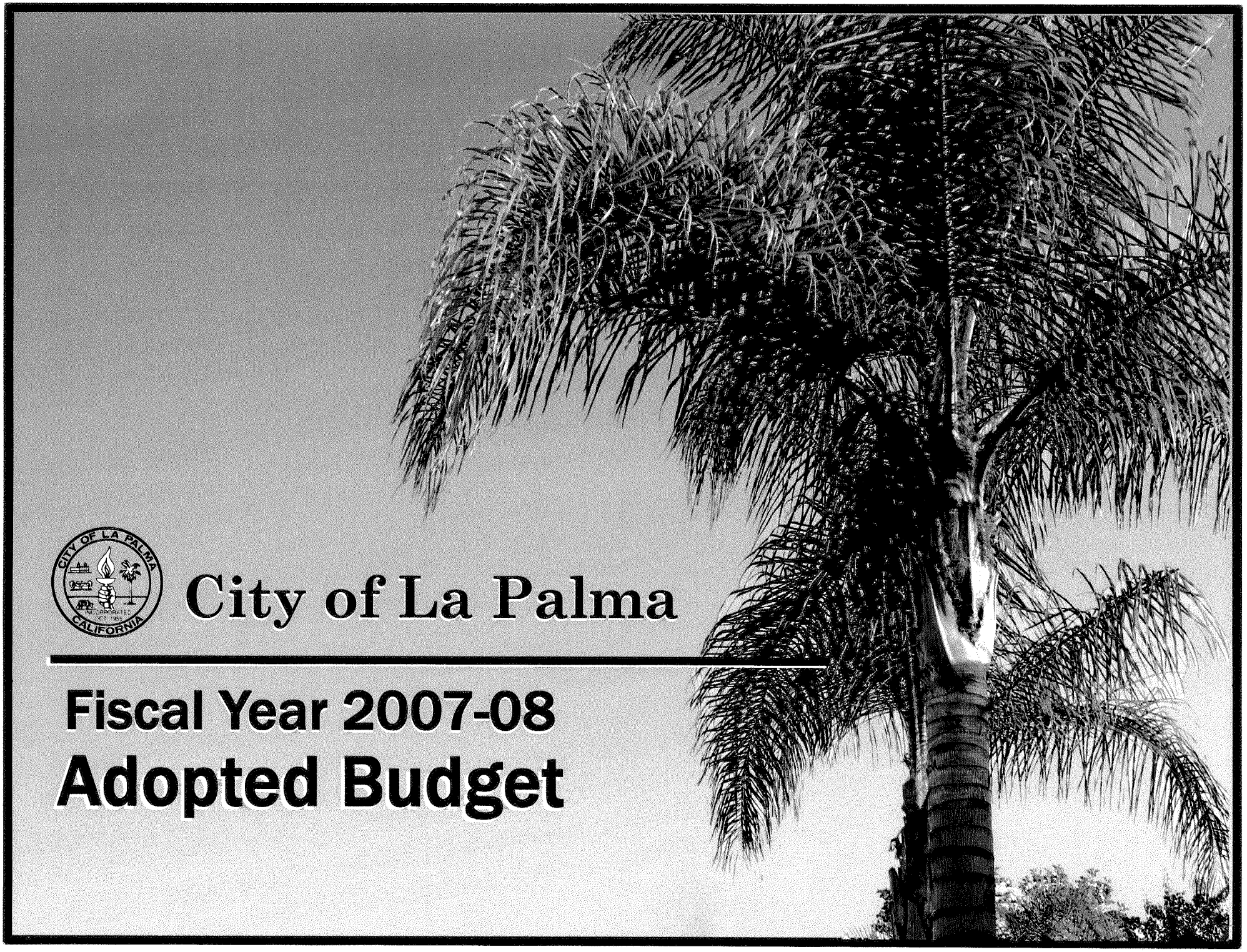
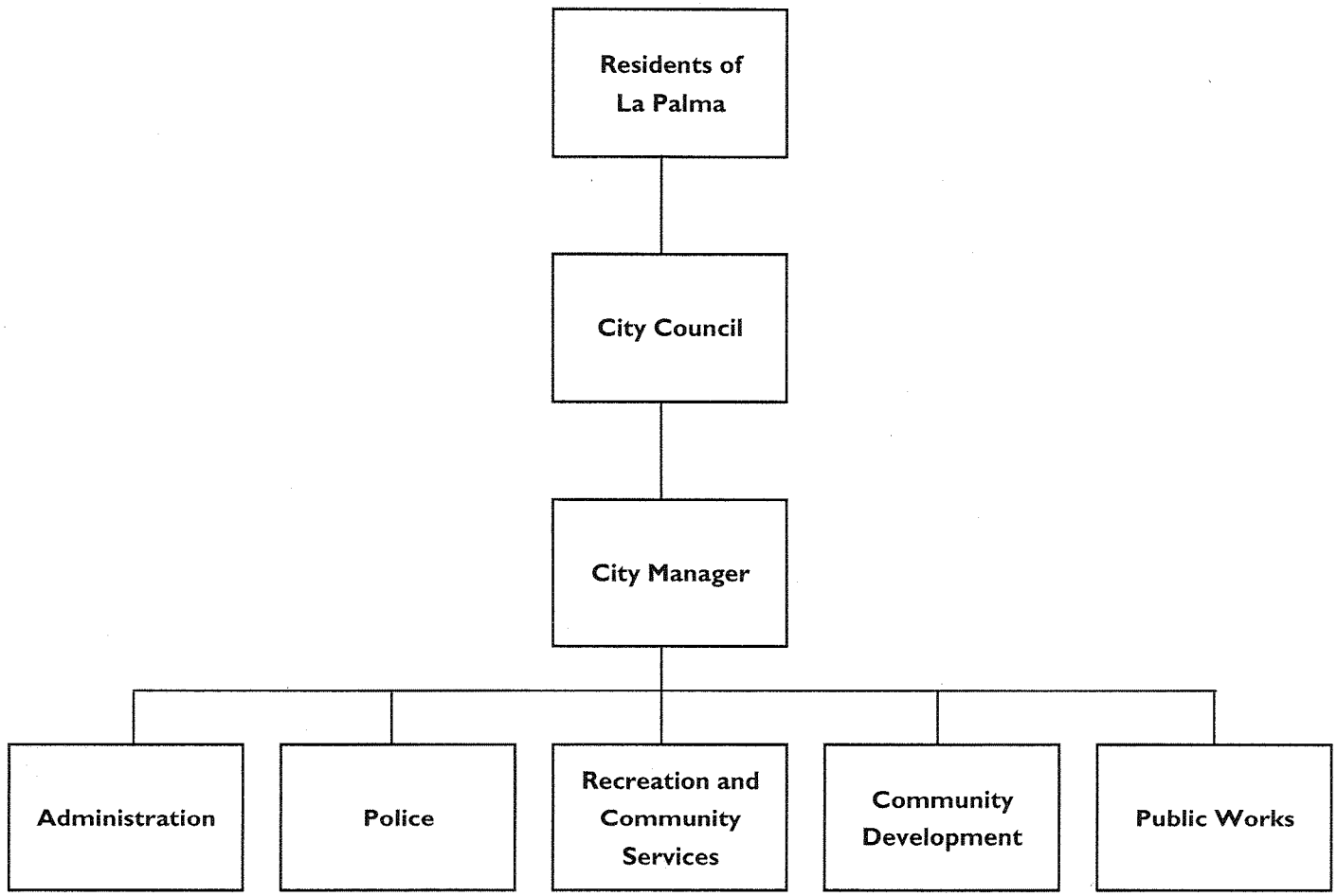


City of La Palma

Fiscal Year 2007-08

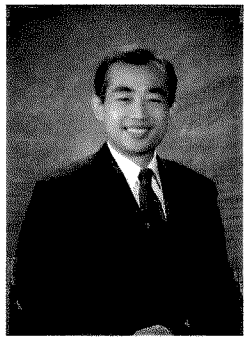
Adopted Budget

City of La Palma



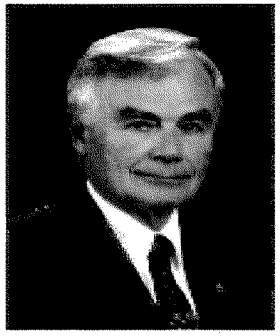
CITY COUNCIL

Mark I. Waldman
Mayor



G. Henry Charoen
Mayor Pro Tem

Christine M. Barnes
Councilmember



Larry A. Herman
Councilmember

Ralph D. Rodriguez
Councilmember

TABLE OF CONTENTS

PAGE NO.

City Manager's Budget Message vii
Explanation of Revenue Sources xix
Chart of Appropriation and Expenditure Accounts xxx
Personnel Complement xxxviii
GANN Limit xl
Budget Resolution xli
Financial Policy Statements xlv

FUND SUMMARIES

Summary of Resources and Requirements by Fund 2
General Fund Overview 4
General Fund Expenditure Summary by Code – All Departments 5
Revenue Summary by Fund 9
Interfund Transfers Summary 26

PROGRAMS

ADMINISTRATION

Organization Chart ..... A- 1
Expenditure Summary ..... A- 3
City Council ..... A- 4
Legal Services ..... A- 8
City Manager A-12
City Clerk A-18
Finance A-24
Community Promotion and Intergovernmental Relations A-30

POLICE

Organization Chart ..... B- 1
Expenditure Summary ..... B- 3
Administration ..... B- 4
Police Operations/Management B-10
Patrol B-16
Police Service Dog B-24
Police Reserves Unit B-28
Services Division Management B-32
Investigations B-38
Records and Communications B-44
Administrative Support Bureau B-50

RECREATION AND COMMUNITY SERVICES

Organization Chart ..... C- 1
Expenditure Summary ..... C- 3
Administration ..... C- 4
Youth and Family Services C-10
Neighborhood and Community Services C-18
Health and Wellness C-26
Facility Operations and Resources C-32

COMMUNITY DEVELOPMENT

Organization Chart ..... D- 1
Expenditure Summary ..... D- 3
Building and Safety ..... D- 4
Administration D-10
Planning D-16
Code Enforcement D-22

PUBLIC WORKS

Organization Chart ..... E- 1
Expenditure Summary ..... E- 3
Administration ..... E- 4
Engineering E-10
Street Maintenance - Storm Drains E-14
Street Maintenance - Block Walls E-18
Street Maintenance - Concrete E-22
Parks Maintenance E-26
Street Trees and Medians E-32
Street Lighting E-38

STREETS

Expenditure Summary ..... F- 1
Street Maintenance - Street Repair ..... F- 2
Traffic Signals ..... F- 8
Traffic Control F-12
Measure M – Local Turnback Funds F-16

UTILITIES

Expenditure Summary ..... G- 1
Water Administration ..... G- 2
Water Production ..... G- 8
Water Transmission G-14
Water Billing G-20
Sewer G-26

GRANTS

Expenditure Summary ..... H- 1
Air Quality Improvement/AB2766 ..... H- 2
Public, Educational, and Government (PEG) Purposes ..... H- 4
Asset Seizure ..... H- 8
Special Public Safety Augmentation Fund (Proposition 172) H-10
Supplemental Law Enforcement (C.O.P.S.) H-14
Service Authority for Abandoned Vehicles H-16

INTERNAL SERVICE FUNDS

Expenditure Summary ..... I- 1
Insurance ..... I- 2
Employee Benefits ..... I- 6
Facility Maintenance and Citywide Support Services I-12
Vehicle Maintenance and Replacement I-18
Computer Maintenance and Replacement I-22

CAPITAL IMPROVEMENT PLAN

Program Description ..... J- 1
Summary by Project Type ..... J- 2
Summary by Funding Source ..... J- 3
Project Summary ..... J- 4
Project Funding Summary J-14

COMMUNITY DEVELOPMENT COMMISSION

Expenditure Summary ..... K- 1
Affordable Housing ..... K- 2
Capital Projects ..... K- 8
Debt Service K-14
Capital Improvement Plan K-19
Budget Resolution K-21

THIS PAGE INTENTIONALLY LEFT BLANK

City of
La Palma

Office of the City Manager

Dominic Lazzaretto
Interim City Manager

DATE: June 19, 2007

TO: The Honorable Mayor and Members of the City Council

FROM: Dominic Lazzaretto, Interim City Manager

SUBJECT: City Manager's Budget Message

Introduction

It is my pleasure to submit the Fiscal Year 2007-08 Budget for the City of La Palma and the La Palma Community Development Commission. This year the budget document has been revised to present a rolling two-year budget, whereby the Fiscal Year 2007-08 Budget is presented for formal adoption and Fiscal Year 2008-09 is presented as an estimate to assist in identifying trends and aid in the decision-making process.

The revenue budget has been prepared using the projected revenues for Fiscal Year 2006-07 as a base for Fiscal Year 2007-08. The base has been adjusted for known one-time events and other known facts. That base is then projected to increase and/or decrease based on past trends. Those same trends have also been used to arrive at the estimated Fiscal Year 2008-09 revenues.

The personnel services portion of the Fiscal Year 2007-08 expenditure budget has been prepared by projecting wages and salaries by position, taking into consideration expected merit increases and the new step that goes into effect on July 1, 2007, which is part of the current labor agreement. Because the current labor agreements expire at the end of Fiscal Year 2007-08, we have made an assumption for

the following year of a three percent (3%) cost of living increase to show the effects of such an increase. While this is not meant to make a statement of the intentions of either the City or the labor groups, we needed to make some type of assumption in order to make a two-year budget meaningful for the City's largest cost category.

The maintenance and operations and capital outlay/improvements portions of the Fiscal Year 2007-08 expenditure budget have been prepared by using historical data to estimate costs and then adding estimates for new programs and projects. Fiscal Year 2008-09 includes amounts estimated for the previous year and incorporates known significant changes, such as increases in contract costs where applicable.

To better illustrate trends and changes, in virtually every section of the budget document, you will see a column indicating Fiscal Year 2005-06 actual operating results, followed by both the adopted and amended Fiscal Year 2006-07 budget amounts. Highlighted are the adopted Fiscal Year 2007-08 and estimated Fiscal Year 2008-09 budgets. Also new this year is the addition of columns showing percentages of change over the prior year for both the current and estimated years.

The program descriptions in each section of the budget now include statistical data, where available, to better identify the services performed. In addition, the program explanations have been expanded to provide more information about the detail of each of the budget line items.

General Fund Highlights

I wish that I could report that the budget is balanced without the use of reserves, but, as we reported to you at the Budget Study Session in April, the budget incorporates the use of $126,400 in General Fund reserves. In addition to utilizing reserves, expenditures were reduced where possible without impacting programs and services to offset other naturally increasing costs. One expenditure reduction utilized was the introduction of a Salary Savings Credit. This Credit recognizes that the City continually experiences vacancies; however, the City's budget has traditionally fully funded salaries, which continually results in unspent funds at the end of each year. Therefore, we have reduced the labor budget for each authorized position by that amount which we expect will go unspent at year-end. Three percent (3%) for non-

sworn personnel and one position for sworn personnel conservatively reflects historical vacancy rates. These measures were used in an effort to minimize impacts to front-line services while strategically and incrementally bringing the budget back into balance over the next several years.

Consequently, the Fiscal Year 2007-08 Budget is what could be considered a "status quo budget" because basic operational expenditures, excluding labor, approximate previous levels. However, labor costs, including both salaries and wages and employee benefits, have increased. Full-time salaries and wages have increased by 3.5% due to the previously negotiated agreements with employees. Employee benefits costs have increased by 15.2%, partially as a result of increased costs, but more significantly as we have revised our approach to allocating these costs to the departments. We have allocated the full normal cost of employee benefits to the various funds and programs, where in prior years we budgeted to draw down on reserves. As a result, the Fiscal Year 2007-08 Budget indicates a contribution to the Employee Benefits fund balance of $117,900. This contribution to fund balance primarily represents the estimated effect of a retrospective refund of previously paid workers' compensation costs.

The following table provides a comprehensive summary of the General Fund for Fiscal Years 2007-08 and 2008-09:

	Fiscal Year 2005-06 Actual	Fiscal Year 2006-07 Amended	Fiscal Year 2006-07 Projected	Fiscal Year 2007-08 Adopted	% Change from Fiscal Year 2006-07 Projected	Fiscal Year 2008-09 Estimated	% Change from Fiscal Year 2007-08 Adopted
Revenues	$ 7,754,581	$ 8,407,900	$ 8,726,200	$ 8,992,800	3.1	$ 9,216,400	2.5
Expenditures	8,133,998	8,793,900	8,593,900	9,119,200	6.1	9,394,500	3.0
Net change in fund balance	(379,417)	(386,000)	132,300	(126,400)	(195.5)	(178,100)	40.9
Beginning unreserved fund balance	9,631,849	9,252,432	9,252,432	9,384,732	1.4	9,258,332	(1.3)
Ending unreserved fund balance	$ 9,252,432	$ 8,866,432	$ 9,384,732	$ 9,258,332	(1.3)	$ 9,080,232	(1.9)

Significant Supplemental Requests

The budget includes $103,600 of supplemental General Fund budget requests, of which $79,600 are one-time costs. The following table summarizes the supplemental requests and significant changes that are included.

	Fiscal Year 2007-08			Estimated Fiscal Year 2008-09		
	One-time	Ongoing	Total	One-time	Ongoing	Total
General Fund						
Administration						
Legal services for labor negotiations	$ 8,500	$ -	$ 8,500	$ -	$ -	$ -
Document imaging services - City Clerk & Finance	16,800	3,600	20,400	15,000	3,700	18,700
Police						
Police Department Team Building Workshop	8,600	-	8,600	-	-	-
In-car Mobile Data Computer software support	-	5,600	5,600	-	5,600	5,600
Increase in Reserve Officer hours	-	3,000	3,000	-	3,000	3,000
Recreation						
Temporary location of classes	21,000	-	21,000	-	-	-
Community Activities and Beautification Committee	700	2,300	3,000	-	2,300	2,300
Community Development						
Housing Element Update services	24,000	-	24,000	11,000	-	11,000
Public Works						
Increased mowing services costs	-	9,500	9,500	-	9,500	9,500
Total General Fund	79,600	24,000	103,600	26,000	24,100	50,100

	Fiscal Year 2007-08			Estimated Fiscal Year 2008-09		
	One-time	Ongoing	Total	One-time	Ongoing	Total
Streets Fund						
Increased traffic signal maintenance and repair costs	$ -	$ 13,500	$ 13,500	$ -	$ 13,500	$ 13,500
Public Safety Augmentation Fund (Proposition 172)						
In-car Mobile Data Computer software licensing	31,000	-	31,000	-	-	-
Replace Police Service Dog	15,700	-	15,700	-	-	-
Replacement of Patrol Body Armor Vests (6)	6,600	-	6,600	6,600	-	6,600
2 Bullet Resistant Hand-Held Shields	3,800	-	3,800	-	-	-
Digital video and photo evidence secured download station	2,000	-	2,000	-	-	-
Part-time multi-agency shared Emergency Services Coordinator	-	33,000	33,000	-	33,000	33,000
Water Fund						
Rehabilitate City Yard well	50,000	-	50,000	-	-	-
Employee Benefits Fund						
Staffing study	-	-	-	35,000	-	35,000
Facility Maintenance Fund						
Paint pavilion	9,500	-	9,500	-	-	-
Paint and re-roof gazebo	7,800	-	7,800	-	-	-
Computer Maintenance Fund						
City website upgrade	15,000	5,000	20,000	-	5,000	5,000
NPDES module to permit system	-	-	-	7,500	-	7,500
Total supplemental requests	$ 221,000	$ 75,500	$ 296,500	$ 75,100	$ 75,600	$ 150,700

The following sections more completely describe the General Fund's anticipated revenues and expenditures included in this budget.

General Fund Revenues - Fiscal Year 2007-08 - $8,992,800

The City of La Palma's overall revenue base continues to rely most on property tax, sales tax generated by the business community, and the Utility Users Tax (UUT), totaling 66%. Property tax represents 31% of General Fund revenues, followed by sales tax at 19%, and UUT at 16%. It should be noted that the bulk of the City's sales tax comes from just six businesses. This lack of diversification in the sales tax base is the primary reason that the City Council established enhanced economic development efforts as its primary goal for 2007.

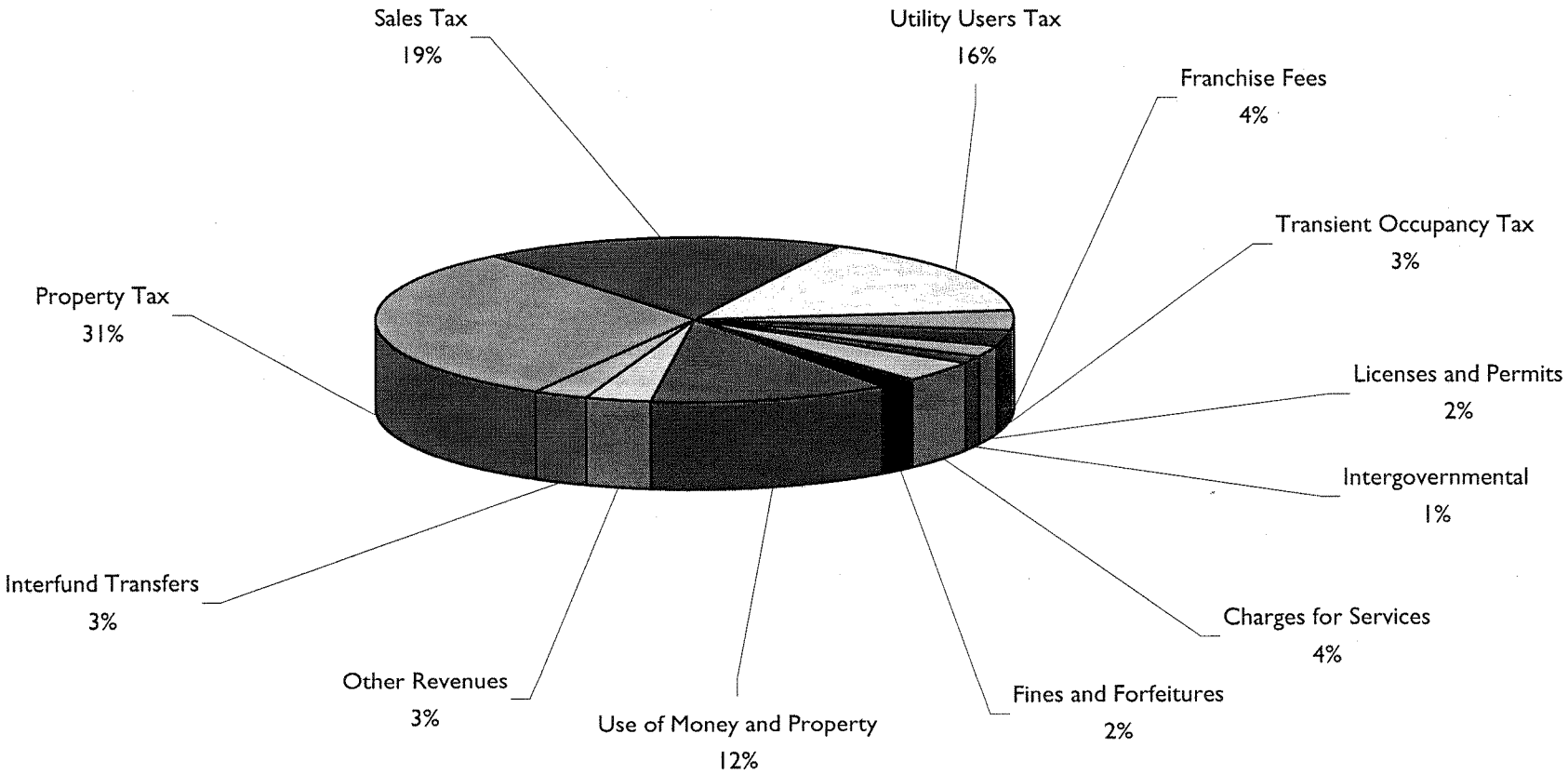
The revenue estimates for Fiscal Year 2007-08 anticipate only moderate growth due to the recent slowdown in the residential real estate market and the unpredictability of other revenues. The sales tax base continues to reflect the impact of the change in reporting by local businesses last year, again resulting in significantly less sales tax than in years prior to Fiscal Year 2005-06. We will continue to monitor the sales tax issue until a final resolution is achieved.

The UUT is projected to grow slightly in Fiscal Year 2007-08. Section 8-63 of the La Palma Municipal Code requires the City Council to annually review the necessity of the UUT as part of its adoption of the General Fund budget. The Fiscal Year 2007-08 and estimated Fiscal Year 2008-09 budgets anticipate the full five percent (5%) rate, which is necessary due to the estimated draw from fund balance described above.

The City's User and Permit Fees have been analyzed and recommendations will be made at a separate Public Hearing. City staff will recommend an increase in User and Permit Fees of approximately four and one-half percent (4.5%), as a result of increases in labor costs. In 2003, the City Council directed that City staff recommend updates to the User and Permit Fees when changes occur in the cost of labor associated with the fees. While User and Permit Fees continue to be a relatively small source of revenue for the City, increasing them will provide a level of cost recovery commensurate with the levels that were in place when the current fee structures were established in 2003.

The following graph summarizes revenues by category for Fiscal Year 2007-08.

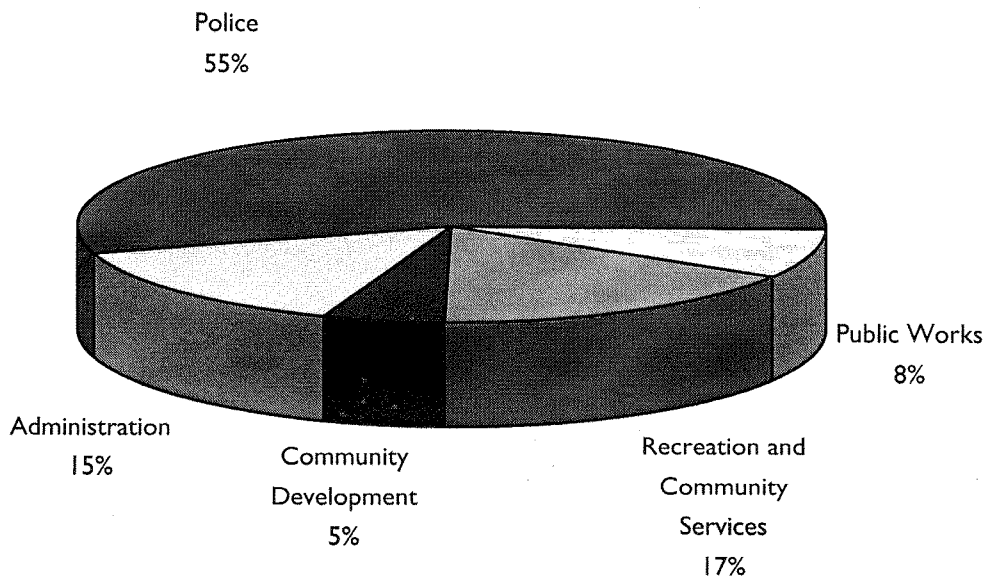
General Fund Revenues by Type
Fiscal Year 2007-08



General Fund Expenditures - Fiscal Year 2007-08 - $9,119,200

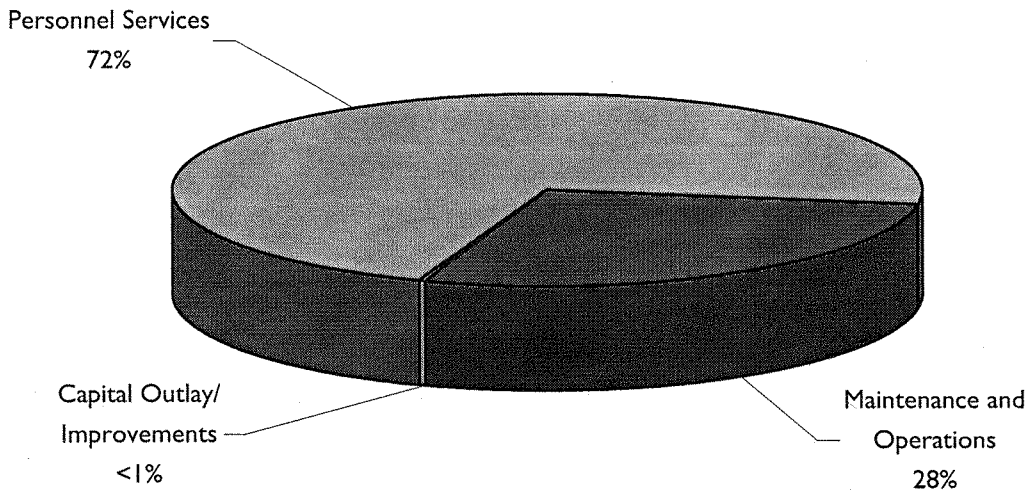
Public safety continues to be La Palma's highest priority in terms of service delivery and every City department contributes to the City's public safety mission in some way, either through direct programs and services designed to protect the public's health, safety and welfare, or by indirectly supporting those basic services. The majority of the General Fund expenditures continue to be related to services provided by the Police Department, with lesser amounts being allocated to Recreation and Community Services, Administration, Public Works, and Community Development. The following graph illustrates General Fund expenditures by department:

General Fund Expenditures by Department
Fiscal Year 2007-08



Personnel services represent the City's largest expenditure item. Labor costs make up approximately 72% of the City's General Fund budget ($6,576,400), and maintenance and operations makes up approximately 28% ($2,514,200). Capital Outlay/Improvements are less than 1% of the General Fund budget ($28,600); however, significant capital improvements are included utilizing non-General Fund sources (described later). The following graph illustrates General Fund expenditures by type:

General Fund Expenditures by Type
Fiscal Year 2007-08

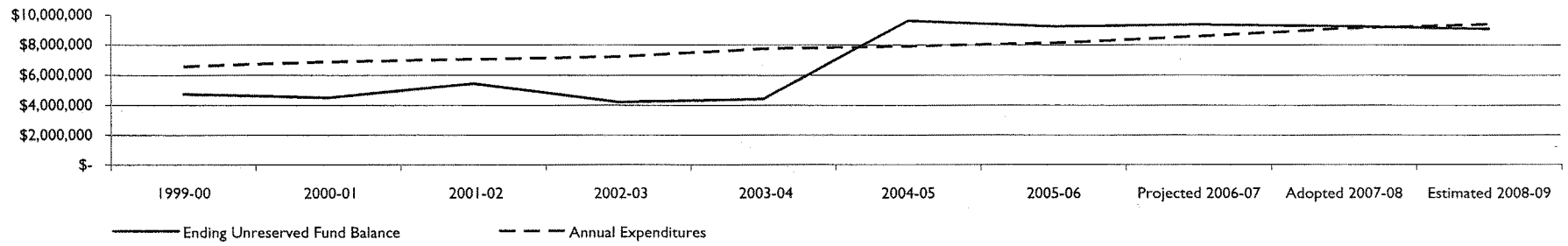


Use of Reserves to Achieve a Balanced Budget - $126,400

While total expenditures are projected to exceed projected revenues by $126,400 for Fiscal Year 2007-08, $79,600 of these expenditures are for one-time costs related to supplemental budget requests incorporated into the budget. The estimates for Fiscal Year 2008-09 indicate that reserves will be necessary to fund approximately two percent (2%) of the ongoing operational expenditures. With a General Fund reserve anticipated to continue exceeding $9 million by the end of the Fiscal Year 2008-09, this is a relatively small amount. The short-term use of reserves allows La Palma to incrementally and strategically adjust its expenditures, so that basic services can continue without interruption or significant impacts. The City of La Palma is fortunate to have amassed such reserves in recent years, giving the City Council continued flexibility in responding to sudden and/or unanticipated changes in its revenue base, such as those that occurred last year. The following is a summary of historical General Fund reserve levels.

General Fund Reserves
Fiscal Years 1999-00 through 2008-09

	Fiscal Year 1999-00	Fiscal Year 2000-01	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Projected Fiscal Year 2006-07	Adopted Fiscal Year 2007-08	Estimated Fiscal Year 2008-09
Ending Unreserved Fund Balance	$ 4,703,125	$ 4,481,930	$ 5,448,081	$ 4,195,078	$ 4,408,892	$ 9,625,020	$ 9,252,432	$ 9,384,732	$ 9,258,332	$ 9,080,232
Expenditures	$ 6,552,873	$ 6,871,319	$ 7,044,782	$ 7,209,325	$ 7,733,796	$ 7,916,772	$ 8,133,998	$ 8,593,900	$ 9,119,200	$ 9,394,500
Coverage	72%	65%	77%	58%	57%	122%	114%	109%	102%	97%



Capital Improvement Plan (CIP) - $5,926,500

La Palma is in the enviable position of having revenues from a variety of funding sources to pay for its infrastructure upgrades and replacements. Nearly $6 million in capital improvements is included for Fiscal Year 2007-08 from all funding sources. Of this total amount, more than $2.9 million in Capital Outlay Reserve (COR) fund expenditures are appropriated, primarily for the rehabilitation of the Community Center. Normal funding for street resurfacing and slurry sealing, traffic signal maintenance, and other ongoing capital projects is included, as are projects identified by the Sewer System Master Plan.

Conclusion

In summary, the budget incorporates recommendations from the professional City staff that are intended to respond to the identified needs and desires of the La Palma community. While it is not technically balanced, inasmuch as it relies upon some use of reserves to meet ongoing operational requirements, it has been prepared consistent with the City Council's direction in response to the continued reduction of sales tax revenues. The staff and I welcome comments from both the City Council and the community on the spending plan for Fiscal Years 2007-08 and 2008-09 and how best to continue to prepare for La Palma's future needs.

The availability of reserves to bridge the gap in the short-term did not happen by accident, but by prudent financial management, the use of long-term financial planning policies, and each City Department's commitment to focus on the delivery of core services and programs in the most effective and efficient manner possible. All of you are to be congratulated on your foresight and restraint during recent years when the revenue picture was better, so that La Palma can remain poised to continue its 52-year tradition of providing comprehensive, quality services to the community in the coming fiscal year and well into the future.

THIS PAGE INTENTIONALLY LEFT BLANK

EXPLANATION OF REVENUE SOURCES

GENERAL FUND

The following revenue sources contribute to the City's General Fund. The General Fund provides the City Council with the broadest and most flexible spending eligibility. The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

BUSINESS LICENSE TAX
General Fund

Description: The business license tax is imposed on businesses for the privilege of conducting business within the City. The tax includes an application fee, and the license is typically based on gross receipts or the number of employees.

CHARGES FOR SERVICES
General Fund

Description: The City collects fees from users or participants of City-provided services such as plan checking, engineering services, fire inspections, police charges, and recreational and cultural activities.

USE OF MONEY AND PROPERTY
General Fund

Description: Revenue from the use of money and property is derived from the prudent investment of the City's idle funds and rental income.

FINES AND FORFEITURES
General Fund

Description: These fees are imposed on persons receiving tickets for Vehicle Code, parking violations, or Municipal Code (Ordinance) violations in the City. In addition, reimbursements are required through the courts or direct billing for police services associated with arresting offenders or criminals.

FRANCHISE FEES
General Fund

Description: Franchise fees are imposed upon privately owned utility companies for the privilege of using City streets or right-of-ways. The fees are based on a percentage of the utility companies' gross receipts.

UTILITY USERS TAX
General Fund

Description: The Utility Users Tax (UUT) is imposed on consumers of electric, gas, cable television, and telephone services. The current rate is five percent and is applied to the amount billed to the customer for utility services. Residents with an annual income less than the median income in Orange County, based on number in the household, are exempt from the Utility Users Tax.

SALES TAX
General Fund

Description: The sales and use tax is imposed upon retail transactions. The Orange County sales tax rate is 7.75% of the sale price of taxable goods and services sold at retail businesses in La Palma. The City receives 1.0% of the tax while the remainder is allocated to the State and various transit authorities.

LICENSES AND PERMITS
General Fund

Description: These fees are imposed to process all construction activity (building, plumbing, electrical, mechanical, and grading) permits. Business licenses are categorized with this revenue, but discussed separately. Animal control licenses and fees are collected by the County of Orange.

PROPERTY TAX
General Fund

Description: Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the City. Property is assessed by the County Assessor.

TRANSIENT OCCUPANCY TAX
General Fund

Description: Typically, cities impose a Transient Occupancy Tax (TOT) on occupants of hotel, motel, inn, tourist home, or any lodging facility unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill.

INTERGOVERNMENTAL
General Fund

Description: Intergovernmental revenue comes from other governmental agencies. Examples include Motor Vehicle, SB90, and P.O.S.T. reimbursements.

INTERFUND TRANSFERS
General Fund

Description: Interfund transfers charge certain programs their cost of centralized services (salaries, benefits, building services, water/sewer activities, etc.).

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

STREETS FUND

Description: Revenues to the Streets Fund come from the State of California's Gas Tax. Projects eligible to be funded by Gas Tax monies must be related to the construction, maintenance, or improvement of streets or highways, other than state highways, subject to the provisions of the Streets and Highways Code.

MEASURE M

Description: Measure M was approved by the voters in November 1990. Measure M authorized a ½ of one percent retail sales tax and provides a variety of funding for transportation needs in Orange County. Included in the Measure M Program is a "turnback" provision in which 14.6% of Measure M funds are returned to cities and the County based on a Master Plan of arterial highway miles in the city, population and the current sales tax forecast.

Measure M funds may only be used for maintaining and improving public transportation projects.

AIR QUALITY IMPROVEMENT FUNDS

Description: This program is used to account for the revenue derived from motor vehicle registration fees imposed by the South Coast Air Quality Management District (SCAQMD), under AB2766. The goal of projects funded by the Air Quality Improvement Fund is to reduce air pollution from motor vehicles pursuant to the California Health and Safety Code. These funds can only be used for projects that reduce air pollution, as defined by the SCAQMD.

PUBLIC, EDUCATIONAL, AND GOVERNMENTAL (PEG) FUNDS

Description: The City receives Public, Educational, and Government (PEG) funding through its franchise agreement with Time-Warner Cable and expects to receive PEG funding from statewide video franchises as they come on-line in La Palma. The City's Community Bulletin Board on Channel 26 runs 24 hours a day, 7 days a week, and is designed to inform the public about City programs and important issues facing the area in general. Funding also provides for public service announcements, cable drops at public facilities, and offsets staff and consultant salaries as they relate to PEG affiliated activities.

ASSET SEIZURE FUNDS

Description: Asset Seizure funds come from real or personal property seized as a result of narcotic investigations. Authority for seizures is covered under Sections 11470 and 11488 of the Health and Safety Code and the United States Government Code. These funds can only be used for items that are related to narcotics enforcement.

PUBLIC SAFETY AUGMENTATION

Description: Special tax augmentation funds are generated by a statewide continuance of the ½-cent sales tax. Under Proposition 172, these funds must be allocated to core public safety programs and cannot be used to supplant activities funded by the General Fund.

SUPPLEMENTAL LAW ENFORCEMENT SERVICES (SLESF)

Description: California AB3229, Citizen's Option for Public Safety (COPS) Program, was enacted by the voters in 1996. It provides monies statewide for local public safety needs. The Police Department is required to spend these funds on front-line police services, including personnel and/or equipment. SLESF monies cannot be allocated to supplant any existing funding of police services.

SERVICE AUTHORITY FOR ABANDONED VEHICLES

Description: The Service Authority for Abandoned Vehicles (SAAV) program is administered by the Orange County Transportation Authority, and is funded through vehicle registration fees. This program reimburses the City for time spent investigating abandoned vehicles. Money used in this account is eligible only for equipment or supplies for traffic investigation and vehicle abatement.

LOCAL LAW ENFORCEMENT BLOCK GRANT

Description: The Local Law Enforcement Block Grant (LLEBG) Program is administered through the United States Department of Justice, Bureau of Justice Assistance, to make funds available to local police for the purpose of reducing crime and improving public safety. This money is only eligible for the procurement of equipment, technology, and other materials directly related to basic law enforcement functions. LLEBG funds cannot be used to supplant any existing funding of police services.

PARK DEVELOPMENT

Description: The Park Development Fund accounts for City-imposed fees from the construction of new dwellings within the City. Residential developers are required to dedicate a portion of land for open space or pay a fee in-lieu of such dedication. These monies can only be used for the acquisition or improvement of neighborhood or community parks, and the preservation of open space.

CAPITAL PROJECTS FUND

Capital projects funds are used to account for financial resources to be used in the acquisition or construction of major capital facilities, other than those financed by enterprise or internal services funds.

CAPITAL OUTLAY RESERVE (COR) FUND

Description: The COR Fund is used to provide funding for general capital outlay projects as identified in the Capital Improvement Plan (CIP). Funding is typically provided by interfund transfers from the General Fund based on short-term and long-term capital needs.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government's legislative body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

WATER FUND

Description: The Water Funds provide for the four major program areas to operate the City's water utility, which provides water to La Palma residents and businesses. These include: a) administration; b) production; c) transmission; and d) billing.

Revenues to this Fund are derived from bi-monthly water billings. Water is billed at a flat rate, $26 for residential customers and $74 for commercial customers, plus consumption of water at $2.04 per unit. Monies from the Water Fund can only be used for personnel, equipment and activities related to the provision of water to customers.

WATER REPLACEMENT FUND

Description: The purpose of the Water Replacement Fund is to maintain adequate reserves to meet emergency reserves and replace parts of the water system as they wear out, or in reasonable anticipation of their failure. An amount equal to 10% of the replacement value of the water utility system is required to be set-aside at one time, pursuant to the La Palma Municipal Code.

SEWER FUND

Description: The Sewer Fund provides the funding to operate the City's wastewater utility, which provides sewer services to La Palma residents and businesses. Revenues to this Fund are derived from bi-monthly sewer billings. Sewer service is billed on a consumption basis, at $.32/unit of water. Monies from the Sewer Fund can only be used for personnel, equipment and activities related to the provision of sewer services to customers.

SEWER REPLACEMENT FUND

Description: The purpose of the Sewer Replacement Fund is to maintain adequate reserves to meet emergency reserves and replace parts of the sewer system as they wear out, or in reasonable anticipation of their failure. An amount equal to 10% of the replacement value of the sewer utility is required to be set-aside at one time, pursuant to the La Palma Municipal Code.

WATER CAPITAL RESERVE

Description: Funds from water payments to the Water Fund are transferred to the Water Capital Reserve to pay for capital projects to maintain and improve the water utility.

SEWER CAPITAL RESERVE

Description: Funds from sewer payments to the Sewer Fund are transferred to the Sewer Capital Reserve to pay for capital projects to maintain and improve the wastewater utility.

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis.

INSURANCE

Description: The Insurance Fund provides for the payment and accounting of the City's liability insurances. The costs are distributed on a pro-rata basis to all departments calculated on the percentage of the program budget in comparison to the entire City budget, under Code 977 (Liability Insurance and Claims). The cost of the pro-rata allocation paid by each program budget is then transferred to the Insurance Fund.

EMPLOYEE BENEFITS

Description: The Employee Benefits Fund provides for the payment and accounting for the City's employee benefits expenses. The costs are distributed on a pro-rata basis to all departments calculated on the percentage of payroll of that program, under Code 550 (Employee Benefits). The cost of the pro-rata allocation paid by each program budget is then transferred to the Employee Benefits Fund.

FACILITY MAINTENANCE AND CITYWIDE SUPPORT SERVICES

Description: The Facility Maintenance and Citywide Support Services Fund provides for the costs of operating, maintaining, repairing and eventually replacing all City buildings. The costs are distributed on a pro-rata basis to all departments calculated on the percentage of the program budget in comparison to the entire City budget, under Code 978 (Building Maintenance and Replacement). The cost of the pro-rata allocation paid by each program budget is then transferred to this Fund.

VEHICLES

Description: The Vehicles Fund provides for the costs of vehicle operation, maintenance, and eventual replacement. The maintenance costs are distributed on a pro-rata basis to all departments calculated on the percentage of the program budget in comparison to the entire City budget, under Code 979 (Vehicle Maintenance). The replacement costs are distributed to the program budget where the vehicle replacement purchase is being made, under Code 980 (Vehicle Replacement). The cost of the pro-rata allocation paid by each program budget is then transferred to this Fund.

COMPUTER MAINTENANCE AND REPLACEMENT

Description: The Computer Maintenance and Replacement Fund provides for the costs of maintenance and replacement of the City's information technology system. The costs are distributed on a pro-rata basis to all departments calculated on the percentage of the program budget in comparison to the entire City budget, under Code 981 (Computer Maintenance). The cost of the pro-rata allocation paid by each program budget is then transferred to this Fund.

CHART OF APPROPRIATION AND EXPENDITURE ACCOUNTS

OBJECT CODES

To effectively and accurately provide information from which informed spending decisions can be made, every expenditure is coded and recorded. The final code numbers that are used are the item (or object) codes, breaking the funds available down into more detail within the program budgets.

The following pages provide a description of individual budget item (object) expenditure accounts that are used in each program are of this budget document.

CODE NO. GROUP/OBJECT TITLE

PERSONNEL SERVICES

501 Salaries – Full-time: Direct salaries and wages for all regular full-time employed personnel.

510 Salaries – Part-time: Direct pay for those working less than 40 hours weekly, usually expressed in hourly or flat rates.

515 Conversion & Termination Pay: Expenses incurred for payment of accrued benefits for departing employees.

520 Special Pay: Paid to water utility workers for weekend coverage.

530 Overtime: All authorized pay for overtime hours worked in accordance with FLSA requirements.

540 Supplemental Compensation – Recreation: "Stipend" compensation for Recreation Volunteens.

550 Employee Benefits: Employee benefit expenses distributed to the programs on a calculated percentage of payroll basis, so that the full cost of the program is known. Transfers are made from each program to the Employee Benefits Fund from which all premiums and expenses are paid.

560 Unemployment Insurance Claims: Payments by the Employee Benefits Fund to the unemployment insurance service provider and to the California Employment Development Department for this State required insurance.

561 Worker's Compensation/Claims: Payments by the Employee Benefits Program on behalf of the employees of the City's self-insured Workers' Compensation Insurance Program and claims paid under awards.

562 Life & Health Insurance: Payments by the City from the Employee Benefits Fund for life and health insurance premiums and reimbursement to employees for self insured benefits.

563 Medicare: Employer share of employee Medicare costs, applicable to personnel hired after 04/01/1996.

564 Retirement: Payments by the City's Employee Benefits Fund into the California Public Employees' Retirement System.

565 Disability Insurance: Payments by the City's Employee Benefits Fund for long-term disability (LTD) premiums.

566 Physical Exams: Payment for required pre-employment and annual physicals, as well as health/safety medical services.

MAINTENANCE & OPERATIONS

600 Professional Contractual Services: Payments to those rendering services to the City, which are considered technical in nature and not classified specifically within the 600 series.

601 Legal Services: Contract payments for the contracted City Attorney law firm, special counsel and other related legal expenses.

602 Sales Tax Audit Services: Quarterly sales tax information services and sales tax audit for new sales tax revenue generated.

603 Property Tax Administration Fee: Fee charged by the County of Orange for administration of property tax collection.

604 Computer Software Support: Payments for data processing services not including repair or lease/purchase costs.

605 Custodial Services: Contracted building cleaning services.

606 Property Abatement: Abatement of nuisances at commercial and residential properties.

619 Other Contractual Services: All services rendered to the City not otherwise classified in the 600 series.

620 Meetings & Training: All expenses attendant to getting to, registering for, and attending training sessions, professional conferences, seminars, representational meetings, tuition fees, meals, hotel/motel, and other affiliated expenses incurred for such events.

621 Mileage Reimbursement/Auto Allowance: Payments to employees for mileage expenses for use of personal vehicles on City business.

622 Publications & Dues: Periodicals and newsletter subscriptions, books, magazines, professional and organizational dues. Includes subscriptions to computer data banks and related electronic services.

623 Uniforms: Purchase of uniform items for employees, or rental payments to uniform suppliers. Includes police uniform allowance.

624 Tuition Reimbursement: A fund set up to reimburse fees for college classes taken by employees to improve job performance.

625 Employee Recognition Awards: Expenses for employee recognitions.

650 Office Supplies: Envelopes, paper, staples, and the like.

651 Computer Supplies & Expense: Items used to support the computer system such as ink cartridges and discs.

652 Postage: Includes stamps, postage meter charges, Federal Express, and United Parcel Service costs; not included as a portion of the cost of the purchased commodity.

653 Advertising: Required publication of notices, bid advertisements, zoning notices, ordinances and all other publication expenses, except for printed brochures.

654 Printing & Reproduction: Expense of form reproduction, various printing, and copy charges.

691 Communications: Telephones and pager costs.

692 Gas: Gas utility charges.

693 Electric: Electric utility charges.

701 Office Equipment Rental and Supplies: Payments for copier and fax leases, overcharges, and toner cartridges. Does not include paper. Supplies in this category only relate to supplies for office equipment, which is leased.

703 Property Leases: Payments on leased property such as the Edison right-of-way.

704 Office Equipment Maintenance: Contractual expense of repairing or servicing typewriter, computer, copying equipment or other such office equipment.

705 Maintenance & Repair Materials: Nails, boards, light fixtures, light bulbs, plumbing fittings, and all such materials bought by the City for installation or use by its employees.

706 Maintenance & Repair Services: Payments to contractors for services rendered in the repair or routine maintenance of City facilities, buildings and equipment, unless more specifically coded to 707, 708, or 709.

707 Maintenance & Repair of Equipment: Payments to contractors or vendors for services and supplies rendered in the routine maintenance or repair of City-owned non-automotive equipment.

708 Maintenance & Repair of Buildings: Payments to contractors for services rendered in the repair of routine maintenance of City-owned buildings for which the City has maintenance responsibility.

709 Maintenance & Repair — Improvements: Payments to contractors or vendors for services and supplies rendered in the repair or maintenance of streets, storm drains, traffic signals and other non-equipment and non-building improvements to property.

710 Pump & Well Repair: All expenses incurred in repair of water system pumps and wells except employee time and benefit costs.

711 Hydrant Repair: Costs of repairing water system fire hydrants, excluding personnel service expense.

712 Meter Maintenance: All non-personnel service expenses for water system meter maintenance and repair.

713 Equipment Rental & Supplies: Rental of portable toilets and sinks for special events, and vehicles leases, as needed.

725 Small Tools/Equipment: Miscellaneous, small pieces of equipment including rakes, hoes, hammers, wrenches, and other small, non-capital items.

729 Janitorial Supplies: Cleaning items such as soap, cleanser, wax, paper towels, toilet paper, etc.

730 Automotive Insurance & Claims: Payments by the City's Vehicle Maintenance and Replacement Fund for the City's self-insurance vehicle liability premium and damage claims settled.

731 Liability Insurance & Claims: Payments for all City insurance coverage, and for property damage liability, fidelity bonds, and other guards against loss for all but automotive-related exposure.

732 Vehicle & Equipment Operating Expense: Gasoline, fuel, oil, lube, parts, tires, repair charges, and all other expenses attached to operations of City-owned vehicles and automotive equipment.

733 Special Departmental Supplies: A type of supply or service peculiar to a department not used by another department.

734 Personnel Services and Supplies: Recruitment and testing supplies and services and employee informational materials.

738 Community Events: Special supplies for communitywide events such as Red Ribbon Week and Meals on Wheels.

739 Community Relations: Non-personnel services expenses for Community Relations Programs.

740 Other Awards: Awards for recognition of effort or accomplishment within the community.

741 Police Range: All non-personnel and non-capital costs incurred in police firing range activities.

742 Street Tree Replacement: Costs involved in the removal and replacement of street trees.

744 Orange County Water District – Passthrough: Payment by the CDC to the Orange County Water District in accordance with an existing passthrough agreement.

745 County of Orange Passthrough: Payment by the CDC to the County in accordance with and existing passthrough agreement.

746 Entry Fees: Payment of admission fees.

747 Water Pumping Charge – Orange County Water District: Payments for water withdrawn by the City wells, paid to the Orange County Water District.

748 Chlorination: Water system chlorine purchase and repair/ maintenance of chlorinating equipment, excluding personnel service expense.

749 Water Purchase – Metropolitan Water District: Payments to the Metropolitan Water District for importing water.

750 Evidence and Property Control: Services and supplies for the control of evidence.

770 Administrative Costs: General and departmental administration costs of the City for items related to CDC business.

771 Director's fees: Compensation of Community Development Commission members at $30 per meeting, two meetings per month.

785 Prior Year Adjustment: Adjustment of prior year's charges.

786 Depreciation: Systematic amortization of fixed assets excluding land.

790 Bond Principal: Scheduled principal payments of 1993 tax allocation bonds and 2001 tax allocation refunding bonds by the CDC.

791 Interest Payment: Payment of interest on any City bonded indebtedness.

CAPITAL OUTLAY AND IMPROVEMENTS

801 Building Improvements: Any improvement to City facilities/buildings.

802 Furniture & Fixtures: All furniture and fixtures purchased.

803 Office Equipment: All office equipment such as typewriters, duplicating machines, calculators, computers and similar assets having a value of more than $500 and a life span of more than two years.

804 Machinery & Equipment: Capital assets of a mechanical nature having a cost greater than $500 and a life expectancy of more than two years.

805 Vehicles: Depreciable capital assets of a self-propelled nature having a value greater than $500 and a life span of more than two years.

INTERFUND ALLOCATION ACCOUNTS - RESTRICTED

975 Departmental Overhead: Public Works department overhead based on the 2007 Cost Allocation Plan that is applied to the Water and Sewer utilities.

976 General Overhead: General administrative overhead based on the 2007 Cost Allocation Plan that is applied to the Water and Sewer utilities.

977 Liability Insurance & Claims: Transfers of predetermined prorated amounts from operational budgets to the City's Insurance Fund for applicable vehicle liability and damage claim costs.

978 Building Maintenance & Replacement: Transfers of predetermined prorated amounts from operational budgets to the City Building Maintenance and Replacement Fund to defray the cost of building occupancy charges, office and building equipment charges, furniture fixed asset charges and internal rental charges.

979 Vehicle Maintenance: Amounts from individual operating accounts are transferred to the Vehicle Maintenance and Replacement Fund. That fund pays for fuel, oil, repairs, insurance, and overhead. Vehicle Maintenance purchases are not made out of individual accounts.

980 Vehicle Replacement: Money budgeted in this account represents this program's share of the annual pro rata dollar amount which is transferred to the internal service Vehicle & Replacement account to create a reserve for future vehicle replacements. No vehicles are directly purchased from individual department budgets.

981 Computer Maintenance: Money budgeted in this account represents a program's pro rata share of Citywide computer maintenance contract.

982 Computer Replacement: Money budgeted in this account represents a program's annual pro rata dollar amount which is transferred to the internal service Computer Replacement Reserve account to create a reserve for future computer replacements or upgrades.

FISCAL YEAR 2007-08
PERSONNEL COMPLEMENT (FULL-TIME)

DEPARTMENT	POSITION	NUMBER	SALARY RANGE	
ADMINISTRATION	City Manager	1	To be determined	
	Administrative Services Manager	1	$ 6,150	$ 8,653
	Management Analyst	1	4,007	5,638
	Executive Assistant	1	3,302	4,647
	Administrative Secretary	1	2,810	3,954
	Director of Finance	1	7,234	10,179
	Accounting Technician	2	3,222	4,533
	Account Clerk	1	2,578	3,628
Total Administration		**9**		
POLICE	Chief of Police	1	8,891	12,510
	Police Captain	2	6,731	9,470
	Police Sergeant	6	5,611	7,520
	Police Officer	16	4,399	5,895
	Dispatcher	4	3,315	4,442
	Administrative Secretary	1	2,810	3,954
	Investigative Aide	1	2,765	3,705
	Police Records Clerk	1	2,622	3,514
Total Police		**32**		

RECREATION AND COMMUNITY SERVICES	Director of Recreation and Community Services	1	$ 6,576	$ 9,254
	Community Services Supervisor	2	3,683	5,182
	Recreation Coordinator	2	2,866	4,032
	Recreation Specialist	2	1,901	2,676
	Senior Office Assistant	2	2,462	3,465
Total Recreation and Community Services		**9**		
COMMUNITY DEVELOPMENT	Director of Community Development	1	7,390	10,399
	Associate Planner	1	4,270	6,008
	Code Enforcement Officer	1	3,691	5,194
	Administrative Secretary	1	2,810	3,954
Total Community Development		**4**		
PUBLIC WORKS	Public Works Director/City Engineer	1	7,390	10,399
	Public Works Technician	1	2,993	4,212
	Administrative Secretary	1	2,810	3,954
	Water Supervisor	1	3,915	5,509
	Water Service Worker II	2	2,980	4,193
	Water Service Worker I	1	2,596	3,653
	Maintenance Supervisor	1	3,420	4,812
	Lead Maintenance Worker	2	2,758	3,881
	Maintenance Worker	1	2,489	3,503
Total Public Works		**11**		
TOTAL FULL-TIME PERSONNEL		**65**		

Note: Seasonal and Temporary Personnel Not Included

GANN LIMIT

Article XIII-B of the California Constitution (Gann Initiative)

Effective July 1, 1980, Proposition 4 (Gann) put a limit on the City's expenditures from tax revenues based on 1978-1979 appropriations that are adjusted each succeeding year by the Consumer Price Index and population changes. Non-Proceeds of Taxes (Fines and Forfeitures and User Fees) were not subject to this limit.

In 1989-1990, Proposition 111 was passed which changed the base year to 1986-1987 and allowed cities to adjust their limit annually by either the change in the California per capita income or the percentage change in growth in total assessed valuation due to non residential construction. For population changes, cities now have the option of using either the percentage increase of the City or the percentage increase of the entire county. The law also allows for the exclusion from the limit of "qualified capital outlay" which includes any appropriation for fixed assets costing over $100,000 and having a useful life of 10 years.

The Fiscal Year 2007-08 budgeted expenditures are well within the statutory limit.

It should be noted that future revenues exceeding the limitation require a return of the excess to the taxpayers or a substantial portion of such excess will be forfeited for State uses.

Computation of Appropriations Limit:

Fiscal Year 2006-07 appropriations limit	$	11,149,950
Per capita income and County population change factor applied to the Fiscal Year 2006-07 appropriations limit	x	1.05297128
Fiscal Year 2007-08 appropriations limit	$	11,740,577

Fiscal Year 2007-08 Appropriations Subject to Limit and Appropriations Margin:

Proceeds of taxes	$	7,006,617
Less exclusions: qualified capital outlay		--
Fiscal Year 2007-08 appropriations subject to limit		7,006,617
Fiscal Year 2007-08 appropriations limit		11,740,577
Fiscal Year 2007-08 appropriations under limit	$	4,733,960

RESOLUTION NO. 2007-24

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LA PALMA APPROVING AND ADOPTING A BUDGET FOR FISCAL YEAR 2007-08

WHEREAS, the Interim City Manager of the City of La Palma did on May 15 and June 19, 2007, present to the City Council of said City a Proposed Budget for the Fiscal Year 2007-08; and

WHEREAS, the City Council held a duly noticed public hearing in the Council Chambers of City Hall of said City on June 19, 2007; and

WHEREAS, the City Council did review, revise, modify, correct, amend, and change said Proposed Budget for Fiscal Year 2007-08; and

WHEREAS, the City Council has now reviewed the Utility Users' Tax at a rate of five percent (5%); and

WHEREAS, said City Council has taken the necessary public actions to raise sufficient revenues to finance said Proposed Budget; and

WHEREAS, the original of said Proposed Budget will be revised so as to reflect each and all of the amendments, changes and modifications which the City Council, up to the time of adoption of this resolution, believes should be made in said Proposed Budget as so submitted and to correct any nonsubstantive errors discovered.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LA PALMA, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The said Proposed Budget, including the 5-year Capital Improvement Plan, of the City of La Palma, California, for the Fiscal Year 2007-08, as so amended, modified, revised, and corrected including those changes directed by the City Council at the June 19, 2007, City Council Meeting, is hereby approved and adopted. In adopting said budget, the City Council hereby instructs the City Manager to change the columns headed "Proposed" or "Amended" to "Adopted" for each of the several items of Personnel Services, Maintenance and Operations, and Capital Outlay and Improvements for each of the various funds, departments, programs, and accounts as set forth in said Proposed Budget and, as so amended, modified and corrected, and hereby approves the distribution of the salary detail, maintenance and operations detail,

capital outlay and improvements detail, policy revisions, and contractual arrangements noted in the program description and program explanation sections of the "Program Summary" pages, and interfund transactions and transfers shown under each of the respective funds, departments, programs and accounts, and each of the respective "Item Description" accounts and explanatory data in its entirety, each provision of which should be construed to give effect to the entire document. The City Manager is also directed to adjust beginning balances to reflect actual amounts, to the extent they are known, to make any necessary adjustments which result from Council-approved meet and confer settlements, and, in accordance with standard budgeting and appropriating practice, is authorized to transfer appropriations within and between departmental budgets as required to accommodate unforeseen operating requirements.

SECTION 2. The City Council authorizes the City Manager to make changes in internal service fund allocations to departments to reflect any modifications made after Proposed Budget was presented.

SECTION 3. Pursuant to Section 8-63 of the La Palma City Code, the Utility Users' Tax has been reviewed by the City Council to determine if the rate of tax should be altered for this Fiscal Year. The City Council finds that the Utility Users' Tax rate shall be five percent (5%) for Fiscal Year 2007-08.

SECTION 4. The City Manager, for the purpose of administrative necessity in implementing the budget, shall have the authority to transfer monies to the appropriate item, account, program, department, or fund to cover expenditures which have been approved by the City Council, except where such transfer is expressly prohibited in a resolution or ordinance approved by the City Council, such as transfers involving utility replacement funds. The City Manager shall also have the authority to transfer monies between and within funds to meet the operational needs of the City within established spending limits.

SECTION 5. The City Manager is hereby authorized and instructed to take all steps necessary to implement this Resolution.

SECTION 6. The original of said budget for the City of La Palma, California, for the Fiscal Year 2007-08 as now before this City Council, and as amended, modified, revised and corrected by City Council and staff, in open session, shall be placed on file in the office of the City Clerk of the City of La Palma, California, open to public inspection, and that said Proposed Budget is expressly incorporated in this resolution and made a part thereof. The City Clerk is hereby instructed to have copies of the Adopted Budget duplicated and available for public review and inspection and a copy provided to the Orange County Public Library, La Palma Branch, as soon as practicable.

APPROVED AND ADOPTED by the City Council of the City of La Palma at a regular meeting held on the 19th day of June 2007.

Mark I. Waldman, Mayor

ATTEST:

LAURIE A. MURRAY, City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS
CITY OF LA PALMA)

I, LAURIE A. MURRAY, City Clerk of the City of La Palma, California, DO HEREBY CERTIFY that the foregoing resolution was adopted by the City Council of said City at a regular meeting of said City Council held on the 19th day of June 2007, and that it was so adopted by called vote as follows:

AYES: Barnes, Charoen, Herman, Rodriguez, Waldman

NOES: None

LAURIE A. MURRAY, City Clerk

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL POLICY STATEMENTS

(Updated February 2004)

1. It shall be the policy of the City Council to adopt a balanced budget at the start of each fiscal year.
2. The City may need to decrease expenditures, thereby making cuts to programs, in order to maintain a balanced budget. For FY 2004/2005, develop plans to address contingencies associated with the State budget uncertainties, but refrain from fully implementing them until the State budget has been finalized and specific impacts on City revenues are known. Develop a budget that makes reductions and increases efficiencies where possible, striving to minimize impact on direct services to the public. Use the quarterly Revenue/Financial Reports to make budget adjustments in expenditures as needed throughout the year.
3. The City Council will review revenue estimates quarterly and make program reductions if revenues are not received as forecasted.
4. The City should focus on ongoing revenues being in a favorable balance with ongoing expenditures, rather than focusing on an arbitrary General Fund Reserve amount.
5. Once a favorable, ongoing revenue and expenditure relationship is achieved, the State budget crisis has passed, and local impacts from the State budget crisis are known, the City should establish a target General Fund Reserve level.
6. Continue addressing long-term financial issues as they are identified based upon sound financial management practices and available funding, not through the creation of a financial planning "document."
7. Postpone rehabilitation of the existing Community Center buildings pending resolution of the State budget crisis.
8. Continue with the Seven-Year Slurry Seal Program.
9. The City should budget money for maintenance of capital projects for existing projects on the CIP list, and not approve any additional CIP projects unless recurring maintenance funding is available.
10. Do not apply for any new projects funded by grant monies unless the General Fund can absorb the cost and meet the expectations in the future.
11. Funding for redevelopment opportunities will be balanced with funding for capital projects in the allocation of CDC monies.
12. The City should strive to budget for the "normal costs" of certain ongoing expenditures. When actual costs are less than normal costs, the City should reserve the difference to build up reserves. When actual costs exceed normal costs, the City should use reserves to bridge the gap.

13. The City should make annual budget allocations to the Capital Outlay Reserve (COR) based upon short-term and long-term capital needs and identified projects. Allocation should be made from total General Fund revenues, not from an individual or particular revenue source.