

City of Los Alamitos

Administrative Regulation

Regulation:	3.10	
Title:	Fund Balance Policy for the Internal Service Funds	
Authority:	City Council	
Date:	September 8, 2014	
Revised:	September 17, 2018	Bret M. Plumlee, City Manager

- 1. Purpose:** The policy that will be used to maintain reserves that can be utilized in future years for needed vehicles, equipment, capital projects and claims expense without having to depend on the General Fund to pay for these expenditures when funds have not been set aside to anticipate future needs.
- 2. Application:** This regulation applies to all Internal Service Funds including reserves for the Vehicles and Equipment Fund, the Technology Replacement Fund, the Police Capital Expenditures Fund, the Facilities, Streets and Parks Capital Expenditures Fund and the Self-Insurance Trust Fund.
- 3. Regulation:** Each year the policy will be brought back to City Council for any recommended changes in the reserves. Each individual fund's reserve is discussed in the policy, and although some of the reserves may not change each year, all of the reserves will be discussed each fiscal year after the adoption of the budget for any possible changes that Council wishes to consider, or any recommendations by staff for changes in reserve levels. Policies shall be adopted by City Council Resolution annually.
- 4. History:**

7/1/14 - Implemented by Council Resolution 2014-23, September 8, 2014

7/1/16 - Implemented by Council Resolution 2016-32, September 19, 2016

7/1/17 - Implemented by Council Resolution 2017-19, September 18, 2017

7/1/18 - Implemented by Council Resolution 2018-29, September 17, 2018

RESOLUTION NO. 2018-29

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, ESTABLISHING A FUND BALANCE POLICY FOR THE INTERNAL SERVICE FUNDS AND REPEALING RESOLUTION NO. 2017-19

WHEREAS, the City Council has established certain reserves in the City's Internal Service Funds; and,

WHEREAS, the City Council desires to establish the circumstances under which the reserves will be amended each fiscal year.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LOS ALAMITOS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The City Council of the City of Los Alamitos, California, finds that the above recitals are true and correct.

SECTION 2. That the City Council of the City of Los Alamitos approves a fund balance policy for the Internal Service Funds of the City, Exhibit A.

SECTION 3. That the reserves were established within the budget adopted by City Council that became effective starting July 1, 2018.

SECTION 4. That the City Council will revisit the reserves each fiscal year after the budget is adopted to approve any recommended changes to the levels of each individual established reserve, or the allocations to the departments to replenish the reserves.

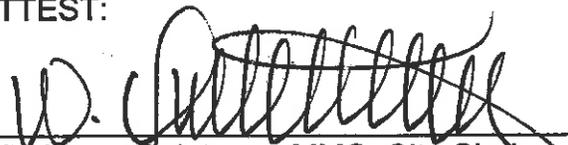
SECTION 5. The City Clerk shall certify as to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED this 17th day of September, 2018.



Troy D Edgar, Mayor

ATTEST:



Windmera Quintanar, MMC, City Clerk

APPROVED AS TO FORM:

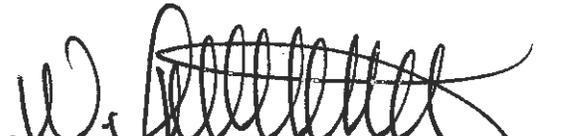


Michael S. Daudt, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LOS ALAMITOS)

I, Windmera Quintanar, MMC, City Clerk of the City of Los Alamitos, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council held on the 17th day of September, 2018, by the following vote to wit:

AYES: COUNCILMEMBERS: Murphy, Chirco, Edgar, Hasselbrink
Kusumoto
NOES: COUNCILMEMBERS: None
ABSENT: COUNCILMEMBERS: None
ABSTAIN: COUNCILMEMBERS: None


Windmera Quintanar, MMC, City Clerk

City of Los Alamitos

Fund Balance Policy for the Internal Service Funds
Fiscal Year 2018-2019

This Fund Balance Policy ("Policy"), as set forth by the City of Los Alamitos ("City"), provides the guidelines for amending Internal Service Funds Reserves established by the City Council as of July 1, 2018.

This Policy is subject to annual review by the City Council. No changes shall be made to the established reserves unless approved by City Council.

1. Purpose: This statement sets forth policies which shall govern the establishment and amendment of Internal Service Funds reserves.

2. Application: It is intended that this policy shall apply only to the Internal Funds of the City discussed in this policy.

3. Regulation:

Vehicles and Equipment Fund

The Vehicles & Equipment Fund will replenish reserves based upon allocations to the departments for Salaries and Benefits, Maintenance and Operations, Capital Outlay and Debt Service Payments (Principal and Interest Cost) for vehicles and equipment based upon an equipment replacement schedule, that shall be updated annually. The allocations for Salaries and Benefits and Maintenance and Support will be based upon the actual budget of the Fleet Maintenance Division each year. The allocation to the departments for vehicle and equipment replacement shall be \$70,000 per year, which covers the estimated annual debt service associated with the capital lease with Wells Fargo Equipment Finance that was approved by the City Council on June 20, 2016 for the purchase of seven Police vehicles, which is being financed over four years at an annual interest rate of 1.8446%. It is recommended that \$100,000 be transferred from the General Fund. If this transfer is approved, approximately \$280,000 would be available for vehicle and equipment purchases and replacements scheduled to take place in future years.

Technology Replacement Fund

The Technology Replacement Fund funds the capital needs of the departments for computers, software, maintenance and supplies. The Technology Replacement Fund had a balance of \$201,438 at June 30, 2018 however the available balance is \$51,438 since Council approved to purchase the City's generator for \$150,000 out of this fund. In

the future, the City would like to upgrade the current outdated general ledger system, and include the city's AP and payroll approval procedures in an effort to strengthen internal controls and streamline the process. These amounts will not be expended until the City Council has authorized an appropriation of these amounts at a future date.

Police Capital Expenditures Fund

The Police Capital Expenditures Fund had a balance of \$98,736 as of June 30, 2018 – which is available for police capital needs such as MDCs. The replenishment of this fund will be based upon an annual allocation to the Police Department established at \$40,000 per year beginning in Fiscal Year 2019-20, to be increased each year based upon CPI.

Facilities, Streets and Parks Capital Expenditures Fund

The Facilities, Streets and Parks Capital Expenditures Fund was established at \$400,000, as part of the adoption of the budget for FY 2014-2015. The balance of June 30, 2018 was \$124,577. It is recommended that \$100,000 be transferred from the General Fund. If this transfer is approved, \$224,577 would be available to fund a variety of capital repairs and/or additional costs associated with the Civic Center relocation and feasibility project. The replenishment of this fund will be based upon an annual allocation established at \$40,000 per year beginning in Fiscal Year 2019-2020, to be increased each year based upon CPI. These amounts will not be expended until the City Council has authorized an appropriation of these amounts at a future date.

Self-Insurance Trust Fund

The Self-Insurance Trust Fund is used to account for the operations of the City's self-insured workers' compensation, general liability and property insurance programs. The General Fund will transfer \$560,338 each year to this fund to pay for insurance premiums, third-party administrator costs, training costs, actuarial services and estimated claims expense. The amount of the annual transfer to fund the City's self-insurance and risk management activities will be reviewed each year at the time the policy is reviewed and approved. At this time, \$100,000 is recommended to be transferred to cover additional litigation costs related to existing claims and legal expenses, bringing the new total in this fund to \$300,000.

Policy Review

The Fund Balance Policy for the Internal Services Funds shall be submitted to the City Council for approval each fiscal year after the adoption of the budget. No funds shall be expended from the Internal Services Funds without the express consent of City Council and approval of the appropriations therefor.