

City of Laguna Woods

Fiscal Years 2017-19

Budget & Work Plan



City of Laguna Woods
24264 El Toro Road
Laguna Woods, CA 92637
www.cityoflagunawoods.org

June 28, 2017

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City of Laguna Woods

Fiscal Years 2017-19 Budget & Work Plan

June 28, 2017



Shari L. Horne
Mayor

Carol Moore
Mayor Pro Tem

Cynthia Conners
Councilmember

Noel Hatch
Councilmember

Joe Rainey
Councilmember

Christopher Macon
City Manager

Margaret Cady, CPA
Administrative Services Director/
City Treasurer

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TRANSMITTAL LETTER

June 28, 2017

Honorable Mayor and City Councilmembers:

It is my privilege to present the City of Laguna Woods' Fiscal Years 2017-19 Budget & Work Plan. This document establishes a scope of work and financial plan for the City to undertake during the fiscal years spanning the 24-month period from July 1, 2017 through June 30, 2019.

The programs, projects, and services provided for herein, are intended to continue to fulfill the City's legal responsibilities as set forth in State law and advance efforts with respect to the City Council's six priority focus areas (*see below*). The priority focus areas articulate the goals and intended outcomes of this budget and work plan, while also reinforcing the City's commitment to the delivery of exemplary municipal services rich in public value.

City Council's Priority Focus Areas

A City that is...



Healthy and safe



High in quality of life



Environmentally conscious



Economically prosperous



Fiscally responsible



Professionally and efficiently served

The Fiscal Years 2017-19 Budget & Work Plan marks the successful culmination of a multi-year, labor-intensive process to transition the City from single-year to two-year budgets and work plans. It also contains the City's first five-year strategic financial plan. As I have said previously, it is my sincere belief that the City's new, longer-term perspective will make the organization and its services more efficient, strategically-minded, and sustainable. Laguna Woods taxpayers should find assurance in knowing that the City is planning ahead, looking beyond even the two-years included in this budget and work plan, with an ever-present focus on the prudent stewardship of local dollars.

Prior Year Highlights

Before looking ahead, I would like to take a moment to highlight several of the City's recent accomplishments. Additional information is included on the City's highlights dashboard, which is produced annually and available at City Hall and on the City's website at www.cityoflagunawoods.org.

- Laguna Woods was ranked as the **fourth safest city in California** by SafeWise. In the 2016 calendar year alone, Laguna Woods' public safety personnel responded to **5,367** calls for fire/emergency medical services, **3,498** calls for law enforcement services, and **539** calls for animal services, under contracts and agreements with the City.
- The City continued to provide resources to applicants for renovation and development projects. In the 2016 calendar year alone, the City issued **3,486** building permits and conducted over **9,000** building inspections.
- The City's Senior Mobility Program continued to promote lifelong mobility by providing affordable, senior-oriented transportation services. In the 2016 calendar year alone, Laguna Woods residents took **15,042** trips to destinations throughout Orange County, totaling **95,940** miles.
- The City continued its efforts to protect and improve the environment by offering a wide assortment of waste and recycling programs. In addition to diverting a considerable amount of recyclable waste from landfills, in the 2016 calendar year alone, the City collected **120,274** pounds of paper at document shredding events, free of charge to residents. The City also began to accept home-generated sharps waste at City Hall, which resulted in the collection of **128** pounds in only five months.
- The City partnered with Southern California Edison to replace **170** public street light fixtures with new light-emitting-diode fixtures, at no cost.

- The City became the first city in Orange County to **fully fund** the entirety of its California Public Employees' Retirement System ("CalPERS") pension plans according to current actuarial projections. That action is expected to save the City upwards of \$500,000 over the next 30 years.
- The City was recognized for several financial achievements, including by receiving an **Operating Budget Excellence Award** from the California Society of Municipal Finance Officers for Fiscal Year 2016-17.
- The City's annual independent audit resulted in an **unmodified opinion** that the financial statements for Fiscal Year 2015-16 were fairly presented in conformity with governmental accounting standards.
- The City replaced its antiquated financial software with new software that will better meet operational needs, improve internal efficiency, and enable future electronic customer service opportunities.
- The City completed the first phase of a project to update and clarify its Zoning Code. Doing so supports the City's goal of providing residents with access to high quality goods and service close to home.
- The City enhanced the events offered at City Hall by entering into new partnerships that allowed for participation in National Prescription Drug Take-Back Day, senior fall prevention workshops offered in conjunction with Mission Hospital, monthly small business workshops hosted by the United States Small Business Administration's SCORE Program, and more frequent OC Public Libraries programming.
- The City established and obtained tax exemptions for the Laguna Woods Civic Support Fund, a nonprofit public benefit corporation that will help to support the City's operations, as well as the Laguna Woods branch of the County of Orange's public library system.

Introductory Notes

This budget and work plan continues the conservative approach to budget development that has been a key contributing factor to the City's economic viability since its incorporation more than 18 years ago. While revenue trends continue to reflect minimal to modest growth, with the City's projected cost of doing business keeping pace with or slightly exceeding the same, the City must continue to exercise serious and steadfast fiscal discipline. In doing so, the City must also maintain a realistic understanding of the limits of available resources and remain committed to improving the efficiency, effectiveness,

and economy of its operations, not only in principal, but as an essential and ongoing strategy to manage future costs. While the City may not be able to provide a vast array of elective services, prudent management will allow for the continued fulfillment of all core services and statutory responsibilities.

17-18

Inclusive of all funds, net expenditures for Fiscal Year 2017-18 total \$7,357,806. The General Fund operating budget is balanced and accounts for the majority of net expenditures at \$5,359,050. At the end of the fiscal year, it is projected that the unassigned General Fund balance will be \$5,731,896, or 107% of the Fiscal Year 2017-18 operating budget. That unassigned balance would be in addition to assigned and committed reserves totaling \$2,686,800.

18-19

Inclusive of all funds, net expenditures for Fiscal Year 2017-18 total \$7,027,538. The General Fund operating budget is balanced and accounts for the majority of net expenditures at \$5,456,246. At the end of the fiscal year, it is projected that the unassigned General Fund balance will be \$5,568,250, or 102%, of the Fiscal Year 2018-19 operating budget. That unassigned balance would be in addition to assigned and committed reserves totaling \$2,770,800.

General Fund Highlights

The single greatest threat to the solvency of the City remains the rising cost of law enforcement services, exacerbated by operational changes within the Orange County Sheriff's Department and labor agreements approved by the Orange County Board of Supervisors. While the City was able to moderate costs in Fiscal Year 2017-18 through a reduction in staffing, future costs are expected to continue to increase at an unsustainable rate, significantly in excess of inflation. Projections from the Orange County Sheriff's Department indicate that costs to maintain the existing level of service will increase at least 15% over the next four years. Adding even greater cause for concern is that those projections do not account for potentially significant costs that are likely, but as-of-yet unknown, including impacts of future labor agreements and growth in departmental overhead. As a result, it is conceivable that costs may increase more than 15%, simply to continue the status quo.

In addition to advocating for restraint and consultation in decision-making by the Orange County Board of Supervisors, the City must continue to explore

alternate service delivery models with the goal of achieving sustainability in long-term costs, while still maintaining high levels of safety for Laguna Woods residents and law enforcement personnel. It is also necessary for the City to further develop community partnerships and enhance its crime prevention activities in order to manage future needs for law enforcement services and commensurate costs. In any case, service level reductions and operational changes above and beyond what the City has already implemented may still be required, so long as the Orange County Board of Supervisors exercises majority control over local law enforcement costs.

The City's lack of a strong and diversified local sales tax base also continues to be of significant concern. While there are signs of improvement, including the long-awaited renovation of the Willow Tree Center, the City will continue to be reliant on a small number of businesses for its second largest source of operating revenue. Now more than ever, fostering a productive environment for local businesses is of paramount importance. Doing so adds security to the City's budget and aids in the City's ongoing pursuit of ensuring that the mix of local businesses meets the needs of Laguna Woods residents.

Special Revenue Funds Highlights

In April 2017, Governor Brown signed the Road Repair and Accountability Act of 2017 ("Senate Bill 1") into law, which will dramatically increase the funds available to cities for public road maintenance and rehabilitation, beginning in Fiscal Year 2017-18. For the City, Senate Bill 1 revenue will help address the historical erosion of Fuel Tax revenue caused, in part, by statewide reductions in gasoline prices and consumption, which was highlighted as a matter of "significant concern" in the prior year's budget and work plan. Over the first 10 years of Senate Bill 1, the City anticipates that it will receive approximately \$3.5 million to improve the condition of local roads and flow of traffic.

Capital Improvement Program Highlights

The Capital Improvement Program ("CIP") included in this budget and work plan envisions public facility and infrastructure investments of approximately \$4.3 million over the course of the next seven years. The projects that will be completed during fiscal years 2017-18 and 2018-19 are primarily focused on rehabilitating existing infrastructure and improving pedestrian accessibility.

In addition to pedestrian accessibility improvements that will be constructed as part of pavement rehabilitation projects, the City anticipates receiving a federal Community Development Block Grant ("CDBG") in Fiscal Year 2017-

18 to enhance the ease and accessibility of pedestrian travel along Moulton Parkway. Similar improvements at other locations throughout Laguna Woods are planned for future years, contingent on the receipt of additional CDBG funding, which is subject to appropriation by the United States Congress.

Conclusion

As in years past, this budget and work plan was developed with an abiding concern for the quality of life, health, safety, wellness, and well-being of those who call Laguna Woods home. Though the City faces challenges in the years ahead, the prudence, conservatism, and strategic investments that underlay this document will serve residents and businesses well.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'C. Macon', with a stylized, flowing script.

Christopher Macon
City Manager

1.0. CITY BACKGROUND

This chapter is intended to provide a brief overview of the City of Laguna Woods in order to establish a context for understanding the decision-making that resulted in this budget and work plan.

A BRIEF HISTORY

Laguna Woods, California occupies approximately three square miles of land that was once a part of South Orange County's expansive Moulton Ranch. Prior to the 1960s, dry farming and cattle grazing dominated the area, with a few scattered ranch dwellings and barns.

In 1962, Ross Cortese, a young developer whose previous projects included Rossmoor and Leisure World Seal Beach, purchased a portion of the Moulton Ranch. His goal was to create a second Leisure World community or, as he said, "to supply the basic needs of life for people aged 52 and older; create a serene atmosphere of beauty; and provide security, recreation, and religious facilities – then leave the living to the individual." His dream materialized and in 1964 Leisure World Laguna Hills received its first residents.

The prospect of incorporation first arose in 1971 and was a lingering issue until 1996, when the potential for a reduction in County services and the possibility of a commercial airport at the nearby site of the former Marine Corps Air Station, El Toro, became very real concerns. Proponents of cityhood were successful in gaining the necessary approvals and signatures to place the issue of incorporation on the ballot for a special election on March 2, 1999.

On March 24, 1999, Laguna Woods officially became Orange County's 32nd city. In an afternoon ceremony, Superior Court Judge Francisco F. Firmat swore in the five-newly elected members of the City Council.

Today, Laguna Woods is bordered by unincorporated areas, as well as the cities of Aliso Viejo, Irvine, Laguna Beach, and Laguna Hills. It includes the private gated community of Laguna Woods Village (formerly Leisure World Laguna Hills), several senior-oriented residential communities, a number of commercial centers, three public parks, and additional open space areas.

The City of Laguna Woods celebrated its 18th anniversary in 2017.

PHYSICAL LOCATION

Laguna Woods occupies approximately three square miles of land in Orange County, California and is bordered by the cities of Aliso Viejo, Irvine, Laguna Beach, and Laguna Hills, as well as unincorporated and undeveloped open space owned by the County of Orange and the City of Laguna Beach.

Transportation routes near Laguna Woods include the Interstate 5 Freeway (I-5) and State Routes 73 (SR-73) and 133 (SR-133). Portions of SR-73 and SR-133 are operated as toll roads by the Transportation Corridor Agency.

[Regional Location]



LOCAL GOVERNMENT

The City of Laguna Woods is a “general law city” with a “Council-Manager” form of local government, meaning that it operates within the parameters of California municipal law with an elected City Council that is responsible for legislative and policy functions. The City Council appoints and supervises a professional City Manager charged with the “day-to-day” responsibilities of managing the City and implementing City Council laws and policy. The City Council also appoints a City Attorney to serve as the City’s legal counsel. The five members of the City Council are residents elected at large by registered voters to four-year terms. Elections are held in even numbered years with two and then three Councilmembers elected at subsequent elections. The City Council appoints a Mayor and Mayor Pro Tem from amongst its membership.

[Elected Officials]

Mayor.....Shari L. Horne
Mayor Pro Tem.....Carol Moore
Councilmember.....Cynthia Conners
Councilmember.....Noel Hatch
Councilmember.....Joe Rainey

[Key Appointed Officials]

City Manager.....Christopher Macon
City Attorney.....David B. Cosgrove

The City has eight and nine-twentieths full-time equivalent ("FTE") employees who are responsible for delivering a full range of municipal services. The City operates as a "contract city" meaning that its small in-house staff leverage the resources of a variety of contract, franchise, and joint powers agencies to provide efficient, effective, and economical services. If the City were a "full service city," those services would be provided by City employees often at higher costs and with considerably greater liability. While contract service providers may charge the City for current year liabilities, the City's contract service arrangements do not result in the assumption of any other agency's long-term retirement or other post-employment benefit ("OPEB") liabilities.

[Key Operating Contract Service Providers]

Animal Control & Shelter Services.....City of Laguna Beach
Building & Engineering Services.....CivilSource
Landscape Maintenance Services.....Nieves Landscaping
Law Enforcement Services.....Orange County Sheriff's Department
Legal Services.....Rutan & Tucker, LLP
Planning Services.....Michael Baker International
Street & Right-of-Way Maintenance Services.....PV Maintenance
Traffic Signal & Lighting Maintenance Services.....
Computer Service Company

Fire/emergency medical services are provided by the Orange County Fire Authority ("OCFA"). Unlike the Orange County Sheriff's Department, which provides law enforcement services pursuant to a contract between the City and the County of Orange, OCFA's services are provided pursuant to a joint powers agreement and structural fire fund. As a "structural fire fund city," a fire tax is included in Laguna Woods' one-percent basic property tax levy (approximately 12 cents of every dollar of property tax paid in Fiscal Year 2014-15). The fire tax was established prior to both the enactment of Proposition 13 in 1978 and the incorporation of the City in 1999. The County of Orange collects the fire tax, accumulates the proceeds in a structural fire fund, and makes payments to OCFA for Laguna Woods' fire services. Because the City is not involved in the levy, collection, or disbursement of the fire tax, expenses for fire services are not reported in this budget and work plan.

Insurance and risk management services are provided by the California Joint Powers Insurance Authority ("California JPIA"). The California JPIA provides its services pursuant to a joint powers agreement.

Waste and recycling services, including solid and household hazardous waste collection, are provided by franchise and contract service providers.

[Key Special Districts & Utility Providers]

Electricity.....	Southern California Edison
Natural Gas.....	Southern California Gas Company
Public Library.....	OC Public Libraries
School District.....	Capistrano Unified School District Saddleback Valley Unified School District South Orange County Community College District
Transportation.....	Orange County Transportation Authority San Joaquin Hills Transportation Corridor Agency
Vectors.....	Orange County Mosquito and Vector Control District
Water & Sewer.....	El Toro Water District
Waste & Recycling.....	Waste Management of Orange County WM Curbside

CITY PROPERTIES

Most of the land within Laguna Woods is privately owned, including all local roadways with the exception of El Toro Road, Moulton Parkway, Ridge Route Drive, and Santa Maria Avenue. The City is responsible for operating and maintaining portions of those four roadways, as well as three public parks (City Centre Park, Ridge Route Linear Park/"A Place for Paws" Dog Park, and Woods End Wilderness Preserve); a multi-modal trail network for pedestrians, golf carts, and bicyclists; and, parkways, medians, and other areas of public right-of-way. Laguna Woods City Hall is located at 24264 El Toro Road.

LOCAL DEMOGRAPHICS

The California Department of Finance ("DOF") estimates that Laguna Woods' population was 16,319 as of January 1, 2017, a 0.1% decrease from the year prior¹. DOF estimates incorporate United States Census counts, the most recent of which found that Laguna Woods' population was 16,192². The population is known to experience some seasonal variation with the total number of residents present at any given time remaining mostly constant.

[Age]

Age	Population (2000 Census)	Population (2010 Census)
Median age	78 years	77.4 years
Birth to 34 years	1.6%	1.4%
35 to 54 years	3.6%	4.2%
55 to 74 years	32.4%	39%
75 to 84 years	41.1%	55.5%
85 years and over	21.2%	23.9%

[Gender]

Gender	Population (2000 Census)	Population (2010 Census)
Male	34.1%	35.5%
Female	65.9%	64.5%

¹ State of California, Department of Finance, *E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2016 and 2017*. Sacramento, California, May 2017.

² U.S. Census Bureau, 2010 Census.

[Race and Ethnicity]

Racial/Ethnic Group	Population (2000 Census)	Population (2010 Census)
White	96.1%	87.3%
Asian	2.5%	10%
Asian Indian	0.1%	0.4%
Chinese	0.7%	3.1%
Filipino	0.6%	1.7%
Japanese	0.5%	1.1%
Korean	0.4%	3.1%
Vietnamese	0.1%	0.2%
Other Asian	0.1%	0.3%
Black or African American	0.2%	0.7%
Hispanic or Latino	2.1%	4%
All Other Races	0.4%	0.8%

[Language Spoken at Home³]

Subject	Speak English "very well"	Speak English less than "very well"
Population 5 years and over	91.6%	8.4%
Speak a language other than English	55.9%	44.1%
Speak Spanish or Spanish Creole	67.3%	32.7%
Speak other Indo-European languages	64.9%	35.1%
Speak Asian & Pacific Island languages	46.7%	53.3%
Speak other languages	26.7%	73.3%

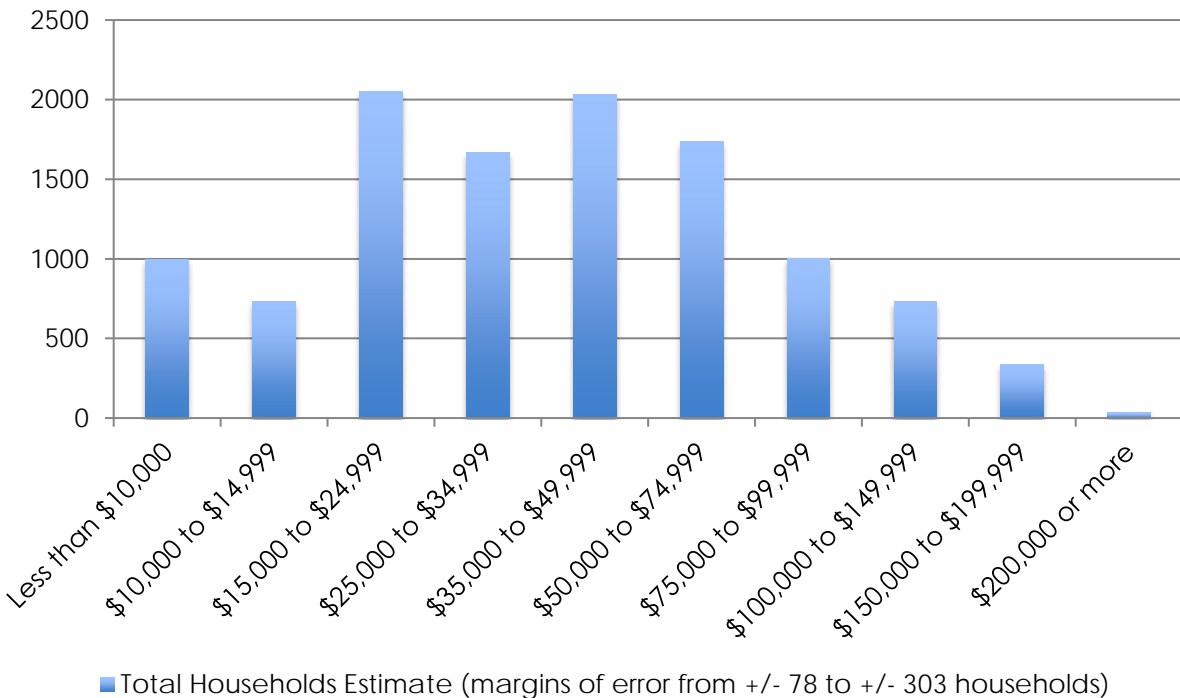
[Household Size]

Subject	Measure (2000 Census)	Measure (2010 Census)
Average household size	1.40	1.42

³ U.S. Census Bureau, 2008-2012 American Community Survey. Note: The American Community Survey produces population, demographic, and housing unit estimates only. Estimates for the "Language Spoken at Home" data for Laguna Woods are subject to margins of error from +/- 1.5% to +/- 38.6%.

[Household Income⁴]

Subject	Measure	Margin of Error
Median household income	\$36,818	+/- \$2,001
Mean household income	\$53,033	+/- \$3,839



As a point of comparison, the State of California's median household income as reported in the 2008-2012 American Community Survey is \$61,400. Laguna Woods' median household income is \$24,582 less per year, or approximately 60% of the State's median household income.

LOCAL ECONOMY

Residential Communities

The vast majority of land within Laguna Woods is occupied by residential uses, which include five private residential communities offering an assortment of condominium, cooperative, rental, and assisted living housing totaling 13,386 units. Laguna Woods Village is the largest community with 12,736 units (or, approximately 95% of all units), including 311 units located in high-rise towers.

⁴ U.S. Census Bureau, 2008-2012 American Community Survey. Note: The American Community Survey produces population, demographic, and housing unit estimates only. Estimates for the "Income and Benefits" data for Laguna Woods are reported in 2012 inflation-adjusted dollars.

Other communities include Las Palmas (184 units), The Regency (192 units), San Sebastian (134 units), and Whispering Fountains (140 units).

Places of Worship

Laguna Woods is home to five dedicated places of worship serving Catholic, Jewish, Lutheran, Methodist, and Presbyterian faiths. Other faith-based groups and religious communities meet in locations throughout Laguna Woods.

Shopping Centers, Hotels, and Commercial Properties

At just over three square miles, most of the land within Laguna Woods is zoned for residential, open space, and other non-commercial purposes. While less than one-fifth of a square mile is zoned as commercial, residents and visitors enjoy a wide assortment of retail, professional, and medical services.

Laguna Woods is served by the following five shopping centers:

- Town Centre (north of El Toro Road, west of Moulton Parkway)
- Home Depot Center (south of El Toro Road, west of Moulton Parkway)
- PS Business Park (south of Ridge Route Drive, east of Moulton Parkway)
- Valencia Center (south of El Toro Road, west of Paseo de Valencia)
- Willow Tree (south of El Toro Road, east of Moulton Parkway)

Laguna Woods is home to the 138-room Ayres Hotel in Town Centre.

Additional commercial properties are located:

- In the vicinity of Moulton Parkway, east of Town Centre
- In the vicinity of Moulton Parkway at El Toro Road
- In the vicinity of Via Campo Verde, west of Moulton Parkway
- In the vicinity of Calle Aragon, east of Moulton Parkway
- In the vicinity of Paseo de Valencia, south of Valencia Center
- Northwest of Laguna Hills Drive and Paseo de Valencia
- Northwest of El Toro Road and Paseo de Valencia

2.0. CITY ORGANIZATION

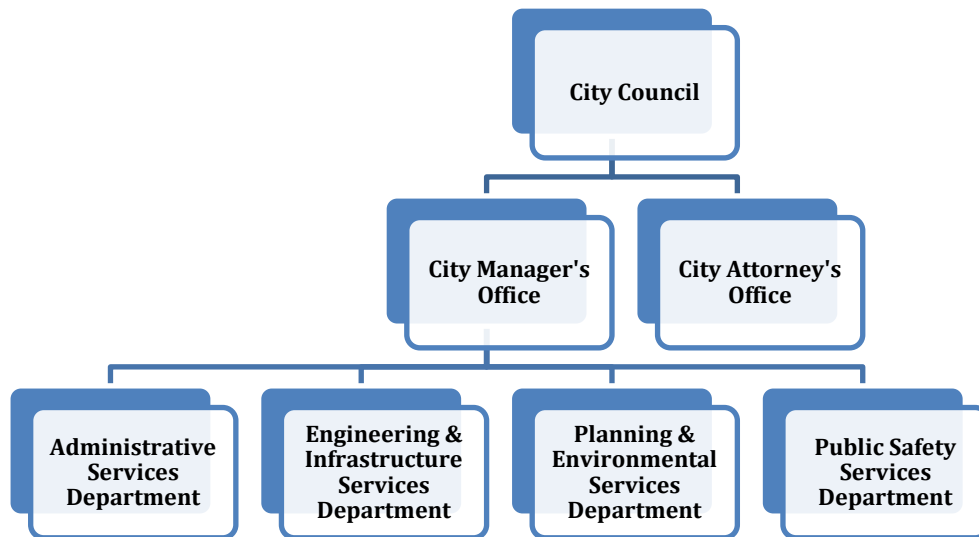
This chapter is intended to provide a brief overview of the City of Laguna Woods' internal structure in order to establish a context for understanding how this budget and work plan will be implemented.

DEPARTMENTAL STRUCTURE

The City is organized into the following seven departments:

- City Council
- City Manager's Office
- City Attorney's Office
- Administrative Services Department
- Engineering & Infrastructure Services Department
- Planning & Environmental Services Department
- Public Safety Services Department

[Organizational Chart – Departments]



As a contract city, many departmental functions are coordinated by City personnel and performed under contract with independent, franchise, and joint powers agencies. This chapter reviews the organizational structures and allocations of City personnel and the City Attorney's Office.

CITY COUNCIL

Shari L. Horne, Mayor
Carol Moore, Mayor Pro Tem
Cynthia Conners, Councilmember
Noel Hatch, Councilmember
Joe Rainey, Councilmember

The City Council is the governing body for the City. Its five members are directly accountable to the Laguna Woods electorate and are responsible for providing overall legislative and policy direction for the City as an organization. As a body, the City Council is also responsible for appointing the City Manager and the City Attorney, as well as adopting the City's budget.

The Mayor and Mayor Pro Tem are appointed annually by the members of the City Council to preside over City Council meetings; execute certain legal instruments and authorizations; and, attend to various ceremonial matters.

CITY ATTORNEY'S OFFICE

David B. Cosgrove, City Attorney (under contract with Rutan & Tucker, LLP)

The City Attorney is appointed by the City Council and serves as chief legal counsel for the City as an organization. The City Attorney reports to the City Council and works closely with the City Manager.

In addition to furnishing legal advice to the City Council and City personnel on matters related to the conduct of City business, the City Attorney's Office is responsible for preparing, reviewing, and approving the form of ordinances, resolutions, agreements, and other legal instruments.

The City Attorney's Office is a contract function. Associated expenditures are included in the Legal Services line item of the General Government section of this budget; however, legal services rendered for special projects, and other related expenditures, may be charged to those projects.

PERSONNEL ALLOCATION

This budget and work plan includes an authorized personnel allocation of eight and nine-tenths full-time equivalent ("FTE") positions. Compared to the previous fiscal year, that personnel allocation represents a reduction of

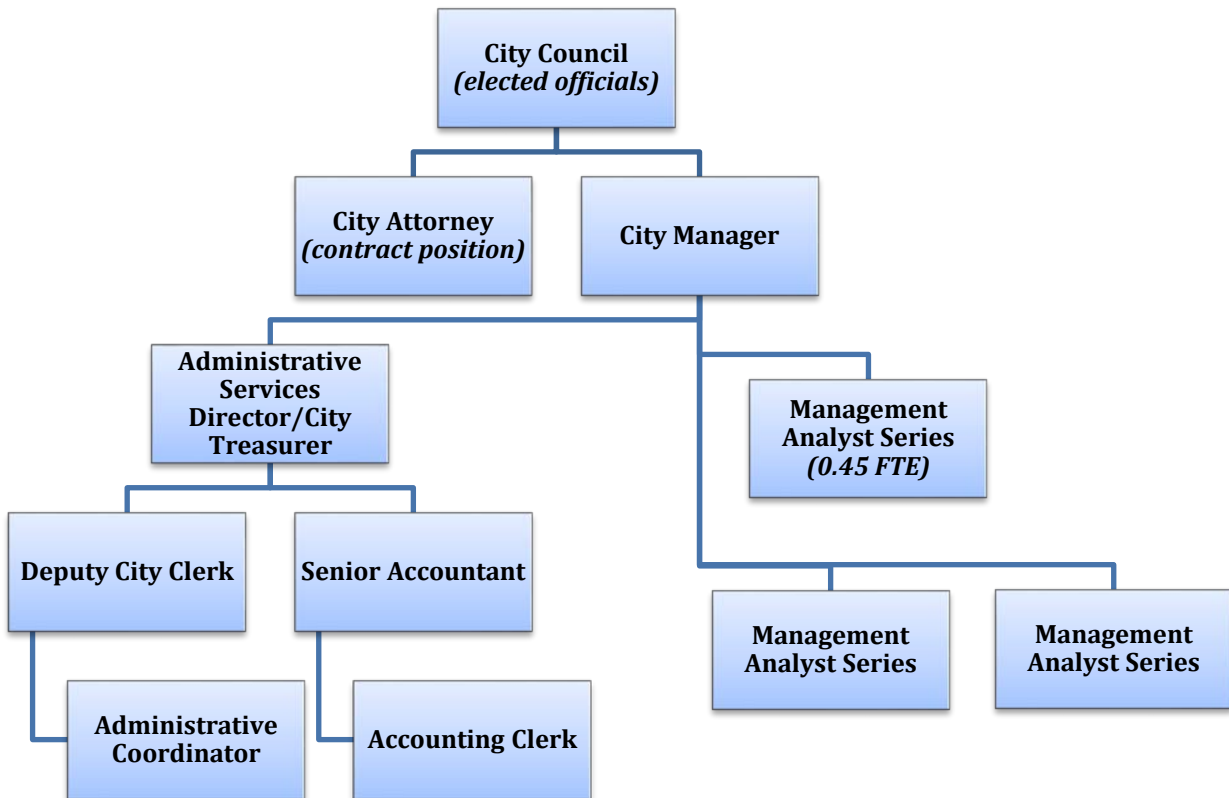
nine-twentieths of an authorized FTE position. The reduction in authorized personnel is primarily attributable to the impact of increasing law enforcement costs, exacerbated by labor agreements approved by the Orange County Board of Supervisors with higher salary and benefit costs.

[Personnel Allocation – Citywide]

Position	Number Authorized					
	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<i>Full-Time Employees [full-time equivalents (FTE)]</i>						
City Manager	1.00	1.00	1.00	1.00	1.00	1.00
Assistant City Manager	1.00	1.00	1.00	-	-	-
Administrative Services Director/City Treasurer	-	1.00	1.00	1.00	1.00	1.00
Accounting Clerk	-	1.00	1.00	1.00	1.00	1.00
Administrative Coordinator	1.00	1.00	1.00	1.00	1.00	1.00
Building Official	1.00	-	-	-	-	-
Community Services Manager	1.00	1.00	0.50	-	-	-
Deputy City Clerk	1.00	1.00	1.00	1.00	1.00	1.00
Finance Manager	1.00	-	-	-	-	-
Management Analyst/ Senior Management Analyst	-	-	1.00*	2.00	2.00	2.00
Management Assistant	1.00	1.00	1.00*	-	-	-
Planning Manager	1.00	1.00	-	-	-	-
Public Safety Director	1.00	-	-	-	-	-
Senior Accountant	-	1.00	1.00	1.00	1.00	1.00
Total FTE – full-time positions	10.00	10.00	8.50	8.00	8.00	8.00
<i>Part-Time Employees [full-time equivalents (FTE)]</i>						
Accountant	0.50	-	-	-	-	-
Administrative Assistant	1.50	1.00	-	-	-	-
Customer Service Representative	-	-	-	0.45	-	-
Management Analyst/ Senior Management Analyst	-	-	-	0.45	0.45	0.45
Total FTE – part-time positions	2.00	1.00	-	0.90	0.45	0.45
Total FTE – all positions	12.00	11.00	8.50	8.90	8.45	8.45
Year-over-year change		(1.00)	(2.50)	0.40	(0.45)	-

* These positions were authorized for only a portion of the fiscal year, resulting in a total net FTE of 1.00.

REPORTING RELATIONSHIPS



CITY MANAGER'S OFFICE

Christopher Macon, City Manager

The City Manager is appointed by the City Council and is responsible for the “day-to-day” management of the City as an organization. The City Manager is also responsible for implementing City Council direction and policy, as well as serving as the City Council’s chief technical advisor. All City employees work under the ultimate direction of the City Manager.

In addition to providing organizational oversight and development, the City Manager’s Office works closely with the City Attorney’s Office; facilitates public and inter-governmental relations; manages long-range planning and special projects; and, coordinates competitive procurement activities.

Though presented separately for ease of reference, the Public Safety Services Department receives ongoing support from personnel accounted for in the City Manager’s Office section of this budget. Due to reductions in personnel in

previous fiscal years, the City Manager's Office also provides direct oversight of the Engineering & Infrastructure Services Department and the Planning & Environmental Services Department.

[Personnel Allocation – City Manager's Office]

Position	Number Authorized				
	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<i>Full-time Employees [full-time equivalents (FTE)]</i>					
City Manager	1.00	1.00	1.00	1.00	1.00
Community Services Manager	1.00	0.50	-	-	-
Management Assistant	1.00	1.00	-	-	-
Total FTE – full-time positions	3.00	2.50	1.00	1.00	1.00
<i>Part-time Employees [full-time equivalents (FTE)]</i>					
Management Analyst/ Senior Management Analyst	-	-	0.45	0.45	0.45
Total FTE – part-time positions	-	-	0.45	0.45	0.45
Total FTE – all positions	3.00	2.50	1.45	1.45	1.45

Personnel allocated to the City Manager's Office are included in the General Government expenditures section of this budget.

[Organizational Chart – City Manager's Office]



ADMINISTRATIVE SERVICES DEPARTMENT

Margaret Cady, CPA, Administrative Services Director/City Treasurer

The Administrative Services Department contains a variety of internal business

units, including finance, accounting, payroll, human resources, information technology, risk management, and the City Clerk's Office.

Community Services Division

The Administrative Services Department's Community Services Division includes the following service areas: community recreation events, local government television programming (Channel 31), and the Senior Mobility Program.

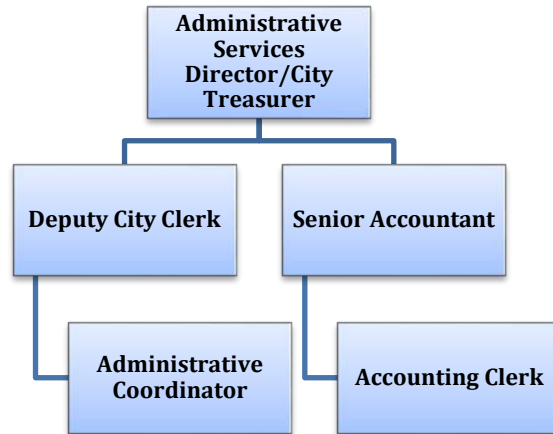
[Personnel Allocation – Administrative Services Department]

Position	Number Authorized				
	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<i>Full-time Employees [full-time equivalents (FTE)]</i>					
Administrative Services Director/City Treasurer	1.00	1.00	1.00	1.00	1.00
Accounting Clerk	1.00	1.00	1.00	1.00	1.00
Administrative Coordinator	1.00	1.00	1.00	1.00	1.00
Deputy City Clerk	1.00	1.00	1.00	1.00	1.00
Senior Accountant	1.00	1.00	1.00	1.00	1.00
Total FTE – full-time positions	5.00	5.00	5.00	5.00	5.00
<i>Part-time Employees [full-time equivalents (FTE)]</i>					
Administrative Assistant	1.00	-	-	-	-
Customer Service Representative	-	-	0.45*	-	-
Total FTE – part-time positions	1.00	-	0.45	-	-
Total FTE – all positions	6.00	5.00	5.45	5.00	5.00

* This position was authorized, but never filled, due to the impact of increasing law enforcement costs, exacerbated by labor agreements approved by the Orange County Board of Supervisors with higher salary and benefit costs.

Personnel expenses directly related to community events are included in the Community Services expenditures section of this budget. Personnel other than those allocated to the Administrative Services Department may also work at community events and be charged accordingly.

[Organizational Chart – Administrative Services Department]



ENGINEERING & INFRASTRUCTURE SERVICES DEPARTMENT

The Engineering & Infrastructure Services Department includes the following service areas: capital improvement projects, engineering, and maintenance (including maintenance of roadways, parks, landscaped areas, public rights-of-way, bus shelters, catch basins, street lights, and City Hall).

[Personnel Allocation – Engineering & Infrastructure Services Department]

Position	Number Authorized				
	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<i>Full-time Employees [full-time equivalents (FTE)]</i>					
Assistant City Manager	0.50	0.25	-	-	-
Management Analyst/ Senior Management Analyst	-	1.00	1.00	1.00	1.00
Total FTE	0.50	1.25	1.00	1.00	1.00

PLANNING & ENVIRONMENTAL SERVICES DEPARTMENT

The Planning & Environmental Services Department includes the following service areas: building, planning, economic development, water quality, waste and recycling, environmental sustainability, and code enforcement.

Personnel other than those allocated to the Planning & Environmental Services

Department may also work at community waste events and be charged to the Planning & Environmental Services Department budget.

[Personnel Allocation – Planning & Environmental Services Department]

Position	Number Authorized				
	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<i>Full-time Employees [full-time equivalents (FTE)]</i>					
Assistant City Manager	0.50	0.75	-	-	-
Management Analyst/ Senior Management Analyst	-	-	1.00	1.00	1.00
Planning Manager	1.00	-	-	-	-
Total FTE	1.50	0.75	1.00	1.00	1.00

PUBLIC SAFETY SERVICES DEPARTMENT

The Public Safety Services Department includes law enforcement and animal control and shelter services, which are provided under contract by the Orange County Sheriff's Department and Laguna Beach Animal Services, respectively. This department's budget also includes other public safety-related contract services (e.g., Trauma Intervention Program). Fire services provided by the Orange County Fire Authority are funded separately through a structural fire fund administered by the County of Orange on the City's behalf.

Personnel accounted for in the City Manager's Office section of this budget are responsible for coordinating with public safety service partners, as well as managing emergency planning, hazard mitigation, climate adaptation, and other "in-house" public safety programs.

CITY HALL VOLUNTEER PROGRAM

Since incorporation, the City has relied on the generous support of volunteers to provide reception, administrative, and clerical services at Laguna Woods City Hall. That support is invaluable and helps to reduce personnel costs.

3.0. CITY WORK PLAN

This chapter is intended to describe the programs, projects, and services included in this budget and work plan and their alignment with the City Council's priority focus areas.

CONTINUED PROGRAMS, PROJECTS, AND SERVICES

In general, this budget and work plan includes the continuation of programs, projects, and services that were either ongoing or underway as of the close of Fiscal Year 2016-17, including all core municipal functions such as public safety; building plan review, permitting, and inspection; road, public right-of-way, park, and infrastructure maintenance; water quality and environmental improvement and protection activities; and, related administrative support.

Other continuing services include:

- The **Senior Mobility Program**, which subsidizes the cost of taxi travel for residents who are 60 years of age or older.
- The **Residential Bulky Item Collection Program**, which allows residents to have unwanted appliances, clothing, electronic waste, furniture, and certain types of residential waste removed from inside of their homes, at no charge. Bulky items are also collected from trash enclosures and designated curbside locations, at no charge.
- The **Household Hazardous Waste Door-to-Door Collection Program**, which allows residents to safely and easily dispose of unwanted paint, light bulbs, aerosols, chemicals, motor oil, vehicle batteries, and other household hazardous waste, at no charge.
- The **City Hall Waste Drop-Off Collection Program**, which allows residents to safely and easily dispose of medications, home-generated sharps waste, non-vehicle batteries, and certain other items by dropping them off at City Hall, at no charge.
- **Quarterly Document Shredding Events**, which allow residents to safely and easily dispose of unwanted, sensitive personal records (e.g., bank statements, tax returns, and medical information), at no charge.
- **Twice Annual Goods Exchange/Drop-Off Events**, which allow residents to donate unwanted appliances, clothing, electronic waste, furniture,

books, and other items to others, or to charity, at no charge. Inoperable electronic waste is also collected for salvage or safe disposal.

- ***An Annual “National Prescription Drug Take Back Day” Event***, which allows residents to safely and easily dispose of unwanted, unused, and expired prescription medications, at no charge.
- ***Public Health and Safety Workshops, SCORE Small Business Workshops, Office Hours for Federal and State Officials, and Other Events at City Hall***, which are offered at no charge.
- ***Notary Services and Foreign Pension Acknowledgements***, which are provided to residents at no charge.

LAW ENFORCEMENT SERVICES

This budget and work plan continues the City’s contract relationship with the Orange County Sheriff’s Department for law enforcement services, including proactive patrol, 911 emergency response, investigation, and related support services (e.g., crime scene analysis, custody/jail services, coroner operations, and missing persons). Under the direction of the City’s Chief of Police Services, the City’s sworn peace officers will continue to work with private security and property management to maintain a high level of personal safety.

ANIMAL CONTROL & SHELTER SERVICES

This budget and work plan continues the City’s contract relationship with the City of Laguna Beach for animal control and shelter services. Residents and their pets will continue to enjoy the high quality of services provided by the Laguna Beach/Laguna Woods Animal Services Division, including access to a humane animal shelter located in nearby Laguna Canyon.

SIGNIFICANT CHANGES IN SERVICE LEVELS

The significant changes in service levels that are included in this budget and work plan are necessary in order to ensure the long-term solvency of the City in light of increasing law enforcement costs.

- Discontinuance of the ***Sharps Waste Mail Back Collection Program***, which allowed residents to dispose of used needles, lancets, and other home-generated sharps waste, via regular mail, at no charge. The City continues to accept home-generated sharps waste from residents, at City Hall, at no charge.

- Suspension of the ***Residential Energy Efficiency Improvement Program***, which installed replacement windows, doors, and other energy efficient improvements in the homes of qualifying low-income residents, at no charge. Reinstatement of the program may be considered for future Community Development Block Grant (“CDBG”) applications, should circumstances change.

Additional changes in service levels are described in the Significant Work Plan Items tables beginning on pages 20 (new items) and 26 (continuing items), as well as in the Capital Projects chapter beginning on page 35.

SIGNIFICANT WORK PLAN ITEMS

For ease of reference and to assist with implementation, programs, projects, and services that represent substantial new and/or limited-term undertakings by the City are presented in tables beginning on page 20.

The following information is included in the Significant Work Plan Items tables:

- Description – A brief summary of the significant work plan item
- Lead Department – Designation of the City personnel who are primarily responsible for implementing the significant work plan item
- Priority Alignment – A visual representation of the City Council’s priority focus areas that are addressed by the significant work plan item




While many priority focus areas may be directly or indirectly addressed by a single work plan item, only the primary focus areas are shown in the table.

Please note that the City Council retains the ability to modify this budget and work plan throughout the fiscal year. Significant work plan items that are not completed within the current fiscal year will be carried over to a future fiscal year or, subject to City Council direction, reconsidered at a later date.






This work plan replaces all previous work plans approved for the City.

[New Significant Work Plan Items]



Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
1	2020 Census Local Update of Census Addresses Operation – Work with the United States Census Bureau in order to ensure that the local address list that will be used for the 2020 Census is accurate and complete.	City Manager's Office	
2	Audit Services Request for Proposals – Conduct a competitive process to select an audit services provider for the City's annual audits in order to ensure the efficient, effective, and economical conduct of City business.	Administrative Services	
3	City Hall Elevator Maintenance Services Request for Proposals – Conduct a competitive process to select City Hall elevator maintenance provider(s) in order to ensure the efficient, effective, and economical conduct of City business.	Engineering & Infrastructure Services	




Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
4	Complete Streets Assessment – Conduct an analysis of El Toro Road and Moulton Parkway in order to identify opportunities for active transportation, pedestrian and bicycle safety, transit facility, drainage and storm water capture, and other “complete streets” improvements. The analysis will be based on the Orange County Council of Governments’ (“OCCOG”) Complete Streets Handbook.	Engineering & Infrastructure Services	  
5	Landscape Architecture, Landscape Plan Review, and Arborist Services Request for Proposals – Conduct a competitive process to select landscape architecture, landscape plan review, and arborist services provider(s) for City property in order to ensure the efficient, effective, and economical conduct of City business.	Engineering & Infrastructure Services	 








Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
6	Pavement Management Plan Update – Review and update the City’s pavement management plan in order to plan for and manage the long-term preservation, rehabilitation, and maintenance of public streets. This item will also fulfill a biennial planning requirement for the local allocation of revenues generated from Orange County’s Measure M2 half-cent transportation sales tax. The planning period for this update is fiscal years 2018-19 through 2024-25.	Engineering & Infrastructure Services	
7	Polyphagous Shot Hole Borer (“PSHB”) Response – Develop and implement a response plan for PSHB infections in the City’s street trees in order to maintain a healthy and safe urban forest. The response plan may be implemented over several fiscal years, based on identified needs.	Engineering & Infrastructure Services	


Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
8	Construction and Demolition Materials Management Regulations Update – Review and update the City’s construction and demolition materials management regulations in order to streamline the permitting process and ensure compliance with State law.	Planning & Environmental Services	
9	County Easements Clarification – Review and correct property records for easements that were transferred from the County of Orange to the City upon incorporation. This item may also include the vacation or transfer of unnecessary easements.	Planning & Environmental Services	
10	Permitting Software – Implement permitting software in order to increase operational efficiencies, automate certain workflows, increase digitization of records, add new internal controls, and enable future online customer service opportunities.	Planning & Environmental Services	

Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
11	Planning Services Request for Proposals – Conduct a competitive process to select planning services provider(s) in order to ensure the efficient, effective, and economical conduct of City business.	Planning & Environmental Services	 
12	Crime Prevention through Environmental Design (“CPTED”) Regulations – Adopt regulations related to the design and maintenance of new development and redevelopment projects in order to deter criminal activity.	Public Safety Services	
13	Local Hazard Mitigation Plan Update – Review and update the City’s local hazard mitigation plan in order to support the City’s long-term strategy to reduce disaster losses. This item will also fulfill requirements of federal law. The planning period for this update is calendar years 2018 through 2022.	Public Safety Services	   

Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
14	Smoking and Tobacco Sales Regulations Update – Review and update the City’s smoking and tobacco sales regulations in order to protect public health, safety, and welfare, as well as to promote clarity and administration.	Public Safety Services	

[Continuing Significant Work Plan Items]



Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
15	Purchasing Standards Update – Review and update the City’s purchasing processes and regulations in order to ensure the efficient, effective, and economical conduct of City business.	Administrative Services	 
16	Electric Vehicle Charging at City Hall – Evaluate the feasibility of installing and maintaining electric vehicle charging infrastructure at City Hall in order to support the expanded use of alternatively fueled vehicles.	Engineering & Infrastructure Services	
17	Right-of-Way and Park Landscape Maintenance Request for Proposals – Conduct a competitive process to select right-of-way and park landscape maintenance provider(s) for City property in order to ensure the efficient, effective, and economical conduct of City business.	Engineering & Infrastructure Services	 




Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
18	Commercial Parking Standards Update – Review and update the City’s parking regulations in order to clarify and better align commercial permitted uses with off-street parking standards. This item is consistent with the City’s goal of providing residents with access to high quality goods and services close to home.	Planning & Environmental Services	
19	General Plan Comprehensive Update – Review and update the City’s General Plan to establish a 25-year vision for the future of Laguna Woods. Updates will focus on the circulation, housing, land use, noise, and open space elements with modifications, as necessary, to the conservation and safety elements. A new economic vitality element will be developed to address business attraction, business development, and fiscal issues.	Planning & Environmental Services	

Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
20	Local California Environmental Quality Act ("CEQA") Guidelines Update – Review and update the City’s Local California Environmental Quality Act Guidelines in order to ensure compliance with State law, create new public education materials, and ensure the efficient, effective, and economical conduct of City business.	Planning & Environmental Services	
21	Water Conscious Development Regulations Update – Review and update the City’s development regulations in order to reduce potable water consumption within the built environment. Regulations to be reviewed and potentially updated include, but are not limited to, tree maintenance and removal standards, water conservation, water efficient landscapes, and building and construction codes.	Planning & Environmental Services	

Priority Alignment (A City that is...) Legend:	 <i>Healthy and safe</i>	 <i>High in quality of life</i>	 <i>Environmentally conscious</i>	 <i>Economically prosperous</i>	 <i>Fiscally responsible</i>	 <i>Professionally and efficiently served</i>
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ID	Description	Lead Department	Priority Alignment
22	Animal Regulations – Review and update the City’s animal regulations in order to strengthen prohibitions and procedures related to nuisance, potentially dangerous, and vicious animals, as well as feeding of wildlife.	Public Safety Services	
23	Backup Generator Regulations – Adopt regulations requiring backup generators for new and redeveloped fuel stations in order to mitigate energy shortage impacts.	Public Safety Services	
24	Emergency Operations Plan (“EOP”) Update – Review and update the City’s emergency operations plan in order to enhance collaboration with public and private stakeholders, incorporate analysis from the City’s Local Hazard Mitigation Plan, reflect organizational changes, and prepare for future updates called for in the City’s Climate Adaptation Plan.	Public Safety Services	

FURTHERANCE OF LONG-RANGE PLANS

The City's Climate Adaptation Plan, Community & Economic Development Improvement Plan, and Local Hazard Mitigation Plan provide long-range strategic direction in areas of special concern. Each plan is intended to help focus and improve City programs, projects, and services, as well as assist with budget and work plan development and resource allocation.

In order to promote active and ongoing implementation of long-range plans, correlations between this budget and work plan's significant work plan items and the actions and recommendations contained in each long-range plan are presented beginning on page 31.

Climate Adaptation Plan

The City's Climate Adaptation Plan establishes an approach for the City to prepare for a future with evolving and potentially varying climate conditions. The Climate Adaptation Plan identifies local vulnerabilities to climate change impacts (e.g., increased temperatures, decreased precipitation, and strained water supplies) and outlines a strategy to increase resilience to climate change-related hazards, increase resource independence, and sustain and advance climate adaptation efforts. At the time of its initial adoption in late-2014, the Climate Adaptation Plan was the first non-coastal, stand-alone, municipal climate adaptation plan in California.

Community & Economic Development Improvement Plan

The City's Community & Economic Development Improvement Plan identifies potential business, development, and permit-related service and regulatory improvements that could be undertaken by the City in order to:

- Reduce and streamline regulatory mandates for residents and businesses with respect to permitting and other activities that result in local safety, environmental, and/or quality of life improvements; and
- Support and foster high quality shopping, dining, and service experiences in order to promote the local availability of amenities and jobs for residents, as well as a productive business climate.

Local Hazard Mitigation Plan

The City's Local Hazard Mitigation Plan forms the foundation for the City's long-term strategy to reduce disaster losses and break the cycle of disaster damage, reconstruction, and repeated damage. Consistent with federal law, the Local Hazard Mitigation Plan is updated at least every five years. The

Local Hazard Mitigation Plan fulfills the requirements of Section 322 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5165, as amended by the Disaster Mitigation Act of 2000, and also serves as the City's Local Energy Assurance Plan consistent with the State of California's Energy Assurance Plan and the California Energy Commission's California Local Energy Assurance Planning ("CaLEAP") framework.

[Significant Work Plan Item Correlations to Long-Range Plans]

Significant Work Plan Item 4: Complete Streets Assessment	
Climate Adaptation Plan	Goal 1. Increase resilience to climate change-related hazards.
	Implementation Action 2.3.1. Manage the City's urban forest and landscaping in a changing climate.
Local Hazard Mitigation Plan	Objective 1.2. Implement resource and property protection and improvement projects.
Significant Work Plan Item 10: Permitting Software	
Community & Economic Development Improvement Plan	Recommendation O.05. Implement electronic systems to support building permit issuance, plan review, and inspection processes, including digitization of records.
	Recommendation O.01. Expand the forms of payment accepted at City Hall to include credit cards, debit cards, and electronic funds transfers (e.g., web checks).
Significant Work Plan Item 13: Local Hazard Mitigation Plan Update	
Local Hazard Mitigation Plan	Project L. Enhance the local specificity and estimative accuracy of Hazus analysis.
	Project BB. Update the Local Hazard Mitigation Plan at least once every five years, including integration into the City's General and Capital Improvement Plans.

Climate Adaptation Plan	Implementation Action 3.1.1. Incorporate climate adaptation into long-range planning documents.
Significant Work Plan Item 16: Electric Vehicle Charging at City Hall	
Climate Adaptation Plan	Implementation Action 2.3.2. Develop and implement municipal renewable energy technology and energy efficiency improvement projects.
Significant Work Plan Item 18: Commercial Parking Standards Update	
Community & Economic Development Improvement Plan	Recommendation R.05. Update the City's permitted uses by zoning district regulations.
Significant Work Plan Item 19: General Plan Comprehensive Update	
Climate Adaptation Plan	Implementation Action 3.1.1. Incorporate climate adaptation into long-range planning documents.
Community & Economic Development Improvement Plan	Recommendation R.07. Update the City's General Plan for economic development issues.
Significant Work Plan Item 21: Water Conscious Development Regulations Update	
Climate Adaptation Plan	Implementation Action 2.2.1. Review and amend development and permitting standards to reduce potable water consumption.
Community & Economic Development Improvement Plan	Recommendation R.03. Update the City's tree maintenance and removal regulations.
Local Hazard Mitigation Plan	Project A. Review and update building-related ordinances and policies, as necessary.

Local Hazard Mitigation Plan	Project E. Develop and implement plans, projects, and programs that reduce water use and augment local water supplies (e.g., capture/reuse).
Significant Work Plan Item 23: Backup Generator Regulations	
Local Hazard Mitigation Plan	Project C. Adopt an ordinance requiring emergency backup generators for new and redeveloped fuel stations and cellular telephone towers.
Significant Work Plan Item 24: Emergency Operations Plan ("EOP") Update	
Climate Adaptation Plan	Implementation Action 1.1.1. Amend the Emergency Operations Plan to include an Extreme Heat Annex.
	Implementation Action 1.2.1. Amend the Emergency Operations Plan to include a Wildfire Air Quality Annex.
	Implementation Action 3.1.1. Incorporate climate adaptation into long-range planning documents.
Local Hazard Mitigation Plan	Project V. Develop and implement a Continuity of Operations Plan (COOP) for City services.
	Project Y. Develop memoranda of understanding (MOUs) for emergency reception centers, shelters, and points of dispensing (PODs).
	Project Z. Develop MOUs for emergency provisions (e.g., food, water, and generator fuel).

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4.0. CITY CAPITAL PROJECTS

This chapter is intended to describe major capital improvement projects that are included in this budget, as well as projects that are currently unfunded, but may be considered in the future.

CAPITAL IMPROVEMENT PROGRAM

In order to assist with the long-term development of funding for major capital improvement projects on public property, the City Council adopts a seven-year Capital Improvement Program ("CIP") on an annual basis. The CIP and the seven-year period to which it applies is also a requirement for receiving funding from Orange County's Measure M2 half-cent sales tax, which voters approved in 2006 to fund transportation projects and activities. While the first two years of the CIP are included in this budget and work plan, it is important to note that the City Council retains the ability to modify the CIP at its discretion and that no funding commitment is created by the inclusion of unfunded projects or projects planned for future years.

The City considers a "major capital improvement project" to be any project that meets the definition of a "public project" in Section 22002 of the State of California's Public Contracts Code, including "construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work" of facilities owned, leased, or operated by the City, as well as any non-minor "painting or repainting." Maintenance is not considered a public project. A "major capital improvement project" also includes pavement management work included in the City's seven-year Pavement Management Plan.

The City classifies its major capital improvement projects as either primarily relating to buildings (e.g., City Hall), green spaces (e.g., landscaping and parks), and/or transportation (e.g., streets and traffic control devices). These classifications are intended to organize similar projects for ease of reference. Throughout the CIP, projects are color-coded **purple** for building projects, **green** for green spaces projects, and **blue** for transportation projects. Where a project is classified in multiple categories, the color-coding is blended (e.g., transportation/green spaces projects are color-coded **blue/green**).

Major capital improvement projects are further categorized as either funded, partially funded, or unfunded. Partial funding of projects is not unusual, as full

funding may be developed over the course of several fiscal years, as grants and other federal, state, and county funds are obtained in order to reduce impacts to the General Fund. In other cases, funding from the General Fund may be set aside for projects over multiple fiscal years in the interest of fiscal prudence. The preparation of design documents and construction drawings may also precede the allocation of construction funding.

SIGNIFICANT CHANGES IN CAPITAL IMPROVEMENT PROJECTS

Fiscal Year 2017-18

A project to rehabilitate the pavement on westbound El Toro Road between Avenida Sevilla and Paseo de Valencia has been added to the Fiscal Year 2017-18 Budget & Work Plan and CIP as a funded project. The project is part of the City's seven-year Pavement Management Plan.

A project to improve pedestrian accessibility in several locations along Moulton Parkway has been added to the Fiscal Year 2017-18 Budget & Work Plan and CIP as a funded project contingent on the receipt of external funding. The City has received a tentative notice of award of Community Development Block Grant ("CDBG") funds for the project.

A project to improve drainage in the vicinity of Moulton Parkway at Santa Maria Avenue has been added to the Fiscal Year 2017-18 Budget & Work Plan and CIP as a funded project.

Construction of the "City Hall Restroom Repair and Improvement Project" has been added to the Fiscal Year 2017-18 Budget & Work Plan and CIP as a funded project. Design documents and construction drawings were prepared in Fiscal Year 2016-17.

A project to design various refurbishments and safety improvements at City Hall has been added to the Fiscal Year 2017-18 Budget & Work Plan and CIP as a funded project. Construction of the refurbishments has been added to the Fiscal Year 2018-19 Budget & Work Plan and CIP as a funded project.

Fiscal Year 2018-19

A project to rehabilitate the pavement on eastbound El Toro Road between Avenida Sevilla and Church Intersection has been added to the Fiscal Year 2018-19 Budget & Work Plan and CIP as a funded project. The project is part of the City's seven-year Pavement Management Plan.

A project to improve pedestrian accessibility in several locations along El Toro Road and Moulton Parkway has been added to the Fiscal Year 2018-19 Budget & Work Plan and CIP as a funded project, contingent on the receipt of external funding. The City intends to apply for CDBG funds for the project.

A project to design water efficient improvements for the medians located on El Toro Road between Calle Sonora and Moulton Parkway has been added to the Fiscal Year 2018-19 Budget & Work Plan and CIP as a funded project. The City Council is expected to consider funding construction as part of the Fiscal Years 2019-20 Budget & Work Plan and CIP.

A project to refurbish and improve safety at City Hall has been added to the Fiscal Year 2018-19 Budget & Work Plan and CIP as a funded project.

Future Fiscal Years

The following projects have been added to the CIP as unfunded projects for the fiscal years noted. The City Council is expected to consider funding as a part of the respective fiscal years budgets, work plans, and CIPs.

[Capital Projects Summary – Changes for Future Fiscal Years]

Fiscal Year	Project Title
2019-20	Americans with Disabilities Act (ADA) Pedestrian Accessibility Project: Phase 3 (El Toro Road)
2019-20	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Construction)
2019-20	City Hall Emergency Backup Generator Project (Design)
2020-21	Woods End Wilderness Preserve Trail Drainage and Improvement Project
2020-21	City Hall Emergency Backup Generator Project (Construction)
2020-21	City Hall Television Broadcast Improvement Project
2021-22	Americans with Disabilities Act (ADA) Pedestrian Accessibility Project: Phase 4 (Moulton Parkway and Santa Maria Avenue)
2022-23	Americans with Disabilities Act (ADA) Pedestrian Accessibility Project: Phase 5 (El Toro Road and Santa Maria Avenue)

The estimated cost of the pedestrian accessibility improvements included in the "Pavement Management Plan Project (Eastbound Ridge Route Drive between Eastern City Limit and Moulton Parkway)" has been increased by \$1,750, based on the nature of anticipated improvements.

The estimated costs for design and construction of the “El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway)” have been decreased by \$181,300, based on conceptual design changes. It is assumed that no hardscape maintenance band will be installed and that the irrigated area will be limited to 25% of the pervious surface area.

The “Santa Maria Avenue Water Efficient Median Project” has been removed from the CIP. It was previously included as an unfunded project; however, after further consideration, it has been determined that on-site conditions do not necessitate such extensive reconstruction, at this time.

FUTURE OUTLOOK FOR CAPITAL PROJECTS

The City’s seven-year Pavement Management Plan anticipates rehabilitation phased in a manner that is intended to minimize the length and impact of in-lane roadway work on residents and businesses. The Pavement Management Plan will undergo a biennial update during Fiscal Year 2017-18 for a term spanning fiscal years 2018-19 through 2024-25. It is anticipated that additional pavement management plan projects will be identified through that effort.

Pedestrian accessibility improvements on City sidewalks and curb ramps will continue to be necessary on an ongoing basis, as even well-maintained and presently accessible hardscape cracks, lifts, or otherwise degrades over time. It is anticipated that an accessibility survey will be completed during Fiscal Year 2020-21, and every five years thereafter, to identify future projects.

During Fiscal Years 2017-19, staff will conduct an analysis of El Toro Road and Moulton Parkway in order to identify opportunities for active transportation, pedestrian and bicycle safety, transit facility, drainage and storm water capture, and other “complete streets” improvements. It is anticipated that future projects will be identified through that effort.

During Fiscal Years 2017-19, staff will prepare a scope of work for additional refurbishments and safety improvements at City Hall. It is anticipated that the scope of work will form the basis of a future, second phase of the “City Hall Refurbishment and Safety Improvement Project.”

Like jurisdictions throughout California, the City’s urban forest is impacted by the invasive Polyphagous Shot Hole Borer (“PSHB”). The PSHB has infected more than one-third of the Sycamore trees on El Toro Road (as of November 2016) with a pathogenic fungi likely to cause branch dieback, canopy loss, and/or death. While the infected trees show only minimal impacts at present,

extensive tree removal and replacement may be required in coming years to maintain a healthy and safe urban forest. Staff is currently monitoring the situation and developing a recommended course of action. PSHB response is included as a significant work plan item in this budget and work plan.

FUNDED AND PARTIALLY FUNDED CAPITAL IMPROVEMENT PROJECTS

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CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **El Toro Road Traffic Signal Synchronization Project**

Classification: **Transportation**

Funding Status: **Funded (Multiple Prior Years)**

Priority

Alignment:



Healthy and safe



High in quality of life



Environmentally conscious

Project Description

This project is a multi-city undertaking with the City acting as the lead agency with support from the City of Aliso Viejo, City of Laguna Hills, and the California Department of Transportation ("Caltrans"). The project includes synchronization work and the installation of traffic detection, monitoring, and backup power equipment at certain intersections on El Toro Road from Bells Vireo Lane (in Aliso Viejo) to Bridger Road (in Laguna Hills).

Purpose

This project will help improve the flow of traffic by modifying timing plans and installing various equipment to reduce congestion. Minimization of the time motor vehicles spend idling at red lights will also improve air quality and new uninterrupted power supplies will help sustain the operation of traffic signals during energy shortages and disruptions.

Construction and Implementation Costs

This project is currently awarded \$514,000 in funding from the Orange County Transportation Authority's Measure M2 program. The City will match the award with in-kind services and \$83,020 in CARITS funds. The total project cost, including matches from all involved agencies, is \$642,500.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **Moulton Parkway Traffic Signal Synchronization Project**

Classification: **Transportation**

Funding Status: **Funded (Multiple Prior Years)**

Priority

Alignment:



Healthy and safe



High in quality of life



Environmentally conscious

Project Description

This project is a multi-city undertaking with the City acting as the lead agency with support from the City of Laguna Hills, City of Laguna Niguel, and the California Department of Transportation ("Caltrans"). The project includes synchronization work and the installation of traffic detection, monitoring, and backup power equipment at certain intersections on Moulton Parkway from Lake Forest Drive (in Laguna Hills) to Camino del Avion (in Laguna Niguel).

Purpose

This project will help improve the flow of traffic by modifying timing plans and installing various equipment to reduce congestion. Minimization of the time motor vehicles spend idling at red lights will also improve air quality and new uninterrupted power supplies will help sustain the operation of traffic signals during energy shortages and disruptions.

Construction and Implementation Costs

This project is currently awarded \$645,440 in funding from the Orange County Transportation Authority's Measure M2 program. The City will match the award with in-kind services and \$65,680 in CARITS funds. The total project cost, including matches from all involved agencies, is \$808,050.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Paseo de Valencia)**

Classification: **Transportation** Street Section ID: W/BET-AS-PDV

Funding Status: Funded (2017-18)

Priority

Alignment:



Healthy and safe



High in quality of life

Project Description

This project involves the rehabilitation of pavement along the specified street section, including replacement of deteriorated pavement and a surface seal of crack sealant and rubberized slurry. Pedestrian accessibility improvements will also be made along the street section and/or within the City.

Purpose

This project is a part of the City's seven-year Pavement Management Plan to extend the useful life and improve the quality of pavement on street sections rated at a Pavement Condition Index ("PCI") below 80. Ongoing pavement management helps to minimize the prolonged and more impactful work that typically accompanies projects involving significantly degraded pavement. As of January 2016, the specified street section had a PCI of 78.

Construction and Implementation Costs

The one-time cost of designing and constructing this project is estimated at \$157,500 (as of May 2016; subject to the completion of design documents, construction drawings, and competitive bids). Fuel Tax revenue will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 1 (Moulton Parkway)**

Classification: **Transportation**

Funding Status: Contingent on the receipt of external funding (2017-18)

Priority

Alignment:



Healthy and safe



High in quality of life

Project Description

This project involves the improvement of pedestrian paths-of-travel, including elimination of gaps, lifts, and other uneven sidewalk surfaces; reconstruction of curb ramps; and, replacement of detectable warnings. Right-of-way may also be modified to increase navigable area and clearances.

Purpose

This project is based on the findings of an accessibility survey of City sidewalks and curb ramps. The improvements are intended to enhance ease of travel and promote compliance with the Americans with Disabilities Act of 1990, Architectural Barriers Act of 1968, and Rehabilitation Act of 1973.

Construction and Implementation Costs

The one-time cost of designing and constructing this project is estimated at \$145,700 (as of January 2017; subject to the completion of design documents, construction drawings, and competitive bids). This project is contingent on the receipt of external funding. The City anticipates receiving Community Development Block Grant ("CDBG") funding.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **Drainage Improvement Project (Moulton Parkway at Santa Maria Avenue)**

Classification: **Transportation**

Funding Status: **Funded (2017-18)**

Priority

Alignment:



Healthy and safe



High in quality of life

Project Description

The project involves the installation of a box culvert and related drainage, as well as the repair of an existing perforated pipe, on Moulton Parkway south of Santa Maria Avenue. Portions of the southbound sidewalk will be removed to allow for the repair of the perforated pipe and replaced with mulch or another pervious covering to facilitate future repairs.

Purpose

This project is intended to improve drainage and prevent pooling near curb ramps and in pedestrian paths-of-travel.

Construction and Implementation Costs

The one-time cost of constructing this project is estimated at \$59,563 (as of April 2017; subject to competitive bids). Unassigned General Fund balance will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **Moulton Parkway Water Efficient Median Improvement Project (Construction)**

Classification: **Transportation/Green Spaces**

Funding Status: **Funded (2016-17)**

Priority

Alignment:



Healthy and safe



High in quality of life



Environmentally conscious

Project Description

This project involves retrofitting three primarily turf grass medians with drought-tolerant landscaping, water efficient irrigation systems, and “purple pipe” for future recycled water use. The irrigated area of the medians will be limited to 25% of the pervious surface area. The medians are located on Moulton Parkway between Via Campo Verde and Via Iglesia.

Purpose

This project is intended to reduce irrigation-related water consumption and runoff through the replacement of turf grass with drought-tolerant plantings and overhead spray irrigation with a more water efficient alternative. Moving irrigation systems and plantings further from the curb face of the medians will also help prevent inadvertent runoff and related pavement damage. When available, the use of recycled water for irrigation will help conserve potable water, thereby reducing demand for imported water.

Construction and Implementation Costs

The one-time cost of constructing this project is estimated at \$273,914 (as of June 2017). Fuel tax revenue will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **City Hall Restroom Repair and Improvement Project**

Classification: **Buildings**

Funding Status: Funded (2017-18)

Priority

Alignment:



Healthy and safe

Project Description

This project involves the repair of the deteriorated subfloor in the second floor restrooms at City Hall, including replacement of tile flooring and underlying lightweight concrete. Accessibility, lighting, energy, heating, ventilation, and air conditioning improvements will also be made in both the first and second floor restrooms, and first floor drinking fountains.

Purpose

This project is necessary in order to complete the repair of the deteriorated subfloor at City Hall, improve accessibility and energy efficiency within City Hall, and modernize restroom and drinking facilities.

Construction and Implementation Costs

The one-time cost of constructing this project is estimated at \$283,363 (as of May 2017; subject to competitive bids). Unassigned General Fund balance will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **City Hall Refurbishment and Safety Project: Phase 1 (Design)**

Classification: **Buildings**

Funding Status: **Funded (2017-18)**

Priority

Alignment:



Healthy and safe

Project Description

This project involves refurbishments and safety improvements at City Hall, including the exterior, public areas, and stairwells. Improvements will include paint, façade repair, replacement of deteriorated signage, reconstruction of damaged planters, replacement of stained/worn carpeting and baseboards, accessibility improvements, and safety and security modifications.

Purpose

This project is intended to ensure that City Hall remains a safe, accessible, and well-maintained public space. The improvements will help to safeguard the City's only public building and seat of government.

Design Costs

The one-time cost of designing this project is estimated at \$22,500. Unassigned General Fund balance will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **Pavement Management Plan Project (Eastbound El Toro Road between Avenida Sevilla and Church Intersection)**

Classification: **Transportation** Street Section ID: E/BET-AS-LCC

Funding Status: Funded (2018-19)

Priority Alignment:  
Healthy and safe High in quality of life

Project Description

This project involves the rehabilitation of pavement along the specified street section, including replacement of deteriorated pavement and a surface seal of crack sealant and rubberized slurry. Pedestrian accessibility improvements will also be made along the street section and/or within the City.

Purpose

This project is a part of the City's seven-year Pavement Management Plan to extend the useful life and improve the quality of pavement on street sections rated at a Pavement Condition Index ("PCI") below 80. Ongoing pavement management helps to minimize the prolonged and more impactful work that typically accompanies projects involving significantly degraded pavement. As of January 2016, the specified street section had a PCI of 79.

Construction and Implementation Costs

The one-time cost of designing and constructing this project is estimated at \$110,250 (as of May 2016; subject to the completion of design documents, construction drawings, and competitive bids). Road Maintenance and Rehabilitation Program revenue will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 2 (El Toro Road and Moulton Parkway)**

Classification: **Transportation**

Funding Status: Contingent on the receipt of external funding (2018-19)

Priority

Alignment:



Healthy and safe



High in quality of life

Project Description

This project involves the improvement of pedestrian paths-of-travel, including elimination of gaps, lifts, and other uneven sidewalk surfaces; reconstruction of curb ramps; and/or, replacement of detectable warnings. Right-of-way may also be modified to increase navigable area and clearances.

Purpose

This project is based on the findings of an accessibility survey of City sidewalks and curb ramps. The improvements are intended to enhance ease of travel and promote compliance with the Americans with Disabilities Act of 1990, Architectural Barriers Act of 1968, and Rehabilitation Act of 1973.

Construction and Implementation Costs

The one-time cost of designing and constructing this project is estimated at \$145,700 (as of January 2017; subject to the completion of design documents, construction drawings, and competitive bids). This project is contingent on the receipt of external funding. The City anticipates applying for Community Development Block Grant ("CDBG") funding.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **El Toro Road Water Efficient Median Improvement Project
(Between Calle Sonora and Moulton Parkway) (Design)**

Classification: **Transportation/Green Spaces**

Funding Status: **Funded (2018-19)**

Priority

Alignment:



Healthy and safe



High in quality of life

Project Description

This project involves retrofitting two primarily turf grass medians with drought-tolerant landscaping, water efficient irrigation systems, and “purple pipe” for future recycled water use. The irrigated area of the medians will be limited to 25% of the pervious surface area. The medians are located on El Toro Road between Calle Sonora and Moulton Parkway.

Purpose

This project is intended to reduce irrigation-related water consumption and runoff through the replacement of turf grass with drought-tolerant plantings and overhead spray irrigation with a more water efficient alternative. Moving irrigation systems and plantings further from the curb face of the medians will also help prevent inadvertent runoff and related pavement damage. When available, the use of recycled water for irrigation will help conserve potable water, thereby reducing demand for imported water.

Design Costs

The one-time cost of designing this project is estimated at \$19,250. Fuel Tax revenue will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET



Project Title: **City Hall Refurbishment and Safety Project: Phase 1 (Construction)**

Classification: **Buildings**

Funding Status: **Funded (2018-19)**

Priority

Alignment:



Healthy and safe



Environmentally conscious

Project Description

This project involves refurbishments and safety improvements at City Hall, including the exterior, public areas, and stairwells. Improvements will include paint, façade repair, replacement of deteriorated signage, reconstruction of damaged planters, replacement of stained/worn carpeting and baseboards, accessibility improvements, and safety and security modifications.

Purpose

This project is intended to ensure that City Hall remains a safe, accessible, and well-maintained public space. The improvements will help to safeguard the City's only public building and seat of government.

Construction and Implementation Costs

The one-time cost of constructing this project is estimated at \$165,000 (as of May 2017; subject to the completion of design documents, construction drawings, and competitive bids). Unassigned General Fund balance will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET

Project Title: **City Centre Park Lighting Improvement Project**

Classification: **Green Spaces** Funding Status: Unfunded

Projected Funding Plan: Fiscal Year 2023-24

Project Description

This project involves using existing conduit to install low-level walkway lighting along the serpentine walking path and hardscape areas in City Centre Park.

Purpose

This project is intended to improve the utility and function of City Centre Park. Light fixtures were part of the initial design for City Centre Park; however, only conduit to allow for future lighting was installed during construction.

Construction and Implementation Costs

The one-time cost of designing and constructing this project is estimated at \$115,000 (as of May 2016; subject to the completion of design documents, construction drawings, and competitive bids). No funding source has been identified; however, City personnel will seek grant opportunities.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET

Project Title: **El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Construction)**

Classification: **Green Spaces** Funding Status: Unfunded

Projected Funding Plan: Fiscal Year 2019-20

Project Description

This project involves retrofitting two primarily turf grass medians with drought-tolerant landscaping, water efficient irrigation systems, and “purple pipe” for future recycled water use. The irrigated area of the medians will be limited to 25% of the impervious surface area. The medians are located on El Toro Road between Calle Sonora and Moulton Parkway.

Purpose

This project is intended to reduce irrigation-related water consumption and runoff through the replacement of turf grass with drought-tolerant plantings and overhead spray irrigation with a more water efficient alternative. Moving irrigation systems and plantings further from the curb face of the medians will also help prevent inadvertent runoff and related pavement damage. When available, the use of recycled water for irrigation will help conserve potable water, thereby reducing demand for imported water.

Construction and Implementation Costs

The one-time cost of constructing this project is estimated at \$95,000 (as of May 2017; subject to the completion of design documents, construction drawings, and competitive bids). It is anticipated that Fuel Tax revenue will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET

Project Title: **Woods End Wilderness Preserve Trail Drainage and Improvement Project**

Classification: **Green Spaces** Funding Status: Unfunded

Projected Funding Plan: Fiscal Year 2020-21

Project Description

This project involves the construction of new drainage facilities, installation of crushed rock and gravel on the trail and access road, entry improvements, and safety and security modifications at Woods End Wilderness Preserve.

Purpose

This project is intended to improve drainage and prevent storm water runoff from the Woods End Wilderness Preserve trail and access road. It will also enhance the safety and condition of the City-maintained entry area.

Construction and Implementation Costs

The one-time cost of constructing this project is estimated at \$101,396 (as of May 2017; subject to competitive bids). It is anticipated that unassigned General Fund balance will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET

Project Title: **Pavement Management Plan Projects**

Classification: **Transportation** Funding Status: Unfunded

Projected Funding Plan: See Table Below

Project Description

These projects involve the rehabilitation of pavement, including replacement of deteriorated pavement and surface seals of crack sealant and rubberized slurry. Pedestrian accessibility improvements would also be made along the street sections and/or within the City.

Street Section ID	Street Section Location
W/BET-SNCC-AS	Westbound El Toro Road between Avenida Sevilla and Church Intersection
E/BRR-MP-RRLP	Eastbound Ridge Route Drive between Moulton Parkway and Ridge Route Linear Park

Purpose

These projects are a part of the City's seven-year Pavement Management Plan to extend the useful life and improve the quality of pavement on street sections rated at a Pavement Condition Index ("PCI") below 80. Ongoing pavement management helps to minimize the prolonged and more impactful work that typically accompanies projects involving significantly degraded pavement. As of January 2016, Street Section W/BET-SNCC-AS had a PCI of 78 and Street Section E/BRR-MP-RRLP had a PCI of 95.

Construction and Implementation Costs

Over the course of fiscal years 2019-20 through 2021-22, the one-time cost of constructing these projects is estimated at \$127,750 (as of June 2016; subject to the completion of design documents, construction drawings, and competitive bids). It is anticipated that Road Maintenance and Rehabilitation Program revenue will be used to fund these projects.

Street Section ID	Anticipated Fiscal Year	Pavement	Pedestrian Accessibility	Total
W/BET-SNCC-AS	2019-20	\$105,000	\$5,250	\$110,250
E/BRR-MP-RRLP	2021-22	\$15,000	\$2,500	\$17,500
Total		\$120,000	\$7,750	\$127,750

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET

Project Title: **Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Projects**

Classification: **Transportation** Funding Status: Unfunded

Projected Funding Plan: See Table Below

Project Description

These projects involve the improvement of pedestrian paths-of-travel along El Toro Road, Moulton Parkway, and Santa Maria Avenue, including elimination of gaps, lifts, and other uneven sidewalk surfaces; reconstruction of curb ramps; and/or, replacement of detectable warnings. Right-of-way may also be modified to increase navigable area and clearances.

Street(s)
El Toro Road
Moulton Parkway and Santa Maria Avenue
El Toro Road and Santa Maria Avenue

Purpose

These projects are based on the findings of an accessibility survey of City sidewalks and curb ramps. The improvements are intended to enhance ease of travel and promote compliance with the Americans with Disabilities Act of 1990, Architectural Barriers Act of 1968, and Rehabilitation Act of 1973.

Construction and Implementation Costs

Over the course of fiscal years 2019-20 through 2022-23, the one-time cost of designing and constructing these projects is estimated at \$437,100 (as of January 2017; subject to the completion of design documents, construction drawings, and competitive bids). These projects are contingent on the receipt of external funding. The City anticipates applying for Community Development Block Grant ("CDBG") funding.

Street(s)	Anticipated Fiscal Year	Total
El Toro Road	2019-20	\$145,700
Moulton Parkway and Santa Maria Avenue	2021-22	\$145,700
El Toro Road and Santa Maria Avenue	2022-23	\$145,700
Total		\$437,100

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET

Project Title: **City Hall Television Broadcast Improvement Project**

Classification: **Buildings** Funding Status: Unfunded

Projected Funding Plan: Fiscal Year 2020-21

Project Description

This project involves the replacement of analog video equipment in the City Council Chambers at City Hall with digital video equipment.

Purpose

This project is intended to improve the broadcast quality of the City's local government television channel. Currently, individuals who use digital or high-definition televisions to view the City's local government channel experience low picture quality as a result of existing analog video equipment.

Construction and Implementation Costs

The one-time cost of designing and constructing this project is estimated at \$75,000 (as of May 2017; subject to the completion of design documents, construction drawings, and competitive bids). It is anticipated that Public, Educational, and Governmental ("PEG") Fees collected from cable television franchisees will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET

Project Title: **City Hall Emergency Backup Generator Project (Design)**

Classification: **Buildings** Funding Status: Unfunded

Projected Funding Plan: Fiscal Year 2019-20

Project Description

This project involves the installation of an emergency backup generator and automatic transfer switch at City Hall. The emergency backup generator will be capable of providing sufficient power to allow City Hall to function for a period of not less than 24 hours of continuous use.

Purpose

This project is intended to ensure the security, reliability, and functionality of City Hall during emergencies. The installation of an appropriately sized and configured emergency backup generator will support continuity of City Hall's operations during energy shortages and disruptions.

Design Costs

The one-time cost of designing this project is estimated at \$60,000. It is anticipated that unassigned General Fund balance will be used to fund this project.

CAPITAL IMPROVEMENT PROGRAM PROJECT WORKSHEET

Project Title: **City Hall Emergency Backup Generator Project
(Construction)**

Classification: **Buildings** Funding Status: Unfunded

Projected Funding Plan: Fiscal Year 2020-21

Project Description

This project involves the installation of an emergency backup generator and automatic transfer switch at City Hall. The emergency backup generator will be capable of providing sufficient power to allow City Hall to function for a period of not less than 24 hours of continuous use.

Purpose

This project is intended to ensure the security, reliability, and functionality of City Hall during emergencies. The installation of an appropriately sized and configured emergency backup generator will support continuity of City Hall's operations during energy shortages and disruptions.

Construction and Implementation Costs

The one-time cost of constructing this project is estimated at \$385,000 (as of May 2017; subject to the completion of design documents, construction drawings, and competitive bids). It is anticipated that unassigned General Fund balance will be used to fund this project.

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CITY OF LAGUNA WOODS

Fiscal Years 2017-18 and 2018-19 Capital Improvement Program - Funding Plan

EXPENDITURES			FY 14-15	FY 15-16	FY 2016-17		Year 1				Year 2			
#	Project Title	Estimated Project Cost	Funded FY 14-15	Funded FY 15-16	Funded FY 16-17	Amount Unfunded (If Partially Funded)	Budget FY 17-18 (General Fund)	Budget FY 17-18 (Transportation Funds)	Proposed FY 17-18 (Other)	Amount Unfunded (If Partially Funded)	Budget FY 18-19 (General Fund)	Budget FY 18-19 (Transportation Funds)	Budget FY 18-19 (Other)	Amount Unfunded (If Partially Funded)
TRANSPORTATION PROJECTS														
1	El Toro Road Traffic Signal Synchronization Project	\$ 642,500	\$ 720	\$ 611,800	\$ 29,980	-	-	-	-	-	-	-	-	-
2	Moulton Parkway Traffic Signal Synchronization Project	\$ 808,050	\$ 1,440	\$ 736,850	\$ 69,760	-	-	-	-	-	-	-	-	-
3	Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Paseo de Valencia)	\$ 157,500	-	-	-	-	-	\$ 157,500	-	-	-	-	-	-
4	Pavement Management Plan Project (Eastbound El Toro Road between Avenida Sevilla and Church Intersection)	\$ 110,250	-	-	-	-	-	-	-	-	-	\$ 110,250	-	-
5	Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Church Intersection)	\$ 110,250	-	-	-	-	-	-	-	-	-	-	-	-
6	(Eastbound Ridge Route Drive between Moulton Parkway and Ridge Route Linear Park)	\$ 17,500	-	-	-	-	-	-	-	-	-	-	-	-
7	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 1 (Moulton Parkway)	\$ 145,700	-	-	-	-	-	-	\$ 145,700	*	-	-	-	-
8	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 2 (El Toro Road and Moulton Parkway)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	\$ 145,700	**
9	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 3 (El Toro Road)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-
10	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 4 (Moulton Parkway and Santa Maria Avenue)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-
11	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 5 (El Toro Road and Santa Maria Avenue)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-
12	Drainage Improvement Project (Moulton Parkway at Santa Maria Avenue)	\$ 59,563	-	-	-	-	\$ 59,563	-	-	-	-	-	-	-
TRANSPORTATION / GREEN SPACES PROJECTS														
13	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Design)	\$ 19,250	-	-	-	-	-	-	-	-	-	\$ 19,250	-	-

CITY OF LAGUNA WOODS

Fiscal Years 2017-18 and 2018-19 Capital Improvement Program - Funding Plan

EXPENDITURES			FY 14-15	FY 15-16	FY 2016-17		Year 1				Year 2			
#	Project Title	Estimated Project Cost	Funded FY 14-15	Funded FY 15-16	Funded FY 16-17	Amount Unfunded (If Partially Funded)	Budget FY 17-18 (General Fund)	Budget FY 17-18 (Transportation Funds)	Proposed FY 17-18 (Other)	Amount Unfunded (If Partially Funded)	Budget FY 18-19 (General Fund)	Budget FY 18-19 (Transportation Funds)	Budget FY 18-19 (Other)	Amount Unfunded (If Partially Funded)
TRANSPORTATION / GREEN SPACES PROJECTS (continued)														
14	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Construction)	\$ 95,000	-	-	-	-	-	-	-	-	-	-	-	-
15	Moulton Parkway Water Efficient Median Improvement Project (Design)	\$ 52,250	-	\$ 52,250	-	-	-	-	-	-	-	-	-	-
16	Moulton Parkway Water Efficient Median Improvement Project (Construction)	\$ 273,914	-	-	\$ 273,914	-	-	-	-	-	-	-	-	-
GREEN SPACES PROJECTS														
17	City Centre Park Lighting Improvement Project	\$ 115,000	-	-	-	-	-	-	-	-	-	-	-	-
18	Woods End Wilderness Preserve Trail Drainage and Improvement Project	\$ 101,396	-	-	-	-	-	-	-	-	-	-	-	-
BUILDING PROJECTS														
19	City Hall Restroom Repair and Improvement Project (Construction)	\$ 283,363	-	-	-	-	\$ 283,363	-	-	-	-	-	-	-
20	City Hall Refurbishment and Safety Project: Phase 1 (Design)	\$ 22,500	-	-	-	-	\$ 22,500	-	-	-	-	-	-	-
21	City Hall Refurbishment and Safety Project: Phase 1 (Construction)	\$ 165,000	-	-	-	-	-	-	-	-	\$ 165,000	-	-	-
22	City Hall Emergency Backup Generator Project (Design)	\$ 60,000	-	-	-	-	-	-	-	-	-	-	-	-
23	City Hall Emergency Backup Generator Project (Construction)	\$ 385,000	-	-	-	-	-	-	-	-	-	-	-	-
24	City Hall Television Broadcast Improvement Project	\$ 75,000	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (ALL PROJECTS)		\$ 4,281,786	\$ 2,160	\$ 1,400,900	\$ 373,654	\$ -	\$ 365,426	\$ 157,500	\$ 145,700	\$ -	\$ 165,000	\$ 129,500	\$ 145,700	\$ -
TRANSPORTATION-RELATED OPERATIONS & MAINTENANCE***														
A	Measure M2 Fair Share Expenditures													
	Street Lighting - Public Right-of-Way		\$ 22,501	\$ 27,006	\$ 25,329	-	-	\$ 25,761	-	-	-	\$ 26,367	-	-
	Contract - Traffic Engineering		\$ 119,429	\$ 122,126	\$ 165,600	-	-	\$ 163,600	-	-	-	\$ 163,600	-	-
	Contract - Traffic Signal Maintenance		\$ 35,502	\$ 23,843	\$ 41,505	-	-	\$ 51,983	-	-	-	\$ 52,325	-	-
	Vendor Reimbursements (Prior Year Charges)		\$ (9,495)	-	-	-	-	-	-	-	-	-	-	-
	Allowable Overhead Costs		\$ 1,535	\$ 600	\$ 600	-	-	\$ 700	-	-	-	\$ 700	-	-
TOTAL			\$ 169,472	\$ 173,575	\$ 233,034	\$ -	\$ -	\$ 242,044	\$ -	\$ -	\$ -	\$ 242,992	\$ -	\$ -

* This project is contingent on the City receiving external funding. The City anticipates receiving Community Development Block Grant (CDBG) funding.

** This project is contingent on the City receiving external funding. The City anticipates applying for Community Development Block Grant (CDBG) funding.

*** This information is provided at the direction of the Orange County Transportation Authority. Operations and maintenance expenses are not capital improvement projects.

CITY OF LAGUNA WOODS

Fiscal Years 2019-20 through 2023-24 Capital Improvement Program - Projected Funding Plan

EXPENDITURES			Year 3				Year 4				Year 5				Year 6				Year 7			
#	Project Title	Estimated Project Cost	Projected FY 19-20 (General Fund)	Projected FY 19-20 (Transportation Funds)	Projected FY 19-20 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 20-21 (General Fund)	Projected FY 20-21 (Transportation Funds)	Projected FY 20-21 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 21-22 (General Fund)	Projected FY 21-22 (Transportation Funds)	Projected FY 21-22 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 22-23 (General Fund)	Projected FY 22-23 (Transportation Funds)	Projected FY 22-23 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 23-24 (General Fund)	Projected FY 23-24 (Transportation Funds)	Projected FY 23-24 (Other)	Amount Unfunded (If Partially Funded)
TRANSPORTATION PROJECTS																						
1	El Toro Road Traffic Signal Synchronization Project	\$ 642,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Moulton Parkway Traffic Signal Synchronization Project	\$ 808,050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Paseo de Valencia)	\$ 157,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Pavement Management Plan Project (Eastbound El Toro Road between Avenida Sevilla and Church Intersection)	\$ 110,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Church Intersection)	\$ 110,250	-	\$ 110,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	(Eastbound Ridge Route Drive between Moulton Parkway and Ridge Route Linear Park)	\$ 17,500	-	-	-	-	-	-	-	-	-	\$ 17,500	-	-	-	-	-	-	-	-	-	-
7	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 1 (Moulton Parkway)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 2 (El Toro Road and Moulton Parkway)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 3 (El Toro Road)	\$ 145,700	-	-	\$ 145,700 *	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 4 (Moulton Parkway and Santa Maria Avenue)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	\$ 145,700 **	-	-	-	-	-	-	-	-	-
11	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 5 (El Toro Road and Santa Maria Avenue)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 145,700 **	-	-	-	-	-
12	Drainage Improvement Project (Moulton Parkway at Santa Maria Avenue)	\$ 59,563	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANSPORTATION / GREEN SPACES PROJECTS																						
13	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Design)	\$ 19,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Construction)	\$ 95,000	-	\$ 95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Moulton Parkway Water Efficient Median Improvement Project (Design)	\$ 52,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Moulton Parkway Water Efficient Median Improvement Project (Construction)	\$ 273,914	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GREEN SPACES PROJECTS																						
17	City Centre Park Lighting Improvement Project	\$ 115,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 115,000	-	-	-
18	Woods End Wilderness Preserve Trail Drainage and Improvement Project	\$ 101,396	-	-	-	-	\$ 101,396	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BUILDING PROJECTS																						
19	City Hall Restroom Repair and Improvement Project (Construction)	\$ 283,363	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	City Hall Refurbishment and Safety Project: Phase 1 (Design)	\$ 22,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	City Hall Refurbishment and Safety Project: Phase 1 (Construction)	\$ 165,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	City Hall Emergency Backup Generator Project (Design)	\$ 60,000	\$ 60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	City Hall Emergency Backup Generator Project (Construction)	\$ 385,000	-	-	-	-	\$ 385,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	City Hall Television Broadcast Improvement Project	\$ 75,000	-	-	-	-	-	-	\$ 75,000 ***	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (ALL PROJECTS)		\$ 4,281,786	\$ 60,000	\$ 205,250	\$ 145,700	\$ -	\$ 486,396	\$ -	\$ 75,000	\$ -	\$ -	\$ 17,500	\$ 145,700	\$ -	\$ -	\$ -	\$ 145,700	\$ -	\$ 115,000	\$ -	\$ -	\$ -

CITY OF LAGUNA WOODS
Fiscal Years 2019-20 through 2023-24 Capital Improvement Program - Projected Funding Plan

EXPENDITURES		Year 3				Year 4				Year 5				Year 6				Year 7				
#	Project Title	Estimated Project Cost	Projected FY 19-20 (General Fund)	Projected FY 19-20 (Transportation Funds)	Projected FY 19-20 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 20-21 (General Fund)	Projected FY 20-21 (Transportation Funds)	Projected FY 20-21 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 21-22 (General Fund)	Projected FY 21-22 (Transportation Funds)	Projected FY 21-22 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 22-23 (General Fund)	Projected FY 22-23 (Transportation Funds)	Projected FY 22-23 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 23-24 (General Fund)	Projected FY 23-24 (Transportation Funds)	Projected FY 23-24 (Other)	Amount Unfunded (If Partially Funded)
TRANSPORTATION-RELATED OPERATIONS & MAINTENANCE****																						
A Measure M2 Fair Share Expenditures																						
	Street Lighting - Public Right-of-Way			-	-	-		-	-	-		-	-	-	-		-	-	-		-	-
	Contract - Traffic Engineering		\$ 163,600		-	-	-	\$ 167,440	-	-	-	\$ 167,440	-	-	-	\$ 167,440	-	-	-	-	\$ 167,440	-
	Contract - Traffic Signal Maintenance		\$ 52,682		-	-	-	\$ 53,048	-	-	-	\$ 54,359	-	-	-	\$ 54,359	-	-	-	-	\$ 54,359	-
	Vendor Reimbursements (Prior Year Charges)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Allowable Overhead Costs		\$ 700		-	-	-	\$ 750	-	-	-	\$ 750	-	-	-	\$ 700	-	-	-	-	\$ 700	-
	TOTAL		\$ 216,982	\$ -	\$ -	\$ -	\$ -	\$ 221,238	\$ -	\$ -	\$ -	\$ 222,549	\$ -	\$ -	\$ -	\$ 222,499	\$ -	\$ -	\$ -	\$ -	\$ 222,499	\$ -

* This project is contingent on the City receiving external funding. The City anticipates receiving Community Development Block Grant (CDBG) funding.

** This project is contingent on the City receiving external funding. The City anticipates applying for Community Development Block Grant (CDBG) funding.

*** This project would be funded using Public, Educational, and Governmental ("PEG") fees.

**** This information is provided at the direction of the Orange County Transportation Authority. Operations and maintenance expenses are not capital improvement projects.

5.0. CITY BUDGET PRACTICES

This chapter is intended to review the budgeting and accounting practices employed in the development of this budget.

INTRODUCTION

In addition to outlining a scope of work for the City to undertake during the fiscal years spanning July 1, 2017 through June 30, 2019, this budget and work plan serves as a financial plan for the City's operations. To that end, chapters 5.0, 6.0, 7.0, and 8.0 translate the scope of work that is described in chapters 3.0 and 4.0 into revenue estimates and expenditure appropriations.

TWO-YEAR BUDGETING AND WORK PLANNING

Beginning with the adoption of the Fiscal Years 2017-19 Budget & Work Plan, the City transitioned from single-year to two-year budgets and work plans. The transition was undertaken with the goals of providing longer-term economic forecasts, greater certainty regarding the sustainability of the City's operations, and heightened strategic vision. Central to the transition to a two-year budget and work plan was the development of a five-year strategic financial plan with projections of future revenue and expenditure conditions. The five-year strategic financial plan is discussed in greater detail in Chapter 9.0 and is incorporated throughout this budget and work plan.

BUDGET AND WORK PLAN DEVELOPMENT PROCESS

The City Council adopts a budget and work plan for the upcoming two fiscal years, no later than June 30 of odd-numbered years. Fiscal years begin every July 1 and end 12 months later on the following June 30.

The process of developing the City's budget and work plan is continuous and iterative in nature with City personnel working throughout each fiscal year, and particularly between the months of January and June, to prepare revenue estimates, expenditure projections, and draft documents that are responsive to the City Council's direction. Budget and work plan development is jointly managed by the City Manager's Office (City Manager) and Administrative Services Department (Administrative Services Director/City Treasurer).

In the first year of each two-year budget and work plan, development focuses on updating revenue estimates and expenditure projections, as well as refining the budget figures adopted for the second year of the same two-year budget and work plan. In June, the City Council will adopt a Gann limit for the second year of the same two-year budget and work plan, as well as update budgetary reserves and the seven-year capital improvement program. The City Council may also be asked to modify adopted budgets and work plans to reflect changes in the economy and/or priorities.

In the second year of each two-year budget and work plan, development is focused on updating revenue estimates and expenditure projections, as well as preparing a draft budget and work plan for the next two-year budget and work plan. The City Council's public budget and work plan deliberations begin with a kick-off meeting in mid- to late-April and conclude with adoption of the budget and work plan in late-June.

The Fiscal Years 2017-19 Budget & Work Plan development process included a total of four open and publically noticed City Council meetings, each with an opportunity for public comment. The meetings occurred as follows:

- Wednesday, April 26, 2017 – kick-off, discussion and development
- Wednesday, May 17, 2017 – discussion and development
- Friday, June 16, 2017 – release of the draft budget and work plan
- Wednesday, June 21, 2017 – discussion and development
- Wednesday, June 28, 2017 – adoption

CONTINUAL BUDGET AND WORK PLAN IMPROVEMENT PROCESS

The City is committed to continually improving the transparency and manner in which information is presented in its budgets and work plans. Best practices and other guidance from the California Society of Municipal Finance Officers ("CSMFO") and the Government Finance Officers Association ("GFOA") is used as a foundation for both near- and long-term improvement efforts.

In addition to internal utility, public comments, and City Council feedback, the effectiveness of budget and work plan improvements can be assessed by evaluations conducted by CSMFO and GFOA. While the results of evaluations are expressed in the form of "awards," evaluations are important, not as accolades, but as benchmarks of progress made in improving budgets and work plans through the incorporation of best practices.

The City's Fiscal Year 2016-17 operating budget was submitted for evaluation by CSMFO. Following two independent, third-party reviews, the City earned CSMFO's highest level of distinction, the Operating Budget Excellence Award.

[CSMFO Operating Budget Excellence Award for Fiscal Year 2016-17]



BUDGET POLICIES

City of Laguna Woods Administrative Policy 2.9 (see Appendix A) provides a framework for the development of the City's budget, with an emphasis on balance, transparency, fiscal responsibility, and long-term planning. The policy establishes numerous conservative and prudent standards related to the development and implementation of the City's budget, including regular public reporting in the interest of financial transparency and accountability.

After the City Council adopts the budget, authorized appropriations become effective on July 1 of the applicable fiscal year and establish legal spending limits for City programs, projects, and services. The City Council may amend the adopted budget at a public meeting at any time during the fiscal year.

The City Council adopts budgets at the fund level with the City Manager having the authority to make adjustments within and between departments in the same fund, provided that there are no increases in fund budgets. While the City Manager is authorized to decrease fund-level budget appropriations as a method of fiscal control, City Council action is required to increase fund-level budget appropriations, regardless of the amount.

STATUS OF BUDGETARY RESERVES

Recognizing that reserves are a key component of fiscal responsibility and financial resilience, Administrative Policy 2.9 provides guidance for the City to ensure the adequacy of its available financial resources to address periodic, unanticipated, and emergency needs. In addition to local fiscal needs, the establishment and maintenance of reserves also includes the consideration of best practices established by various authoritative agencies.

The overall target for committed and assigned reserves is currently established in an amount equal to 50% of the adopted General Fund revenue budget at the beginning of each fiscal year (July 1), less any one-time revenues and non-operating revenues. The overall target amount is currently used to fund three committed and assigned reserves – (1) a Paid Leave Contingency Fund to compensate for payments required to comply with the City’s paid leave policies and obligations, when such amounts exceed adopted budgets; (2) a Self-Insurance Contingency Fund to compensate for liability and workers’ compensation claim settlements not covered by insurance policies; and, (3) a General Fund Contingency Fund to compensate for economic uncertainty, operating contingencies, and emergencies caused by calamitous events.

[Committed and Assigned Reserves Funding Levels – Fiscal Year 2017-18]

Fiscal Year 2017-18 General Fund Revenue Budget,	
less one-time and non-operating revenues	\$5,373,600
	x .50
Overall Target for Committed and Assigned Reserves	<u>\$2,686,800</u>
Paid Leave Contingency Fund ⁵	\$81,609
Self-Insurance Contingency Fund	\$50,000

⁵ Note: The Paid Leave Contingency Fund has an annual target equal to projected accrued paid leave balances at the end of each fiscal year (June 30). The funding level shown in this budget and work plan is an estimate that will be finalized after fiscal-year-end calculations are available.

General Fund Contingency Fund	\$2,555,191
Total Committed and Assigned Reserves	<u>\$2,686,800</u>

[Committed and Assigned Reserves Funding Levels – Fiscal Year 2018-19]

Fiscal Year 2017-18 General Fund Revenue Budget, less one-time and non-operating revenues	\$5,541,600
	x .50
Overall Target for Committed and Assigned Reserves	<u>\$2,770,800</u>
Paid Leave Contingency Fund ⁶	\$81,609
Self-Insurance Contingency Fund	\$50,000
General Fund Contingency Fund	\$2,639,191
Total Committed and Assigned Reserves	<u>\$2,770,800</u>

In addition to committed and assigned reserves, unassigned General Fund balance is available for any governmental purpose and can be appropriated upon direction from the City Council at a public meeting. Use of unassigned General Fund balance is generally limited to one-time projects, capital improvement projects, the payment of long-term liabilities for periods beyond the current fiscal year, and emergency expenditures.

BASIS OF BUDGETING AND ACCOUNTING

This budget and the underlying accounting are prepared in accordance with generally accepted accounting principles on a “modified accrual” basis. In the California Department of Finance’s *Finance Glossary of Accounting and Budgeting Terms* (2017), “modified accrual” is defined as:

“The basis of accounting in which revenues are recognized if the underlying transaction has occurred as of the last day of the fiscal year and the amount is measurable and available to finance expenditures of the current period (i.e., the actual collection will occur either during the current period, or after the end of the current period, to be used to pay current year-end liabilities). Expenditures are recognized when the

⁶ Note: The Paid Leave Contingency Fund has an annual target equal to projected accrued paid leave balances at the end of each fiscal year (June 30). The funding levels shown in this budget and work plan are estimates that will be finalized after fiscal-year-end calculations are available.

obligations are created, except for amounts payable from future fiscal year appropriations.”

The City’s accounting system is organized by fund. Each fund is a separate accounting entity with a self-balanced set of accounts that record assets, liabilities, fund equity, revenues, and expenditures. Funds are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FUND TYPES

Government agencies classify funds as either governmental (accounting for typical government operations), proprietary (accounting for activities that are financed and operated in a manner similar to private enterprises, where the cost of providing services is recovered from user charges), or fiduciary (used when acting as a trustee or agent for resources belonging to other agencies or individuals). The City has no proprietary or fiduciary funds, although the City does maintain an Other Post-Employment Benefits (“OPEB”) trust fund that is administered by the California Public Employees’ Retirement System. The City maintains the following governmental fund types:

- General Fund – The General Fund is the City’s primary operating fund and is used to account for the proceeds of revenue sources that are not legally restricted to expenditures for specified purposes.
- Special Revenue Funds (“Special Funds”) – Special funds are used to account for the proceeds of revenue sources that are legally restricted to expenditures for specified purposes (e.g., grants and Measure M2 allocations). The City’s special funds are categorized as primarily relating to the environment, community services, public safety, or transportation.
- Capital Projects Fund – The Capital Projects Fund is used to account for transfers from the General Fund that are reserved for either current- or future-year capital improvement purposes. The Capital Projects Fund is combined with the General Fund for the purpose of reporting in the City’s Comprehensive Annual Financial Report (“CAFR”).

ANNUAL APPROPRIATIONS LIMIT (“GANN LIMIT”)

California’s Proposition 4, commonly referred to as the “Gann Initiative,” was approved by voters on November 6, 1979. The Gann Initiative added Article XIII B to the California State Constitution, establishing a limit on the amount of tax proceeds that state and local governments can receive and appropriate

on an annual basis ("Gann limit"). Gann limits vary amongst agencies and are either based on the amount of tax revenue that was authorized to be spent in Fiscal Year 1978-79 or, in the case of the City of Laguna Woods and other local governments that incorporated after Fiscal Year 1978-79, on an amount established by voters. Gann limits are modified, annually, according to the calculation methods established by California's Proposition 111 (1990).

In the event that the City's receipt of tax proceeds were to exceed a Gann limit, Article XIIB of the California State Constitution would allow the City to "carry those excess funds into the subsequent year." At the conclusion of the subsequent year, the City would be required to either return remaining excess funds to taxpayers or gain voter approval to "override" the Gann limit.

The City's Gann limit is adopted by the City Council by resolution each year (see Resolution No. 17-22 included with this budget as Appendix D). The Gann limit for Fiscal Year 2017-18 is \$6,130,215 and was calculated as shown below.

[Gann Limit Calculation – Fiscal Year 2017-18]

Fiscal Year 2016-17 Gann Limit		\$9,546,698
Population Change (County of Orange) ⁷	x	1.0069
Cost of Living Change (Per Capita Personal Income) ⁷	x	1.0369
Fiscal Year 2017-18 Gann Limit		\$9,967,274
Fiscal Year 2017-18 Appropriations Subject to the Gann Limit		<u>\$3,837,059</u>
Fiscal Year 2017-18 Gann Limit over Appropriations		<u>\$6,130,215</u>

The Gann limit for Fiscal Year 2018-19 is expected to be adopted by the City Council in June 2018, once the necessary information on population and cost of living changes in Fiscal Year 2017-18 becomes available.

As in prior fiscal years, the City does not anticipate receiving or appropriating tax proceeds in excess of the Gann limit during fiscal years 2017-18 or 2018-19. As such, the Gann limit is not expected to impact the City's operations.

⁷ State of California, Department of Finance, *Price and Population Information*. May 2017. Factors are rounded to four decimal places for presentation purposes.

DEBT SERVICE OBLIGATIONS

In the California Department of Finance's *Finance Glossary of Accounting and Budgeting Terms* (2017), "debt service" is defined as:

"The amount of money required to pay interest on outstanding bonds and the principal of maturing bonds."

The City has never issued bonds and is not currently engaged in any financing arrangements other than those previously described for retirement and other post-employment benefits. Accordingly, this budget and work plan does not include any budgeted debt service obligations.

6.0. CITY BUDGET DETAIL, **ALL FUND SUMMARIES**

This chapter is intended to summarize revenues and expenditures for the programs, projects, and services included in this budget.

INTRODUCTION

This budget accounts for financial activity using the governmental funds listed below. Additional information on fund types and individual funds, including revenue and expenditure detail, is included in chapters 7.0 and 8.0.

[Fund Structure – Fiscal Years 2017-19]

General Fund

Special Revenue Funds

- *Transportation Funds*
 - Fuel Tax
 - Road Maintenance & Rehabilitation Program
 - Measure M2
 - Coastal Area Road Improvement and Traffic Signals (CARITS)
- *Public Safety Funds*
 - Supplemental Law Enforcement Services
- *Environmental Funds*
 - Mobile Source Reduction
 - Beverage Container Recycling
 - Used Oil/Oil Payment Program
- *Community Services Funds*
 - PEG/Cable Television
 - Senior Mobility
 - Community Development Block Grant (CDBG)

Capital Projects Fund

NATIONAL, STATE, AND REGIONAL ECONOMIC OUTLOOK

The City uses information from sources including the California Department of Finance ("DOF"), the California Legislative Analyst's Office ("LAO"), California State University, Fullerton, and Chapman University, to provide national, state, and regional economic context for budget and work plan development.

This budget was developed assuming that the local economy will remain fairly stable over the next two fiscal years. This is consistent with the approach taken in the State of California's budget for Fiscal Year 2017-18.

In May 2017, the LAO issued a *Multiyear State Budget Outlook*, which assumed that the State's economy will continue to grow and that both federal and state policymaking will remain relatively comparable to current conditions. Nevertheless, in November 2016, and again in May 2017, the LAO cautioned that federal policy changes and consumer reaction could have a negative or recessionary impact on the state and local economies.

The DOF, in conjunction with the release of the "May Revise" of the State's budget for Fiscal Year 2017-18, cautioned that economic recovery from the 2008 recession has extended three years longer than the average recovery, and that a future recession is inevitable. For the purpose of this budget, it was assumed that economic recovery will continue, but at a slower pace than has occurred over the last several fiscal years.

In June 2017, Chapman University's A. Gary Anderson Center for Economic Research's California Composite Index of Consumer Sentiment found that a majority of consumers have become pessimistic, but that spending on "big-ticket items" is likely to remain relatively stable for the next six months. One year prior, another report from the A. Gary Anderson Center for Economic Research titled, "The Recovery Continues... But Barely," was equally guarded.

California State University, Fullerton's Woods Center for Economic Analysis and Forecasting's spring 2017 update to its *Economic Outlook and Forecasts* stated that "one positive indicator for the [Orange County] economy is local business leaders' expectations of growth [which]... tends to trend with local economic conditions... [and] was at its highest level ever in the first quarter of 2017." At the same time, local business leaders cited concerns regarding the impact of future political and economic reforms, as well as interest rate increases.

The City's conservative approach to budgeting and financial management has historically positioned the City well to weather mild recessionary periods.

OVERALL BUDGET SUMMARY

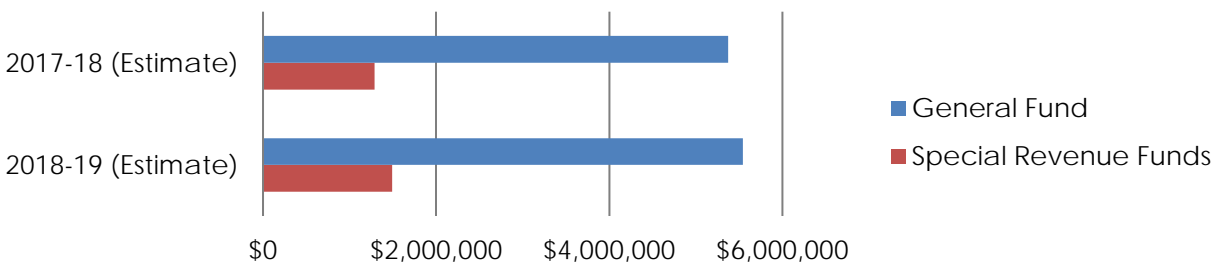
[Change in General Fund Balances – Fiscal Years 2017-19]

Description	General Fund	Special Revenue Funds	Capital Projects Fund
Anticipated Beginning Fund Balance at July 1, 2017	\$8,679,572	\$1,173,840	\$72,902
Revenues	\$5,373,600	\$1,287,700	\$365,426
Expenditures	\$5,724,476	\$1,267,904	\$365,426
Ending Fund Balance at June 30, 2018	\$8,418,696	\$1,193,636	\$72,902
Revenues	\$5,541,600	\$1,490,700	\$165,000
Expenditures	\$5,621,246	\$1,241,291	\$165,000
Ending Fund Balance at June 30, 2019	\$8,339,050	\$1,443,045	\$72,902

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

BUDGET SUMMARY – ALL REVENUES

[Total Revenue Estimates by Fund Type – Fiscal Years 2017-19]

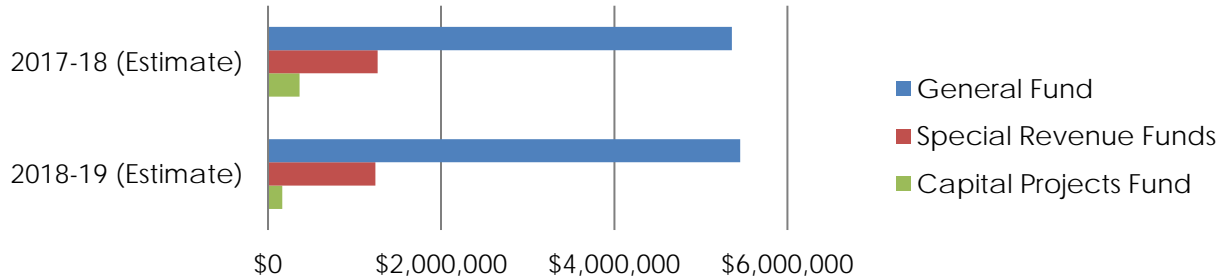


Fiscal Year	General Fund Revenue	Special Revenue Funds
2017-18 (Estimate)	\$5,373,600	\$1,287,700
2018-19 (Estimate)	\$5,541,600	\$1,490,700

Note: This chart/table excludes inter-fund transfers. The Capital Projects Fund is not shown separately, as all revenue is transferred from the General Fund.

BUDGET SUMMARY – ALL EXPENDITURES

[Total Expenditure Estimates by Fund Type – Fiscal Years 2017-19]

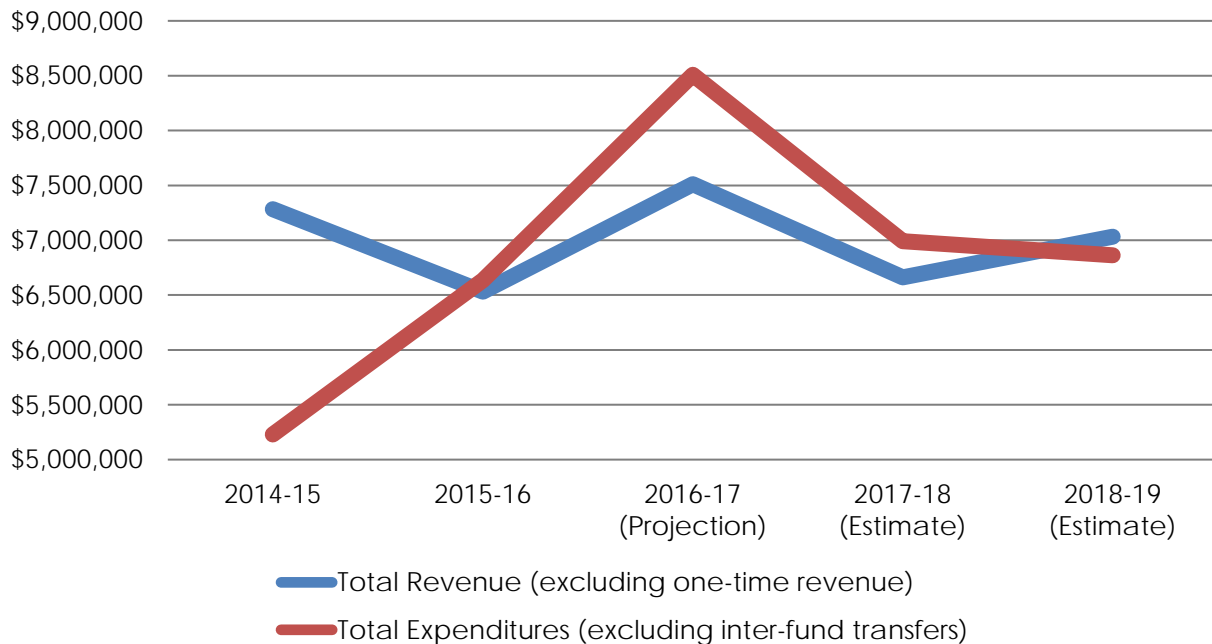


Fiscal Year	General Fund Expenditures	Special Revenue Funds	Capital Projects Fund
2017-18 (Estimate)	\$5,359,050	\$1,267,904	\$365,426
2018-19 (Estimate)	\$5,456,246	\$1,241,292	\$165,000

Note: This chart/table excludes inter-fund transfers.

HISTORICAL COMPARISONS

[Historical "All Funds" Revenue and Expenditure Comparison – Fiscal Years 2014-15 through 2018-19]

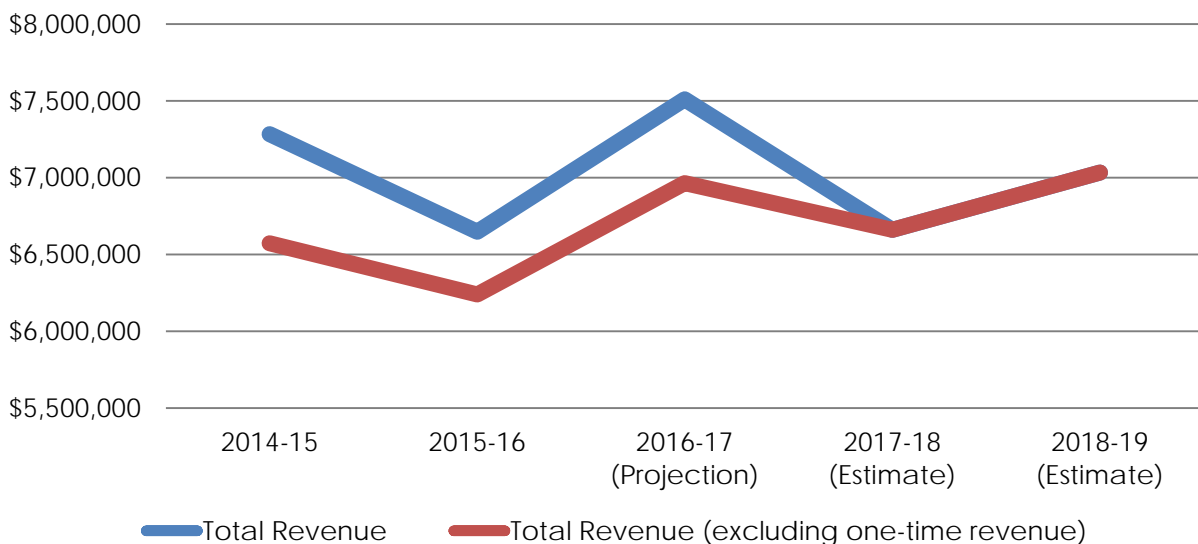


Fiscal Year	Total Revenue (excluding one-time revenue)	Total Expenditures (excluding inter-fund transfers)
2014-15	\$7,283,251	\$5,229,144
2015-16	\$6,531,254	\$6,636,291
2016-17 (Projection)	\$7,510,841	\$8,508,415
2017-18 (Estimate)	\$6,661,300	\$6,992,380
2018-19 (Estimate)	\$7,032,300	\$6,862,538

Note: This chart/table excludes one-time revenue and inter-fund transfers.

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

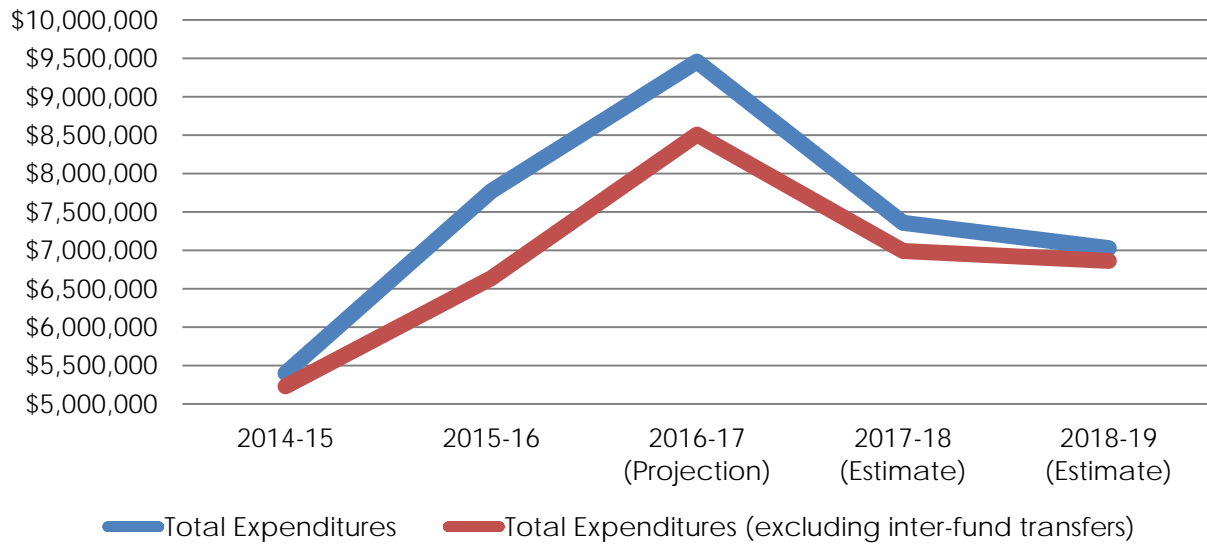
[Historical Revenue Comparison – Fiscal Years 2014-15 through 2018-19]



Fiscal Year	Total Revenue	Total Revenue (excluding one-time revenue)
2014-15	\$7,283,251	\$7,283,251
2015-16	\$6,648,508	\$6,531,254
2016-17 (Projection)	\$7,510,274	\$7,510,841
2017-18 (Estimate)	\$6,661,300	\$6,661,300
2018-19 (Estimate)	\$7,032,300	\$7,032,300

Note: This chart/table excludes one-time revenue and inter-fund transfers.

[Historical Expenditures Comparison – Fiscal Years 2014-15 through 2018-19]



Fiscal Year	Total Expenditures	Total Expenditures (excluding inter-fund transfers)
2014-15	\$5,400,264	\$5,229,144
2015-16	\$7,769,608	\$6,636,291
2016-17 (Projection)	\$9,456,287	\$8,508,415
2017-18 (Estimate)	\$7,357,806	\$6,992,380
2018-19 (Estimate)	\$7,027,538	\$6,862,538

Note: This chart/table excludes inter-fund transfers.

CITY OF LAGUNA WOODS Fiscal Years 2017-19 Revenue Summary - All Funds
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	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18 Budget
<u>GENERAL FUND</u>								
<u>General Fund</u>								
Property Tax	2,019,911	2,182,789	2,272,000	2,282,612	2,448,200	7.3%	2,543,000	3.9%
Property Transfer Tax	88,357	94,807	90,000	158,422	95,900	-39.5%	99,600	3.9%
Sales Tax:								
Regular	908,621	853,903	932,000	774,522	803,200	3.7%	832,100	3.6%
One-Time	-	117,254	-	-	-	0.0%	-	0.0%
Franchise Fees	604,739	539,107	591,000	652,440	623,800	-4.4%	628,100	0.7%
Transient Occupancy Tax	452,293	475,926	467,000	454,736	461,800	1.6%	468,900	1.5%
Development Processing Fees	699,984	730,204	671,000	700,372	707,300	1.0%	723,900	2.3%
Interest	21,785	40,421	48,000	50,700	51,200	1.0%	51,700	1.0%
Miscellaneous	176,625	198,803	190,000	191,103	182,200	-4.7%	194,300	6.6%
Total General Fund	4,972,313	5,233,214	5,261,000	5,264,907	5,373,600	2.1%	5,541,600	3.1%
Less: One-Time Sales Tax	-	117,254	-	-	-	0.0%	-	0.0%
Total General Fund (ongoing revenues)	4,972,313	5,350,468	5,261,000	5,264,907	5,373,600	2.1%	5,541,600	3.1%
Plus: INTER-FUND TRANSFERS	20,628	1,043,009	467,451	467,451	-	-100.0%	-	0.0%
TOTAL GENERAL FUND (including inter-fund transfers and one-time revenues)	4,992,941	6,276,223	5,728,451	5,732,358	5,373,600	-6.3%	5,541,600	3.1%

CITY OF LAGUNA WOODS Fiscal Years 2017-19 Revenue Summary - All Funds
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	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18 Budget
<u>Capital Projects Fund</u>								
Capital Projects	91,320	62,780	137,240	137,240	365,426	166.3%	165,000	-54.8%
TOTAL CAPITAL PROJECTS FUND	91,320	62,780	137,240	137,240	365,426	166.3%	165,000	-54.8%
TOTAL GENERAL FUNDS	5,084,261	6,339,003	5,865,691	5,869,598	5,739,026	-2.2%	5,706,600	-0.6%
<u>SPECIAL FUNDS:</u>								
<u>Transportation Funds</u>								
Fuel Tax	537,418	372,739	449,360	432,160	366,500	-15.2%	373,000	1.8%
Road Maintenance & Rehabilitation Program	-	-	-	-	93,800	100.0%	279,500	198.0%
Measure M1	235,774	4,075	184,001	184,001	-	0.0%	-	0.0%
Measure M2	177,604	205,261	1,312,154	1,248,554	211,200	-83.1%	218,400	3.4%
Prop 1B -- State-Local Partnership Program (SLPP)	-	293,000	-	-	-	0.0%	-	0.0%
Traffic Mitigation Fees - Moulton Parkway Project	709,529	1,900	-	2,160	-	0.0%	-	0.0%
Coastal Area Road Improvement and Traffic Signals (CARITS)	349	-	-	-	-	0.0%	-	0.0%
Total Transportation Funds	1,660,675	876,975	1,945,515	1,866,875	671,500	-64.0%	870,900	29.7%

<p align="center">CITY OF LAGUNA WOODS Fiscal Years 2017-19 Revenue Summary - All Funds</p>
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	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18 Budget
<u>Public Safety Funds</u>								
Service Authority for Abandoned Vehicles	82	-	-	-	-	0.0%	-	0.0%
Supplemental Law Enforcement Services	103,064	114,687	108,000	115,700	119,300	3.1%	123,500	3.5%
Disaster Recovery Initiative (DRI) Grant	93,036	-	-	-	-	0.0%	-	0.0%
Total Public Safety Funds	196,181	114,687	108,000	115,700	119,300	3.1%	123,500	3.5%
<u>Environmental Funds</u>								
Mobile Source Reduction	20,753	21,473	21,000	25,900	21,200	-18.1%	21,500	1.4%
Proposition 84 Grant	-	-	15,733	15,733	-	-100.0%	-	0.0%
Beverage Container Recycling	53	5,038	5,000	5,000	-	-100.0%	-	0.0%
Used Oil/Oil Payment Program	5,035	5,071	5,000	5,000	-	-100.0%	-	0.0%
Energy Efficiency Conservation Grant	-	-	-	-	-	0.0%	-	0.0%
CalRecycle Grant	46,000	149	-	-	-	0.0%	-	0.0%
Total Environmental Funds	71,840	31,731	46,733	51,633	21,200	-58.9%	21,500	1.4%

CITY OF LAGUNA WOODS Fiscal Years 2017-19 Revenue Summary - All Funds
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	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18 Budget
<u>Community Services Funds</u>								
PEG/Cable Television	13,349	13,605	13,700	12,100	12,300	1.7%	12,400	0.8%
Senior Mobility	229,454	271,715	315,000	379,300	317,700	-16.2%	316,700	-0.3%
Community Development Block Grant (CDBG)	136,815	106,581	163,507	163,507	145,700	-10.9%	145,700	0.0%
Total Community Services Funds	379,618	391,901	492,207	554,907	475,700	-14.3%	474,800	-0.2%
 TOTAL SPECIAL FUNDS	 2,308,315	 1,415,294	 2,592,455	 2,589,115	 1,287,700	 -50.3%	 1,490,700	 15.8%
TOTAL REVENUE - ALL FUNDS	7,392,576	7,754,297	8,458,146	8,458,713	7,026,726	-16.9%	7,197,300	2.4%
Less: INTER-FUND TRANSFERS	109,325	1,105,789	947,872	947,872	365,426	-61.4%	165,000	-54.8%
TOTAL NET REVENUE	7,283,251	6,648,508	7,510,274	7,510,841	6,661,300	-11.3%	7,032,300	5.6%
Less: One-Time Sales Tax	-	(117,254)	-	-	-	0.0%	-	0.0%
TOTAL NET ONGOING REVENUE	7,283,251	6,531,254	7,510,274	7,510,841	6,661,300	-11.3%	7,032,300	5.6%

<p align="center">CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Summary - All Funds</p>

	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18% Budget
<u>GENERAL FUND</u>								
City Council	24,684	19,545	28,152	19,373	72,317	273.3%	50,119	-30.7%
General Government	656,784	839,960	1,394,891	1,275,330	670,037	-47.5%	698,348	4.2%
Administrative Services	577,873	668,305	791,164	738,755	672,235	-9.0%	673,214	0.1%
Community Services	119,988	92,222	12,868	8,426	788	-90.6%	788	0.0%
Engineering and Infrastructure Services	356,135	306,186	274,881	258,972	253,169	-2.2%	242,696	-4.1%
Planning and Environmental Services	925,167	995,058	1,162,067	1,082,251	1,021,334	-5.6%	986,563	-3.4%
Public Safety Services	1,502,870	2,521,018	2,644,690	2,609,808	2,669,170	2.3%	2,804,518	5.1%
Subtotal General Fund (including one-time costs)	4,163,499	5,442,294	6,308,713	5,992,915	5,359,050	-10.6%	5,456,246	1.8%

<p align="center">CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Summary - All Funds</p>

	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18% Budget
Transfer to Capital Projects	88,697	62,780	90,300	90,300	365,426	304.7%	165,000	-54.8%
Transfer to Special Funds	82,423	27,528	390,121	390,121	-	-100.0%	-	0.0%
TOTAL GENERAL FUND (including inter-fund transfers and one-time expenditures)	4,334,619	5,532,602	6,789,134	6,473,336	5,724,476	-11.6%	5,621,246	-1.8%
<u>CAPITAL PROJECTS FUND</u>								
Capital Projects	24,089	1,152,934	161,989	161,989	365,426	125.6%	165,000	-54.8%
TOTAL CAPITAL PROJECTS FUND (including inter-fund transfers)	24,089	1,152,934	161,989	161,989	365,426	125.6%	165,000	-54.8%
TOTAL GENERAL FUNDS	4,358,707	6,685,536	6,951,123	6,635,325	6,089,902	-8.2%	5,786,246	-5.0%

<p align="center">CITY OF LAGUNA WOODS</p> <p align="center">Fiscal Years 2017-19 Expenditures Summary - All Funds</p>
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	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18% Budget
<u>SPECIAL FUNDS</u>								
<u>Transportation Funds</u>								
Fuel Tax	266,925	192,889	774,115	499,246	437,274	-12.4%	300,102	-31.4%
Road Maintenance & Rehabilitation Program	-	-	-	-	-	0.0%	110,250	100.0%
Measure M1	-	-	4,200	4,076	-	-100.0%	-	0.0%
Measure M2	181,849	346,436	1,264,755	1,030,892	242,044	-76.5%	242,992	0.4%
Prop 1B - State-Local Partnership Program (SLPP)	-	-	-	-	-	0.0%	-	0.0%
Traffic Mitigation Fees - Moulton Parkway Project	80,809	45,750	436,556	436,556	-	-100.0%	-	0.0%

<p align="center">CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Summary - All Funds</p>

	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18% Budget
Coastal Area Road Improvement and Traffic Signals (CARITS)	-	-	148,700	148,700	-	-100.0%	-	0.0%
Total Transportation Funds	529,582	585,075	2,628,326	2,119,470	679,318	-67.9%	653,344	-3.8%
<u>Public Safety Funds</u>								
Service Authority for Abandoned Vehicles	-	-	-	-	-	0.0%	-	0.0%
Supplemental Law Enforcement Services	112,226	100,000	108,000	108,000	141,707	31.2%	123,500	-12.8%
Disaster Recovery Initiative (DRI) Grant	22,811	-	-	-	-	0.0%	-	0.0%
Total Public Safety Funds	135,037	100,000	108,000	108,000	141,707	31.2%	123,500	-12.8%

<p align="center">CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Summary - All Funds</p>

	2014-15	2015-16	2016-17		2017-18		2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	Budget	% Change From 2017-18% Budget
<u>Environmental Funds</u>								
Mobile Source Reduction	-	-	-	-	-	0.0%	-	0.0%
Beverage Container Recycling	298	1,360	6,500	6,500	5,000	-23.1%	-	0.0%
Used Oil/Oil Payment Program	2,195	808	5,310	-	-	0.0%	-	0.0%
CalRecycle / Energy Efficiency Conservation Grants	13,714	-	30,895	30,746	-	-100.0%	-	0.0%
Total Environmental Funds	16,206	2,168	42,705	37,246	5,000	-86.6%	-	0.0%
<u>Community Services Funds</u>								
PEG/Cable Television	2,455	-	12,000	-	2,000	100.0%	2,047	2.4%
Senior Mobility	221,460	280,639	420,088	405,982	294,179	-27.5%	316,700	7.7%

<p align="center">CITY OF LAGUNA WOODS</p> <p align="center">Fiscal Years 2017-19 Expenditures Summary - All Funds</p>
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	2014-15	2015-16	2016-17		2017-18	2018-19	
	Actual For Year	Actual For Year	Amended Budget	Current Projection for Year	Budget	% Change From 2016-17 Projection	% Change From 2017-18% Budget
Community Development Block Grant (CDBG)	136,815	116,190	153,884	150,264	145,700	-3.0%	0.0%
Total Community Services Funds	360,730	396,829	585,972	556,246	441,879	-20.6%	5.1%
TOTAL SPECIAL FUNDS	1,041,556	1,084,072	3,365,003	2,820,962	1,267,904	-55.1%	-2.1%
TOTAL EXPENDITURES - ALL FUNDS	5,400,264	7,769,608	10,316,126	9,456,287	7,357,806	-22.2%	-4.5%
Less: INTER-FUND TRANSFERS	171,120	1,133,317	947,872	947,872	365,426	-61.4%	-54.8%
TOTAL NET EXPENDITURES	5,229,144	6,636,291	9,368,254	8,508,415	6,992,380	-17.8%	-1.9%

CITY OF LAGUNA WOODS Fiscal Year 2017-19 Summary of Inter-Fund Transfers

Fiscal Year	Transfers In Fund Amount	Transfers Out Fund Amount	Notes
<i>FY 2015-16 Actual</i>			
	General Fund 1,043,009	Capital Projects 1,043,009	Close Out City Hall LID Retrofit Project
	Capital Projects 10,530	General Fund 10,530	Santa Maria Avenue Bioswale Project
	Capital Projects 52,250	General Fund 52,250	Moulton Water Efficient Median Improvement Project (Design)
	Senior Mobility 27,528	General Fund 27,528	Offset Unanticipated Expenditures
<i>Total FY 2015-16 Actual</i>	1,133,317	1,133,317	
<i>FY 2016-17 Final Budget and Forecast</i>			
	General Fund 436,556	Traffic Mitigation Fees 436,556	Fund 130 Final Reconciliation and Close Fund
	General Fund 30,895	Energy Efficiency/CalRecycle 30,895	Fund 325 Final Reconciliation and Close Fund
	Capital Projects 28,540	General Fund 28,540	El Toro Road Traffic Signal Synchronization Project
	Capital Projects 24,260	General Fund 24,260	Moulton Parkway Traffic Signal Synchronization Project
	Capital Projects 30,000	General Fund 30,000	City Hall Restroom Repair and Improvement Project (Design)
	Capital Projects 7,500	General Fund 7,500	Pavement Management Plan Project (Eastbound El Toro Road between Avenida Sevilla and Paseo de Valencia)
	Fuel Tax 99,360	General Fund 99,360	Fund 100 Reconciliation
	Measure M1 184,001	General Fund 184,001	Fund 110 Final Reconciliation and Close Fund
	Measure M2 29	General Fund 29	Fund 111 FY 2015-16 Audit Adjustment
	Measure M2 425	General Fund 425	Fund 111 Reconciliation
	Proposition 84 Grant 15,733	General Fund 15,733	Fund 305 Final Reconciliation and Close Fund
	Senior Mobility 90,000	General Fund 90,000	Offset Unanticipated Expenditures
	Community Development Block Grant (CDBG) 573		Fund 420 Reconciliation
<i>FY 2016-17 Final Budget and Forecast</i>	947,872	947,872	
<i>FY 2017-18 Projected</i>			
	Capital Projects 365,426	General Fund 365,426	
<i>FY 2017-18 Projected</i>	365,426	365,426	
<i>FY 2018-19 Projected</i>			
	Capital Projects 165,000	General Fund 165,000	
<i>FY 2018-19 Projected</i>	165,000	165,000	

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CITY OF LAGUNA WOODS Fiscal Year 2017-18 Budget Summary By Fund
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Fund	7/1/2017 Estimated Opening Fund Balance	Budgeted Revenues	Budgeted Expenditures	Changes to Reserves	Net Change in Fund Balance	6/30/2018 Projected Ending Fund Balance
<u>General Fund:</u>						
<i>General Fund</i>						
General Fund - Unassigned	6,137,271	5,373,600	5,724,476	(54,499)	(405,375)	5,731,896
Nonspendable:						
Prepays	-	-	-	-	-	-
Assigned for:						
Paid Leave Contingency Fund	81,609	-	-	-	-	81,609
Self Insurance Contingency Fund	50,000	-	-	-	-	50,000
General Fund Contingency Fund	2,500,692	-	-	54,499	54,499	2,555,191
TOTAL	8,769,572	5,373,600	5,724,476	-	(350,876)	8,418,696
<u>Capital Projects Fund</u>						
Capital Projects	72,902	365,426	365,426	-	-	72,902
TOTAL	72,902	365,426	365,426	-	-	72,902
<u>Special Funds:</u>						
<i>Transportation Funds:</i>						
Fuel Tax	801,624	366,500	437,274	-	(70,774)	730,850
Road Maintenance & Rehabilitation Program	-	93,800	-	-	93,800	93,800
Measure M1	-	-	-	-	-	-
Measure M2	72,115	211,200	242,044	-	(30,844)	41,271
Prop 1B - State-Local Partnership Program	-	-	-	-	-	-
Traffic Mitigation Fees	(2,160)	-	-	-	-	(2,160)
CARITS	1,518	-	-	-	-	1,518
TOTAL	873,097	671,500	679,318	-	(7,818)	865,279
<i>Public Safety Funds:</i>						
Srv. Authority for Abandoned Vehicles	35,125	-	-	-	-	35,125
Supplemental Law Enforcement Services	22,407	119,300	141,707	-	(22,407)	-
Disaster Recovery Initiative	-	-	-	-	-	-
TOTAL	57,532	119,300	141,707	-	(22,407)	35,125
<i>Environmental Funds:</i>						
Mobile Source Reduction	140,423	21,200	-	-	21,200	161,623
Proposition 84 Grant	-	-	-	-	-	-
Beverage Container Recycling	24,466	-	5,000	-	(5,000)	19,466
Used Oil/Oil Payment Program	26,105	-	-	-	-	26,105
CalRecycle & Energy Efficiency Grants	-	-	-	-	-	-
TOTAL	190,994	21,200	5,000	-	16,200	207,194

CITY OF LAGUNA WOODS Fiscal Year 2017-18 Budget Summary By Fund
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Fund	7/1/2017 Estimated Opening Fund Balance	Budgeted Revenues	Budgeted Expenditures	Changes to Reserves	Net Change in Fund Balance	6/30/2018 Projected Ending Fund Balance
<i>Community Services Funds:</i>						
PEG/Cable Television	68,899	12,300	2,000	-	10,300	79,199
Senior Mobility	(16,682)	317,700	294,179	-	23,521	6,839
Community Development Block Grant	-	145,700	145,700	-	-	-
TOTAL	52,217	475,700	441,879	-	33,821	86,038
CUMULATIVE TOTAL	\$ 10,016,314	\$ 7,026,726	\$ 7,357,806	\$ -	\$ (331,080)	\$ 9,685,234

CITY OF LAGUNA WOODS Fiscal Year 2018-19 Budget Summary By Fund
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Fund	7/1/2018 Estimated Opening Fund Balance	Budgeted Revenues	Budgeted Expenditures	Changes to Reserves	Net Change in Fund Balance	6/30/2019 Projected Ending Fund Balance
<u>General Fund:</u>						
<i>General Fund</i>						
General Fund - Unassigned	5,731,896	5,541,600	5,621,246	(84,000)	(163,646)	\$ 5,568,250
Nonspendable:						
Prepays	-	-	-	-	-	\$ -
Assigned for:						
Paid Leave Contingency Fund	81,609	-	-	-	-	81,609
Self Insurance Contingency Fund	50,000	-	-	-	-	50,000
General Fund Contingency Fund	2,555,191	-	-	84,000	84,000	2,639,191
TOTAL	8,418,696	5,541,600	5,621,246	-	(79,646)	8,339,050
<u>Capital Projects Fund</u>						
Capital Projects	72,902	165,000	165,000	-	-	72,902
TOTAL	72,902	165,000	165,000	-	-	72,902
<u>Special Funds:</u>						
<i>Transportation Funds:</i>						
Fuel Tax	730,850	373,000	300,102	-	72,898	803,748
Road Maintenance & Rehabilitation Program	93,800	279,500	110,250	-	169,250	263,050
Measure M1	-	-	-	-	-	-
Measure M2	41,271	218,400	242,992	-	(24,592)	16,679
Prop 1B - State-Local Partnership Program	-	-	-	-	-	-
Traffic Mitigation Fees	(2,160)	-	-	-	-	(2,160)
CARITS	1,518	-	-	-	-	1,518
TOTAL	865,279	870,900	653,344	-	217,556	1,082,835
<i>Public Safety Funds:</i>						
Srv. Authority for Abandoned Vehicles	35,125	-	-	-	-	35,125
Supplemental Law Enforcement Services	-	123,500	123,500	-	-	-
Disaster Recovery Initiative	-	-	-	-	-	-
TOTAL	35,125	123,500	123,500	-	-	35,125
<i>Environmental Funds:</i>						
Mobile Source Reduction	161,623	21,500	-	-	21,500	183,123
Proposition 84 Grant	-	-	-	-	-	-
Beverage Container Recycling	19,466	-	-	-	-	19,466
Used Oil/Oil Payment Program	26,105	-	-	-	-	26,105
CalRecycle & Energy Efficiency Grants	-	-	-	-	-	-
TOTAL	207,194	21,500	-	-	21,500	228,694

CITY OF LAGUNA WOODS Fiscal Year 2018-19 Budget Summary By Fund
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Fund	7/1/2018 Estimated Opening Fund Balance	Budgeted Revenues	Budgeted Expenditures	Changes to Reserves	Net Change in Fund Balance	6/30/2019 Projected Ending Fund Balance
<i>Community Services Funds:</i>						
PEG/Cable Television	79,199	12,400	2,047	-	10,353	89,552
Senior Mobility	6,839	316,700	316,700	-	-	6,839
Community Development Block Grant	-	145,700	145,700	-	-	-
TOTAL	86,038	474,800	464,447	-	10,353	96,391
CUMULATIVE TOTAL	\$ 9,685,234	\$ 7,197,300	\$ 7,027,538	\$ -	\$ 169,763	\$ 9,854,997

7.0. CITY BUDGET DETAIL, GENERAL AND CAPITAL FUNDS

This chapter is intended to present revenue and expenditure detail for the programs, projects, and services included in this budget.

"AT-A-GLANCE" GENERAL FUND SUMMARY

[General Fund Revenue over/(under) Operating Expenditures Estimate]

	Fiscal Year 2017-18	Fiscal Year 2018-19
Total General Fund Revenue Estimate	\$5,373,600	\$5,541,600
Non-Operating Revenue Estimate	\$0	\$0
Operating Expenditures	(\$5,286,288)	(\$5,451,429)
Total General Fund Operating Revenue over/(under) Operating Expenditures	\$87,312	\$90,171

[Total General Fund Non-Operating Expenditures and Transfers]

	Fiscal Year 2017-18	Fiscal Year 2018-19
Non-Operating Expenditures	\$72,762	\$4,817
Transfers to Capital Projects Fund	\$365,426	\$165,000
Total	\$438,188	\$169,817

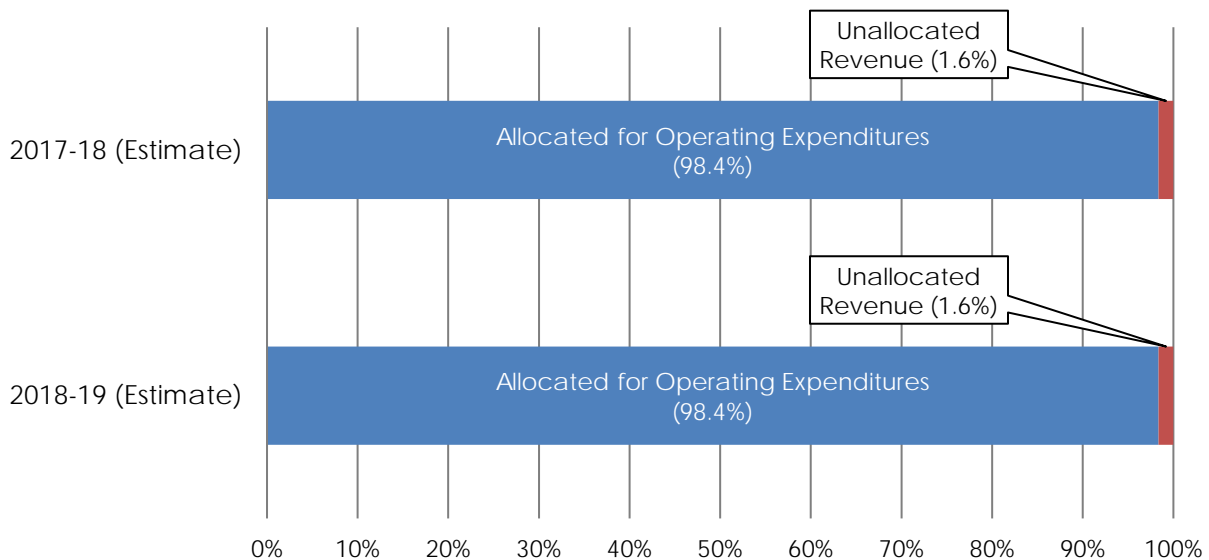
[Total General Fund Expenditures]

	Fiscal Year 2017-18	Fiscal Year 2018-19
Total General Fund Operating Expenditures	\$5,286,290	\$5,451,428
Total General Fund Non-Operating Expenditures and Transfers	\$438,188	\$169,817
Total	\$5,724,476	\$5,621,246

The General Fund operating budget for Fiscal Year 2017-18 is balanced and totals \$5,724,476. At year-end, it is projected that the unassigned General Fund balance will total \$5,731,896, or 100%, of the Fiscal Year 2017-18 operating budget. That unassigned fund balance would be in addition to assigned and committed reserves totaling \$2,686,800. An additional \$438,188 is budgeted for non-operating expenditures and transfers to the Capital Projects Fund.

The General Fund operating budget for Fiscal Year 2018-19 is balanced and totals \$5,621,246. At year-end, it is projected that the unassigned General Fund balance will total \$5,568,250, or 99% of the Fiscal Year 2018-19 operating budget. That unassigned fund balance would be in addition to assigned and committed reserves totaling \$2,770,800. An additional \$169,817 is budgeted for non-operating expenditures and transfers to the Capital Projects Fund.

[Allocation of General Fund Operating Revenue – Fiscal Years 2017-19]



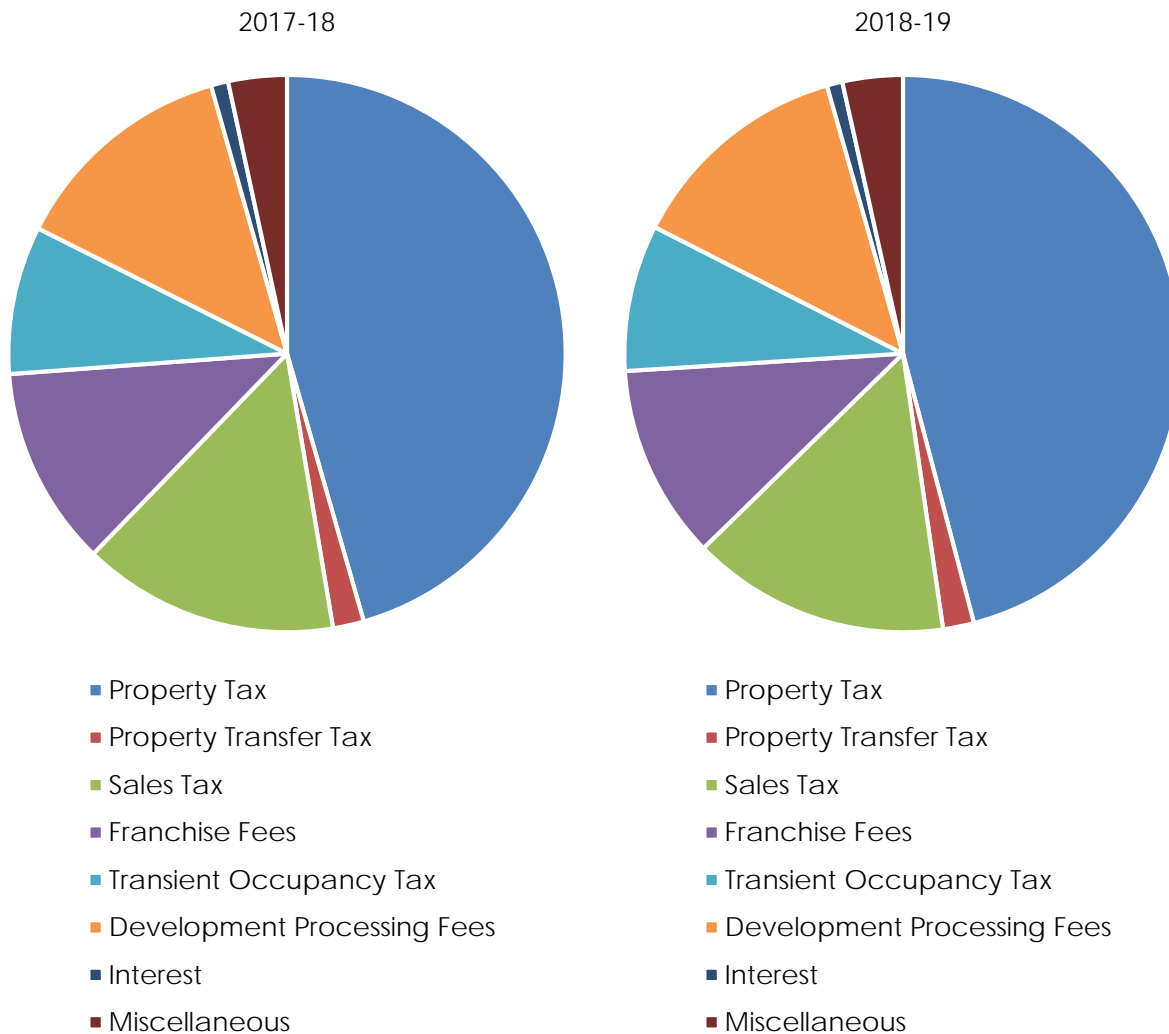
GENERAL FUND REVENUE SUMMARY

General Fund revenue for Fiscal Year 2017-18 is estimated to be \$5,373,600, or 2.1% more than year-end estimates for Fiscal Year 2016-17. In Fiscal Year 2018-19, General Fund revenue is estimated to be \$5,541,600, which reflects growth of \$168,000, or 3.1%, over the Fiscal Year 2017-18 estimate.

The differences in estimated revenue for both fiscal years can be attributed to a variety of contributing factors including minimal to modest increases in the City's three largest sources of operating revenue – property tax, sales tax, and

development processing fees. Collectively, those three sources account for approximately 75.5% of total estimated operating revenue. All other sources are anticipated to remain relatively flat and proportional.

[General Fund Revenue Estimates by Source – Fiscal Years 2017-19]



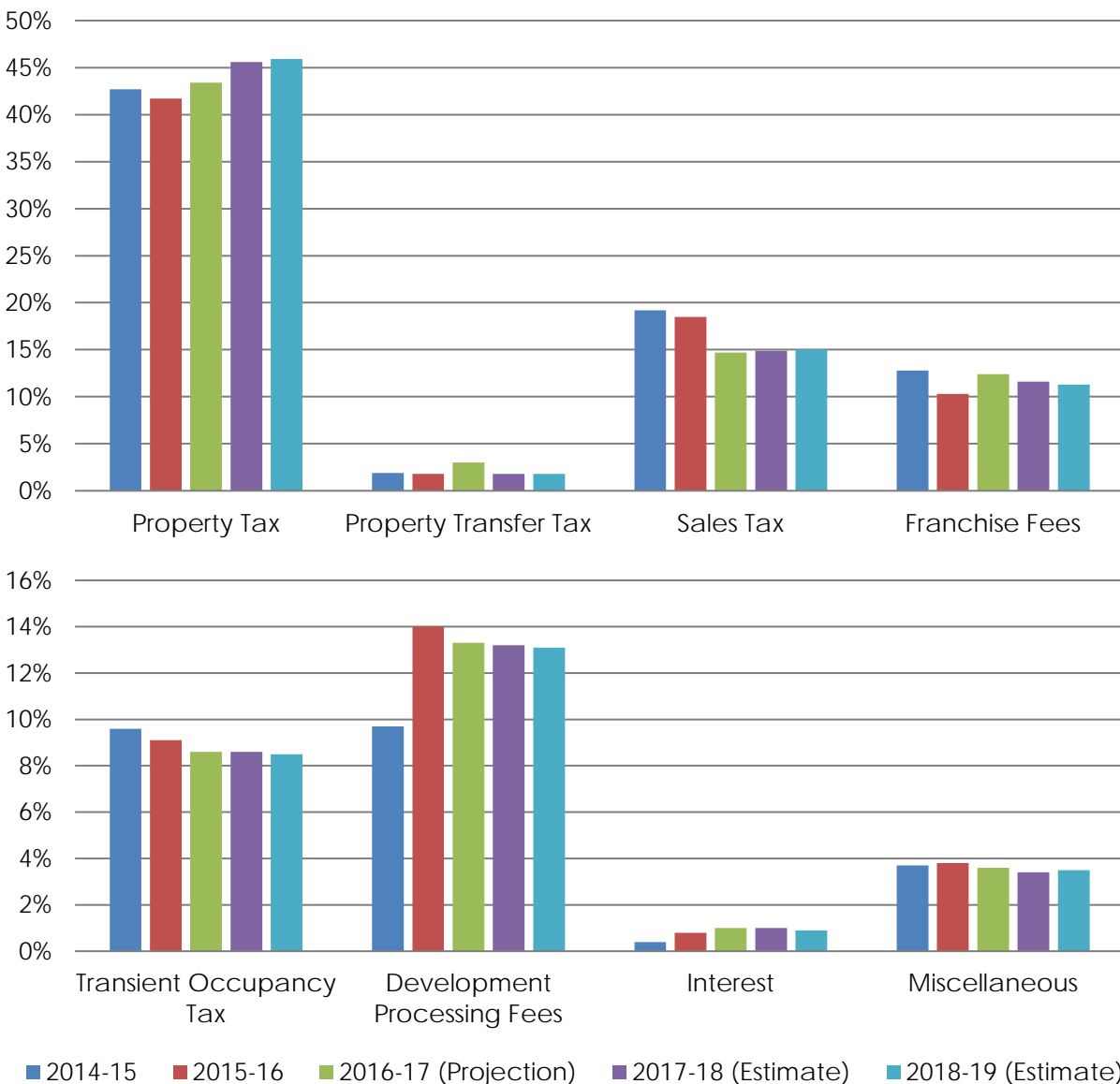
General Fund Revenue Source	Percent of Adopted Budget Estimate (Fiscal Year 2017-18)	Percent of Adopted Budget Estimate (Fiscal Year 2018-19)
Property Tax	45.5%	45.9%
Property Transfer Tax	1.8%	1.8%
Sales Tax	14.9%	15.0%
Franchise Fees	11.6%	11.3%
Transient Occupancy Tax	8.6%	8.5%

Development Processing Fees	13.2%	13.1%
Interest	1.0%	0.9%
Miscellaneous	3.4%	3.5%

Note: This budget accounts for property tax in lieu of vehicle license fees as part of general property tax revenue; property tax in lieu of sales tax as part of sales tax revenue; and, property transfer tax separately.

Historical Comparison

*[Historical General Fund Revenue by Source
– Fiscal Years 2014-15 through 2018-19]*



General Fund Revenue Source	Percent of Actual Year-End Receipts (Fiscal Year 2014-15)	Percent of Actual Year-End Receipts (Fiscal Year 2015-16)	Percent of Projected Year-End Receipts (Fiscal Year 2016-17)
Property Tax	42.7%	41.7%	43.4%
Property Transfer Tax	1.9%	1.8%	3.0%
Sales Tax	19.2%	18.5%	14.7%
Franchise Fees	12.8%	10.3%	12.4%
Transient Occupancy Tax	9.6%	9.1%	8.6%
Development Processing Fees	9.7%	14.0%	13.3%
Interest	0.4%	0.8%	1.0%
Miscellaneous	3.7%	3.8%	3.6%

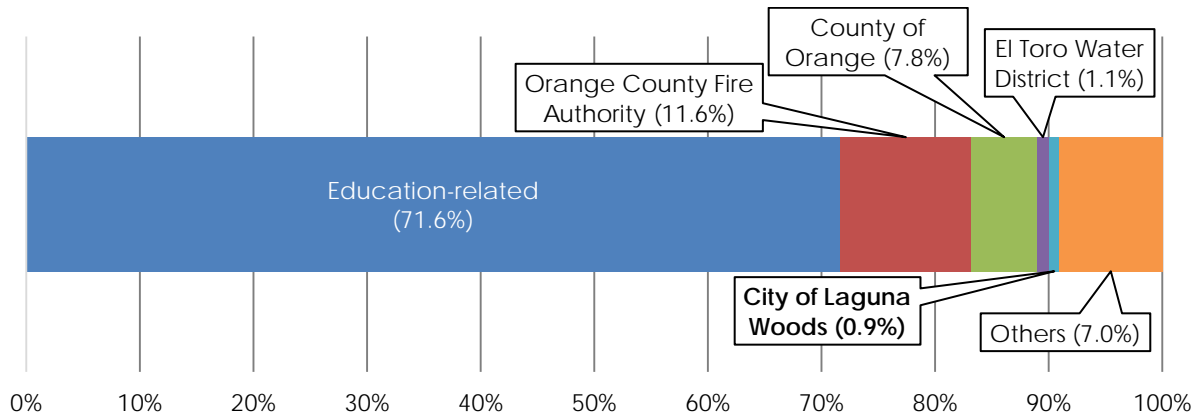
General Fund Revenue Source	Percent of Adopted Budget Estimate (Fiscal Year 2017-18)	Percent of Adopted Budget Estimate (Fiscal Year 2018-19)
Property Tax	45.5%	45.9%
Property Transfer Tax	1.8%	1.8%
Sales Tax	14.9%	15.0%
Franchise Fees	11.6%	11.3%
Transient Occupancy Tax	8.6%	8.5%
Development Processing Fees	13.2%	13.1%
Interest	1.0%	0.9%
Miscellaneous	3.4%	3.5%

Property Tax Revenue

Property tax is a tax on certain types of personal property. Property tax rates are established by State law, including Proposition 13 (1978), which limits the maximum property tax rate to 1% of assessed value and the maximum annual increase to an inflationary index not to exceed 2%. The County of Orange is responsible for collecting property tax from property owners and distributing the proceeds to the various entities to whom taxes are owed.

For every dollar of property tax paid, the City receives an average of only \$0.0088. Over 70% of every property tax dollar funds education.

[Average Property Tax Allocation – Tax Rate Area 32010]



The Orange County Assessor's *Local Assessment Roll of Values for Fiscal Year 2016-17* reflects a tax rate increase of 1.525% for Laguna Woods, down from the prior year's increase of 1.998%. The total value of the local assessment roll increased by \$151,089,217, or 5.77%, to \$2,771,863,664, in Fiscal Year 2016-17, below the prior year's increase of 8.01%.

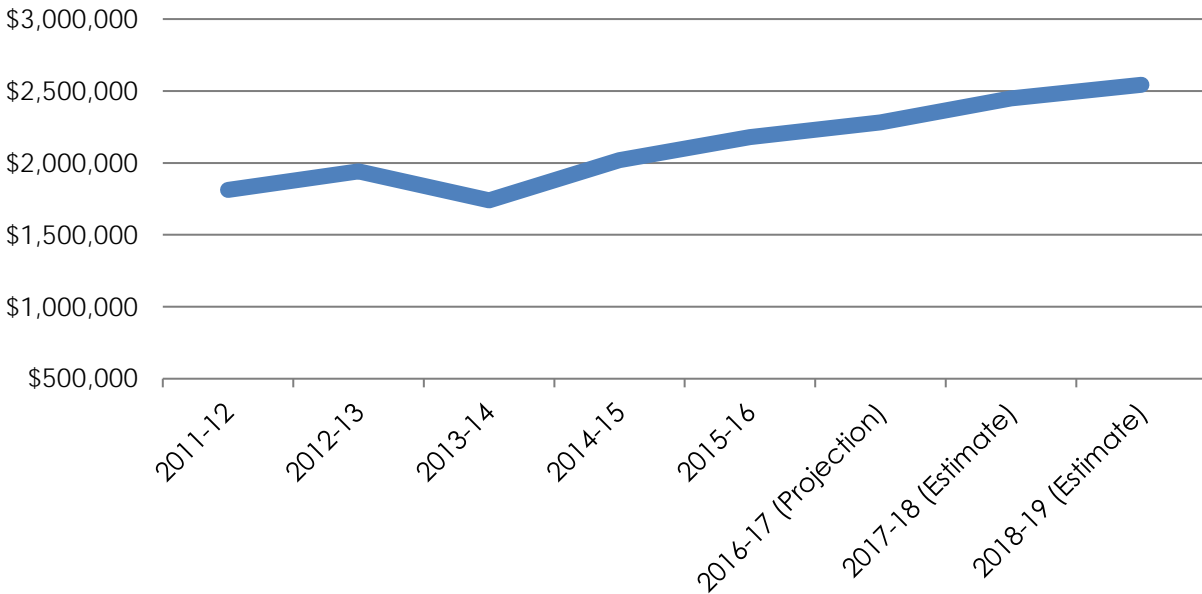
[Surrounding Cities Local Assessment Rolls – Fiscal Year 2016-17]

City	Total Local Assessment Roll Value	Percent Change of Local Assessment Roll Value from Fiscal Year 2015-16
Laguna Woods	\$2,771,863,664	5.77%
Aliso Viejo	\$9,264,938,894	5.72%
Irvine	\$65,853,286,217	8.10%
Laguna Beach	\$13,615,745,196	6.92%
Laguna Hills	\$6,515,836,256	4.15%

In Fiscal Year 2016-17, Laguna Woods had the fifth lowest local assessment roll value in Orange County, ranking above the cities of La Palma, Los Alamitos, Stanton, and Villa Park.

In Fiscal Year 2016-17, Laguna Woods had the ninth largest percent change of local assessment roll value from Fiscal Year 2015-16, ranking below the cities of Brea, Dana Point, Garden Grove, Irvine, Laguna Beach, Lake Forest, and Newport Beach, as well as the County of Orange's unincorporated area.

[Property Tax Revenue – Fiscal Years 2011-12 through 2018-19]



Budget Estimate (Fiscal Year 2017-18)	Percent Change from Projected Year-End Receipts (Fiscal Year 2016-17)	Budget Estimate (Fiscal Year 2018-19)	Percent Change from Projected Year-End Receipts (Fiscal Year 2017-18)
\$2,448,200	7.3%	\$2,543,000	3.9%

Summary of Significant Trends and Observations

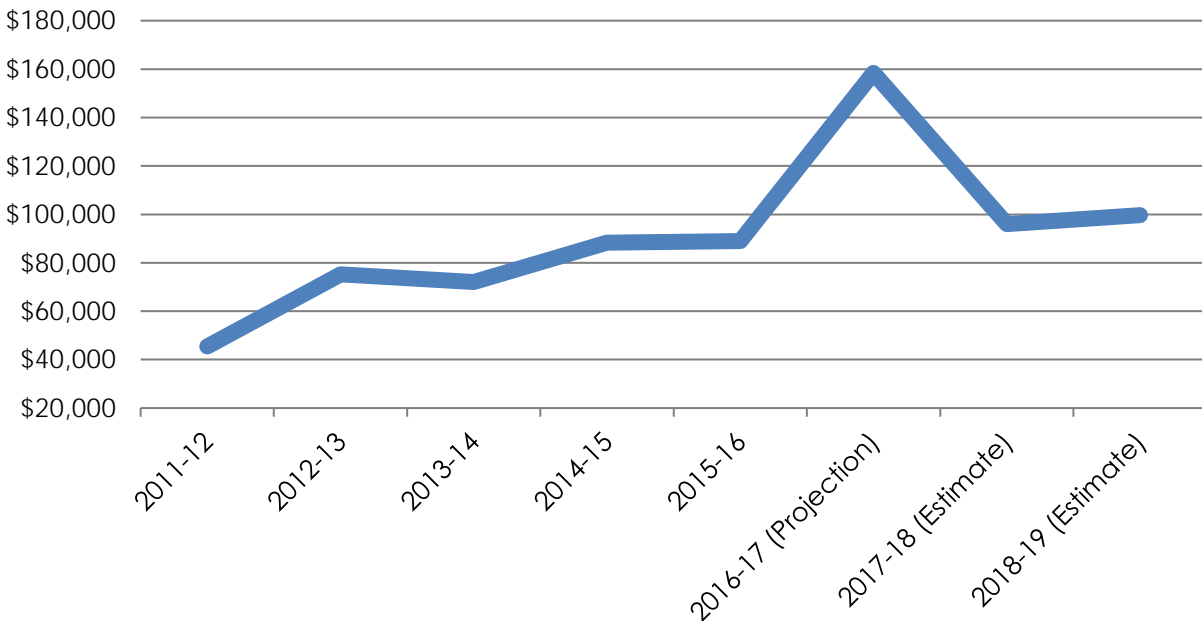
- Increases in estimated property tax revenue are due, in part, to growth in home sale prices, continued recapture of assessed property valuations that had been temporarily reduced pursuant to Proposition 8's (1978) tax relief program, and an anticipated increase in the Consumer Price Index used to calculate assessed property valuations in Fiscal Year 2018-19.
- Property tax revenue has realized slow and steady growth since 2010. A "leveling off" or slowing of economic growth, could have a potentially significant, negative impact on future revenue.

Property Transfer Tax Revenue

Property transfer tax is a tax on the recordation of documents transferring ownership of land or real property. Property transfer tax is established by cities and counties and is collected by the County of Orange at a rate of \$1.10 per

\$1,000 of the assessed value of the real estate being transferred. The City and the County each receive 50% of the property transfer taxes collected.

[Property Transfer Tax Revenue – Fiscal Years 2011-12 through 2018-19]



Budget Estimate (Fiscal Year 2017-18)	Percent Change from Projected Year-End Receipts (Fiscal Year 2016-17)	Budget Estimate (Fiscal Year 2018-19)	Percent Change from Projected Year-End Receipts (Fiscal Year 2017-18)
\$95,900	-39.5%	\$99,600	3.9%

Summary of Significant Trends and Observations

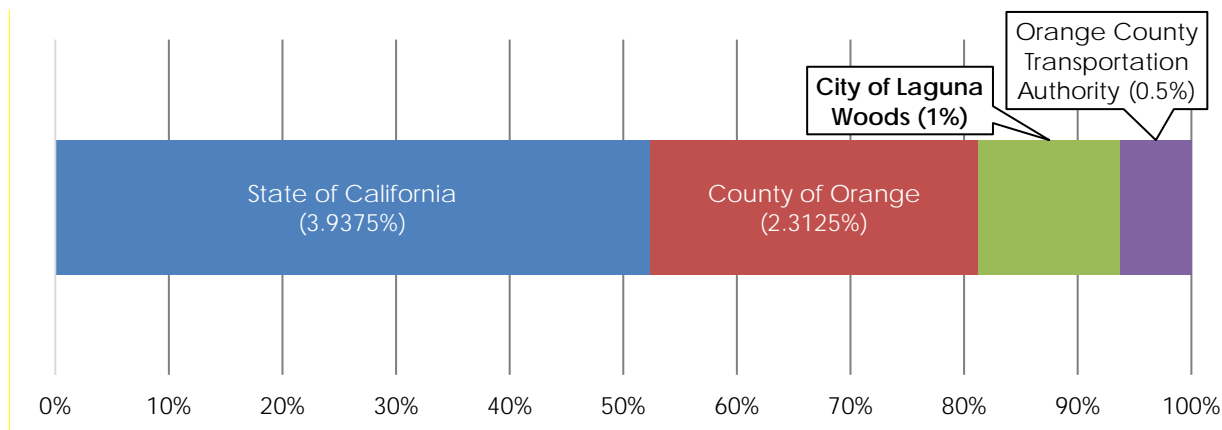
- Property transfer tax revenue is projected to remain relatively consistent with prior years. Revenue in Fiscal Year 2016-17 was higher than typical as a result of ownership transfers of two assisted living facilities. Staff does not believe that those transfers are indicative of future trends.

Sales Tax Revenue

Of the 7.75% local sales tax rate, the City receives only 1% of tax proceeds. The majority of sales tax revenue is paid to the State of California and the County of Orange. The City receives a portion of the half-cent sales tax collected by

the Orange County Transportation Authority pursuant to Measure M2, which is accounted for in the Special Revenue Funds section of this budget.

[Sales Tax Allocation]



[Surrounding Cities Local Assessment Rolls – Fiscal Year 2016-17]

City	Per Capita Sales Tax Revenue for Calendar 2016
Laguna Woods	\$56
Aliso Viejo	\$116
Irvine	\$243
Laguna Beach	\$232
Laguna Hills	\$192

On a per capita basis, sales tax revenue for Laguna Woods was the second lowest in Orange County in 2016, ranking above only the city of Villa Park.

[Top 25 Sales Tax Producers – 2016 Calendar Year⁸]

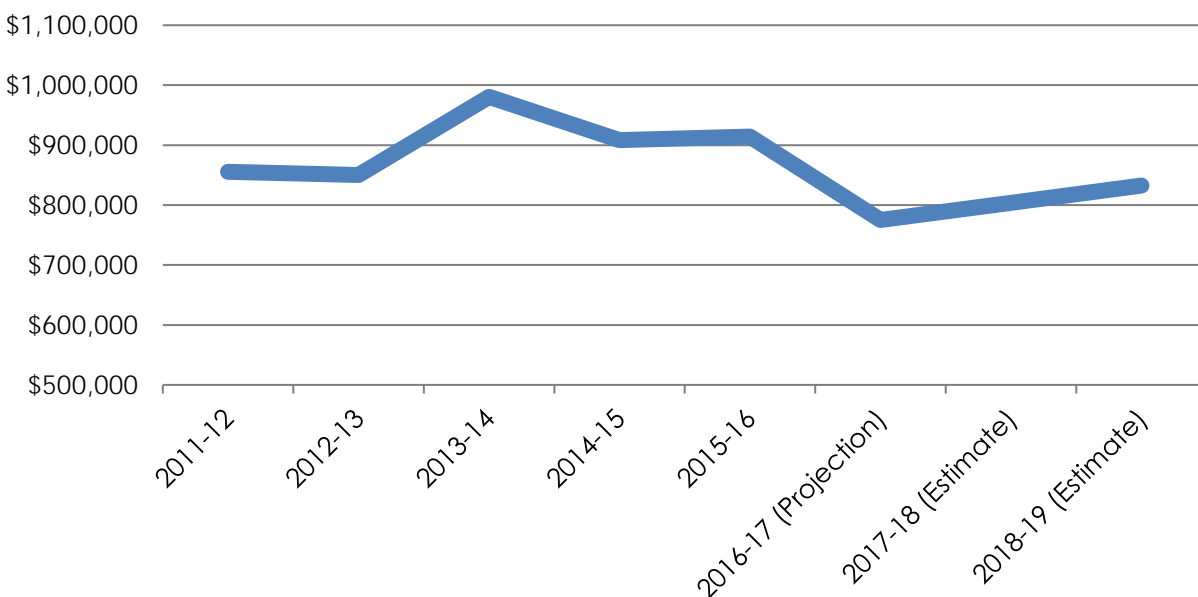
19 Restaurant & Lounge	OfficeMax
Adapt 2 It	Olive Garden
Carl's Jr.	Papa John's Pizza
CVS Pharmacy	Pristine Wellness
Firehouse Subs	Rite Aid
Golden Rain Foundation	Saddleback Golf Cars

⁸ Sales Tax Allocations Adjusted for Economic Data, January 2016 through December 2016, Hinderliter, de Llamas & Associates. Based on information from the State Board of Equalization. Sales tax producers are presented in alphabetical order in accordance with State law.

Home Depot	Stage 21 Bikes
Jack in the Box	Stanley Okon Dental Lab
Laguna Hills Animal Hospital	Starbucks
Leisure World Mobil	Stater Bros.
McCormick & Son	Tomo Sushi
Mother's Market	Valvoline Instant Oil Change
Moulton Arco AM/PM	

Note: OfficeMax and Valvoline Instant Oil Change closed in 2017.

[Sales Tax Revenue – Fiscal Years 2011-12 through 2018-19]



Budget Estimate (Fiscal Year 2017-18)	Percent Change from Projected Year-End Receipts (Fiscal Year 2016-17)	Budget Estimate (Fiscal Year 2018-19)	Percent Change from Projected Year-End Receipts (Fiscal Year 2017-18)
\$803,200	3.7%	\$832,100	3.6%

Summary of Significant Trends and Observations

- Increases in estimated sales tax revenue are due, in part, to anticipated growth in consumer spending, aided by the opening of new businesses. ALDI Food Market and Dollar Tree have plans to open stores by the end of the 2017 calendar year. Even with the addition of sales tax producing businesses, total revenue is still expected to trail prior years due, in part,

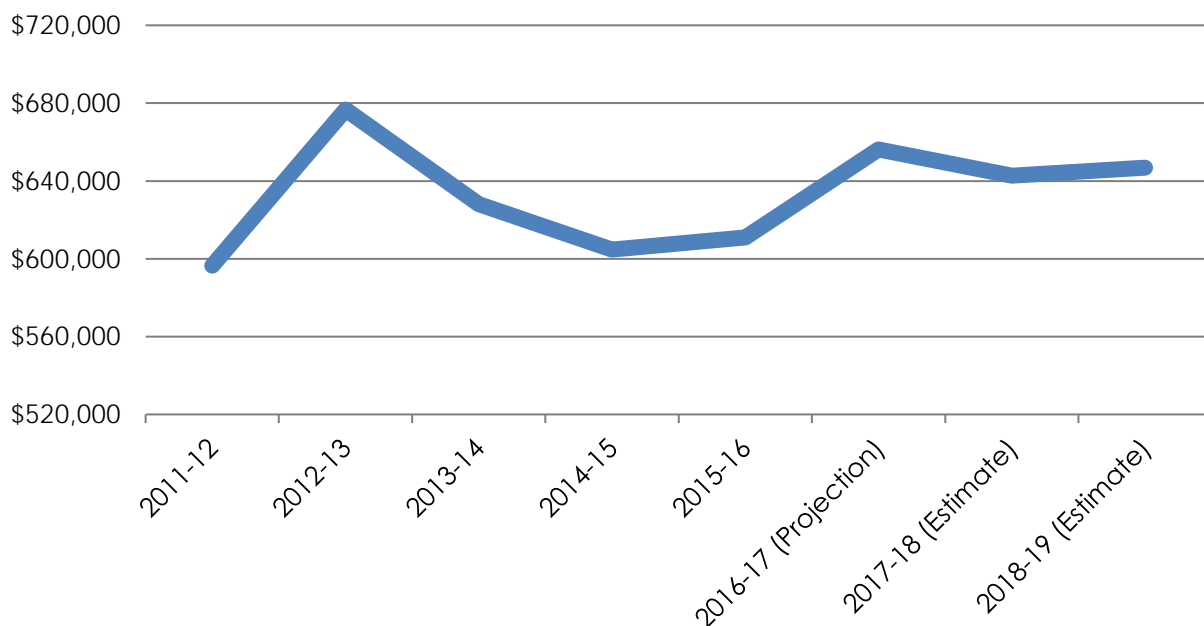
to commercial vacancy rates and the closure of several former, top sales tax producing businesses (Hometown Buffet, OfficeMax, Thaitanium, Valvoline Instant Oil Change, and Vons) in recent years.

- While the Willow Tree Center is currently undergoing a renovation that is intended to revitalize the shopping center and increase occupancy, this budget assumes no additional sales tax revenue other than from ALDI Food Market and Dollar Tree, due to a lack of confirmed information.
- The City's sales tax base continues to be limited in size and lacking in diversity with the top 25 sales tax producing businesses accounting for approximately 97% of total sales tax revenue in the 2016 calendar year. This over-reliance on a narrow subset of sales tax producers means that the City is particularly vulnerable to significant revenue fluctuations.
- Sales tax fluctuates with changes in the economy, as well as consumer confidence. A "leveling off" or slowing of economic growth, could have a potentially significant, negative impact on future revenue.

Franchise Fees Revenue

Franchise fees are collected by the City in accordance with agreements with various advertising, cable television, solid waste, and utility providers.

[Franchise Fees Revenue – Fiscal Years 2011-12 through 2018-19]



Budget Estimate (Fiscal Year 2017-18)	Percent Change from Projected Year-End Receipts (Fiscal Year 2016-17)	Budget Estimate (Fiscal Year 2018-19)	Percent Change from Projected Year-End Receipts (Fiscal Year 2017-18)
\$623,800	-4.4%	\$628,100	0.7%

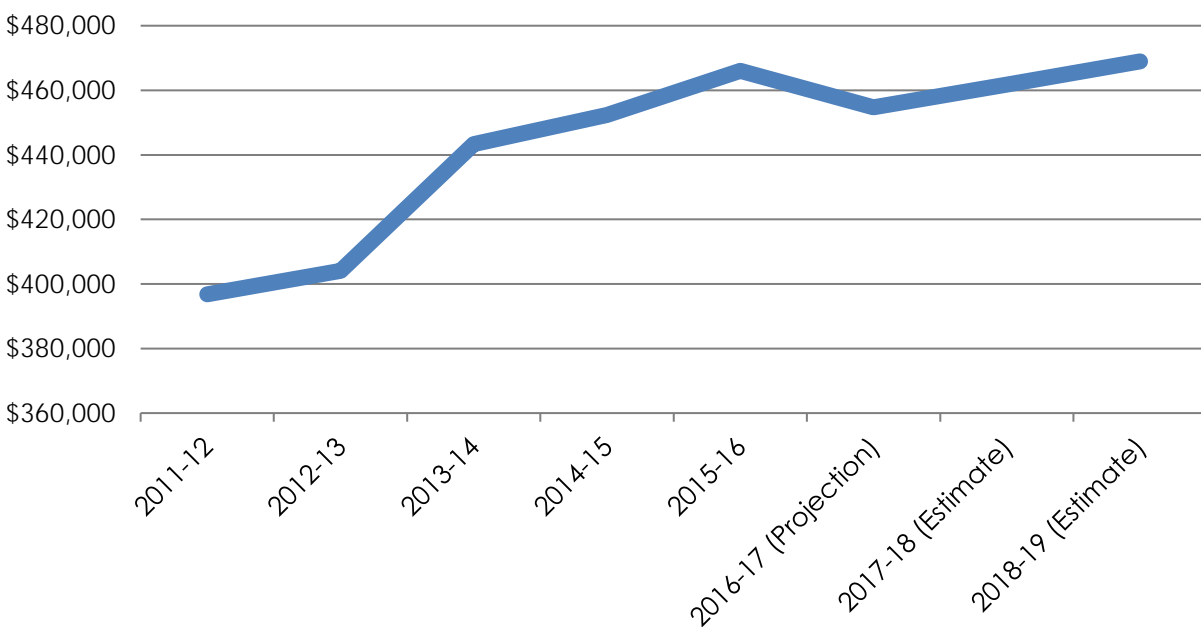
Summary of Significant Trends and Observations

- Franchise fees revenue is projected to remain relatively consistent with Fiscal Year 2016-17. No new franchise agreements or material changes to existing franchise agreements are anticipated.
- Bus shelter franchise fee revenue was estimated to decrease by \$20,000, or 50.0%, in Fiscal Year 2016-17 due to the expiration of the then-current franchise agreement. In 2016, the City successfully negotiated a 10-year extension of the franchise agreement without any loss of revenue.

Transient Occupancy Tax Revenue

Transient occupancy tax is levied at a rate of 10% of the rent charged for most hotel stays and short-term rentals. Transient occupancy tax is collected by the operators of hotels and short-term rentals, and then paid to the City.

[Transient Occupancy Tax Revenue – Fiscal Years 2011-12 through 2018-19]



Budget Estimate (Fiscal Year 2017-18)	Percent Change from Projected Year-End Receipts (Fiscal Year 2016-17)	Budget Estimate (Fiscal Year 2018-19)	Percent Change from Projected Year-End Receipts (Fiscal Year 2017-18)
\$461,800	1.6%	\$468,900	1.5%

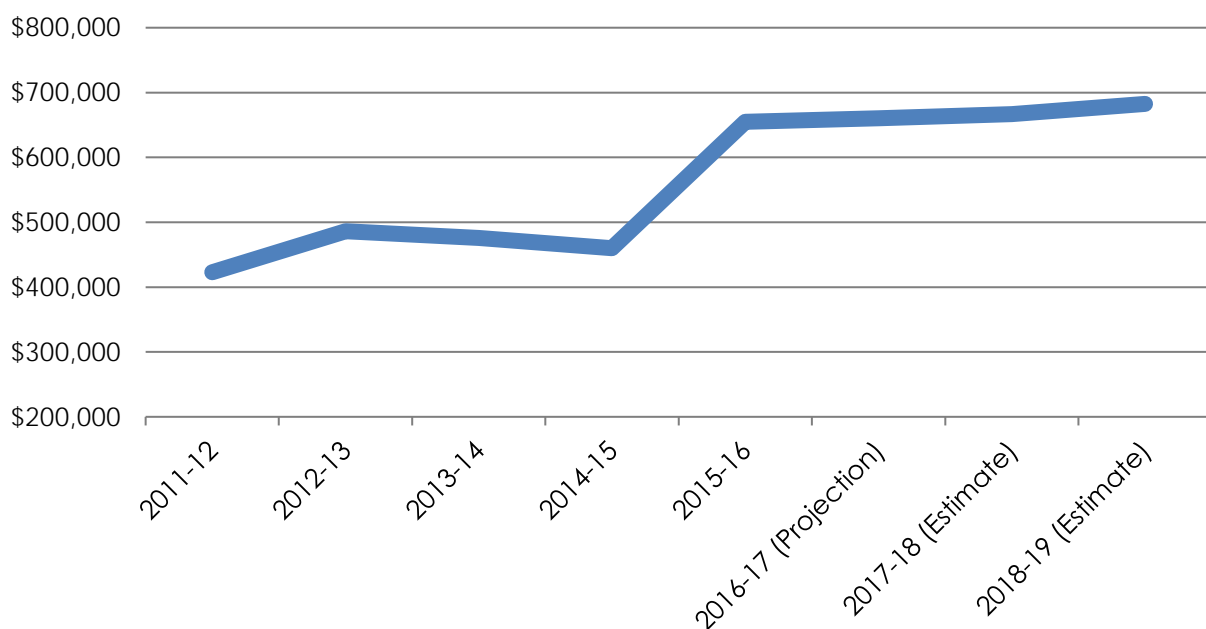
Summary of Significant Trends and Observations

- Transient occupancy tax revenue has realized slow and steady growth since 2011. Fiscal Year 2016-17 receipts are estimated to decrease as a result of disruptions caused by inclement weather and hotel remodeling. Revenue is estimated to resume typical growth in Fiscal Year 2017-18.
- The City's transient occupancy tax base continues to be limited in size. This over-reliance on a single transient occupancy tax producer means that the City is particularly vulnerable to significant revenue fluctuations.

Development Processing Fees Revenue

Development processing fees are collected by the City in order to recover the City's reasonable costs of providing building, planning, and related services.

[Development Processing Fees Revenue – Fiscal Years 2011-12 through 2018-19]



Budget Estimate (Fiscal Year 2017-18)	Percent Change from Projected Year-End Receipts (Fiscal Year 2016-17)	Budget Estimate (Fiscal Year 2018-19)	Percent Change from Projected Year-End Receipts (Fiscal Year 2017-18)
\$707,300	1.0%	\$723,900	2.3%

Summary of Significant Trends and Observations

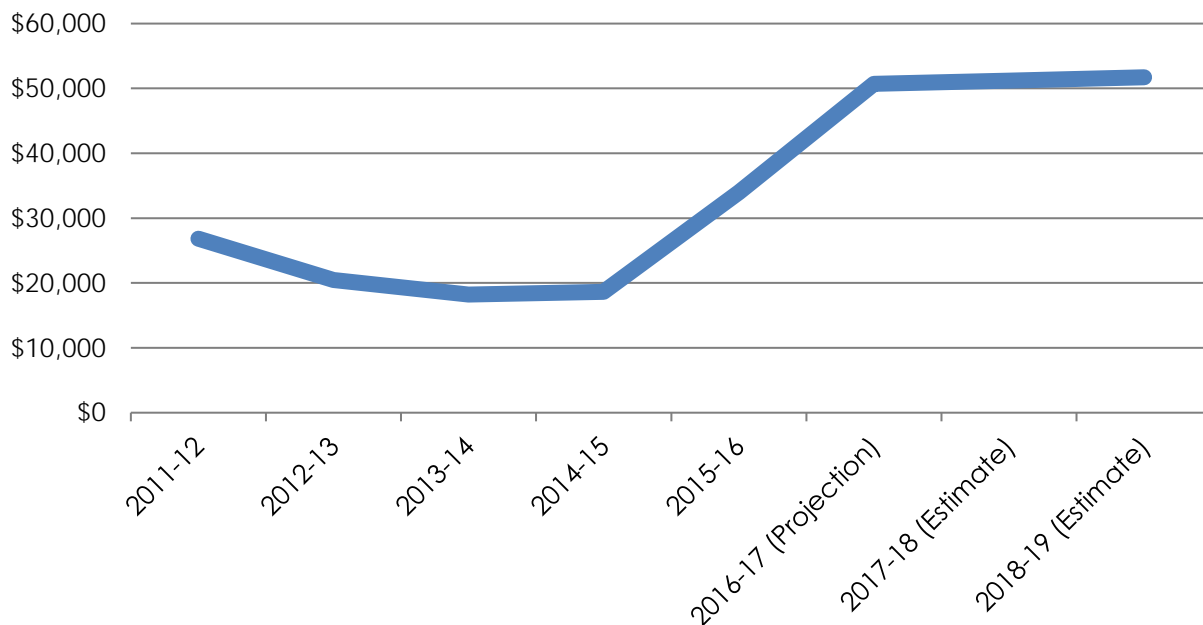
- Development processing fees revenue will continue to cover the City's reasonable costs of providing services. Since Fiscal Year 2014-15, the City has conducted an annual evaluation of the adequacy and rationality of its fees, including its reasonable costs of providing services.

Interest Revenue

Interest revenue is comprised of earnings from financial investments made in accordance with the City's Investment of Financial Assets Policy.

The Investment of Financial Assets Policy is intended to assist the City with the investment of financial assets in a manner that ensures adequate safety and liquidity, while maximizing yield (return) and complying with the requirements of California Government Code sections 5921 and 53600 *et seq.*

[Interest Revenue – Fiscal Years 2011-12 through 2018-19]



Budget Estimate (Fiscal Year 2017-18)	Percent Change from Projected Year-End Receipts (Fiscal Year 2016-17)	Budget Estimate (Fiscal Year 2018-19)	Percent Change from Projected Year-End Receipts (Fiscal Year 2017-18)
\$51,200	1.0%	\$51,700	1.0%

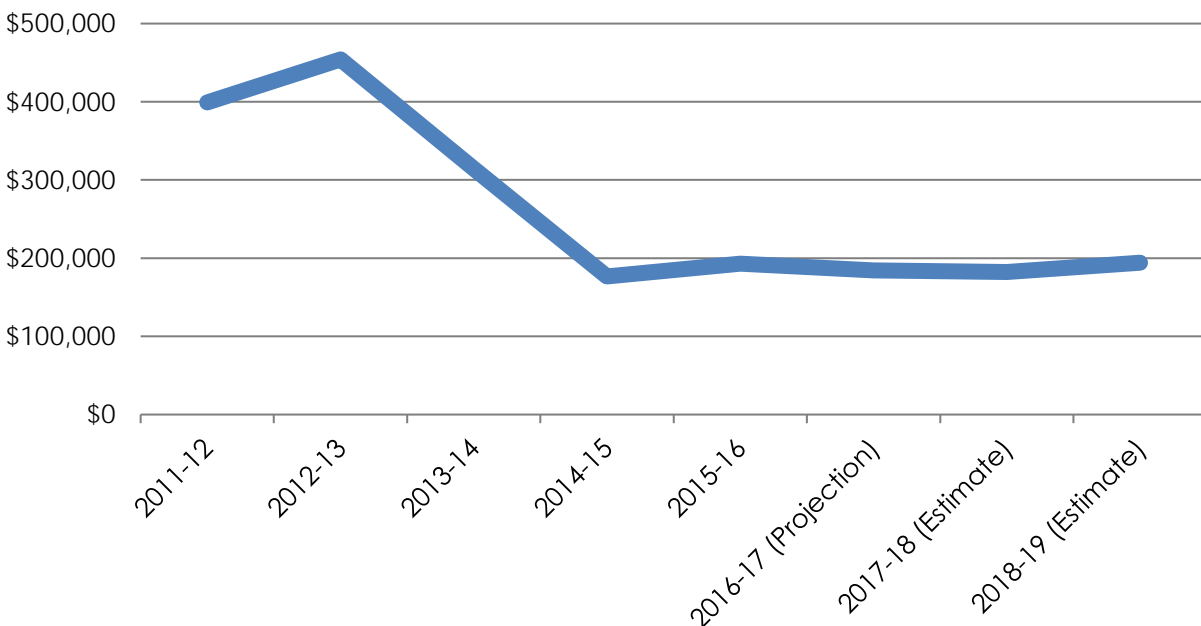
Summary of Significant Trends and Observations

- The City adopted significant modifications to its Investment of Financial Assets Policy in Fiscal Year 2015-16. As the City continues to implement the policy, it is anticipated that interest revenue will continue to increase; however, growth will be moderated by capital and other non-operating expenditures that reduce the total funds available for investment.
- Increases in interest revenue since Fiscal Year 2014-15 are attributable to investments in certificates of deposit and growth of interest rates. Those conditions are expected to continue and be complemented by more recent investments in the Orange County Investment Pool.

Miscellaneous Revenue

Miscellaneous revenue is collected by the City as a result of agreements not accounted for in other revenue categories, reimbursements, and fines.

[Miscellaneous Revenue – Fiscal Years 2011-12 through 2018-19]



Budget Estimate (Fiscal Year 2017-18)	Percent Change from Projected Year-End Receipts (Fiscal Year 2016-17)	Budget Estimate (Fiscal Year 2018-19)	Percent Change from Projected Year-End Receipts (Fiscal Year 2017-18)
\$182,200	-4.7%	\$194,300	6.6%

Summary of Significant Trends and Observations

- Miscellaneous revenue is projected to remain relatively consistent with Fiscal Year 2016-17. Miscellaneous revenue may vary from year-to-year, based on variables beyond the City's direct control.
- In Fiscal Year 2016-17, the City received its first annual payment as part of the newly amended waste disposal agreement with the County of Orange. Revenue is expected to gradually increase from \$22,274 in Fiscal Year 2016-17 to approximately \$37,000 in Fiscal Year 2018-19.

GENERAL FUND EXPENDITURES SUMMARY

General Fund operating expenditures for Fiscal Year 2017-18 are projected to be \$5,286,290, or 7.3% more than year-end projections for Fiscal Year 2016-17. In Fiscal Year 2018-19, General Fund operating expenditures are projected to be \$5,451,428, which reflects growth of \$165,138, or 3.1%, over the Fiscal Year 2017-18 estimate.

An additional \$438,188 for Fiscal Year 2017-18 and \$169,817 for Fiscal Year 2018-19 is budgeted to support the following non-operating expenditures and transfers to the Capital Projects Funds:

Fiscal Year 2017-18

- City Hall Restroom Repair and Improvement Project (Construction)
- City Hall Refurbishment and Safety Project: Phase 1 (Design)
- Drainage Improvement Project (Moulton Parkway at Santa Maria Avenue)
- Complete Streets Assessment
- Permitting Software
- 800 MHz Countywide Coordinated Communications System Upgrades (required by the Orange County Remote Access Network Board)
- Automated Fingerprint Identification System Reserve Contribution (required by the Orange County Chiefs' of Police and Sheriff's Association)

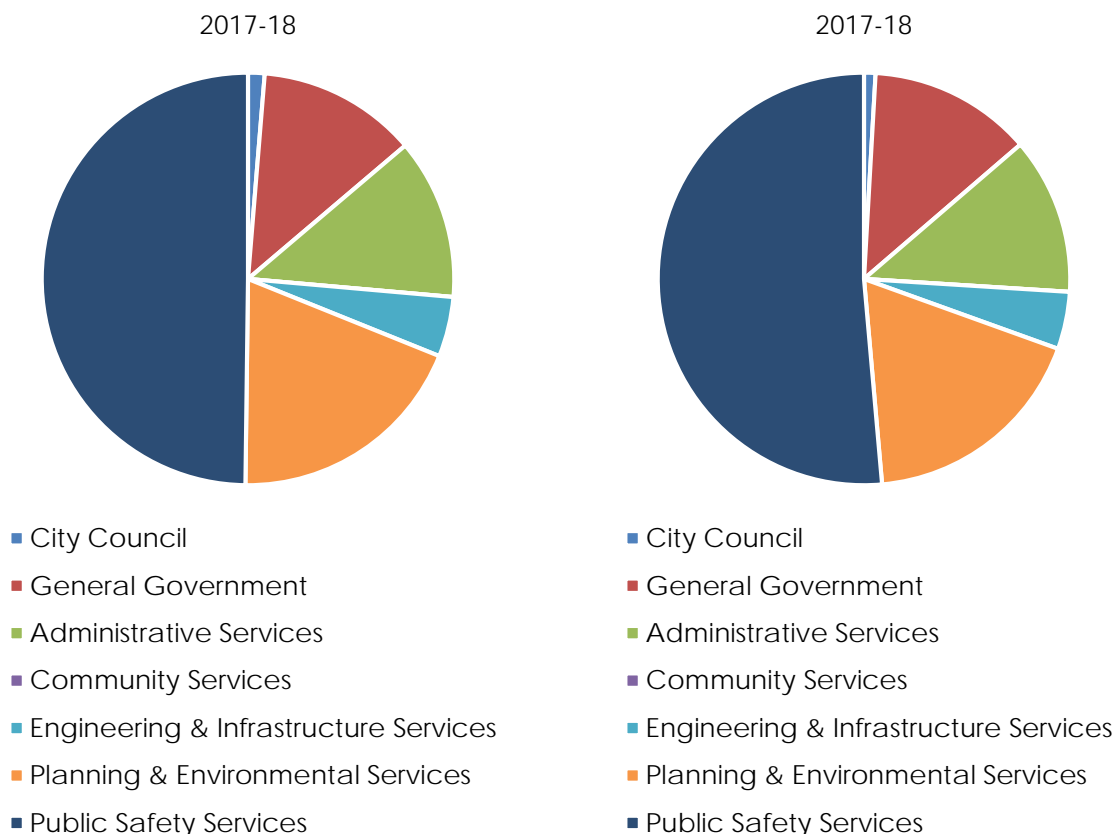
Fiscal Year 2018-19

- City Hall Refurbishment and Safety Project: Phase 1 (Construction)
- Automated Fingerprint Identification System Reserve Contribution (required by the Orange County Remote Access Network Board)
- 800 MHz Countywide Coordinated Communications System Upgrades (required by the Orange County Remote Access Network Board)

The primary causes of General Fund operating expenditure increases for both fiscal years are modest, inflationary-type increases for most line items and more significant increases for law enforcement services. The departments with the largest General Fund operating expenditures are projected to be public safety services; planning and environmental services; and, general government. All departments are projected to maintain relative proportionality.

Note: Non-operating expenditures and transfers to the Capital Projects Fund are excluded from the "operating expenditures" calculations in this budget.

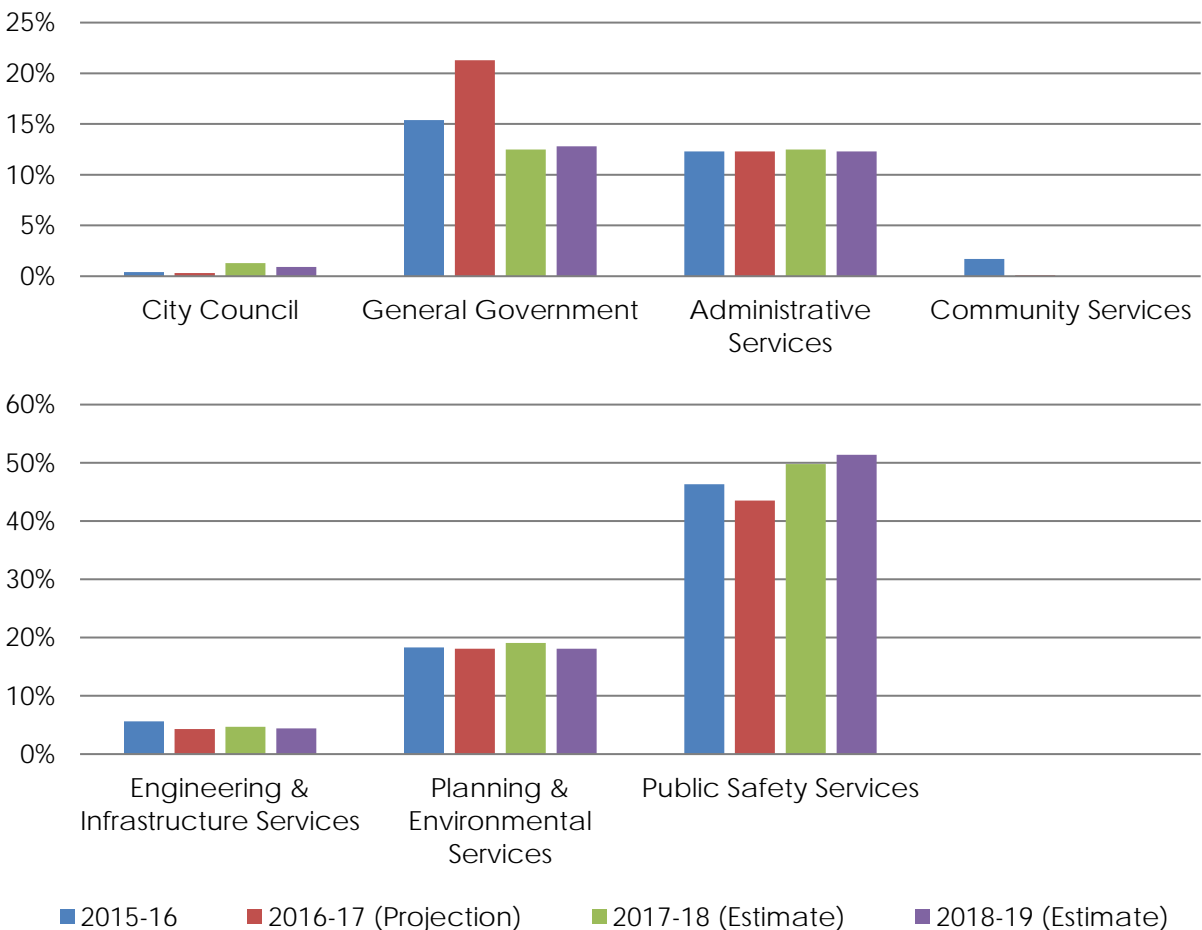
[General Fund Operating Expenditure Projections by Department – Fiscal Years 2017-19]



General Fund Department	Percent of Adopted Budget Estimate (Fiscal Year 2017-18)	Percent of Adopted Budget Estimate (Fiscal Year 2018-19)
City Council	1.3%	0.9%
General Government	12.5%	12.8%
Administrative Services	12.6%	12.3%
Community Services	0.0%	0.0%
Engineering & Infrastructure Services	4.7%	4.5%
Planning & Environmental Services	19.1%	18.1%
Public Safety Services	49.8%	51.4%

Historical Comparison

*[Historical General Operating Expenditures by Department
– Fiscal Years 2014-15 through 2018-19]*



General Fund Department	Percent of Actual Year-End (Fiscal Year 2015-16)	Percent of Projected Year-End (Fiscal Year 2016-17)
City Council	0.4%	0.3%
General Government	15.4%	21.3%
Administrative Services	12.3%	12.3%
Community Services	1.7%	0.1%
Engineering & Infrastructure Services	5.6%	4.3%
Planning & Environmental Services	18.3%	18.1%
Public Safety Services	46.3%	43.6%

General Fund Department	Percent of Adopted Budget Estimate (Fiscal Year 2017-18)	Percent of Adopted Budget Estimate (Fiscal Year 2018-19)
City Council	1.3%	0.9%
General Government	12.5%	12.8%
Administrative Services	12.6%	12.3%
Community Services	0.0%	0.0%
Engineering & Infrastructure Services	4.7%	4.5%
Planning & Environmental Services	19.1%	18.1%
Public Safety Services	49.8%	51.4%

Employee Salaries, Taxes, and Benefits

While employee salaries, taxes, and benefits relate to multiple departments within the General Fund, discussion is consolidated in this section for ease of reference. Additional organizational information is included in Chapter 2.0.

Salaries and Benefits

Compensation schedules and benefits are approved by the City Council at duly noticed public meetings. In addition to base salaries, full-time employees generally receive a monthly benefit allowance (which, irrespective of the cost to employees, limits the City's contributions toward medical, dental, and vision coverage), paid time off, paid holidays, and retirement benefits. Long-term disability insurance was provided from 2004 until its elimination at the end of Fiscal Year 2016-17. The City has also reformed its paid time off accrual policies

to reduce the prospective cost of employee compensation for accumulated balances, beginning on January 1, 2018.

The City's annual base salary ranges, most recent employee compensation and benefits resolutions, and the City Manager's employment agreement are available at City Hall and on the City's website (www.cityoflagunawoods.org > click on "Transparency & Public Records").

This budget does not envision any changes to the compensation schedule or benefits for non-contract employees, nor to the terms of the City Manager's employment agreement. It does not include any new positions and allows for only minimal ability for movement by employees within existing salary ranges.

California Public Employees' Retirement System

The City maintains defined benefit pension plans that are administered by the California Public Employees' Retirement System ("CalPERS"). The plans provide benefits to qualified employees based on their number of years of service, age at retirement, and final compensation (average salary for a defined period of employment). Qualified employees hired prior to January 1, 2013, or otherwise eligible in accordance with the Public Employees' Pension Reform Act of 2013 ("PEPRA"), are considered "classic" members and are enrolled in a "2% at age 55" plan. Classic members contribute 7% of their annual covered salary. Qualified employees hired on or after January 1, 2013, and not considered "classic" members ("new/PEPRA members"), are enrolled in a "2% at age 62" plan and contribute a variable percentage of their annual covered salary, in accordance with PEPRA. The new/PEPRA employee contribution rate is 6.75% for Fiscal Year 2017-18 and expected to increase for Fiscal Year 2018-19.

CalPERS produces an annual valuation report for each city's pension plans based on information available as of June 30 of the preceding year. The City's expenditure appropriations for employer contributions to CalPERS are based on the information contained in the most current valuation reports. Current and prior valuation reports are available at City Hall and on CalPERS' website (www.calpers.ca.gov > search "Public Agency Actuarial Valuation Reports" > search "Laguna Woods City" in the "Name" field).

The City makes annual required contributions to CalPERS that are based on a variety of assumptions including, but not limited to, rates of return on pooled investments managed by CalPERS. The difference between the sum of the City's annual required contributions and the total projected cost of earned pension benefits is referred to as "unfunded accrued liability ("UAL")."

The City's most current valuation reports are based on information as of June 30, 2015. The City's total UAL was calculated at \$486,899. In May 2017, the City paid off the entirety of its then-calculated UAL. That action is expected to save the City upwards of \$500,000 over the next 30 years, including \$24,275 in Fiscal Year 2017-18 and at least \$33,102 in Fiscal Year 2018-19.

On December 21, 2016, the CalPERS Board of Administration voted to lower CalPERS' assumed rate of return on pooled investments from 7.5 to 7%, over a three-year period, beginning in Fiscal Year 2017-18. CalPERS advised that cities should anticipate increases of up to 3% in annual required contributions over that three-year period, as well as increases of up to 40% in unfunded accrued liability. It has also been suggested that the assumed rate of return may be further reduced, resulting in even greater increases. The City's May 2017 UAL pay-off will significantly mitigate the associated fiscal impacts. The City's budget policies also call for consideration of additional UAL payments at least as often as each two-year budget development process.

*[CalPERS Employer Normal Costs and Unfunded Liability Payments
– Classic Members – Fiscal Years 2014-15 through 2018-19]*

	Fiscal Year 2014-15 (Valuation as of June 30, 2012)	Fiscal Year 2015-16 (Valuation as of June 30, 2013)	Fiscal Year 2016-17 (Valuation as of June 30, 2014)	Fiscal Year 2017-18 (Valuation as of June 30, 2015)	Fiscal Year 2018-19 (Valuation as of June 30, 2015)
<i>Classic Members</i>					
Employer Normal Cost Rate (% of Each Salary)	9.154%	9.344%	9.476%	9.517%	9.5% (Projected)
Annual Required Employer Payment of UAL	3.208%	\$15,072	\$18,622	\$0	\$0 (Projected)
Elective Lump Sum Employer Payment of UAL	-	-	\$483,069	-	-

*[CalPERS Employer Normal Costs and Unfunded Liability Payments
– New/PEPRA Members – Fiscal Years 2014-15 through 2018-19]*

	Fiscal Year 2014-15 (Valuation as of June 30, 2012)	Fiscal Year 2015-16 (Valuation as of June 30, 2013)	Fiscal Year 2016-17 (Valuation as of June 30, 2014)	Fiscal Year 2017-18 (Valuation as of June 30, 2015)	Fiscal Year 2018-19 (Valuation as of June 30, 2015)
<i>New/PEPRA Members</i>					
Employer Normal Cost Rate (% of Each Salary)	6.550%	6.570%	6.649%	6.628%	6.6% (Projected)
Annual Required Employer Payment of UAL	-	-	-	\$0	\$0 (Projected)
Elective Lump Sum Employer Payment of UAL	-	-	\$149	-	-

[Total CalPERS Employer Contributions – Fiscal Years 2014-15 through 2018-19]

	Fiscal Year 2015-16 Actual	Fiscal Year 2016-17 Projected	Fiscal Year 2017-18 Projected	Fiscal Year 2018-19 Projected
<i>All Members</i>				
Total Employer Contributions	\$64,900	\$78,288	\$65,471	\$69,298
Percent of General Fund Operating Budget	1.237%	1.498%	1.238%	1.271%
Elective Lump Sum Employer Payment of UAL	-	\$483,218	-	-

Payroll Taxes (Social Security, Medicare, and State Unemployment Insurance)

The City participates in Social Security and Medicare programs, which provide retirement and health benefits to qualified employees beginning as early as

age 62. All employees pay the full employee contribution and the City pays an equivalent employer contribution, which for calendar year 2017 is 6.2% on the first \$127,200 of earnings for Social Security and 1.45% on all earnings for Medicare. Social Security contributions account for approximately 97% of total payroll taxes paid by the City. Total costs for Social Security are projected to be \$57,678 for Fiscal Year 2017-18 and \$57,853 for Fiscal Year 2018-19.

The City also participates in the State of California's Unemployment Insurance program, which provides temporary financial assistance to qualified persons who have separated from employment. The City pays a rate established by the State, which is currently 2.5% on the first \$7,000 of earnings.

Other-Post Employment Benefits (Retiree Medical)

As a member of the CalPERS health insurance program, the City is statutorily required to offset a portion of the cost of CalPERS health insurance premiums for qualified, retired employees at a minimum rate, adjusted annually. Rates are established by State law with the monthly cost for the 2017 calendar year set at \$112 per qualified, retired employee. The City's costs are projected to increase to \$113 per month, per qualified retiree for Fiscal Year 2017-18 and \$126 per month, per qualified retiree in Fiscal Year 2018-19.

An actuarial study completed in April 2016 calculated the City's unfunded liability for retiree medical other post-employment benefits ("OPEB") at \$75,638 as of July 1, 2016. In Fiscal Year 2015-16, the City established an irrevocable OPEB trust with an initial funding level of 80% of the unfunded liability (\$60,511). While many employers use a "pay-as-you-go" formula to minimally fund OPEB liabilities, the establishment of an interest-bearing OPEB trust allows the City to proactively manage future costs and reduce unfunded liabilities.

This budget and work plan does not include any new contributions to the OPEB trust. The next actuarial study will be completed for Fiscal Year 2017-18, after which additional contributions may be necessary to maintain a funding level of at least 80% of the recalculated unfunded liability.

Law Enforcement Retirement and Post-Employment Benefits

Agreements for law enforcement services with the County of Orange include certain employee retirement and OPEB-related expenses. While the City is not responsible for the County of Orange's long-term retirement or OPEB liabilities, changes in the County of Orange's contribution rates and actuarial valuations for the Orange County Employees Retirement System ("OCERS") create a year-to-year budgetary risk exposure for the City. While retirement and OPEB-related expenses have a material and generally upward impact on the City's

costs, the City does not have a role in either the County of Orange's or OCERS' decision-making. The City's ability to project future law enforcement costs is further limited as the County of Orange does not provide long-term projections that separately identify pension costs with amortized unfunded liabilities.

GENERAL FUND EXPENDITURES BY DEPARTMENT

For additional information on the role, responsibilities, and staffing for each City department, please refer to Chapter 2.0.

City Council Department

Notable Changes from Prior Years

- The City Council Contingency line item has an appropriation of \$50,000 for Fiscal Year 2017-18 and \$25,000 for Fiscal Year 2018-19. In Fiscal Year 2018-19, \$25,000 has been reallocated to fund municipal election costs. There is no municipal election scheduled for Fiscal Year 2017-18.
- As a cost control measure, no budget is provided for City Council travel, meetings, or conferences that require air travel.

General Government Department

Notable Changes from Prior Years

- Funds are included for the City's dues for the League of California Cities, the Southern California Association of Governments ("SCAG"), the Orange County Council of Governments ("OCCOG"), and the Orange County Local Agency Formation Commission ("OCLAFCO").
- Funds are included for various City staff memberships in professional organizations, including the City Clerk's Association of California, the California Society of CPAs, and the American Institute of CPAs. As a cost control measure, the City Manager has waived his membership in the International City/County Management Association.
- As a cost control measure, no budget is provided for City staff travel, meetings, or conferences that require air travel, or for attendance at League of California Cities conferences, regardless of location.
- \$25,000 has been allocated from the City Council Contingency to fund municipal election costs in Fiscal Year 2018-19.
- Cost savings associated with the City's May 2017 CalPERS UAL pay-off are reflected in this department. For additional discussion of CalPERS-related expenditures, please refer to page 114.

- Maintenance costs for City Hall continue to increase, with most of the increase attributable to deterioration of the facility over time. Several capital improvement projects are included in the capital improvement program with the intention of making necessary repairs and ensuring that City Hall remains safe, accessible, and well-maintained. As a cost control measure, routine pest control service at City Hall was eliminated in Fiscal Year 2016-17 and has not been reinstated in this budget. Pest control is now contracted for on an as-needed basis.
- As cost control measures, City Hall's Internet speed has been reduced and telephone service has been converted to a new fiber plan.
- Landscaping costs for the City's parks continue to increase, with most of the increase attributable to "A Place for Paws" Dog Park. As a cost control measure, park landscape inspection services were eliminated in Fiscal Year 2016-17 and have not been reinstated in this budget. Park landscape inspection is now being regularly handled by City staff.

Administrative Services Department

Notable Changes from Prior Years

- Information technology costs have increased by more than 25% due to operational, software, and computer server changes. One contributing factor is the installation and maintenance of a new computer server to support new financial and permitting software, as well as conversion of an existing computer server to function as an emergency back-up.
- As a result of reorganization and the implementation of new accounting processes and procedures, costs for financial consulting services have been reduced by more than 20%.
- As a cost control measure, the City held the part-time Customer Service Representative position vacant in Fiscal Year 2016-17. The position has not been reinstated in this budget.

Community Services Department

Notable Changes from Prior Years

- The Fiscal Year 2016-17 budget included a \$5,000 contribution to establish the Laguna Woods Civic Support Fund. No additional contributions to the Laguna Woods Civic Support Fund are included in this budget.
- Beginning in Fiscal Year 2016-17, the City enhanced the events offered at City Hall by entering into partnerships that allow for participation in new events and programming. As a result of increased weekday offerings, the

City has been able to reduce overtime and other costs associated with events and programming formerly held on weekends.

Engineering & Infrastructure Services Department

Notable Changes from Prior Years

- As a cost control measure, right-of-way landscape inspection services were eliminated in Fiscal Year 2016-17 and have not been reinstated in this budget. Right-of-way landscape inspection is now being regularly handled by City staff.
- The City's required Maintenance of Effort expenditures to remain eligible to receive Measure M2 funds will increase from \$84,173 in Fiscal Year 2016-17 to \$92,255 in Fiscal Year 2017-18 and \$93,008 in Fiscal Year 2018-19. Maintenance of Effort requirements will be satisfied with expenditures including direct administration, public street sweeping services, right-of-way tree pruning services, and right-of-way irrigation.
- Non-Operating Expenditure: The Fiscal Year 2017-18 budget includes \$12,500 to perform a Complete Streets Assessment. For more information, please refer to Significant Work Plan Item #4 on page 21.

Planning & Environmental Services Department

Notable Changes from Prior Years

- Contract staffing for building permitting and inspection continues to be enhanced to meet demand. Information on contract staffing levels and costs is available in the *Building and Planning Services Fee Study*.
- As a cost control measure, the Sharps Waste Mail Back Collection Program has been discontinued. The City continues to accept home-generated sharps waste from residents, at City Hall, at no charge.
- Non-Operating Expenditure: The Fiscal Year 2017-18 budget includes \$37,500 to implement permitting software. For more information, please refer to Significant Work Plan Item #10 on page 23.

Public Safety Services Department

Notable Changes from Prior Years

- The Fiscal Year 2016-17 budget included a transfer of \$20,700 from the City Council Contingency to the Public Safety Services Department to support the analysis of potential strategies and actions to address increasing law enforcement costs. No additional transfers are included

in this budget; however, it is possible that a need may arise based on the outcomes of the analysis that is currently underway.

- Non-Operating Expenditure: All cities that contract with the Orange County Sheriff's Department participate in the 800 MHz Countywide Coordinated Communications System ("CCCS"). In Fiscal Year 2016-17, the Orange County Chiefs' of Police and Sheriff's Association approved new encryption standards with one-time equipment modification costs estimated to total \$8,979 in Fiscal Year 2017-18. An additional \$20,852 in Fiscal Year 2017-18 and \$2,907 in Fiscal Year 2018-19 will also be required to fund one-time CCCS "Next Generation" upgrade costs.
- All cities that contract with the Orange County Sheriff's Department participate in the Automated Fingerprint Identification System ("AFIS"), which is governed by the Orange County Remote Access Network Board. Beginning in Fiscal Year 2017-18, monthly AFIS cost-share charges will increase by 23.1%, from \$456 to \$597.
 - Non-Operating Expenditure: In addition to monthly AFIS cost-share charges, the City will also be required to contribute \$1,910 to a new AFIS reserve in both fiscal years 2017-18 and 2018-19.
- Law enforcement services represent the single largest expenditure in the General Fund operating budget, at 50.5% or \$2,642,047 in Fiscal Year 2016-17, 49.3% or 2,603,724 in Fiscal Year 2017-18, and 51.0% or 2,777,974 in Fiscal Year 2018-19, based on gross contract value.
 - On September 6, 2016, the Orange County Board of Supervisors approved a new, multi-year memorandum of understanding with the Association of Orange County Deputy Sheriffs. The result was a \$49,927 increase in costs for Fiscal Year 2016-17 and increases in base costs that will affect future contracts. The City had no role in reviewing or approving the memorandum of understanding.
 - While the City was able to moderate costs in Fiscal Year 2017-18 through a reduction of one-half of a formerly full-time investigator position, future costs are expected to continue to increase at an unsustainable rate, significantly in excess of inflation. Without the staffing reduction, the City's costs for maintaining the existing level of service would have increased approximately 4.5%, or \$119,000. Costs for Fiscal Year 2018-19 are projected to increase by 6.69%, or \$174,250, in addition to CCCS and AFIS charges, as well as future salary, benefit, and operational increases that the Orange County Board of Supervisors may approve.

- The budget assumes a funding offset from the Supplemental Law Enforcement Services Account ("SLESA"), distributed by the State of California of \$119,300 in Fiscal Year 2017-18 and \$123,500 in Fiscal Year 2018-19. SLESA funds are accounted for in the Special Revenue Funds section of the budget (see Chapter 8.0).
- The budget assumes a cost savings of \$6,509 in Fiscal Year 2017-18 and \$6,945 in Fiscal Year 2018-19, due to early payment discounts.

CAPITAL PROJECTS FUND REVENUE

The Capital Projects Fund is used to account for transfers from the General Fund that are reserved for either current- or future-year capital improvement purposes. All Capital Projects Fund revenue is transferred from the unassigned General Fund balance.

Additional funding for capital improvement purposes is also budgeted in Special Revenue Funds and discussed separately in Chapter 8.0.

CAPITAL PROJECTS FUND EXPENDITURES

Capital Projects Fund expenditures are considered to be non-operating and projected to be \$365,426 for Fiscal Year 2017-18 and \$165,000 for Fiscal Year 2018-19. All expenditures relate to the implementation of the City's Capital Improvement Program ("CIP"), specifically, the capital improvement projects listed below. For additional information on the CIP, please refer to Chapter 4.0.

Fiscal Year 2017-18

- City Hall Restroom Repair and Improvement Project (Construction)
- City Hall Refurbishment and Safety Project: Phase 1 (Design)
- Drainage Improvement Project (Moulton Parkway at Santa Maria Avenue)

Fiscal Year 2018-19

- City Hall Refurbishment and Safety Project: Phase 1 (Construction)

<p style="text-align: center;">CITY OF LAGUNA WOODS Fiscal Years 2017-19 Revenue Summary - General Fund</p>
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Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
<u>GENERAL FUND</u>				
Property Tax	2,272,000	2,272,000	2,448,200	2,543,000
Property Transfer Tax	90,000	90,000	95,900	99,600
Sales Tax:				
Regular	932,000	932,000	803,200	832,100
One-Time	-	-	-	-
Franchise Fees	591,000	591,000	623,800	628,100
Transient Occupancy Tax	467,000	467,000	461,800	468,900
Development Processing Fees	671,000	671,000	707,300	723,900
Interest	48,000	48,000	51,200	51,700
Miscellaneous	190,000	190,000	182,200	194,300
Total General Fund	5,261,000	5,261,000	5,373,600	5,541,600
Less: One-Time Sales Tax	-	-	-	-
Total General Fund (ongoing revenues)	5,261,000	5,261,000	5,373,600	5,541,600
Plus: INTER-FUND TRANSFERS	-	467,451	-	-
TOTAL GENERAL FUND (including inter-fund transfers and one-time revenues)	5,261,000	5,728,451	5,373,600	5,541,600

<p align="center">CITY OF LAGUNA WOODS Fiscal Years 2017-19 Revenue Summary - General Fund</p>

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
<u>CAPITAL PROJECTS FUND:</u>				
Capital Projects	137,240	137,240	365,426	165,000
TOTAL CAPITAL PROJECTS FUND	137,240	137,240	365,426	165,000
 TOTAL REVENUE - GENERAL FUNDS	 5,398,240	 5,865,691	 5,739,026	 5,706,600
Less: INTER-FUND TRANSFERS	90,300	557,751	365,426	165,000
 TOTAL NET ONGOING REVENUE	 5,307,940	 5,307,940	 5,373,600	 5,541,600

CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Detail - General Fund

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
<u>GENERAL FUND</u>				
City Council				
<u>General Expenses</u>				
Mileage and Parking	500	500	500	500
Travel, Conferences, and Meetings	5,952	5,952	4,203	5,067
<u>City Council Contingency</u>				
City Council Contingency	50,000	7,300	50,000	25,000
<u>Compensation</u>				
Monthly Compensation	14,400	14,400	16,200	18,000
Payroll Taxes	-	-	1,414	1,552
Total City Council	70,852	28,152	72,317	50,119
General Government				
<u>General Expenses</u>				
Community Outreach	2,500	2,500	2,500	2,559
Insurance	82,710	82,710	89,746	91,951
Legal Services	153,900	153,900	153,900	153,900
Meeting Accessibility Services	5,508	5,508	5,508	5,508
Memberships and Dues	15,339	15,339	17,609	17,887
Mileage and Parking	1,000	1,000	1,000	1,000
Office Equipment & Maintenance	12,456	34,456	13,807	13,960
Non-Operating	-	45,000	-	-
Office Supplies & Activities	9,750	9,750	9,750	9,865
Postage	3,500	3,500	3,500	3,500
Printing	1,000	1,000	1,012	1,036
Public Notices	6,500	6,500	5,614	5,680
Travel, Conferences, and Meetings	7,775	7,775	4,434	900
Other Projects and Services	8,600	8,600	2,500	2,500
Non-Operating	-	483,218	-	-
<u>Election Expenses</u>				
City Council Election	25,000	25,000	-	25,000

CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Detail - General Fund

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
<u>City Hall Expenses</u>				
Janitorial Services, City Hall	10,590	10,590	10,814	11,464
Maintenance, City Hall	33,124	33,124	44,570	42,780
Non-Operating	-	89,494	-	-
Telephones, City Hall	16,794	16,794	17,596	18,009
Utilities, Electric, City Hall	20,342	20,342	17,307	17,714
Utilities, Gas, City Hall	501	501	783	801
Utilities, Water, City Hall	1,539	1,539	1,876	1,920
<u>Compensation & Benefits</u>				
Salaries, Full-time	181,681	181,681	174,208	176,821
Salaries, Part-time	39,886	39,886	39,886	39,886
Fringe Benefits	12,000	12,000	12,000	12,000
Supplemental Allowances	2,754	2,754	3,708	3,708
Payroll Taxes	13,498	13,498	13,801	13,839
Non-Operating	60,000	60,000	-	-
Retirement (Employer Contribution)	20,940	20,940	16,579	17,682
Benefit Administration	1,858	1,858	1,889	1,942
Long-term Disability	351	351	-	-
Retiree Medical (Employer Contribution)	3,783	3,783	4,140	4,536
Total General Government	755,179	1,394,891	670,037	698,348
Administrative Services				
<u>General Expenses</u>				
Audit Services	20,700	20,700	21,320	21,960
Information Technology Services	17,739	17,739	26,527	24,927
Finance and Payroll Services	95,693	95,693	74,967	74,967
Non-Operating	-	82,329	-	-
Records Management Services	11,660	11,660	11,660	11,660
Website Services	2,900	2,900	3,600	3,600
Other Projects & Services	3,500	3,500	3,500	3,500
<u>Compensation & Benefits</u>				
Salaries, Full-time	402,104	402,104	403,714	403,714
Salaries, Part-time	15,912	15,912	-	-
Fringe Benefits	60,000	60,000	60,000	60,000
Payroll Taxes	30,817	30,817	31,451	31,451

CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Detail - General Fund

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
Retirement (Employer Contribution)	44,103	44,103	35,496	37,435
Long-term Disability	3,707	3,707	-	-
Total Administrative Services	708,835	791,164	672,235	673,214
Community Services				
<u>General Expenses</u>				
Channel 31 Programming	3,057	3,057	-	-
Community Recreation Events	950	950	250	250
<u>Civic Support Fund</u>				
Civic Support Fund Establishment	5,000	5,000	-	-
<u>Compensation & Benefits</u>				
Salaries	3,378	3,378	500	500
Payroll Taxes	258	258	38	38
Retirement (Employer Contribution)	225	225	-	-
Total Community Services	12,868	12,868	788	788
Engineering & Infrastructure Services				
<u>General Expenses</u>				
Engineering Services	7,500	7,500	-	-
Non-Operating	-	26,900	12,500	-
Landscaping Services	60,131	60,131	39,991	40,656
Landscaping Services, M2 Maintenance of Effort	84,173	84,173	92,255	93,008
Maintenance, Catch Basins	2,800	2,800	2,800	2,819
<u>Utilities</u>				
Utilities, Street Lights, Residential	33,696	33,696	34,084	34,304
<u>Compensation & Benefits</u>				
Salaries, Full-time	36,380	36,380	48,184	48,184
Fringe Benefits	12,000	12,000	12,000	12,000
Payroll Taxes	5,566	5,566	6,165	6,165
Retirement (Employer Contribution)	4,838	4,838	5,190	5,560
Long-term Disability	897	897	-	-
Total Engineering & Infrastructure Services	247,981	274,881	253,169	242,696

CITY OF LAGUNA WOODS
Fiscal Years 2017-19 Expenditures Detail - General Fund

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
Planning & Environmental Services				
<u>General Expenses</u>				
Building Services	526,900	526,900	636,196	636,196
Building Services, Printing	1,800	1,800	1,000	1,000
Building Services, Publications	1,000	1,000	1,800	1,800
Code Enforcement Services	40,592	40,592	36,428	36,428
Community Waste Events and Collections	53,550	53,550	38,174	38,174
Planning Services	15,000	15,000	15,000	15,000
Non-Operating	-	265,516	37,500	-
Waste Management Services	35,000	35,000	35,000	35,000
Water Quality Services	99,677	99,677	104,093	106,406
<u>Compensation & Benefits</u>				
Salaries, Full-time	88,712	88,712	86,213	86,213
Community Events	5,320	5,320	2,745	2,745
Fringe Benefits	12,000	12,000	12,000	12,000
Payroll Taxes	6,786	6,786	6,770	6,770
Community Events	407	407	210	210
Retirement (Employer Contribution)	8,406	8,406	8,205	8,621
Community Events	504	504	-	-
Long-term Disability	897	897	-	-
Total Planning & Environmental Services	896,551	1,162,067	1,021,334	986,563
Public Safety Services				
<u>General Expenses</u>				
Animal Services	105,516	105,516	108,842	113,909
Law Enforcement Services	2,508,685	2,508,685	2,535,219	2,683,444
Non-Operating	7,743	28,443	22,762	4,817
Other Public Safety Services	2,046	2,046	2,347	2,348
Total Public Safety Services	2,623,990	2,644,690	2,669,170	2,804,518
Inter-Fund Transfers				
<u>Inter-Fund Transfers</u>				
Transfer to Capital Projects	90,300	90,300	365,426	165,000
Transfer to Special Revenue Funds	-	390,121	-	-
Total Inter-Fund Transfers	90,300	480,421	365,426	165,000
Subtotal General Fund Operating Expenditures	5,248,513	5,227,811	5,286,288	5,451,429

CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Detail - General Fund

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
Non-Operating Expenditures Subtotal	67,743	1,080,900	72,762	4,817
Transfer to Capital Projects Subtotal	90,300	90,300	365,426	165,000
Transfer to Special Revenue Funds Subtotal	-	390,121	-	-
Subtotal General Fund Non-Operating Expenditures and Inter-Fund Transfers	158,043	1,561,321	438,188	169,817
TOTAL GENERAL FUND EXPENDITURES	5,406,556	6,789,134	5,724,476	5,621,246
<u>CAPITAL PROJECTS FUND</u>				
Capital Projects	137,240	161,989	365,426	165,000
TOTAL CAPITAL PROJECTS FUND	137,240	161,989	365,426	165,000
TOTAL ALL GENERAL FUND EXPENDITURES	5,543,796	6,951,123	6,089,902	5,786,246

<u>Non-Operating Detail</u>	<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2018-19</u>
ENGINEERING & INFRASTRUCTURE SERVICES		
Complete Streets Assessment	12,500	-
PLANNING & ENVIRONMENTAL SERVICES		
Permitting Software	37,500	-
PUBLIC SAFETY SERVICES		
800 MHz Countywide Coordinated Communications System Upgrades	20,852	2,907
Automated Fingerprint Identification System Reserve Contribution	1,910	1,910
TOTAL	72,762	4,817

CITY OF LAGUNA WOODS Fiscal Years 2017-19 Expenditures Detail - General Fund

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
<u>Transfer to Capital Projects Detail</u>			<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2018-19</u>
City Hall Restroom Repair and Improvement Project (Construction)			283,363	-
City Hall Refurbishment and Safety Project: Phase 1 (Design)			22,500	-
Drainage Improvement Project (Moulton Parkway at Santa Maria Avenue)			59,563	-
City Hall Refurbishment and Safety Project: Phase 1 (Construction)			-	165,000
TOTAL			365,426	165,000

Fiscal Year 2017-18 Carryovers from Fiscal Year 2016-17 (Anticipated; subject to change)

Financial Software Replacement	Unexpended balance at year-end
Payroll Tax Reconciliations	Unexpended balance at year-end
Commercial Zoning Code Uses and Parking Standards Update	Unexpended balance at year-end
General Plan Comprehensive Update	Unexpended balance at year-end
El Toro Road Traffic Signal Synchronization Project	Unexpended balance at year-end
Moulton Parkway Traffic Signal Synchronization Project	Unexpended balance at year-end
Moulton Parkway Water Efficient Median Improvement Project (Design)	Unexpended balance at year end
Moulton Parkway Water Efficient Median Improvement Project (Construction)	Unexpended balance at year end
City Hall Restroom Repair and Improvement Project (Design)	Unexpended balance at year end

8.0. CITY BUDGET DETAIL, SPECIAL REVENUE FUNDS

This chapter is intended to present revenue and expenditure detail for the programs, projects, and services included in this budget.

SPECIAL REVENUE FUNDS SUMMARY

The City uses Special Revenue Funds to account for the proceeds of revenue sources that are legally restricted to expenditures for specified purposes. This budget accounts for financial activity within Special Revenue Funds using the governmental funds listed below.

The City classifies its Special Revenue Funds as either primarily relating to transportation, public safety, the environment, or community services. These classifications are intended to organize similar funding for ease of reference.

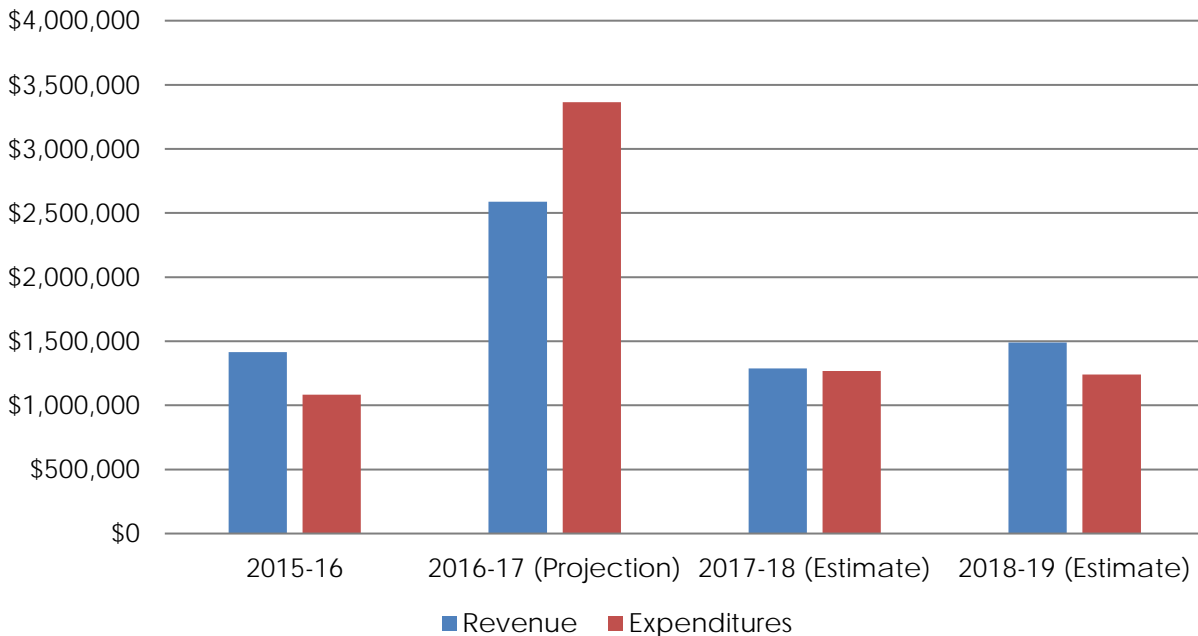
[Special Revenue Funds Structure – Fiscal Years 2017-19]

Special Revenue Funds

- *Transportation Funds*
 - Fuel Tax
 - Road Maintenance & Rehabilitation Program
 - Measure M2
 - Coastal Area Road Improvement and Traffic Signals (CARITS)
- *Public Safety Funds*
 - Supplemental Law Enforcement Services
- *Environmental Funds*
 - Mobile Source Reduction
 - Beverage Container Recycling
 - Used Oil/Oil Payment Program
- *Community Services Funds*
 - PEG/Cable Television
 - Senior Mobility
 - Community Development Block Grant (CDBG)

Historical Comparison

*[Historical Special Revenue Funds Revenue and Expenditures
– Fiscal Years 2015-16 through 2018-19]*



Fiscal Year	Revenue Estimate	Expenditure Estimate
2015-16	\$1,415,145	\$1,084,072
2016-17 (Projection)	\$2,589,115	\$3,365,003
2017-18 (Estimate)	\$1,287,700	\$1,267,904
2018-19 (Estimate)	\$1,490,700	\$1,241,292

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

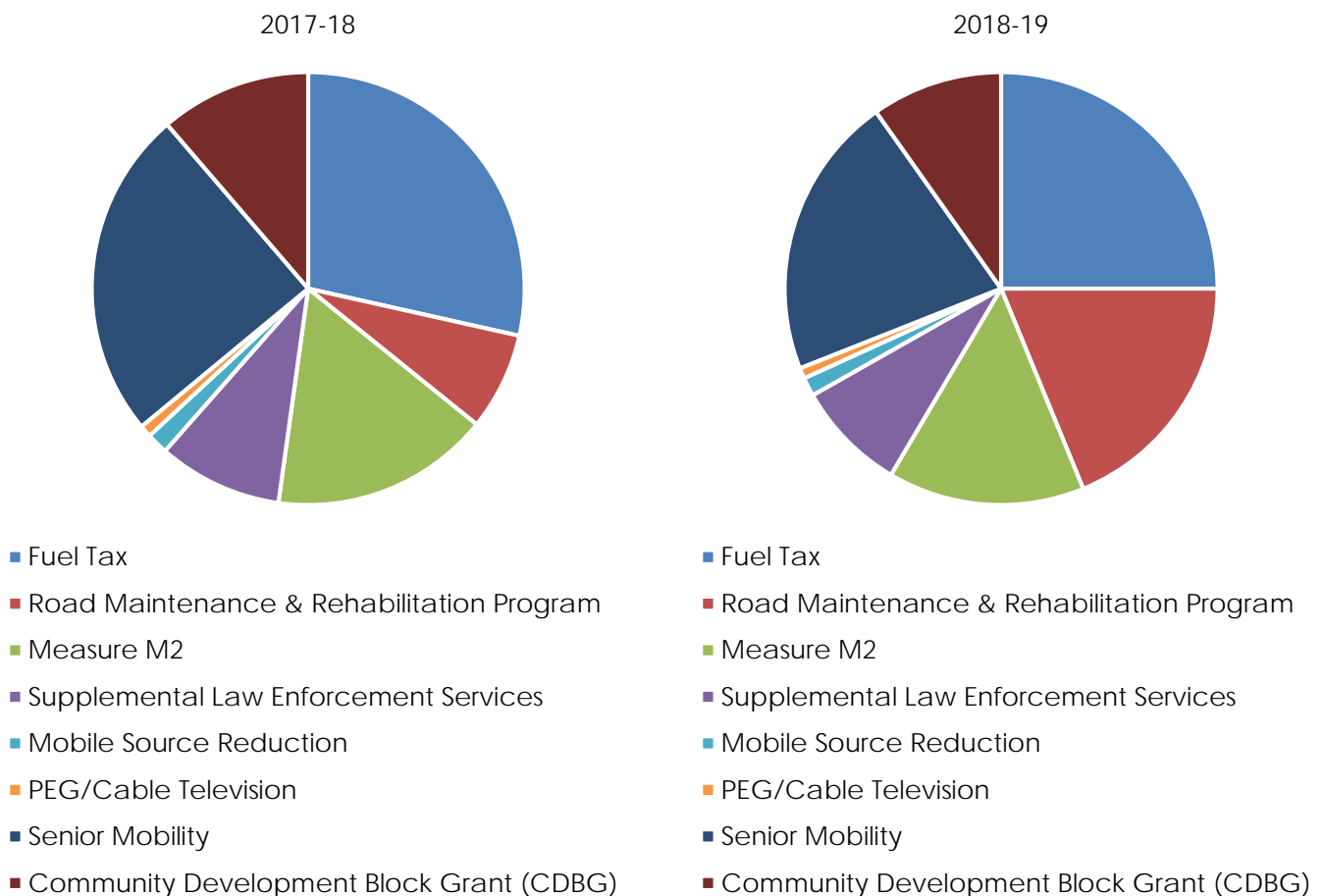
SPECIAL REVENUE FUNDS REVENUE SUMMARY

Total revenue for Special Revenue Funds for Fiscal Year 2017-18 is estimated to be \$1,287,700, or 50.3% less than year-end estimates for Fiscal Year 2016-17. In Fiscal Year 2018-19, total revenue for Special Revenue Funds is estimated to be \$1,490,700, which reflects growth of \$203,000, or 15.8%, over the Fiscal Year 2017-18 estimate.

The differences in estimated revenue for both fiscal years can be attributed to variety of contributing factors, including the receipt of new funding from the Road Repair and Accountability Act of 2017 ("Senate Bill 1"). Revenue in Fiscal Year 2016-17 was higher than typical due to limited-term reimbursements for expenditures related to the El Toro Road and Moulton Parkway traffic signal synchronization projects, which also accounts for the significant difference in Measure M2 between fiscal years 2016-17 and 2017-18.

The three largest sources of revenue for Special Revenue Funds are Fuel Tax (including highway users tax/gasoline excise tax), Measure M2 (including fair share allocations and grant-related revenues), and Senior Mobility (including Senior Mobility Program and Transportation Development Act funding from the Orange County Transportation Authority, as well as user fee revenue). Fuel Tax and Measure M2 fair share revenue, both of which can be used for operations, maintenance, and construction of public roads and right-of-way, account for approximately 50% of total revenue for Special Revenue Funds.

[Special Revenue Fund Revenue Estimates by Source – Fiscal Years 2017-19]



Special Revenue Funds Revenue Source	Percent of Adopted Budget Estimate (Fiscal Year 2017-18)	Percent of Adopted Budget Estimate (Fiscal Year 2018-19)
Fuel Tax	28.5%	25.0%
Road Maintenance & Rehabilitation Program	7.3%	18.8%
Measure M2	16.4%	14.7%
Supplemental Law Enforcement Services	9.3%	8.3%
Mobile Source Reduction	1.6%	1.4%
PEG/Cable Television	0.9%	0.8%
Senior Mobility	24.7%	21.2%
Community Development Block Grant (CDBG)	11.3%	9.8%

SPECIAL REVENUE FUNDS EXPENDITURE SUMMARY

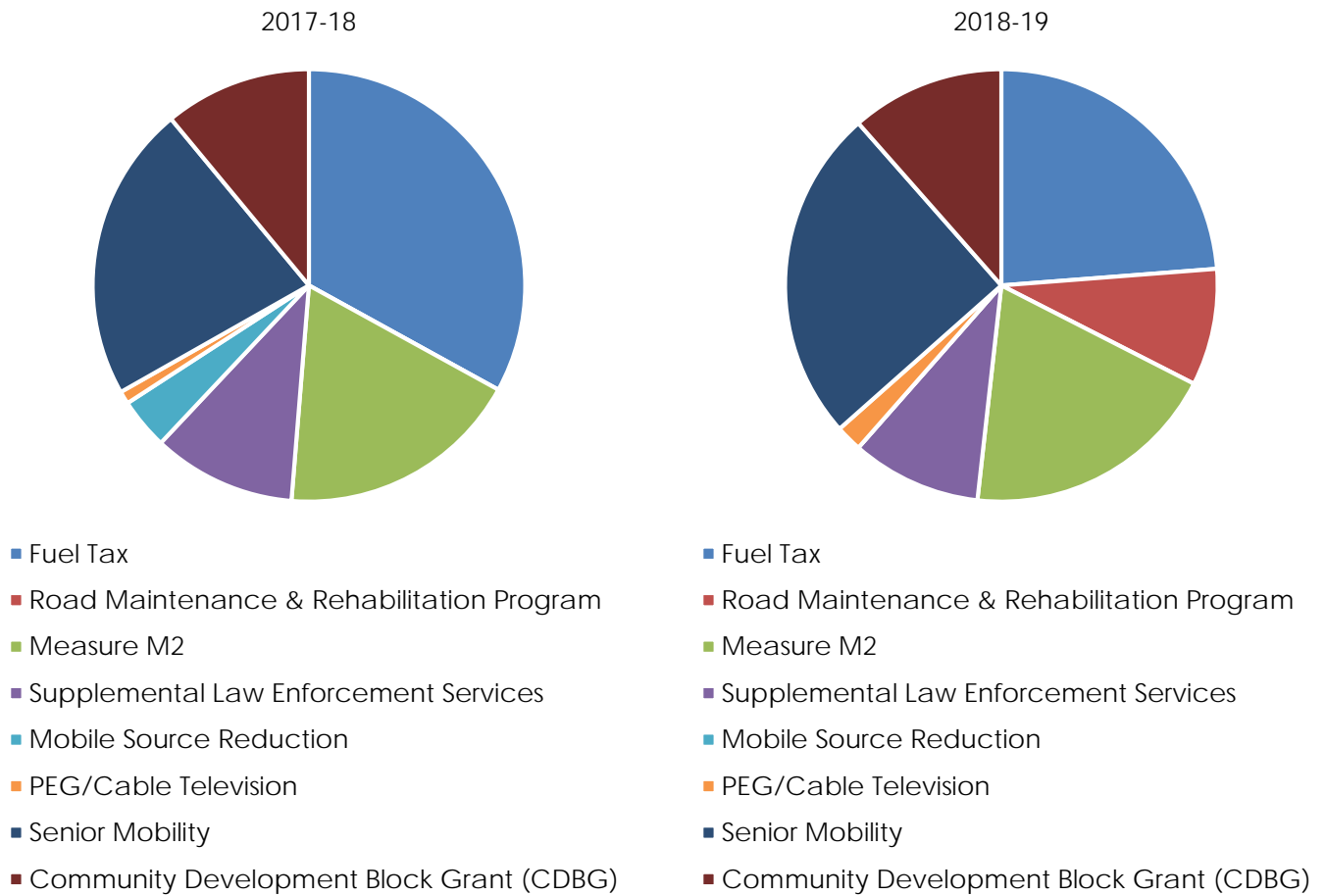
Special Revenue Fund expenditures for Fiscal Year 2017-18 are projected to be \$1,267,904, or 55.1% less than year-end projections for Fiscal Year 2016-17. In Fiscal Year 2018-19, Special Revenue Fund expenditures are projected to be \$1,241,292, which reflects a reduction of \$26,612, or 2.1%, from the Fiscal Year 2017-18 estimate.

While there is minimal year-to-year change in overall expenditures, in some cases, expenditures have been reallocated amongst Special Revenue Funds (e.g., pavement management plan projects that have historically been paid from the Fuel Tax Fund are paid from the new Road Maintenance and Rehabilitation Program Fund beginning in Fiscal Year 2018-19) or moved to the General Fund (e.g., certain landscaping costs that have historically been paid from the Fuel Tax Fund are paid from the General Fund beginning in Fiscal Year 2017-18 to satisfy Measure M2's Maintenance of Effort requirements). The Supplemental Law Enforcement Services and Senior Mobility funds have also experienced moderate change in overall expenditures.

As is the case with revenue, Fuel Tax, Measure M2, and Senior Mobility funds are the three largest sources of Special Revenue Funds expenditures.

Note: Special Revenue Funds are self-balancing. In the following charts/tables, expenditures may exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

*[Special Revenue Fund Expenditure Projections by Source
– Fiscal Years 2017-19]*



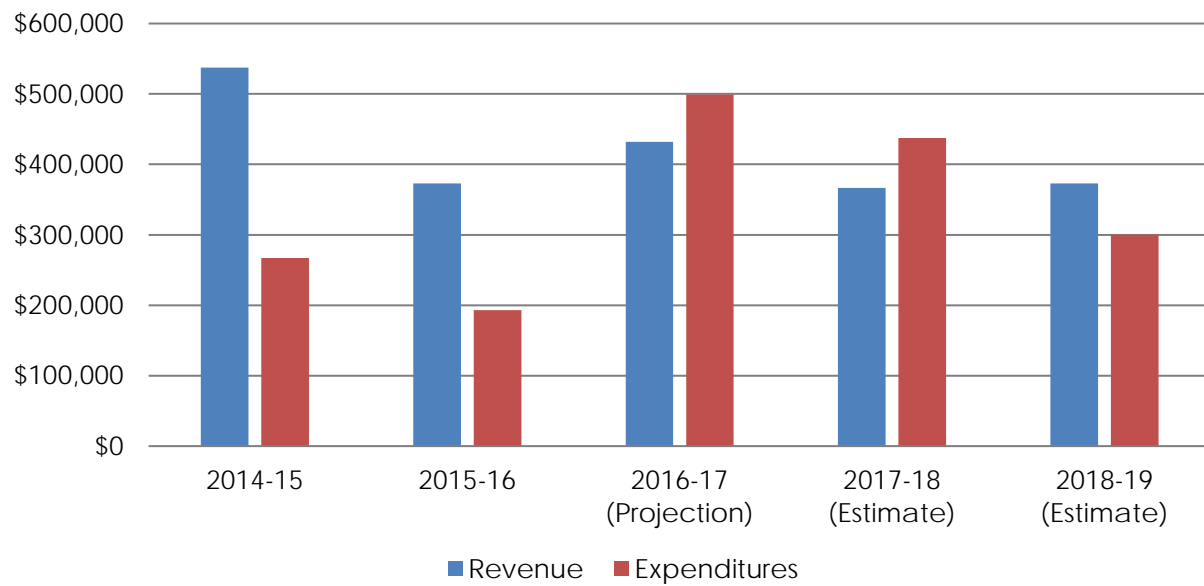
Special Revenue Fund	Percent of Adopted Budget Estimate (Fiscal Year 2017-18)	Percent of Adopted Budget Estimate (Fiscal Year 2018-19)
Fuel Tax	34.5%	24.2%
Road Maintenance & Rehabilitation Program	0.0%	8.9%
Measure M2	19.1%	19.6%
Supplemental Law Enforcement Services	11.2%	9.9%
Beverage Container Recycling	0.4%	0.0%
PEG/Cable Television	0.1%	0.2%
Senior Mobility	23.2%	25.5%
Community Development Block Grant (CDBG)	11.5%	11.7%

SPECIAL REVENUE FUNDS SUMMARY – TRANSPORTATION

Fuel Tax Fund

Fuel tax is generated by a per gallon excise tax on fuel used to propel motor vehicles or aircraft pursuant to California Constitution Article XIX Section 1; Revenue and Tax Code sections 7301 – 8404 and 8601 – 9355; and, Streets and Highways Code sections 2100 et seq. The City uses Fuel Tax revenue to support the maintenance, operation, and construction of roads and right-of-way.

*[Fuel Tax Fund Historical Revenue and Expenditures Comparison
– Fiscal Years 2014-15 through 2018-19]*



Fiscal Year	Revenue Estimate	Expenditure Estimate
2014-15	\$537,418	\$266,925
2015-16	\$372,739	\$192,889
2016-17 (Projection)	\$432,160	\$499,246
2017-18 (Estimate)	\$366,500	\$437,274
2018-19 (Estimate)	\$373,000	\$300,102

Summary of Significant Trends and Observations

- Fuel Tax revenue has eroded over-time due, in part, to reductions in the price of gasoline and increasing motor vehicle fuel efficiency. While fuel consumption is expected to remain relatively flat over the coming years,

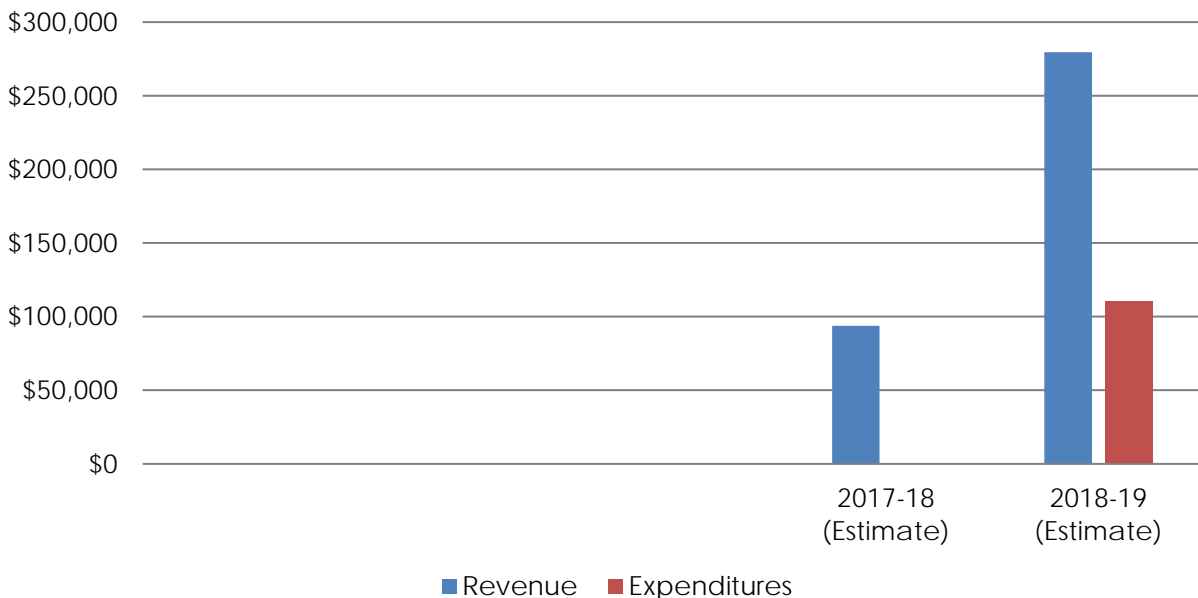
an increase in variable gasoline rates will take effect on July 1, 2017 and result in modest revenue gains.

- The perceived increase of Fuel Tax revenue in Fiscal Year 2016-17 is the result of a multi-year reconciliation of the City's financial records and is not indicative of future trends.

Road Maintenance & Rehabilitation Program Fund

In April 2017, Governor Brown signed the Road Repair and Accountability Act of 2017 ("Senate Bill 1") into law, which increased the funds available to cities for public road maintenance and rehabilitation. The City accounts for Senate Bill 1 revenue in the Road Maintenance & Rehabilitation Program Fund, which is used to support the maintenance and operation of roads and right-of-way.

[Road Maintenance & Rehabilitation Fund Revenue and Expenditures Comparison – Fiscal Years 2017-19]



Fiscal Year	Revenue Estimate	Expenditure Estimate
2014-15	-	-
2015-16	-	-
2016-17 (Projection)	-	-
2017-18 (Estimate)	\$93,800	\$0
2018-19 (Estimate)	\$279,500	\$110,250

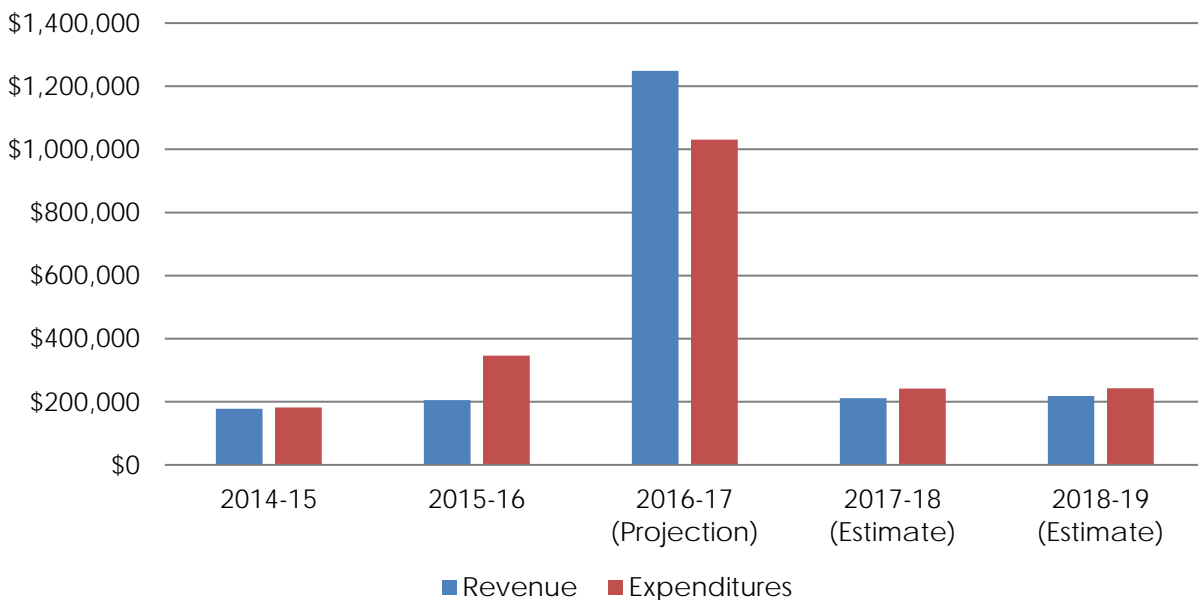
Summary of Significant Trends and Observations

- The first Senate Bill 1 revenue measures take effect on November 1, 2017, with additional measures effective as of January 1, 2018. As a result, the City will not receive a full year of funding until Fiscal Year 2018-19.

Measure M2 Fund

Measure M2 is a ballot measure that Orange County voters approved in 2006 to increase the countywide sales tax rate through 2041 by one-half cent for the purpose of funding transportation projects and activities. It was preceded by Measure M, a ballot measure that Orange County voters approved for similar purposes in 1990. The City uses Measure M2 revenue to support the maintenance, operation, and construction of roads and right-of-way.

[Measure M2 Fund Historical Revenue and Expenditures Comparison – Fiscal Years 2014-15 through 2018-19]



Fiscal Year	Revenue Estimate	Expenditure Estimate
2014-15	\$177,604	\$181,849
2015-16	\$205,261	\$346,436
2016-17 (Projection)	\$1,248,554	\$1,030,892
2017-18 (Estimate)	\$211,200	\$242,044
2018-19 (Estimate)	\$218,400	\$242,992

Summary of Significant Trends and Observations

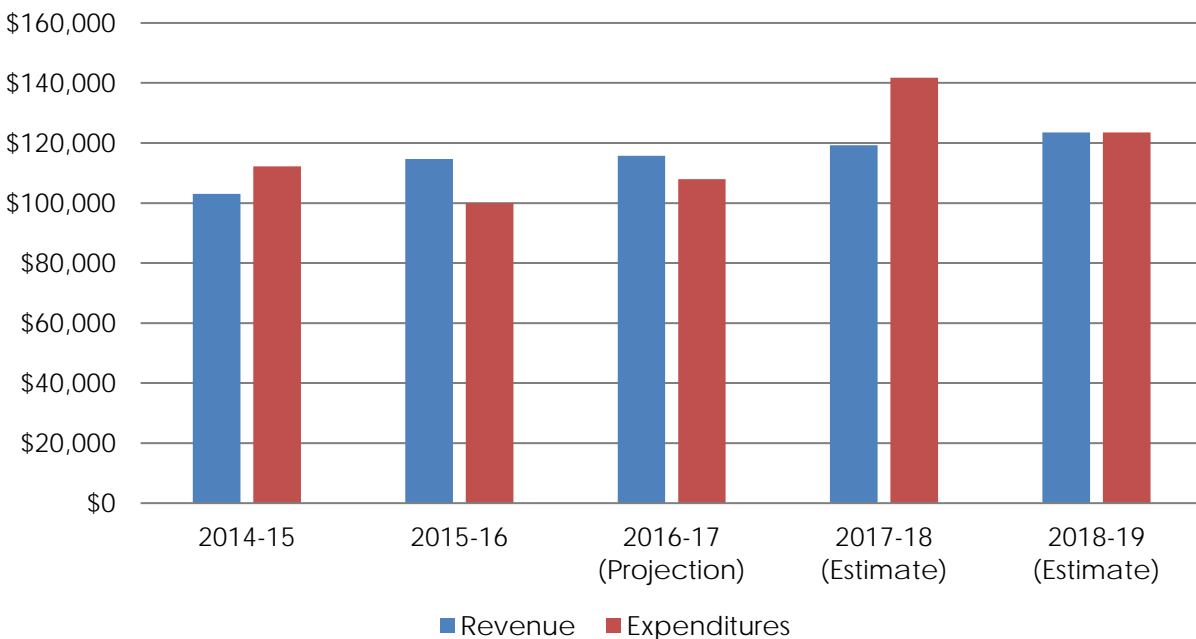
- Measure M2 revenue is tied to countywide sales tax receipts. Revenue forecasts are prepared by the Orange County Transportation Authority using an average of sales tax forecasts prepared by local colleges and universities. Revenue is expected to increase over the coming years, but at a slower rate than previously forecast.
- The significant increase of Measure M2 revenue in Fiscal Year 2016-17 is the result of the City receiving reimbursements related to the El Toro Road and Moulton Parkway traffic signal synchronization projects. It is not indicative of future trends.

SPECIAL REVENUE FUNDS SUMMARY – PUBLIC SAFETY

Supplemental Law Enforcement Services Fund

The Supplemental Law Enforcement Services Fund was included in the State of California's Local Law Enforcement Services Act of 2011, which realigned a variety of formerly state law enforcement programs by shifting responsibilities to local authorities. The City receives a minimum of \$100,000 in Supplemental Law Enforcement Services revenue each year, which it uses to offset a portion of qualifying law enforcement costs.

[Supplemental Law Enforcement Services Fund Historical Revenue and Expenditures Comparison – Fiscal Years 2014-15 through 2018-19]



Fiscal Year	Revenue Estimate	Expenditure Estimate
2014-15	\$103,064	\$112,226
2015-16	\$114,687	\$100,000
2016-17 (Projection)	\$115,700	\$108,000
2017-18 (Estimate)	\$119,300	\$141,707
2018-19 (Estimate)	\$123,500	\$123,500

Summary of Significant Trends and Observations

- Supplemental Law Enforcement Services revenue continues to increase, although still at a rate less than increases in law enforcement costs.

Service Authority for Abandoned Vehicles Fund

In addition to the active funds discussed in this section, the City also maintains a balance in its Service Authority for Abandoned Vehicles Fund to assist with the abatement of abandoned vehicles. No Service Authority for Abandoned Vehicles Fund activity is anticipated for fiscal years 2017-18 or 2018-19.

SPECIAL REVENUE FUNDS SUMMARY – ENVIRONMENTAL

Beverage Container Recycling Fund

The State of California's Beverage Container Recycling and Litter Reduction Act of 1987 established the California Redemption Value ("CRV") for certain bottles and cans to promote beverage container recycling. The City is eligible to apply for \$5,000 in CRV revenue each year. When the City receives CRV revenue, it is accounted for in the Beverage Container Recycling Fund.

The City does not anticipate applying for CRV revenue in fiscal years 2017-18 or 2018-19. Beverage Container Recycling Fund activity is limited to expending the accumulated fund balance.

Mobile Source Reduction Fund

In addition to the active funds discussed in this section, the City also maintains a balance in its Mobile Source Reduction Fund, generated by the State of California's Assembly Bill 2766 Subvention Program, to support measures and projects that reduce mobile vehicle emissions. With the exception of receiving annual revenue, no Mobile Source Reduction Fund activity is anticipated for fiscal years 2017-18 or 2018-19.

Used Oil/Oil Payment Program

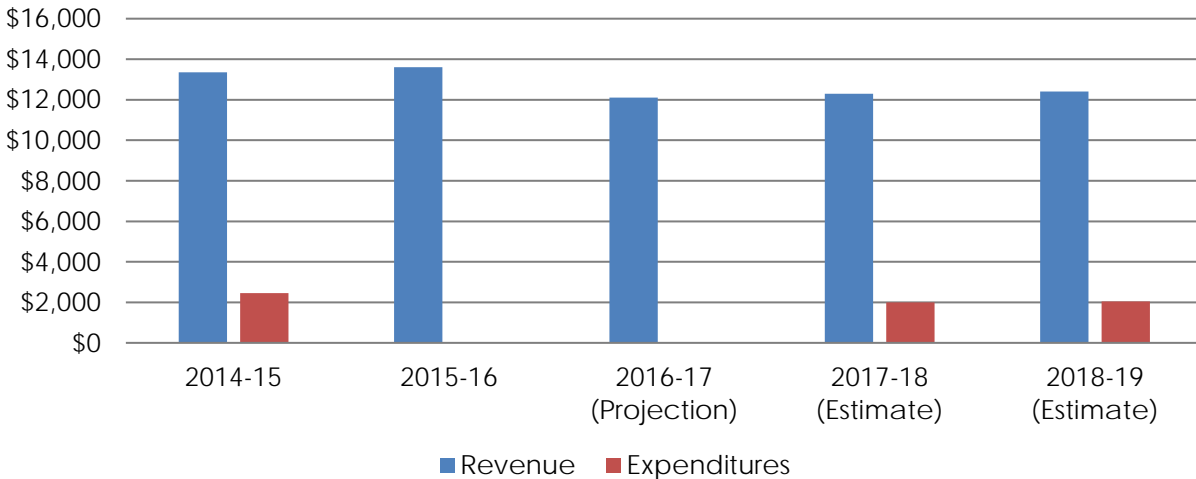
In addition to the active funds discussed in this section, the City also maintains a balance in its Used Oil/Oil Payment Program Fund, generated by payments from oil manufacturers, as required by the California Public Resources Code, to promote used oil recycling. The City is eligible to apply for \$5,000 in used oil/oil payment program revenue each year. No Used Oil/Oil Payment Program Fund activity is anticipated for fiscal years 2017-18 or 2018-19.

SPECIAL REVENUE FUNDS SUMMARY – COMMUNITY SERVICES

PEG/Cable Television Fund

The City collects a Public, Educational, and Governmental (“PEG”) fee from franchised video service providers operating within the City. The City uses PEG fee revenue to support PEG-related purposes consistent with state and federal law, including operation and maintenance of the City’s television channel.

*[PEG/Cable Television Fund Historical Revenue and Expenditures
Comparison – Fiscal Years 2014-15 through 2018-19]*



Fiscal Year	Revenue Estimate	Expenditure Estimate
2014-15	\$13,349	\$2,455
2015-16	\$13,605	\$0
2016-17 (Projection)	\$12,100	\$0
2017-18 (Estimate)	\$12,300	\$2,000
2018-19 (Estimate)	\$12,400	\$2,047

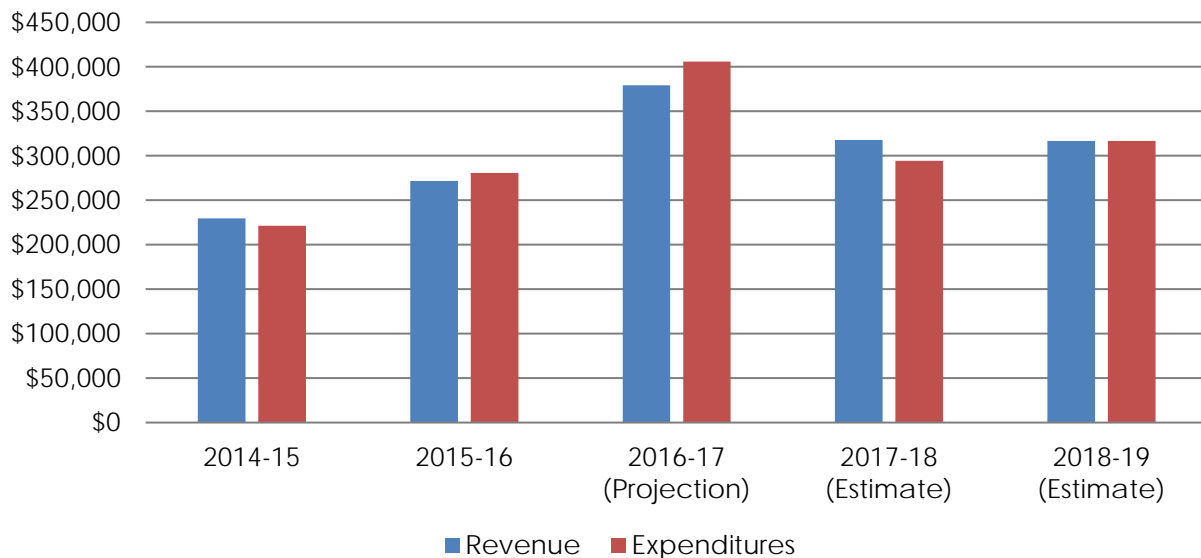
Summary of Significant Trends and Observations

- PEG fee revenue is expected to continue to remain relatively flat over the coming years without any significant variation.

Senior Mobility Fund

The City uses the Senior Mobility Fund to account for revenues that are used to support the Senior Mobility Program, including Measure M2 Senior Mobility funds, Transportation Development Act funds, fees paid by participants, and any transfers from the General Fund to offset unanticipated expenditures (e.g., costs associated with higher than projected demand).

[Senior Mobility Fund Historical Revenue and Expenditures Comparison – Fiscal Years 2014-15 through 2018-19]



Fiscal Year	Revenue Estimate	Expenditure Estimate
2014-15	\$229,454	\$221,460
2015-16	\$271,715	\$280,639
2016-17 (Projection)	\$379,300	\$405,982
2017-18 (Estimate)	\$317,700	\$294,179
2018-19 (Estimate)	\$316,700	\$316,700

Summary of Significant Trends and Observations

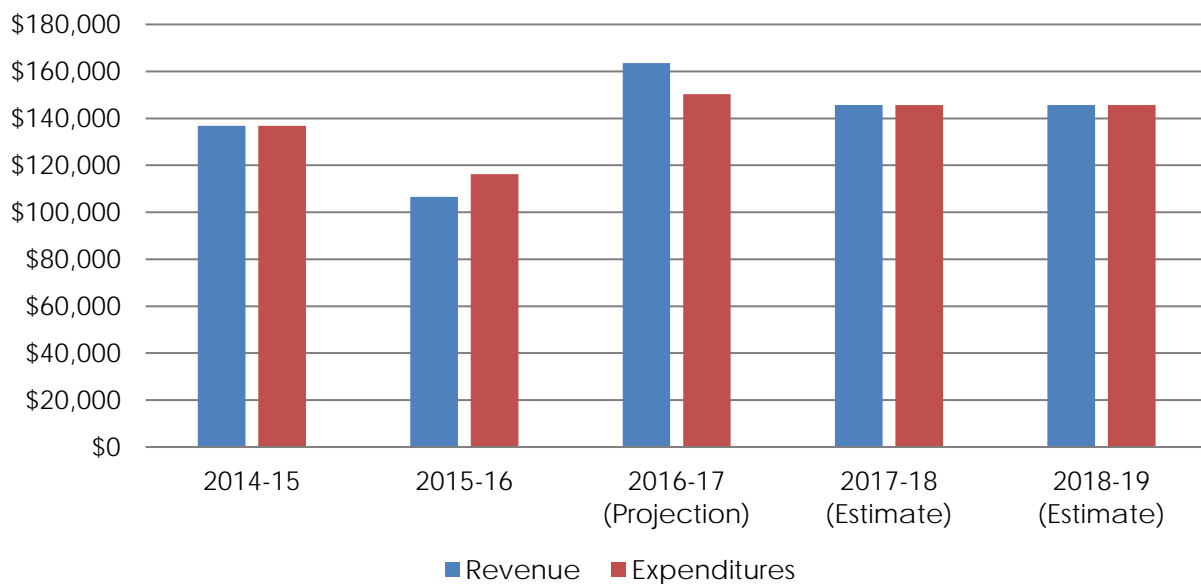
- The Senior Mobility Program continues to experience such high levels of demand that a transfer of \$90,000 was required from the General Fund

in Fiscal Year 2016-17 to cover operating costs. That same year, the City Council approved several modifications to the Senior Mobility Program's fee schedule to offset future costs. While the additional revenue from those fee changes may not be sufficient to offset all future costs, it is expected to help moderate and reduce potential future impacts on the General Fund, thereby helping to promote the long-term sustainability of the Senior Mobility Program. Staff will continue to monitor this issue.

Community Development Block Grant (CDBG) Fund

Community Development Block Grant ("CDBG") funding is subject to federal appropriation and intended to assist cities and counties with a variety of local community development needs. The City competes for CDBG funds through the Urban County CDBG Program administered by the County of Orange.

[Community Development Block Grant (CDBG) Fund Historical Revenue and Expenditures Comparison – Fiscal Years 2014-15 through 2018-19]



Fiscal Year	Revenue Estimate	Expenditure Estimate
2014-15	\$136,815	\$136,815
2015-16	\$106,581	\$116,190
2016-17 (Projection)	\$163,507	\$150,264
2017-18 (Estimate)	\$145,700	\$145,700
2018-19 (Estimate)	\$145,700	\$145,700

Summary of Significant Trends and Observations

- Prior to Fiscal Year 2017-18, the City's primary use of CDBG funding was to offer the Residential Energy Efficiency Improvement Program, which installed replacement windows, doors, and other energy efficient improvements in the homes of qualifying low-income residents, at no charge. The program was suspended beginning in Fiscal Year 2017-18 due to uncertainty surrounding the future availability of CDBG funds, as well as the impacts of increasing compliance requirements and law enforcement costs on City resources. The City's costs to administer the program had exceeded 35% of the costs of the improvements that were made. Reinstatement of the program may be considered for future CDBG applications, should circumstances change.
- Beginning in Fiscal Year 2017-18, the City has included several pedestrian accessibility projects in the capital improvement program that are contingent on the receipt of CDBG funding. The City has received a tentative notice of award to fund construction of the "Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 1 (Moulton Parkway)" in Fiscal Year 2017-18 and anticipates applying for additional CDBG funding to construct the second phase of the project in Fiscal Year 2018-19. No expenditures will be made, nor costs incurred, until funding agreements are in place.

<p align="center">CITY OF LAGUNA WOODS</p> <p align="center">Fiscal Years 2017-19 Revenue Summary - Special Revenue Funds</p>

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
<u>SPECIAL FUNDS:</u>				
<u>Transportation Funds</u>				
Fuel Tax	350,000	449,360	366,500	373,000
Road Maintenance & Rehabilitation Program	-	-	93,800	279,500
Measure M1	-	184,001	-	-
Measure M2	218,000	1,312,154	211,200	218,400
Prop 1B - State-Local Partnership Program (SLPP)	-	-	-	-
Traffic Mitigation Fees - Moulton Parkway Project	-	-	-	-
Coastal Area Road Improvement and Traffic Signals (CARITS)	-	-	-	-
Total Transportation Funds	568,000	1,945,515	671,500	870,900
<u>Public Safety Funds</u>				
Service Authority for Abandoned Vehicles	-	-	-	-
Supplemental Law Enforcement Services	108,000	108,000	119,300	123,500
Disaster Recovery Initiative (DRI) Grant	-	-	-	-
Total Public Safety Funds	108,000	108,000	119,300	123,500
<u>Environmental Funds</u>				
Mobile Source Reduction	21,000	21,000	21,200	21,500

<p align="center">CITY OF LAGUNA WOODS</p> <p align="center">Fiscal Years 2017-19 Revenue Summary - Special Revenue Funds</p>

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
Proposition 84 Grant	-	15,733	-	-
Beverage Container Recycling	5,000	5,000	-	-
Used Oil/Oil Payment Program	5,000	5,000	-	-
Energy Efficiency Conservation Grant	-	-	-	-
CalRecycle Grant	-	-	-	-
Total Environmental Funds	31,000	46,733	21,200	21,500
<u>Community Services Funds</u>				
PEG/Cable Television	13,700	13,700	12,300	12,400
Senior Mobility	225,000	315,000	317,700	316,700
Community Development Block Grant (CDBG)	135,000	163,507	145,700	145,700
Total Community Services Funds	373,700	492,207	475,700	474,800
TOTAL REVENUE - SPECIAL FUNDS	1,080,700	2,592,455	1,287,700	1,490,700
Less: INTER-FUND TRANSFERS	-	390,121	-	-
TOTAL NET REVENUE	1,080,700	2,202,334	1,287,700	1,490,700

CITY OF LAGUNA WOODS
Fiscal Year 2017-19 Expenditures Detail - Special Revenue Funds

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
<u>TRANSPORTATION FUNDS</u>				
Fuel Tax				
Street Lighting - Public ROW	40,698	40,698	-	-
Direct Administrative Costs	-	-	-	-
Contract - Landscaping	238,503	238,503	162,350	163,396
Contract - Pavement Management Plan Projects	150,000	150,000	157,500	-
Contract - Street Maintenance	71,000	71,000	115,824	115,824
Contract - Street Sweeping	-	-	1,600	1,632
El Toro Water Efficient Median Improvement Project (Construction)	-	-	-	19,250
Moulton Parkway Water Efficient Median Improvement Project (Construction)	-	273,914	-	-
TOTAL	500,201	774,115	437,274	300,102
Road Maintenance & Rehabilitation Program				
Contract - Pavement Management Plan Projects	-	-	-	110,250
TOTAL	-	-	-	110,250
Measure M1				
Moulton Pkwy Widening	-	4,200	-	-
TOTAL	-	4,200	-	-
Measure M2				
El Toro Road Traffic Signal Synchronization Project	-	447,470	-	-
Moulton Parkway Traffic Signal Synchronization Project	-	584,251	-	-
Street Lighting - Public ROW	25,329	25,329	25,761	26,367
Contract - Traffic Engineering	165,600	165,600	163,600	163,600
Contract - Traffic Signal Maintenance	41,505	41,505	51,983	52,325
Allowable Overhead Costs	600	600	700	700
TOTAL	233,034	1,264,755	242,044	242,992
Prop 1B - State-Local Partnership Program (SLPP)				
TOTAL	-	-	-	-

CITY OF LAGUNA WOODS Fiscal Year 2017-19 Expenditures Detail - Special Revenue Funds

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
Traffic Mitigation Fees - Moulton Parkway Project				
Santa Maria Avenue Bioswale Project	-	436,556	-	-
TOTAL	-	436,556	-	-
Coastal Area Road Improvement and Traffic Signals (CARITS)				
El Toro Road Traffic Signal Synchronization Project	-	83,020	-	-
Moulton Parkway Traffic Signal Synchronization Project	-	65,680	-	-
TOTAL	-	148,700	-	-
<u>PUBLIC SAFETY FUNDS</u>				
Service Authority for Abandoned Vehicles				
Program Activity	-	-	-	-
TOTAL	-	-	-	-
Supplemental Law Enforcement Services				
Law Enforcement Services	108,000	108,000	141,707	123,500
TOTAL	108,000	108,000	141,707	123,500
Disaster Recovery Initiative (DRI) Grant				
Grant Activities	-	-	-	-
TOTAL	-	-	-	-
<u>ENVIRONMENTAL FUNDS</u>				
Mobile Source Reduction				
Grant Activities	-	-	-	-
TOTAL	-	-	-	-
Beverage Container Recycling				
Grant Activities	5,000	6,500	5,000	-
TOTAL	5,000	6,500	5,000	-
Used Oil/Oil Payment Program				
Grant Activities	5,310	5,310	-	-
TOTAL	5,310	5,310	-	-

CITY OF LAGUNA WOODS Fiscal Year 2017-19 Expenditures Detail - Special Revenue Funds

Line Item	Fiscal Year 2016-17 Adopted	Fiscal Year 2016-17 Amended	Fiscal Year 2017-18 Budget	Fiscal Year 2018-19 Budget
CalRecycle / Energy Efficiency Conservation Grants				
Administrative Costs	-	-	-	-
Collection/Contract-Solid Waste	-	30,895	-	-
Education	-	-	-	-
TOTAL	-	30,895	-	-
COMMUNITY SERVICES FUNDS				
PEG/Cable Television				
Equipment & Maintenance	12,000	12,000	2,000	2,047
TOTAL	12,000	12,000	2,000	2,047
Senior Mobility				
Printing	4,100	4,100	5,831	5,834
Contract - Transportation	173,310	173,310	135,000	135,000
Contract - Taxi Voucher NEMT	62,678	242,678	153,348	175,866
TOTAL	240,088	420,088	294,179	316,700
Community Development Block Grant (CDBG)				
Grant Activities	135,000	153,884	145,700	145,700
TOTAL	135,000	153,884	145,700	145,700
TOTAL ALL EXPENDITURES - SPECIAL REVENUE FUNDS	1,238,633	3,365,003	1,267,904	1,241,292
Less: INTER-FUND TRANSFERS	-	467,451	-	-
TOTAL NET EXPENDITURES	1,238,633	2,897,552	1,267,904	1,241,292

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9.0. CITY FIVE-YEAR STRATEGIC FINANCIAL PLAN

This chapter is intended to present the long-term revenue forecasts and expenditure projections that assisted with the development of this budget, and will assist with the development of future budgets.

INTRODUCTION

Beginning with the Fiscal Years 2017-19 Budget & Work Plan, the City began to develop a five-year strategic financial plan as part of each two-year budget and work plan process. The five-year strategic financial plan is a proactive and iterative planning tool that helps ensure that the City's financial resources are sufficient to sustain core programs, projects, and services over a term greater than the two-year period considered in immediate budget and work planning. While revenue forecasts and expenditure projections are included in the five-year strategic financial plan, it is important to note that the City Council retains the ability to adopt budgets and work plans at its discretion and that no funding commitment is created by the five-year strategic financial plan.

The five-year strategic financial plan links the programs, projects, and services that the City plans to offer and undertake with the resources required to do so. It also highlights where additional resources and/or redefinition of planned programs, projects, or services may be required. Rather than requiring balance in each of the years analyzed, the purpose of the five-year strategic financial plan is to identify potential fiscal issues in order to assist the City Council and staff with longer-term decision-making. To that end, forecasts and projections may identify theoretical future deficits for the City to explore and address in advance of the adoption of associated budgets and work plans.

KEY ASSUMPTIONS – GENERAL FUND AND CAPITAL PROJECTS FUND

This five-year strategic financial plan was developed using the following key assumptions for the General Fund and Capital Projects Fund:

Key Revenue Assumptions

- Property Tax – The City retained HdL Coren & Cone ("HdL") to project local trends in assessed property values and tax assessments over the

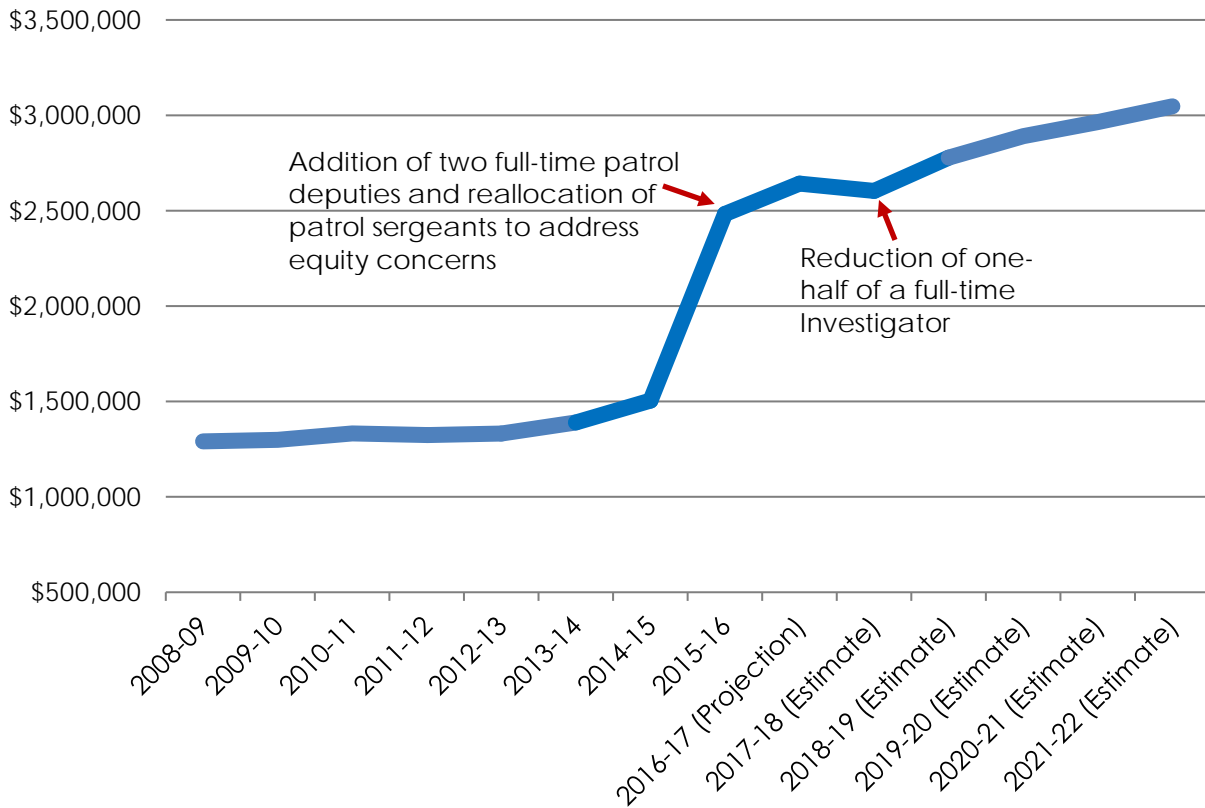
next five years. HdL projected that collections of secured and unsecured property taxes, combined, will increase 5.69% in Fiscal Year 2017-18, 3.89% in Fiscal Year 2018-19, and 3.90% for each of the following three fiscal years. The City considered HdL's projections and added forecasted revenues for property taxes such as supplemental rolls and prior year collections at amounts consistent with Fiscal Year 2016-17 projections.

- Sales Tax – The City retained Hinderliter, de Llamas & Associates ("HdL") to project local trends in sales tax receipts over the next five years. HdL projected that sales tax receipts will increase 3.70% in Fiscal Year 2017-18, 3.60% in Fiscal Year 2018-19, 2.60% in Fiscal Year 2019-20, and 2.50% for each of the following two fiscal years. The City considered HdL's projections and reduced the base year (Fiscal Year 2016-17) to reflect current economic conditions. Growth rates for fiscal years 2019-20 through 2021-22 were reduced in anticipation of economic slowing.
- Franchise Fees – The City forecast franchise fee receipts based on current agreements (for fixed fees) and historical trends (for variable fees). A growth rate of approximately 1.00% is included for all five fiscal years.
- Transient Occupancy Tax – The City forecast transient occupancy tax receipts based on historical trends and anticipated market conditions. A growth rate of approximately 1.55% is included for all five fiscal years.
- Development Processing Fees – The City does not anticipate significant changes in development activity or associated fees in Fiscal Year 2017-18 and, accordingly, a growth rate of approximately 1.00% is included. Growth in future years is based on the Congressional Budget Office's Consumer Price Index forecasts (Fiscal Year 2018-19: 2.35%, fiscal years 2019-20 through 2021-22: 2.40%).

Key Expenditure Assumptions

- All expenditures were projected based on actual rates, when known. If actual rates were not available, projections were based on industry and/or historical growth trends. In the absence of other sufficient data, projections were based on the Congressional Budget Office's Consumer Price Index forecasts (Fiscal Year 2017-18: 2.30%, Fiscal Year 2018-19: 2.35%, fiscal years 2019-20 through 2021-22: 2.40%).
- Law Enforcement – The City projected law enforcement expenditures for Fiscal Year 2017-18 based on actual contract amounts. Growth in future years is based on estimates provided by the Orange County Sheriff's Department, adjusted for anticipated cost savings resultant of a staffing reduction. The Orange County Sheriff's Department's estimates incorporate the County of Orange's strategic financial planning.

*[Historical and Projected Change in Law Enforcement Costs
– Fiscal Years 2008-09 through 2018-19⁹]*



Fiscal Year	Adopted Contract Cost (beginning of fiscal year)	Final, Adjusted Contract Cost (end of fiscal year)
2008-09	\$1,290,825	\$1,290,825
2009-10	\$1,298,308	\$1,299,457
<i>Year-over-Year Change</i>	<i>0.58%</i>	<i>0.67%</i>
2010-11	\$1,332,911	\$1,332,911
<i>Year-over-Year Change</i>	<i>2.67%</i>	<i>2.57%</i>
2011-12	\$1,323,851	\$1,323,851
<i>Year-over-Year Change</i>	<i>-0.68%</i>	<i>-0.68%</i>
2012-13	\$1,331,904	\$1,331,904
<i>Year-over-Year Change</i>	<i>0.61%</i>	<i>0.61%</i>

⁹ County of Orange, 2017 Strategic Financial Plan. February 2017. Note: Estimates are based on the City's Fiscal Year 2016-17 staffing levels and exclude non-operating costs, 800 MHz communications charges, Automated Fingerprint Identification System charges, and future salary, benefit, and operational increases that the Orange County Board of Supervisors may approve.

2013-14	\$1,388,991	\$1,389,979
Year-over-Year Change	4.29%	4.36%
2014-15	\$1,501,981	\$1,504,606
Year-over-Year Change	8.13%	8.25%
2015-16	\$2,451,840	\$2,483,174
Year-over-Year Change	63.24%	65.04%
2016-17 (Projection)	\$2,592,120	\$2,642,047
Year-over-Year Change	5.72%	6.40%
2017-18 (Estimate)	\$2,603,724	-
Year-over-Year Change	0.45%	-
2018-19 (Estimate)	\$2,777,974	-
Year-over-Year Change	6.69%	-
2019-20 (Estimate)	\$2,891,605	-
Year-over-Year Change	4.09%	-
2020-21 (Estimate)	\$2,965,211	-
Year-over-Year Change	2.55%	-
2021-22 (Estimate)	\$3,047,047	-
Year-over-Year Change	2.76%	-
<i>Estimated Future Impacts</i>		
Dollar Change between 2016-17 and 2021-22	\$405,000 (Estimate)	
Percent Change between 2016-17 and 2021-22	15.33% (Estimate)	
Percent of General Fund Operating Budget at 2021-22	52.14% (Estimate)	

- Employee Salaries and Benefits – In projecting employee salary and benefit expenditures, the City assumed that there will be no changes to the compensation schedule or benefits for non-contract employees, no changes to the terms of the City Manager’s employment agreement, no new full- or part-time positions, and only minimal ability for movement by employees within existing salary ranges.
- Capital Improvement Projects – The City projected capital improvement project expenditures based on the capital improvement program set forth in this budget and work plan.
- Non-Operating – With the exception of capital improvement projects and the significant work plan items included in this budget and work plan, the City has not included projections for additional, non-operating expenditures due to a lack of available information.

KEY ASSUMPTIONS – SPECIAL REVENUE FUNDS

This five-year strategic financial plan was developed using the following key assumptions for the Special Revenue Funds:

Key Revenue Assumptions

- All revenues for special revenue funds were forecast based on historical trends and/or estimates provided by outside agencies, such as the State of California and the Orange County Transportation Authority.
- Fuel Tax – The City forecast Fuel Tax receipts through Fiscal Year 2018-19 using projections from the State of California. Revenue in Fiscal Year 2019-20 is anticipated to remain level with Fiscal Year 2018-19. Growth in future years is based on the Congressional Budget Office's Consumer Price Index forecasts (fiscal years 2020-21 through 2021-22: 2.40%).
- Road Maintenance and Rehabilitation Program – The City forecast Road Maintenance and Rehabilitation Program receipts through Fiscal Year 2018-19 using projections from the State of California and the League of California Cities. Revenue in Fiscal Year 2019-20 is anticipated to remain level with Fiscal Year 2018-19. Growth in future years is based on the Congressional Budget Office's Consumer Price Index forecasts (fiscal years 2020-21 through 2021-22: 2.40%).

Key Expenditure Assumptions

- All expenditures were projected based on actual rates, when known. If actual rates were not available, projections were based on industry and/or historical growth trends. In the absence of other sufficient data, projections were based on the Congressional Budget Office's Consumer Price Index forecasts (Fiscal Year 2017-18: 2.30%, Fiscal Year 2018-19: 2.35%, fiscal years 2019-20 through 2021-22: 2.40%).
- Capital Improvement Projects – The City projected capital improvement project expenditures based on the capital improvement program set forth in this budget and work plan.
- Non-Operating – With the exception of capital improvement projects and the significant work plan items included in this budget and work plan, the City has not included projections for additional, non-operating expenditures due to a lack of available information.

FORECASTS AND PROJECTIONS

The five-year strategic financial plan's forecasts and projections are shown in tables beginning on page 157. The tables should be viewed with recognition

that budgetary conditions and underlying assumptions will change over time, particularly in later years and as a result of broader economic pressures. The best available information has been considered in developing the five-year strategic financial plan; however, there are variables and factors beyond the City's control that limit estimative accuracy.

In general, this five-year strategic financial plan identifies balanced budgets, healthy reserves, and deliberate expenditures of accumulated fund balance to address limited-term needs, consistent with the City's budget policies. While fiscal years 2020-21 and 2021-22 show theoretical General Fund operating budget deficits, it is important to note that they are minor and unlikely to be realized as actual deficits, assuming a continuation of conservative financial management. Still, the theoretical deficits are indicative of how carefully balanced the City's operating budget is and how little discretion exists to relax cost recovery strategies or expand programs, projects, or services. Due to the unpredictable volatility created by actions of the Orange County Board of Supervisors and the Orange County Sheriff's Department with respect to law enforcement costs, as well as the lack of a strong and diversified local sales tax base, it remains possible, if not likely, that service level reductions and operational changes will be required in the future.

Additional commentary on budgetary opportunities and challenges in both the near- and long-term is included in the transmittal letter beginning on page "iii" and in chapters 4.0, 6.0, 7.0, and 8.0.

CITY OF LAGUNA WOODS

ALL FUNDS STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
ALL FUNDS								
All Funds Activity								
Beginning Fund Balance	10,989,134	10,973,824	10,973,675	9,960,368	9,629,288	9,799,051	10,186,502	10,012,033
Revenues	7,754,296	8,458,146	8,458,713	7,026,726	7,197,300	7,207,800	7,772,596	7,429,000
Expenditures	7,769,606	10,316,125	9,456,287	7,357,807	7,027,536	6,820,349	7,947,065	7,255,295
Revenues Over / (Under Expense)	(15,309)	(1,857,979)	(997,574)	(331,081)	169,764	387,451	(174,469)	173,705
Ending Fund Balance	10,973,824	9,115,845	9,976,101	9,629,287	9,799,052	10,186,502	10,012,033	10,185,738

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

CITY OF LAGUNA WOODS

GENERAL FUND STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
General Funds								
General Fund (Operating, Fund 001)								
Beginning Fund Balance	8,746,050	9,489,672	9,489,672	8,748,694	8,397,817	8,318,171	8,273,296	7,783,678
Operating Revenues								
Property Tax	2,182,789	2,272,000	2,282,612	2,448,200	2,543,000	2,592,500	2,648,100	2,705,100
Property Transfer Tax	94,807	90,000	158,422	95,900	99,600	101,600	103,600	105,600
Sales Tax	971,157	932,000	774,522	803,200	832,100	853,700	875,100	896,900
Franchise Fees	539,107	591,000	652,440	623,800	628,100	632,600	636,800	641,300
Transient Occupancy Tax	475,926	467,000	454,736	461,800	468,900	476,200	483,600	491,100
Development Processing Fees	730,204	671,000	700,372	707,300	723,900	741,300	759,200	777,400
Interest	40,421	48,000	50,700	51,200	51,700	52,200	52,800	53,300
Miscellaneous	198,803	190,000	191,103	182,200	194,300	195,900	197,400	199,000
Total Operating Revenues	5,233,214	5,261,000	5,264,907	5,373,600	5,541,600	5,646,000	5,756,600	5,869,700
Operating Expenditures								
City Council								
Operating Expenditures	19,545	28,152	19,373	72,317	50,119	72,152	49,547	73,688
Non-Operating Expenditures	0	0	0	0	0	0	0	0
General Government								
Operating Expenditures	745,654	717,179	609,565	670,037	698,346	694,546	732,161	717,374
Non-Operating Expenditures	94,306	677,712	665,765	0	0	0	0	0
Administrative Services								
Operating Expenditures	660,805	708,835	659,328	672,235	673,214	679,663	682,997	683,880
Non-Operating Expenditures	7,500	82,329	79,427	0	0	0	0	0
Community Services								
Operating Expenditures	92,222	12,868	8,426	788	788	788	788	788
Non-Operating Expenditures	0	0	0	0	0	0	0	0
Engineering & Infrastructure Services								
Operating Expenditures	304,486	247,981	232,072	240,669	242,696	245,537	247,731	249,751
Non-Operating Expenditures	1,700	26,900	26,900	12,500	0	0	0	0
Planning & Environmental Services								
Operating Expenditures	859,020	896,551	818,459	983,834	986,563	988,031	1,016,445	1,045,763
Non-Operating Expenditures	136,038	265,516	263,792	37,500	0	0	0	0
Public Safety								
Operating Expenditures	2,454,197	2,616,247	2,578,711	2,646,408	2,799,701	2,947,180	3,027,105	3,115,606
Non-Operating Expenditures	66,821	28,443	31,097	22,762	4,817	2,977	3,048	3,121
Total Operating Expenditures	5,135,928	5,227,812	4,925,934	5,286,289	5,451,428	5,627,898	5,756,774	5,886,850
Operating Revenues Over / (Under) Operating Expense	97,286	33,188	338,973	87,311	90,172	18,102	(174)	(17,150)
Total Non-Operating Expenditures	306,365	1,080,900	1,066,981	72,762	4,817	2,977	3,048	3,121
Net Revenues Over / (Under) All Expense	(209,079)	(1,047,712)	(728,008)	14,549	85,355	15,125	(3,222)	(20,271)
Transfers In from Other General Funds	1,043,009	0	0	0	0	0	0	0
Transfers In from Special Revenue Funds	0	467,451	467,451	0	0	0	0	0
Transfers Out to Other General Funds	(62,780)	(90,300)	(90,300)	(365,426)	(165,000)	(60,000)	(486,396)	(115,000)
Transfers Out to Special Revenue Funds	(27,528)	(390,121)	(390,121)	0	0	0	0	0

CITY OF LAGUNA WOODS

GENERAL FUND STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
General Funds								
Net Transfers In / Out	952,701	(12,970)	(12,970)	(365,426)	(165,000)	(60,000)	(486,396)	(115,000)
Ending Fund Balance, Operating Fund 001	<u>9,489,672</u>	<u>8,428,990</u>	<u>8,748,694</u>	<u>8,397,817</u>	<u>8,318,171</u>	<u>8,273,296</u>	<u>7,783,678</u>	<u>7,648,407</u>
Capital Projects (General Fund 500)								
Beginning Fund Balance	1,185,703	95,549	95,549	70,800	70,800	70,800	70,800	70,800
Revenues	0	46,940	46,940	0	0	0	0	0
Expenditures	109,925	161,989	161,989	365,426	165,000	60,000	486,396	115,000
Revenues Over / (Under Expense)	<u>(109,925)</u>	<u>(115,049)</u>	<u>(115,049)</u>	<u>(365,426)</u>	<u>(165,000)</u>	<u>(60,000)</u>	<u>(486,396)</u>	<u>(115,000)</u>
Transfers In from Other General Funds	62,780	90,300	90,300	365,426	165,000	60,000	486,396	0
Transfers In from Special Revenue Funds	0	0	0	0	0	0	0	0
Transfers Out to Other General Funds	(1,043,009)	0	0	0	0	0	0	0
Transfers Out to Special Revenue Funds	0	0	0	0	0	0	0	0
Net Transfers In / Out	<u>(980,229)</u>	<u>90,300</u>	<u>90,300</u>	<u>365,426</u>	<u>165,000</u>	<u>60,000</u>	<u>486,396</u>	<u>0</u>
Ending Fund Balance, Capital Projects Fund 500	<u>95,549</u>	<u>70,800</u>	<u>70,800</u>	<u>70,800</u>	<u>70,800</u>	<u>70,800</u>	<u>70,800</u>	<u>(44,200)</u>
Grand Total Ending Fund Balance, All General Funds	<u>9,585,221</u>	<u>8,499,790</u>	<u>8,819,494</u>	<u>8,468,617</u>	<u>8,388,971</u>	<u>8,344,096</u>	<u>7,854,478</u>	<u>7,604,207</u>

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

CITY OF LAGUNA WOODS

SPECIAL REVENUE FUNDS STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
Transportation Funds								
Fuel Tax								
Beginning Fund Balance	688,861	868,710	868,710	801,624	730,850	803,748	864,957	929,302
Revenues	372,739	449,360	432,160	366,500	373,000	373,000	381,900	391,100
Expenditures	192,889	774,115	499,246	437,274	300,102	311,791	317,555	322,315
Revenues Over / (Under Expense)	179,850	(324,755)	(67,086)	(70,774)	72,898	61,209	64,345	68,785
Ending Fund Balance	868,710	543,955	801,624	730,850	803,748	864,957	929,302	998,087
Road Maintenance & Rehabilitation Program								
Beginning Fund Balance	0	0	0	0	93,800	263,050	432,300	701,000
Revenues	0	0	0	93,800	279,500	279,500	286,200	293,100
Expenditures	0	0	0	0	110,250	110,250	17,500	0
Revenues Over / (Under Expense)	0	0	0	93,800	169,250	169,250	268,700	293,100
Ending Fund Balance	0	0	0	93,800	263,050	432,300	701,000	994,100
Measure M1								
Beginning Fund Balance	(184,000)	(179,925)	(179,925)	(0)	(0)	(0)	(0)	(0)
Revenues	4,075	184,001	184,001	0	0	0	0	0
Expenditures	0	4,200	4,076	0	0	0	0	0
Revenues Over / (Under Expense)	4,075	179,801	179,925	0	0	0	0	0
Ending Fund Balance	(179,925)	(124)	(0)	(0)	(0)	(0)	(0)	(0)
Measure M2								
Beginning Fund Balance	(4,372)	(145,547)	(145,547)	72,115	41,271	16,679	26,197	40,459
Revenues	205,261	1,312,154	1,248,554	211,200	218,400	226,500	235,500	245,200
Expenditures	346,436	1,264,755	1,030,892	242,044	242,992	216,982	221,238	222,549
Revenues Over / (Under Expense)	(141,175)	47,399	217,662	(30,844)	(24,592)	9,518	14,262	22,651
Ending Fund Balance	(145,547)	(98,148)	72,115	41,271	16,679	26,197	40,459	63,110

CITY OF LAGUNA WOODS

SPECIAL REVENUE FUNDS STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
Proposition 1B, State-Local Partnership Program (SLPP)								
Beginning Fund Balance	(293,000)	0	0	0	0	0	0	0
Revenues	293,000	0	0	0	0	0	0	0
Expenditures	0	0	0	0	0	0	0	0
Revenues Over / (Under Expense)	293,000	0	0	0	0	0	0	0
Ending Fund Balance	0	0	0	0	0	0	0	0
Traffic Mitigation Fees								
Beginning Fund Balance	478,245	434,396	434,396	0	0	0	0	0
Revenues	1,900	0	2,160	0	0	0	0	0
Expenditures	45,750	436,556	436,556	0	0	0	0	0
Revenues Over / (Under Expense)	(43,850)	(436,556)	(434,396)	0	0	0	0	0
Ending Fund Balance	434,396	(2,160)	0	0	0	0	0	0
Coastal Area Road Improvement and Traffic Signals (CARITS)								
Beginning Fund Balance	150,218	150,218	150,218	1,518	1,518	1,518	1,518	1,518
Revenues	0	0	0	0	0	0	0	0
Expenditures	0	148,700	148,700	0	0	0	0	0
Revenues Over / (Under Expense)	0	(148,700)	(148,700)	0	0	0	0	0
Ending Fund Balance	150,218	1,518	1,518	1,518	1,518	1,518	1,518	1,518

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

CITY OF LAGUNA WOODS

SPECIAL REVENUE FUNDS STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
Public Safety Funds								
Supplemental Law Enforcement Program								
Beginning Fund Balance	19	14,706	14,706	22,406	0	0	0	0
Revenues	114,687	108,000	115,700	119,300	123,500	126,800	129,900	133,200
Expenditures	100,000	108,000	108,000	141,707	123,500	126,800	129,900	133,200
Revenues Over / (Under Expense)	14,687	0	7,700	(22,406)	0	0	0	0
Ending Fund Balance	14,706	14,706	22,406	0	0	0	0	0

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

CITY OF LAGUNA WOODS

SPECIAL REVENUE FUNDS STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
Environmental Funds								
Mobile Source Reduction								
Beginning Fund Balance	93,051	114,524	114,524	140,424	161,624	183,124	204,824	226,824
Revenues	21,473	21,000	25,900	21,200	21,500	21,700	22,000	22,300
Expenditures	0	0	0	0	0	0	0	0
Revenues Over / (Under Expense)	21,473	21,000	25,900	21,200	21,500	21,700	22,000	22,300
Ending Fund Balance	114,524	135,524	140,424	161,624	183,124	204,824	226,824	249,124
Proposition 84 Grant								
Beginning Fund Balance	(15,733)	(15,733)	(15,733)	0	0	0	0	0
Revenues	0	15,733	15,733	0	0	0	0	0
Expenditures	0	0	0	0	0	0	0	0
Revenues Over / (Under Expense)	0	15,733	15,733	0	0	0	0	0
Ending Fund Balance	(15,733)	0	0	0	0	0	0	0
Beverage Container Recycling								
Beginning Fund Balance	22,288	25,966	25,966	24,466	19,466	19,466	19,466	19,466
Revenues	5,038	5,000	5,000	0	0	0	0	0
Expenditures	1,360	6,500	6,500	5,000	0	0	0	0
Revenues Over / (Under Expense)	3,678	(1,500)	(1,500)	(5,000)	0	0	0	0
Ending Fund Balance	25,966	24,466	24,466	19,466	19,466	19,466	19,466	19,466
Used Oil / Oil Payment Program								
Beginning Fund Balance	16,841	21,105	21,105	26,105	26,105	26,105	26,105	26,105
Revenues	5,071	5,000	5,000	0	0	0	0	0
Expenditures	808	5,310	0	0	0	0	0	0
Revenues Over / (Under Expense)	4,263	(310)	5,000	0	0	0	0	0
Ending Fund Balance	21,105	20,795	26,105	26,105	26,105	26,105	26,105	26,105

CITY OF LAGUNA WOODS

SPECIAL REVENUE FUNDS STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
CalRecycle / Energy Efficiency Conservation Grants								
Beginning Fund Balance	30,746	30,895	30,746	0	0	0	0	0
Revenues	149	0	0	0	0	0	0	0
Expenditures	0	30,895	30,746	0	0	0	0	0
Revenues Over / (Under Expense)	149	(30,895)	(30,746)	0	0	0	0	0
Ending Fund Balance	30,895	0	0	0	0	0	0	0

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

CITY OF LAGUNA WOODS

SPECIAL REVENUE FUNDS STRATEGIC FINANCIAL PLAN FISCAL YEARS 2017-18 through 2021-22 FORECASTED

	Actual 2015-16	Amended 2016-17	Projected 2016-17	Budget 2017-18	Budget 2018-19	Forecasted 2019-20	Forecasted 2020-21	Forecasted 2021-22
Community Service Funds								
PEG/Cable Television								
Beginning Fund Balance	43,194	56,799	56,799	68,899	79,199	89,552	99,956	35,410
Revenues	13,605	13,700	12,100	12,300	12,400	12,500	12,600	12,700
Expenditures	0	12,000	0	2,000	2,047	2,096	77,146	2,198
Revenues Over / (Under Expense)	13,605	1,700	12,100	10,300	10,353	10,404	(64,546)	10,502
Ending Fund Balance	56,799	58,499	68,899	79,199	89,552	99,956	35,410	45,912
Senior Mobility								
Beginning Fund Balance	18,924	10,000	10,000	(16,682)	6,839	6,839	21,384	31,772
Program Revenues	244,187	225,000	289,300	317,700	316,700	316,100	315,800	316,000
Transfers In from General Fund	27,528	90,000	90,000	0	0	0	0	0
Total Revenues	271,715	315,000	379,300	317,700	316,700	316,100	315,800	316,000
Expenditures	280,639	420,088	405,982	294,179	316,700	301,555	305,412	309,362
Revenues Over / (Under Expense)	(8,924)	(105,088)	(26,682)	23,521	0	14,545	10,388	6,638
Ending Fund Balance	10,000	(95,088)	(16,682)	6,839	6,839	21,384	31,772	38,410
Community Development Block Grant (CDBG)								
Beginning Fund Balance	(3,634)	(13,243)	(13,243)	0	0	0	145,700	145,700
Program Revenues	106,581	162,934	162,934	145,700	145,700	145,700	145,700	145,700
Transfers In from General Fund	0	573	573	0	0	0	0	0
Total Revenues	106,581	163,507	163,507	145,700	145,700	145,700	145,700	145,700
Expenditures (including C/Os)	116,190	153,884	150,264	145,700	145,700	0	145,700	145,700
Revenues Over / (Under Expense)	(9,609)	9,623	13,243	0	0	145,700	0	0
Ending Fund Balance	(13,243)	(3,620)	0	0	0	145,700	145,700	145,700

Note: Expenditures exceed revenue as a result of limited-term non-operating and capital improvement project expenditures, as well as expenditures for projects that utilize revenues received in prior fiscal years.

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APPENDIX A

Administrative Policy 2.9 (Budgeting, Reserves, and Reporting)

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CITY OF LAGUNA WOODS ADMINISTRATIVE POLICY 2.9

BUDGETING, RESERVES, AND REPORTING

2.9.01. Statement of Purpose.

This Administrative Policy is intended to provide a framework for the development of the City of Laguna Woods' budget, with an emphasis on balance, transparency, fiscal responsibility, and long-term planning.

2.9.02. Budget Periods.

The City operates on a fiscal year beginning on July 1 and ending on the following June 30. The City Manager shall present a proposed biennial fiscal years budget to the City Council no later than June 30, 2017, and every two years thereafter.

2.9.03. Budget Adoption.

The City Council shall adopt a budget for the upcoming two fiscal years no later than June 30, 2017, and every two years thereafter. Such adoption shall occur at a public meeting duly noticed pursuant to all applicable provisions of California Government Code (Ralph M. Brown Act). Members of the public shall have an opportunity to comment on the proposed budget prior to adoption.

2.9.04. Budget Standards.

1. The budget and the underlying accounting shall be prepared in accordance with applicable State law and Generally Accepted Accounting Principles (GAAP) for municipal governments on a modified accrual basis.
2. The budget shall be adopted at the fund level. Sufficient detail shall be provided in accompanying narrative to describe significant programs, projects, and services, as well as employee staffing levels.
3. The budget shall be developed using conservative projections of revenue and expenditure levels. Projections shall consider economic forecasts and data from multiple sources, including independent third-party analysis of the two largest sources of ongoing General Fund revenue – property tax and sales tax.

4. The budget development process is intended to weigh competing requests for City resources within anticipated fiscal constraints. Notwithstanding emergency needs and circumstances that may dictate otherwise, requests for new, ongoing programs made outside of the budget development process are discouraged.
5. Current fiscal year revenues should fund current fiscal year expenditures. Use of the unassigned General Fund balance should be limited to one-time projects, capital improvement projects, the payment of long-term liabilities for periods beyond the current fiscal year, and emergency expenditures.
6. Unless specifically restricted by law, GAAP, a funding source, or an agreement, revenues shall be deposited in the General Fund and allocated in accordance with this Administrative Policy. Restricted revenues shall be deposited and allocated as required, including in a manner that ensures that revenues are spent and/or obligated for eligible purposes within required timeframes.
7. Grant funds are often distributed on a reimbursement basis, meaning that the City is required to make expenditures in advance of receiving the offsetting revenue. The unassigned General Fund balance may be used to make temporary “loans” to grant-funded programs, projects, and services until reimbursements are received. Such temporary “loans” are not reflected in the budget.
8. In order to assist with the long-term development of funding for major capital improvement projects on public property, a seven-year Capital Improvement Program (CIP) for “major capital improvements projects” shall be adopted as a part of each budget. To comply with Orange County Transportation Authority requirements for maintaining eligibility to receive Measure M2 funds, a CIP shall also be adopted at each fiscal year intervening biennial budget adoptions. The adoption of intervening CIPs may also necessitate amendment of adopted budgets. A “major capital improvement project” is any project that meets the definition of a “public project” in Section 22002 of the State of California’s Public Contracts Code, including “construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work” of facilities owned, leased, or operated by the City, as well as any non-minor “painting or repainting.” Maintenance is not considered a public project. A “major capital improvement project” also includes pavement management work included in the City’s seven-year Pavement Management Plan.
9. While the first two years of the seven-year CIP are included in the budget, the City Council shall retain the ability to modify the CIP at its discretion and no

funding commitment is created by the inclusion of unfunded projects or projects phased for future fiscal years.

10. With the exception of CIP and non-operating project budgets, which shall be automatically carried over until the project is completed, carryover of budget appropriations between fiscal years requires approval of the City Council. Once a CIP or non-operating project is completed, the balance remaining within the budget shall be automatically returned to the fund from which it originated.

2.9.05. Budget Adjustments.

During fiscal years, circumstances may require adjustment of the appropriations established in the adopted budget. The City Manager is authorized to make budget adjustments within adopted fund-level appropriations, and may also reduce adopted fund-level appropriations, based on economic conditions or the needs of the City. Increases in adopted-fund level appropriations require City Council approval.

2.9.06. Reserves and Fund Balance.

Reserves are a key component of fiscal responsibility and financial resilience. They provide the City with options for responding to unanticipated events and risk.

Reserves are set aside as a part of fund balance. The term “fund balance” is used to describe the net position of the General Fund and other governmental funds. There are five categories of fund balance recognized by the Governmental Accounting Standards Board (GASB): *nonspendable, restricted, committed, assigned, and unassigned*. The committed, assigned, and unassigned categories are collectively known as “unrestricted fund balance.” Unrestricted fund balance may be considered the financial resources that are available, or are capable of being made available, for periodic, unanticipated and, emergency needs, without limitation.

Annually, the City shall evaluate current and future risk and funding requirements that may impact reserve levels and requirements. After considering best practices established by the Government Finance Officers Association (GFOA) and other authoritative agencies, the City shall establish an overall target for committed and assigned reserves and individual targets by reserve category. Beginning no later than June 30, 2017, reserve policies, targets, and funding levels shall be evaluated as a part of a long-term strategic financial planning process and adjusted, as necessary, to maintain consistency with Section 2.9.06 of this Administrative Policy.

The time and method for replenishment of reserves shall be defined at the time of reserve usage, based on the category of reserve, reason required, amount used, and other relevant factors. Typically, replenishment of reserve balances should occur within one to three years of use. Funds for replenishment may be drawn from one-time revenues, excess revenues, year-end surpluses, reductions in appropriations, or other means deemed appropriate at the time reserve funds are used. A long-term perspective shall be considered when evaluating methods for replenishment.

Overall Target for Committed and Assigned Reserves

Based on risk assessment and long-term projection of potential reserve needs, the overall target for committed and assigned reserves shall be established in an amount equal to 50% of the adopted General Fund revenue budget at the beginning of each fiscal year (July 1), less any one-time revenues and non-operating revenues. Although annual revenues may fluctuate, they have historically been more stable than annual appropriations, allowing for greater consistency in committed and assigned reserve calculations year-over-year. The fund balance equal to the overall target for committed and assigned reserves shall be allocated first to other committed and assigned reserves and then to the General Fund Contingency Fund.

Committed and Assigned Reserves

Paid Leave Contingency Fund

The City shall maintain a Paid Leave Contingency Fund with an annual target equal to projected accrued paid leave balances at the end of each fiscal year (June 30), in accordance with the City's paid leave policies and obligations. An estimate of the annual target shall be adopted as a part of the City's budget and finalized by City Council action after fiscal-year-end calculations are available. The City Manager is authorized to make expenditures from the Paid Leave Contingency Fund in amounts necessary to comply with the City's paid leave policies and obligations, when such amounts exceed adopted budgets (e.g., the payment of accrued paid leave upon the retirement or resignation of an employee). The City Manager shall notify the City Council of all expenditures made from the Paid Leave Contingency Fund as a part of the budget reporting described in Section 2.9.09.

Self-Insurance Contingency Fund

The City shall maintain a Self-Insurance Contingency Fund for liability and workers' compensation claim settlements not covered by insurance policies. In developing the

annual target for this reserve, the City shall consider its five-year claims settlement history, the status of any pending claims, and any reasonably anticipated future claims activity. The City Manager is authorized to make expenditures from the Self-Insurance Contingency Fund of up to \$50,000 per individual claim settlement. The City Manager shall notify the City Council of all expenditures made from the Self-Insurance Contingency Fund as a part of the budget reporting described in Section 2.9.09. Expenditures from the Self-Insurance Contingency Fund in excess of \$50,000 per claim settlement require approval of the City Council.

General Fund Contingency Fund

The City shall maintain a General Fund Contingency Fund for economic uncertainty, operating contingencies, and emergencies caused by calamitous events. This reserve shall be established, annually, in an amount not less than the current overall target for total reserves less the amounts set aside for other reserves. Expenditures from the General Fund Contingency Fund require City Council approval.

Unassigned General Fund Balance

In addition to committed and assigned reserves, unassigned General Fund balance is available for any governmental purpose and can be appropriated upon direction from the City Council. Use of the unassigned General Fund balance should be limited to one-time projects, capital improvement projects, the payment of long-term liabilities for periods beyond the current fiscal year, and emergency expenditures.

2.9.07. Unfunded Accrued Liability for Retirement Plans.

The City shall consider making lump sum payments to reduce unfunded accrued liability for California Public Employees' Retirement System (CalPERS) plans at least as frequently as each biennial budget development process.

2.9.08. Other Post-Employment Benefits Trust Fund.

The City shall maintain an irrevocable Other-Post Employment Benefits (OPEB) Trust Fund to prefund OPEB through the California Public Employees' Retirement System (CalPERS) in an amount not less than 80% of the unfunded OPEB liability calculated on the frequency that CalPERS requires actuarial valuations of OPEB liability for participation in its California Employers' Retiree Benefit Trust Fund. The OPEB Trust Fund is held by a trustee and amounts set aside for funding are calculated independent of all other reserve and contingency funds. Contributions to

the OPEB Trust Fund require approval of the City Council. Expenditures from the OPEB Trust Fund shall be made in a manner approved by the City Council.

2.9.09. Reporting.

1. The City Treasurer shall prepare and submit a Comprehensive Annual Financial Report, which shall also include an independent audit performed by a certified public accounting firm, to the City Council within eight months of the end of each fiscal year. The City shall strive for an unqualified opinion and submission to the City Council within six months of the end of each fiscal year.
2. The City Treasurer shall prepare and submit a quarterly budget report to the City Council within 60 days of the end of each quarter. The report shall include actual year-to-date revenues and expenditures by fund, as well as any change in projections that are likely to result in the receipt of any ongoing revenue in an amount 10% or lower than the amount budgeted.
3. The City Treasurer shall prepare and submit a monthly investment report to the City Council within 30 days of the end of each month. The report shall include the information specified in Section 2.2.17 of Administrative Policy 2.2.
4. The City Council may request additional or supplemental budget, investment, or financial reports at any time by providing direction to the City Manager.

2.9.10. Relationship to Federal and State Laws.

Where federal or state laws are more restrictive than or contradict this Administrative Policy, such laws shall take precedence. Where this Administrative Policy is more restrictive than federal or state laws, this Administrative Policy shall take precedence. The City Treasurer shall advise the City Council of any contradictions of federal or state law for consideration during each budget development process.

City Council Approval: June 21, 2017

APPENDIX B

Resolution No. 17-20 (Budget and Work Plan Adoption)

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RESOLUTION NO. 17-20

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA WOODS, CALIFORNIA, ADOPTING THE FISCAL YEARS 2017-19 BUDGET AND WORK PLAN FOR FISCAL YEAR 2017-18 COMMENCING JULY 1, 2017 AND ENDING JUNE 30, 2018, AND FISCAL YEAR 2018-19 COMMENCING JULY 1, 2018 AND ENDING JUNE 30, 2019

WHEREAS, publicly noticed City Council meetings were held on April 26, 2017, May 17, 2017, June 21, 2017, and June 28, 2017, to discuss and provide direction to staff on the development of the Fiscal Years 2017-19 Budget & Work Plan and allow opportunities for public comment; and

WHEREAS, the City Manager presented the proposed Fiscal Years 2017-2019 Budget & Work Plan to the City Council on June 28, 2017.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA WOODS, DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The Fiscal Years 2017-19 Budget & Work Plan for the City of Laguna Woods ("City") is hereby adopted to cover the period of July 1, 2017 through June 30, 2019.

SECTION 2. The budget appropriations authorized, on a fund level, are:

	<i>Fiscal Year 2017-18</i>	<i>Fiscal Year 2018-19</i>
General Fund	\$5,724,476	\$5,621,246
Capital Projects Fund	\$365,426	\$165,000
<i>Transportation Funds</i>		
Fuel Tax	\$437,274	\$300,102
Road Maintenance & Rehabilitation Program	\$0	\$110,250
Measure M2	\$242,044	\$242,992
<i>Public Safety Funds</i>		
Supplemental Law Enforcement Services	\$141,707	\$123,500

<i>Environmental Funds</i>		
Beverage Container Recycling	\$5,000	\$0
<i>Community Services Funds</i>		
PEG/Cable Television	\$2,000	\$2,047
Senior Mobility	\$294,179	\$316,700
Community Development Block Grant (CDBG)	\$145,700	\$145,700
TOTAL	\$7,357,806	\$7,027,538

SECTION 3. The General Fund committed and assigned reserves authorized are:

	<i>Fiscal Year 2017-18</i>	<i>Fiscal Year 2018-19</i>
Paid Leave Contingency Fund	\$81,609	\$81,609
Self-Insurance Contingency Fund	\$50,000	\$50,000
General Fund Contingency Fund	\$2,555,191	\$2,639,191
TOTAL	\$2,686,800	\$2,770,800

Committed and assigned reserves shall be maintained, administered, and expended in accordance with Administrative Policy 2.9.

SECTION 4. The authorized City personnel positions for fiscal years 2017-18 and 2018-19 are:

Full-time

(1) CITY MANAGER
 (1) ADMINISTRATIVE SERVICES DIRECTOR/CITY TREASURER
 (2) MANAGEMENT ANALYST or SENIOR MANAGEMENT ANALYST
 (1) DEPUTY CITY CLERK
 (1) SENIOR ACCOUNTANT
 (1) ADMINISTRATIVE COORDINATOR
 (1) ACCOUNTING CLERK
 TOTAL: 8 FULL-TIME EQUIVALENTS

Limited Part-time

(0.45) MANAGEMENT ANALYST or SENIOR MANAGEMENT ANALYST
TOTAL: 0.45 FULL-TIME EQUIVALENTS

SECTION 5. From the effective date of said budget, the total amount as stated therein for the operating budget shall be, and is, appropriated subject to expenditure pursuant to all applicable ordinances of the City of Laguna Woods and statutes of the State of California. The operating budget may be reallocated by the City Manager providing there is no change in the total appropriations within any fund as authorized by the City Council.

SECTION 6. The City Manager is authorized to make budget adjustments within adopted fund-level appropriations, and may also reduce adopted fund-level appropriations, based on economic conditions or the needs of the City. Increases in adopted-fund level appropriations require City Council approval.

SECTION 7. The City Manager may decrease revenue estimates to reflect economic change during the fiscal year and may reduce expenditure appropriations as a method of fiscal control.

SECTION 8. At the close of Fiscal Year 2016-17, all appropriations shall lapse, except that unexpended appropriations shall be encumbered as necessary to underwrite the expense of outstanding purchase commitments. Unexpended appropriations for certain Fiscal Year 2016-17 General Fund budget items noted in the Fiscal Years 2017-19 Budget & Work Plan, as well as unexpended appropriations for capital improvements projects and non-operating projects shall be carried over to Fiscal Years 2017-18.

SECTION 9. At the close of Fiscal Year 2016-17, all appropriations shall lapse, except that unexpended appropriations shall be encumbered as necessary to underwrite the expense of outstanding purchase commitments. Unexpended appropriations for certain Fiscal Year 2017-18 General Fund budget items noted in the Fiscal Years 2017-19 Budget & Work Plan, as well as unexpended appropriations for capital improvements projects and non-operating projects shall be carried over to Fiscal Years 2017-18.

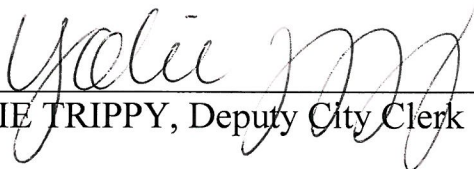
SECTION 10. The City Council approves the City's membership in the following organizations: the League of California Cities, the Southern California Association of Governments, the Orange County Council of Governments, and the Orange County Local Agency Formation Commission.

SECTION 11. The Deputy City Clerk shall certify to the adoption of this resolution.

PASSED, APPROVED AND ADOPTED on this 28th day of June 2017.


SHARI HORNE, Mayor

ATTEST:


YOLIE TRIPPY, Deputy City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.
CITY OF LAGUNA WOODS)

I, YOLIE TRIPPY, Deputy City Clerk of the City of Laguna Woods, do HEREBY CERTIFY that the foregoing **Resolution No. 17-20** was duly adopted by the City Council of the City of Laguna Woods at an adjourned regular meeting thereof, held on the 28th day of June 2017, by the following vote:

AYES: COUNCILMEMBERS: Conners, Hatch, Horne, Moore
NOES: COUNCILMEMBERS: -
ABSENT: COUNCILMEMBERS: -


YOLIE TRIPPY, Deputy City Clerk

APPENDIX C

Resolution No. 17-21 (Capital Improvement Program Adoption
for Fiscal Year 2017-18)

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RESOLUTION NO. 17-21

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA WOODS, CALIFORNIA, ADOPTING A SEVEN-YEAR CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2017-18 THROUGH 2023-24 IN CONFORMANCE WITH MEASURE M2 REQUIREMENTS

WHEREAS, the City of Laguna Woods (“City”) seeks to maintain its eligibility to receive an apportionment of Measure M2 sales tax revenues that can be used to fund transportation-related projects and programs; and

WHEREAS, a prerequisite of such eligibility for the City is the annual filing of a Measure M2 eligibility package for review and approval by the Orange County Transportation Authority; and

WHEREAS, one component of the Measure M2 eligibility package is the preparation and adoption of a Seven-Year Capital Improvement Program (“CIP”) which includes, at a minimum, all projects and programs which are needed to meet and maintain adopted levels of service performance standards, in addition to all projects and programs proposed to receive Measure M2 funding; and

WHEREAS, the Fiscal Year 2017-18 expenditures identified in the CIP are consistent with the City’s adopted Fiscal Year 2017-18 Budget; and

WHEREAS, the CIP, for the purpose of Measure M2 eligibility, is recognized as a program and project finance and planning tool to assist local governments in the long-term development and funding of transportation-related programs and projects, and not a budget commitment; and

WHEREAS, the CIP is updated annually to include adjustments to funding and project schedules.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA WOODS, DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The City’s Seven-Year Capital Improvement Program, attached hereto as Exhibit A and incorporated herein by reference, is adopted in conformance with Measure M2 requirements.

SECTION 2. The Deputy City Clerk shall certify to the adoption of this resolution.

PASSED, APPROVED AND ADOPTED on this 28th day of June 2017.


SHARI L. HORNE, Mayor


ATTEST:


YOLIE TRIPPY, Deputy City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.
CITY OF LAGUNA WOODS)

I, YOLIE TRIPPY, Deputy City Clerk of the City of Laguna Woods, do HEREBY CERTIFY that the foregoing **Resolution No. 17-21** was duly adopted by the City Council of the City of Laguna Woods at an adjourned regular meeting thereof, held on the 28th day of June 2017, by the following vote:

AYES: COUNCILMEMBERS: Conners, Hatch, Horne, Moore
NOES: COUNCILMEMBERS: -
ABSENT: COUNCILMEMBERS: -


YOLIE TRIPPY, Deputy City Clerk

CITY OF LAGUNA WOODS

Fiscal Years 2017-18 and 2018-19 Capital Improvement Program - Funding Plan

EXPENDITURES			FY 14-15	FY 15-16	FY 2016-17		Year 1				Year 2			
#	Project Title	Estimated Project Cost	Funded FY 14-15	Funded FY 15-16	Funded FY 16-17	Amount Unfunded (If Partially Funded)	Budget FY 17-18 (General Fund)	Budget FY 17-18 (Transportation Funds)	Proposed FY 17-18 (Other)	Amount Unfunded (If Partially Funded)	Budget FY 18-19 (General Fund)	Budget FY 18-19 (Transportation Funds)	Budget FY 18-19 (Other)	Amount Unfunded (If Partially Funded)
TRANSPORTATION PROJECTS														
1	El Toro Road Traffic Signal Synchronization Project	\$ 642,500	\$ 720	\$ 611,800	\$ 29,980	-	-	-	-	-	-	-	-	-
2	Moulton Parkway Traffic Signal Synchronization Project	\$ 808,050	\$ 1,440	\$ 736,850	\$ 69,760	-	-	-	-	-	-	-	-	-
3	Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Paseo de Valencia)	\$ 157,500	-	-	-	-	-	\$ 157,500	-	-	-	-	-	-
4	Pavement Management Plan Project (Eastbound El Toro Road between Avenida Sevilla and Church Intersection)	\$ 110,250	-	-	-	-	-	-	-	-	-	\$ 110,250	-	-
5	Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Church Intersection)	\$ 110,250	-	-	-	-	-	-	-	-	-	-	-	-
6	(Eastbound Ridge Route Drive between Moulton Parkway and Ridge Route Linear Park)	\$ 17,500	-	-	-	-	-	-	-	-	-	-	-	-
7	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 1 (Moulton Parkway)	\$ 145,700	-	-	-	-	-	-	\$ 145,700	*	-	-	-	-
8	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 2 (El Toro Road and Moulton Parkway)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	\$ 145,700	**
9	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 3 (El Toro Road)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-
10	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 4 (Moulton Parkway and Santa Maria Avenue)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-
11	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 5 (El Toro Road and Santa Maria Avenue)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-
12	Drainage Improvement Project (Moulton Parkway at Santa Maria Avenue)	\$ 59,563	-	-	-	-	\$ 59,563	-	-	-	-	-	-	-
TRANSPORTATION / GREEN SPACES PROJECTS														
13	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Design)	\$ 19,250	-	-	-	-	-	-	-	-	-	\$ 19,250	-	-

CITY OF LAGUNA WOODS

Fiscal Years 2017-18 and 2018-19 Capital Improvement Program - Funding Plan

EXPENDITURES			FY 14-15	FY 15-16	FY 2016-17		Year 1				Year 2			
#	Project Title	Estimated Project Cost	Funded FY 14-15	Funded FY 15-16	Funded FY 16-17	Amount Unfunded (If Partially Funded)	Budget FY 17-18 (General Fund)	Budget FY 17-18 (Transportation Funds)	Proposed FY 17-18 (Other)	Amount Unfunded (If Partially Funded)	Budget FY 18-19 (General Fund)	Budget FY 18-19 (Transportation Funds)	Budget FY 18-19 (Other)	Amount Unfunded (If Partially Funded)
TRANSPORTATION / GREEN SPACES PROJECTS (continued)														
14	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Construction)	\$ 95,000	-	-	-	-	-	-	-	-	-	-	-	-
15	Moulton Parkway Water Efficient Median Improvement Project (Design)	\$ 52,250	-	\$ 52,250	-	-	-	-	-	-	-	-	-	-
16	Moulton Parkway Water Efficient Median Improvement Project (Construction)	\$ 273,914	-	-	\$ 273,914	-	-	-	-	-	-	-	-	-
GREEN SPACES PROJECTS														
17	City Centre Park Lighting Improvement Project	\$ 115,000	-	-	-	-	-	-	-	-	-	-	-	-
18	Woods End Wilderness Preserve Trail Drainage and Improvement Project	\$ 101,396	-	-	-	-	-	-	-	-	-	-	-	-
BUILDING PROJECTS														
19	City Hall Restroom Repair and Improvement Project (Construction)	\$ 283,363	-	-	-	-	\$ 283,363	-	-	-	-	-	-	-
20	City Hall Refurbishment and Safety Project: Phase 1 (Design)	\$ 22,500	-	-	-	-	\$ 22,500	-	-	-	-	-	-	-
21	City Hall Refurbishment and Safety Project: Phase 1 (Construction)	\$ 165,000	-	-	-	-	-	-	-	-	\$ 165,000	-	-	-
22	City Hall Emergency Backup Generator Project (Design)	\$ 60,000	-	-	-	-	-	-	-	-	-	-	-	-
23	City Hall Emergency Backup Generator Project (Construction)	\$ 385,000	-	-	-	-	-	-	-	-	-	-	-	-
24	City Hall Television Broadcast Improvement Project	\$ 75,000	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (ALL PROJECTS)		\$ 4,281,786	\$ 2,160	\$ 1,400,900	\$ 373,654	\$ -	\$ 365,426	\$ 157,500	\$ 145,700	\$ -	\$ 165,000	\$ 129,500	\$ 145,700	\$ -
TRANSPORTATION-RELATED OPERATIONS & MAINTENANCE***														
A	Measure M2 Fair Share Expenditures													
	Street Lighting - Public Right-of-Way		\$ 22,501	\$ 27,006	\$ 25,329	-	-	\$ 25,761	-	-	-	\$ 26,367	-	-
	Contract - Traffic Engineering		\$ 119,429	\$ 122,126	\$ 165,600	-	-	\$ 163,600	-	-	-	\$ 163,600	-	-
	Contract - Traffic Signal Maintenance		\$ 35,502	\$ 23,843	\$ 41,505	-	-	\$ 51,983	-	-	-	\$ 52,325	-	-
	Vendor Reimbursements (Prior Year Charges)		\$ (9,495)	-	-	-	-	-	-	-	-	-	-	-
	Allowable Overhead Costs		\$ 1,535	\$ 600	\$ 600	-	-	\$ 700	-	-	-	\$ 700	-	-
TOTAL			\$ 169,472	\$ 173,575	\$ 233,034	\$ -	\$ -	\$ 242,044	\$ -	\$ -	\$ -	\$ 242,992	\$ -	\$ -

* This project is contingent on the City receiving external funding. The City anticipates receiving Community Development Block Grant (CDBG) funding.

** This project is contingent on the City receiving external funding. The City anticipates applying for Community Development Block Grant (CDBG) funding.

*** This information is provided at the direction of the Orange County Transportation Authority. Operations and maintenance expenses are not capital improvement projects.

CITY OF LAGUNA WOODS

Fiscal Years 2019-20 through 2023-24 Capital Improvement Program - Projected Funding Plan

EXPENDITURES			Year 3				Year 4				Year 5				Year 6				Year 7			
#	Project Title	Estimated Project Cost	Projected FY 19-20 (General Fund)	Projected FY 19-20 (Transportation Funds)	Projected FY 19-20 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 20-21 (General Fund)	Projected FY 20-21 (Transportation Funds)	Projected FY 20-21 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 21-22 (General Fund)	Projected FY 21-22 (Transportation Funds)	Projected FY 21-22 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 22-23 (General Fund)	Projected FY 22-23 (Transportation Funds)	Projected FY 22-23 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 23-24 (General Fund)	Projected FY 23-24 (Transportation Funds)	Projected FY 23-24 (Other)	Amount Unfunded (If Partially Funded)
TRANSPORTATION PROJECTS																						
1	El Toro Road Traffic Signal Synchronization Project	\$ 642,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Moulton Parkway Traffic Signal Synchronization Project	\$ 808,050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Paseo de Valencia)	\$ 157,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Pavement Management Plan Project (Eastbound El Toro Road between Avenida Sevilla and Church Intersection)	\$ 110,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Pavement Management Plan Project (Westbound El Toro Road between Avenida Sevilla and Church Intersection)	\$ 110,250	-	\$ 110,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	(Eastbound Ridge Route Drive between Moulton Parkway and Ridge Route Linear Park)	\$ 17,500	-	-	-	-	-	-	-	-	-	\$ 17,500	-	-	-	-	-	-	-	-	-	-
7	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 1 (Moulton Parkway)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 2 (El Toro Road and Moulton Parkway)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 3 (El Toro Road)	\$ 145,700	-	-	\$ 145,700 *	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 4 (Moulton Parkway and Santa Maria Avenue)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	\$ 145,700 **	-	-	-	-	-	-	-	-	-
11	Americans with Disabilities Act (ADA) Pedestrian Accessibility Improvement Project: Phase 5 (El Toro Road and Santa Maria Avenue)	\$ 145,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 145,700 **	-	-	-	-	-
12	Drainage Improvement Project (Moulton Parkway at Santa Maria Avenue)	\$ 59,563	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANSPORTATION / GREEN SPACES PROJECTS																						
13	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Design)	\$ 19,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	El Toro Road Water Efficient Median Improvement Project (Between Calle Sonora and Moulton Parkway) (Construction)	\$ 95,000	-	\$ 95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Moulton Parkway Water Efficient Median Improvement Project (Design)	\$ 52,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Moulton Parkway Water Efficient Median Improvement Project (Construction)	\$ 273,914	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GREEN SPACES PROJECTS																						
17	City Centre Park Lighting Improvement Project	\$ 115,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 115,000	-	-	-
18	Woods End Wilderness Preserve Trail Drainage and Improvement Project	\$ 101,396	-	-	-	-	\$ 101,396	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BUILDING PROJECTS																						
19	City Hall Restroom Repair and Improvement Project (Construction)	\$ 283,363	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	City Hall Refurbishment and Safety Project: Phase 1 (Design)	\$ 22,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	City Hall Refurbishment and Safety Project: Phase 1 (Construction)	\$ 165,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	City Hall Emergency Backup Generator Project (Design)	\$ 60,000	\$ 60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	City Hall Emergency Backup Generator Project (Construction)	\$ 385,000	-	-	-	-	\$ 385,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	City Hall Television Broadcast Improvement Project	\$ 75,000	-	-	-	-	-	-	\$ 75,000 ***	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (ALL PROJECTS)		\$ 4,281,786	\$ 60,000	\$ 205,250	\$ 145,700	\$ -	\$ 486,396	\$ -	\$ 75,000	\$ -	\$ -	\$ 17,500	\$ 145,700	\$ -	\$ -	\$ -	\$ 145,700	\$ -	\$ 115,000	\$ -	\$ -	\$ -

CITY OF LAGUNA WOODS																						
Fiscal Years 2019-20 through 2023-24 Capital Improvement Program - Projected Funding Plan																						
EXPENDITURES			Year 3				Year 4				Year 5				Year 6				Year 7			
#	Project Title	Estimated Project Cost	Projected FY 19-20 (General Fund)	Projected FY 19-20 (Transportation Funds)	Projected FY 19-20 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 20-21 (General Fund)	Projected FY 20-21 (Transportation Funds)	Projected FY 20-21 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 21-22 (General Fund)	Projected FY 21-22 (Transportation Funds)	Projected FY 21-22 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 22-23 (General Fund)	Projected FY 22-23 (Transportation Funds)	Projected FY 22-23 (Other)	Amount Unfunded (If Partially Funded)	Projected FY 23-24 (General Fund)	Projected FY 23-24 (Transportation Funds)	Projected FY 23-24 (Other)	Amount Unfunded (If Partially Funded)
TRANSPORTATION-RELATED OPERATIONS & MAINTENANCE****																						
A	Measure M2 Fair Share Expenditures																					
	Street Lighting - Public Right-of-Way			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Contract - Traffic Engineering			\$ 163,600			-	\$ 167,440	-		-	\$ 167,440			-	\$ 167,440			-	\$ 167,440		
	Contract - Traffic Signal Maintenance			\$ 52,682			-	\$ 53,048			-	\$ 54,359			-	\$ 54,359			-	\$ 54,359		
	Vendor Reimbursements (Prior Year Charges)						-				-				-				-			
	Allowable Overhead Costs			\$ 700			-	\$ 750			-	\$ 750			-	\$ 700			-	\$ 700		
	TOTAL			\$ 216,982	\$ -	\$ -	\$ -	\$ 221,238	\$ -	\$ -	\$ -	\$ 222,549	\$ -	\$ -	\$ -	\$ 222,499	\$ -	\$ -	\$ -	\$ 222,499	\$ -	\$ -

* This project is contingent on the City receiving external funding. The City anticipates receiving Community Development Block Grant (CDBG) funding.

** This project is contingent on the City receiving external funding. The City anticipates applying for Community Development Block Grant (CDBG) funding.

*** This project would be funded using Public, Educational, and Governmental ("PEG") fees.

**** This information is provided at the direction of the Orange County Transportation Authority. Operations and maintenance expenses are not capital improvement projects.

APPENDIX D

Resolution No. 17-22 (Annual Appropriations Limit Adoption
for Fiscal Year 2017-18)

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RESOLUTION NO. 17-22

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA WOODS, CALIFORNIA, ADOPTING THE ANNUAL APPROPRIATIONS LIMIT FOR FISCAL YEAR 2017-18 COMMENCING JULY 1, 2017 AND ENDING JUNE 30, 2018

WHEREAS, Article XIII B of the California State Constitution restricts the appropriations growth rate for cities and other local jurisdictions; and

WHEREAS, annual appropriations limits established pursuant to Article XIII B are required to be modified on an annual basis for changes in inflation and population according to calculation methods established by Proposition 111; and

WHEREAS, voters established the base annual appropriations limit for the City of Laguna Woods ("City") at \$4,165,544 in 2002; and

WHEREAS, the City has complied with the provisions of Article XIII B in determining an appropriations limit for Fiscal Year 2017-18; and

WHEREAS, the City has complied with Government Code Section 7910 by making documentation regarding its determination available for public review for 15 days prior to this City Council meeting.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA WOODS, DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. That the annual appropriations limit for Fiscal Year 2017-18 shall be \$9,967,274, as calculated in Exhibit A attached hereto.

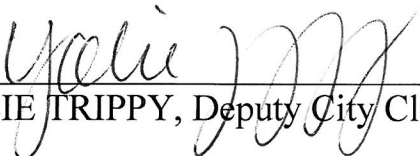
SECTION 2. That the adjustment factors for the Fiscal Year 2017-18 limit calculation shall be the annual percentage change in Orange County population and the annual percentage change in California per capita personal income.

SECTION 3. The Deputy City Clerk shall certify to the adoption of this resolution.

PASSED, APPROVED AND ADOPTED on this 28th day of June 2017.


SHARI HORNE, Mayor


ATTEST:


YOLIE TRIPPY, Deputy City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.
CITY OF LAGUNA WOODS)

I, YOLIE TRIPPY, Deputy City Clerk of the City of Laguna Woods, do
HEREBY CERTIFY that the foregoing **Resolution No. 17-22** was duly adopted by
the City Council of the City of Laguna Woods at an adjourned regular meeting
thereof, held on the 28th day of June 2017, by the following vote:

AYES: COUNCILMEMBERS: Conners, Hatch, Horne, Moore
NOES: COUNCILMEMBERS: -
ABSENT: COUNCILMEMBERS: -


YOLIE TRIPPY, Deputy City Clerk

**CITY OF LAGUNA WOODS
ANNUAL APPROPRIATIONS LIMIT
Fiscal Year 2017-18 Calculation**

Calculation of Appropriations Limit:

Appropriations Limit for Fiscal Year 2016-17	\$9,546,698
Adjustment Factors:	
Population Change (County of Orange)*	1.0069
Cost of Living (Per Capita Personal Income)*	x <u>1.0369</u>
Combined Adjustment Factor*	<u>2.0438</u>
Appropriations Limit for Fiscal Year 2017-18	<u>\$9,967,274</u>
<hr/>	
Appropriations Subject to Limitation for Fiscal Year 2017-18	\$3,837,059

* State of California, Department of Finance, *Price and Population Information*. May 2017.
Factors are rounded to four decimal places for presentation purposes.

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APPENDIX E

Glossary of Terms and Acronyms

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APPENDIX E

Appendix E is intended to define significant terms and acronyms used in this budget and work plan. Individuals with questions regarding these or other terms or acronyms are encouraged to contact the City's Administrative Services Department.

GLOSSARY OF TERMS AND ACRONYMS

AMERICANS WITH DISABILITIES ACT (ADA): The Americans with Disabilities Act is a federal law that prohibits discrimination and ensures equal opportunity for individuals with disabilities in employment, government services, public accommodations, commercial facilities, and transportation.

APPROPRIATION: A legal authorization granted by the City Council to make expenditures or incur obligations for specified purposes.

ASSESSED VALUATION: The monetary value assigned to personal property by the Orange County Assessor's Office for use in levying property taxes.

BEVERAGE CONTAINER RECYCLING PROGRAM: A grant program administered by the State of California to promote beverage container recycling, pursuant to the Beverage Container Recycling and Litter Reduction Act of 1987.

BUDGET: A financial plan that identifies revenues; specific types and levels of services to be provided; and, associated expenditures.

CAPITAL IMPROVEMENT PROGRAM (CIP): A planning tool to assist the City with the long-term development of funding for major capital improvement projects on public property. The Capital Improvement Program is adopted for a seven-year period in accordance with Measure M2 requirements.

CAPITAL PROJECTS FUND: A fund used to account for transfers from the General Fund that are reserved for capital improvement purposes. The Capital Projects Fund is combined with the General Fund for the purpose of reporting in the Comprehensive Annual Financial Report.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): A set of annual financial statements comprising the financial report of a state, municipal, or other

governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board (GASB). The Comprehensive Annual Financial Report includes introductory, financial, and statistical information about the governmental entity.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG): A grant program that is subject to federal appropriation and intended to assist cities and counties with a variety of local community development needs.

DEPARTMENT: An organizational unit of the City that has direct management responsibility for a group of related programs and services.

EXPENDITURE: A decrease in net financial resources representing the actual payment for goods and services or the accrual thereof.

FEES: Charges levied by the City for providing programs or services.

FISCAL YEAR (FY): The annual period designated by the City for the beginning and ending of financial transactions. The City's fiscal year begins on July 1 of each year and ends on June 30 of each subsequent year.

FUEL TAX: A tax generated by a per gallon excise tax on fuel used to propel motor vehicles or aircraft pursuant to California Constitution Article XIX Section 1; Revenue and Tax Code sections 7301-8404 and 8601-9355; and, Streets and Highways Code sections 2100 et seq. The City uses Fuel Tax revenue to support the maintenance, operation, and construction of roads and right-of-way.

FULL-TIME EQUIVALENTS (FTE): The amount of time for which a position has been budgeted, stated in terms of the fraction of time that a regular, full-time employee normally works in a year. For example, a full-time employee (1 FTE) normally works 2,080 hours in a year, while a 0.45 FTE employee normally works 936 hours in a year (2,080 hours x 0.45 = 936).

FUND: A self-balancing set of accounts to record revenues and expenditures associated with a specific purpose or funding source.

FUND BALANCE: The difference between assets and liabilities for a particular fund. Fund balance represents the amount available for future expenditures.

GENERAL FUND: The City's primary operating fund. The General Fund is used to account for the proceeds of specific revenue sources that are not legally restricted to expenditures for specified purposes.

GENERAL PLAN: A comprehensive, long-term planning document that the City is required to develop and maintain for the physical development of land within its boundaries and any relational land outside of its boundaries. The City's current General Plan is available at www.cityoflagunawoods.org.

GRANT: Contributions, gifts of cash, or other assets from a government entity or other organization to be expended for a specific purpose.

INFRASTRUCTURE: The underlying physical foundation or basic framework of the City, including buildings, parks, roadways, parkways, medians, sidewalks, traffic signals, and other related facilities and fixtures.

INTER-FUND TRANSFERS: The flow of assets from one fund to another without an equivalent flow of assets in return or a requirement for repayment. Inter-fund transfers are often used to finance capital projects or support the operations of special funds.

MEASURE M2: A ballot measure that Orange County voters approved in 2006 to increase the countywide sales tax rate through 2041 by one-half cent for the purpose of funding transportation projects and activities. It was preceded by Measure M, a ballot measure that Orange County voters approved for similar purposes in 1990.

MOBILE SOURCE REDUCTION: Funding generated by the State of California's Assembly Bill 2766 Subvention Program to support measures and projects that reduce mobile vehicle emissions.

MODIFIED ACCRUAL BASIS: The basis of accounting in which revenues are recognized if the underlying transaction has occurred as of the last day of the fiscal year and the amount is measurable and available to finance expenditures of the current period (i.e., the actual collection will occur either during the current period, or after the end of the current period, to be used to pay current year-end liabilities). Expenditures are recognized when the obligations are created, except for amounts payable from future fiscal year appropriations. [State of California, Department of Finance, *Finance Glossary of Accounting and Budgeting Terms* (2017)]

OPERATING BUDGET: A budget established for the "day-to-day" delivery of City programs and services. The Operating Budget is exclusive of limited-term expenditures, including capital improvement projects.

PRIORITY FOCUS AREAS: Priorities established by the City Council to articulate the goals and intended outcomes of the City's budget and work plan. The Priority Focus Areas for Fiscal Years 2017-19 are: *A City that is... healthy and safe, high in quality of life, environmentally conscious, economically prosperous, fiscally responsible, and professionally and efficiently served.*

PROPERTY TAX: An ad valorem tax imposed on personal property, pursuant to California Constitution Article XIII and XIII A; Revenue and Tax Code sections 95 and 97. Property tax is collected by the County of Orange and distributed to the City throughout the fiscal year.

PROPERTY TAX IN LIEU OF SALES TAX: Under the California Economic Recovery Bond Act of 2004, from 2004 to Fiscal Year 2016-17, economic recovery bonds to close the State's operating deficit were repaid from a 0.25% increase in the State sales tax rate and the City's portion of sales tax imposed by the Bradley-Burns Uniform Sales Tax Law was temporarily reduced by 0.25%. Cities were reimbursed for the reduced sales tax revenue with property tax transfers in lieu. That "Triple Flip" expired when the State's economic recovery bonds were retired in 2016. At that point, sales tax reverted to being received by cities as it was prior to 2004.

PROPERTY TAX IN LIEU OF VEHICLE LICENSE FEES (VLF): Revenues resultant of a tax swap approved by the California State Legislature in 2004 that eliminated State General Fund payments to cities as compensation for revenue lost from vehicle license fee rate cuts and added property tax transfers in lieu.

PROPERTY TRANSFER TAX: A tax on the recordation of documents transferring ownership of land or real property. Property transfer tax is established by cities and counties and is collected by the County of Orange at a rate of \$1.10 per \$1,000 of the assessed value of the real estate being transferred. The City and the County each receive 50% of the property transfer taxes collected.

PUBLIC, EDUCATIONAL, AND GOVERNMENTAL FEES (PEG): Fees collected by the City from franchised video service providers operating within the City to support PEG-related purposes consistent with state and federal law.

RESERVE: A separate account maintained to proactively set aside money for unforeseen and/or unusual expenditures.

REVENUE: Income received by the City.

ROAD MAINTENANCE & REHABILITATION PROGRAM: In April 2017, Governor Brown signed the Road Repair and Accountability Act of 2017 (Senate Bill 1) into law, which increased the funds available to cities for public road maintenance and rehabilitation. The City accounts for Senate Bill 1 revenue in the Road Maintenance & Rehabilitation Program Fund.

SALES TAX: A tax imposed on the total retail price of any tangible personal property and the use or storage of such property when sales tax is not paid pursuant to California Constitution Article XIII sections 25.5(a)(2) and 29; Revenue and Tax Code sections 7200 et seq. The City currently receives 1% of the 8.5% sales tax charged within Laguna Woods (see "Property Tax In Lieu of Sales Tax"). The City also receives a share of the 0.5% sales tax levied by Measure M2 throughout Orange County, which is reported as Measure M2 revenue in this budget and the City's annual financial statements.

SENIOR MOBILITY: The City's Senior Mobility Program subsidizes the cost of taxi travel for Laguna Woods residents who are at least 60 years of age. The City uses the Senior Mobility Fund to account for revenues that are used to support the Senior Mobility Program, including Measure M2 Senior Mobility funds, Transportation Development Act funds, fees paid by participants, and any transfers from the General Fund to offset unanticipated expenditures (e.g., costs associated with higher than projected demand).

SERVICE AUTHORITY FOR ABANDONED VEHICLES (SAAV): Orange County's Service Authority for Abandoned Vehicles (SAAV) was created in 1991 to assist with the abatement of abandoned vehicles. Fees were collected by the State of California from annual vehicle registrations and allocated to cities through local service authorities. The collection of fees ended in 2012.

SPECIAL REVENUE FUNDS (SPECIAL FUNDS): Funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes or reserved for capital improvement(s).

SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND: A source of local revenue that was included in the State of California's Local Law Enforcement Services Act of 2011, which realigned a variety of formerly state law enforcement programs by shifting responsibilities to local authorities. The City receives a minimum of \$100,000 in Supplemental Law Enforcement Services revenue each year to offset a portion of qualifying law enforcement costs.

TRANSIENT OCCUPANCY TAX (TOT): A tax levied at a rate of 10% of the rent charged for most hotel stays and short-term rentals, pursuant to Revenue and

Tax Code sections 7280 and 7281. Transient occupancy tax is collected by the operators of hotels and short-term rentals, and then paid to the City.

USED OIL/OIL PAYMENT PROGRAM: A grant program administered by the State of California, as required by the California Public Resources Code, to promote used oil recycling.

YEAR-END: The end of the City's fiscal year (June 30).

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City of Laguna Woods
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