
City Manager's Transmittal Letter

May 4, 2009

HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

INTRODUCTION

I am pleased to present the City of Los Alamitos' proposed budget and Capital Improvement Program for fiscal year 2009-10. This budget document is responsive to the needs of the citizens and business community of Los Alamitos and is designed to provide a comprehensive financial overview of City activities during the next twelve months. The document includes departmental mission statements, goals, accomplishments for the prior fiscal year, program descriptions, service objectives and work plans for fiscal year 2009-10. These departmental goals complement the City-wide goals adopted by the City Council in August 2007. The document also includes an overview of the City's finances and related budget issues to enhance utilization of this document as a communication device, financial plan, policy tool and operations guide for the City Council and citizens of Los Alamitos. This financial plan is scheduled to be discussed with the City Council at the Budget Study Session on May 4, 2009.

The proposed budget has been prepared in accordance with local ordinances, state statutes and professional standards promulgated by the Governmental Accounting Standards Board governing its development. This budget maintains the excellent service levels that our citizenry rightfully expects and clearly reflects the desires of the City Council. We will continue to make the City's priorities and spending plans available to the public by making this publication available for the public's review.

This 2009-10 proposed budget represents the operating and capital spending plans for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Internal Service Funds. The total proposed appropriations for all budgeted funds for fiscal year 2009-10 are \$14,493,840. The proposed operating appropriations on an all funds basis are \$12,733,840 and the proposed appropriations for the Capital Improvement Program are \$1,760,000. These proposed appropriations represent a decrease of 5.9% for operations and an increase of 7.0% for capital improvements, as illustrated by the schedule below. The 2009-10 proposed budget on an all funds basis of \$14,493,840 represents a decrease of \$677,120 or 4.5% when compared to the fiscal year 2008-09 originally adopted budget of \$15,170,960.

	2008-09 Adopted Budget	2009-10 Proposed Budget	Increase/ (Decrease) Amount	% Variance
Operating Budget – All Funds	\$13,525,960	\$12,733,840	\$ (792,120)	-5.9%
Capital Budget – All Funds	1,645,000	1,760,000	115,000	7.0%
Total Budget – All Funds	\$15,170,960	\$14,493,840	\$ (677,120)	-4.5%

Fiscal Year 2009-10 Budget

The strategy for preparing the 2009-10 proposed budget was designed to maintain a consistent level of service and to meet the City's non-discretionary financial commitments for the 2009-10 fiscal year.

The 2009-10 proposed budget reflects no salary adjustments for the City's two memorandums of understanding (MOU's), as well as the non-represented employees' resolution approved by the City Council in May 2008. The Los Alamitos City Employees' Association MOU expired on April 30, 2009, the Police Officers' Association MOU remains in effect through June 30, 2009, and the non-represented City Council approved resolution expired March 2, 2009. No placeholders have been included in the proposed operating budget for adjustments to the MOU's. It should be noted that City Council is committed to reaching agreement with the City's bargaining groups and signing new MOU's before the start of the fiscal year.

In order to adopt a balanced General Fund budget for fiscal year 2009-10 in June, City staff will be prepared to make recommendations for City Council consideration at the Budget Study Session on May 4, 2009, and if necessary, future study sessions. City staff is prepared to work diligently to close the budgetary gap that exists at the current time. Numerous budget reductions are already recommended as part of this proposed budget document. These are summarized below and will be discussed in detail at the Budget Study Session on May 4, 2009.

To gain a better understanding of the proposed budget document as a whole, it is important to compare the General Operating Fund as it relates to the entire budget covering all fund types for fiscal year 2009-10. The following schedule illustrates this relationship:

Appropriations	2008-09 Adopted Budget	2009-10 Proposed Budget	Increase/ (Decrease) Amount	% Variance
General Fund	\$11,678,280	\$11,238,100	\$ (440,180)	-3.8%
Special Revenue Funds	2,362,040	2,572,650	210,610	8.9%
Debt Service Fund	209,850	213,080	3,230	1.5%
Capital Projects Funds	160,800	40,000	(120,800)	-75.1%
Internal Service Funds	759,990	430,010	(329,980)	-43.4%
Total Appropriations – All Funds	\$15,170,960	\$14,493,840	\$ (677,120)	-4.5%

The General Operating Fund comprises 77.5% of the total proposed budget on an all funds basis for fiscal year 2009-10. The proposed expenditures in the General Operating Fund decreased by \$440,180 or 3.8% in fiscal 2009-10 when compared to the prior year's originally adopted budget.

The 2009-10 proposed budget provides for the utilization of resources in the amount of \$14,639,760 and includes the utilization of existing fund balances in the amount of \$1,496,310 on an all funds basis. At times, the utilization of fund balances in the spending plan may be necessary to fund one-time projects or capital expenditures or unanticipated operating expenditures. Generally, the utilization of available fund balances to meet future obligations in a budget may be considered symptomatic of underlying financial difficulties within the various individual funds. It is recognized that

City Manager's Transmittal Letter

long term financial stability is reliant upon the City's ability to operate within the current year's sources of revenue. Management is committed to reviewing the fiscal stability of the City periodically and undertaking proactive measures as necessary to ensure its continued fiscal health. In honoring this commitment to a balanced budget and ensuring the City's fiscal stability, numerous budget reductions are recommended in this proposed budget.

The fiscal year 2009-10 proposed budget reflects deficit spending in the General Fund, Building Improvement Fund, Gas Tax Fund, Residential Street Fund, Measure M Fund, Office of Traffic Safety (OTS) Fund, Joint Forces Training Base (JFTB) Pool Fund, Park Development Fund, and Technology Replacement Fund. The majority of the deficit spending is related to capital improvement project expenditures in the Special Revenue Funds and Capital Projects Fund. In the case of the JFTB Pool Fund, operating expenditures exceed operating revenues. For the Technology Replacement Fund, fund balance is being utilized for one-time capital expenditures, i.e. replacement of computer servers. The City of Los Alamitos has been fortunate to have a moderate level of General Fund reserves due to sound financial planning in the past. However, in order to maintain the City's fiscal health into the future, the budget reductions that are recommended as part of this proposed budget must be strongly considered. It is a high priority for the City's administration to pay close attention to financial planning in the upcoming years to maintain the City's reserves.

Proposed fiscal year 2009-10 estimated revenues and appropriations are summarized and listed below.

	General Fund	All Other Funds	Total
2009-10 Estimated Revenues	\$ 10,769,480	\$ 2,373,970	\$ 13,143,450
2009-10 Utilization of Fund Balances	468,620	1,027,690	1,496,310
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Total 2009-10 Resources	11,238,100	3,401,660	14,639,760
2009-10 Appropriations	11,238,100	3,255,740	14,493,840
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2009-10 Required Resources over Expenditures	\$ -	\$ 145,920	\$ 145,920

The following paragraphs give an overview of the state of the economy and how it affects the City of Los Alamitos. Following this overview is a more detailed view of each fund's financial position including both estimated revenues and proposed appropriations for the 2009-10 fiscal year.

STATE OF THE ECONOMY

The City of Los Alamitos' economic outlook for fiscal year 2009-10 is bleak, as the City is experiencing the effects of the national recession. Most cities in California are facing significant budgetary issues as a result of the declining national and state economies. The City of Los Alamitos is no exception. Although numerous budgetary reductions are included in this fiscal year's proposed budget as detailed in the General Fund paragraphs below, it does not compensate for the loss the City is experiencing in our

Fiscal Year 2009-10 Budget

core revenue sources. According to California State University, Fullerton – College of Business and Economics' mid-year economic forecast, "There is now little doubt that we are in the midst of a severe and deep recession and the weakness is likely to last 18 – 22 months, the longest since WWII." The report goes on to say, "Consumer expenditures fell in the last two quarters of 2008, posting a decline of -3.8% (2008 Q3) and -4.3% (2008 Q4). The cumulative decrease is the largest since 1980." This is important to keep in mind since the City of Los Alamitos is highly dependent on three revenue sources to support its General Fund (70% of revenues), those being sales taxes, utility users' taxes and property taxes.

With the sluggish housing market and the predictions that the bottom has not yet been reached in Orange County (expectations of a further downward adjustment of 5% to 7%), we have been very conservative with the projections for property tax revenues for fiscal year 2009-10, with no increases projected. Instead property taxes are projected to decline slightly by \$2,880 overall when compared to the prior fiscal year's projected year end receipts. Additionally, with the slowdown in the economy, we have projected a further decline in the City's sales tax revenue for the upcoming fiscal year. The decline in this revenue source is expected to reach 4.7% from the projected 2008-09 levels and a decline of 14.7% from actual sales tax revenues received just two years ago. We have confirmed these projections with the City's sales tax consultants. The third revenue source, utility users' tax, is also projected to provide less than a 1% increase or \$14,800 for the City's General Fund, as further described below. Although we have used conservative estimates for revenue sources, we will work with the City Council as we approach the mid-year budget review to revise these estimates as certain revenue sources, i.e. sales tax, may be declining further than originally anticipated at the time this budget is scheduled to be adopted in June.

GENERAL FUND

The City's general financial goal is to provide an appropriate level of municipal services with the ability to adapt to local and regional economic changes while maintaining and enhancing the sound fiscal condition of the City. In past years, the City has had the ability to generate sufficient revenues to produce operating surpluses in the General Fund. Because of the economic downturn, the fiscal year 2009-10 proposed budget currently projects an operating deficit of \$468,620. During the Mid-Year Budget Review for the fiscal year 2008-09 Operating Budget, several budget reductions were considered and approved by the City Council. These budget reductions have been maintained for the proposed fiscal year 2009-10 operating budget and are highlighted in the paragraphs below. Additionally, the City Council maintains the General Fund emergency reserve of \$2,300,000, or 20% of operating expenditures, as well as the \$500,000 designation of fund balance for liability coverage. Staff is committed to working diligently with City Council to close the operating deficit in the current year's budget before final adoption in June, 2009.

The proposed fiscal year 2009-10 Operating Budget includes the same increases in transfers from other funds as were previously adopted by the City Council in fiscal year 2008-09. These include an increase in the transfer from the Gas Tax Fund of \$10,000 to help defray the costs of the Street Maintenance Program and a transfer of \$20,000 from the Traffic Safety Fund to support traffic enforcement services. Additional revenue enhancements adopted in the prior fiscal year have not yielded the projected results in

City Manager's Transmittal Letter

community development, as the building economy has declined to a record low during this fiscal year. The \$45,980 in projected revenue increases in the recreational programs of the City is on target for reaching the desired goal. However, there are no scheduled increases for recreation fees in the upcoming fiscal year.

As highlighted above, the City Council approved several appropriation reductions during the fiscal year 2008-09 Mid-Year Budget Review. These reductions have been maintained for the proposed fiscal year 2009-10 budget. These proposed reductions include numerous operational line items in every department, i.e., supplies, travel, training, and contractual services. Additionally, two positions remain unfunded for the upcoming fiscal year. These positions are the Public Works Director and the Assistant to the City Manager. It is proposed that the City maintain the contractual relationship with the part-time City Engineer to perform the required engineering approvals on capital projects. Part-time personnel hours have been reduced City-wide, including front counter reception and financial assistance, Police Department reception, and Recreation Department reception and special events. Additional public works reductions include deferring certain levels of maintenance at McAuliffe Sports Field and transferring a portion of the street lighting electricity costs to the Gas Tax Fund. It is also proposed that the City Council approve the deferral of the vehicle replacement charges to all departments from the Garage Internal Service Fund with the exception of the most critical vehicle replacements necessary in fiscal year 2010-11.

The following paragraphs have been provided to give the reader a more detailed understanding of the 2009-10 budget in the area of both General Fund revenues and expenditures.

General Fund Revenues:

Fiscal year 2009-10 estimated revenues total \$10,769,480, which is a 7.8%, or \$909,000 decrease from the prior fiscal year's originally adopted budget and 3.3%, or \$369,630 less than the amended fiscal year 2008-09 revenue estimates. The City's major revenue sources are expected to remain flat or show additional decreases during the upcoming fiscal year. As stated above, revenue sources will be reevaluated as part of the mid-year budget review in February 2010. The major revenue sources are listed below with details, including change from prior year's projected revenues (as detailed in the "Revenues" section of this budget document).

- Property Taxes

Property taxes represent 25.6% of General Fund revenue for fiscal year 2009-10. Property tax revenues are projected to remain static with less than a 1% decrease for the fiscal year when compared to one year earlier. This revenue category includes the property transfer tax (when property changes ownership), which has declined approximately 65% over the past two years.

- Sales and Use Taxes

Sales taxes represent 23.9% of General Fund revenue for fiscal year 2009-10. Estimated revenue for fiscal year 2009-10 is projected to complete the year an additional 4.7% lower than the prior year's projected revenue. This amounts to a decrease of 14.7%, or \$444,166 over the prior two-year period. This revenue source is highly dependent on sales in the building/construction and business/industry

Fiscal Year 2009-10 Budget

categories, which are showing significant declines in the current and upcoming fiscal years.

- Utility Users' Tax

Utility users' taxes represent 20.5% of General Fund revenue for fiscal year 2009-10. This revenue source is expected to show less than a 1% increase during the upcoming fiscal year when compared to fiscal year 2008-09 projections. The City receives utility users' tax from electricity, gas, telephone, and water. This revenue source is expected to maintain its current levels, but is not expected to continue at the accelerated rate that it has in the past.

- Franchise Fees

An increase in energy rates has contributed to the increase in franchise fees for the City of Los Alamitos in past fiscal years. The City collects franchise fees from electricity, gas, water, waste disposal, and cable television. When compared to projected revenues for fiscal year 2008-09, this revenue source is expected to remain static with less than a 1% increase in fiscal year 2009-10.

- Business Licenses

This revenue source is projected to show increases of 2.0%, or \$9,240 during the next fiscal year. This steady increase is due in large part to an increased emphasis on monitoring/enforcement by the City's business license staff. It is expected that the City will increase collections in this area as we continue this concentrated enforcement effort.

- Investment Earnings

Investment earnings for fiscal year 2009-10 are projected to decrease \$12,500, or 8.4% when compared to the prior fiscal year projections. Interest rates have continued to decline during the current fiscal year and this trend is not expected to reverse in the upcoming fiscal year. The City's investment policy only allows for investment in the State's Local Agency Investment Fund (LAIF). LAIF's quarterly interest rate has dropped from 4.18% in March 2008 to 1.91% in March 2009. It should also be noted that LAIF lags the investment market by approximately one quarter.

- Licenses and Permits

Licenses and permits show a decline of just under 1%, or \$2,140 for fiscal year 2009-10. The City Council adopted increases during the prior budget process for many of the Community Development and Public Works fees. These fee increases were originally projected to increase revenues by \$295,640. However, due to the drastic economic downturn during the current fiscal year, this projection was adjusted at mid-year to include only a \$34,321 increase. This revenue source is not projected to show any increases in the upcoming fiscal year, but will remain flat. There are no significant projects on the horizon for the upcoming fiscal year.

City Manager's Transmittal Letter

- Fines and Forfeitures

Fines and forfeitures are projected to decline \$35,500, or 5.9% during the upcoming fiscal year. The majority of this decline is in the area of red light camera fines. It is expected when a program such as red light camera enforcement is added, eventually the revenues will decline, as the true purpose of such a program is to curb behavior and reduce accidents. This appears to be the case with the City's red light camera program. Additionally, moving violations revenue is expected to decline further due to reduced fines and even community service in lieu of fines being awarded by the court system. The City will concentrate on enforcement of motor vehicle laws, continuing to increase the number of citations issued.

- Recreation Charges for Services

Revenues within this category were also adjusted during the fiscal year 2008-09 budget deliberation process. Though the City has seen increases in this revenue category in past years, revenues for the upcoming fiscal year are expected to decline as such programs as excursions will be reduced due to the sluggish economy. This revenue category shows a decline of \$12,800, or 1.8% for fiscal year 2009-10.

- Transfers In

The General Fund will receive transfers in from the Gas Tax Fund (\$110,000) for the allowable gas tax contribution to the City's street maintenance program, the Public Safety Augmentation Fund (\$83,400) and the Supplemental Law Enforcement Service Fund (\$100,000) to partially offset the costs of the Police Department motor officer program, and the Traffic Safety Fund (\$20,000) to offset Police Department expenditures for revenue obtained for vehicle impound fees.

General Fund Expenditures:

As shown in the chart above, General Fund expenditures for fiscal year 2009-10 are projected to be \$11,238,100. These appropriations include operating expenditures only. No capital improvement project expenditures are included in the General Fund for fiscal year 2009-10. The total requirements for 2009-10 have been reduced from the prior year's originally adopted appropriations by \$440,180, or 3.8%. This is a major accomplishment for the City to reduce total expenditures, as labor costs have risen due to agreed-upon cost of living adjustments with the City's Police bargaining group. Expenditure categories are compared to the prior fiscal year and explained in further detail in the following paragraphs.

- Salaries and Benefits

Salaries and benefits expenditures, which represent 62.0% of the total General Fund operating expenditures, show a decrease of 4.9%, or \$357,680 for fiscal year 2009-10. As previously outlined, this proposed decrease is due to unfunding the Public Works Director and Assistant to the City Manager positions (\$240,380) and the reduction in part-time hourly personnel City-wide (\$131,950). The total personnel decrease is offset by the 4% cost of living adjustment which the Police sworn personnel received in January 2009. Related increases in benefits include an

Fiscal Year 2009-10 Budget

increase in the PERS employer rate for the “miscellaneous” (non-sworn) employees from 6.8% to 7.7%.

- Maintenance and Operations (M & O)

Maintenance and operations expenditures, which include such items as professional/contractual services, equipment maintenance/rental, supplies, memberships/subscriptions, training, utilities and a variety of other fees decreased \$84,980 for all departments in the General Fund. This 2.1% decrease brings the 2009-10 maintenance and operations budget to \$3,962,130.

All General Fund departments reduced operations in the areas of supplies, travel, contractual services, training, etc. Offsetting the decrease were increases in the West-Comm Joint Powers Authority for police dispatch in the amount of \$34,870, contractual City Engineer expenditures in the amount of \$103,200, and contractual services maintenance charges for the City’s Geographic Information Services (GIS) software of \$12,000.

- Capital Outlay

Capital outlay expenditures include expenditures for furniture and fixtures and equipment. The 2009-10 budget includes no capital outlay expenditures in the General Fund. There were no prior fiscal year expenditures in this category as well.

- Capital Improvement Program (CIP)

There are no Capital Improvement Program (CIP) expenditures included in the General Fund for fiscal year 2009-10. The usual project funded from the General Fund, i.e., the Arterial Street Tree Program, is funded from the Gas Tax Fund in fiscal year 2009-10. A more detailed description of these projects can be found in the CIP section of this budget.

BUILDING IMPROVEMENT FUND

The Building Improvement Fund was established by the City Council several years ago with monies set aside from the City’s General Fund. This fund was designated for various capital improvement projects at the Civic Center, including exterior improvements, air conditioning replacement, parking lot improvements, and other deferred maintenance projects. With projected investment revenue of \$5,200 and appropriations of \$35,000 for improvements to the Museum building roof, this fund will complete fiscal year 2009-10 with an ending fund balance of \$80,340.

GAS TAX FUND

The Gas Tax Fund accounts for State collected, locally shared gas tax monies that are utilized for repair, construction, maintenance and rights-of-way acquisition related to streets and highways. Fiscal year 2009-10 shows estimated revenues of \$726,000, including \$500,000 in Federal Economic Stimulus funding, expenditures of \$1,096,800, which includes transfers out (street maintenance) to the General Fund of \$110,000. The ending fund balance is projected to be \$103,270 at June 30, 2010.

City Manager's Transmittal Letter

RESIDENTIAL STREET FUND

The Residential Street Fund receives its funding from the General Fund through monies designated for future improvement to streets. Estimated revenues total \$5,200 in investments earnings, with expenditures totaling \$40,000 for concrete repair capital projects. June 30, 2010 reflects a final fund balance of \$106,860.

MEASURE M FUND

The Measure M Fund receives its funding from "local turnback" derived from a voter-approved initiative. Additional revenue in this fund includes competitive grant funding for improving the City's roadways. Revenues are estimated at \$211,210 for fiscal year 2009-10, which includes \$28,450 in Proposition 42 funding for the residential street improvement program. Expenditures in this fund total \$723,450, which are detailed in the Capital Improvement Program section of this budget. The fund is projected to close fiscal year 2009-10 with an ending fund balance of \$90,330.

LOS ALAMITOS TELEVISION FUND

The Los Alamitos Television Fund was created as a Special Revenue Fund of the City upon dissolution of the Los Alamitos Television Corporation. The Fund is utilized to promote and develop local usage of the cable television system in the City of Los Alamitos. The City expects to receive \$57,500 in revenues in this fund for fiscal year 2009-10. With expenditures of \$35,160 for the fiscal year, the ending fund balance at June 30, 2010 is expected to be \$173,390.

TRAFFIC SAFETY FUND

The Traffic Safety Fund receives monies from the State to be utilized for official traffic control devices and their maintenance, traffic accident prevention, and the maintenance, improvement or construction of public streets, bridges, and culverts. Revenues collected in this fund are expected to total \$25,000, with appropriations of \$30,000 expected for fiscal year 2009-10. This fund is projected to end the fiscal year with a fund balance of \$93,840.

RIVERS AND MOUNTAINS CONSERVANCY FUND

The Rivers and Mountains Conservancy Fund was established to account for grant funding received from the State Agency administering funds designated for the Lower San Gabriel Valley parks and river way projects. Because of State of California budget issues, these grant funds have been suspended. The City is not expecting to receive any grant funds to continue the Coyote Creek Park project during fiscal year 2009-10. If funds are reinstated during the upcoming fiscal year, City staff will ask the Council to approve a budget appropriation at that time to resume construction of this project. At June 30, 2010, there will be no remaining fund balance.

PUBLIC SAFETY AUGMENTATION FUND

The Public Safety Augmentation Fund accounts for the half-cent sales tax received by the City of Los Alamitos under Proposition 172. The revenues, estimated at \$83,400 for fiscal year 2009-10, are restricted to the enhancement of public safety services. Transfers out to the General Fund to offset the costs for the motor officer total \$83,400, leaving an ending fund balance of zero at June 30, 2010.

Fiscal Year 2009-10 Budget

SUPPLEMENTAL LAW ENFORCEMENT SERVICE FUND

The Supplemental Law Enforcement Service Fund is used to account for federal funds received via the State for police activities. The State governs use of these funds and funds cannot be used to supplant existing funding for law enforcement. Estimated revenues for fiscal year 2009-10 are \$100,000 and transfers out to the General Fund to offset costs for the motor officer total \$100,000, leaving an ending balance of zero at June 30, 2010.

AIR QUALITY MANAGEMENT (AQMD) FUND

The Air Quality Management Fund is used to account for revenue received from the Air Quality Management District for air quality improvement projects. Fiscal year 2009-10 estimated revenues are \$15,000 which includes \$1,000 in interest and \$14,000 in AQMD monies. There are no appropriations scheduled in this fund. This fund ends the fiscal year with a fund balance of \$55,740.

JOINT FORCES TRAINING BASE (JFTB) POOL FUND

The Joint Forces Training Base Pool Fund was established to account for revenues restricted solely for the improvement, operation and maintenance of the JFTB swimming facilities located in the City of Los Alamitos. Estimated revenues total \$314,900, with a transfer in from the General Fund of \$93,150, for fiscal year 2009-10. Appropriations total \$428,840 for the fiscal year, leaving an ending fund balance of \$45,000 for fiscal year 2009-10. This ending fund balance is to be utilized for future capital improvements at the pool.

TRAFFIC IMPROVEMENT FUND

The Traffic Improvement Fund receives its funding from traffic mitigation fees, development fees from the City of Cypress and an additional annual contractual payment from the City of Cypress. Total estimated revenue for fiscal year 2009-10 is \$24,600. With no appropriations for the upcoming fiscal year, \$469,510 is available for future appropriations at June 30, 2010.

PARK DEVELOPMENT FUND

The Park Development Fund receives revenues from developer impact fees charged to developers on a per unit basis. This fund was established to account for acquisition, construction and repair in existing City parks. Estimated revenues total \$6,240 in investment earnings for the fiscal year, with anticipated expenditures of \$40,000 for field renovations at Little Cottonwood Park, leaving an ending fund balance of \$244,810 at June 30, 2010.

City Manager's Transmittal Letter

GARAGE FUND

The Garage Fund was established to account for vehicle acquisition and maintenance. Revenues are received from other departments and generally include charges to cover maintenance and operations and to collect a vehicle replacement fee. The majority of the vehicle replacement charge has been deferred for an additional fiscal year because of budgetary constraints. The Police Department interdepartmental charge includes \$73,330 in replacement charges to replace four vehicles, including three patrol cars, during fiscal year 2010-11. Revenues from other departments are estimated at \$335,300 for fiscal year 2009-10. Appropriations total \$252,070, which does not include any vehicle and equipment replacements for fiscal year 2009-10. This fund completes the year with an ending balance of \$779,040.

TECHNOLOGY REPLACEMENT FUND

The Technology Replacement Fund was established to provide funding for ongoing technology upgrades and replacements. Revenues, which include charges to other departments for operating costs of maintaining the City's technology infrastructure, total \$152,940 and investment earnings total \$4,500 for fiscal year 2009-10. Appropriations total \$177,940, which includes replacement of two of the City's five servers and the Police Department's firewall. The ending balance in this fund at June 30, 2010 totals \$100,490.

CAPITAL IMPROVEMENT PROGRAM (CIP)

The Capital Improvement Program for fiscal year 2009-10 totals \$1,760,000. The projects listed in detail in the final section of this budget are funded by several sources. The Gas Tax Fund projects total \$921,550, which includes federal stimulus monies in the amount of \$500,000; the Residential Street Fund \$40,000; the Park Development Fund \$40,000; the Measure M Fund \$723,450, which includes Proposition 42 funding of \$28,450; and the Building Improvement Fund \$35,000. The majority of the projects in the City's Capital Improvement Program for fiscal year 2009-10 are street and road-related projects, making up 95% of the City's CIP. The current CIP is an increase from the prior budget year of \$115,000, or 7.0%.

CONCLUSION

In closing, I would like to express my appreciation to the City Council for providing the positive leadership and direction that has assisted in the preparation of this budget. The budget process this year included additional challenges as the economy has taken a drastic downturn and revenue estimates were adjusted accordingly. I believe that everyone has worked together to close the budgetary gap that existed at mid-year for fiscal year 2008-09. Over \$600,000 in budgetary reductions were adopted by the City Council in February 2009, which included operational expenditures in every department, as well as certain one-time salary savings. City staff is committed to continue this cooperative approach with City Council to close the additional \$469,000 budgetary gap that exists at the time of the City's Budget Study Session.

Fiscal Year 2009-10 Budget

Thank you to the City staff for their dedication and effort, not only in the preparation of this budget, but in their commitment to providing quality services that meet the needs of the residents of Los Alamitos. In addition, I wish to acknowledge the work of the City's Administrative Services Department who once again has successfully prepared a document that is accurate, concise and easy to read. I am certain you share my appreciation for their effort.

I look forward to working with you, staff, and the citizens of Los Alamitos as we implement this financial plan and policy document. I am confident that the result of our efforts will be a continuation of quality public services while providing a continued stable and secure financial position for our community.

Respectfully submitted,

Nita McKay
Interim City Manager