \$30 each way.

Chart B summarizes expenditures by Fund and Department and compares them to budgeted and anticipated actual Fiscal Year 2010-11 expenditures. Percentage changes on the chart represent a comparison of budget to budget.

Capital Improvement Program Fund

Capital Improvement Projects are budgeted on a multi-year basis. Once allocated, funds remain with a project until it is complete or until the monies are re-programmed by the City Council. Often, it takes several years to compile sufficient funding to complete a project. Chart C identifies currently funded open projects and the approved Fiscal Year 2011-12 budget increment for a total of 1,791,445.

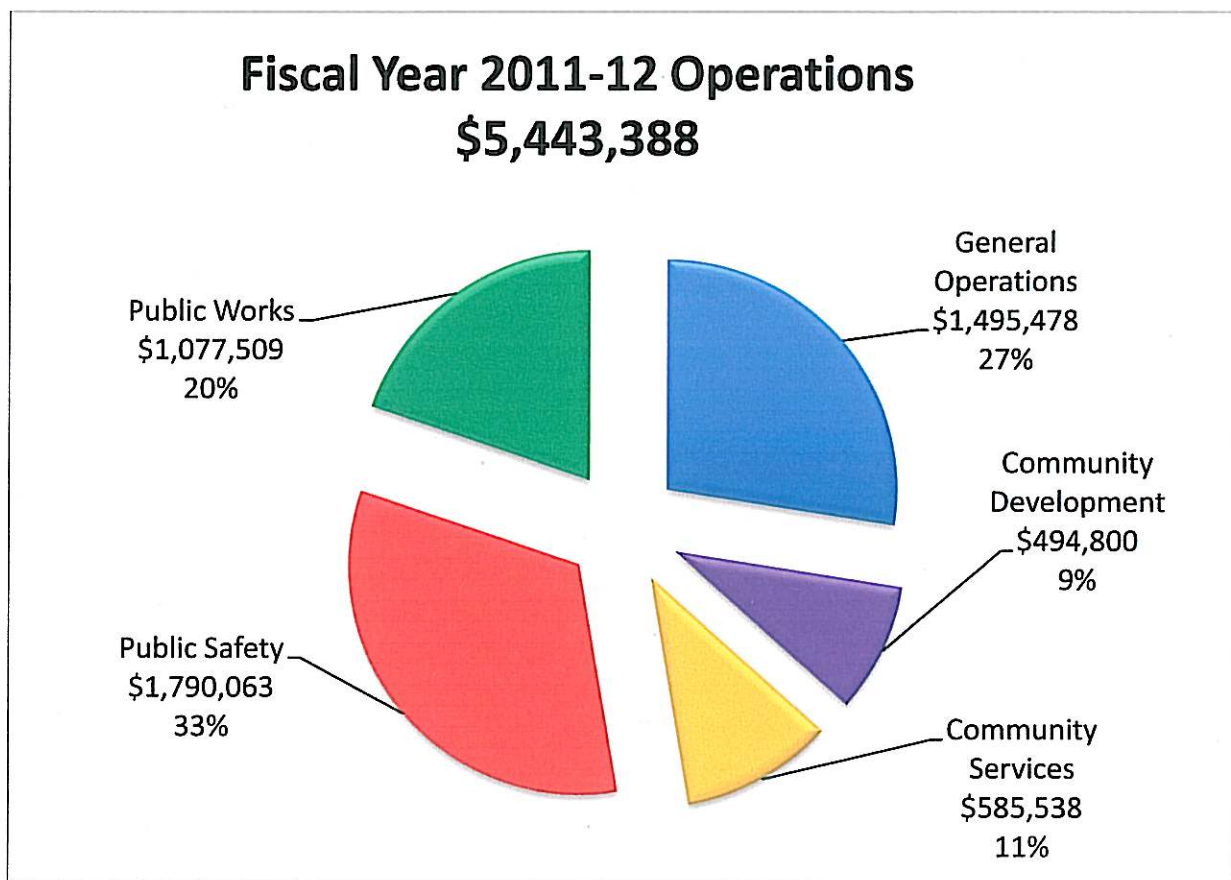
The budgeted capital improvement program totals \$3,853,974 and nine projects. Although all of these projects will not be completed in Fiscal Year 2011-12, work should be underway before the end of the upcoming fiscal year. Two of the nine projects are funded by Community Development Block Grant funds (Aliso Creek watershed study and City Hall accessibility improvements) and one is funded with General Funds (City Hall acquisition); the remaining projects are funded with Transportation Funds.

Each year, the City prepares and adopts a seven year capital improvement program that identifies funding required for its long range infrastructure and facility improvement projects. Only items in the first year of the plan are included in the annual budget. Chart D summarizes the approved Capital Improvement Program for the Fiscal Years 2011-12 through 2017-18. This program includes only current capital improvement projects and continuation of the City's slurry seal program.

Chart E summarizes current unfunded and underfunded capital improvement projects. Staff will be seeking grant funding for these projects.

Operations Budget

The City budgets on a fund basis depending on revenue sources and restrictions; expenditures for annual ongoing operations can be found in several different funds. The Fiscal Year 2011-12 operations budget totals \$5.3 million and is allocated as follows:



Staff Reorganization

The approved budget includes a staff reorganization designed to improve the efficiency and effectiveness of City functions. Nine positions are maintained and the attached organization chart identifies position assignments and reporting responsibilities. To assure that public safety activities (police, fire, emergency services, code enforcement and water quality) have adequate staff commitment, the proposed budget includes the reclassification of the special projects manager to public safety director. The additional cost for this position will be funded for three years through a Disaster Recovery Initiative grant.

The following full time staffing positions are included in the proposed budget:

- 1 Administrative Coordinator
- 1 Assistant City Manager (Public Works Director/City Treasurer)
- 1 Building Official
- 1 City Manager (City Clerk/Community Development Director)
- 1 Code Enforcement Officer
- 1 Community Services and Facilities Maintenance Manager
- 1 Deputy City Clerk
- 1 Finance Manager
- 1 Public Safety Director

Additional funding for part-time accounting staff has also been included to assure conformance with governmental accounting practices.

Anticipated Fund Balances

It is anticipated that the City of Laguna Woods will have a total Fund Balance of approximately \$8,130,923 as of June 30, 2011. The Fiscal Year 2011-12 budget estimates the June 30, 2012 fund balance will total \$6,538,233. The majority of this amount - \$6,170,035 - will be in the unrestricted General Fund and Self Insurance Fund balances, and does not include \$253,587 in budgeted council contingency and reserve for economic uncertainties accounts which are budgeted but might not be spent during the fiscal year. Monies in the unrestricted fund balances may be retained in the fund balance or committed by the Council to programs and/or projects.

Balances in the Transportation and Special Fund balances are restricted for certain activities and fluctuate as those activities are completed by the City.

Chart G summarizes projected fund balances for Fiscal Years 2010-11 and 2011-12.

Conclusion

The City of Laguna Woods continues to be fiscally conservative in its budgeting practices and expenditure history. Although currently revenue-challenged due to the local economy and the continued erosion of state subventions, the approved budget continues all existing programs, most at current service levels.

I want to thank the Assistant City Manager, Finance Manager and Special Program Manager for their assistance in preparing this year's budget. This is a time consuming process which can only be accomplished with teamwork.

Additionally, I would like to take the opportunity to thank the many volunteers who serve the City diligently on its advisory committees and as office volunteers. Their labor on behalf of the City saves many taxpayer dollars and creates the civic fabric that is so unique to Laguna Woods.



Leslie A. Keane
City Manager

<p align="center">CITY OF LAGUNA WOODS Fiscal Year 2011-12 Projected Revenue - All Sources</p>

Revenue	2010-11 Budget	2010-11 Anticipated	2011-12 Projected	% Change
<u>General Fund</u>				
Property Tax	315,494	262,919	255,926	-2.7%
Property Tax in Lieu	1,860,525	1,875,433	1,846,070	-1.6%
Sales Tax	577,084	606,390	615,486	1.5%
Motor Vehicle Fees	62,709	42,850	42,850	0.0%
Franchise Fees	371,921	384,138	545,092	41.9%
Transient Occupancy Tax	363,484	331,908	336,887	1.5%
Development Processing Fees	278,660	297,260	286,017	-3.8%
Fines	318,790	374,942	358,603	-4.3%
Interest	62,934	46,127	35,632	-22.7%
Miscellaneous	114,996	118,135	115,338	-2.4%
Total	4,326,597	4,340,102	4,437,901	2.2%
<u>Transportation Fund</u>				
Gas Tax	481,442	464,780	410,881	-11.6%
Measure M	741,404	655,947	171,786	-73.8%
CARITS	361,916	361,916	0	-100.0%
Total	1,584,762	1,482,643	582,667	-60.7%

CHART A

Revenue	2010-11 Budget	2010-11 Anticipated	2011-12 Projected	% Change
<u>Self Insurance Fund</u>				
Transfer from General Fund	142,000	134,518	131,572	-2.2%
Total	142,000	134,518	131,572	-2.2%
<u>Special Funds</u>				
Recycled Oil	5,000	5,614	5,000	-12.3%
Beverage Container	5,000	5,101	5,078	-0.4%
Mobile Source Reduction	20,348	21,712	18,747	-13.7%
Supplemental Law Enforcement	100,048	100,079	0	-100.0%
Emergency Management	16,806	16,806	1,235	-92.6%
Disaster Recovery Initiative	0	0	100,000	NA
Community Development Block Grant	153,000	153,000	395,533	158.5%
Senior Mobility	320,375	308,587	312,000	-1.1%
PEG/Cable Television	10,000	10,000	10,000	0.0%
Service Authority for Abandoned Vehicles	3,610	6,929	7,318	5.6%
Park in Lieu	242	521	0	-100.0%
Energy Efficiency	99,416	99,416	0	-100.0%
Total	733,845	727,765	854,911	17.7%
TOTAL ALL REVENUES	6,787,204	6,685,028	6,007,051	-10.1%
LESS INTERFUND TRANSFER	6,645,204	6,550,510	5,875,479	-10.3%

<p align="center">CITY OF LAGUNA WOODS Fiscal Year 2010-11 Expenditure Budget - All Funds</p>
--

Expenditure	2010-11 Adopted	2010-11 Estimated	2011-12 Adopted	% Change
<u>General Fund</u>				
City Council	\$ 46,073	\$ 35,694	\$ 37,975	-17.5%
Administrative Services	1,018,209	1,110,287	1,169,181	14.8%
Community Development	503,868	473,694	494,800	-1.8%
Community Services	254,850	254,308	157,550	-38.2%
Public Safety	1,674,455	1,635,256	1,681,510	0.4%
Public Works	392,329	386,374	373,964	-4.7%
Non-Departmental	147,309	80,198	156,750	6.4%
Subtotal	\$ 4,037,093	\$ 3,975,811	\$ 4,071,730	0.9%
Reserve for Economic Uncertainties	193,985	0	203,587	4.9%
Transfer to Self Insurance Fund	142,000	134,518	131,572	-7.3%
Transfer to Senior Mobility Program	65,000	65,000	5,000	-92.3%
Transfer to CIP City Hall Acquisition	3,200,000	3,200,000	1,450,000	-54.7%
Total General Fund	\$ 7,638,078	\$ 7,375,329	\$ 5,861,889	-23.2%
<u>Transportation Fund</u>				
Gas Tax				
Operations	\$ 431,442	\$ 414,780	\$ 360,881	-16.3%
Transfer to CIP	50,000	50,000	50,000	0.0%
Subtotal	481,442	464,780	410,881	-14.7%
Measure M				
Operations	241,404	155,947	171,786	-28.8%
Transfer to CIP	500,000	500,000	0	100.0%
Subtotal	741,404	655,947	171,786	-76.8%

Expenditure	CHART B			
	2010-11 Adopted	2011-12 Estimated	2011-12 Adopted	% Change
CARITS				
Operations	0	0	99,547	NA
Transfer to CIP	240,000	137,750	0	-100.0%
Total Transportation	\$ 1,462,846	\$ 1,258,477	\$ 682,214	-53.4%
<u>Self Insurance Fund</u>				
Transfer from General Fund	\$ 142,000	\$ 134,518	\$ 131,572	-7.3%
Total	\$ 142,000	\$ 134,518	\$ 131,572	-7.3%
<u>Special Funds</u>				
Recycled Oil	\$ 5,000	\$ 5,000	\$ 5,614	12.3%
Beverage Container	5,000	5,000	25,000	400.0%
Emergency Management	16,806	16,806	1,235	-92.6%
Special Law Enforcement Fund	100,000	100,079	0	-100.0%
Senior Mobility	320,375	308,587	312,000	-2.6%
CBBG				
Operations	125,000	125,000	104,088	-16.7%
Transfer to CIP	28,000	28,000	291,445	940.9%
Energy Efficiency				
Transfer to CIP	99,416	99,416	0	-100.0%
Disaster Recovery Initiative	0	0	100,000	NA
SAVE	0	0	7,318	NA
Mobile Source Reduction				
Transfer to CIP	134,705	134,705	0	-100.0%
OC Recycling Grant	0	0	40,717	NA
PEG	10,000	0	6,900	-31.0%
Park-in-lieu				
Transfer to CIP	0	521	0	-100.0%
Total Special	\$ 844,302	\$ 823,114	\$ 894,317	5.9%
TOTAL ALL FUNDS	\$ 10,087,226	\$ 9,591,438	\$ 7,569,992	-24.9%

CHART C

**Capital Improvement Program (CIP)
Open Projects Approved through FY 11-12**

#	PROJECT NAME	FUNDED Prior Years	FUNDED FY 08/09	FUNDED FY 09/10	FUNDED FY 10/11	APPROVED FY 11/12	TOTAL ALLOCATED	FUTURE FUNDING
1.	City Hall Acquisition ¹	\$4,250,000			3,200,000	\$1,450,000	\$8,900,000	
2.	Moulton Smart Street Widening Project – Road Construction ²	\$5,688,775	\$431,443	2,919,782			\$9,040,000	\$3,100,000 ^a
3.	Ridge Route Linear Park – Phase II			\$75,000			\$75,000	
4.	City Hall Renovations, Maintenance and Accessibility Improvements ³	\$65,000				\$166,540	\$231,540	
5.	El Toro/Aliso Creek Intersection Improvements ⁴	\$706,982	\$500,000		\$500,000		\$1,706,982	
6.	Traffic Signal Right Turn Arrows ⁵				\$37,750		\$37,750	
7.	City Hall State Energy Efficiency Improvements ⁶				\$99,416		\$99,416	

CHART C

#	PROJECT NAME	FUNDED Prior Years	FUNDED FY 08/09	FUNDED FY 09/10	FUNDED FY 10/11	APPROVED FY 11/12	TOTAL ALLOCATED	FUTURE FUNDING
8.	Aliso Creek Watershed Flood Control Design Alternative – Phase I					\$124,905	\$124,905	
9.	Slurry Seal Program					\$50,000	\$50,000	

1. Remaining balance is \$264,668
2. Remaining balance is \$646,785
3. Remaining balance is \$7,161
4. Remaining balance is \$1,071,690
5. Remaining balance is \$16,569
6. Remaining balance is \$55,656

a. Partial funding committed by the County

SEVEN YEAR CAPITAL IMPROVEMENT PROGRAM (CIP)

CHART D

FY 11/12 through 17/18

Project	Funding						
	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
<u>Road Improvements</u>							
Slurry Seal Program	Fuel Tax	50,000	50,000	50,000	50,000	50,000	50,000
Total	50,000	50,000	50,000	50,000	50,000	50,000	50,000
<u>Facility Improvements</u>							
City Hall Acquisition	General Fund	1,450,000					
		1,450,000					
City Hall ADA/Accessibility Improvements	CDBG Total	166,540					
		166,540					
Aliso Creek Watershed Flood Control Design Alternative-Ph 1	CDBG Total	124,905					
		124,905					

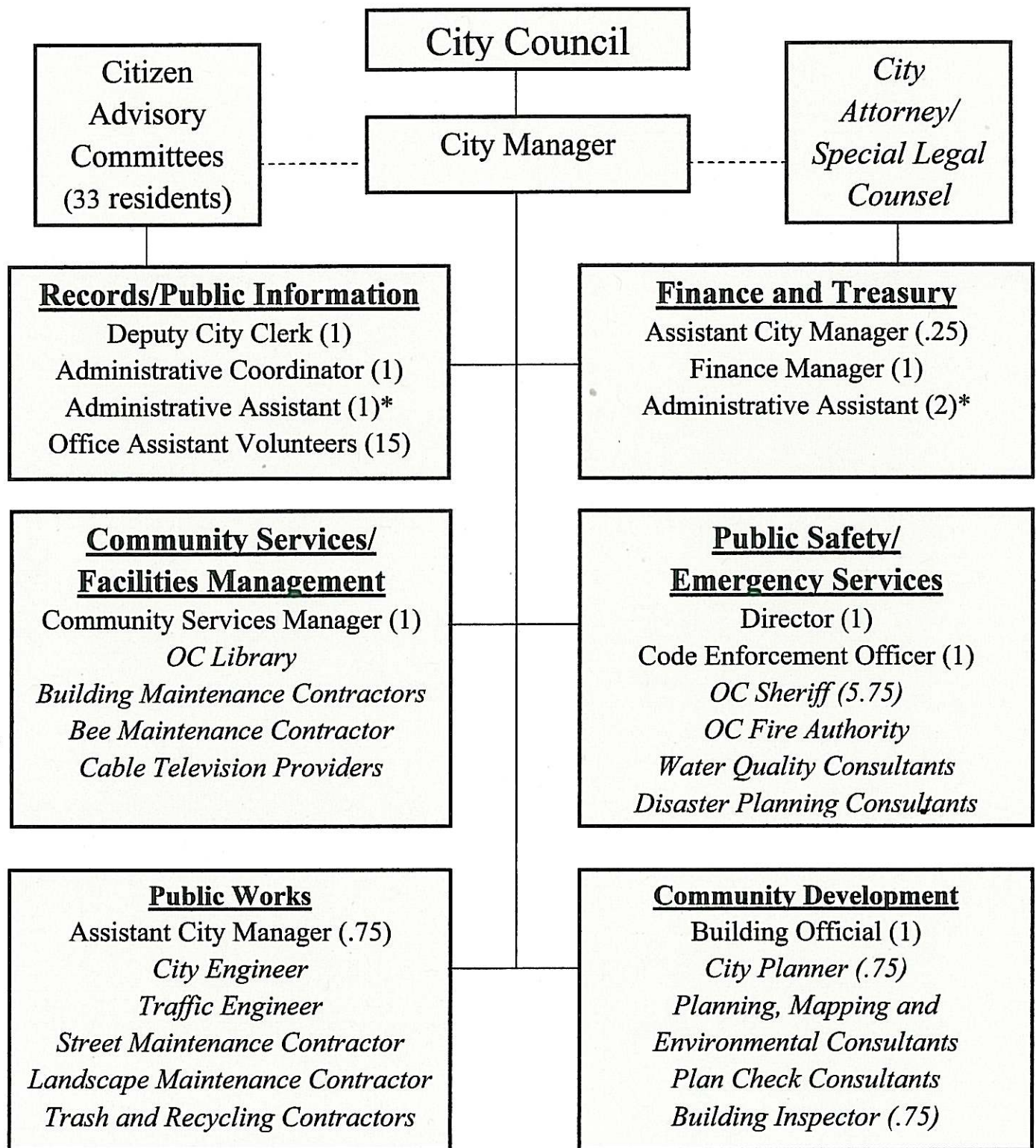
**UNFUNDED or PARTIALLY FUNDED CAPITAL PROJECTS
FY 11/12 through 17/18**

Project	Total Budget	Allocated To Date	Funds Required
<u>Road Improvements</u>			
Moulton Smart Street Widening Project			
Road Work (remainder)	\$ 3,500,000	\$ 3,100,000 ^a	\$ 400,000
Landscape/Mitigation	\$ 2,500,000		\$ 2,500,000
Subtotal			<u>\$ 2,900,000 ^b</u>
<u>Landscaping Improvements</u>			
Moulton Pkwy Landscaping - South City limit to Via Campo Verde	\$ 825,000	\$ -	\$ 825,000
El Toro Road Landscaping - Calle Sonora to Moulton Parkway	\$ 75,000	\$ -	\$ 75,000
<u>Facility Improvements</u>			
City Hall Improvements/Maintenance	\$ 565,000	\$ 231,540	\$ 333,460

a. Partial funding tentatively committed by the County

b. Grant funds available on a competitive basis that the City may or may not receive

CITY OF LAGUNA WOODS ORGANIZATION CHART



* 3 part time positions, with a total full time equivalent of 1

Italics denotes position/responsibility currently performed by consultant or contractor

<p align="center">CITY OF LAGUNA WOODS Fiscal Year 2011-12 Projected Fund Balances</p>

	Projected 2010-11 End Of Year	Projected 2011-12 End of Year	% Change
Unreserved General Fund	7,088,563	5,670,035	-20.1%
Reserve for Self Insurance	500,000	500,000	0.0%
Reserve for Uncompensated Absences	141,207	135,998	-3.7%
Reserve for El Toro MM Trail	3,618	3,618	0.0%
Gas Tax	0	0	0.0%
Measure M	0	0	0.0%
CARITS	224,166	124,619	-44.4%
SAAV	15,694	15,694	0.0%
Mobile Source Reduction	1,364	20,111	1374.4%
Senior Mobility	60,660	30,660	-49.4%
Beverage Container Recycling	38,108	18,186	-52.3%
Used Oil Recycling	614	0	-100%
OC Recycling	40,717	0	-100.0%
Cable Television/PEG	16,212	19,312	19.1%
	8,130,923	6,538,233	-19.6%