



CITY OF LAGUNA HILLS CITY COUNCIL/PLANNING AGENCY

REGULAR MEETING AGENDA Tuesday, December 12, 2017 – 7:00 PM (Closed Session at 6:00 PM when scheduled)

Don Sedgwick, Mayor

Melody Carruth, Mayor Pro Tempore

Janine Heft, Council Member

Dore J. Gilbert, M.D., Council Member

Barbara D. Kogerman, Council Member

Location: City Council Chamber, 24035 El Toro Road, Laguna Hills, CA 92653

Any person wishing to address the City Council/Planning Agency on any matter, whether or not it appears on this Agenda, is asked to complete a pink "Request to Speak" form available on the table at the back of the Chamber. The completed form is to be submitted to the City Clerk prior to an individual being heard by the City Council/Planning Agency. Completion of the form is voluntary. All persons may attend the meeting regardless of whether this form is completed.

Members of the public wishing to address the City Council can do so during the Public Comments portion of the Agenda with a time limitation of three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes for Public Comments. If you are commenting on an Agenda item, your comments will be heard at the time that item is scheduled on the Agenda. If you are addressing the City Council on an item not listed on the Agenda, the City Council is prohibited by law from discussing or taking any action on that item.

CLOSED SESSION - CONVENING AT 6:00 PM

CALL TO ORDER

Resolution No. 96-04-09-1 established rules of decorum for public meetings held by the City of Laguna Hills. Resolution No. 96-04-09-1 is available on the table at the back of the City Council Chamber.

ROLL CALL OF CITY COUNCIL MEMBERS

ANNOUNCEMENT OF CLOSED SESSION ITEM(S)

The City Council will convene in Closed Session, in the City Council Conference Room, City Hall, Laguna Hills Civic Center, to consider the following matter(s):

A. PUBLIC EMPLOYEE APPOINTMENT

Pursuant to Government Code Section 54957

Title: City Manager

B. CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6

Agency Negotiator: Don Sedgwick, Mayor

Unrepresented Employee: Donald J. White, Assistant City Manager

PUBLIC COMMENT ON CLOSED SESSION ITEM(S)

ADJOURN TO CITY COUNCIL CONFERENCE ROOM

CONVENE INTO CLOSED SESSION

The City Council will convene in Closed Session to consider the matter(s) listed above.

RECONVENE TO CITY COUNCIL CHAMBER

RECESS



CITY OF LAGUNA HILLS CITY COUNCIL/PLANNING AGENCY

REGULAR MEETING AGENDA Tuesday, December 12, 2017 – 7:00 PM

Don Sedgwick, Mayor

Melody Carruth, Mayor Pro Tempore

Janine Heft, Council Member

Dore J. Gilbert, M.D., Council Member

Barbara D. Kogerman, Council Member

Location: City Council Chamber, 24035 El Toro Road, Laguna Hills, CA 92653

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GENERAL BUSINESS - RECONVENING AT 7:00 PM

CALL TO ORDER

Resolution No. 96-04-09-1 established rules of decorum for public meetings held by the City of Laguna Hills. Resolution No. 96-04-09-1 is available on the table at the back of the City Council Chamber.

PLEDGE OF ALLEGIANCE: MAYOR PRO TEMPORE CARRUTH

ROLL CALL OF CITY COUNCIL MEMBERS

CITY COUNCIL REORGANIZATION

REMARKS OF OUTGOING MAYOR

ELECTION OF MAYOR

Recommendation: That the City Council nominate and elect a Mayor.

RECOGNITION OF OUTGOING MAYOR**RESOLUTION OF COMMENDATION, DON SEDGWICK, MAYOR**

Recommendation: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, commending Don Sedgwick as Mayor" and that the City Council present a Resolution and plaque to Don Sedgwick recognizing his service to the City.

REMARKS OF COUNCIL MEMBERS REGARDING MAYOR SEDGWICK'S SERVICE TO THE CITY**REMARKS OF NEWLY ELECTED MAYOR****ELECTION OF MAYOR PRO TEMPORE**

Recommendation: That the City Council nominate and elect a Mayor Pro Tempore.

RECESS

RECONVENE**CLOSED SESSION REPORT****1. PRESENTATIONS AND PROCLAMATIONS****1.1 Laguna Hills High School Student Liaison**

Recommendation: That the City Council receive an update from Laguna Hills High School Student Liaison Maya Williams.

2. PUBLIC COMMENTS

This is the time to address the City Council on any matter not listed on this Agenda that is within the subject matter jurisdiction of the City Council. Public Comments are limited to three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes.

3. CONSENT CALENDAR

All matters listed under "CONSENT CALENDAR" are considered to be routine and will be enacted by one motion approving the recommendation listed on the Agenda. There will be no separate discussion unless Members of the City Council or Staff request specific items be removed from the Consent Calendar.

3.1 Waive Reading in Full of all Ordinances and Resolutions on the Agenda

Recommendation: That the City Council waive reading in full of all Ordinances and Resolutions on the Agenda and declare that said titles which appear on the Public Agenda shall be determined to have been read by title and further reading waived.

3.2 Approval of Minutes for November 28, 2017, Regular Meeting

Recommendation: That the City Council approve the Minutes for the November 28, 2017, Regular Meeting.

3.3 Approval of Warrant Register for Period Ended December 12, 2017

Recommendation: That the City Council approve the Warrant Register in the amount of \$164,265.28.

3.4 2018 City Council Meeting Schedule

Recommendation: That the City Council adopt the proposed calendar for 2018.

3.5 Affirmation of Appointments List for City Boards, Commissions, and Committees

Recommendation: That the City Council affirm the Local Appointments List and direct that it be posted in the Laguna Hills Branch Technology Library in accordance with the Maddy Act.

3.6 Annual Review of Investment & Portfolio Policies and Delegation of Investment Authority to the City Treasurer

Recommendation: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, delegating investment authority to the City Treasurer and approving a policy for the investment of surplus City funds and rescinding Resolution No. 2016-12-13-7."

3.7 M2 Expenditure Report for the Fiscal Year Ended June 30, 2017

Recommendation: That the City Council: (1) approve the Measure M2 Expenditure Report for the Fiscal Year ended June 30, 2017, for submittal to OCTA; and (2) Adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, concerning the Measure M2 Expenditure Report for the City of Laguna Hills for the Fiscal Year ended June 30, 2017."

3.8 Amendment to Retainer Agreement for City Attorney Services

Recommendation: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, approving Amended Exhibit A to the Retainer Agreement for City Attorney Service Rates."

3.9 Memorandum of Understanding with Moulton Niguel Water District for Collaborative Efforts to Improve Surface Water Quality

Recommendation: That the City Council approve the Memorandum of Understanding with Moulton Niguel Water District related to collaborative efforts to improve surface water quality and authorize the City Manager to execute the Agreement.

ITEMS REMOVED FROM THE CONSENT CALENDAR**4. PLANNING AGENCY****4.1 ROLL CALL OF PLANNING AGENCY MEMBERS****4.2 PUBLIC COMMENTS**

This is the time to address the Planning Agency on any matter not listed on this Agenda that is within the subject matter jurisdiction of the Planning Agency. Public Comments are limited to three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes.

4.3 APPROVAL OF MINUTES FOR NOVEMBER 28, 2017, REGULAR MEETING**4.3.1 Approval of Minutes for November 28, 2017, Regular Meeting**

Recommendation: That the Planning Agency approve the Minutes for the November 28, 2017, Regular Meeting.

4.4 ADMINISTRATIVE REPORTS**4.5 PLANNING AGENCY PUBLIC HEARINGS**

PLANNING AGENCY ADJOURNMENT**5. CITY COUNCIL PUBLIC HEARINGS****6. ADMINISTRATIVE REPORTS****6.1 City Manager****6.1.1 2017 City Manager's Year End Report**

Recommendation: That the City Council receive and file the 2017 City Manager's Year End Report.

6.2 Assistant City Manager**6.2.1 Presentation of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2017**

Recommendation: That the City Council receive and file the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2017, together with the audit letters.

6.3 Chief of Police Services**6.3.1 Updated Schedule of Penalties for Parking Violations and Late Payment Penalties**

Recommendation: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, establishing an Updated Schedule of Penalties for Parking Violations and Late Payment Penalties."

6.3.2 Proposed Ordinance Amending Title 11 (Vehicles and Traffic) of the Laguna Hills Municipal Code Relating to Enforcement and Establishment of Parking Penalties

Recommendation: That the City Council introduce for first reading, read by title only, and waive further reading, an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, Amending Certain Sections of Chapter 11-04 (General Provisions and Administration) and Chapter 11-12 (Stopping, Standing and Parking) of Title 11 (Vehicles and Traffic) of the Laguna Hills Municipal Code relating to the Enforcement and Establishment of Parking Penalties."

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS

8. CITY COUNCIL MEMBER COMMENTS**9. CLOSED SESSION**

The City Council will be reconvening into Closed Session as part of the General Business Session, if necessary, for purposes of completing its Closed Session discussions in the event the City Council does not complete the Closed Session discussion between 6:00 p.m. and 7:00 p.m.

ADJOURNMENT

The next Regular Meeting of the City Council/Planning Agency will be January 9, 2018, in the City Council Chamber, located at 24035 El Toro Road, Laguna Hills, California.

CERTIFICATION

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, do hereby certify that a copy of the foregoing Agenda was posted at Laguna Hills City Hall, Laguna Hills Community Center, and the Courtyard at La Paz Center on December 8, 2017, by 5:00 pm.



City Clerk

December 8, 2017

Date

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the office of the City Clerk at (949) 707-2635. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.

Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office at 24035 El Toro Road, Laguna Hills, California, during normal business hours.

City Council Members receive no additional compensation or stipend as a result of simultaneously convening meetings of the Laguna Hills Planning Agency.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Mayor and Council Members
FROM: Melissa Au-Yeung
Assistant to the City Manager/City Clerk
ISSUE: Resolution of Commendation, Don Sedgwick, Mayor

RECOMMENDATION: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, commending Don Sedgwick as Mayor" and that the City Council present a Resolution and plaque to Don Sedgwick recognizing his service to the City.

SUMMARY:

Mayor Don Sedgwick served his term as Mayor of the City of Laguna Hills from December 13, 2016, through December 12, 2017. It is now in order to recognize Mayor Sedgwick for his service to the City as Mayor.

ATTACHMENTS:

- 171212 Resolution Mayor Sedgwick

RESOLUTION NO. 2017-12-12-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LAGUNA HILLS, CALIFORNIA, COMMENDING
DON SEDGWICK AS MAYOR

WHEREAS, Don Sedgwick was appointed to the City Council on August 20, 2014, pursuant to Section 10229 of the California Elections Code; took his Oath of Office on December 9, 2014; and served his term as Mayor of the City of Laguna Hills from December 13, 2016, through December 12, 2017; and

WHEREAS, Don Sedgwick, in addition to accepting the responsibilities of Mayor and faithfully fulfilling those duties and responsibilities, has ably represented the City at local events throughout the region and served on various boards including serving as Director of the Orange County Fire Authority, voting delegate to the League of California Cities, member of the City's Audit Committee, and the City's delegate to the Association of California Cities - OC; and

WHEREAS, during the year that Don Sedgwick has presided as Mayor the City approved its Fiscal Year 2017-2019 Biennial Budget, the result of a lengthy budget process that included three public meetings including a strategic planning budget workshop; entered into a Memorandum of Understanding to conduct a 13-city Law Enforcement Cost and Efficiency Study; the City held its 2017 Memorial Day Half Marathon 10k/5k honoring the United States Marine Corps Dark Horse Battalion and from which a portion of the race proceeds were donated to the 3/5 Dark Horse Support Committee; and, among other notable actions, the City has overseen completion of the entitlement process for the redevelopment of the Comfort Inn; implemented various new technological initiatives including the introduction of electronic plans and permitting in the Building Division and upgrading the audio visual system in the City Council Chambers; successfully renewed two and approved one new Civic Center lease; completed the Cabot Park Renovation project resulting in improvements to the baseball fields and playground; and supported an Ordinance amending the City's Hospitality Overlay Zone regulations to increase the allowable building area for future hotel developments; and

WHEREAS, the performance of his duties and responsibilities as Mayor have been characterized by excellent and constructive contributions to the lasting development of our City, and with greater attention to deliberative processes and public engagement, earning the respect and admiration of his colleagues.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, on behalf of all our citizens, does hereby express its appreciation and thanks to Mayor Sedgwick, for his service to the community as Laguna Hills Mayor for 2017.

PASSED, APPROVED, AND ADOPTED this 12th day of December 2017.

_____, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2017-12-12-xx adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 12th day of December 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Attachment: 171212 Resolution Mayor Sedgwick (1442 : Resolution of Commendation, Don Sedgwick, Mayor)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Mayor and Council Members
FROM: Cindy Sands
Admin. Assistant to City Manager
ISSUE: Approval of Minutes for November 28, 2017, Regular Meeting

RECOMMENDATION: That the City Council approve the Minutes for the November 28, 2017, Regular Meeting.

ATTACHMENTS:

- 171128 CC MIN

**CITY OF LAGUNA HILLS
CITY COUNCIL/PLANNING AGENCY**

**REGULAR MEETING
MINUTES
Tuesday, November 28, 2017**

CLOSED SESSION - CONVENING AT 6:00 PM

CALL TO ORDER

The meeting was called to order at 6:00 p.m. by Mayor Don Sedgwick.

ROLL CALL OF CITY COUNCIL MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Mayor	Present	
Melody Carruth	Mayor Pro Tempore	Present	
Dore J. Gilbert, M.D.	Council Member	Present	
Janine Heft	Council Member	Present	
Barbara D. Kogerman	Council Member	Present	

ANNOUNCEMENT OF CLOSED SESSION ITEM(S)

A. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Paragraph (1) of subdivision (d) of Government Code Section 54956.9
Name of Case: *George Dayeh, Maryam Dayeh vs City of Laguna Hills*,
Orange County Superior Court, Civil Complex Center;
Case No. 30-2017-00909717

PUBLIC COMMENT ON CLOSED SESSION ITEM(S)

There were no Public Comments.

ADJOURN TO CITY COUNCIL CONFERENCE ROOM

CONVENE INTO CLOSED SESSION

The City Council convened into Closed Session, to consider the matter(s) listed above.

RECONVENE TO CITY COUNCIL CHAMBER

RECESS

Attachment: 171128 CC MIN (1438 : Approval of Minutes for November 28, 2017, Regular Meeting)

GENERAL BUSINESS - RECONVENING AT 7:00 PM**CALL TO ORDER**

The meeting was called to order at 7:02 p.m. by Mayor Don Sedgwick.

PLEDGE OF ALLEGIANCE: COUNCIL MEMBER KOGERMAN**ROLL CALL OF CITY COUNCIL MEMBERS**

Attendee Name	Title	Status	Arrived
Don Sedgwick	Mayor	Present	
Melody Carruth	Mayor Pro Tempore	Present	
Dore J. Gilbert, M.D.	Council Member	Present	
Janine Heft	Council Member	Present	
Barbara D. Kogerman	Council Member	Present	

CLOSED SESSION REPORT**A. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**

Mayor Sedgwick stated that the City Council met in Closed Session this evening pursuant to the Closed Session authority listed on the Agenda. No reportable action was taken as a result of tonight's Closed Session meeting.

1. PRESENTATIONS AND PROCLAMATIONS**1.1 Laguna Hills High School Student Liaison**

Recommendation: The City Council received an oral report from Laguna Hills High School Student Liaison Maya Williams.

1.2 Certificate of Recognition - Deputy Sheriff Anthony Sambrano

Recommendation: The City Council presented a Certificate of Recognition to Deputy Sheriff Anthony Sambrano for being awarded the "Above and Beyond" award by the Saddleback Valley Unified School District.

2. PUBLIC COMMENTS

There were no Public Comments.

3. CONSENT CALENDAR

Motion to approve the Consent Calendar, with Council Member Kogerman removing Item No. 3.5:

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melody Carruth, Mayor Pro Tempore
SECONDER:	Janine Heft, Council Member
AYES:	Don Sedgwick, Mayor; Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member

3.1 Waive Reading in Full of all Ordinances and Resolutions on the Agenda

Recommendation: That the City Council waive reading in full of all Ordinances and Resolutions on the Agenda and declare that said titles which appear on the Public Agenda shall be determined to have been read by title and further reading waived.

3.2 Approval of Minutes for November 14, 2017, Regular Meeting

Recommendation: That the City Council approve the Minutes for the November 14, 2017, Regular Meeting.

3.3 Approval of Warrant Register for Period Ended November 28, 2017

Recommendation: That the City Council approve the Warrant Register in the amount of \$256,778.77.

3.4 2016/2017 Development Impact Fees Annual Report

Recommendation: That the City Council approve the 2016/2017 Development Impact Fees Report pursuant to Government Code Section 66006.

3.6 Contracts with the County of Orange and Age Well Senior Services for Community Development Block Grant Funds for Fiscal Year 2017/2018

Recommendation: That the City Council: (1) Approve the Contract between the County of Orange and the City of Laguna Hills for Community Development Block Grant Funds for Fiscal Year 2017/2018; (2) Approve the Contract between Age Well Senior Services and the City of Laguna Hills for Community Development Block Grant Funds for Fiscal Year 2017/2018; and (3) Authorize the Mayor and City Manager to execute the Contracts.

ITEMS REMOVED FROM THE CONSENT CALENDAR**3.5 First Quarter Financial and Treasurer's Report for Fiscal Year 2017/2018**

Council Member Kogerman removed Item No. 3.5 from the Consent Calendar in order to thank staff for their hard work and to request that Finance Manager Reyes briefly review the highlights of the report.

Recommendation: That the City Council receive and file the First Quarter Financial and Treasurer's Report for Fiscal Year 2017/2018.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melody Carruth, Mayor Pro Tempore
SECONDER:	Barbara D. Kogerman, Council Member
AYES:	Don Sedgwick, Mayor; Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member

4. PLANNING AGENCY

Mayor Sedgwick recessed the City Council meeting and, acting in the capacity of Chair, called the Regular Meeting of the Planning Agency of the City of Laguna Hills, California, to order at 7:20 p.m.

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Chair	Present	
Melody Carruth	Vice Chair	Present	
Dore J. Gilbert, M.D.	Agency Member	Present	
Janine Heft	Agency Member	Present	
Barbara D. Kogerman	Agency Member	Present	

4.2 PUBLIC COMMENTS

There were no Public Comments.

4.3 APPROVAL OF MINUTES FOR NOVEMBER 14, 2017, REGULAR MEETING**4.3.1 Approval of Minutes for November 14, 2017, Regular Meeting**

Recommendation: That the Planning Agency approve the Minutes for the November 14, 2017, Regular Meeting.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Janine Heft, Agency Member
SECONDER:	Dore J. Gilbert, M.D., Agency Member
AYES:	Don Sedgwick, Chair; Melody Carruth, Vice Chair; Dore J. Gilbert, M.D., Agency Member; Janine Heft, Agency Member; Barbara D. Kogerman, Agency Member

4.4 ADMINISTRATIVE REPORTS

There were no Administrative Reports.

4.5 PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Sedgwick reconvened the City Council Meeting at 7:21 p.m. All Council Members were present.

5. CITY COUNCIL PUBLIC HEARINGS

There were no City Council Public Hearings.

6. ADMINISTRATIVE REPORTS

6.1 City Manager

6.1.1 Acceptance of Letter of Resignation Filed by City Manager

City Manager Bruce E. Channing announced his retirement, highlighted a few of his accomplishments, expressed his appreciation to the staff and City Council Members he has worked with during his 26 years with the City, and stated that leaving the community and individuals that have been so supportive during his career will be difficult.

Council Members expressed their appreciation to City Manager Channing for his service and leadership and congratulated him on his retirement. Mayor Sedgwick thanked City Manager Channing for his service and talked about the positive impact Mr. Channing has had on the community. Mayor Sedgwick also stated that the City Council will explore their options as they move forward in filling the position including looking within the City to promote.

Recommendation: That the City Council accept the Letter of Resignation filed by City Manager Bruce E. Channing, receive and file the report, and provide direction as necessary.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melody Carruth, Mayor Pro Tempore
SECONDER:	Dore J. Gilbert, M.D., Council Member
AYES:	Don Sedgwick, Mayor; Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member

6.2 City Attorney

6.2.1 Appointment of Labor Negotiator

City Attorney Simonian briefly reviewed the information provided in the Staff Report.

Recommendation: That the City Council appoint Mayor Don Sedgwick to serve as the Council-designated Labor Representative for purposes of facilitating the Contract Negotiation process to retain a new City Manager.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melody Carruth, Mayor Pro Tempore
SECONDER:	Dore J. Gilbert, M.D., Council Member
AYES:	Don Sedgwick, Mayor; Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS

7.1 Proposal to Amend Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code to Require a Regulatory Permit for the Limited Personal Cultivation of Marijuana Inside a Person's Private Residence and Inside an Accessory Structure to a Person's Private Residence in Accordance with State Law

Council Member Heft discussed the information provided in the Staff Report and reviewed her reasons for wanting to implement a simple regulatory permit system in the City of Laguna Hills.

Council Members, City Attorney Simonian, and staff engaged in a detailed discussion regarding this Item.

A motion was made to reject the recommendation as written in the Staff Report, to stay the course, and continue to monitor how other local regulatory permit programs are playing out in neighboring cities, by Mayor Pro Tempore Carruth, seconded by Council Member Gilbert.

No action was taken on this motion.

A substitute motion was made to accept the recommendation that the City Council approve the process of drafting an Amendment to Title 9 (Zoning and Subdivisions) of the Laguna Hills Municipal Code to require a Regulatory Permit for the Limited Personal Cultivation of Marijuana inside a Person's Private Residence and inside an Accessory Structure to a Person's Private Residence in accordance with State Law, by Council Member Kogerman, seconded by Council Member Heft.

Len Herman, a resident of Laguna Hills, spoke in opposition to establishing a regulatory permit program for the limited personal cultivation of marijuana.

Mayor Pro Tempore Carruth made a motion to call the question.

All those in favor of the substitute motion as presented by Council Member Kogerman.

RESULT:	FAILED [2-3]
MOVER:	Barbara D. Kogerman, Council Member
SECONDER:	Janine Heft, Council Member
AYES:	Janine Heft, Council Member; Barbara D. Kogerman, Council Member
NAYS:	Don Sedgwick, Mayor; Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member

All those in favor of the original motion as presented by Mayor Pro Tempore Carruth with an amendment to revisit the issue within one year to read as:

“Reject the recommendation as written in the Staff Report, stay the course, continue to monitor how other local regulatory permit programs are playing out in neighboring cities, and revisit the issue within one year.”

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melody Carruth, Mayor Pro Tempore
SECONDER:	Dore J. Gilbert, M.D., Council Member
AYES:	Don Sedgwick, Mayor; Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D, Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member

8. CITY COUNCIL MEMBER COMMENTS

Council Member Kogerman

Council Member Kogerman reported that she attended the 9th Annual South County Veterans Resource Fair held at Saddleback College on Tuesday, September 19, 2017, shared literature she received at the event, and requested that these items be made available at the Community Center and Civic Center.

Mayor Pro Tempore Carruth

Mayor Pro Tempore Carruth encouraged Council Members and staff to attend the "Breakfast with Santa" event being held at the Community Center on Saturday, December 9, 2017, from 9:00 a.m. – 11:00 a.m.

Council Member Heft

Council Member Heft stated that she was excited to be elected to serve as the 5th District Representative to the ACC-OC.

Council Member Gilbert

Council Member Gilbert reported that he has been invited to breakfast with President Donald Trump this Saturday, December 2, 2017.

9. CLOSED SESSION

9.1 PUBLIC EMPLOYEE APPOINTMENT

Pursuant to Government Code Section 54957
Title: City Manager

9.2 CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6

Agency Negotiator: Don Sedgwick, Mayor

Unrepresented Employee: Donald J. White, Assistant City Manager

Mayor Sedgwick recessed the meeting into Closed Session at 8:22 p.m. There were no Public Comments on Closed Session Items.

Mayor Sedgwick reconvened the City Council meeting at 9:48 p.m. All Council Members were present. Mayor Sedgwick stated that the City Council met in Closed Session pursuant to the Closed Session authority listed on the Agenda. No reportable action was taken as a result of tonight's Closed Session meeting.

ADJOURNMENT

There being no further business before the City Council at this session, Mayor Sedgwick declared the meeting adjourned at 9:50 p.m.

Melissa Au-Yeung, City Clerk

ATTEST:

Don Sedgwick, Mayor

Approved at meeting of December 12, 2017.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Mayor and Council Members
FROM: Donald J. White
Assistant City Manager
ISSUE: Approval of Warrant Register for Period Ended December 12, 2017

RECOMMENDATION: That the City Council approve the Warrant Register in the amount of \$164,265.28.

ATTACHMENTS:

- Warrant Register 171212



City of Laguna Hills

City Council Meeting Agenda

Staff Report

DATE: DECEMBER 12, 2017

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE, ASSISTANT CITY MANAGER

ISSUE: APPROVAL OF WARRANT REGISTER FOR PERIOD ENDED DECEMBER 12, 2017.

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE WARRANT REGISTER IN THE AMOUNT OF \$164,265.28.

SUMMARY:

In accordance with Government Code Section 37202, the attached Warrant Register reflects the disbursements of the City of Laguna Hills for the period reported thereon. The Assistant City Manager certifies and attests to its accuracy and the availability of funds for the payment thereof. These warrants are hereby submitted to the City Council for approval of payment.

Prepared by:

JANICE MATEO REYES
Finance Manager

Certified:


DONALD J. WHITE
Assistant City Manager

December 12, 2017
DATE

FISCAL IMPACT:

The warrant register total is \$164,265.28.

ATTACHMENTS:

1. Warrant Register

Attachment: Warrant Register 171212 (1439 : Approval of Warrant Register for Period Ended December 12, 2017)

Check Register Report

Warrant Register 12/12/17

Date:

3.3.a

Time:

4:44 pm

Page:

CITY OF LAGUNA HILLS

BANK: UNION BANK- GENERAL

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8813742	11/30/2017	Printed		A-0138	ALL CITY MANAGEMENT, INC.	Crossing Guard Svc, 10/22-11/4	3,872.
8813743	11/30/2017	Printed		A-0327	ASSOCIATION OF CA CITIES	Membership, 2018	9,539.
					-OC		
8813744	11/30/2017	Printed		A-0366	AUDIO ADVANTAGE	Prof Svcs, Communications	150.
8813745	11/30/2017	Printed		B-0304	BEE MAN, THE	Bee Removal, Pub Svcs, Oct	150.
8813746	11/30/2017	Printed		B-0411	BUCKNAM & ASSOCIATES, INC.	Update Pavement Mgmt System	3,297.
8813747	11/30/2017	Printed		C-0412	C&D ELECTRIC, INC.	Park Repairs, Pub Svcs, Nov	377.
8813748	11/30/2017	Printed		Z-CD-0080	CARWIN AUTO GROUP, INC.	Refund, Permit Fees, CR# 56652	243.
8813749	11/30/2017	Printed		C-1022	CDW GOVERNMENT, INC.	Computer Hardware, Com Dev	920.
8813750	11/30/2017	Printed		C-0324	CITY OF MISSION VIEJO	Animal Care Services, Oct-Dec	46,833.
8813751	11/30/2017	Printed		C-1176	COMPUTER SERVICE CO.	Traffic Sig. Maint, Oct '17	14,282.
8813752	11/30/2017	Printed		C-0023	COX COMMUNICATION	T-1 Line	320.
8813753	11/30/2017	Printed		D-0461	DATA TICKET, INC.	Process Fee, Park Cit, Oct '17	1,135.
8813754	11/30/2017	Printed		E-0504	EL TORO WATER DISTRICT	Water Usage, Public Svcs, Oct	14,723.
8813755	11/30/2017	Printed		F-0709	FIVE STAR TROPHIES	Office Supplies, Dec '17	140.
8813756	11/30/2017	Printed		G-0844	GREEN MART, INC.	Operating Supplies, Pub Svcs	926.
8813757	11/30/2017	Printed		H-0805	HARRINGTON GEOTECH	Prof Svcs, On Call Engineering	650.
					ENGINEERING		
8813758	11/30/2017	Printed		H-0829	HARTZOG & CRABILL, INC.	Traf Signal Mgmt, & CIP #168	3,563.
8813759	11/30/2017	Printed		H-0934	HOME DEPOT	Program Supplies, CS, Oct-Nov	120.
8813760	11/30/2017	Printed		J-1057	JAMEY CLARK, INC.	Park Repair & Graffiti Removal	608.
8813761	11/30/2017	Printed		G-0709	JOE A. GONSALVES & SON	Legislative Services, Dec	2,900.
8813762	11/30/2017	Printed		Z-CS-0076	LAGUNA HILLS HS GIRLS	Refund, Fac Dep, V#2004249.002	500.
					VOLLEYBA		
8813763	11/30/2017	Printed		L-1376	LONG BEACH BMW	Motorcycle Maint, PS, Nov '17	419.
					MOTORCYCLES		
8813764	11/30/2017	Printed		M-1315	MARTIN & CHAPMAN CO.	Office Supplies, City Clk, Nov	14.
8813765	11/30/2017	Printed		M-1552	MARTIN-RUSK, DINA	Contract Instr Svcs, Zumba	151.
8813766	11/30/2017	Printed		M-1302	MOULTON NIGUEL WATER	Water Usage, CC, Pub Svcs	7,886.
					DISTRICT		
8813767	11/30/2017	Printed		N-1474	NIEVES LANDSCAPE, INC.	Other Assorted Landscape, Nov	4,090.
8813768	11/30/2017	Printed		O-1546	OFFICE SOLUTIONS	Office Supplies, Nov '17	267.
8813769	11/30/2017	Printed		C-1003	PARKING VIOLATIONS	Parking Fee Surcharge, Oct '17	2,492.
8813770	11/30/2017	Printed		P-1829	PEST OPTIONS, INC.	Rodent Control, PS, Oct	225.
8813771	11/30/2017	Printed		R-1830	RALPHS GROCERY COMPANY	Program Expense, CS, Oct '17	77.
8813772	11/30/2017	Printed		R-1943	RAMIREZ, CHRISTINA	Mileage Reimb., Admin, Sep-Oct	15.
8813773	11/30/2017	Printed		Z-CD-0081	REPIPE 1	Refund, Permit Fees, CR#	137.
8813774	11/30/2017	Printed		S-1902	SAN DIEGO GAS & ELECTRIC	ST Lites, TC & Comm Ctr, Oct	29,638.
8813775	11/30/2017	Printed		S-2276	SEDGWICK, DON	Travel Reimb., LOCC, Sep '17	126.
8813776	11/30/2017	Printed		Z-CD-0082	SILVER SPRINGS POOLS &	Refund, Pool Bond, CR #56947	500.
					SPAS,		
8813777	11/30/2017	Printed		S-1904	SOUTHERN CALIFORNIA	ST Lites, TC, Nov '17	2,314.
					EDISON		
8813778	11/30/2017	Printed		S-2250	SPARKLETTS	Operating Supplies, CS, Nov 17	88.
8813779	11/30/2017	Printed		T-2696	TCS NETWORK CONSULTING,	Consulting Svcs, Jun '17	1,500.
					INC.		
8813780	11/30/2017	Printed		W-2337	WEST COAST ARBORISTS, INC.	Tree Trimming, Oct '17	628.
8813781	11/30/2017	Printed		W-2439	WESTAMERICA	City Views, Winter Issue	8,435.
					COMMUNICATIONS, INC		

Total Checks: 40

Checks Total (excluding void checks):

164,265.

Total Payments: 40

Bank Total (excluding void checks):

164,265.

Total Payments: 40

Grand Total (excluding void checks):

164,265.

Attachment: Warrant Register 171212 (1439 : Approval of Warrant Register for Period Ended December 12, 2017)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Mayor and Council Members
FROM: Melissa Au-Yeung
Assistant to the City Manager/City Clerk
ISSUE: 2018 City Council Meeting Schedule

RECOMMENDATION: That the City Council adopt the proposed calendar for 2018.

SUMMARY:

In order to facilitate the preparation of agendas, as well as to provide adequate time for City Council Members and staff to plan schedules, it is helpful to review the meeting schedule for the upcoming calendar year. Attached is the proposed calendar for 2018. The City Council, with proper noticing, can decide to adjourn a regular meeting to a specific date and time prior to its meeting or call a special meeting, if the need for a meeting arises. Please note that the second meeting in July, first meeting in August, and second meeting in December are dark. Additionally, as indicated on the schedule, the second meeting of remaining months may be subject to cancellation if staff determines there are not sufficient items anticipated to warrant a meeting. Notice of such intent to cancel will generally be provided at the previous meeting.

ATTACHMENTS:

- Proposed 2018 Calendar

Calendar 2018

January 1, 2018	New Year's Day Holiday City Hall Closed
January 9, 2018	Regular City Council/Planning Agency Meeting
January 23, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)
February 13, 2018	Regular City Council/Planning Agency Meeting Public Improvement Corp
February 19, 2018	Presidents Day Holiday City Hall Closed
February 27, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)
March 13, 2018	Regular City Council/Planning Agency Meeting
March 27, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)
April 10, 2018	Regular City Council/Planning Agency Meeting
April 24, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)
May 8, 2018	Regular City Council/Planning Agency Meeting
May 22, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)
May 28, 2018	Memorial Day Holiday City Hall Closed
June 12, 2018	Regular City Council/Planning Agency Meeting
June 26, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)

July 4, 2018	City's Fourth of July Celebration City Hall Closed
July 10, 2018	Regular City Council/Planning Agency Meeting
July 24, 2018	Regular City Council/Planning Agency Meeting Dark Meeting
August 14, 2018	Regular City Council/Planning Agency Meeting Dark Meeting
August 28, 2018	Regular City Council/Planning Agency Meeting
September 3, 2018	Labor Day Holiday City Hall Closed
September 11, 2018	Regular City Council/Planning Agency Meeting
September 12–September 14	League of California Cities Conference Long Beach, California
September 25, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)
October 9, 2018	Regular City Council/Planning Agency Meeting
October 23, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)
November 6, 2018	General Election
November 12, 2018	Veteran's Day Holiday Observed City Hall Closed
November 13, 2018	Regular City Council/Planning Agency Meeting
November 22-23, 2018	Thanksgiving Holiday City Hall Closed

November 27, 2018	Regular City Council/Planning Agency Meeting (subject to cancellation)
December 11, 2018	Regular City Council/Planning Agency Meeting
December 25, 2018	Christmas Holiday Observed City Hall Closed
December 25, 2018	Regular City Council/Planning Agency Meeting Dark Meeting



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017

TO: Mayor and Council Members

FROM: Melissa Au-Yeung
Assistant to the City Manager/City Clerk

ISSUE: Affirmation of Appointments List for City Boards, Commissions, and Committees

RECOMMENDATION: That the City Council affirm the Local Appointments List and direct that it be posted in the Laguna Hills Branch Technology Library in accordance with the Maddy Act.

SUMMARY:

In accordance with State Law, Government Code Section 54972, the City Council must prepare and post a Local Appointments List prior to December 31, 2017.

BACKGROUND:

The State Legislature found that there was a vast and largely untapped reservoir of talent existing among the citizenry of the State of California and that this resource was not, all too frequently, aware of the many opportunities which exist to participate in and serve on local regulatory and advisory boards, commissions, and committees. In order to provide access to information regarding vacancies which occur on local boards, commissions, and committees, Government Code Section 54972 requires that each legislative body prepare a Local Appointments List on or before December 31st of each year consisting of the following:

- A list of appointive terms, which will expire during the next calendar year, with the name of the incumbent appointee, the date of the appointment, the date the term expires, and the necessary qualifications for the position.

Affirmation of Appointments List for City Boards, Commissions, and Committees

December 12, 2017

Page 2

- A list of all boards, commissions, and committees whose members serve at the pleasure of the legislative body and the necessary qualifications for each position.

A Local Appointments List for the City of Laguna Hills is attached. After the City Council takes action to affirm the list, a copy of the list will be posted in the Laguna Hills Branch Technology Library at the Community Center.

ATTACHMENTS:

- Local Appointments List



LOCAL APPOINTMENTS LIST
Ongoing Commissions, Boards, and Committees
(Pursuant to Government Code Section 54972 et seq.)

Parks and Recreation Commission

Established by: Resolution No. 92-04-14-5
Amended by Resolution No. 96-02-13-1
Amended by Resolution No. 2005-09-13-1
Amended by Resolution No. 2006-01-10-1
Amended by Resolution No. 2009-08-25-4

Number of Members: Five

Term of Office: Four-Year Staggered Terms

Qualifications: All Commission Members, at all times during their incumbencies, must be a bona fide resident and registered voter of the City of Laguna Hills.

Incumbents	Date Appointed	Date of Oath	Date Term Expires
Daniel Cooper	01/18/2003	01/28/2003	01/31/2019
Victoria Auer	02/05/2013	02/26/2013	01/31/2021
David Robbins	01/23/2017	01/25/2017	01/31/2021
Chris Mackey	03/12/2013	03/26/2013	01/31/2019
Maya Douglas	01/27/2015	02/04/2015	01/31/2019

Traffic Commission

Established by: Resolution No. 92-02-25-4
Amended by Resolution No. 96-04-23-2
Amended by Resolution No. 2005-09-13-2

Number of Members: Five

Term of Office: Four-Year Staggered Terms

Qualifications: All Commission Members, at all times during their incumbencies, must be a bona fide resident and registered voter of the City of Laguna Hills.

Incumbents	Date Appointed	Date of Oath	Date Term Expires
David Wheeler	01/23/2017	02/28/2017	01/31/2021
Len Herman	01/23/2017	02/22/2017	01/31/2021
Larry Woodruff	05/12/2015	05/15/2015	01/31/2021
Mark Jones	01/27/2015	02/10/2015	01/31/2019
Greg Staar	01/27/2015	02/10/2015	01/31/2019



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017

TO: Mayor and Council Members

FROM: Donald J. White
Assistant City Manager

ISSUE: Annual Review of Investment & Portfolio Policies and Delegation of Investment Authority to the City Treasurer

RECOMMENDATION: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, delegating investment authority to the City Treasurer and approving a policy for the investment of surplus City funds and rescinding Resolution No. 2016-12-13-7."

SUMMARY:

Pursuant to Government Code Section 53646, the City Treasurer is required to render to the City Council an annual statement of investment policy. Staff has reviewed the investment and portfolio policies and is not recommending any revisions to the existing policies, which are more restrictive than State law and consistent with the recommended best practices promulgated by the Government Finance Officers Association. The "2018 Investment and Portfolio Policies" for the City and the Public Improvement Corporation are contained in Exhibit A of the attached Resolution.

State law requires that the City Council annually review the City's written investment policies at a public meeting. It also allows the City Council to delegate its investment authority to the City Treasurer for up to one year at a time. A Resolution to adopt the policies and delegate the investment authority to the City Treasurer for the year 2018 is attached and staff is recommending approval.

ATTACHMENTS:

- Proposed Resolution - Investment Authority Delegation and Investment Policies Adoption
- Attachment A - Proposed 2018 Investment & Portfolio Policies

RESOLUTION NO. 2017-12-12-X

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DELEGATING INVESTMENT AUTHORITY TO THE CITY TREASURER AND APPROVING A POLICY FOR THE INVESTMENT OF SURPLUS CITY FUNDS AND RESCINDING RESOLUTION NO. 2016-12-13-7.

WHEREAS, pursuant to Laguna Hills Municipal Code Section 2-16.020, the City Council has appointed the City Manager as the City Treasurer; and

WHEREAS, pursuant to Government Code Section 53607, the City Council may delegate its investment authority to the City Treasurer for up to one year; and

WHEREAS; pursuant to Government Code Section 53646, the City Council of the City of Laguna Hills, has publicly considered an annual statement of investment policy and desires to adopt such policy to guide the investments of the Deputy Treasurer, under the supervision of the City Treasurer.

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

- SECTION 1. This Resolution rescinds Resolution No. 2016-12-13-7.
- SECTION 2. The City Council hereby delegates investment authority to the City Treasurer.
- SECTION 3. The City Council hereby adopts the investment policy, attached hereto as Exhibit "A" and incorporated herein by this reference.
- SECTION 4. The effective date of this Resolution is January 1, 2018.

PASSED, APPROVED, AND ADOPTED this 12th day of December 2017.

_____, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution
No. 2017-12-12-X adopted by the City Council of the City of Laguna Hills, California, at a
Regular Meeting thereof held on the 12th day of December 2017, by the following vote:

AYES:

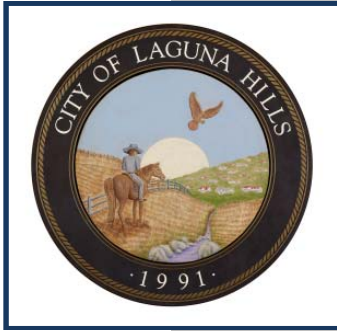
NOES: None

ABSENT: None

ABSTAIN: None

(SEAL)

MELISSA AU-YEUNG, CITY CLERK



CITY OF LAGUNA HILLS

2018 INVESTMENT & PORTFOLIO POLICIES



Investment and Portfolio Policies

Calendar Year 2018

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**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2018**

I Policy

It is the Policy of the City of Laguna Hills to invest in a manner, which will ensure the safety of public funds by mitigating credit and interest rate risk, and provide sufficient liquidity to meet all operating requirements. The City shall also strive to attain a return on investment that is reasonable given that safety of principal and liquidity are the primary objectives in these policies and yield is secondary. The investment program shall be operated in conformity with federal, state and other legal requirements, including the State of California Government Code Section 53601, et, seq., these policies and written administrative procedures.

II Scope

This investment policy applies to the investment of all funds of the City and the City of Laguna Hills Public Improvement Corporation, including the following:

General Fund
Special Revenue Funds
Capital Projects Funds
Funds Held Under Trust Indenture

These funds are accounted for in the City's Comprehensive Annual Financial Report.

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Investments under the trust indenture will be held separately and made in accordance with the indenture requirements.

III Objectives

Funds of the City will be invested, by the City Treasurer, or authorized deputies of the Treasurer (hereinafter collectively referred to as "the Treasurer") in accordance with these policies and written administrative procedures. The primary objectives, in priority order, of investment activities shall be:

1) Safety

Safety of principal is the foremost objective of the City's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio and the mitigation of credit risk and interest rate risk.

a) Credit Risk

Credit Risk is the risk of loss due to the failure of the security issuer or backer. Credit Risk may be mitigated by:

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2018**

- i. limiting investments to the safest types of securities listed under Section VI herein, which shall be limited to those investments backed by the U.S. Government, or an agency thereof, overnight accounts managed by the City's primary bank, the Local Agency Investment Fund (LAIF), and other specific investments described in Section VI;
- ii. diversifying the portfolio to avoid concentration of securities from a specific issuer, except issuers of U.S. Treasury securities, so that the failure of any one issuer will not place an undue financial burden on the City;
- iii. monitoring all of the City's investments on a frequent basis to anticipate and respond accordingly to a significant reduction of creditworthiness of any of the depositories, including the City's primary bank; and
- iv. performing appropriate due diligence to assure the credit worthiness of any portfolio investment made.

b) Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. To reduce interest rate risk, the City shall limit the maximum maturity horizon of the securities that comprise its portfolio, keeping in mind that the longer the maturity horizon, the greater the price volatility. In accordance with the Government Accounting Standards Board reporting requirements, the portfolio could show unrealized gains or losses for any reporting period.

Interest rate risk may be mitigated by:

- i. structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and
- ii. investing operating funds primarily in shorter-term securities.

2) Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity) and a portion of the portfolio should be invested in readily available funds, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

3) Yield

The rate of return on the City's investment portfolio is of secondary importance to the safety and liquidity objectives described above. The City's investment strategy is passive and investments are limited to relatively low-risk securities in anticipation of earning a rate of return throughout

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2018**

budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

The yield shall be designed to attain an average rate of return through market cycles. Although no "benchmark" rate of return is assumed, the portfolio's yield shall be compared for reporting purposes to LAIF and the 3-month bank CD rate published by the Federal Reserve. These indices are considered benchmarks for lower risk investment transactions and therefore represent a comparable minimum standard for the portfolio's rate of return.

IV Standards of Care

1) Prudence

The City's investment portfolio is subject to public scrutiny and review and should be managed with due care and consideration. The portfolio should be created and maintained with the professionalism and care worthy of the public trust.

The standard of prudence to be applied to the Treasurer shall be the "prudent investor rule", which states, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee (the governing body or Treasurer) shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The Treasurer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

2) Ethics and Conflict of Interest

Employees of the City shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. State law, City statutes, and City personnel and purchasing practices shall be followed to avoid conflict of interest or the appearance thereof. Employees shall disclose any financial interests or personal relationships with any financial institutions, brokers or securities dealers that conduct business within its jurisdiction, and any personal financial/investment positions that could be related to their management of the portfolio. The Treasurer shall be prohibited from doing business with any broker or securities dealer with whom the City does business, with the exception of the City's primary bank for banking services. Employees shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchases and sales.

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2018**

3) Delegation of Authority

Authority to manage the City's investment program is delegated to the City Treasurer by Resolution of the City Council of the City of Laguna Hills, California. Management responsibility is hereby delegated to the Assistant City Manager/Deputy Treasurer under the direction of the City Treasurer.

The Deputy Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy, together with a system of internal controls to regulate the activities of subordinates.

V Safekeeping and Custody

1) Authorized Financial Institutions, Depositories and Brokers/Dealers

Investment transactions will be undertaken with securities dealers, brokers and depositories authorized to provide investment services. In addition, the City shall maintain a "Qualified Institution" list of approved security broker/dealers selected by creditworthiness, including the minimum capital requirement of \$10 million and at least five years of operation. The City shall conduct periodic evaluations, or whenever deemed necessary, of each financial institution's standing to determine whether it should remain on the "Qualified Institution" listing. Securities dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and brokers/dealers who desire to become qualified for investment transactions with the City must supply the following:

- 1) Audited financial statements demonstrating compliance with State and Federal capital adequacy guidelines. Audited financial statements will be submitted annually to the City.
- 2) Proof of National Association of Securities Dealers (NASD) certification, except for counterparties in Certificates of Deposits transactions.
- 3) Proof of State Registration
- 4) Completed broker/dealer questionnaire, except for Certificates of Deposits counterparties.
- 5) Certification of having read and understood and agreeing to comply with the City's Investment Policies, as well as to disclose potential conflicts or risks to public funds that might arise out of business transactions between the firm/depository and the City.
- 6) Evidence of adequate insurance coverage.

In addition, all financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving the City's funds. The supervising officer shall agree to exercise due diligence in monitoring the activities of other officers and subordinate staff members engaged in transactions with the City. Employees of any firm or financial institution offering securities or

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2018**

investments to the City shall be trained in the precautions appropriate to public-sector investment and shall be required to familiarize themselves with the City's Investment and Portfolio Policies.

2) Internal Control

Treasurer shall establish a system of written internal control policies and procedures, which shall be reviewed annually by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

3) Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. A third party custodian or the trust department of the City's primary bank will hold securities. Evidence of safekeeping shall be in the form of safekeeping receipts and monthly statements reporting the securities held by the institution.

VI Authorized and Suitable Investments

1) Investment Types

Investment of City funds are restricted to the following instruments that shall mature within one year from the time of purchase unless otherwise stated:

- a) U.S. Treasury bills.
- b) U.S. Treasury notes or bonds.
- c) Insured or fully collateralized certificates of deposit issued by a qualified Public Depository Institution of the State of California.
- d) Money market mutual funds whose portfolios consist entirely of U.S. government securities and are rated at the highest letter or numerical rating from at least two of the three largest nationally recognized rating services, or which retain an Investment advisor meeting requirements specified in Government Code Section 53601(k)(2).
- e) State Treasurer's Local Agency Investment Fund.
- f) Overnight Government Securities (U.S. Treasuries, Agencies, and Instrumentalities) Investment Account managed by the City's primary bank.
- g) Overnight Commercial Paper Investment Account managed by the City's primary bank.
- h) Overnight repurchase agreements managed by the City's primary bank where the market value of the securities underlying the repurchase agreement is 102 percent or greater than the value of funds borrowed.
- i) Commercial Paper rated a minimum of "P-1" by Moody's and "A-1" by Standard and Poor's, or equivalent, as provided by a nationally recognized rating agency, maturing not more than 180 days after the date of purchase. The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2018**

- j) Prime Bankers' Acceptances with a maximum term of 270 days and a rating of "P-a" by Moody's and "A-1 +" by Standard and Poor's or equivalent as provided by a nationally recognized rating agency issued within the U.S. by depository institutions.
- k) Investment Trust of California, a Joint Powers Authority, doing business as CalTRUST

In all instances, the City will not purchase the aforementioned instruments by the use of leveraged or margin accounts or by taking short positions in any investment instrument; i.e., selling investments the City does not own.

Investments of funds held under a trust indenture may have maturities up to two years in duration.

2) Portfolio Diversification

The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

<u>DIVERSIFICATION BY INVESTMENTS</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations (bills, notes and bonds)	50%
Certificates of Deposit (CDs) Commercial Banks	50%
Certificates of Deposit (CDs) Savings and Loan	25%
State Treasurer's Local Agency Investment Fund	75%
CalTRUST	75%
Overnight investment accounts managed by City's primary bank	50%
Commercial Paper	10%
Banker's Acceptances	15%
Money Market Mutual Funds	15%
<u>DIVERSIFICATION BY INSTITUTION/ISSUER</u>	<u>Maximum Percent of Portfolio</u>
Certificates of Deposit (CDs) Commercial Banks	25%
Certificates of Deposit (CDs) Savings and Loan	\$250,000 maximum

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2018**

3) Maximum Maturities

Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenue.

4) Collateralization

Collateralization will be required on repurchase agreements in order to anticipate market changes and provide a level of security for all funds.

For certificates of deposits greater than \$250,000, collateral will be required at 110% of principal for government securities collateral, and 150% of principal for first mortgage collateral. Certificates of deposits for \$250,000 or less, inclusive of earned interest at maturity may be invested in any FDIC insured commercial bank or savings and loan accounts.

Collateral will always be held by an independent third party, or the trust departments of the City's primary bank. A clearly marked evidence of ownership, such as safekeeping receipt and monthly statement of securities held must be provided to the City.

VII Competitive Selection of Investment Instruments

When purchasing or selling securities, the Treasurer shall select the security which provides the highest rate of return within the parameters of these policies and according to the current objectives and needs of the City's portfolio. The Treasurer, at his discretion, may purchase investments through the investment or trust department of the City's primary bank without soliciting proposal forms to other banks or broker/dealers. The City Treasurer may also purchase investments using a competitive process by soliciting proposals from the financial dealers in the "Qualified Institutions" list.

If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments, which meet the maturity requirement. If no specific maturity is required, a market trend (yield curve) analysis will be conducted to determine which maturities would be most advantageous. Selection by comparison to a current market price may be utilized when, in the judgment of the Treasurer, competitive bidding would inhibit the selection process.

VIII Reporting

The Treasurer shall submit quarterly investment reports to the City Council that summarizes recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics and other pertinent features. The report shall explain the quarter's total investment return and compare the return on LAIF and the 3-month bank CD rate published by the Federal Reserve. The report shall disclose all transactions during the quarter.

**CITY OF LAGUNA HILLS
INVESTMENT AND PORTFOLIO POLICIES
2018**

As part of the City's annual audit, the independent auditor shall evaluate investment performance and conduct an operations audit. The purpose of these examinations shall be to obtain suggestions for improved future performance, and to verify that the Treasurer has acted in accordance with this investment policy and written investment procedures.

IX Annual Investment Policy and Adoption

The City's investment policy shall be annually reviewed and adopted by resolution of the City Council of the City of Laguna Hills, California. The policy and the related internal control procedures shall be reviewed annually by the City's independent auditors, and any modifications to the policy must be approved by the City Council.

* * * * *



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Mayor and Council Members
FROM: Donald J. White
Assistant City Manager
ISSUE: M2 Expenditure Report for the Fiscal Year Ended June 30, 2017

RECOMMENDATION: That the City Council: (1) approve the Measure M2 Expenditure Report for the Fiscal Year ended June 30, 2017, for submittal to OCTA; and (2) Adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, concerning the Measure M2 Expenditure Report for the City of Laguna Hills for the Fiscal Year ended June 30, 2017."

SUMMARY:

With the passage of Renewed Measure M (M2), local agencies must demonstrate eligibility and follow safeguard requirements in order for local jurisdictions to receive M2 fair share and competitive program funds. The Orange County Transportation Authority's (OCTA) Ordinance No. 3 (M2 Ordinance) identifies the eligibility and safeguard requirements that must be met. One requirement under the M2 Ordinance is that each local agency must adopt and provide an expenditure report (in the form provided by OCTA) to OCTA each year within six months of the end of the local jurisdiction's fiscal year to account for M2 funds. The City Council is requested to review and approve the attached Measure M2 Expenditure Report for the fiscal year ended June 30, 2017, and adopt the attached Resolution for submittal to OCTA, as required by Measure M2 Local Transportation Authority Ordinance No. 3.

BACKGROUND:

On November 7, 2006, the Orange County voters approved the renewal of the Measure M one-half cent sales tax for transportation improvements. This renewal plan

M2 Expenditure Report FY 2016-17

December 12, 2017

Page 2

is designated as Measure M2 and provides funding for 30 years to relieve traffic congestion. As part of Measure M2, taxpayer safeguards and audits are provided to ensure appropriate use of funds.

One new safeguard requirement under the M2 Ordinance is for each local agency to adopt and provide an annual expenditure report to OCTA each year in the template form provided by OCTA. This expenditure report is a detailed financial report used to track financial activity to account for M2 funds, developer/traffic impact fees, and funds expended by the jurisdiction to satisfy Maintenance of Effort (MOE) requirements. The report includes all M2 net revenue, fund balances and interest earned, and will identify expenditure by activity type and funding source.

The report is required six months after each jurisdiction's fiscal year end and must be adopted by Resolution before submittal to OCTA. The attached M2 Expenditure Report demonstrates the City is in compliance with the requirements of M2.

FISCAL IMPACT:

Historically, Measure M provides approximately \$500,000 of annual revenues to the City for street maintenance purposes. Failure to submit the M2 Annual Expenditure Report could suspend or delay M2 funding.

ATTACHMENTS:

- Proposed Resolution - M2 Expenditure Report FY 2016-17
- Measure M2 Expenditure Report FY 2016-17

RESOLUTION NO. 2017-12-12-X

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LAGUNA HILLS, CALIFORNIA, CONCERNING THE
MEASURE M2 EXPENDITURE REPORT FOR THE CITY OF
LAGUNA HILLS FOR FISCAL YEAR ENDED JUNE 30, 2017

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, Local Transportation Authority Ordinance No. 3 requires local jurisdictions to adopt an annual Expenditure Report to account for Net Revenues, developer/traffic impact fees, and funds expended by local jurisdiction that satisfy the Maintenance of Effort requirements; and

WHEREAS, the Expenditure Report shall include all Net Revenue fund balances, interest earned, and expenditures identified by type and program or project; and

WHEREAS, the Expenditure Report must be adopted and submitted to the Orange County Transportation Authority each year within six months of the end of the local jurisdiction's fiscal year to be eligible to receive Net Revenues as part of Measure M2.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES HEREBY INFORM OCTA THAT:

- A. The M2 Expenditure Report is in conformance with the M2 Expenditure Report Template provided in the Renewed Measure M Eligibility Guidelines and accounts for Net Revenues including interest earned, expenditures during the fiscal year, and balances at the end of fiscal year.
- B. The M2 Expenditure Report is hereby adopted by the City of Laguna Hills.
- C. The City of Laguna Hills' Finance Director is hereby authorized to sign and submit the Measure M2 Expenditure Report to OCTA for the fiscal year ending June 30, 2017.

PASSED, APPROVED, AND ADOPTED this 12th day of December 2017.

_____, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No.
_____ adopted by the City Council of the City of Laguna Hills, California, at
a Regular Meeting thereof held on the 12th day of December 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

M2 Expenditure Report

Fiscal Year Ended June 30, 2017

Beginning and Ending Balances

Description	Line No.	Amount	Interest
Balances at Beginning of Fiscal Year			
A-M Freeway Environmental Mitigation	1	\$ -	\$ -
O Regional Capacity Program	2	\$ -	\$ -
P Regional Traffic Signal Synchronization Program	3	\$ -	\$ -
Q M2 Fair Share	4	\$ -	\$ -
R High Frequency Metrolink Service	5	\$ -	\$ -
S Transit Extensions to Metrolink	6	\$ -	\$ -
T Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	7	\$ -	\$ -
U Senior Mobility Program or Senior Non-Emergency Medical Program	8	\$ 54,843	\$ -
V Community Based Transit/Circulators	9	\$ -	\$ -
W Safe Transit Stops	10	\$ -	\$ -
X Water Quality Program	11	\$ -	\$ -
Other*	12	\$ 14,976	\$ -
Balances at Beginning of Fiscal Year (Sum Lines 1 to 12)	13	\$ 69,819	\$ -
Monies Made Available During Fiscal Year	14	\$ 768,089	\$ 3,329
Total Monies Available (Sum Lines 13 & 14)	15	\$ 837,908	\$ 3,329
Expenditures During Fiscal Year	16	\$ 771,078	\$ 3,329
Balances at End of Fiscal Year			
A-M Freeway Environmental Mitigation	17	\$ -	\$ -
O Regional Capacity Program	18	\$ -	\$ -
P Regional Traffic Signal Synchronization Program	19	\$ -	\$ -
Q M2 Fair Share	20	\$ -	\$ -
R High Frequency Metrolink Service	21	\$ -	\$ -
S Transit Extensions to Metrolink	22	\$ -	\$ -
T Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	23	\$ -	\$ -
U Senior Mobility Program or Senior Non-Emergency Medical Program	24	\$ 51,840	\$ -
V Community Based Transit/Circulators	25	\$ -	\$ -
W Safe Transit Stops	26	\$ -	\$ -
X Water Quality Program	27	\$ -	\$ -
Other*	28	\$ 14,990	\$ -

* TDA Backfill

Attachment: Measure M2 Expenditure Report FY 2016-17 (1445 : M2 Expenditure Report FY 2016-17)

M2 Expenditure Report
Fiscal Year Ended June 30, 2017
Sources and Uses

Description	Line No.	Amount	Interest
Revenues:			
A-M Freeway Environmental Mitigation	1	\$ -	\$ -
O Regional Capacity Program	2	\$ -	\$ -
P Regional Traffic Signal Synchronization Program	3	\$ 6,157	\$ -
Q M2 Fair Share	4	\$ 553,087	\$ 2,863
R High Frequency Metrolink Service	5	\$ -	\$ -
S Transit Extensions to Metrolink	6	\$ -	\$ -
T Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	7	\$ -	\$ -
U Senior Mobility Program or Senior Non-Emergency Medical Program	8	\$ 34,897	\$ 466
V Community Based Transit/Circulators	9	\$ -	\$ -
W Safe Transit Stops	10	\$ -	\$ -
X Water Quality Program**	11	\$ 173,934	\$ -
Other*	12	\$ 14	\$ -
TOTAL REVENUES (Sum lines 1 to 12)	13	\$ 768,089	\$ 3,329
Expenditures:			
A-M Freeway Environmental Mitigation	14	\$ -	\$ -
O Regional Capacity Program	15	\$ -	\$ -
P Regional Traffic Signal Synchronization Program	16	\$ 6,157	\$ -
Q M2 Fair Share	17	\$ 553,087	\$ 2,863
R High Frequency Metrolink Service	18	\$ -	\$ -
S Transit Extensions to Metrolink	19	\$ -	\$ -
T Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	20	\$ -	\$ -
U Senior Mobility Program or Senior Non-Emergency Medical Program	21	\$ 37,900	\$ 466
V Community Based Transit/Circulators	22	\$ -	\$ -
W Safe Transit Stops	23	\$ -	\$ -
X Water Quality Program	24	\$ 173,934	\$ -
Other*	25	\$ -	\$ -
TOTAL EXPENDITURES (Sum lines 14 to 25)	26	\$ 771,078	\$ 3,329
TOTAL BALANCE (Subtract line 26 from 13)	27	\$ (2,989)	\$ -

* TDA Backfill

** Water Quality Program Revenues (Project X) include \$130,450 issued on 11/18/16 for Laguna Hills, C 14-HLL-ECP-373, and \$43,483.47, a FY 16/17 revenue accrual of Measure M2 Competitive Funds to be invoiced to OCTA after the Cabot Bioswale project final report with OCTA.

Attachment: Measure M2 Expenditure Report FY 2016-17 (1445 : M2 Expenditure Report FY 2016-17)

M2 Expenditure Report
Fiscal Year Ended June 30, 2017
Streets and Roads Detailed Use of Funds

Type of Expenditure	Line No.	MOE ²	+ Developer / Impact Fees	O	O Interest	P	P Interest	Q	Q Interest	X	X Interest	Other M2 ³ (U)	Other M2 Interest (U)	Other*	TOTAL
Administration (Indirect & Overhead)	1	\$ 463,647										\$ 37,900	\$ 466		\$ 502,013
Construction & Right-of-Way															
New Street Construction	2														\$ -
Street Reconstruction	3	\$ 21,704													\$ 21,704
Signals, Safety Devices, & Street Lights	4					\$ 6,157								\$ 2,123	\$ 8,280
Pedestrian Ways & Bikepaths	5														\$ -
Storm Drains	6	\$ 377,789								\$ 173,934					\$ 551,723
Storm Damage	7														\$ -
Total Construction ¹	8	\$ 399,493	\$ -	\$ -	\$ -	\$ 6,157	\$ -	\$ -	\$ -	\$ 173,934	\$ -	\$ -	\$ -	\$ 2,123	\$ 581,707
Right of Way Acquisition	9														\$ -
Total Construction & Right-of-Way	10	\$ 399,493	\$ -	\$ -	\$ -	\$ 6,157	\$ -	\$ -	\$ -	\$ 173,934	\$ -	\$ -	\$ -	\$ 2,123	\$ 581,707
Maintenance															
Patching	11														\$ -
Overlay & Sealing	12													\$ 1,486,971	\$ 1,486,971
Street Lights & Traffic Signals	13	\$ 594,779													\$ 594,779
Storm Damage	14														\$ -
Other Street Purpose Maintenance	15	\$ 125,924						\$ 553,087	\$ 2,863						\$ 681,874
Total Maintenance ¹	16	\$ 720,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 553,087	\$ 2,863	\$ -	\$ -	\$ -	\$ -	\$ 1,486,971	\$ 2,763,624
Other	17	\$ 36,345													\$ 36,345
GRAND TOTALS (Sum Lines 1, 10, 16, 17)	18	\$ 1,620,188	\$ -	\$ -	\$ -	\$ 6,157	\$ -	\$ 553,087	\$ 2,863	\$ 173,934	\$ -	\$ 37,900	\$ 466	\$ 1,489,094	\$ 3,883,689

¹ Includes direct charges for staff time
² Local funds used to satisfy maintenance of effort (MOE) requirements
³ Other M2 includes A-M, R,S,T,U,V, and W
+ Transportation related only
* Other amount includes \$1,486,971 for Arterial Highway Pavement Maintenance funded by Gas Tax (\$927,771), Federal RSTP Map 21 (\$500,000), El Toro Water District (\$11,200) and Moulton Niguel Water District (\$48,000) as well as \$2,123 for Traffic Signal Coordination Improvements funded by CARITS.

Project	Description
A-M	Freeway Environmental Mitigation
O	Regional Capacity Program
P	Regional Traffic Signal Synchronization Program
Q	M2 Fair Share
R	High Frequency Metrolink Service
S	Transit Extensions to Metrolink
T	Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems
U	Senior Mobility Program or Senior Non-Emergency Medical Program
V	Community Based Transit/Circulators
W	Safe Transit Stops
X	Water Quality Program

M2 Expenditure Report
Fiscal Year Ended June 30, 2017
M2 Fair Share Project List

[illegible]

Attachment: Measure M2 Expenditure Report FY 2016-17 (1445 : M2 Expenditure Report FY 2016-17)

M2 Expenditure Report
Fiscal Year Ended June 30, 2017

I certify that the interest earned on Net Revenues allocated pursuant to the Ordinance shall be expended only for those purposes for which the Net Revenues were allocated and all the information attached herein is true and accurate to the best of my knowledge:

Director of Finance (Print Name)

Date

Signature

Attachment: Measure M2 Expenditure Report FY 2016-17 (1445 : M2 Expenditure Report FY 2016-17)



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Mayor and Council Members
FROM: Melissa Au-Yeung
Assistant to the City Manager/City Clerk
ISSUE: Amendment to Retainer Agreement for City Attorney Services

RECOMMENDATION: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, approving Amended Exhibit A to the Retainer Agreement for City Attorney Service Rates."

SUMMARY:

Woodruff, Spradlin & Smart, A Professional Corporation, provides city attorney services, both general counsel and litigation, to the City of Laguna Hills. Professional hourly rates charged by the firm have been in effect since 2012 without any Consumer Price Index (CPI) adjustment. Unlike most other full service public law firms, Woodruff, Spradlin & Smart provides the City with a unique fixed, blended professional hourly rate for all legal services, whether general counsel or litigation or specialty services. The firm is proposing a 7% CPI increase in the hourly rate for attorneys from \$205 to \$220. For paralegals, they are proposing an increase from \$115 to \$125. CPI for the relevant period is 9.10%.

BACKGROUND:

Woodruff, Spradlin & Smart has proposed the approval of an amended Exhibit "A" to their retainer agreement for city attorney services. The amended Exhibit "A" would adjust the firm's professional hourly rate from \$205 to \$220 per hour for attorneys and from \$115 to \$125 per hour for paralegals. Current professional hourly rates for the firm have been in effect for the past 5 years (since 2012) without any CPI adjustment. Additionally, the firm proposes that all legal services provided to the City for which the

Amendment to Agreement for City Attorney Services

December 12, 2017

Page 2

City receives reimbursement from a developer or third party will be billed at the hourly rate of \$275.

In 2012, when Woodruff, Spradlin & Smart proposed their last CIP adjustment, City staff surveyed other contract city attorney rates and found those proposed by Woodruff, Spradlin & Smart for the City of Laguna Hills to be comparable and in many cases quite lower. In response to the current proposal, City staff has again reviewed the results of a recent survey of other contract city attorney rates (see attached survey) and has once again found the proposed CPI adjustment proposed by Woodruff, Spradlin & Smart to be very competitive, comparable, and in many cases significantly lower than the market. Attached to this report is a letter from Woodruff, Spradlin & Smart to the City Council regarding the proposed rate adjustment. The retainer agreement provides that Exhibit "A," which specifies the firm's hourly rate, may be changed from time to time without otherwise amending the Agreement by Resolution of the City Council. A Resolution approving the proposed rate adjustment is also attached.

FISCAL IMPACT:

Based on usage of city attorney services during the last fiscal year, it is estimated the proposed CPI adjustment will cost the City \$29,000 annually.

ATTACHMENTS:

- Letter from Woodruff, Spradlin & Smart Regarding Proposed Rate Adjustment
- City Attorney Services Rate Survey - 2017
- Proposed Resolution
- Proposed Resolution - Exhibit



WOODRUFF, SPRADLIN & SMART
A Professional Corporation

GREGORY E. SIMONIAN
DIRECT DIAL: (714) 415-1021
DIRECT FAX: (714) 415-1121
E-MAIL: GSIMONIAN@WSS-LAW.COM

November 21, 2017

VIA E-Mail & U.S. Mail

Honorable Mayor and Members of the City Council
City of Laguna Hills
24035 El Toro Road
Laguna Hills, California 92653

Re: Proposed CPI Adjustment to City Attorney Service Rates

Mayor and Members of the City Council:

As you know, Woodruff, Spradlin & Smart has maintained its commitment to the City Council by keeping our professional hourly rates fixed at \$205 per hour for the past five (5) years. The last time the firm's rates were adjusted was in 2012. As you may be aware, many law firms adjust their rates automatically on an annual basis. We are respectfully requesting a 7% CPI increase to our flat hourly rate from \$205 to \$220 per hour for attorneys and from \$119 to \$130 per hour for paralegals. CPI for the relevant period is 9.10%. This blended rate for all attorneys will continue to apply to litigation as well as to all transactional work. We are also proposing that all legal services provided to the City for which the City receives reimbursement from a developer or third party be billed at the hourly rate of \$275. If approved, the proposed adjustment is requested to be effective January 1, 2018.

The proposed blended hourly rate of \$220 per hour for all attorney services is comparable to some firms but is quite lower than most charged by other full-service city attorney firms in the County and in many instances is significantly lower. For example, Best, Best & Krieger ("BB&K") provides city attorney services to Aliso Viejo and charges a range of between \$220 - \$248 per hour in addition to an \$18,389 fixed monthly retainer. BB&K also provides legal services to San Clemente and charges a range of between \$250 - \$300 per hour in addition to a \$10,000 retainer. BB&K also provides legal services to San Juan Capistrano and charges a range of between \$255 - \$310 per hour in addition to a \$10,000 retainer.

Some other public law firms such as Richards, Watson & Gershon and Rutan & Tucker also have considerably higher rates for general counsel and specialty services, ranging between \$250 to over \$300 per hour for many of the partners in the firm. Rutan & Tucker provides legal services to Dana Point and charges a fixed monthly retainer of \$9,867 and an additional rate of \$253 per hour. Rutan & Tucker also provides legal services to La Palma and charges a range of between \$240 - \$330 per hour as well as an \$8,400 retainer. Richards, Watson & Gershon provides legal services to Seal Beach and charges a range of between \$335 - \$425 per hour in addition to a \$20,000 retainer. Jones & Mayer provides legal services to La Habra at \$229 per hour.

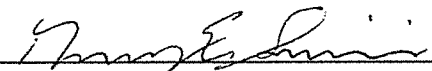
Our firm believes that a blended rate for all legal services for the City of Laguna Hills is preferable to varying rates depending upon the attorney and type of work performed. We believe that this adds more predictability and stability to the city attorney operational budget. We have found in our experience that a blended rate for all attorney services is both fair to the client and to the attorney. We are aware of the financial challenges facing the City, we are extremely sensitive to keeping our rates reasonable, and we endeavor to keep within budget.

It is a privilege and an honor to serve as your city attorney, and I as well as the firm's team of attorneys, paralegals and support personnel assigned to the City of Laguna Hills are committed to continuing to provide the City Council and City staff with high quality, efficient, thorough and responsive legal services.

If you have any questions or concerns regarding this proposal, please feel free to contact me. Thank you for your consideration.

Sincerely,

WOODRUFF, SPRADLIN & SMART
A Professional Corporation



GREGORY E. SIMONIAN, Director

cc: Bruce E. Channing, City Manager
Donald J. White, Assistant City Manager

Attachment: Letter from Woodruff, Spradlin & Smart Regarding Proposed Rate Adjustment (1441 : Amendment to Agreement for City Attorney

CITY ATTORNEY RATES – SURVEY

CITY	LAW FIRM	MONTHLY RETAINER	HOURLY RATES OUTSIDE OF RETAINER HOURS
Aliso Viejo	BB&K	\$18,389 fixed monthly fee for general services	\$220/hr. general services \$112/hr. paralegal services \$248/hr. special services (CEQA, Environmental, Labor, Employment & Litigation matters) \$141/hr. paralegal services
Dana Point	Rutan & Tucker	\$9,867 Fixed monthly fee for general services	\$253/hr. for all attorney services
Diamond Bar	Woodruff, Spradlin & Smart	No monthly retainer Automatic CPI annually in July	\$213/hr. general attorney services \$161/hr. paralegal \$260/hr. Litigation services
Irvine	Rutan & Tucker	No monthly retainer	\$245/hr. for all attorney Services \$295 +/-hr. Project Reimbursed by Applicant \$140/hr. law clerk \$110/hr. paralegal services
Laguna Beach	Rutan & Tucker	\$8,500 per first 60 hours	\$235/hr. all attorney services
La Habra	Jones & Mayer	None specified	\$229.39/hr. for all services \$125.00/hr. paralegal services
La Palma	Rutan & Tucker	\$8,400 for general services	\$240/hr. for Non Retainer/Litigation/Successor Agency \$330/hr. Reimbursement
San Clemente	BB&K	\$10,000 per first 55 hours of basic attorney service	\$250/hr. general attorney services \$180/hr. para-professionals \$130/hr. paralegals \$300/hr. Special Counsel (CEQA, Litigation, Water laws, Labor & Employment, land acquisition) \$220/hr. para-professionals \$145/hr. paralegals
San Juan Capistrano	BB&K	\$10,000 per first 55 hours of basic attorney services	\$255/hr. all attorneys \$130/hr. paralegals \$310/hr. special services (CEQA, Litigation, Labor, Environmental) \$145/hr. paralegal
Seal Beach	Richards, Watson & Gershon	\$20,000 Up to 100 hrs.	\$335-425/hr. shareholders & sr. attorneys \$275/hr. associate attorney \$300/hr. special services (CEQA, Labor, Environmental, Litigation) \$175/hr. law clerks \$170/hr. sr. paralegals \$145/hr. paralegals
Tustin	Woodruff, Spradlin & Smart	No monthly retainer Automatic CPI annually in July	\$218/hr. all attorney services \$122/hr. paralegal services
Yorba Linda	Rutan & Tucker	\$14,375.00 per first 75 hours of general services	\$210/hr. general services \$225/hr. special services \$125/hr. law clerk & paralegal services
*Laguna Hills	Woodruff, Spradlin & Smart	No monthly retainer	\$205/hr. all attorney rates \$115/hr. paralegal services
*Rancho Santa Margarita	Woodruff, Spradlin & Smart	No monthly retainer	\$205/hr. all attorney services \$119/hr. paralegal services

Attachment: City Attorney Services Rate Survey - 2017 (1441 : Amendment to Agreement for City Attorney Services)

RESOLUTION NO. 2017-12-12-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LAGUNA HILLS, CALIFORNIA, APPROVING AMENDED
EXHIBIT "A" TO THE RETAINER AGREEMENT FOR CITY
ATTORNEY SERVICE RATES

WHEREAS, by Resolution No. 2005-11-22-2, adopted November 22, 2005, the City Council approved and authorized the execution of a retainer agreement with Woodruff, Spradlin & Smart for city attorney services; and

WHEREAS, the retainer agreement provides that Exhibit "A," which establishes Woodruff, Spradlin & Smart's professional hourly rates, may be changed from time to time without otherwise amending the Agreement, by Resolution adopted by the City Council; and

WHEREAS, the City Council desires to approve an amended Exhibit "A" regarding city attorney services rates, which shall be effective January 1, 2018.

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

SECTION 1. The foregoing recitals are true and correct and are incorporated herein by reference.

SECTION 2. The City Council hereby approves amended Exhibit "A" to the Agreement for City Attorney Services, dated November 22, 2005, which is attached hereto and is incorporated herein.

PASSED, APPROVED, AND ADOPTED this 12th day of December 2017.

_____, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

Attachment: Proposed Resolution (1441 : Amendment to Agreement for City Attorney Services)

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO
HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution
No. 2017-12-12- adopted by the City Council of the City of Laguna Hills, California, at a
Regular Meeting thereof held on the 12th day of December 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Attachment: Proposed Resolution (1441 : Amendment to Agreement for City Attorney Services)

EXHIBIT "A"

WOODRUFF, SPRADLIN & SMART Rates and Billing Practices

(Effective January 1, 2018)

1. Hourly Rates for Legal Personnel (Transactional and Litigation)

Attorneys \$220.00

Paralegals \$125.00

2. Billing Increment

Attorneys shall bill in increments of one-tenth of an hour (six minutes).

Attorneys shall not bill for secretarial time, including time spent for faxing, mailing, arranging for messengers, or calendaring.

3. CPI Adjustments

Upon request and subject to approval by City Council.

4. Reimbursable Expenses

In-office photocopying:	\$0.25 per page (after 25 pages per copy job)
Mileage for travel outside of Los Angeles and Orange Counties:	In accordance with the IRS Standard Mileage Rate (currently \$0.535 per mile)
Parking at Courthouse:	Actual cost
Filing fees, messenger fees:	Actual cost
Jury fees and expert fees:	Actual cost
Word Processing:	No cost, unless overtime required, then at cost
Phone/Fax:	No cost

5. Third Party Reimbursement

All legal services provided to the City for which the City receives reimbursement from a developer or other third party shall be billed at the hourly rate of \$275.00.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017

TO: Mayor and Council Members

FROM: Kenneth H. Rosenfield P.E.
Director of Public Services/City Engineer

ISSUE: Memorandum of Understanding with Moulton Niguel Water District for Collaborative Efforts to Improve Surface Water Quality

RECOMMENDATION: That the City Council approve the Memorandum of Understanding with Moulton Niguel Water District related to collaborative efforts to improve surface water quality and authorize the City Manager to execute the Agreement.

SUMMARY:

The Moulton Niguel Water District (MNWD) has invited the cities in their service territory to collaborate with them in messaging their water users in an effort to reduce wasteful overwatering which has an impact on adverse dry weather flow surface water quality. A simple Memorandum of Understanding (MOU) has been prepared to authorize staff at these agencies to coordinate their efforts. Since MNWD is the water purveyor, it is prudent and important that they join the owners of the drainage systems (the cities) in addressing water quality issues. Approval of the MOU and authorization for the City Manager to sign the MOU is recommended.

BACKGROUND:

Cities are mandated through the National Pollution Discharge Elimination System, and the related permits, to utilize Best Management Practices to reduce pollutants from reaching the “waters of the United States.” Some of these pollutants are conveyed by excess irrigation flows from private properties. The irrigation water is provided, in this case, by MNWD, an independent governmental agency. Overwatering through

Memorandum of Understanding with MNWD

December 12, 2017

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irrigation causes excess water to flow into the street and underground drainage systems which are the responsibility of the cities.

Overwatering is a type of irrigation inefficiency that contributes to dry-weather urban water runoff. As the cities in South Orange County in the MNWD service territory do not provide direct water service to customers, it is difficult to determine the source of and control of this water over usage. However, through a collaborative effort with MNWD, their customers that overwater may be identified and educated on the best management practices to control dry-weather water runoff. MNWD has agreed to target its outreach and water efficiency programs to help encourage the adoption of efficient watering practices to aid in reducing overwatering to ultimately reduce urban runoff. Additionally, MNWD is offering to assist a working group across local cities, the County of Orange, and local non-governmental organizations to disseminate lessons learned and evaluate the impact of different strategies to reduce irrigation over watering.

MNWD has proposed that all interested agencies sign onto the attached MOU to effectuate the proposed collaborative effort. This approach brings a number of entities together through the integration of the various information each party has on customer water usage and storm-drain flows, and subsequently integrates this data to create a watershed-wide look at changes in urban runoff. Ultimately, this collaborative effort could potentially save the expenditure of large sums of funds for the creation of water control infrastructure.

FISCAL IMPACT:

A very minor amount of staff time is expected to be incurred for the coordination of meetings and exchange of collaborative ideas to inform the public on ways to reduce water overuse and improve surface water quality.

ATTACHMENTS:

- Urban Run-Off MOU Final Draft



MEMORANDUM OF UNDERSTANDING

For Collaboration and Joint Analysis in Support of Surface Water Quality Enhancement in South Orange County, California

This Memorandum of Understanding (“MOU”) documents the understanding between the City of Laguna Niguel, City of Laguna Hills, City of Aliso Viejo, City of Mission Viejo, County of Orange, Moulton Niguel Water District, Orange County Coastkeeper, and Laguna Bluebelt Coalition (collectively “Partners”) that have executed this MOU as indicated by the signatures below of their duly authorized representatives.

Recitals

Whereas, analysis and program development is often completed within institutions to investigate the issues of inefficient water usage and surface water quality separately; and

Whereas, data shows that customer or account level usage decisions can potentially impact local surface water quality, which drives the need to address both quality of surface water and dry weather runoff in an integrated approach; and

Whereas, the key challenge identified by the Partners in this program was to help fill data gaps and leverage a variety of perspectives to address both inefficient usage and dry weather runoff; and

Whereas, the Partners desire collaboration among public agencies and community stakeholders for the development of a program that integrates information and analytical tools among the partners; and

Whereas, in the interest of protecting California’s surface water quality, the State of California uses permit conditions and compliance measures to govern municipal separate storm sewer systems (“MS4s”); and

Whereas, reducing dry weather runoff is a key component to promoting surface water quality throughout the State;

Now, therefore, the partners commit to developing a pilot program for testing and monitoring water efficiency measures such as marketing, educational workshops, rebates and other incentives to reduce over-watering.

Strategy Points

Moulton Niguel Water District will utilize, in its discretion, its existing water efficiency programs and may tailor marketing and educational materials to aid in the effort.

The Partners commit to work together in the development of a cost-effective program to assess the effectiveness of efficiency measures.

Attachment: Urban Run-Off MOU Final Draft (1444 : Memorandum of Understanding with MNWD)

City of Laguna Niguel

By: _____

Title: _____

Date: _____

City of Aliso Viejo

By: _____

Title: _____

Date: _____

County of Orange

By: _____

Title: _____

Date: _____

Orange County Coastkeeper

By: _____

Title: _____

Date: _____

City of Laguna Hills

By: _____

Title: _____

Date: _____

City of Mission Viejo

By: _____

Title: City Manager

Date: _____

Moulton Niguel Water District

By: _____

Title: General Manager

Date: _____

Laguna Bluebelt Coalition

By: _____

Title: _____

Date: _____



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Chair and Agency Members
FROM: Cindy Sands
Admin. Assistant to City Manager
ISSUE: Approval of Minutes for November 28, 2017, Regular Meeting

RECOMMENDATION: That the Planning Agency approve the Minutes for the November 28, 2017, Regular Meeting.

ATTACHMENTS:

- PA Minutes 171128

ITEMS REMOVED FROM THE CONSENT CALENDAR**3.5 First Quarter Financial and Treasurer's Report for Fiscal Year 2017/2018**

Council Member Kogerman removed Item No. 3.5 from the Consent Calendar in order to thank staff for their hard work and to request that Finance Manager Reyes briefly review the highlights of the report.

Recommendation: That the City Council receive and file the First Quarter Financial and Treasurer's Report for Fiscal Year 2017/2018.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melody Carruth, Mayor Pro Tempore
SECONDER:	Barbara D. Kogerman, Council Member
AYES:	Don Sedgwick, Mayor; Melody Carruth, Mayor Pro Tempore; Dore J. Gilbert, M.D., Council Member; Janine Heft, Council Member; Barbara D. Kogerman, Council Member

4. PLANNING AGENCY

Mayor Sedgwick recessed the City Council meeting and, acting in the capacity of Chair, called the Regular Meeting of the Planning Agency of the City of Laguna Hills, California, to order at 7:20 p.m.

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

Attendee Name	Title	Status	Arrived
Don Sedgwick	Chair	Present	
Melody Carruth	Vice Chair	Present	
Dore J. Gilbert, M.D.	Agency Member	Present	
Janine Heft	Agency Member	Present	
Barbara D. Kogerman	Agency Member	Present	

4.2 PUBLIC COMMENTS

There were no Public Comments.

4.3 APPROVAL OF MINUTES FOR NOVEMBER 14, 2017, REGULAR MEETING**4.3.1 Approval of Minutes for November 14, 2017, Regular Meeting**

Recommendation: That the Planning Agency approve the Minutes for the November 14, 2017, Regular Meeting.

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Janine Heft, Agency Member
SECONDER:	Dore J. Gilbert, M.D., Agency Member
AYES:	Don Sedgwick, Chair; Melody Carruth, Vice Chair; Dore J. Gilbert, M.D., Agency Member; Janine Heft, Agency Member; Barbara D. Kogerman, Agency Member

4.4 ADMINISTRATIVE REPORTS

There were no Administrative Reports.

4.5 PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Sedgwick reconvened the City Council Meeting at 7:21 p.m. All Council Members were present.

5. CITY COUNCIL PUBLIC HEARINGS

There were no City Council Public Hearings.

6. ADMINISTRATIVE REPORTS

6.1 City Manager

6.1.1 Acceptance of Letter of Resignation Filed by City Manager

City Manager Bruce E. Channing announced his retirement, highlighted a few of his accomplishments, expressed his appreciation to the staff and City Council Members he has worked with during his 26 years with the City, and stated that leaving the community and individuals that have been so supportive during his career will be difficult.

Council Members expressed their appreciation to City Manager Channing for his service and leadership and congratulated him on his retirement. Mayor Sedgwick thanked City Manager Channing for his service and talked about the positive impact Mr. Channing has had on the community. Mayor Sedgwick also stated that the City Council will explore their options as they move forward in filling the position including looking within the City to promote.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Mayor and Council Members
FROM: Donald J. White
Assistant City Manager
ISSUE: 2017 City Manager's Year End Report

RECOMMENDATION: That the City Council receive and file the 2017 City Manager's Year End Report.

SUMMARY:

The City Manager submits a Year End Report each year at the December City Council meeting. The report summarizes significant accomplishments of the past year and identifies selected projects awaiting the City in the coming year.

Attached to this report is the 2017 City Manager's Year End Report. The report highlights numerous endeavors that occurred throughout the calendar year including the development and adoption of the 2017-2019 Biennial Budget; completion of the renovation to Cabot Park; continued redevelopment of Oakbrook Village and Five Llagunas; a major upgrade to the City Council Chamber's audio/visual system; and the beginning of two separate law enforcement cost and efficiency studies, to name a few.

In the upcoming calendar year, the City will focus its efforts on facilitating the restart of construction on the Five Llagunas project and working with other contract cities and the Orange County Sheriff's Department on law enforcement cost efficiencies and savings. Other important endeavors include the biennial street maintenance project, the 2018 General Municipal Election, and negotiations with the Laguna Hills City Employees Association.

2017 City Manager's Year End Report
December 12, 2017
Page 2

ATTACHMENTS:

- 2017 City Manager's Year End Report



2017

CITY MANAGER'S YEAR END REPORT

26 Years of Excellence



CITY MANAGER'S 2017 YEAR END REPORT

December 12, 2017

Honorable Mayor and Council Members:

At the end of each year, it is my pleasure to submit to you the City Manager's Annual Report. As the City enters its 26th year since incorporation, I am once again privileged to have the opportunity to highlight the major accomplishments of 2017 and to provide a brief preview into the major activities we have to look forward to in the upcoming calendar year.

Based on most economic indicators, the financial future of the City and the regional economy as a whole looks promising. We anticipate that both the local tax base and other City revenues will continue to increase in the coming years. When coupled with our local economic development activity, the future of Laguna Hills is looking bright. In particular, this last year has seen major construction at Five Lagunas and additional development of the adjacent Oakbrook Village shopping center. We believe that such efforts have laid the foundation for more positive changes to come in the years ahead.

Despite the favorable economic outlook of the near future, the City will continue to maintain its financially conservative practices. Historically, the City has placed a priority on responsible financial spending practices and developed prudent financial policies. As a result, the City has been able to successfully sustain its strong financial condition even during long periods of economic downturn and uncertainty.

The accomplishments listed on the following pages demonstrate our determination to remain fiscally responsible while simultaneously providing high levels of municipal services. For ease of reference, we have assembled the list of achievements under seven major headings that generally align with our departmental structure. I hope that in reviewing this report you will share with me the same sense of pride I have for all of our 2017 accomplishments.



GENERAL GOVERNMENT

FINANCIAL HIGHLIGHTS

Throughout the years, the City has consistently maintained a healthy financial condition. Much of this can be attributed to the City's conservative financial policies, which contribute to fiscal responsibility and accountability. General Fund revenues in Laguna Hills increased in Fiscal Year 2016/2017 by \$100,716 and totaled \$20,743,842. Furthermore, General Fund revenues exceeded operating expenditures by \$1,251,238. Property tax revenues totaled \$10,064,067, representing a 4.2% increase over the prior year revenues. Total operating expenditures came in under budget by \$189,831 for FY 2016/2017. The City ended the fiscal year with a total fund balance of \$11,040,725.

FINANCIAL AWARDS

For the twenty-fifth consecutive year, the City was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for the year ending June 30, 2016. In September 2016, the City applied for the GFOA Distinguished Budget Award for its 2017/19 Biennial Budget document and is currently awaiting the results. In order to qualify for the award, the budget document must meet program criteria as a policy document, an operations guide, a financial plan, and a communication device.

BIENNIAL BUDGET PROCESS

Since its incorporation, the City has been committed to biennial budgeting and long-range planning. Preparing a budget every other year lends greater weight to the importance of the process. This year's budget process lasted from February through June. The lengthy budget process included three public meetings, including a strategic planning budget workshop, a Capital Improvement Program and Operating Budget study session, and a public hearing. The City Council was ultimately presented with and adopted a budget that accomplished the following:

- Budgeted revenues and expenditures totaling \$47.88 million.
- Operating revenues for Fiscal Year 2017/18 are anticipated to increase by 3.95% from the previous year estimate. For Fiscal Year 2018/19, operating revenues are projected to increase slightly by \$678,824.
- Approved 16 capital projects totaling \$3,727,000. Of this amount, \$575,000, or 15.4%, is required from the General Fund. The balance of the funding will come from Special Funds and capital reserve funds.

CIVIC CENTER LEASING AND MANAGEMENT

During calendar year 2017, the City successfully negotiated lease renewals with Carolyn Behrens and Faxy Blix, as well as negotiated a new lease with First American Advisors. Collectively, these 3 tenants occupy 3,726 square feet of the Civic Center. The Civic Center is now 88% occupied with two vacant suites. The City and its property management company, Essex Realty, continue to aggressively market vacant suites. Additionally, the Civic Center enterprise fund ended fiscal year 2017-18 with a net operating income of \$186,575.

LAW ENFORCEMENT COST AND EFFICIENCY STUDY

Since its incorporation, the City has contracted with the Orange County Sheriff's Department (OCSD) for law enforcement and traffic enforcement services. Although there have been no performance issues to-date, the cost of the law enforcement services contract has continued to significantly strain the City's financial resources. In Fiscal Year 2017/2018, the cost of the OCSD contract is just under \$8 million, representing approximately 39% of the City's General Fund expenditures. Furthermore, the cost of the OCSD contract has continually outpaced inflation and is now 14% higher than it was a decade ago.

In August, the City entered into a Memorandum of Understanding with twelve cities in Orange County (Aliso Viejo, Dana Point, Laguna Niguel, Laguna Woods, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Stanton, Villa Park, and Yorba Linda) that contract with OCSD to evaluate the current agreement model and explore efficiencies that will ensure long-term cost sustainability. To that end, the thirteen cities have hired an independent third party to review and analyze the existing contract service model, cost assumptions, methodologies, and allocations of costs to provide recommendations for ensuring the long-term financial stabilization of the contract. The project is expected to be completed in the latter portion of 2018.

TYLER TECHNOLOGIES SOFTWARE SYSTEM UPGRADES

The City Council awarded a contract to Tyler Technologies on December 13, 2016, for the replacement of the City's finance software system and its permitting and land management software system. The Finance Department will be upgrading to the Incode Financial System and the Community Develop Department will be upgrading to the Energov Enterprise system. In 2017, Tyler Technologies and City staff began major work efforts on the project, including: a detailed analysis and reconfiguration of current business processes; software workflow management and setup; configuration of software variables; data conversion processes; software testing; and user training. When completed, both software systems will provide the City with enhanced features that will streamline business processes and improve customer service and access to City data. The financial system transition to Incode will be completed in the first part of 2018, while the upgrade to the land management software system is estimated to be completed by June 2018.

SENIOR CENTER FACILITY GRANT

The City successfully competed for an award of 2017/2018 Community Development Block Grant (CDBG) funding for Public Facilities and Improvement monies to be used at the Florence Sylvester Memorial Senior Center. The City was awarded \$140,000 to install slip-resistant tile flooring throughout the Center and remodel the men's restrooms to comply with Americans with Disabilities Act (ADA) requirements. A portion of the restroom improvements includes enlarging the restroom stalls, installing high-base toilets, modifying countertops, replacing hardware, tile, flashing, and plumbing, and installing hands-free components.



ECONOMIC DEVELOPMENT

STRATEGIC PAUSE FOR FIVE LAGUNAS

After beginning various construction and development activities in 2017, Merlone-Geier Partners (MGP), the owner of the former Laguna Hills Mall, has announced that it is taking a strategic pause in the redevelopment of the former Laguna Hills Mall. This action by MGP was prompted by their recent buy out of the Macy's leasehold interest. The City approved a site plan in March of 2016 that included over 880,000 square feet of commercial space including a 14-screen luxury theater, health club, restaurants, and retail shops. The approval also included 988 luxury residential apartment units. Since the 2016 approval, MGP has completed parking lot renovations in front of Nordstrom Rack, relocated Ruby's into a new 6,000 square foot shop space, and completed another 6,000 square foot space for Subway. Significant portions of the in-ground utility infrastructure were also completed. With the recent acquisition of the Macy's lease, and the announcement by Macy's that it will be closing its Laguna Hills location in early 2018, Merlone-Geier is now considering changes to the sequencing of their approved development project. City staff expects to receive a new project plan early next year.

PROGRESS AT OAKBROOK VILLAGE

Throughout the year, the City took an active role in monitoring ongoing implementation of the Oakbrook Village Development Agreement, including a 22,000 square foot retail building to replace the former Lone Star restaurant. At the April 11, 2017, City Council meeting, a periodic review of the development agreement was submitted to the City Council, which detailed satisfactory improvements to Phase 1 development activities at Oakbrook Village. In addition, the public art piece, approved by the City Council, was installed at the Plaza Green of the Reata Apartments in late spring and serves as a community gathering place.

OTHER DEVELOPMENT ACTIVITIES

Other noteworthy projects with significant economic development implications include approval of the Home2Suites project – a new 86 room hotel; the opening of Farmer Boys, which replaced the vacated Carrow's Restaurant; completion of renovations for the Alicia Auto Spa and Detail Center; commencement of construction of Le Peep restaurant in the Village at Nellie Gail Ranch; and approval of the City's first microbrewery at The Row.



COMMUNITY DEVELOPMENT

BUILDING AND SAFETY ACTIVITY

Through the end of October, the Building Division issued over 1,400 building permits, which is approximately 20 percent fewer permits than the same period last year. General remodeling activity in residential and commercial properties continues to drive building activity in the city. The City continues to complete over 97 percent of its building plan checks within 10 days for first review, and 5 days for second review, which is the department's customer service goal. For building inspection, the City is also on-track to provide approximately 4,500 inspections. Staff estimates that it will provide service to over 3,000 customers by the end of the year and customer service responses received indicate a high satisfaction rate with the City's building services.

An ordinance establishing an expedited permit process for Electric Vehicle Charging Stations was also completed.

INTRODUCING ELECTRONIC PLAN CHECKS AND PERMITTING ENHANCEMENTS

In 2017, the Building Division completed technology enhancements to improve the City's plan check process and will be working with information technology staff to upgrade the City's planning, building, and code enforcement permit and inspection software. A new electronic plans (e-plan) submission and routing process, allowing applicants to submit plans and complete a plan check process electronically, was completed earlier in the year while the City's permit software upgrade will continue through mid-2018. The City will still continue to process paper plans at the building permit counter to meet customer needs. Furthermore, the software upgrade will allow the City to expand the permit services offered online and reduce applicant wait times at the front counter, in addition to other workflow enhancements that improve staff efficiency and property data management.

PLANNING ACTIVITY

The City's land use planning activities are divided into two processes of Current Planning and Advanced Planning. While Current Planning involves providing routine assistance to the public through the public counter and processing requests for entitlements for the establishment of new uses and smaller construction projects, Advanced Planning places emphasis on evaluating and recommending changes in City zoning and land use policy, preparation of long range land use and housing policy plans, as well as monitoring state and federal regulations which potentially impact the City's policies on land use. Planning staff also plays a significant role in supporting the City Manager's economic

development initiatives such as the redevelopment of Five Lagunas and Oakbrook Village.

Current Planning

In 2017, considerable staff time was spent on projects that were approved or that are in process, including the following:

- Moulton Niguel Water District's plans for the expansion of its Gordon Road facility to build a new administrative office building and increase the use of its existing facilities
- Supporting new construction at Five Lagunas
- On-going implementation of the Oakbrook Village Development Agreement, including a new 22,000 square foot retail building to replace the former Lone Star restaurant
- Completion of Farmer Boys construction
- Completion of the entitlement process for the redevelopment of the Comfort Inn hotel site

Advance Planning

In the area of Advanced Planning, several ordinances and general plan amendments were completed, or substantially completed this year. Working in cooperation with the City Attorney, the ordinances and amendments included:

- Amendments to the City's regulations on marijuana to be in alignment with Proposition 64 such including the adoption of regulations for personal cultivation
- Re-establishing the City's land use and permit authority over the establishment of massage businesses, and permit processing for 26 massage establishments
- Amending the City's Hospitality Overlay Zone regulations to increase the allowable building area for future hotel developments
- An amendment to the City's General Plan addressing the configuration of Avenida de la Carlota in the Urban Village Specific Plan Area to add enhanced landscape requirements to the street design
- Substantial completion of an ordinance modifying the City's apiary zoning requirements
- Completing a property-owner initiated ordinance for Indoor Towing Facilities in the Mixed Use Zone.

Staff also participates in the regional planning efforts of the Southern California Association of Governments (SCAG) by providing data on local housing development, and evaluating proposed land use and transportation policies affecting the City. Additionally, during 2017, staff attended many workshops to monitor issues including homelessness, sober living homes, small cell sites, housing, regional economic forecasts, and the Adult Use of Marijuana (Proposition 64).

CODE ENFORCEMENT

In 2017, the City's Code Enforcement services continued to obtain voluntary compliance from residents and business owners through frequent engagement, maintaining a consistent presence in commercial areas prone to violations, and the implementation of code enforcement processes that resolve potential violations before the need for formal prosecution. Complaints concerning potential violations on residential properties is expected to generate over 400 calls for service by the end of the year while complaints regarding commercial properties is expected to result in less than 150 calls. In a few instances, cases had to be referred to the City Attorney's office for additional assistance. There are currently 20 open cases that are being monitored for compliance.



PUBLIC SERVICES

CABOT PARK RENOVATION

The renovation of Cabot Park, which began construction in late 2016 as CIP No. 241-A, was completed in mid-2017. This \$385,000 construction project included the replacement of approximately 14,000 board feet of equestrian trail fencing, the replacement of backstop padding at both baseball fields, the repair and repainting of handrails, trash can lids and the restroom building, the replacement of 3,200 square feet of sidewalk, the addition of ADA access ramps, the replacement of the playground rubberized surfacing and the addition of shade structures on the southerly edge of both baseball field bleacher areas.

CABOT ROAD BIOSWALE IMPROVEMENTS

The Cabot Road Bioswale project, CIP No. 410-A, converted a fallow drainage basin area along the easterly side of Cabot Road, immediately adjacent to the Southern California Railroad Authority (SCRRA) tracks for Metrolink, northerly of Paseo de Valencia, into a high quality wetlands/bioswale area to filter and clean storm water runoff. This \$377,000 construction project was completed in August 2017, and was partially funded by a Measure M-2 grant. The work included clearing and grubbing, grading, rip-rap, new concrete diversion structures, extension of a storm drain, fencing, irrigation and drought tolerant landscaping. A portion of the project is on the SCRRA property for which the City holds a long-term lease.

CITYWIDE PAVEMENT REHABILITATION

The construction contract for the Citywide Pavement Rehabilitation project, CIP No. 101-J, was awarded in September 2017 in the construction dollar amount of \$1,043,000. The project will begin construction in 2018 as some of the pavement work is temperature sensitive and is best installed in the springtime. The work will rehabilitate many residential streets with rubberized slurry seals in Pavement Zones A & D and resurface several streets in Zone E (Creekview/Christina street area).

THE ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017 (SB1)

The increase in Highway User Tax Account fuel charges authorized under SB1 took effect on November 1, 2017, which will allow the City to fully maintain its existing street system infrastructure. As required by the California Transportation Commission, the City has fully complied with this year's eligibility criteria by timely submittal of our adjustment to the Capital Improvement Project Budget to include the SB1 funds, providing a project identification and providing a street improvement listing. The City is already using these funds by the expansion of the

originally anticipated project scope of CIP No. 101-J to include additional residential streets for maintenance as approved by the City Council. Due to SB1, In Fiscal Year 2017-2018, the City will be afforded additional street maintenance funding of \$173,000 and in FY 2018-2019, the first full year of these funds, an estimated additional funding of \$520,000 will be available for street maintenance.

WATER QUALITY

The City participated in the 21st Annual Inner Coastal Watershed Cleanup Day on September 16, 2017. This was the 14th year the City participated in this event where volunteers worked together and cleaned a portion of the Aliso Hills Channel and wetlands. Approximately 350 pounds of trash and debris was removed from the habitat area by 30 volunteers. As a part of this year's 4th of July Celebration at the Laguna Hills Community Center, City staff hosted a water quality booth with brochures and other educational information relating to water quality. Some of the materials available for residents included water quality educational coloring books, posters, magnets, and brochures such as "The Ocean Begins at Your Front Door" and "Household Tips." The City has continued its efforts on a multi-year project to install catch basin automatic retractable debris screens on all of the approximately 550 inlets in the City in order to reduce litter and other debris from entering the storm drain system and downstream drainage courses. This summer, the City was notified of an award of new grant funds through Measure M-2 in the amount of \$120,000 for the City's Phase VI debris gate installation program. This program will add trash screens to approximately 76 additional locations bringing the City's total protected catch basins with debris screens to 319. Once the grant notice to proceed is issued, the project is expected to begin work in February 2018. Working with the County of Orange, Staff has timely submitted our annual NPDES reporting requirements to both the Santa Ana and San Diego Regional Water Quality Control Boards.

STREET MAINTENANCE

Routine street maintenance activities generated the installation and/or replacement of 324 signs, the replacement of 7,012 square feet of sidewalk panels, the repainting of all stripes and markings citywide, addressed over 1000 pavement deterioration locations, completed the preparation for winter rain events including staging sandbags, and cleaning of all 550 catch basins. Approximately 596 task orders were issued and completed last fiscal year including 21 emergency call outs to address traffic collision debris or storm event debris. The City has fully transitioned to an Asset Management System, known as Maintenance Connection, for the control and management of maintenance activities allowing for all electronic issuance of task orders and tracking of work completed.

PARKS & LANDSCAPE

While the State drought declaration was lifted after the winter storms, the City has continued to closely monitor water consumption. And, the State issued prohibition

of watering turf median islands with potable water is still in effect. To address one of these areas, Staff is working on a plan to landscape the Paseo de Valencia turf median islands with drought tolerant shrubs and minimal watering. Otherwise, landscape maintenance has continued at the high level required by our contracted services. The annual weed abatement program was completed in June 2017 to include all public properties and compliance by all private properties. During this past fiscal year, tree care activities included 1396 trees trimmed, 263 trees removed and 118 trees planted. This tree work included the removal of oversized and leaning trees near public streets to minimize risk of a tree failure onto the public way.

Some of the City's tree stock is being attacked by the latest pest to infest trees, in this case, the Polyphagous Shot Hole Borer (PSHB). This small wasp bores holes into the tree, lays its eggs and the larvae infect the tree with bacteria. Overtime, this infestation can kill off the tree. While many tree species are impacted by PSHB, the most notable tree in our area is the Sycamore. In response to this infestation, the City inspected all of its trees and identified trees that were overwhelmed, those that were treatable and those that were not yet infected. The worst trees had to be removed to eliminate the infestation. We have treated, with both tree applied sprays and soil injections, the trees that are only partly infested and will monitor their condition. Unfortunately, in total, several hundred trees may have to be removed before this infestation is resolved.



COMMUNITY SERVICES

RECREATION PROGRAMS

The City of Laguna Hills continued to host numerous programs provided by the Saddleback College Emeritus Institute. Over the course of the year, more than 2,500 individuals participated in a variety of classes held at the Community Center facility such as yoga, pilates, art appreciation, sketching, and Spanish. In regards to the City of Laguna Hills recreation programs, approximately 5,350 individuals signed up for one of the 430 recreation classes/activities/sport leagues offered by the City. This does not include participation numbers from the Emeritus program mentioned above or the City's two signature community events.

2017 was a successful year for the cultural arts theater program. The City again partnered with On The Edge Theatre Productions, who presented "Earbud Theatre: The Escape!", and the annual "Shakespeare in the Hills" event which showcased the classic play "Romeo & Juliet" at the Laguna Hills Community Center and Sports Complex's gazebo. The plays were performed to a total audience of 379 patrons. Finally, during 2017 the City offered monthly Public Arts tours at both the Civic Center and the Community Center. A total of 60 participants enjoyed the presentations of our City's unique fossil and human histories.

RECREATION FACILITY NEEDS ASSESSMENT RFP

On August 22, 2017, the City Council authorized staff to initiate a procurement process for a qualified consulting firm to conduct a City-wide Recreation Facility Needs Assessment Project. Almost a decade has passed since the City formally assessed its recreation facility needs. Staff issued a Request for Proposal (RFP) document on August 25, 2017 and proposals were due November 22, 2017. An updated recreation facility needs assessment will provide important data and public input that will assist the City Council in prioritizing future spending on new and existing recreation facilities.

HEALTHY EATING ACTIVE LIVING (HEAL) CITIES CAMPAIGN

The City of Laguna Hills formally joined the HEAL Cities Campaign by City Council's adoption of a resolution on May 9, 2017. The HEAL Cities Campaign is a partnership of the League of California Cities and Public Health Advocates. Staff from the HEAL Cities Campaign work with cities throughout California to adopt policies and programs that encourage and enable citizens of all ages to undertake exercise. The City declared in the adopted resolution that it will promote wellness within The City of Laguna Hills and set an example for other businesses by continuing to improve its employee wellness policy and by planning, constructing, and encouraging walking, biking and other forms of physical activity within the

community. The City's General Plan already set several policies in place that adhere to the fitness guidelines of the HEAL Cities Campaign.

CITY COUNCIL CHAMBER AUDIO/VISUAL SYSTEM UPGRADE

A significant upgrade to the Council Chamber's audio/visual system was completed this year. The original system was installed when the Civic Center building first opened in 2004. Some of the components have been replaced throughout the years; however, the majority of the old system technology was antiquated. This project involved converting the old audio/visual analogue system technology to new digital technology, and the following components were added or upgraded to the system: additional camera for recording purposes, new dais and staff monitors, new microphones, new touch panels with programming to administer the system, a 65" LCD display for lobby area, and an audience signal light system for public speaking time controls.

SPECIAL EVENTS

The City hosted two signature events this past year. The 2017 Memorial Day Half Marathon, 5K, and 10K, honoring the USMC Dark Horse Battalion, was held on May 29, 2017, with 3,245 runners participating. The City collected a total of \$162,652 in revenues from this event. Direct expenses (not including staff costs) totaled \$171,116. Marines from the 1st Division attended the event, again providing static displays and interacting with the public. All races were started by event Grand Marshal Hospital Corpsman Stuart Fuke. Based on the City Council approved pledge formula of \$3 per paid participant, \$8,838 was provided to the 3/5 Marine Support Committee by City Council Resolution on August 22, 2017. In addition, South County Outreach received 100 pounds of donated food items and \$500 from the sale of beer garden tickets.

The annual Fourth of July celebration was held at the Laguna Hills Sports Complex on Tuesday, July 4, 2017. Staff estimated that more than 10,000 people attended the event, which took place between the hours of 4:00 p.m. and 9:30 p.m. and included a number of activities in addition to the fireworks show. Fireworks America provided an excellent fireworks display with a duration of 18 minutes. Expenditures for the 2017 Fourth of July Celebration totaled \$55,648. Net costs for the event totaled \$50,520, when factoring in \$4,228 in ticket sales revenue and \$900 in vendor booth rentals revenue. A highlight of the 2017 event was the presence of Marines from the 1st Division. At the request of the 3/5 Support Committee several Marines attended the event, bringing with them static displays for the public to experience.



ENVIRONMENT AND CONSERVATION

VOLUNTEER CONNECTION DAY

The City held its annual Volunteer Connection Day activities at the Laguna Hills Community Center and Sports Complex on Saturday, April 15, 2017. The Volunteer Connection Day is a time for volunteers to come together to beautify the City with community projects such as trail clean-ups and the planting of trees. Thirty-four (34) volunteers participated in this year's event and collected trash and recyclables from City trails and planted 15 pine trees at Knotty Pine Park. Additionally, the City re-qualified for its designation as a Tree City USA by the national Arbor Day Foundation.

GARAGE CLEAN-UP AND PAPER SHREDDING EVENT

The City partnered with CR&R to offer residents a "Garage Clean-Up" event on April 15, 2017. This event was held in the Laguna Hills High School parking lot. CR&R came equipped with 25 personnel, fifteen (15) 40 cubic yard roll-off boxes, two front-loader trucks, and smaller bins for CFL and battery recycling. Twelve (12) of the fifteen (15) roll-off boxes were filled to capacity. CR&R reports that 13.4 tons of material was collected which included mostly bulky item and e-waste items.

In regards to the paper shredding service, Paper Depot shredded 11,440 pounds (or 5.7 tons) of paper. For comparative purposes, the shredding event the City hosted in 2016 collected 6,140 pounds of paper material. In addition, approximately 400 pounds of boxes and miscellaneous material were collected for recycling.

Overall, when including the paper shredding material and boxes collected by The Paper Depot during the paper shredding service, Laguna Hills residents dropped off a total of 19.3 tons of material during the April 15 event. This would be the equivalent of filling approximately 97 three cubic yard clean-up bins to capacity (assuming an average of 400 lbs. per three cubic yard bin).

LANDFILL DIVERSION

The 2016 Annual Disposal Report, which uses per capita disposal figures, was submitted to the State of California Department of Resource Recycling and Recovery (CalRecycle) on August 1, 2017. This detailed report summarizes, among other things, recycling programs and services provided by the City such as residential curbside, commercial and multi-family, outreach and educational efforts, greenwaste recycling, electronic waste recycling, Household Hazardous Waste curbside pickup service, and material recovery processing centers. For

2016, the City achieved a per capita disposal rate (pounds/person/day) of 3.7, which is well below the per capita disposal rate target of 5.8 pounds per day. Since the City's per capita disposal rate is below the target rate, it is in compliance with the State's recycling and diversion mandates.



POLICE SERVICES

PUBLIC SAFETY

There were 13,093 total calls for service in Laguna Hills in the first three quarters of 2017, which represents an increase of approximately 11% in reported incidents when compared to the same period in 2016. As of 2015, there has been a 25% increase in total call volume.

Part I and II crimes in the City have changed moderately in the first three quarters of 2016. The total number of Part I crimes experienced an overall decrease of 7% when compared to the previous year. This decrease is largely attributed to the number of reported thefts. Part II crimes are generally considered proactive deputy initiated activities carried out while a deputy is on patrol and not responding to a call. Part II crimes, which include driving under the influence (DUI), narcotics, and vandalism incidents, have increased by 4% when compared to the same time period last year.

QUICK RESPONSE TIMES

Response times continue to remain near or within the expected parameters for all four levels of priority calls. The average response thus far in 2017 are 5:14 for Priority 1 calls, 8:27 for Priority 2 calls, 14:13 for Priority 3 calls, and 23:21 for Priority 4 calls. It remains the goal of Laguna Hills Police Services to respond to all Priority 1 calls within five minutes from the time of dispatch to arrival, twelve minutes for Priority 2 calls, and twenty minutes for Priority 3 calls. There is no standard response time goal for Priority 4 calls but rather deputies are dispatched as they become available.

COMMUNITY INVOLVEMENT

The continuing commitment towards programs in the community have helped maintain strong relations with residents and Laguna Hills Police Services. The Neighborhood Watch Program continues to maintain steady participation with seven meetings conducted so far this year. For the third year, the Parent Project, a 10 week program aimed at educating adults in parental techniques for strong-willed children, was organized in the City. Two deputies presented the program and utilized subject-matter experts for the course. Police Services continues to provide our residents with Child Car Seat Safety Inspections to help reduce the misuse rate of child car seats that are installed or used incorrectly. To date, the City's Crime Prevention Specialist has performed 14 safety inspections. In 2017, Police Services also participated in various community events such as National Take Back Day, Memorial Day Half Marathon Race, 4th of July Expo, National Night Out, Valencia Elementary's Boo Bash Carnival, and Moulton Niguel Water District's

Live Smart event. For the third year, Police Services partnered with the Special Olympics of Southern California for a “Tip a Cop” charitable event at a local restaurant.

Police Services has continued its Community Oriented Policing Plan, focusing on the community. Patrol deputies have concentrated on building and maintaining trusting relations within the community with emphasis placed on our residential and business areas, schools, and parks, in an attempt to reduce crime and keep the public and its deputies engaged in healthy relations.

POLICE SERVICES CONTRACT

As a result of the Matrix Consulting Group’s Police Services Study conducted in 2013, City leaders and staff were successful in identifying and implementing several cost saving measures in FY 2015/16 and into FY 2016/17. Equitable cost sharing with regard to the patrol sergeant position has continued with the cities of Aliso Viejo and Laguna Woods, and patrol staffing adjustments have remained in place with a significant overall savings to the City.

In April, the City, along with the cities of Aliso Viejo and Laguna Woods, again retained the services of the Matrix Consulting Group to identify further cost saving measures in the Police Services contract. The results of this study are currently under review.

POLICE SERVICES HONOREES

Deputies in Laguna Hills were recognized and honored on many occasions this past year. School Resource Officer, Deputy Anthony Sambrano was honored by the Saddleback Valley Unified School District Executive Board for his achievements in developing programs that have directly enhanced school safety. Deputy Anthony Garza was the recipient of a “Hero with a Heart” award. This honor was presented to Anthony by the Trauma Intervention Program during their annual award celebration and gala. Deputy Timothy Ott and Investigator Victor Contreras were awarded the Orange County Sheriff’s Department Medal of Lifesaving. Ott received the award for rendering aid and saving the life of a victim who was choking, and Contreras received the award for rendering aid and CPR to a victim who had attempted suicide.



2018 OUTLOOK

MOU NEGOTIATIONS

The City's two-year Memorandum of Understanding (MOU) with the Laguna Hills City Employees Association (LHCEA) will expire on June 30, 2018. In accordance with the terms of the existing MOU and in preparation for the pending negotiations between LHCEA and the City, staff will hire an independent consultant to conduct a comprehensive compensation study for all regular, full-time management, non-management, and confidential positions within the City. The compensation study ensures that the City is providing reasonable, fair and competitive compensation to its employees and is also used as the basis for negotiations with LHCEA. The City and LHCEA are expected to begin negotiating a new MOU in the spring of 2018.

LAW ENFORCEMENT COST STUDIES

The City is currently engaged in two separate law enforcement cost and efficiency studies – a partnership involving every contract city of the Orange County Sheriff's Department (OCSD) and a separate regional study with the cities of Aliso Viejo and Laguna Woods. Both projects seek to make alterations to the current agreement with OCSD to create long-term financial stability and cost control measures. Each study is being conducted by an independent third party. The 13 cities law enforcement cost and efficiency study will be completed in the latter portion of 2018. The regional study with the cities of Aliso Viejo and Laguna Woods is currently being evaluated with potential changes to the contract being implemented by summer 2018.

FIVE LAGUNAS

In 2017, Merlone-Geier Partners (MGP) announced that it would be taking a strategic pause regarding the redevelopment of Five Lagunas due to lease and market changes. MGP Vice President of Development, Stephen Logan, stated that MGP is fully committed to the redevelopment of Five Lagunas and that the company expects to submit a new development plan to the City in early 2018. City staff will continue to coordinate with MGP and anticipates a large work effort from the City Manager's Office and Community Development Department in early 2018, with an eye toward re-starting construction by the summer.

BIENNIAL STREET MAINTENANCE PROJECT

The City's commitment to maintenance and renewal of the public street system includes a general pavement rehabilitation project each two years. This biennial effort is an essential component to preserving the quality of streets and roads in Laguna Hills. Accordingly, in fall 2017, the City awarded a \$1.1 million contract for

CIP No. 101-J to rehabilitate selected streets throughout the City. The project is separated into three zones and road improvements are expected to be in spring 2018.

2018 GENERAL ELECTION

General Municipal Elections are held in the City of Laguna Hills in early November every two years in even numbered years. The next General Municipal Election will be held Tuesday, November 6, 2018. The election will be held to elect two members of the City Council.



CONCLUSION

As demonstrated by the major accomplishments and projects highlighted throughout this report, the City has continued contributing to and improving the quality of life in Laguna Hills. In addition, the activities completed throughout the year provide ample evidence of hard work and highly competent performance by your dedicated City staff. I, for one, am very pleased by all that has been achieved this year.

As discussed in my introductory comments to this report, both the City's tax base and revenues are continuing to improve. Furthermore, in order to withstand periods of economic uncertainty and maintain long-term financial stability, the City will continue strengthening local economic development activities. Such efforts, in concert with prudent management practices and commitment to conservative financial policies, will better position the City to maintain its strong financial position well into the future.

As we embark upon the upcoming year, we will have the opportunity to further contribute to the redevelopment of Five Lagunas and Oakbrook Village. Such economic revitalization and redevelopment occurring throughout the City provides evidence of a strong and improving local economy. We also look forward to the completion of two major technology projects to update the City's financial system and permitting and land management system. These technology improvements will lead to operational efficiencies and enhanced customer service.

To that end, I believe that the on-going success of our organization is premised upon staying true to our mission, maintaining shared values and vision as well as being dedicated to principle-centered leadership. As I reflect on our many accomplishments in 2016, as well as our accomplishments over the prior 26 years, I am mindful that this was all possible because of the Mayor and City Council's effective leadership and support. It gives me great peace of mind to be able to retire knowing that the future of this City is very bright and that the leadership in place after I'm gone will carry-on the tradition of excellence that is the hallmark of this organization.

Sincerely,

BRUCE E. CHANNING
City Manager



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017

TO: Mayor and Council Members

FROM: Donald J. White
Assistant City Manager

ISSUE: Presentation of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2017

RECOMMENDATION: That the City Council receive and file the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2017, together with the audit letters.

SUMMARY:

Staff is presenting to the City Council the City's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2017. For the past twenty-three years, the City has operated with an Audit Committee to oversee the audit process and review the findings with the auditors. The current Audit Committee includes Mayor Don Sedgwick, Council Member Janine Heft, and City Manager Bruce Channing. On November 21, 2017, prior to the regular City Council Meeting, the Audit Committee met with the independent auditors and reviewed the draft financial statements. The certified public accounting firm of White Nelson Diehl Evans LLP (WNDE) was engaged by the City to perform the audit of the City's financial statements and rendered an unmodified opinion that the City's financial statements present fairly, in all material respects, the respective financial position of the City. During the financial audit the City's independent auditors did not identify any significant deficiencies in internal control that were considered to be material weaknesses.

BACKGROUND:

I. Comprehensive Annual Financial Report (CAFR), Fiscal Year Ended June 30, 2017

The City's CAFR for the Fiscal Year ended June 30, 2017, is attached to this report. The primary purpose of the CAFR is to provide the public and other interested parties with comprehensive disclosure concerning the City's financial position and activities. The general objectives of the CAFR include, but are not limited to, the following: (1) fulfilling the City's duty to be publicly accountable and enable users to assess that accountability; (2) assist users in evaluating the operating results of the City for the Fiscal Year ended June 30, 2017; and (3) enable the users to assess the level of services that are provided by the City and the City's ability to meet obligations as they become due.

Staff is confident that the CAFR satisfies these objectives. The independent auditor's opinion letter affords the City Council, and other users, reasonable assurance that the City's basic financial statements are free from material misstatements and that they present fairly, in all material respects, the financial position of the City of Laguna Hills as of June 30, 2017. The auditor's opinion letter is part of the CAFR and can be found on page II-1 of the Financial Section.

The CAFR contains three sections: Introductory, Financial, and Statistical.

Introductory

This section is intended to familiarize the reader with the organizational structure of the City, the nature and scope of City services, the City's financial activities, and the factors that influence these activities. A discussion of the financial information presented in the Financial Section is contained in the Letter of Transmittal, as well as other information useful in assessing the City's economic condition. The Introductory Section is subjective in nature and is excluded from the scope of the independent auditor's examination.

Financial Section

This section, which is the focal point of the CAFR, is comprised of the independent auditor's opinion letter, management's discussion and analysis, and the year-end financial statements, which are categorized as: (a) government-

wide financial statements; (b) fund financial statements; (c) notes to the basic financial statements; (d) required supplementary information; and (e) supplementary schedules.

The Management's Discussion and Analysis section offers the readers of the City's financial statement a narrative overview of the financial activities of the City. It provides an analysis of the overall financial position of the City and the results of its operations for the Fiscal Year ended June 30, 2017.

The accompanying Notes to the Basic Financial Statement section provides comprehensive information concerning the significant policies and budgetary procedures implemented by the City. Relevant and material information regarding the data present in the government-wide and fund financial statements are disclosed in compliance with prescribed accounting and reporting standards.

Budgetary comparison for the General Fund is provided in the Required Supplementary Information section, as well as schedules regarding the City's pension plan.

The Supplementary Schedules provide: combining statements for each of the non-major governmental funds; budgetary comparison for the non-major individual governmental funds, capital projects fund, and debt service fund; and a statement of changes in assets and liabilities for the agency fund. A brief narrative description of each of the non-major governmental funds is also provided in this section.

II. Audit Letters by White Nelson Diehl Evans LLP

The letters prepared by the independent auditors are standard letters issued upon completion of an annual audit, which are provided as attachments to this report. The following is a brief description of each of the letters attached:

- Appropriations Limit Calculation

It is required by state law, under Article XIII B of the California Constitution, that local jurisdictions adopt an appropriations limit on an annual basis establishing the maximum amount of tax money the City can spend during the fiscal year. The law also established the method by

which a City must calculate its limit and stipulates that the annual calculation must be reviewed as part of an annual financial audit.

The City calculated its appropriations limit using Article XIII B Appropriations Limitation Uniform Guidelines prepared by the League of California Cities. The independent auditor reviewed the calculation of the appropriations limit for Fiscal Year ending June 30, 2017, and determined the calculation was prepared in accordance with state law, as stated in the letter.

- Government Auditing Standards - Internal Control over Financial Reporting

The purpose of this letter is to describe the scope of testing of internal control and compliance, and the results of that testing. This letter states the audit was performed in accordance with the generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. This letter also states that in order to determine the audit procedures for the purpose of expressing an opinion on the City's financial statements the auditor must consider the internal control of the City. Effective internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The auditor did not identify any deficiencies in internal control that would be considered to be material weaknesses during the audit, as stated in the letter. Furthermore, the audit disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

- Communication to Those Charged With Governance

This letter addresses the auditor's responsibility under general accepted auditing standards and complies with the requirements of the Statements of Auditing Standards, which provides guidance on the auditor's communication with those charged with governance in relation to an audit of the financial statements. In recognizing the importance of effective two-way communication, these standards provide a framework for the auditor's communication to those charged with governance and identifies some specific matters to be communicated to them. In the letter, the

auditor provides those charged with governance information about the auditor's responsibilities, as well as certain information related to the planned scope and timing of the audit.

III. Government Finance Officers Association (GFOA) Award

For the past twenty-four years the City has received awards for excellence in financial reporting from the GFOA of USA and Canada. The GFOA award program was established in 1945 to encourage government units to produce and publish excellent CAFRs and to provide educational assistance and peer recognition. The award certificates are recognized as the highest distinction in government financial reporting. The Certificate of Achievement for Excellence in Financial Reporting for the preceding Fiscal Year ended June 30, 2016, can be found immediately following the Table of Contents in the attached CAFR for Fiscal Year ended June 30, 2017. Staff is confident that this CAFR will be recognized again for its excellence in financial reporting.

ATTACHMENTS:

- Auditor Letter - Appropriations Limit Calculation
- Auditor Letter - Government Auditing Standards
- Auditor Letter - Communication with Those Charged with Governance
- CAFR FY 2016-17

CITY OF LAGUNA HILLS, CALIFORNIA

APPROPRIATIONS LIMIT WORKSHEET NO. 6

WITH INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET

FOR THE YEAR ENDED JUNE 30, 2017

Attachment: Auditor Letter - Appropriations Limit Calculation (1446 : Cafr Fy 2016-17)

WHITE NELSON DIEHL EVANS LLP
 Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REPORT
 ON AGREED-UPON PROCEDURES APPLIED
 TO APPROPRIATIONS LIMIT WORKSHEET

Honorable Mayor and
 Members of the City Council
 of the City of Laguna Hills
 Laguna Hills, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 of the City of Laguna Hills, California for the year ended June 30, 2017. These procedures, which were agreed to by the City of Laguna Hills, California and the League of California Cities (as presented in the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines") were performed solely to assist the City of Laguna Hills, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City of Laguna Hill's management is responsible for the Appropriations Limit Worksheet No. 6.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheet No. 6 for the year ended June 30, 2017, and compared the limit and annual adjustment factors included in that worksheet to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

No exceptions were noted as a result of this procedure.

2. For the accompanying Appropriations Limit Worksheet No. 6, we added last year's limit to the total adjustments, and compared the resulting amount to this year's limit. We also recalculated the adjustment factor and the adjustment for inflation and population, and compared the results to the amounts on Worksheet No. 6.

No exceptions were noted as a result of this procedure.

3. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.

No exceptions were noted as a result of our performing this procedure.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines".

This report is intended solely for the information and use of the City Council and management of the City of Laguna Hills, California and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Michl Evans LLP

Irvine, California
December 4, 2017

CITY OF LAGUNA HILLS

APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2017

Appropriations limit for fiscal year ended June 30, 2016 (see Note 2) \$ 34,015,765

Adjustment factors for the fiscal year ended June 30, 2017 (see Note 2):

	<u>Inflation Factor (Note 3)</u>	<u>Population Factor (Note 4)</u>	<u>Combined Factor</u>	
	1.05370000	1.00990000	1.06413163	x 0.06413163
Adjustment for inflation and population				2,181,486
Other adjustments (Note 5)				<u>-</u>
Total adjustments				<u>2,181,486</u>
Appropriations limit for fiscal year ended June 30, 2017				<u>\$ 36,197,251</u>

Attachment: Auditor Letter - Appropriations Limit Calculation (1446 : Cafr Fy 2016-17)

See accompanying notes to Appropriations Limit Worksheet No. 6.

CITY OF LAGUNA HILLS

NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2017

1. PURPOSE OF LIMITED PROCEDURES REVIEW:

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION:

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed at Notes 3 and 4 below.

3. INFLATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentages are supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of Laguna Hills (the City) for fiscal year 2016-2017 represents the annual percentage change in the 4th quarter per capita personal income.

4. POPULATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City for fiscal year 2016-2017 represents the annual percentage change in population for the County in which the City is located.

5. OTHER ADJUSTMENTS:

A California governmental agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another governmental agency or private entity. The City had no such adjustments for the year ended June 30, 2017.

WHITE NELSON DIEHL EVANS LLP
 Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
 IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and
 Members of the City Council
 of the City of Laguna Hills
 Laguna Hills, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of the City of Laguna Hills, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
December 4, 2017

WHITE NELSON DIEHL EVANS LLP

Certified Public Accountants & Consultants

To the Honorable Mayor and
Members of the City Council
of the City of Laguna Hills
Laguna Hills, California

We have audited the financial statements of the governmental activities, business-type activity, each major fund, and aggregate remaining fund information of the City of Laguna Hills, California (the City) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 20, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2016-2017. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the City's financial statements are as follows:

- a. Management's estimate of the fair value of investments is based on quoted prices in an active market. When quoted prices in active markets are not available, fair values are based on evaluated prices received by the City's broker or custodian. Amounts invested in the Local Agency Investment Fund are valued based on information provided by the California Department of Treasury.
- b. Management's estimate of the value of capital assets (infrastructure assets) is based on industry standards.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Sensitive Estimates (Continued):

- c. The estimated useful lives of capital assets for depreciation purposes are based on industry standards.
- d. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- e. Management's estimate of the claims payable liabilities related to general liability and worker's compensation claims are based on estimates by the claims administrators.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was reported in Note 8 regarding the CalPERS defined benefit plans.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. As a result of our audit related test work, we did not identify any such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2017.

Significant Audit Findings (Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, and the schedule of revenues, and expenditures and changes in fund balance - budget and actual - general fund, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund financial statements and schedules (supplementary information), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Michl Evans LLP

Irvine, California
December 4, 2017

CITY OF LAGUNA HILLS CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2017



CITY OF LAGUNA HILLS

California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

CITY MANAGER
Bruce E. Channing

ASSISTANT CITY MANAGER
Donald J. White

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

INTRODUCTORY SECTION

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CITY OF LAGUNA HILLS

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GFOA CERTIFICATE OF ACHIEVEMENT

Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Laguna Hills
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

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December 12, 2017

**Honorable Mayor and
Members of the City Council:**

The Comprehensive Annual Financial Report (CAFR) of the City of Laguna Hills for the fiscal year ended June 30, 2017, is submitted herewith. This report is published in accordance with local ordinance and State law requirements that financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Laguna Hills. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. It is management's opinion that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of material misrepresentation. As management, we assert that, to the best of our knowledge and belief, this financial report is complete

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

and reliable in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City, as well as the City as a whole.

The City's financial statements have been audited by White Nelson Diehl Evans, LLP, a public accounting firm fully licensed and qualified to perform audits of local government. The independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements and that they present fairly, in all material respects, the financial condition of the City at the end of this fiscal year.

A narrative introduction, overview and analysis of the basic financial statements for the City for the fiscal year ended June 30, 2017, is discussed in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF LAGUNA HILLS

The City of Laguna Hills is located in South Orange County approximately 60 miles south of Los Angeles and 70 miles north of San Diego. Incorporated in 1991 under the laws of the State of California, it enjoys all the rights and privileges pertaining to "General Law" cities. The City is home to approximately 31,544 residents and over 1,000 businesses.

The City of Laguna Hills operates under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four-member Council. The Mayor is annually selected by the City Council from among its membership, and serves a one-year term. The governing Council is responsible, among other things, for passing the City's ordinances and operating resolutions, adopting the biennial budget, appointing commissions and committees, and hiring the City Manager. The City Manager administers the daily operations and programs of the City through department heads, other staff members and employees.

The City contracts for selected municipal services utilizing agreements with other governmental entities, private firms and individuals. Police services are provided by the Orange County Sheriff's Department and fire services are provided through the Orange County Fire Authority, of which the City is a member.

Although the majority of the area in the City has a distinctive residential character, the City has a strong commercial base, specifically in the northern section of the City. This commercial area, or “Urban Village,” is anchored by the regional Laguna Hills Mall, the Oakbrook Village Shopping Center, and the Saddleback Memorial Medical Center. In addition, the area north of the Mall holds a complement of commercial and mixed-use industrial uses.

FACTORS AFFECTING FINANCIAL CONDITION

ECONOMIC CONDITIONS & OUTLOOK

Eight years after the end of the “Great Recession”, it is clear that the major repercussions of the historic economic downturn have substantially subsided. Consequently, the City of Laguna Hills expects to see continual signs of recovery in the local tax base and anticipates revenues to reach, and ultimately surpass, pre-recessionary levels. To maintain its strong financial position, the City must continue to promote overall fiscal health and sustainability by adhering to its conservative financial policies, focusing on organizational efficiency and performance, and fiscally prudent decision-making. This financially conservative stance has played a critical role in allowing the City to respond quickly to the post-Recession difficulties that were prevalent in the economy. Another important factor in the City’s healthy financial condition is its strong and well-diversified tax base. Since Laguna Hills’ incorporation in 1991, its diversified tax base has consistently performed well in good economic times and, more importantly over these last seven years, has helped the City weather slower economic conditions.

General fund reported revenues in Laguna Hills increased in Fiscal Year 2016/2017 by \$100,716 and totaled \$20,743,842. Property tax revenues totaled \$10,064,067, representing a 4.2% increase over the prior year revenues. Total operating expenditures increased over the previous fiscal year by \$1,892,357, or 10.8%, and came in \$189,831 under budget for FY 2016/2017. Additionally, general fund revenues exceeded expenditures by \$1,251,238. The City ended the fiscal year with a total fund balance of \$11,040,725.

As the real estate market in the City continues to recover, property taxes are expected to continue to rebound next year. Given a positive consumer price index and the overall improvement that is occurring in the local housing market, property taxes are anticipated to increase over the next few years.

LONG TERM FINANCIAL PLANNING

The City utilizes a customized 8-Year Resource Allocation plan that is specifically designed to project the City's operating and reserve policy ratios over an eight year forecast horizon. The City's policy is to strive to maintain an operating ratio of 1.1 to 1.0, an Unrestricted General Fund Balance Ratio of 35% and an Unassigned General Fund balance Ratio of 25%. The operating ratio for FY 2016/17 came in at 1.01 and the Unrestricted Fund Balance and the Unassigned Fund Balance were at 34% and 35%, respectively. During the development of the 2017-19 Biennial Budget, the City identified a number of cost saving measures that, once implemented, will have a significant impact on the City's financial outlook. These, coupled with the completion of major development projects discussed under the *Major Initiatives* heading, will allow the City to improve its operating ratio target.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

In developing the City's accounting system, consideration was given to the adequacy of internal accounting controls, which are designed to provide reasonable, but not absolute, assurance in connection with: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Furthermore, the City maintains budgetary controls to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is authorized to transfer budgeted amounts within and between funds as deemed necessary in order to meet the City's needs. Revisions that exceed the appropriated budget must be approved by the City Council.

CASH MANAGEMENT

The City invests its temporary idle cash in investments authorized under the City's prevailing Investment Resolution and Policies, which are reviewed and approved annually. These policies are significantly more restrictive than State law, limiting investments to a maturity of one year or less. At the present time, the City's investments are limited to the Local Agency Investment Fund (LAIF), fully insured or collateralized certificates of deposit with qualified banks, and U.S. Treasury money market funds.

CAPITAL ASSETS

Generally, only assets which cost \$5,000 or more and which have a useful life of five years or more are considered capital assets. This designation is extensively discussed in the City's Internal Control Policies and Procedures for Capital Assets and Minor Equipment, which were developed for the City's compliance with the requirements with GASB 34.

MAJOR INITIATIVES

The following section provides a sampling of some of the various initiatives and highlights occurring throughout the 2016/2017 fiscal year as well as from the current endeavors:

BIENNIAL BUDGET

Since its incorporation, the City has been committed to biennial budgeting and long-range planning. Preparing a budget every other year lends greater weight to the importance of the process. This year's budget process lasted from February through June. The lengthy budget process included three public study sessions, including a strategic planning budget workshop, a Capital Improvement Program and Operating Budget study session, and a public hearing. The City Council was ultimately presented with and adopted a budget that accomplished the following:

- Budgeted revenues and expenditures totaling \$47.88 million.
- Operating revenues for Fiscal Year 2017/18 are anticipated to increase by 3.95% from the previous year estimate. For Fiscal Year 2018/19, operating revenues are projected to increase slightly by \$678,824.
- Approved 16 capital projects totaling \$3,727,000. Of this amount, \$575,000, or 15.4%, is required from the General Fund. The balance of the funding will come from Special Funds and capital reserve funds.

**SOFTWARE SYSTEM
UPGRADES**

The City Council awarded a contract to Tyler Technologies on December 13, 2016, for the replacement of the City's finance software system and its permitting and land management software system. The Finance Department is in the process of upgrading to the Incode financial system and the Community Develop Department is in the process of upgrading to the Energov Enterprise system. In spring 2017, Tyler Technologies and City staff began major work efforts on the project, including: a detailed

analysis and reconfiguration of current business processes; software workflow management and setup; configuration of software variables; data conversion processes; software testing; and user training. When completed, both software systems will provide the City with enhanced features that will streamline business processes and improve customer service and access to City data. The financial system transition to Incode will be completed in the first part of 2018, while the upgrade to the land management software system is estimated to be completed by June 2018.

ELECTRONIC PLAN CHECK (E-PLANS)

In 2017, the Building Division introduced a new electronic plans (e-plan) submission and routing process, allowing applicants to submit plans and complete a plan check process electronically. The City will still continue to process paper plans at the building permit counter to meet customer needs. The e-plan process will reduce applicant wait times at the front counter and provide workflow enhancements that improve staff efficiency and property data management.

CITY COUNCIL AUDIO/ VISUAL SYSTEM UPGRADE

A significant upgrade to the City Council Chamber's audio/visual system was completed this year. The original system was installed when the Civic Center building first opened in 2004. Some of the components have been replaced throughout the years; however, the majority of the old system technology was antiquated. This project involved converting the old audio/visual analogue system to new digital technology, and the following components were added or upgraded to the system: additional camera for recording purposes, new dais and staff monitors, new microphones, new touch panels with programming to administer system, a 65" LCD display for lobby area, and an audience signal light system for public speaking time.

FIVE LAGUNAS

After beginning various construction and development activities in 2017, Merlone-Geier Partners (MGP), the owner of the former Laguna Hills Mall, has announced that it is taking a strategic pause in the redevelopment of the former Laguna Hills Mall. This action by MGP was prompted by their recent buy out of the Macy's leasehold interest. The City approved a site plan in March of 2016 that included over 880,000 square feet of commercial space including a 14-screen luxury theater, health club, restaurants, and retail shops. The approval also included 988 luxury residential apartment units. Since the 2016 approval, MGP has completed parking lot

renovations in front of Nordstrom Rack, relocated Ruby's into a new 6,000 square foot shop space, and completed another 6,000 square foot space for Subway. Significant portions of the in-ground utility infrastructure were also completed. With the recent acquisition of the Macy's lease, and the announcement by Macy's that it will be closing its Laguna Hills location in early 2018, Merlone-Geier is now considering changes to the sequencing of their approved development project. City staff expects to receive a new project plan early next year.

**COMMUNITY
DEVELOPMENT BLOCK
GRANT (CDBG)**

The City successfully competed for an award of 2017/2018 Community Development Block Grant (CDBG) funding for Public Facilities and Improvement monies to be used at the Florence Sylvester Memorial Senior Center. The City was awarded \$140,000 to install slip-resistant tile flooring throughout the Center and remodel the men's restrooms to comply with Americans with Disabilities Act (ADA) requirements. A portion of the restroom improvements includes enlarging the restroom stalls, installing high-base toilets, modifying countertops, replacing hardware, tile, flashing, and plumbing, and installing hands-free components.

**POLICE SERVICES
CONTRACT**

As a result of the Matrix Consulting Group's Police Services Study conducted in 2013, City leaders and staff were successful in identifying and implementing several cost saving measures in FY 2015/16 and into FY 2016/17. Equitable cost sharing with regard to the patrol sergeant position has continued with the cities of Aliso Viejo and Laguna Woods, and patrol staffing adjustments have remained in place with a significant overall savings to the City.

In April 2017, the City, along with the cities of Aliso Viejo and Laguna Woods, again retained the services of the Matrix Consulting Group to identify further cost saving measures in the Police Services contract. The results of this study are currently under review.

Although there have been no performance issues to-date, the cost of the law enforcement services contract has continued to significantly strain the City's financial resources. In Fiscal Year 2017/2018, the cost of the OCSD contract is just under \$8 million, representing approximately 39% of the City's General Fund expenditures. Furthermore, the cost of the OCSD contract has continually outpaced inflation and is now 14% higher than it was a decade ago.

In August, the City entered into a Memorandum of Understanding with twelve cities in Orange County (Aliso Viejo, Dana Point, Laguna Niguel, Laguna Woods, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Stanton, Villa Park, and Yorba Linda) that contract with OCSD to evaluate the current agreement model and explore efficiencies that will ensure long-term cost sustainability. To that end, the thirteen cities have hired an independent third party to review and analyze the existing contract service model, cost assumptions, methodologies, and allocations of costs to provide recommendations for ensuring the long-term financial stabilization of the contract. The project is expected to be completed in the latter portion of 2018.

CABOT PARK RENOVATION

The renovation of Cabot Park, which began construction in late 2016 as CIP No. 241-A, was completed in mid-2017. This \$385,000 construction project included the replacement of approximately 14,000 board feet of equestrian trail fencing, the replacement of backstop padding at both baseball fields, the repair and repainting of handrails, trash can lids and the restroom building, the replacement of 3,200 square feet of sidewalk, the addition of ADA access ramps, the replacement of the playground rubberized surfacing and the addition of shade structures on the southerly edge of both baseball field bleacher areas.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the twenty-fourth consecutive year the City has received this prestigious award. The certificate is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards, and must satisfy both generally accepted accounting principles and applicable legal requirements.

In January, the City was awarded the GFOA Distinguished Budget Presentation Award for its 2015-17 Biennial Budget document. To qualify for the GFOA award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the General Government Department. The contributions are invaluable and clearly reflect the high standards the City has set for itself.

In closing, without the effective leadership, guidance, and support provided by the Mayor and the City Council, preparation of this report, as well as the favorable financial results of the past year, would not have been possible.

Respectfully submitted,



Bruce E. Channing
City Manager



Donald J. White
Assistant City Manager

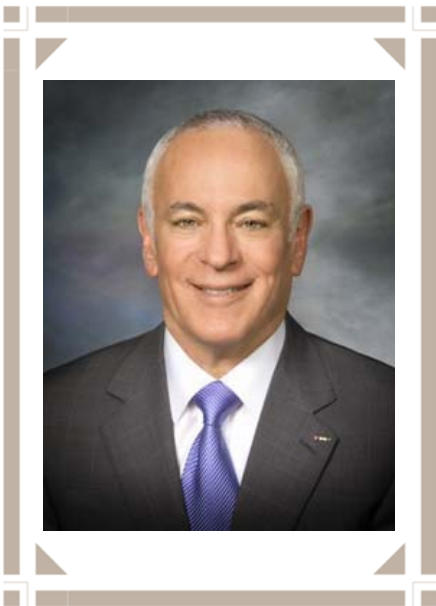
ELECTED OFFICIALS As of June 30, 2017



Don Sedgwick
Mayor



Melody Carruth
Mayor Pro Tem



Dore Gilbert
Council Member



Janine Heft
Council Member



Barbara Kogerman
Council Member

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

MANAGEMENT STAFF
As of June 30, 2017



Donald J. White
Assistant City Manager/Deputy Treasurer



Bruce E. Channing
City Manager/Treasurer

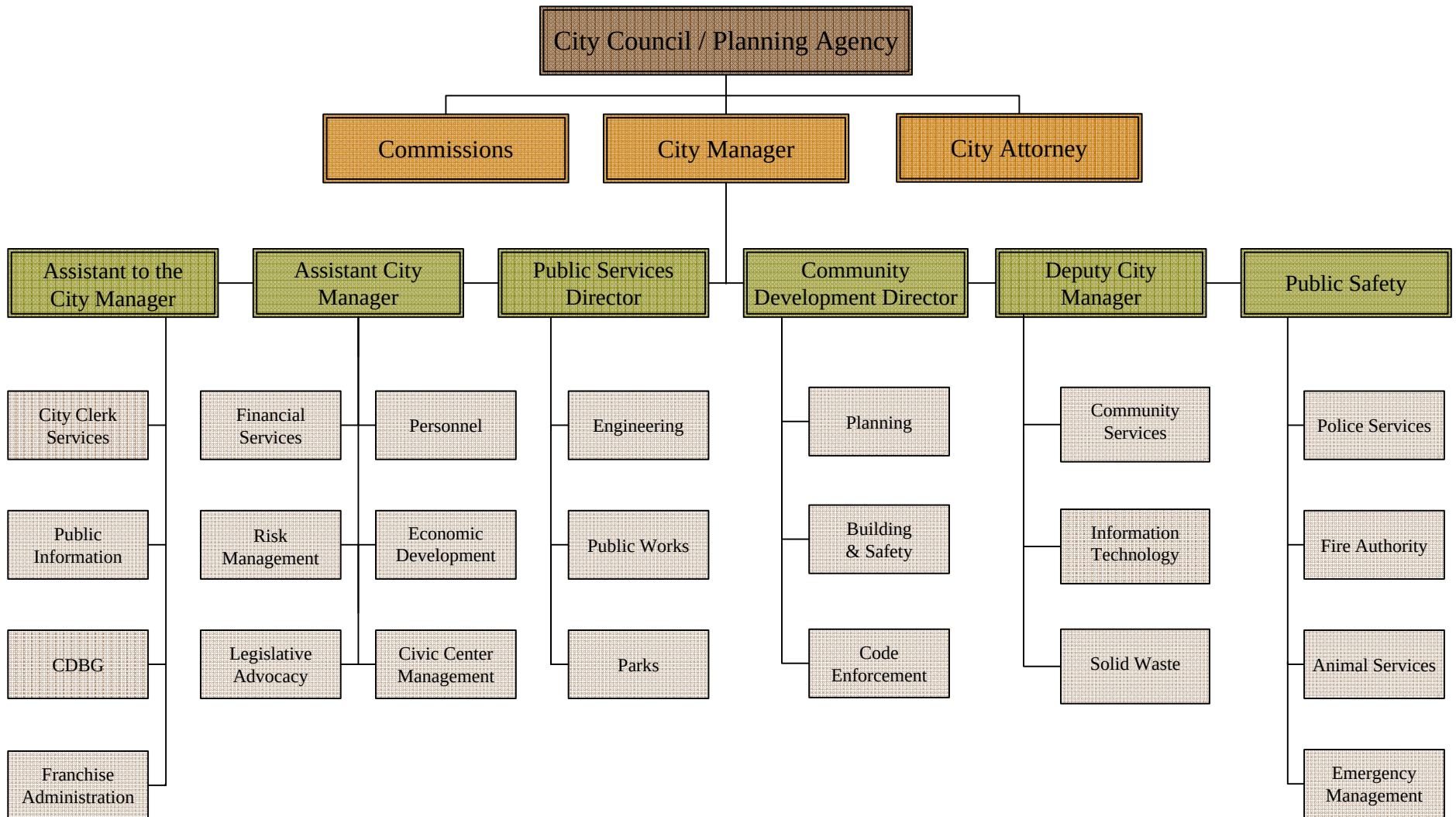
♦ Gregory E. Simonian	City Attorney
♦ Lt. Roland Chacon	Police Chief (O.C. Sheriff Department)
♦ Jeff Adams	Division Chief (OC. Fire Department)
♦ Kenneth H. Rosenfield	Director of Public Works/City Engineer
♦ David T. Reynolds	Deputy City Manager
♦ David Chantarangsu	Community Development Director
♦ Melissa Au-Yeung	Assistant to the City Manager

Attachment: CAFR FY 2016-17 (1446 : Cafr Fy 2016-17)

CITY OF LAGUNA HILLS

ORGANIZATIONAL CHART

June 30, 2017



Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

FINANCIAL SECTION

WHITE NELSON DIEHL EVANS LLP

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

City Council
City of Laguna Hills
Laguna Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Laguna Hills (the City), as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, and the schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules (supplementary information), as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
December 4, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Laguna Hills offers the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended **June 30, 2017**. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter on page I-1 and the basic financial statements in the appropriate section.

Financial Highlights

Government-Wide

- The net position of the City of Laguna Hills at the close of the most recent fiscal year was \$97,150,933. Of this amount, \$3,432,725 is not restricted to a specific use or purpose.
- After recording the value of the City's infrastructure assets, net of accumulated depreciation, the decrease in the City's net position resulting from the most recent fiscal year's operation was \$2,623,705, or approximately 2.6%.
- Total revenues from all sources were \$24,232,065.
- The total cost of all City programs and projects was \$26,855,770. Approximately 17%, or \$4,633,694, of this amount is attributable to depreciation on the City's capital assets.
- The net pension liability reported as of June 30, 2017, for the City's proportionate shares of the net pension liability of all pension plans, was \$2,953,536.
- The net position of governmental activities was \$88,690,107 as of June 30, 2017, after recording the value of the City's infrastructure assets, net of accumulated depreciation and long term debt.
- Governmental activities, which include certain capital projects and depreciation related to capital assets, decreased the City's net position by \$2,018,129.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$11,040,725.

- Total nonspendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were \$81,520.
- Total spendable fund balances were \$10,959,205. Of this amount, approximately 7% (\$720,659 in total assigned) is constrained by the City's intent to be used for a specific purpose and 38% (\$4,209,039 in total restricted) is constrained in their use by external restrictions, such as by creditors, debt covenants, grantors, contributors, or by laws and regulations.
- Total governmental fund balances decreased by \$1,108,248.
- At the end of the most recent fiscal year, the total fund balance for the general fund was \$6,831,686; a decrease of \$1,267,607 over prior year.
- General fund reported revenues exceeded expenditures by \$1,251,238.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Laguna Hills' basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statement themselves.

- (1) **Government-wide financial statements.** These statements are designed to provide readers with a broad overview of the City of Laguna Hills' financial position, in a manner similar to a private-sector business, using the economic resources measurement focus and the full accrual basis of accounting. The following reports comprise the government-wide financial statements:
 - a) Statement of Net Position. This report presents information on all the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between the assets and deferred outflows, on the one hand, and liabilities and deferred inflows of resources, on the other, constitutes the *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening, though it is important to consider other non-financial factors in accurately assessing the overall health of the City, such as the property tax base or condition of the roads, etc.; and
 - b) Statement of Activities. The information presented in this report shows how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event

giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes, program revenues, and intergovernmental revenues (referred to as *governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as *business-type activities*).

The **governmental activities** of the City of Laguna Hills include general government, public services, community development, community services and public safety. Property taxes, sales and use taxes, transient occupancy taxes, and franchise fees finance most of these activities.

The **business-type activity** of the City of Laguna Hills pertains to the leasing of certain areas in the Laguna Hills Civic Center, which also houses City Hall.

The government-wide financial statements can be found on pages II-19 to II-21 of this report.

- (2) **Fund financial statements.** These statements show how City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants, and other money. There are three types of funds, namely:

- a) Governmental funds. These statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information provides a short-term view of the City's general government operations and shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using the *modified accrual method* of accounting, which measures cash and all other financial assets that can be readily converted to cash. The relationship between governmental activities and the governmental funds are reported in the reconciliation of government-wide and fund financial statements and in Note 1 in the Notes to the Basic Financial Statements.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in

the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, capital projects fund, and debt service fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each non-major governmental fund is provided in the form of *combining statements* elsewhere in this report.

- b) *Proprietary funds*. When the City charges for the services it provides, other than those services associated with the City's general governmental operations, these services are generally reported in proprietary funds. The proprietary fund is used to report the same function presented as the *business-type activity* in the government-wide financial statements. The City uses the proprietary fund to account for its Civic Center leasing activity.
- c) *Fiduciary funds*. These funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

The fund financial statements can be found on pages II-23 to II-30 of this report.

- (3) **Notes to the basic financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages II-31 to II-62 of this report.
- (4) **Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including budgetary comparison for the general fund, a schedule of proportionate share of the net pension liability, and a schedule of employer plan contributions.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government –Wide Financial Analysis

As noted earlier, net position may serve as a useful indicator over time of the City's financial position. The City's combined net position at the close of the most recent fiscal year ended June 30, 2017, was \$97,150,933, as shown on Table 1, on the following page.

By far the largest portion of the City's net position (roughly \$91.3 million, or 94% of total net position) reflects its net investment in capital assets, which is made

up of: (1) capital assets (land, building, machinery, and equipment) less accumulated depreciation, any related debt used to acquire those assets that are still outstanding, and the unamortized bond premium, (2) outstanding deferred loss on refunding, and (3) the cash with fiscal agent held in reserve to secure the timely payment of principal and interest on the capital asset related debt. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt and corresponding items, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There is \$9,295,180 in debt outstanding (including the unamortized debt premium) related to the acquisition and construction of these capital assets.

Table 1
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 13,655	\$ 14,146	\$ 183	\$ 131	\$ 13,838	\$ 14,277
Capital assets	<u>90,288</u>	<u>91,993</u>	<u>8,343</u>	<u>8,998</u>	<u>98,631</u>	<u>100,991</u>
Total assets	<u>103,943</u>	<u>106,139</u>	<u>8,526</u>	<u>9,129</u>	<u>112,469</u>	<u>115,268</u>
Total deferred outflows	<u>1,127</u>	<u>574</u>	<u>-</u>	<u>-</u>	<u>1,127</u>	<u>574</u>
Long-term liabilities	13,157	13,009	-	-	13,157	13,009
Other liabilities	<u>2,726</u>	<u>2,127</u>	<u>65</u>	<u>63</u>	<u>2,791</u>	<u>2,190</u>
Total liabilities	<u>15,883</u>	<u>15,136</u>	<u>65</u>	<u>63</u>	<u>15,948</u>	<u>15,199</u>
Total deferred inflows	<u>497</u>	<u>869</u>	<u>-</u>	<u>-</u>	<u>497</u>	<u>869</u>
Net position:						
Net investment in capital assets	82,980	83,321	8,343	8,998	91,323	92,319
Restricted	2,395	2,470	-	-	2,395	2,470
Unrestricted	<u>3,315</u>	<u>4,917</u>	<u>118</u>	<u>68</u>	<u>3,433</u>	<u>4,985</u>
Total net position	<u>\$ 88,690</u>	<u>\$ 90,708</u>	<u>\$ 8,461</u>	<u>\$ 9,066</u>	<u>\$ 97,151</u>	<u>\$ 99,774</u>

Another portion of the City's net position, \$2,394,252 (2.5% of the total net position), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position is unrestricted net position of \$3,432,725 (3.5% of the total net position), which may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's business-type activity involves the leasing of rentable areas in the Civic Center building. This 3-story building complex was renovated to accommodate the City offices and to add leasable spaces. Since June 28, 2004, the City government has operated from this facility. Altogether, there are 51,970 square feet of leasable office space in the Civic Center building. The City occupies 20,843 square feet and leases out 31,127 square feet. The occupancy rate was approximately 88% on June 30, 2017.

During the fiscal year ended June 30, 2017, the total revenue from all sources was \$24,232,065 and the cost of all activities was \$26,855,770, resulting in an overall decrease in net position of \$2,623,705. The City's governmental activities decreased total net position by \$2,018,129. Expenses related to public services was \$7,234,921 and to public safety was \$8,167,361, representing 28% and 32% of total governmental activities, respectively. Public services include certain capital projects, landscape maintenance, traffic signal maintenance, road maintenance, as well as water and electric utility usage charges. Public safety includes the costs for the law enforcement contract with the Orange County Sheriff's Department (OCSD), as well as the cost for animal control and shelter services. The OCSD law enforcement contract represents roughly \$7.6 million, or 30%, of total governmental activities. Additionally, depreciation of capital assets accounts for \$3,888,172 (15%) and the debt service interest payment on capital related items accounts for \$376,993 (1.5%). The City's business-type activities decreased total net position by \$605,576. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,255,765 of total operating expenses related to property leasing activities, depreciation represents 60%, or \$745,522, of that total.

The details of the changes in the City's Net Position are shown in **Table 2** on the following page.

Table 2
Statement of Changes in Net Position
(in thousands)

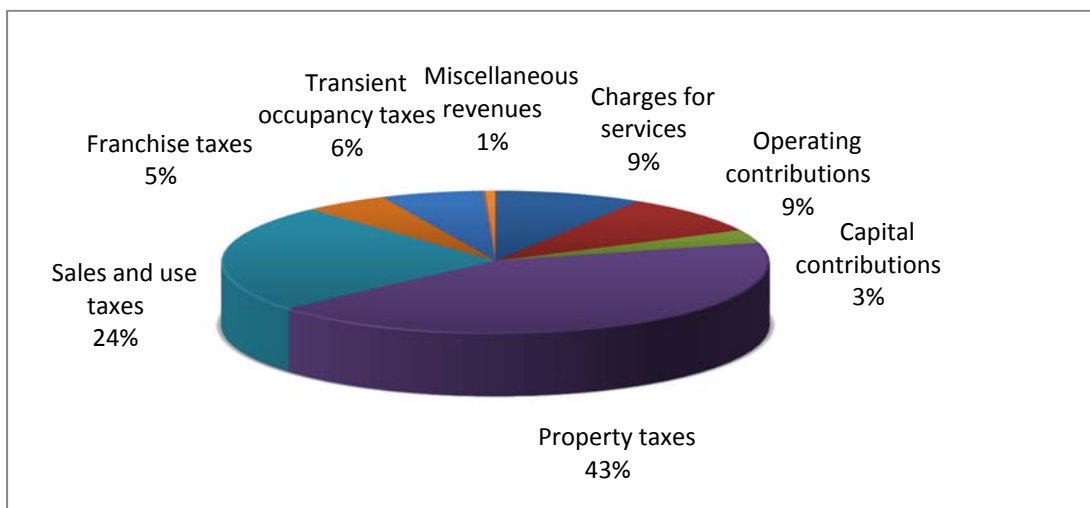
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 2,075	\$ 2,135	\$ 651	\$ 579	\$ 2,726	\$ 2,714
Operating contributions	2,131	1,960	-	-	2,131	1,960
Capital contributions	716	61	-	-	716	61
General Revenues:						
Property taxes	10,064	9,661	-	-	10,064	9,661
Sales and use taxes	5,779	5,439	-	-	5,779	5,439
Franchise taxes	1,192	1,304	-	-	1,192	1,304
Transient occupancy taxes	1,438	1,407	-	-	1,438	1,407
Motor vehicle in lieu taxes	14	12	-	-	14	12
State subvention	9	57	-	-	9	57
Interest earnings	22	15	-	-	22	15
Miscellaneous revenues	<u>142</u>	<u>151</u>	<u>-</u>	<u>-</u>	<u>142</u>	<u>151</u>
Total revenues	<u>23,582</u>	<u>22,202</u>	<u>651</u>	<u>579</u>	<u>24,233</u>	<u>22,781</u>
Expenses:						
General government	4,226	3,113	-	-	4,226	3,113
Public services	7,235	6,803	-	-	7,235	6,803
Community development	1,463	1,309	-	-	1,463	1,309
Community services	4,132	4,142	-	-	4,132	4,142
Public safety	8,167	6,929	-	-	8,167	6,929
Property leasing	-	-	1,256	1,222	1,256	1,222
Interest	<u>377</u>	<u>431</u>	<u>-</u>	<u>-</u>	<u>377</u>	<u>431</u>
Total expenses	<u>25,600</u>	<u>22,727</u>	<u>1,256</u>	<u>1,222</u>	<u>26,856</u>	<u>23,949</u>
Change in net position before transfers	(2,018)	(525)	(605)	(643)	(2,623)	(1,168)
Transfers	<u>-</u>	<u>(421)</u>	<u>-</u>	<u>421</u>	<u>-</u>	<u>-</u>
Change in net position	(2,018)	(946)	(605)	(222)	(2,623)	(1,168)
Net position, beginning	<u>90,708</u>	<u>91,654</u>	<u>9,066</u>	<u>9,288</u>	<u>99,774</u>	<u>100,942</u>
Net position, ending	\$ <u>88,690</u>	\$ <u>90,708</u>	\$ <u>8,461</u>	\$ <u>9,066</u>	\$ <u>97,151</u>	\$ <u>99,774</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

Governmental Activities

The revenue sources from governmental activities presented in the preceding table are illustrated in a pie chart shown below as **Figure 1**, which illustrates the percentage relationship of these revenues to each other, as well as their impact on the City's total resources.

Figure 1
Revenue by Sources – Governmental Activities
FY 2016/17



As shown in the above pie chart, roughly 78%, or \$18,486,173 of the City's total governmental revenues are from taxes, comprised of property, sales and use, motor vehicle in lieu, franchise and transient occupancy taxes. Program revenues totaled \$4,922,362, or 21%, of the total revenue resources, comprised of charges for services, operating and capital contributions.

The City's expenses in connection with its governmental activities are categorized by function, namely: general government, public services, community development, community services and public safety. The program revenues associated with these governmental activities are classified into three categories, which are charges for services, operating contributions, and capital contributions. The relationships of the City's program revenues with the related governmental functions are illustrated in a graph shown as **Figure 2** on the following page.

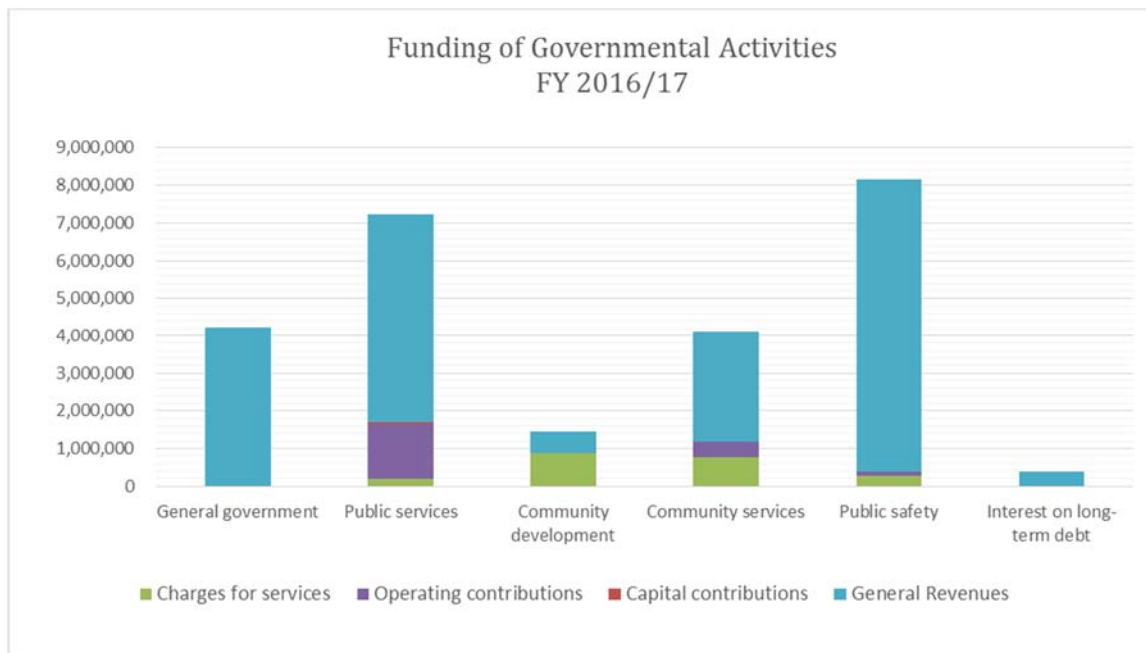
Expenses associated with governmental activities experienced an increase of 13%, or \$2,873,432, this past year. This is predominantly due to the increase in

expenses related to general government and public safety activities. The increase in general government activities is largely a result of a change in estimates for claims and information technology projects that were deferred from the prior fiscal year. The increase in public safety is primarily due to the change in contract for animal control and shelter services, as well as an increase in the cost for the OCSD law enforcement contract. The OCSD law enforcement contract increased by \$1,078,615, or 17%, from the prior fiscal year.

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were \$4,922,362. Expenses related to governmental activities were \$25,600,005. The program revenues are generally not adequate to finance the governmental programs, so it is typical for governmental expenses to be subsidized by general revenues. The City's expenses for public services and public safety are comparatively higher than the other expense categories, as shown in **Figure 2** below. The interest on long-term debt was \$376,993.

Figure 2



Business-type Activities

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$650,147 and the operating expenses were \$1,255,765, resulting in a net operating loss of \$605,618, which includes a depreciation charge of \$745,522. After interest income of \$42, the change in net position at fiscal year-end was \$(605,576). The net cash provided by the leasing activities was \$136,002. The contra rent revenue associated with the occupied spaces for

City Hall was \$575,266 for the current fiscal year.

Analysis of Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. As noted earlier, the City of Laguna Hills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus of the *governmental funds* is to provide information on near-term inflows and outflows, as well as the balances of spendable resources at the end of the fiscal year. Such information is useful in assessing the City of Laguna Hills' near term financing requirements. In particular, fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$11,040,725, a decrease of \$1,108,248 from the prior year's balance. Of the ending fund balance, \$81,520 is non-spendable fund balance, which represents the portion of fund balance that is either not in spendable form or are legally or contractually required to be maintained. Of the remaining \$10,959,205 in spendable fund balance, \$4,209,039 is restricted fund balance, \$720,659 is assigned fund balance and \$6,029,507 is unassigned fund balance. Restricted fund balance includes amounts that have externally imposed restrictions on their usage by creditors, such as debt covenants, grantors, and contributors, or by laws and regulations. Assigned fund balance includes amounts which are constrained by the City's intent to be used for a specific purpose. These include \$200,000 designated for claims liability and a total of \$520,659 reserved for equipment maintenance of the Civic Center, Community Center, Sports Complex, slopes, storm drains, and various parks.

The fund balance of the City's general fund decreased by \$1,267,607 from the prior fiscal year's balance, essentially as a result of transfers to the Capital Projects and Debt Service funds to fund certain capital related projects and debt service payments.

The City's capital projects fund accounts for financial resources related to the acquisition and construction of the City's capital projects. Revenues and transfers in from other funds reflect the financial resources used to fund the capital project expenditures during the current fiscal year; therefore, this fund typically reflects no fund balance at the end of the fiscal year. Total expenditures, transfers in, and capital lease proceeds for the current fiscal year were \$3,172,524. The largest capital expenditure during the current year was the Arterial Highway Pavement Maintenance Project #175, which totaled \$1,486,972, or 48% of the total.

The City's debt service fund reports current financial resources restricted for the payment of principal and interest for long-term debt. As of the end of the current fiscal year, the debt service fund reported \$1,818,945 in fund balance. Of the total fund balance, \$1,814,787 is restricted to meet the reserve requirement under the Trust Agreement of the Certificates of Participation for the 2010 Refinancing Project. Pursuant to the Agreement, a reserve fund was established by the trustee, The Bank of New York Mellon Trust Company, N.A., to further secure the timely payment of principal and interest. All interest or income received by the investment of the reserve fund is required to be retained in the reserve fund. Only to the extent the reserve requirement is satisfied, may amounts in the reserve fund may be allocated toward lease payments. Interest income for the current fiscal year was \$13,610.

Proprietary fund:

The proprietary fund provides the same type of information found in the government-wide financial statements. The City's proprietary fund consists of owning a piece of commercial real estate and leasing it to various entities. The total square footage of the building is 51,970. The City is a tenant using approximately 20,843 square feet of the building.

The statement of revenues, expenses, and changes in net position shows a net operating loss of \$605,618, before the interest income of \$42. The net effect is a decrease in the ending net position of \$605,576, which is largely attributable to depreciation. Before accounting for \$745,522 in depreciation expense, the net operating activity would result in a net operating income of \$139,904 from the City's other leasing related activities. It should be noted that the enterprise fund does not charge the City rent. The estimated annual rent for the space would be approximately \$575,266.

General Fund Budgetary Highlights

At fiscal year-end, total general fund revenues came in below the budgeted amount by roughly 1%, or \$237,619, from the lower than anticipated revenues in fines and forfeitures, charges for services, and intergovernmental revenues.

The largest shortfall was attributable to intergovernmental revenues, which came in below projection by \$409,323, or 6.5%, predominantly as a result of losses in sales tax revenues from the ongoing redevelopment at the former Laguna Hills Mall site. The underperformance in these revenue sources were partially offset by higher than anticipated property tax revenues, transient occupancy tax revenues, and revenues from licenses and plan check fees from building related activities. Property tax revenues, the City's top revenue source, totaled \$10,064,067, which was \$400,453, or 4.2%, over the prior year and \$90,160, or 1%, over projection. Building related permit revenue came in at \$157,230, or 42%, above projection, and plan check fee revenues came in at \$20,510, or 15%, above projection.

The general fund operating expenditures totaled \$19,492,604 at fiscal year-end, which was under budget by \$189,831. The lower than anticipated expenditures came largely due to: staffing level changes in the Community Development Department; savings in water and electric utility costs; lower than anticipated professional engineer contract services in the Public Services Department; and savings on contractual services in the General Government Department for management and computer consultant services. While total general fund operating expenditures were below budget, expenditures in the Public Safety Department came in over budget by \$117,218. The overage in public safety expenditures were largely a result of terminating the contract for animal control and shelter services with the County of Orange and establishing a new contract with the City of Mission Viejo.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$98,631,490 net of accumulated depreciation. This investment includes land, land improvements, easements, right of ways, building, building improvements, equipment, machinery, construction in progress, and infrastructure. In accordance with the requirement of GASB 34, the value of the City's infrastructure assets are included in this report, which include streets, sidewalks, curbs, gutters, playground equipment, and similar assets that are considered public property. Equipment and machinery includes vehicles, furniture, computer hardware and software.

A schedule showing the changes in the City's capital assets are shown in the following **Table 3**.

Table 3
City of Laguna Hills Capital Assets (Net of accumulated depreciation)
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 17,962	\$ 17,962	\$ 2,855	\$ 2,855	\$ 20,817	\$ 20,817
Land improvements	8,030	9,347	-	-	8,030	9,347
Rights of ways/Easements	2,854	2,854	-	-	2,854	2,854
Building & improvements	3,504	4,178	5,488	6,143	8,992	10,321
Equipment and machinery	506	386	-	-	506	386
Construction in progress	-	-	-	-	-	-
Infrastructure						
Street signs	37	21	-	-	37	21
Storm drains	2,218	2,299	-	-	2,218	2,299
Streets	45,665	45,232	-	-	45,665	45,232
Parks inventory	2,495	2,361	-	-	2,495	2,361
Curbs, sidewalks, gutters	5,472	5,739	-	-	5,472	5,739
Bridges	1,545	1,614	-	-	1,545	1,614
Total capital assets net of accumulated depreciation	<u>\$ 90,288</u>	<u>\$ 91,993</u>	<u>\$ 8,343</u>	<u>\$ 8,998</u>	<u>\$ 98,631</u>	<u>\$ 100,991</u>

Additional information on the City's capital assets can be found in Note 5 on page II-47 of this report.

Long-term Debt

On January 26, 2010, to take advantage of favorable interest rates, the City issued \$17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust used to service the future debt requirements of the 2001 and 2003 Certificates of Participation, which were issued to finance a portion of the costs to develop certain property, including the Civic Center Renovation Project and Community Center. As a result, the balance of the 2001 and 2003 COPs are considered to be defeased and the liability for those bonds has been removed. At fiscal year-end June 30, 2017, the per capita liability of the City of Laguna Hills was \$294.67. The 2010 COPs maintain a "AA+" rating from Standard & Poor's.

Additional information on the City's long-term debt can be found in Note 6 on pages II-48 to II-50 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2015/16 - 2016/17 shows that the City continues to live within its means and poised to further improve as projects throughout the City move forward. General Fund revenues are projected at approximately \$21.6 million in fiscal year 2017/18, while operating expenditures are estimated at roughly \$20.4 million. The major goals and issues that dominated the budgeting process for this biennial budget are discussed in the transmittal letter together with the measures adopted to address the prevailing issues. A copy of the 2017-19 Biennial Budget is available on the City's website: www.ci.laguna-hills.ca.us .

Requests for Information

This financial report is designed to provide a general overview of the City of Laguna Hills' finances to all interested parties. Any questions regarding this report or requests for additional information should be addressed to the City's Finance Department, at 24035 El Toro Road, Laguna Hills, California, 92653.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 9,049,440	\$ 169,815	\$ 9,219,255
Taxes receivable	1,696,458	-	1,696,458
Accounts receivable	498,161	10,551	508,712
Interest receivable	19,800	-	19,800
Prepaid items	81,520	2,212	83,732
Due from other governments	494,369	-	494,369
Restricted cash and investments	1,814,787	-	1,814,787
Capital assets, not depreciated	20,815,814	2,855,425	23,671,239
Capital assets, net of accumulated depreciation	69,472,188	5,488,063	74,960,251
Total Assets	<u>103,942,537</u>	<u>8,526,066</u>	<u>112,468,603</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	218,396	-	218,396
Deferred amounts from pension plans	908,414	-	908,414
Total Deferred Outflows of Resources	<u>1,126,810</u>	<u>-</u>	<u>1,126,810</u>
LIABILITIES:			
Accounts payable	619,460	-	619,460
Accrued liabilities	1,250,594	13,567	1,264,161
Interest payable	161,405	-	161,405
Due to other governments	694,137	-	694,137
Deposits payable	-	51,673	51,673
Noncurrent Liabilities:			
Due within one year	1,484,568	-	1,484,568
Due in more than one year	11,672,440	-	11,672,440
Total Liabilities	<u>15,882,604</u>	<u>65,240</u>	<u>15,947,844</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension plans	496,636	-	496,636
Total Deferred Inflows of Resources	<u>496,636</u>	<u>-</u>	<u>496,636</u>
NET POSITION:			
Net investment in capital assets	82,980,468	8,343,488	91,323,956
Restricted for:			
Public services	1,921,566	-	1,921,566
Public safety	578	-	578
Community services	467,950	-	467,950
Debt service	4,158	-	4,158
Unrestricted	3,315,387	117,338	3,432,725
Total Net Position	<u>\$ 88,690,107</u>	<u>\$ 8,460,826</u>	<u>\$ 97,150,933</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Program Revenues			
		Charges for	Operating	Capital	Total
	Expenses	Services	Contributions and Grants	Contributions and Grants	Program Revenues
Governmental Activities:					
General government	\$ 4,226,233	\$ -	\$ -	\$ -	\$ -
Public services	7,234,921	196,054	1,735,434	716,200	2,647,688
Community development	1,462,611	894,150	103,056	-	997,206
Community services	4,131,886	756,089	162,791	-	918,880
Public safety	8,167,361	228,649	129,939	-	358,588
Interest expense	376,993	-	-	-	-
Total Governmental Activities	<u>25,600,005</u>	<u>2,074,942</u>	<u>2,131,220</u>	<u>716,200</u>	<u>4,922,362</u>
Business-type Activity:					
Property leasing	1,255,765	650,147	-	-	650,147
Total Business-type Activity	<u>1,255,765</u>	<u>650,147</u>	<u>-</u>	<u>-</u>	<u>650,147</u>
Total Primary Government	<u>\$ 26,855,770</u>	<u>\$ 2,725,089</u>	<u>\$ 2,131,220</u>	<u>\$ 716,200</u>	<u>\$ 5,572,509</u>

General Revenues:

Taxes:

Property taxes

Sales and use tax

Franchise tax

Transient occupancy tax

Intergovernmental, unrestricted:

Motor vehicle in lieu

State subvention

Investment earnings

Miscellaneous revenue

Total General Revenues

Changes in Net Position

Net Position, Beginning

Net Position, Ending

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statement:

Net (Expense) Revenue and Changes in Net Position**Primary Government**

Governmental Activities	Business-type Activity	Total
\$ (4,226,233)	\$ -	\$ (4,226,233)
(4,587,233)	-	(4,587,233)
(465,405)	-	(465,405)
(3,213,006)	-	(3,213,006)
(7,808,773)	-	(7,808,773)
(376,993)	-	(376,993)
<u>(20,677,643)</u>	<u>-</u>	<u>(20,677,643)</u>
-	(605,618)	(605,618)
-	(605,618)	(605,618)
<u>(20,677,643)</u>	<u>(605,618)</u>	<u>(21,283,261)</u>
10,064,067	-	10,064,067
5,779,073	-	5,779,073
1,191,868	-	1,191,868
1,437,420	-	1,437,420
13,745	-	13,745
9,209	-	9,209
21,911	42	21,953
142,221	-	142,221
<u>18,659,514</u>	<u>42</u>	<u>18,659,556</u>
(2,018,129)	(605,576)	(2,623,705)
<u>90,708,236</u>	<u>9,066,402</u>	<u>99,774,638</u>
<u>\$ 88,690,107</u>	<u>\$ 8,460,826</u>	<u>\$ 97,150,933</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

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FUND FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Assets					
Current:					
Cash and investments	\$ 9,049,440	\$ -	\$ -	\$ -	\$ 9,049,440
Receivables:					
Taxes	1,696,458	-	-	-	1,696,458
Accounts	498,161	-	-	-	498,161
Interest	15,642	-	4,158	-	19,800
Prepaid items	81,520	-	-	-	81,520
Due from other funds	60,000	-	-	2,390,094	2,450,094
Due from other governments	434,369	-	-	60,000	494,369
Restricted assets:					
Cash and investments	-	-	1,814,787	-	1,814,787
Total Assets	\$ <u>11,835,590</u>	\$ <u>-</u>	\$ <u>1,818,945</u>	\$ <u>2,450,094</u>	\$ <u>16,104,629</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 619,460	\$ -	\$ -	\$ -	\$ 619,460
Accrued liabilities	1,250,594	-	-	-	1,250,594
Due to other funds	2,390,094	-	-	60,000	2,450,094
Due to other governments	694,137	-	-	-	694,137
Total Liabilities	4,954,285	-	-	60,000	5,014,285
Deferred Inflows of Resources					
Unavailable revenues	49,619	-	-	-	49,619
Total Deferred Inflows of Resources	49,619	-	-	-	49,619
Fund Balances:					
Nonspendable	81,520	-	-	-	81,520
Restricted	-	-	1,818,945	2,390,094	4,209,039
Assigned	720,659	-	-	-	720,659
Unassigned	6,029,507	-	-	-	6,029,507
Total Fund Balances	6,831,686	-	1,818,945	2,390,094	11,040,725
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>11,835,590</u>	\$ <u>-</u>	\$ <u>1,818,945</u>	\$ <u>2,450,094</u>	\$ <u>16,104,629</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
JUNE 30, 2017

Fund balances of governmental funds	\$ 11,040,725
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	158,339,289
Accumulated depreciation	(68,051,287)
Long-term liabilities are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Long-term liabilities consist of the following:	
Certificates of participation	(8,685,000)
Bond premium	(610,180)
Capital lease	(45,537)
Compensated absences	(335,761)
Claims and judgments payable	(526,994)
Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activity.	218,396
Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(161,405)
Pension related debt applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:	
Deferred outflows of resources	908,414
Deferred inflows of resources	(496,636)
Net pension liability	(2,953,536)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	49,619
Net position of governmental activities	\$ 88,690,107

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Debt Service	Other Governmental Funds	Totals
Revenues:					
Taxes	\$ 12,693,355	\$ -	\$ -	\$ 2,000	\$ 12,695,355
Licenses and permits	883,457	-	-	139,085	1,022,542
Intergovernmental revenues	5,843,546	-	-	2,662,557	8,506,103
Charges for current services	1,068,521	-	-	-	1,068,521
Fines and forfeitures	228,649	-	-	-	228,649
Investment income	26,314	-	13,610	25,767	65,691
Total Revenues	20,743,842	-	13,610	2,829,409	23,586,861
Expenditures:					
Current:					
General government	3,599,531	-	-	-	3,599,531
Public services	4,328,308	394,833	-	125,430	4,848,571
Community development	1,358,725	-	-	103,056	1,461,781
Community services	2,053,925	-	-	47,958	2,101,883
Public safety	8,149,762	-	-	-	8,149,762
Capital outlay	-	2,777,691	-	-	2,777,691
Debt service:					
Interest	-	-	451,427	-	451,427
Principal retirement	2,353	-	1,350,000	-	1,352,353
Total Expenditures	19,492,604	3,172,524	1,801,427	276,444	24,742,999
Excess (Deficiency) of Revenues over Expenditures	1,251,238	(3,172,524)	(1,787,817)	2,552,965	(1,156,138)
Other Financing Sources (Uses):					
Capital lease proceeds	-	47,890	-	-	47,890
Transfers in	2,453,447	3,124,634	1,797,680	207,029	7,582,790
Transfers out	(4,972,292)	-	-	(2,610,498)	(7,582,790)
Total Other Financing Sources (Uses)	(2,518,845)	3,172,524	1,797,680	(2,403,469)	47,890
Net Change in Fund Balances	(1,267,607)	-	9,863	149,496	(1,108,248)
Fund Balances (Deficit), Beginning	8,099,293	-	1,809,082	2,240,598	12,148,973
Fund Balances, Ending	\$ 6,831,686	\$ -	\$ 1,818,945	\$ 2,390,094	\$ 11,040,725

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$ (1,108,248)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This activity is reconciled as follows:	
Capital outlay, net of disposals	2,183,418
Depreciation	(3,888,172)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Premiums associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Position, the premiums are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Principal payments	1,352,353
Amortization of bond premium	80,464
Capital lease obligation	(47,890)
Deferred losses on refunding of long-term debt in the Statement of Net Position are deferred and amortized throughout the period during which the related debt is outstanding.	(28,800)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	(31,537)
Change in claims and judgments payable	(504,819)
Change in accrued interest for Certificates of Participation	22,770
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	(42,683)
Revenues in the Statement of Activities that do not meet the "availability" criteria for revenue recognition are reported as deferred inflows of resources, unavailable revenues, in the governmental funds. This is the net change in deferred inflows of resources, unavailable revenues, from the prior year.	(4,985)
Change in net position of governmental activities	\$ (2,018,129)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

	Enterprise - Property Leasing
ASSETS:	
Current Assets:	
Cash and investments	\$ 169,815
Accounts receivable	10,551
Prepaid items	2,212
Total Current Assets	<u>182,578</u>
Noncurrent Assets:	
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	5,488,063
Total Noncurrent Assets	<u>8,343,488</u>
Total Assets	<u>8,526,066</u>
LIABILITIES:	
Current Liabilities:	
Accrued liabilities	13,567
Deposits payable	51,673
Total Current Liabilities	<u>65,240</u>
NET POSITION:	
Net investment in capital assets	8,343,488
Unrestricted	117,338
Total Net Position	<u>\$ 8,460,826</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Enterprise - Property Leasing</u>
Operating Revenues:	
Rental fees	\$ 633,674
CAM revenues	13,314
Other current service fees	3,159
Total Operating Revenues	<u>650,147</u>
Operating Expenses:	
Direct operating expenses	469,529
Advertising and promotion	4,649
Administrative and professional fees	673
Repairs and maintenance	35,392
Depreciation expense	745,522
Total Operating Expenses	<u>1,255,765</u>
Operating Loss	<u>(605,618)</u>
Nonoperating Revenues:	
Interest income	<u>42</u>
Total Nonoperating Revenues	<u>42</u>
Change in Net Position	(605,576)
Net Position, Beginning	<u>9,066,402</u>
Net Position, Ending	<u><u>\$ 8,460,826</u></u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Enterprise - Property Leasing
Cash Flows from Operating Activities:	
Receipts from tenants	\$ 640,481
Payments to suppliers for goods and services	(504,479)
Net Cash Provided by Operating Activities	136,002
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(90,896)
Net Cash Used for Capital and Related Financing Activities	(90,896)
Cash Flows from Investing Activities:	
Interest on investments	42
Net Cash Provided by Investing Activities	42
Net Increase in Cash and Cash Equivalents	45,148
Cash and Cash Equivalents, Beginning	124,667
Cash and Cash Equivalents, Ending	\$ 169,815
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (605,618)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	745,522
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(8,528)
(Increase) decrease in prepaid items	2,623
Increase (decrease) in accrued liabilities	3,141
Increase (decrease) in deposits payable	(1,138)
Total adjustments	741,620
Net Cash Provided by Operating Activities	\$ 136,002

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017

ASSETS:

Cash and investments	\$ 146,551
Total Assets	<u>\$ 146,551</u>

LIABILITIES:

Deposits	\$ 146,551
Total Liabilities	<u>\$ 146,551</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Notes to the Basic Financial Statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LAGUNA HILLS

Notes to the Basic Financial Statements
June 30, 2017

(1) Reporting Entity and Summary of Significant Accounting Policies

a) Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in accordance with generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Financial Reporting Entity

The City of Laguna Hills (the City) was incorporated on December 20, 1991 under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, parks, solid waste, public improvements, planning and zoning, building and safety, community services, and general administrative services.

This report includes all fund types of the City (the primary government) and the Laguna Hills Public Improvement Corporation (the Corporation). The Corporation meets the definition of a component unit and is presented on a blended basis, as if it is a part of the primary government. Although it is a legally separate entity, the governing board of the Corporation is comprised of the same membership as the City Council. The City may impose its will on the Corporation, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City and the Corporation.

The Corporation was established by the City Council on September 2, 1998. The Board of Directors of the Corporation is composed of the five members in connection with the acquisition, construction and improvement of public capital improvements. The activity of the Corporation is reported in the Debt Service Fund.

b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City. Also, interfund services provided and used have not been eliminated.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the *economic resources measurement focus*, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories: charges for service, operating grants and contributions, and capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due

between governmental and business-type activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available*. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. For this purpose, the City considers its general revenue, to be available if they are collected within 90 days of the end of the fiscal year. The City uses a 180-day availability period for special revenue grants and contributions.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in lieu fees, highway user's taxes, transient occupancy taxes, grants and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect fund balance, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When expenditures are incurred, the City's applies the most restrictive funds first; and then the City would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

Proprietary Fund

The City's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the *economic resources measurement focus*. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The City has no internal service funds.

Proprietary fund operating revenues, such as rental fees, result from exchange transactions associated with principal activity of the fund.

Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment income, results from non-exchange transactions or ancillary activities. Proprietary fund operating expenses result from providing the services in connection with the proprietary fund's principal ongoing operations.

Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Fiduciary Fund

The fiduciary fund financial statements include a Statement of Fiduciary Assets and Liabilities. The City's fiduciary agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities. Because these funds are not available for use by the City, fiduciary funds are not included in the government-wide statements. The City uses an agency fund to account for construction deposits and trust monies received from builders, land developers, and other agencies.

c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. It 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.

Capital Projects Fund

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition and construction of the City's capital projects.

Debt Service Fund

The Debt Service Fund is used to pay the City's debt service on its COP issue.

The City reports the following major proprietary fund:

Property Leasing

The City Hall Fund is used to account for activity pertaining to the leasing of certain areas in the Laguna Hills Civic Center, which has been the City Hall site and seat of government since June 28, 2004. Additionally, the City reports the following fund types:

Special Revenue Funds

The Special Revenue Funds are used to account for certain revenue sources set aside for specific purposes, to avoid including restricted revenues within the general fund and to provide separate information on the sources and applications of these restricted sources.

Fiduciary Fund

The City has one Fiduciary Fund, an Agency Fund, used to account for construction deposits and trust monies received from builders, land developers, and other agencies.

d) New Accounting Pronouncements

Current Year Standards

GASB 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for period beginning after June 15, 2016, and did not impact the City.

GASB 77, *Tax Abatement Disclosure*, effective for periods beginning after December 15, 2015 and did not impact the City.

GASB 79, *Certain External Investment Pools and Pool Participants*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the City.

GASB 80, *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the City.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- GASB 82, *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 84, *Fiduciary Activities*, effective for periods beginning after December 15, 2018.

- GASB 85, *Omnibus 2017*, effective for periods beginning after June 15, 2017.
- GASB 86, *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87, *Leases*, effective for periods beginning after December 15, 2019.

e) Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, which is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value represented by the external pool.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for amounts held by fiscal agents. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

f) Statement of Cash Flows

The enterprise proprietary fund participates in the City-wide cash and investments pool, which provides immediate access to invested funds. Accordingly, all cash and investments are considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

g) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Government-Wide and Fund Financial Statements.

h) Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing, they become available (within 90 days of the fiscal year end). The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 am on the first day of January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on January 1 each year, and are delinquent, if unpaid, on August 31.

i) Capital Assets

Capital assets are capital outlay for assets of a permanent nature, valued at \$5,000 or more and the usage of which is expected to be more than five years. Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at acquisition value at the date of the contribution.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the enterprise fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statements of net position. The range of lives used for depreciation purposes for each capital asset class, are as follows:

Building and improvements	20 years
Machinery and equipment	5-20 years
Infrastructure	5-60 years
Land improvements	20 years

j) Claims and Judgments Payable

As of July 1, 2003, the City became a member of the Exclusive Risk Management Authority of California. The annual premium included estimates the amounts paid for reported claims and incurred but not reported claims based upon past experience, modified for current trends and information. Premiums are recorded as expenditures when they become payable from expendable available resources. When it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends and calculation of incurred but not reported claims (IBNR), the City accrues the estimated liability for the expected claims and judgments. These amounts are recorded in the government-wide financial statements. A liability is reported in the governmental funds only if there is an amount due and payable at June 30.

k) Deferred Inflows and Outflows of Resources

In addition to assets, the government-wide statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This

amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, which is 15 years.

- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- Deferred outflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

In addition to liabilities, the government-wide statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflow from unavailable revenues, which are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, which is property damage. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.
- Deferred inflow related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

l) Compensated Absences

Vacation time is provided to all full-time and extended part-time employees. Upon separation or retirement from City service, all employees shall be compensated at their prevailing pay rate for their accrued vacation. No employee shall be allowed to carry over more than 320 hours of vacation time from one fiscal year to the next. At the start of the fiscal year, if an employee has more than 320 hours accrued, the City will automatically cash out any hours in excess of 320.

The City provides an ICMA Vantage Care Retirement Health Savings (RHS) Plan to its full-time employees that have reached ten (10) years of service with the City. This employer-sponsored retiree health benefit allows employees to accumulate assets to pay for medical expenses on a tax-free basis either upon separation of service from the City or age 50 dependent upon when contributions to the plan were made. In compliance with the Patient Protection and Affordable Care Act, contributions to the plan made after December 31, 2013, are available to plan participants for medical expenses only upon separation of employment. In the event of a participant's death, the participant's surviving spouse and/or eligible dependent(s) are immediately eligible to maintain the account and utilize it to fund eligible medical expenses. If a participant's balance is not fully depleted upon the death of the eligible spouse, the account balance may continue to be utilized to pay medical expenses of eligible dependents. An eligible dependent is (a) the participant's lawful spouse, (b) the participant's child under the age of 27, as defined by IRC Section 152(f)(1) and Internal Revenue Service Notice 2010-38, or (c) any other individual who is a person described in IRC Section 152(a), as classified by Internal Revenue Service Notice 2004-79. The assets of the individual plans are not subject to claims of the City's creditors. The start-up contribution for employees will be based on their accumulated sick leave hours in excess of 160 hours at their prevailing pay rate, upon the completion of ten (10) years of service to the City. Thereafter, annual contributions will be made to each employee's account for their unused sick leave hours in excess of 160 hours on June 30th of each fiscal year at the employees' prevailing pay rate. Upon separation from employment, the City will make a final contribution on behalf of the employee equivalent to all the unused sick leave balance of the employee at the employee's prevailing pay rate at the time of separation. The City also contributes \$5,000 on behalf of each participant, upon completion of ten years of service and annually thereafter on the participant's employment anniversary date.

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

m) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans

(Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

n) Use of Estimates

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB, requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments at June 30, 2017, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 9,219,255
Restricted cash and investments	1,814,787
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	146,551
Total cash and investments	<u>\$ 11,180,593</u>

Cash and investments at June 30, 2017, consisted of the following:

Cash on hand	\$	2,500
Pooled deposits:		
Demand deposits	\$ 1,184,469	
Certificates of deposit	<u>570,502</u>	
Total pooled deposits		1,754,971
Pooled investments:		
Local Agency Investment Fund		6,355,321
CalTRUST Short-Term Investment Fund		1,253,014
Restricted cash and investments:		
Money Market Mutual Fund	\$ 9,190	
Local Agency Investment Fund	<u>1,805,597</u>	
Total restricted cash and investments		<u>1,814,787</u>
Total cash and investments		<u>\$ 11,180,593</u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarterly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Authorized Investments

Under the provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments.

- U.S. Treasury bills
- U.S. Treasury notes, bonds or money market funds
- Certificates of deposit
- Money market mutual funds
- State Treasurer's Local Agency Investment Fund
- Overnight Government (U.S. Treasuries, Agencies, and Instrumentalities) Securities Investment Account managed by the City's primary bank
- Overnight Commercial Paper Investment Account managed by the City's primary bank
- Overnight repurchase agreements managed by the City's primary bank where market value of the repurchase agreement is 102 percent or greater than the value of the funds borrowed
- Commercial paper
- Prime Banker's Acceptances
- Investment Trust of California, a Joint Powers Authority, doing business as CalTRUST

The maximum maturity for all investments listed above is 1 year with the exception of commercial paper and Prime Banker's Acceptances for which the maximum maturity is 180 days and 270 days, respectively.

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rates. The City limits the investment maturities for operating funds to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenue. The City has elected the specific identification method to present the investment maturities as follows.

<u>Investment Type</u>	<u>6 months or less</u>	<u>Fair Value</u>
Local Agency Investment Fund	\$ 6,355,321	\$ 6,355,321
CalTRUST Short-Term Investment Fund	1,253,014	1,253,014
Investment with Fiscal Agent:		
Money Market Mutual Fund	9,190	9,190
Local Agency Investment Fund	1,805,597	1,805,597
Total	<u>\$ 9,423,122</u>	<u>\$ 9,423,122</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017, the City's investment in the State Treasurer's Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization and the City's investment in the CalTRUST Short-Term Investment Fund is rated AA and the City's investment in the Money Market Mutual Fund is rated AAA by Standard and Poor's.

Concentration of Credit Risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. As of June 30, 2017, other than the State Treasurer's Local Agency Investment Fund and CalTRUST Short-Term Investment Fund, the City had no investments concentrated in one issuer which exceeded 5% of total investments.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a fair value of 110% of a city's deposits. California law also allows financial institutions to secure a city's deposits by pledging first trust deed mortgage notes having a fair value of 150% of a city's total deposits. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of

securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

As of June 30, 2017, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Treasurer's Local Agency Investment Fund

The City is a voluntary participant in the State Treasurer's Local Agency Investment Fund that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by State Treasurer's Local Agency Investment Fund for the entire State Treasurer's Local Agency Investment Fund portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by State Treasurer's Local Agency Investment Fund.

Investment in CalTRUST Investment Pool:

CalTRUST is a Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to voluntarily pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers four pooled accounts within the program: Money Market, Short-Term, Medium-Term and Long-Term. The Money Market account permits daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior day notice), with no limit on the amount of funds that may be invested. The Medium- and Long-Term accounts permit investments, withdrawals and transfers once per month, with five days advance notice. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. CalTRUST imposes a \$250,000 minimum investment; however, there is no maximum limit.

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts (in relation to the amortized cost of that portfolio). The balance

available for withdrawal is based on the accounting records maintained by CalTRUST.

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

Amounts invested in the Local Agency Investment Fund, CalTRUST Short-Term Investment Fund, and Money Market Mutual Funds are not subject to fair value measurements.

(3) Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2017, were as follows.

<u>Funds:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Major Governmental:</u>		
General	\$ 60,000	\$ 2,390,094
<u>Non-major Governmental</u>		
<u>Special Revenue Funds:</u>		
Gas Tax	304,553	-
AB 2766	136,950	-
Senior Mobility Program	66,830	-
CARITS	1,251,468	-
CDBG	-	60,000
Public Art	78,154	-
Beverage Recycling	34,951	-
C & D Forfeited Deposits	104,995	-
Water Conservation	328,004	-
Grants and Contributions	83,611	-
Other Law Enforcement Grant	578	-
Total	<u>\$ 2,450,094</u>	<u>\$ 2,450,094</u>

Outstanding balances at the end of the fiscal year between funds are reported as “due to/from other funds”. These balances are the result primarily of interfund transfers that have not yet been funded.

(4) Transfers In and Out

Transfers in and out for the fiscal year ended June 30, 2017 are as follows:

<u>Paying Fund</u>	<u>Transfers Out</u>	<u>Receiving Fund</u>	<u>Transfers In</u>
<u>Major Governmental:</u>		<u>Major Governmental:</u>	
General	\$ 4,972,292	General	\$ 2,453,447
		Capital Projects	3,124,634
		Debt Service	1,797,680
<u>Non-major Governmental</u>		<u>Non-major Governmental</u>	
<u>Special Revenue Funds:</u>		<u>Special Revenue Funds:</u>	
Gas Tax	927,771	AB 2766	26,650
Measure M	736,041	Senior Mobility Program	9,592
USVP Traffic Impact	98,377	CARITS	157,000
CARITS	2,123	Grants & Contributions	13,736
AB 939 Surcharge Grant	51	C&D Forfeited Deposits	51
Grants & Contributions	716,200		
SLEFS/COPS BRULTE	129,935		
Total	<u>\$ 7,582,790</u>	Total	<u>\$ 7,582,790</u>

Interfund transfers are principally used to 1) provide available funds to the Debt Service Fund for interest and principal payments on the City's long-term debt and 2) supply the Capital Projects Fund with funding necessary to accomplish those projects approved by the City Council, there were no significant interfund transfers that were unusual or of a non-routine nature.

(5) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance at</u> <u>July 1, 2016</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2017</u>
Governmental activities:					
Buildings and improvements	\$ 13,466,229	\$ -	\$ -	\$ -	\$ 13,466,229
Machinery and equipment	2,479,875	-	234,628	-	2,714,503
Land improvements	26,347,918	-	-	-	26,347,918
Infrastructure	93,123,479	-	1,948,790	(77,444)	94,994,825
Total cost of depreciable assets	135,417,501	-	2,183,418	(77,444)	137,523,475
Less accumulated depreciation for:					
Buildings and improvements	9,288,706	-	673,311	-	9,962,017
Machinery and equipment	2,094,183	-	114,218	-	2,208,401
Land improvements	17,000,820	-	1,317,396	-	18,318,216
Infrastructure	35,856,850	-	1,783,247	(77,444)	37,562,653
Total accumulated depreciation	64,240,559	-	3,888,172	(77,444)	68,051,287
Net depreciable assets	71,176,942	-	(1,704,754)	-	69,472,188
Land	17,961,632	-	-	-	17,961,632
Rights of way/Easements	2,854,182	-	-	-	2,854,182
Construction in progress	-	-	-	-	-
Total cost of non-depreciable assets	20,815,814	-	-	-	20,815,814
Total capital assets, net	\$ 91,992,756	\$ -	\$ (1,704,754)	\$ -	\$ 90,288,002
Business-type activity:					
Buildings and improvements	\$ 14,819,540	\$ -	\$ 90,896	\$ -	\$ 14,910,436
Total cost of depreciable assets	14,819,540	-	90,896	-	14,910,436
Less accumulated depreciation for:					
Buildings and improvements	8,676,851	-	745,522	-	9,422,373
Total accumulated depreciation	8,676,851	-	745,522	-	9,422,373
Net depreciable assets	6,142,689	-	(654,626)	-	5,488,063
Land	2,855,425	-	-	-	2,855,425
Total capital assets, net	\$ 8,998,114	\$ -	\$ (654,626)	\$ -	\$ 8,343,488

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

Depreciation expense was charged in the following functions in the Statement of Activities:

Governmental activities:

General government	\$ 47,663
Community development	830
Public services	1,792,077
Community services	2,030,003
Public safety	<u>17,599</u>
	3,888,172

Business-type activity:

Property leasing	<u>745,522</u>
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Total \$ 4,633,694

(6) Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities :

	<u>Balance at</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2017</u>	<u>Amounts Due</u> <u>in One Year</u>
Certificates of Participation:					
2010 COP	\$ 10,035,000	\$ -	\$ 1,350,000	\$ 8,685,000	\$ 1,390,000
Unamortized premium	690,644	-	80,464	610,180	-
Total Certificates of Participation	<u>10,725,644</u>	<u>-</u>	<u>1,430,464</u>	<u>9,295,180</u>	<u>1,390,000</u>
Other Liabilities:					
Capital lease	-	47,890	2,353	45,537	8,293
Compensated absences	304,224	217,929	186,392	335,761	33,576
Claims and judgments	22,175	1,385,431	880,612	526,994	52,699
Total Other Liabilities	<u>326,399</u>	<u>1,651,250</u>	<u>1,069,357</u>	<u>908,292</u>	<u>94,568</u>
Totals	<u>\$ 11,052,043</u>	<u>\$ 1,651,250</u>	<u>\$ 2,499,821</u>	<u>\$ 10,203,472</u>	<u>\$ 1,484,568</u>

Typically, the City liquidates its net pension liability, capital lease, compensated absences, and claims and judgments with general fund resources.

2010 Certificates of Participation

On January 26, 2010, the City (through the City's blended component unit The Public Improvement Corporation) issued \$17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust that is used to service the future debt requirements of the 2001 and 2003 Certificates of Participation. This refunding resulted in an economic gain as well as savings from refunding. The economic gain realized in this refunding was \$1,072,242 and the savings resulting from the refunding was as follows:

Cash flow requirements to service old debt	\$ 23,858,154
Less: Cash flow requirements for new debt	<u>(22,738,962)</u>
Net savings from refunding	<u>\$ 1,119,192</u>

The 2010 COPs are direct obligations and pledge the full faith and credit of the City of Laguna Hills. The certificates were executed and delivered under the provisions of the Trust Agreement by and among The Bank of New York Mellon Trust Company, N.A, as trustee. The City is required under the Lease Agreement to make rental payments each 15th day of the month immediately preceding each February 1st and August 1st from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the Certificates.

The Serial bonds mature in annual installments ranging from \$345,000 to \$1,670,000, commencing February 1, 2011 and ending February 1, 2025. Interest accrues at rates between 2.00% and 5.00% and is payable semiannually. The annual requirements to amortize the certificates of participation as of June 30, 2017, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,390,000	\$ 395,388	\$ 1,785,388
2019	1,450,000	340,882	1,790,882
2020	1,520,000	282,881	1,802,881
2021	1,580,000	206,881	1,786,881
2022	1,670,000	127,881	1,797,881
2023 - 2025	<u>1,075,000</u>	<u>90,900</u>	<u>1,165,900</u>
Totals	<u>\$8,685,000</u>	<u>\$ 1,444,813</u>	<u>\$10,129,813</u>

The COPs are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of January 2010.

Capital Lease: Southern California Edison On-Bill Financing Program

In fiscal year 2016-2017, the City approved the installation of energy-efficient LED streets lights in areas of the City. The project was funded through Southern California Edison's On-Bill Financing Program. Through this program, the City received zero percent financing for approved energy reduction projects for \$47,890 as of June 30, 2017, which is also the cost of the assets acquired under this program. The accumulated depreciation of these assets is \$759 as of June 30, 2017. The costs are repaid from energy savings over a period of up to ten years. The unpaid balance as of June 30, 2017 was \$45,537. The annual debt service requirements are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>
2018	\$ 8,293
2019	8,293
2020	8,293
2021	4,272
2022	3,907
2023 - 2027	<u>12,479</u>
Totals	<u>\$ 45,537</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The long-term portion of this liability, amounting to \$302,185 at June 30, 2017 will be paid primarily from the general fund.

(7) General Liability Insurance

In July 2003, the City joined the Exclusive Risk Management Authority of California (ERMAC), a pool of three other cities in California, namely Beaumont, Hayward, and Santa Maria, established under the provisions of California Government Code Section 6502, in order to jointly develop and fund General Liability insurance.

The ERMAC policy covers the City for losses due to personal injury, property damage, wrongful acts because of public officials' errors and omissions and unfair employment practices (see the chart below for City's retained limits and policy liability limits). Legal defense costs may be covered in addition to policy limits.

The City carries property, business interruption, flood, and boiler & machinery insurance with ERMAC (PEPIP Program) to cover all City property. In addition, Difference in Conditions (DIC) or earthquake, including flood, is provided by Everest Indemnity Insurance Company, which covers the Laguna Hills Civic Center only.

The following is a list of the allocation of risk coverage for the City as of June 30, 2017, taking in to account the City's self-insurance portion, if any.

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Municipal Broad General Liability	• \$100,000 for PI, PD or wrongful acts (public officials E&O) • \$1,000,000 for unfair employment practices	ERMAC	• \$50M per occurrence and in the annual aggregate excess of limit of the SIR
Property, Business Interruption and Boiler & Machinery	• \$10,000 per occurrence (specific perils may be higher)	ERMAC (PEPIP program)	• \$1B per occurrence combined • \$10M flood limit per occurrence • \$100M combined business interruption • \$100M boiler explosion & machinery breakdown combined
Difference in Conditions (Multi-peril) Civic Center only	• \$50,000 per occurrence • 5% earthquake	Aegis Security Insurance Company	• \$7.5M per occurrence and annual aggregate • \$60.3M TIV

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Crime	• \$2,500	CSAC-EIA	• \$15M employee dishonesty • \$15M forgery alterations • \$15M money & securities theft, inside premises • \$15M money & securities theft, outside premises • \$15M computer fraud • \$15M money order & counterfeit paper currency • \$15M theft of other property, inside premises • \$15M theft of other property, outside premises
Recreational Class & Officials Supplemental	• None	SCMAF	• \$1M per occurrence • \$100,000 property damage • \$1M personal injury, products and partial liability • \$10,000 medical expense
Business Auto	• \$500	Columbia Insurance Company	• \$500K combined BI & PD • \$500K uninsured, under-insured motorist • \$5,000 medical payments • If any basis, non-owned or hired auto liability
Workers' Compensation & Employers' Liability	• None	SDRMA	• Statutory Workers' Compensation per occurrence • \$5M Employer's Liability per occurrence

Claims Liability

In the financial statements prepared using the economic resources measurement focus, authoritative standards require that the liability for claims and the corresponding expense should be recognized in the period in which the underlying event occurs. Therefore, the liability of outstanding *unallocated loss adjustment expenses* (ULAE) must be established to represent the amount that will be paid out in claims as well as the expenses associated with processing of those claims. The City's third party administrator provides the data on estimated claim liabilities (paid and reserves). As of June 30, 2017, the estimated outstanding ULAE was \$44,389.

Furthermore, as a practical matter, claims are often not reported during the period in which the underlying event occurs. The claim, even if not filed timely, must still be reported in the period in which the underlying event took place. Therefore, when it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends, the liability for claims should include an amount for *incurred but not reported* (IBNR) claims. IBNR is estimated at 25% of the current year annual claim expenses. As of June 30, 2017, the estimated IBNR was \$7,605.

The following is a summary of the changes in the claims liability for the last two fiscal years:

	FY 2016/17	FY 2015/16
Claims payable, beginning	\$ 22,175	\$ 43,307
Claims and changes in estimate	1,385,431	835,775
Claims payments	(880,612)	(856,907)
Claims payable, ending	<u>\$ 526,994</u>	<u>\$ 22,175</u>

The total amount designated in the Claims Liability Loss Reserve Fund as of June 30, 2017 is \$200,000, which would cover two full limit losses. The City's self-insured retention is \$100,000.

During the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2016-2017.

(8) Pension Plans

a) General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 and 52 with statutorily reduced benefits for Tier I and PEPRA, respectively. All members are eligible for non-industrial disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Tier I	PEPRA
	Prior to	On or After
	January 1, 2013	January 1, 2013
Hire date		
Benefit formula	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of		
eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates:		
Normal cost rate	8.262%	6.930%
Payment of unfunded liability	\$ 87,571	\$ 502

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the net pension liability of all Plans as follows:

	Proportionate
	Share of Net
	Pension Liability
Miscellaneous	\$ 2,953,536

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the

pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for all Plans as of the measurement dates ended June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.07132%
Proportion - June 30, 2016	0.08502%
Change - Increase (Decrease)	0.01370%

For the year ended June 30, 2017, the City recognized pension expense of \$389,122. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 346,439	\$ -
Differences between expected and actual experience	11,039	(2,529)
Change in assumptions	-	(104,435)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	7,387	(389,672)
Net differences between projected and actual earnings on plan investments	543,549	-
Total	<u>\$ 908,414</u>	<u>\$ (496,636)</u>

\$346,439 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2018	\$ (193,785)
2019	(127,807)
2020	246,147
2021	140,784
2022	-
Thereafter	-

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	Miscellaneous June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$ 5,094,618
Current Discount Rate	7.65%
Net Pension Liability	\$ 2,953,536
1% Increase	8.65%
Net Pension Liability	\$ 1,184,038

Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Subsequent Events

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For

the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

c) Payable to the Pension Plans

At June 30, 2017, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

(9) **Deferred Compensation**

The City offers its employees two kinds of deferred compensation plans.

One plan is created in accordance with Internal Revenue Code Section 457. This plan, available to all employees, permits them to defer annually up to a maximum of \$18,000 for calendar year 2016 and 2017. This maximum deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Amounts accumulated by the City under the plan have been invested in several investment options administered by independent third-party administrators at the direction of the employee. The assets of the plan are held in trust, with the City as trustee, for the exclusive benefit of the plan participants and their beneficiaries, and the assets cannot be diverted to any other purpose. The Trustee's beneficial ownership of plan assets held in the ICMA Retirement Trust is held for the further exclusive benefit of the plan participants and their beneficiaries. The plan permits loans, administered by the City, in accordance with approved loan guidelines.

The other Plan is created in accordance with Internal Revenue Code Section 401A. This Plan is available to all management staff regardless of years of service, and non-management employees who have reached a minimum of ten years of service with the City. The City is the sole contributor to this Plan, and sets the contribution amount to each class of eligible employees. The contribution limit is in accordance with the prevailing IRS regulation. The assets of this Plan, held for the exclusive benefits of the Plan's participants and their beneficiaries, are administered by the Public Agency Retirement System (PARS), and the trustee is Union Bank of California. Amounts accumulated under this Plan are self-directed by each participant.

(10) **Classification of Net Position and Governmental Fund Balances**

Net Position is measured on the full accrual basis of accounting as compared to the concept of Fund Balance, which is measured on the modified accrual basis of accounting.

Net Position Classifications

Net Position is divided into three captions as described below:

Net Investment in Capital Assets, describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less outstanding balance of any debt issued to finance these capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Restricted net position is subject to constraints either by (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments or (2) imposed by law through constitutional provisions or enabling legislation. There was no net position at June 30, 2017 that was restricted by enabling legislation.

Unrestricted describes the portion of which is not restricted as to use.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Governmental Fund Balances Classifications

Fund Balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance.

The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Committed fund balances are those constrained to specific purposes determined by a formal action (resolution) of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally. The City does not have any committed fund balances at June 30, 2017.

Assigned fund balances include amounts that are constrained by the City's intent to be used for specific purposes. The City Manager has the authority to assign the portion of the fund balance in the general fund that are constrained by the City's intent to be used for reserves as established in the City's Financial Policy No. 105 Section G.

Unassigned fund balances include the residual balance for the City's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When expenditures are incurred, the City's applies the most restrictive funds first; and then the City would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

Fund balances are presented in the following categories: nonspendable, restricted, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2017 is as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:				
Paid Items	\$ 81,520	\$ -	\$ -	\$ 81,520
Total	81,520	-	-	81,520
Restricted:				
Debt Service	-	1,818,945	-	1,818,945
AB 2766	-	-	136,950	136,950
Gas Tax	-	-	304,553	304,553
CARITS	-	-	1,251,468	1,251,468
Beverage Recycling	-	-	34,951	34,951
Senior Mobility Program	-	-	66,830	66,830
C & D Forfeited Deposits	-	-	104,995	104,995
Water Conservation	-	-	328,004	328,004
Law Enforcement Other Grant	-	-	578	578
Public Art	-	-	78,154	78,154
Grants and Contributions	-	-	83,611	83,611
Total	-	1,818,945	2,390,094	4,209,039
Assigned:				
Claims Liability	200,000	-	-	200,000
Community Center and Sports Complex Mtnc	375,000	-	-	375,000
Parks Maintenance	15,700	-	-	15,700
Slopes/Storm Drain Mtnc	129,959	-	-	129,959
Total	720,659	-	-	720,659
Unassigned	6,029,507	-	-	6,029,507
Total Fund Balances	\$ 6,831,686	\$ 1,818,945	\$ 2,390,094	\$ 11,040,725

(11) Joint Venture**Orange County Fire Authority**

In January 1995, the City of Laguna Hills entered into a Joint Powers Agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda and the County of Orange to create the Orange County Fire Authority (the Authority). Since the creation of the Authority, the Cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita and Westminster have joined the Authority as members eligible for protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster are considered "cash contract cities" and accordingly make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2017. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Complete financial statements may be obtained from the Orange County Fire Authority, 180 South Water Street, Orange, California 92866.

(12) Related Party Transactions

The City's enterprise fund consists of owning a piece of commercial real estate and leasing it to various entities. The total square footage of the building is 51,944. The City is a tenant using approximately 21,033 square feet of the building. The enterprise fund does not charge the City rent. The estimated annual rent for the space occupied by the City would be approximately \$549,965.

(13) Other Required Individual Fund Disclosures**Excess of Expenditures over Appropriations**

The following are funds in which expenditures exceeded appropriations for the fiscal year ended June 30, 2017. The City manages its budget at the fund level.

	Appropriations	Expenditures	Variance Positive (Negative)
Major Governmental Fund:			
Debt Service Fund	\$ 1,799,387	\$ 1,801,427	\$ (2,040)
Non-major Governmental Funds:			
CDBG Special Revenue Fund	70,000	103,056	(33,056)
Grants and Contributions Special Revenue Fund	-	59,485	(59,485)

(14) Commitments and Contingencies

The City is occasionally a defendant in lawsuits which have arisen in the normal course of business. Damages are alleged in some of these actions and their outcome cannot be predicted with certainty. However, in the opinion of the City Attorney, the outcome of these actions will not have a material adverse effect on the financial position of the City.

The City participates in several federal and state grant programs. The programs are subject to examination by the granters and the amount, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

(15) Operating Leases

Operating leases arise from renting the City's Civic Center. Initial lease terms generally range from 12 to 60 months. Future minimum rental payments to be received on non-cancelable operating leases are contractually due as follows as of June 30, 2017:

<u>Year Ending June 30</u>	<u>Amounts</u>
2018	\$ 509,132
2019	378,161
2020	253,558
2021	172,880
Thereafter	539,878
	<u>\$ 1,853,609</u>

The Property Leasing Enterprise Fund Statement of Net Position includes the capital assets that represent the land, building, and improvements utilized by the operating leases. The original cost of these capital assets is \$17,765,861. The carrying value of these capital assets as of June 30, 2017 is \$8,343,488.

Total rent revenue for the year ended June 30, 2017 was \$633,674.

(16) Subsequent Events

In preparing these financial statements, the City's Management has evaluated events and transactions for potential recognition or disclosure through December 4, 2017, the date these financial statements were available to be issued, and has determined there were no other material events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGUNA HILLS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN FISCAL YEARS*

Fiscal year ended	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.03413%	0.02851%	0.03634%
Plan's proportionate share of the net pension liability	\$ 2,953,536	\$ 1,956,617	\$ 2,261,011
Plan's covered - employee payroll	\$ 3,076,464	\$ 3,093,576	\$ 2,893,989
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	96.00%	63.25%	78.13%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 482,240	\$ 431,378	\$ 299,124

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS

SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS*

Fiscal year ended	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 346,439	\$ 308,768	\$ 278,231
Contributions in relation to the actuarially determined contributions	(346,439)	(308,768)	(278,231)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 3,197,331	\$ 3,076,464	\$ 3,093,576
Contributions as a percentage of covered - employee payroll	10.84%	10.04%	8.99%

Notes to Schedule:

Valuation Date	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	3.30% to 14.20% depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense including inflation**
Retirement age	50 years (2%@60), 52 years (2%@62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal year ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 12,579,952	\$ 12,579,952	\$ 12,693,355	\$ 113,403
Licenses and permits	725,000	725,000	883,457	158,457
Intergovernmental revenues	6,252,869	6,252,869	5,843,546	(409,323)
Charges for current services	1,163,640	1,163,640	1,068,521	(95,119)
Fines and forfeitures	260,000	260,000	228,649	(31,351)
Investment income	-	-	26,314	26,314
Total Revenues	20,981,461	20,981,461	20,743,842	(237,619)
Expenditures:				
Current:				
General government	3,435,418	3,668,722	3,599,531	69,191
Public services	4,462,569	4,478,977	4,328,308	150,669
Community development	1,450,827	1,450,827	1,358,725	92,102
Community services	2,051,365	2,051,365	2,053,925	(2,560)
Public safety	7,564,212	8,032,544	8,149,762	(117,218)
Debt service:				
Principal retirement	-	-	2,353	(2,353)
Total Expenditures	18,964,391	19,682,435	19,492,604	189,831
Excess of Revenues over Expenditures	2,017,070	1,299,026	1,251,238	(47,788)
Other Financing Sources (Uses):				
Transfers in	2,453,447	2,453,447	2,453,447	-
Transfers out	(4,972,292)	(4,972,292)	(4,972,292)	-
Total Other Financing Sources (Uses)	(2,518,845)	(2,518,845)	(2,518,845)	-
Net Change in Fund Balance	(501,775)	(1,219,819)	(1,267,607)	(47,788)
Fund Balance, Beginning	8,099,293	8,099,293	8,099,293	-
Fund Balance, Ending	\$ 7,597,518	\$ 6,879,474	\$ 6,831,686	\$ (47,788)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

See Accompanying Note to Required Supplementary Information

CITY OF LAGUNA HILLS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. The City Council approves the two-year budget submitted by the City Manager prior to the beginning of the new two-year budget cycle. The Council conducts public hearings prior to its adoption. All remaining appropriations in the Operating Budget will be carried over from the first year to the second year of the two-year budget period. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to transfer budgeted amounts between funds and divisions as deemed necessary to meet the City's needs within the overall legal limit established by the City Council. The city maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the city Council. The level of budgetary control is total expenditures by fund. Formal budgetary integration is employed as a management control device during the fiscal year for the governmental fund types.

Biennial budgets are adopted for all governmental funds except for certain special revenue funds and capital projects funds, which adopt project length budgets. The Public Art Special Revenue Fund, Quimby Act Park Impact Fees Special Revenue Fund, and Other Law Enforcement Special Revenue Fund did not have adopted budgets during the current fiscal year.

SUPPLEMENTARY INFORMATION

NON-MAJOR FUNDS

Gas Tax Fund - Used to account for revenues and expenditures for general street improvement maintenance related to the City's share of state gasoline taxes collected under Street and Highway Code, Sections 2103, 2105, 2106, 2107 and 2107.5.

Measure M Fund - Used to account for revenues and expenditures made for street improvement and transportation system maintenance financed through the Orange County Transportation Authority.

AB 2766 Fund - Used to account for revenues and expenditures for air quality improvement. AB 2766 was enacted to authorize air pollution control districts to impose fees on motor vehicles.

Senior Mobility Program Fund - Used to account for revenues and expenditures related to help design and operate a transit program that best fits the needs of older adults under the OCTA Senior Mobility Program.

USVP Traffic Impact Fund - Used to account for revenues and expenditures related to the Traffic Impact/Mitigation Fee Program for the Urban Village Specific Plan area that will assist in mitigating the cost of roadway improvements that are partly required as a result of new development within the plan area.

CARTIS Fund - Used to account for revenues and expenditures related to the cooperative agreement with the County of Orange for Coastal Area Road Improvement and Traffic Signals (CARTIS) fee program.

CDBG Fund - Used to account for revenues and expenditures to improve local and national objectives to provide decent and safe housing for low- and moderate-income families. This is grant funding obtained from the United States Department of Housing and Urban Development (HUD) for the purposes of rehabilitating "eligible deteriorating housing."

Public Art Fund - Used to account for revenues and expenditures related to the City's Public Art program designed to enhance the cultural and aesthetic environment and to encourage creativity, education and appreciation of the arts.

Beverage Recycling Fund - Used to account for revenues and expenditures related to grant funding received from the California State Department of Conservation for the purpose of implementing and supporting beverage container recycling programs within the City.

CR&R Recycling Fees Fund - Used to account for contractual revenues received from the City's franchised hauler, CR&R, for the purposes of recycling consulting services and general recycling activity expenditures.

C & D Forfeited Deposits Fund - Used to account for Construction and Demolition Waste Recycling Program security deposits, which have been forfeited by the applicant, used for administration costs of the program, or on programs to divert the waste from construction, demolition and alteration projects from landfill disposal, or other recycling programs.

AB 939 Surcharge Grant Fund - Used to account for revenues and expenditures related to the County of Orange Regional Recycling and Waste Diversion Grant Program for the purpose of implementing and supporting regional recycling and waste diversion within the City.

Quimby Act Park Impact Fees Fund - Used to account for revenues and expenditures related to the "Quimby Act", which authorizes the City to require dedication of parkland, or fee in-lieu of such dedication, to meet the needs of new residential subdivisions in accordance of the City's General Plan.

Water Conservation Fund - Used to account for revenues and expenditures related to water use efficiency and conservation programs.

Grants & Contributions Fund - Used to account for revenues and expenditures made for specific projects including landscape improvements and certain capital expenditures. Land developers and builders, as well as other public agencies provide financing.

SLESF/COPS BRULTE Fund - Used to account for revenues received and expenditures made for front line law enforcement services related to the allocations received through the State Supplemental Law Enforcement Services Fund (SLESF)/COPS program.

Other Law Enforcement Grant Fund - Used to account for revenues received and expenditures made for law enforcement services related to the allocations received through other State and local law enforcement programs, which are not part of the State Supplemental Law Enforcement Services Fund (SLESF)/COPS program.

CITY OF LAGUNA HILLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2017

	Special Revenue Funds							
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	USVP Traffic Impact	CARITS	CDBG	Public Art
Assets								
Due from other funds	\$ 304,553	\$ -	\$ 136,950	\$ 66,830	\$ -	\$ 1,251,468	\$ -	\$ 78,154
Due from other governments	-	-	-	-	-	-	60,000	-
Total Assets	<u>\$ 304,553</u>	<u>\$ -</u>	<u>\$ 136,950</u>	<u>\$ 66,830</u>	<u>\$ -</u>	<u>\$ 1,251,468</u>	<u>\$ 60,000</u>	<u>\$ 78,154</u>
Liabilities and Fund Balances								
Liabilities:								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ -
Total Liabilities	-	-	-	-	-	-	60,000	-
Fund Balances:								
Restricted	304,553	-	136,950	66,830	-	1,251,468	-	78,154
Total Liabilities and Fund Balances	<u>\$ 304,553</u>	<u>\$ -</u>	<u>\$ 136,950</u>	<u>\$ 66,830</u>	<u>\$ -</u>	<u>\$ 1,251,468</u>	<u>\$ 60,000</u>	<u>\$ 78,154</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

Special Revenue Funds (Continued)									Total
Beverage Recycling	CR&R Recycling Fees	C & D Forfeited Deposits	AB 939 Surcharge Grant	Quimby Act Park Impact Fees	Water Conservation	Grants & Contributions	SLEFS/COPS BRULTE	Other Law Enforcement Gramt	Nonmajor Governmental Funds
\$ 34,951	\$ -	\$ 104,995	\$ -	\$ -	\$ 328,004	\$ 83,611	\$ -	\$ 578	\$ 2,390,094
-	-	-	-	-	-	-	-	-	60,000
<u>\$ 34,951</u>	<u>\$ -</u>	<u>\$ 104,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,004</u>	<u>\$ 83,611</u>	<u>\$ -</u>	<u>\$ 578</u>	<u>\$ 2,450,094</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000
-	-	-	-	-	-	-	-	-	60,000
34,951	-	104,995	-	-	328,004	83,611	-	578	2,390,094
<u>\$ 34,951</u>	<u>\$ -</u>	<u>\$ 104,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,004</u>	<u>\$ 83,611</u>	<u>\$ -</u>	<u>\$ 578</u>	<u>\$ 2,450,094</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Special Revenue Funds							
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	USVP Traffic Impact	CARITS	CDBG	Public Art
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	97,850	-	-	-
Intergovernmental	601,719	733,178	39,180	34,911	-	-	103,056	304,989
Investment income	6,903	2,863	678	466	527	8,318	-	419
Total Revenues	608,622	736,041	39,858	35,377	98,377	8,318	103,056	305,408
Expenditures:								
Current:								
Public services	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	103,056	-
Community services	-	-	-	47,958	-	-	-	-
Total Expenditures	-	-	-	47,958	-	-	103,056	-
Excess (Deficiency) of Revenues over Expenditures	608,622	736,041	39,858	(12,581)	98,377	8,318	-	305,408
Other Financing Sources (Uses):								
Transfers in	-	-	26,650	9,592	-	157,000	-	-
Transfers out	(927,771)	(736,041)	-	-	(98,377)	(2,123)	-	-
Total Other Financing Sources (Uses)	(927,771)	(736,041)	26,650	9,592	(98,377)	154,877	-	-
Net Change in Fund Balances	(319,149)	-	66,508	(2,989)	-	163,195	-	305,408
Fund Balances, Beginning	623,702	-	70,442	69,819	-	1,088,273	-	(227,254)
Fund Balances, Ending	\$ 304,553	\$ -	\$ 136,950	\$ 66,830	\$ -	\$ 1,251,468	\$ -	\$ 78,154

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

Special Revenue Funss (Continued)										Total
Beverage Recycling	CR&R Recycling Fees	C & D Forfeited Deposits	AB 939 Surcharge Grant	Quimby Act Park Impact Fees	Water Conservation	Grants & Contributions	SLEFS/COPS BRULTE	Other Law Enforcement Grant	Nonmajor Governmental Funds	
\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	2,000
-	-	41,235	-	-	-	-	-	-	-	139,085
-	-	-	-	-	-	716,200	129,324	-	-	2,662,557
244	-	829	-	-	2,288	1,617	611	4	-	25,767
244	2,000	42,064	-	-	2,288	717,817	129,935	4	-	2,829,409
-	2,000	63,945	-	-	-	59,485	-	-	-	125,430
-	-	-	-	-	-	-	-	-	-	103,056
-	-	-	-	-	-	-	-	-	-	47,958
-	2,000	63,945	-	-	-	59,485	-	-	-	276,444
244	-	(21,881)	-	-	2,288	658,332	129,935	4	-	2,552,965
-	-	51	-	-	-	13,736	-	-	-	207,029
-	-	-	(51)	-	-	(716,200)	(129,935)	-	-	(2,610,498)
-	-	51	(51)	-	-	(702,464)	(129,935)	-	-	(2,403,469)
244	-	(21,830)	(51)	-	2,288	(44,132)	-	4	-	149,496
34,707	-	126,825	51	-	325,716	127,743	-	574	-	2,240,598
\$ 34,951	\$ -	\$ 104,995	\$ -	\$ -	\$ 328,004	\$ 83,611	\$ -	\$ 578	\$	2,390,094

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
CAPITAL PROJECTS FUND - MAJOR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public services	-	440,000	394,833	45,167
Capital outlay	4,735,300	4,401,450	2,777,691	1,623,759
Total Expenditures	4,735,300	4,841,450	3,172,524	1,668,926
Deficiency of Revenues over Expenditures	(4,735,300)	(4,841,450)	(3,172,524)	1,668,926
Other Financing Sources:				
Capital lease proceeds	-	-	47,890	47,890
Transfers in	3,124,634	3,124,634	3,124,634	-
Total Other Financing Sources	3,124,634	3,124,634	3,172,524	47,890
Net Change in Fund Balance	(1,610,666)	(1,716,816)	-	1,716,816
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ (1,610,666)	\$ (1,716,816)	\$ -	\$ 1,716,816

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
DEBT SERVICE FUND - MAJOR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ -	\$ 13,610	\$ 13,610
Total Revenues	-	-	13,610	13,610
Expenditures:				
Debt service:				
Interest	449,387	449,387	451,427	(2,040)
Principal retirement	1,350,000	1,350,000	1,350,000	-
Total Expenditures	1,799,387	1,799,387	1,801,427	(2,040)
Deficiency of Revenues over Expenditures	(1,799,387)	(1,799,387)	(1,787,817)	11,570
Other Financing Sources:				
Transfers in	1,797,680	1,797,680	1,797,680	-
Total Other Financing Sources	1,797,680	1,797,680	1,797,680	-
Net Change in Fund Balance	(1,707)	(1,707)	9,863	11,570
Fund Balance, Beginning	1,809,082	1,809,082	1,809,082	-
Fund Balance, Ending	\$ 1,807,375	\$ 1,807,375	\$ 1,818,945	\$ 11,570

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 753,305	\$ 753,305	\$ 601,719	\$ (151,586)
Investment income	-	-	6,903	6,903
Total Revenues	753,305	753,305	608,622	(144,683)
Other Financing Uses:				
Transfers out	(927,771)	(927,771)	(927,771)	-
Total Other Financing Uses	(927,771)	(927,771)	(927,771)	-
Net Change in Fund Balance	(174,466)	(174,466)	(319,149)	(144,683)
Fund Balance, Beginning	623,702	623,702	623,702	-
Fund Balance, Ending	\$ 449,236	\$ 449,236	\$ 304,553	\$ (144,683)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
MEASURE M SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 992,250	\$ 1,167,250	\$ 733,178	\$ (434,072)
Investment income	-	-	2,863	2,863
Total Revenues	992,250	1,167,250	736,041	(431,209)
Other Financing Uses:				
Transfers out	(736,041)	(736,041)	(736,041)	-
Total Other Financing Uses	(736,041)	(736,041)	(736,041)	-
Net Change in Fund Balance	256,209	431,209	-	(431,209)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 256,209	\$ 431,209	\$ -	\$ (431,209)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
AB 2766 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 39,180	\$ 39,180
Investment income	-	-	678	678
Total Revenues	-	-	39,858	39,858
Other Financing Sources:				
Transfers in	26,650	26,650	26,650	-
Total Other Financing Sources	26,650	26,650	26,650	-
Net Change in Fund Balance	26,650	26,650	66,508	39,858
Fund Balance, Beginning	30,889	30,889	30,889	-
Fund Balance, Ending	\$ 57,539	\$ 57,539	\$ 97,397	\$ 39,858

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
SENIOR MOBILITY PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 110,328	\$ 110,328	\$ 34,911	\$ (75,417)
Investment income	-	-	466	466
Total Revenues	110,328	110,328	35,377	(74,951)
Expenditures:				
Current:				
Community services	110,328	110,328	47,958	62,370
Total Expenditures	110,328	110,328	47,958	62,370
Excess (Deficiency) of Revenues over Expenditures	-	-	(12,581)	(12,581)
Other Financing Sources:				
Transfers in	9,592	9,592	9,592	-
Total Other Financing Sources	9,592	9,592	9,592	-
Net Change in Fund Balance	9,592	9,592	(2,989)	(12,581)
Fund Balance, Beginning	69,819	69,819	69,819	-
Fund Balance, Ending	\$ 79,411	\$ 79,411	\$ 66,830	\$ (12,581)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
USVP TRAFFIC IMPACT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 97,850	\$ 97,850
Investment income	-	-	527	527
Total Revenues	-	-	98,377	98,377
Other Financing Uses:				
Transfers out	(98,377)	(98,377)	(98,377)	-
Total Other Financing Uses	(98,377)	(98,377)	(98,377)	-
Net Change in Fund Balance	(98,377)	(98,377)	-	
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ (98,377)</u>	<u>\$ (98,377)</u>	<u>\$ -</u>	<u>\$ -</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
CARITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 8,318	\$ 8,318
Total Revenues	-	-	8,318	8,318
Other Financing Sources (Uses):				
Transfers in	157,000	157,000	157,000	-
Transfers out	(2,123)	(2,123)	(2,123)	-
Total Other Financing Sources (Uses)	154,877	154,877	154,877	-
Net Change in Fund Balance	154,877	154,877	163,195	8,318
Fund Balance, Beginning	1,088,273	1,088,273	1,088,273	-
Fund Balance, Ending	\$ 1,243,150	\$ 1,243,150	\$ 1,251,468	\$ 8,318

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
CDBG SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 103,056	\$ 33,056
Total Revenues	70,000	70,000	103,056	33,056
Expenditures:				
Current:				
Community development	70,000	70,000	103,056	(33,056)
Total Expenditures	70,000	70,000	103,056	(33,056)
Excess of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
BEVERAGE RECYCLING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 8,300	\$ 8,300	\$ -	\$ (8,300)
Investment income	-	-	244	244
Total Revenues	8,300	8,300	244	(8,056)
Expenditures:				
Current:				
Community services	8,300	8,300	-	8,300
Total Expenditures	8,300	8,300	-	8,300
Excess of Revenues over Expenditures	-	-	244	244
Fund Balance, Beginning	34,707	34,707	34,707	-
Fund Balance, Ending	\$ 34,707	\$ 34,707	\$ 34,951	\$ 244

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
CR&R RECYCLING FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total Revenues	2,000	2,000	2,000	-
Expenditures:				
Current:				
Public services	2,000	2,000	2,000	-
Total Expenditures	2,000	2,000	2,000	-
Deficiency of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
C & D FORFEITED DEPOSITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 70,000	\$ 70,000	\$ 41,235	\$ (28,765)
Investment income	-	-	829	829
Total Revenues	70,000	70,000	42,064	(27,936)
Expenditures:				
Current:				
Public Services	70,000	70,000	63,945	6,055
Total Expenditures	70,000	70,000	63,945	6,055
Deficiency of Revenues over Expenditures	-	-	(21,881)	(21,881)
Other Financing Sources:				
Transfers in	51	51	51	-
Total Other Financing Sources	51	51	51	-
Net Change in Fund Balance	51	51	(21,830)	(21,881)
Fund Balance, Beginning	126,825	126,825	126,825	-
Fund Balance, Ending	\$ 126,876	\$ 126,876	\$ 104,995	\$ (21,881)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
AB 939 SURCHARGE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:	-	-	-	-
Excess (deficiency) of Revenues over Expenditures	-	-	-	-
Other Financing Sources Uses:				
Transfers out	(51)	(51)	(51)	-
Total Other Financing Uses	(51)	(51)	(51)	-
Net Change in Fund Balance	(51)	(51)	(51)	-
Fund Balance, Beginning	51	51	51	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
WATER CONSERVATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 50,000	\$ -	\$ -	\$ -
Investment income	-	-	2,288	2,288
Total Revenues	50,000	-	2,288	2,288
Net Change in Fund Balance	50,000	-	2,288	2,288
Fund Balance, Beginning	325,716	325,716	325,716	-
Fund Balance, Ending	\$ 375,716	\$ 325,716	\$ 328,004	\$ 2,288

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 845,000	\$ 1,339,150	\$ 716,200	\$ (622,950)
Investment income	-	-	1,617	1,617
Total Revenues	845,000	1,339,150	717,817	(621,333)
Expenditures:				
Current:				
Public services	-	-	59,485	(59,485)
Total Expenditures	-	-	59,485	(59,485)
Excess (Deficiency) of Revenues over Expenditures	845,000	1,339,150	658,332	(680,818)
Other Financing Uses:				
Transfers out	(716,200)	(716,200)	(716,200)	-
Total Other Financing Uses	(702,464)	(702,464)	(702,464)	-
Net Change in Fund Balance	142,536	636,686	(44,132)	(680,818)
Fund Balance, Beginning	127,743	127,743	127,743	
Fund Balance, Ending	\$ 270,279	\$ 764,429	\$ 83,611	\$ (680,818)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
SLESF/COPS BRULTE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 129,324	\$ 29,324
Investment income	-	-	611	611
Total Revenues	100,000	100,000	129,935	29,935
Other Financing Uses:				
Transfers out	(129,935)	(129,935)	(129,935)	-
Total Other Financing Uses	(129,935)	(129,935)	(129,935)	-
Net Change in Fund Balance	(29,935)	(29,935)	-	29,935
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ (29,935)	\$ (29,935)	\$ -	\$ 29,935

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>July 1, 2017</u>
Assets				
Cash and investments	\$ 174,044	\$ 646,600	\$ (674,093)	\$ 146,551
Total assets	<u>\$ 174,044</u>	<u>\$ 646,600</u>	<u>\$ (674,093)</u>	<u>\$ 146,551</u>
Liabilities				
Deposits	\$ 174,044	\$ 646,600	\$ (674,093)	\$ 146,551
Total liabilities	<u>\$ 174,044</u>	<u>\$ 646,600</u>	<u>\$ (674,093)</u>	<u>\$ 146,551</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Laguna Hills' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Laguna Hills' overall financial health.

Contents

Page

Financial Trends

III-3

Financial trend schedules contain trend information to help the reader understand how the City of Laguna Hills' financial performance and well-being have changed over time.

Revenue Capacity

III-10

Revenue capacity schedules contain information to help the reader assess the City of Laguna Hills' most significant local revenue source, the property tax.

Debt Capacity

III-16

Debt capacity schedules present information to help the reader assess the affordability of the City of Laguna Hills' current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

III-21

Demographic and economic information schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Laguna Hills' financial activities take place.

Operating Information

III-23

Operating information schedules contain service and infrastructure data to help the reader understand how the information in the City of Laguna Hills' financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF LAGUNA HILLS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net Investment in capital assets	\$ 52,338,159	\$ 56,606,677	\$ 76,364,755	\$ 78,797,985	\$ 82,982,768	\$ 84,618,576	\$ 84,465,323	\$ 84,623,408	\$ 83,320,937	\$ 82,980,468
Restricted	4,701,017	3,356,723	3,935,701	3,653,349	2,106,914	998,727	2,414,686	5,240,670	2,470,305	2,394,252
Unrestricted	10,230,570	7,858,499	7,501,713	6,504,972	6,944,547	8,340,769	5,751,121	1,789,992	4,916,994	3,315,387
Total government activities net position	<u>\$ 67,269,746</u>	<u>\$ 67,821,899</u>	<u>\$ 87,802,169</u>	<u>\$ 88,956,306</u>	<u>\$ 92,034,229</u>	<u>\$ 93,958,072</u>	<u>\$ 92,631,130</u>	<u>\$ 91,654,070</u>	<u>\$ 90,708,236</u>	<u>\$ 88,690,107</u>
Business-type activities										
Net Investment in capital assets	\$ 13,292,252	\$ 12,720,481	\$ 12,206,656	\$ 11,542,563	\$ 10,989,447	\$ 10,403,077	\$ 9,894,503	\$ 9,324,493	\$ 8,998,114	\$ 8,343,488
Restricted										
Unrestricted	195,703	134,998	150,668	85,344	96,511	47,563	47,801	(36,397)	68,288	117,338
Total business-type activities net position	<u>\$ 13,487,955</u>	<u>\$ 12,855,479</u>	<u>\$ 12,357,324</u>	<u>\$ 11,627,907</u>	<u>\$ 11,085,958</u>	<u>\$ 10,450,640</u>	<u>\$ 9,942,304</u>	<u>\$ 9,288,096</u>	<u>\$ 9,066,402</u>	<u>\$ 8,460,826</u>
Primary government										
Net Investment in capital assets	\$ 65,630,411	\$ 69,327,158	\$ 88,571,411	\$ 90,340,548	\$ 93,972,215	\$ 95,021,653	\$ 94,359,826	\$ 93,947,901	\$ 92,319,051	\$ 91,323,956
Restricted	4,701,017	3,356,723	3,935,701	3,653,349	2,106,914	998,727	2,414,686	5,240,670	2,470,305	2,394,252
Unrestricted	10,426,273	7,993,497	7,652,381	6,590,316	7,041,058	8,388,332	5,798,922	1,753,595	4,985,282	3,432,725
Total primary government net position	<u>\$ 80,757,701</u>	<u>\$ 80,677,378</u>	<u>\$ 100,159,493</u>	<u>\$ 100,584,213</u>	<u>\$ 103,120,187</u>	<u>\$ 104,408,712</u>	<u>\$ 102,573,434</u>	<u>\$ 100,942,166</u>	<u>\$ 99,774,638</u>	<u>\$ 97,150,933</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General Government	\$ 3,320,838	\$ 3,261,396	\$ 3,316,426	\$ 3,309,197	\$ 3,320,664	\$ 3,522,274	\$ 3,304,687	\$ 3,088,372	\$ 3,112,783	\$ 4,226,233
Public services	6,814,629	8,318,347	7,389,564	5,781,123	5,999,412	6,150,553	6,376,642	6,332,724	6,802,499	7,234,921
Community development	1,775,552	1,523,476	1,595,670	1,404,624	1,127,036	1,138,280	1,265,719	1,434,213	1,309,210	1,462,611
Community services	1,771,671	1,776,257	1,769,589	3,702,911	3,642,792	3,777,102	3,886,180	4,660,667	4,141,792	4,131,886
Public safety	6,503,096	6,422,802	6,597,894	6,487,711	6,528,489	6,575,855	6,837,050	7,162,514	6,929,025	8,167,361
Interest expense	910,500	875,447	636,441	663,944	620,376	583,461	530,039	479,589	431,264	376,993
Total governmental activities expenses	21,096,286	22,177,725	21,305,584	21,349,510	21,238,769	21,747,525	22,200,317	23,158,079	22,726,573	25,600,005
Business-type activities:										
Property leasing	1,162,891	1,117,002	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434	1,204,437	1,222,043	1,255,765
Total business-type activities expenses	1,162,891	1,117,002	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434	1,204,437	1,222,043	1,255,765
Total primary government expenses	\$ 22,259,177	\$ 23,294,727	\$ 22,430,914	\$ 22,540,262	\$ 22,393,736	\$ 22,910,830	\$ 23,478,751	\$ 24,362,516	\$ 23,948,616	\$ 26,855,770
Program Revenues										
Government activities:										
Charges for Services:										
General Government	\$ -	\$ -	\$ -	\$ 98,962	\$ 2,838.00	\$ -	\$ -	\$ -	\$ -	\$ -
Public services	58,539	98,818	86,176	155,373	83,989	112,629	106,633	136,037	205,446	196,054
Community development	616,819	544,227	514,162	653,918	669,936	750,626	799,316	1,050,127	881,286	894,150
Community services	683,911	687,987	703,099	701,040	657,129	714,634	608,877	775,330	780,519	756,089
Public safety	485,376	435,452	542,732	401,665	295,587	226,311	186,347	300,032	267,555	228,649
Operating Contributions	3,486,884	4,217,578	3,059,335	4,738,096	3,082,972	2,137,580	2,186,050	2,989,299	1,960,392	2,131,220
Capital Contributions	24,674			820,456	3,040,344	945,068	807,545	2,264,558	60,850	716,200
Total governmental activities program revenues	5,356,203	5,984,062	4,905,504	7,569,510	7,832,795	4,886,848	4,694,768	7,515,383	4,156,048	4,922,362
Business-type activities:										
Charges for Services:										
Property Leasing	790,817	591,665	649,270	535,455	527,530	527,931	476,391	500,202	579,313	650,147
Operating grants and contributions										
Capital grants and contributions					85,134					
Total business-type activities program revenues	790,817	591,665	649,270	535,455	612,664	527,931	476,391	500,202	579,313	650,147
Total primary government program revenues	\$ 6,147,020	\$ 6,575,727	\$ 5,554,774	\$ 8,104,965	\$ 8,445,459	\$ 5,414,779	\$ 5,171,159	\$ 8,015,585	\$ 4,735,361	\$ 5,572,509
Net (expense)/revenue										
Governmental activities	\$ (15,740,083)	\$ (16,193,663)	\$ (16,400,080)	\$ (13,780,000)	\$ (13,405,974)	\$ (16,860,677)	\$ (17,505,549)	\$ (15,642,696)	\$ (18,570,525)	\$ (20,677,643)
Business- type activities	(372,074)	(525,337)	(476,060)	(655,297)	(542,303)	(635,374)	(802,043)	(704,235)	(642,730)	(605,618)
	\$ (16,112,157)	\$ (16,719,000)	\$ (16,876,140)	\$ (14,435,297)	\$ (13,948,277)	\$ (17,496,051)	\$ (18,307,592)	\$ (16,346,931)	\$ (19,213,255)	\$ (21,283,261)

(continued)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
(continued)										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 6,310,302	\$ 8,624,076	\$ 8,573,008	\$ 8,186,735	\$ 8,223,234	\$ 8,722,406	\$ 8,826,271	\$ 9,128,568	\$ 9,660,614	\$ 10,064,067
Sales and use taxes	6,368,887	5,522,204	5,197,367	5,238,949	5,157,787	5,305,487	5,562,823	5,603,521	5,439,210	5,779,073
Motor vehicle in lieu taxes	2,690,646	114,895	99,167	154,787	16,727	17,332	14,344	13,856	12,506	13,745
Other State subvention						-	16,549	93,653	57,112	9,209
Franchise taxes	1,202,702	1,237,335	1,217,595	1,199,882	1,223,523	1,210,837	1,259,021	1,343,505	1,303,919	1,191,868
Transient occupancy taxes	1,219,609	915,807	752,478	869,505	1,004,483	1,108,290	1,203,422	1,285,455	1,406,823	1,437,420
Investment earnings	469,876	119,006	29,205	25,267	15,736	12,216	12,251	14,266	14,893	21,911
Miscellaneous revenue	44,312	62,493	21,389	4,468	21,951	21,016	29,706	56,542	150,614	142,221
Lawsuit settlement										
Sale of capital assets						2,769,504				
Transfers	300,000	150,000	24,790	75,000			(293,691)	(50,000)	(421,000)	-
Total governmental activities	<u>18,606,334</u>	<u>16,745,816</u>	<u>15,914,999</u>	<u>15,754,593</u>	<u>15,663,441</u>	<u>19,167,088</u>	<u>16,630,696</u>	<u>17,489,366</u>	<u>17,624,691</u>	<u>18,659,514</u>
Business-type activities:										
Investment earnings	3,962	2,877	2,695	880	354	56	16	27	36	42
Transfers	(300,000)	(150,000)	(24,790)	(75,000)			293,691	50,000	421,000	-
Total business-type activities	<u>(296,038)</u>	<u>(147,123)</u>	<u>(22,095)</u>	<u>(74,120)</u>	<u>354</u>	<u>56</u>	<u>293,707</u>	<u>50,027</u>	<u>421,036</u>	<u>42</u>
Total primary government	<u>\$ 18,310,296</u>	<u>\$ 16,598,693</u>	<u>\$ 15,892,904</u>	<u>\$ 15,680,473</u>	<u>\$ 15,663,795</u>	<u>\$ 19,167,144</u>	<u>\$ 16,924,403</u>	<u>\$ 17,539,393</u>	<u>\$ 18,045,727</u>	<u>\$ 18,659,556</u>
Change in Net Position:										
Governmental activities	\$ 2,866,251	\$ 552,153	\$ (485,081)	\$ 1,974,593	\$ 2,257,467	\$ 2,306,411	\$ (874,853)	\$ 1,846,670	\$ (945,834)	\$ (2,018,129)
Business-type activities	<u>(668,112)</u>	<u>(672,460)</u>	<u>(498,155)</u>	<u>(729,417)</u>	<u>(541,949)</u>	<u>(635,318)</u>	<u>(508,336)</u>	<u>(654,208)</u>	<u>(221,694)</u>	<u>(605,576)</u>
Total primary government	<u>\$ 2,198,139</u>	<u>\$ (120,307)</u>	<u>\$ (983,236)</u>	<u>\$ 1,245,176</u>	<u>\$ 1,715,518</u>	<u>\$ 1,671,093</u>	<u>\$ (1,383,189)</u>	<u>\$ 1,192,462</u>	<u>\$ (1,167,528)</u>	<u>\$ (2,623,705)</u>

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales & Use Tax	Motor Vehicle in Lieu Tax	Other State Subvention	Franchise Tax	Transient Occupancy Tax	Total
2008	6,310,302	6,368,887	2,690,646		1,202,702	1,219,609	17,792,146
2009	8,624,076	5,522,204	114,895		1,237,335	915,807	16,414,317
2010	8,573,008	5,197,367	99,167		1,217,595	752,478	15,839,615
2011	8,186,735	5,238,949	154,787		1,199,882	869,505	15,649,858
2012	8,223,234	5,157,787	16,727		1,223,523	1,004,483	15,625,754
2013	8,722,406	5,305,487	17,332		1,210,837	1,108,290	16,364,352
2014	8,826,271	5,562,823	14,344	16,549	1,259,021	1,203,422	16,882,430
2015	9,128,568	5,603,521	13,856	93,653	1,343,505	1,285,455	17,468,558
2016	9,660,614	5,439,210	12,506	57,112	1,303,919	1,406,823	17,880,184
2017	10,064,067	5,779,073	13,745	9,209	1,191,868	1,437,420	18,495,382

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 186,524	\$ 44,610	\$ 15,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,313,093	8,582,945	8,611,931							
Nonspendable				305,302	311,223	335,603	416,994	318,769	312,137	81,520
Restricted								88,990	-	-
Committed										
Assigned				1,318,164	1,284,939	1,315,557	1,726,228	1,230,959	1,059,959	720,659
Unassigned				4,716,361	5,149,410	6,718,179	4,184,661	5,078,583	6,727,197	6,029,507
Total general fund	<u>\$ 10,499,617</u>	<u>\$ 8,627,555</u>	<u>\$ 7,422,224</u>	<u>\$ 6,339,827</u>	<u>\$ 6,745,572</u>	<u>\$ 8,369,339</u>	<u>\$ 6,327,883</u>	<u>\$ 6,717,301</u>	<u>\$ 8,099,293</u>	<u>\$ 6,831,686</u>
All other governmental funds										
Reserved	\$ 421,484	\$ 415,078	\$ 1,817,086							
Unreserved, reported in:										
Special revenue funds	4,202,374	2,427,534	2,411,192							
Debt service funds										
Nonspendable										
Restricted				4,473,805	3,916,541	2,813,802	4,222,459	5,151,680	4,276,934	4,209,039
Committed										
Assigned										
Unassigned				(273,326)	(238,732)	(245,214)	(322,781)	(229,971)	(227,254)	
Total all other governmental funds	<u>\$ 4,623,858</u>	<u>\$ 2,842,612</u>	<u>\$ 4,228,278</u>	<u>\$ 4,200,479</u>	<u>\$ 3,677,809</u>	<u>\$ 2,568,588</u>	<u>\$ 3,899,678</u>	<u>\$ 4,921,709</u>	<u>\$ 4,049,680</u>	<u>\$ 4,209,039</u>

⁽¹⁾ Fund Balance Classification reflects implementation of GASB 54 requirements starting with Fiscal Year 2010/11

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	\$ 8,843,272	\$ 10,858,989	\$ 10,553,196	\$ 10,513,681	\$ 10,533,542	\$ 11,061,533	\$ 11,308,714	\$ 11,777,528	\$ 12,393,356	\$ 12,695,355
Licenses and permits	579,915	521,724	423,012	550,155	816,863	655,855	778,208	3,195,756	959,138	1,022,542
Intergovernmental	12,364,967	9,727,124	7,975,877	10,023,285	10,960,315	8,597,520	8,864,729	8,765,516	7,897,817	8,506,103
Charges for current services	951,289	909,504	946,119	1,047,727	887,126	981,063	931,909	944,054	1,156,880	1,068,521
Fines and forfeitures	437,376	435,452	542,732	401,665	295,587	226,311	186,347	300,032	267,555	228,649
Miscellaneous										
Investment income	494,550	223,846	45,732	36,906	30,129	25,928	21,608	24,209	35,970	65,691
Total revenues	<u>23,671,369</u>	<u>22,676,639</u>	<u>20,486,668</u>	<u>22,573,419</u>	<u>23,523,562</u>	<u>21,548,210</u>	<u>22,091,515</u>	<u>25,007,095</u>	<u>22,710,716</u>	<u>23,586,861</u>
Expenditures:										
Current:										
General Government	3,385,499	3,191,956	3,120,850	3,119,712	3,178,508	3,675,542	3,168,265	3,271,039	3,128,699	3,599,531
Public services	4,897,258	4,419,088	4,088,538	4,190,842	4,155,386	4,346,672	4,399,704	4,299,138	4,273,572	4,848,571
Community development	1,823,818	1,660,768	1,593,187	1,404,624	1,127,036	1,259,502	1,261,715	1,433,383	1,308,380	1,461,781
Community services	1,717,124	1,733,464	1,570,196	1,646,388	1,595,904	1,904,831	1,860,866	2,608,281	2,070,952	2,101,883
Public safety	6,524,289	6,427,542	6,585,639	6,475,456	6,494,020	6,591,732	6,826,303	7,153,841	6,917,275	8,149,762
Capital outlay	2,619,246	7,102,899	2,013,797	5,013,252	5,289,390	4,402,694	2,965,511	2,976,435	2,277,446	2,777,691
Debt service:										
Interest	913,325	878,480	427,854	712,976	670,243	625,043	601,542	553,529	503,429	451,427
Cost of bond issuance			301,477							
Payment to bond escrow agent										
Discount on bond										
Principal retirement	1,016,178	1,010,000	820,000	1,090,000	1,130,000	1,180,000	1,205,000	1,250,000	1,300,000	1,352,353
Total expenditures	<u>22,896,737</u>	<u>26,424,197</u>	<u>20,521,538</u>	<u>23,653,250</u>	<u>23,640,487</u>	<u>23,986,016</u>	<u>22,288,906</u>	<u>23,545,646</u>	<u>21,779,753</u>	<u>24,742,999</u>
Excess (deficiency) of revenues over expenditures	774,632	(3,747,558)	(34,870)	(1,079,831)	(116,925)	(2,437,806)	(197,391)	1,461,449	930,963	(1,156,138)

(Continued)

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

(Continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses):										
Capital Lease Proceeds										47,890
Transfers in	\$ 5,956,627	\$ 13,800,602	\$ 7,868,431	\$ 12,431,918	\$ 13,529,097	\$ 10,468,784	\$ 7,214,336	\$ 8,059,715	\$ 7,006,357	\$ 7,582,790
Transfers out	(5,656,627)	(13,650,602)	(7,843,641)	(12,356,918)	(13,529,097)	(10,468,784)	(7,508,027)	(8,109,715)	(7,427,357)	(7,582,790)
Bond Proceeds			17,190,000							
Payment to bond escrow agent			(18,081,996)							
Premium on bond issue			1,206,953							
Sales tax repayment										
Lawsuit Settlement	(70,000)	(55,750)	(7,500)	(105,365)						
Sale of Capital Assets						2,952,352				
Total other financing sources (uses)	230,000	94,250	332,247	(30,365)	-	2,952,352	(293,691)	(50,000)	(421,000)	47,890
Net change in fund balances	<u>\$ 1,004,632</u>	<u>\$ (3,653,308)</u>	<u>\$ 297,377</u>	<u>\$ (1,110,196)</u>	<u>\$ (116,925)</u>	<u>\$ 514,546</u>	<u>\$ (491,082)</u>	<u>\$ 1,411,449</u>	<u>\$ 509,963</u>	<u>\$ (1,108,248)</u>
Debt service as a percentage of noncapital expenditures	10.17%	9.77%	6.74%	9.67%	9.81%	9.22%	9.35%	8.60%	8.76%	8.00%

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

City of Laguna Hills

Assessed Value and Estimated Actual Value of Taxable Property, Citywide
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year End	Secured Property	Unsecured Property	Less Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (3)
2007-08	5,520,202	215,240	34,477	5,735,442	.05371	5,735,442	1.000000
2008-09	5,516,226	174,459	32,955	5,690,685	.05371	5,690,685	1.000000
2009-10	5,413,579	175,241	33,614	5,588,820	.05371	5,588,820	1.000000
2010-11	5,299,826	160,738	33,534	5,460,564	.05371	5,460,564	1.000000
2011-12	5,308,488	156,488	33,852	5,464,976	.05371	5,464,976	1.000000
2012-13	5,371,901	143,351	34,825	5,515,252	.05371	5,515,252	1.000000
2013-14	5,509,351	146,695	35,252	5,656,046	.05371	5,656,046	1.000000
2014-15	5,809,642	148,567	35,410	5,958,209	.05371	5,958,209	1.000000
2015-16	6,236,428	183,676	165,185	6,254,919	.05371	8,159,912	1.304559
2016-17	6,499,868	187,553	218,920	6,468,501	.05371	9,167,561	1.417262

Source: Orange County Assessor data, MuniServices, LLC

Source: 2008-2016 prior CAFR

Table has been reformatted to comply with GASB No. 44 and include estimated actual value.

(1.) Total direct tax rate is the city share of the 1% Proposition 13 tax only for TRA 31-001.

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from

Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

City of Laguna Hills

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Overlapping Basic Rate	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Capistrano Union	0.010190	0.009710	0.010770	0.011050	0.011010	0.011710	0.009720	0.009000	0.008450	0.008430
Metropolitan Water District	0.004500	0.004300	0.004300	0.003700	0.003000	0.003500	0.003500	0.003500	0.003500	0.003500
Moulton Niguel Water District	0.088300	0.116790	0.121040	0.122030	0.129360	0.145470	0.129770	0.086000	0.000000	0.000000
Saddleback Valley Unified	0.026680	0.028340	0.030430	0.031940	0.031630	0.032650	0.032070	0.028060	0.000000	0.000000
Total	1.129670	1.159140	1.166540	1.168720	1.175000	1.193330	1.175060	1.126560	1.011950	1.011930
City Direct Rate										
City Share of 1% Levy Per Prop 13	0.053710	0.122280	0.122820	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710	0.053710

Source: Orange County Assessor data, MuniServices, LLC

Source: 2008-2016 prior CAFR

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

City of Laguna Hills

Principal Property Tax Payers Last Fiscal Year and Nine Years Ago

Taxpayer	2016-17		2007-08	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Mgp Fund X Laguna Hills LLC	156,667,884	2.42%		
Pmi Prado LLC	91,127,053	1.41%		
Acquiport Three Corp	80,910,787	1.25%	70,692,207	1.24%
Laguna Hills Investment Co	46,631,782	0.72%	21,104,346	0.37%
Lakehills Cm Cg LLC	46,000,000	0.71%	51,991,387	0.91%
Lht Saddleback LLC	41,070,239	0.63%	49,006,197	0.86%
Sptmrt Properties Trust	38,938,659	0.60%	37,488,348	0.66%
La Paz Office Plaza LLC	32,877,468	0.51%	28,843,600	0.51%
Moulton Plaza LLC	28,548,557	0.44%	22,202,916	0.39%
Memorial Health Services	25,949,648	0.40%	87,137,042	1.53%
Eqr Villa Solana Vistas Inc.	23,305,676	0.36%	20,625,441	0.36%
Laguna Hills Estates LLC	22,753,022	0.35%	16,783,656	0.29%
Columbia California Carlota Of	21,320,250	0.33%	36,108,000	0.63%
Sylmar Apts LLC	20,610,532	0.32%	18,158,158	0.32%
Muller Taj	20,219,892	0.31%		
Colton David A Colton	19,628,158	0.30%		
Moulton La Paz LLC	18,084,699	0.28%		
Mouldy LLC	17,071,736	0.26%	13,898,498	0.24%
Realty Assoc Fund Viii	15,932,313	0.25%		
K M Royal Group LLC	15,212,953	0.24%	13,276,223	0.23%
Universal Properties Lh Five L	14,854,566	0.23%	20,725,000	0.36%
Laguna Hills Real Estate Partn	14,481,574	0.22%		
La Paz Shopping Center	14,450,474	0.22%		
Ashley Real Estate LLC	14,371,083	0.22%		
Mission Hills Investment Co	14,337,378	0.22%		
Shopping Center			99,001,225	1.74%
Saddleback Memorial Medic			61,730,468	1.08%
Pine Brook Apartments			38,661,364	0.68%
Vv California			23,600,382	0.41%
Shea Laguna Hills LLC			23,021,693	0.40%
Alicia Office Park			22,433,370	0.39%
Shopping Ctr Assoc			18,154,980	0.32%
Mes-24 LLC			17,598,005	0.31%
Cox Com Inc. Orange			12,993,057	0.23%
Laguna Hills Business			12,795,472	0.22%
Total Top 25 Taxpayers	855,356,383	13.22%	838,031,035	14.73%
Total Taxable Value	6,468,501,069		5,690,214,382	

Source: Orange County Assessor data, MuniServices, LLC

Source: 2008-2016 prior CAFR

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

City of Laguna Hills

Levy and Collections

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year	Secured	Unsecured	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
				Amount Collected	% of Levy	Other Collections	Amount	% of Levy
2007-08	5,697	250	\$5,946	\$ 5,714	96.1%	\$ 116	\$ 5,830	98%
2008-09	5,675	250	\$5,925	\$ 5,685	95.9%	\$ 200	\$ 5,885	99%
2009-10	5,555	256	\$5,812	\$ 5,629	96.9%	\$ 203	\$ 5,832	100%
2010-11	5,489	248	\$5,737	\$ 5,577	97.2%	\$ 126	\$ 5,703	99%
2011-12	5,526	246	\$5,772	\$ 5,605	97.1%	\$ 87	\$ 5,692	99%
2012-13	5,587	239	\$5,827	\$ 5,694	97.7%	\$ 85	\$ 5,779	99%
2013-14	5,732	261	\$5,992	\$ 5,885	98.2%	\$ 62	\$ 5,947	99%
2014-15	6,051	275	\$6,327	\$ 6,180	97.7%	\$ 52	\$ 6,231	98%
2015-16	6,375	232	\$6,607	\$ 6,456	97.7%	\$ 72	\$ 6,528	99%
2016-17	6,634	300	\$6,934	\$ 6,733	97.1%	\$ 69	\$ 6,802	98%

Source: County Auditor-Controller, MuniServices, LLC

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

City of Laguna Hills

Principal Sales Tax Producers Last Fiscal Year and Nine Years Ago

2016-17		2007-08	
Taxpayer	Business Type	Taxpayer	Business Type
Siteone Landscape Supply	Florist/Nursery	Siteone Landscape Supply	Florist/Nursery
A & R Floor Covering Accessori	Furniture/Appliance	414 Laguna Hills	Furniture/Appliance
Alpha Beta Company	Food Markets	Allied Real Estate School	Office Equipment
Ashley Furniture Homestore	Furniture/Appliance	Alpha Beta Company	Food Markets
Chicago Pizza And Brewery, Inc	Restaurants	Becton Dickinson & Company	Light Industry
Consolidated Electrical Dstr I	Electronic Equipment	Chicago Pizza And Brewery, Inc	Restaurants
Dick's Sporting Goods	Recreation Products	Chick's Sporting Goods Inc.	Recreation Products
G&M Oil Co LLC	Service Stations	David J.Phillips Buick-Pntc Ma	Auto Sales - New
Howard's Appliances Inc.	Furniture/Appliance	G&M Oil Co LLC	Service Stations
In-N-Out Burger #170	Restaurants	Howard's Appliances Inc.	Furniture/Appliance
J.C.Penney Company Inc.	Department Stores	J.C.Penney Company Inc.	Department Stores
Jeromes Furniture Warehouse In	Furniture/Appliance	Ken Crane's Magnavox City Inc.	Furniture/Appliance
King's Seafood Company, LLC	Restaurants	King's Seafood Company, LLC	Restaurants
Laguna Hills Auto Spa	Service Stations	Laguna Hills Auto Spa	Service Stations
Macy's Department Stores Inc	Department Stores	Laguna Hills Car Wash	Auto Parts/Repair
Marshalls Of CA LLC	Apparel Stores	Laguna Hills Union 76 Station	Service Stations
Material Supply Inc.	Bldg.Matls-Retail	Lamps Plus, Inc.	Furniture/Appliance
Nordstrom Inc.	Department Stores	Macy's Department Stores Inc	Department Stores
Pritchard Supply, Inc.	Miscellaneous Retail	Marshalls Of CA LLC	Apparel Stores
Sidepath, Inc	Furniture/Appliance	Material Supply Inc.	Bldg.Matls-Retail
Sit 'N Sleep-Laguna Hills	Furniture/Appliance	Philip Linder & Associates	Furniture/Appliance
Tesoro Refining & Mrktng Co, L	Service Stations	Sears-Roebuck And Co.	Department Stores
Total Wine & More #1110	Liquor Stores	Sit 'N Sleep-Laguna Hills	Furniture/Appliance
Trader Joe's Company	Food Markets	Tesoro Refining & Marketing Co	Service Stations
TSPS Industries Inc	Light Industry	The Claim Jumper	Restaurants

Source: MuniServices, LLC

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS

HISTORICAL SALES TAX AMOUNTS BY BENCHMARK YEAR

CATEGORY NAME	2008 Q1	2009 Q1	2010 Q1	2011 Q1	2012 Q1	2013 Q1	2014 Q1	2015 Q1	2016 Q1	2017 Q1
All Other Outlets	1,264,007	1,018,627	870,206	836,013	779,150	745,982	801,743	871,642	887,669	943,705
Apparel Stores	340,221	301,469	279,673	270,163	254,072	230,032	209,716	188,126	175,801	153,585
Auto Dealers & Auto	214,197	205,675	183,431	169,543	174,045	171,284	182,064	194,866	144,580	119,503
Building Materials & Farm	135,073	123,149	101,403	101,808	99,375	116,584	122,652	128,621	138,135	145,531
Drug Stores	8,219	6,326	9,460	8,650	5,454	5,465	6,046	19,476	28,292	24,624
Eating & Drinking Establishments	866,863	796,431	761,800	731,874	727,952	769,817	790,250	794,039	842,253	897,662
Food Stores	166,140	173,104	169,947	206,825	207,120	211,094	202,378	194,374	191,402	197,676
General Merchandise	945,239	955,853	979,961	981,826	993,045	957,259	941,531	815,561	666,849	620,714
Home Furnishings & Appliances	825,210	661,165	430,658	439,690	429,594	553,406	579,573	621,325	863,771	836,504
Other Retail Stores	825,231	668,002	546,504	509,123	502,419	493,605	538,287	506,553	524,515	554,926
Packaged Liquor Store	4,293	6,602	6,170	4,529	10,861	92,703	142,053	159,600	169,007	166,339
Service Station	413,991	383,494	369,259	413,658	518,896	515,684	486,775	448,108	389,611	338,666
TOTAL	6,008,684	5,299,897	4,708,472	4,673,702	4,701,983	4,862,915	5,003,068	4,942,291	5,021,885	4,999,435

Source: MuniServices, LLC

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Total Government Certificates of Participation	Personal Income	Per Capita Personal Income	Percentage of Personal Income	Per Capita (a)
2008	19,480	1,441,089	\$ 43,346	1.35%	585.94
2009	18,470	1,417,282	\$ 42,444	1.30%	553.13
2010	17,943	1,500,666	\$ 44,672	1.20%	534.14
2011	16,802	1,445,996	\$ 47,227	1.16%	548.75
2012	15,620	1,363,858	\$ 44,421	1.15%	508.75
2013	14,388	1,320,001	\$ 42,778	1.09%	466.29
2014	13,437	1,336,181	\$ 43,315	1.01%	435.57
2015	12,106	1,373,184	\$ 44,757	0.88%	390.60
2016	10,726	1,479,761	\$ 46,911	0.72%	340.02
2017	9,295				294.67

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: 2008-2009 Income Data: ESRI-Demographic Estimates are based on the latest available Census 2010 and later -Income Data-US Census Bureau, most recent American Community Survey

^(a) *Population data can be found in the Schedule of Demographic and Economic Statistics on page III - 21.*

^(b) *2017 personal income data not available at time of print; Hence, table provides personal income history for years 2008-2016.*

CITY OF LAGUNA HILLS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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Note: There was no general bonded debt outstanding for the last ten fiscal years.

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	74,905,000	0.252%	188,761
Saddleback Valley Unified School District	118,585,000	17.693%	20,981,244
Capistrano Unified School District Facilities Improvement District No. 1	27,212,966	0.023%	6,259
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			<u>\$ 21,176,264</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Orange County General Fund Obligations	227,516,000	1.239%	\$ 2,818,923
Orange County Pension Obligations	353,417,858	1.239%	4,791,988
Orange County Board of Education Certificates of Participation	14,440,000	1.239%	178,912
Capistrano Unified School District Certificates of Participation	13,805,000	0.016%	2,209
Moulton-Niguel Water District Certificates of Participation	74,190,000	13.358%	9,910,300
SUBTOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u>\$ 17,702,332</u>
City of Laguna Hills Certificates of Participation, Direct Debt	8,685,000	100.000%	<u>8,685,000</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT:			<u><u>\$ 26,387,332</u></u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	16,490,000	0.899-2.927%	281,992
<u>GROSS COMBINED TOTAL DEBT</u>			<u>\$ 47,845,588 ^(b)</u>

- (a) *The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.*
- (b) *Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.*

Source: MuniServices, LLP

CITY OF LAGUNA HILLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 860,479	\$ 853,897	\$ 838,413	\$ 819,070	\$ 819,547	\$ 832,512	\$ 853,695	\$ 899,043	\$ 963,016	\$ 1,003,113
Total net debt applicable to limit	19,480	18,470	17,190	16,100	14,970	13,790	12,585	11,335	10,035	8,685
Legal debt margin	<u>\$ 840,999</u>	<u>\$ 835,427</u>	<u>\$ 821,223</u>	<u>\$ 802,970</u>	<u>\$ 804,577</u>	<u>\$ 818,722</u>	<u>\$ 841,110</u>	<u>\$ 887,708</u>	<u>\$ 952,981</u>	<u>\$ 994,428</u>
Total net debt applicable to limit, as a percentage of debt limit	2.26%	2.16%	2.05%	1.97%	1.83%	1.66%	1.47%	1.26%	1.04%	0.87%

Legal Debt Margin Calculation for Fiscal Year 2016/17

Assessed value	6,468,501
Add back: exempt real property	218,920
Total assessed value	<u>6,687,421</u>
Debt limit (15% of total assessed value)	1,003,113
Debt applicable to limit:	
Certificates of Participation	<u>8,685</u>
Total net debt applicable to limit	<u>8,685</u>
Legal debt margin	<u>\$ 994,428</u>

Note: Under state finance law, the City of Laguna Hills' outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Note: There was no debt covenants that required pledged-revenue coverage for the last ten fiscal years.

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

City of Laguna Hills

Demographic and Economic Statistics Last Ten Fiscal Years

Calendar Year	Population (1)	Personal Income (In Thousands)	Per Capita Personal Income (2)	City Unemployment Rate (3)	Median Age (4)	% Of Pop with High School Diploma (5)	% of Pop With Bachelor's Degree (5)
2007	33,115	1,425,961	43,058	3.3%	37.7	-	-
2008	33,117	1,441,089	43,346	4.4%	37.7	-	-
2009	33,246	1,417,282	42,444	7.6%	41.2	92.8%	44.0%
2010	33,392	1,500,666	44,672	8.1%	39.3	90.6%	42.9%
2011	33,593	1,445,996	47,227	7.4%	40.7	91.4%	43.0%
2012	30,618	1,363,858	44,421	4.8%	41.6	92.3%	44.5%
2013	30,703	1,320,001	42,778	4.2%	41.5	91.7%	42.8%
2014	30,857	1,336,181	43,315	5.0%	41.8	91.6%	45.3%
2015	30,681	1,373,184	44,757	4.1%	41.7	91.2%	44.8%
2016	31,544	1,479,761	46,911	3.7%	41.8	91.5%	45.6%

Source: MuniServices, LLC, U.S. Census Bureau, 2010 American Community Survey

Source: 2008-2016 prior CAFR

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

- 1.) Population Projections are provided by the California Department of Finance Projections.
- 2.) Income Data is provided by the United States Census Data and is adjusted for inflation.
- 3.) Unemployment and Total Employment Data are provided by the EDD's Bureau of Labor Statistics Department.
- 4.) Median Age reflects the U.S. Census data estimation table for years 2009-2016, Orange County progress report for years 2006-2008
- 5.) % of population with HS diploma and bachelors degree unavailable for years 2006-2008

City of Laguna Hills

Principal Employers Last Fiscal Year and Nine Years Ago

Business Name	2016-17		2007-08	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Saddleback Memorial Medical Center	1,686	9.75%	1,020	5.80%
Laguna Hills Health and Rehabilitation Center	245	1.42%		
Five Star-Villa Valencia	201	1.16%		
Saddleback Valley USD	185	1.07%		
Memorial Care home health	163	0.94%		
JC Penney	157	0.91%	250	1.42%
Bj's Restaurant & Brewhouse*	150	0.87%		
City of Laguna Hills	105	0.61%		
Macy's*	90	0.52%	200	1.14%
Allied Schools	79	0.46%		
Sional Community Management			350	1.99%
Support Associates			170	0.97%
Total Top Employers	3,061	17.69%	1,990	11.00%
Total City Employment (1)	17,300		17,600	

Source: Orange County Assessor data, MuniServices, LLC

Source: 2007-2008 prior CAFR

*Includes Full and Part time

**Ashley Crown Systems was book publishing company for Allied Schools and is no longer affiliated.

Attachment: CAFR FY 2016-17 (1446 : Cafr Fy 2016-17)

CITY OF LAGUNA HILLS
FULL-TIME EQUIVALENT PERSONNEL ALLOCATION BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Personnel at June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	12.09	11.90	11.90	11.90	11.90	11.75	11.75	10.99	10.99	10.49
Non-Departmental	0.00	0.00	0.00	0.00	0.00	1.25	1.25	1.00	1.00	1.00
Public Services	41.00	42.00	42.00	44.00	44.00	44.00	44.00	43.00	43.00	43.00
Community Development	8.30	8.15	7.15	8.15	8.15	7.85	7.85	8.23	8.23	8.23
Community Services	14.25	15.61	15.61	15.75	15.75	15.75	15.75	15.40	15.40	15.40
Public Safety	31.24	29.19	29.19	29.20	29.20	28.89	28.89	26.46	26.46	26.46
Total	<u>106.88</u>	<u>106.85</u>	<u>105.85</u>	<u>109.00</u>	<u>109.00</u>	<u>109.49</u>	<u>109.49</u>	<u>105.08</u>	<u>105.08</u>	<u>104.58</u>

Source: City of Laguna Hills' Biennial Budget

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
Police ^(b)										
Physical arrests	460	740	721	684	468	362	458	534	284	293
Parking violations	2,757	3,636	2,662	2,087	1,107	885	1,407	1,981	3,257	3,406
Traffic violations	5,566	4,886	5,781	4,089	3,074	2,462	2,070	3,041	3,187	2,669
Fire ^(c)										
Number of calls answered	2,434	2,421	2,558	2,614	2,550	2,579	2,584	2,675	2,888	3,077
Inspections	309	387	439	393	308	273	379	494	364	299
Highways and Streets ^(d)										
Sidewalk replacement (sq. ft.)	1,850	4,660	22,266	8,592	13,482	13,610	3,519	7,250	940	7,012
Curb & gutter replacement (linear ft.)	110	2,374	1,030	1,727	3,990	1,141	478	-	211	523
Asphalt concrete placed (tons)	11,362	21,291	15,695	14,454	15,692	16,319	7,857	16,276	134	10,536
Street sweeping debris collected (tons)	265	449	294	290	374	432	293	265	229	219
New sign installations	37	64	92	102	28	42	65	23	155	12
Sign Replacements	238	277	168	173	161	378	278	380	297	312
Trees trimmed	1,763	1,774	2,273	1,872	1,474	1,568	1,185	792	821	1,396
Trees removed	207	214	81	114	166	215	179	461	152	263
Trees planted	262	82	43	39	649	39	44	38	43	118
Sanitation ^(a)										
Refuse collected (tons/day)	63	50	46	46	44	47	45	43	47	49
Recyclables collected (tons/day)	55	52	50	47	45	46	46	49	50	47
Culture and Recreation ^(e)										
Community center programs (participants)	8,173	9,022	7,262	6,876	5,682	5,633	5,783	5,637	6,152	5,686
Athletic permits	70	76	69	57	44	41	45	41	42	48
Waste Stream ^(a)										
Refuse collected (tons)	22,981	18,089	16,698	16,814	15,932	17,185	16,416	15,707	17,197	17,966
Recyclables collected (tons)	20,120	19,081	18,162	17,325	16,391	16,753	16,964	17,728	18,150	17,058

^(a) CR&R Monthly Tonnage Report, 6/30/17

^(b) Orange County Sheriff's Daily Booking Log,; Monthly Traffic Statistics; Data Ticket Citation Report

^(c) Orange County Fire Authority- Clerk of the Authority, Safety & Environmental Services, Planning & Development

^(d) City of Laguna Hills, Public Works Department

^(e) City of Laguna Hills, Community Center Department

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Highways and streets										
Streets (miles)	83	83	83	83	83	83	83	83	83	83
Traffic signals	45	45	45	45	45	45	45	45	45	45
Culture and recreation										
Parks acreage	83	83	83	83	83	83	83	83	83	83
Parks	15	15	15	15	15	15	15	15	15	15
Community centers	1	1	1	1	1	1	1	1	1	1
Civic Center	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments

Attachment: CAFR FY 2016-17 (1446 : Cafr FY 2016-17)

CITY OF LAGUNA HILLS

AT A GLANCE

GENERAL INFORMATION

The City of Laguna Hills, located in South Orange County, has approximately 6.6 square miles of land in its corporate boundary and is now home to 31,544 people. Majority of the area in the City has a distinctive residential character. Yet, the City has a strong commercial base in its northern part. This commercial area, or “urban village”, is anchored by the regional Laguna Hills Mall, the Oakbrook Village Shopping Center, and the Saddleback Memorial Hospital. It includes approximately 2,000,000 square feet of retail, restaurant, professional office, and medical related building space. When the City annexed the “North Laguna Hills” area in July of 1996, the City acquired 1.2 square miles of primarily light industrial, professional office, specialty retail, hotel, and residential uses. This annexed area contains a furniture row, office headquarters, and the only light industrial/manufacturing establishments in the City. In September of 2000, the City grew by another 150 acres as a result of the annexation of residential properties identified as West Laguna Hills.

HISTORY

Laguna Hills is built on one of the major land grants developed during the rancho area. Following Mexico’s independence from Spain in 1821, those who had served in the government or who had friends in authority were given vast lands for cattle grazing. Rancho Lomas de Santiago, Rancho San Joaquin, and Rancho Niguel covered much of the western portion of the Saddleback Valley. Don Juan Avila was granted the 13,000-acre Rancho Niguel on which Laguna Hills is located.

In 1874, Lewis Moulton purchased Rancho Niguel from Don Juan Avila and increased the original grant to 22,000 acres. Moulton and his partner, Jean Piedrea Daguerre, used the ranch to raise sheep and cattle. The Moulton ranch was eventually subdivided in the early 1960s, part of which is recognized as Laguna Hills.

Incorporation efforts began in 1987 and on March 5, 1991, the goal of incorporation was finally achieved with 86% of the residents voting in favor of forming the City of Laguna Hills. On December 20, 1991, Laguna Hills officially became a City.

CITY GOVERNMENT

The City of Laguna Hills is a General Law City that operates under the Council/Manager form of government. The voters elect five of their fellow citizens to the City Council for overlapping four-year terms. The Council, in turn, selects one of its members to serve as Mayor for a one-year term. The City Council holds regular public meetings on the second and fourth Tuesday of each month.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017
TO: Mayor and Council Members
FROM: Roland Chacon
Police Chief
ISSUE: Updated Schedule of Penalties for Parking Violations and Late Payment Penalties

RECOMMENDATION: That the City Council adopt a Resolution entitled: "A Resolution of the City Council of the City of Laguna Hills, California, establishing an Updated Schedule of Penalties for Parking Violations and Late Payment Penalties."

SUMMARY:

The City last updated its schedule of penalties for parking violations and related late payment penalties in 2009. Over the past several months, staff conducted a thorough review of the existing parking penalty schedule, current California Vehicle Code (CVC) requirements and regulations, City parking regulations, and penalty schedules of surrounding cities in Orange County. Subsequently, staff prepared the attached proposed penalty schedule which updates the City's parking penalty amounts to ensure compliance with State law, deter parking violations, and maintain penalties commensurate to those of other cities in the county. Staff is recommending the City Council adopt the attached Resolution to establish an updated schedule of penalties for parking violations and late payment penalties, escalating penalties for repetitive violations occurring within a twelve month period, and increasing the current penalties for all parking violations to match the average monetary penalties of the surrounding cities.

BACKGROUND:

The City last updated its schedule of penalties for parking violations and related late payment penalties on August 25, 2009. This update was passed to comply with Senate Bill 1407 (SB 1407). SB 1407 required cities to collect an additional \$3.00 penalty for each parking offense cited. Including the additional penalty, most current City parking bail amounts range from \$30.00 to \$50.00, and violations that require a higher penalty per the Vehicle Code range from \$150.00 to \$275.00.

Over the past several months, staff conducted a thorough review of the existing parking penalty schedule, current CVC requirements and regulations, City parking regulations, and penalty schedules of surrounding cities in Orange County. Subsequently, staff prepared the attached proposed penalty schedule which updates the City's parking penalty amounts to ensure compliance with State law, deter parking violations, and maintain penalties commensurate to those of other cities in the county. The newly proposed bail amounts generally range from \$25.00 to \$57.00, and violations that require a higher penalty per the Vehicle Code range from \$150.00 to \$288.00. Comparatively, there has not been a regular or significant increase in bail schedule penalty amounts over the past 8 years.

The CVC establishes regulations requiring proper license plates and registration tag displays and penalties prohibiting parking, stopping, or standing under various circumstances. The CVC also authorizes cities to adopt some additional regulations which, although not automatically penalized by the CVC, may be enforced by individual cities. For certain violations, the CVC establishes a set penalty and for other violations, the CVC provides maximum and minimum restrictions for monetary penalties and allows cities leeway to establish monetary penalties for parking violations within the parameters provided. Additionally, to the extent possible, CVC Section 40203.5 requires cities within the same county to standardize parking penalties.

For example, CVC Section 40225(c) establishes the civil penalty for correctable equipment violations (such as unlawful license plate covers and expired registration tags) as the amount set forth in the Uniform Bail and Penalty Schedule adopted by the Judicial Council. For correctable equipment violation citations issued in Orange County, the amount for these violations is \$25. However, should the cited party demonstrate proof of correction to the processing agency, the penalty must be reduced to \$10. These amounts cannot be set at a different amount by the City.

Updated Parking Violation Penalty Schedule

December 12, 2017

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The CVC also identifies certain violations, such as those in the following table, that require higher maximum and minimum penalties to reflect the gravity of the violation:

<i>California Vehicle Code Section</i>	<i>Offense</i>	<i>Monetary Penalty Parameters</i>
<i>22507.8 (see 40203.5 for penalty)</i>	<i>No Parking in Disabled Space</i>	<i>Penalty for first violation must be more than \$250 but less than \$1,000</i>
<i>22522</i>	<i>Parking/Blocking Disabled Access Ramp</i>	<i>Penalty must be more than \$250</i>
<i>22523(a)/22523(b)</i>	<i>Abandoned Vehicle</i>	<i>Penalty must be more than \$100</i>
<i>4000(a)(1) (see 42001.8 for penalty)</i>	<i>California Vehicle Registration</i>	<i>Penalty must be more than \$50 but less than \$250</i>

Further, the City has the ability to establish progressive penalty amounts when a vehicle owner receives multiple citations for the same offense within the same twelve month period. The increasing penalties may serve as a further deterrent for vehicle operators who habitually violate parking regulations. The City currently utilizes a progressive penalty schedule and police services staff recommends the City continue to apply this model. CVC Section 42001(a) states that penalties of locally adopted regulations and most CVC regulations cannot exceed \$100 for the first violation, \$200 for the second violation, and \$250 for a third violation within a calendar year. Accordingly, the proposed bail schedule includes a progressive schedule of fines within these parameters.

The parking fines recommended in the proposed Resolution, attached as Exhibit 1 to Attachment B, generally compare to the average parking violation penalties in several surrounding cities, and should sufficiently serve as an effective deterrent to parking violations. A matrix comparing the City's existing penalties for initial violations and the penalties proposed by City staff is included as Attachment A. The recommended parking violation penalties will not have an adverse impact on the City's residents or the businesses located in the City; rather, it will only affect those drivers who violate the City's Municipal Code or California Vehicle Code parking regulations, which in turn negatively impact the community as a whole.

Updated Parking Violation Penalty Schedule

December 12, 2017

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Accordingly, staff is recommending the City Council adopt the attached Resolution to establish an updated schedule of penalties for parking violations and late payment penalties, escalating penalties for repetitive violations occurring within a twelve month period, and increasing the current penalties for all parking violations to match the average monetary penalties of the surrounding cities.

ALTERNATIVES:

1. The City Council may adopt the recommended updated schedule of penalties for parking violations as presented by Police Services' staff.
2. The City Council may make additional changes to the recommended updated schedule of penalties for parking violations and then adopt the modified version of the schedule of penalties.
3. The City Council may choose not to adopt the recommended updated schedule of penalties for parking violations and may instead continue to utilize the existing schedule. However, there are certain bail schedule amounts that must change to reestablish compliance with the Vehicle Code as described above.

FISCAL IMPACT:

Revenue received from parking violations fluctuates annually depending on the number of violations. The required reduction in several penalties combined with increased penalties in other types of violations is expected to result in no net change in potential revenue.

ATTACHMENTS:

- Attachment A - Matrix Comparing Existing and Proposed Parking Penalties
- Attachment B - Proposed Resolution
- Proposed Resolution - Exhibit 1 - Updated Parking Violation Penalty Schedule

ATTACHMENT A

Type	Sections	Description of Violation	EXISTING BAIL AMOUNT	PROPOSED BAIL AMOUNT
CVC	4000(A)(1)	Current Registration Required	50.00	57.00
CVC	4000.4(A)	California Registration Required	50.00	25.00
CVC	5200 (A)	Front plate Required	30.00	25.00
CVC	5201(A)	Plates not Legible or Loose	30.00	25.00
CVC	5201(B)	Cover on Plate	30.00	25.00
CVC	5201(C)	Obstruction of Plate	30.00	25.00
CVC	5204(A)	Display of Tabs	25.00	25.00
CVC	21211(A)	Blocking Bike Path	30.00	40.00
CVC	21113(A)	Permit Required on Public Grounds	30.00	38.00
CVC	22500(A)	No Parking (Intersection)	35.00	42.00
CVC	22500(B)	No Parking (Crosswalk)	35.00	42.00
CVC	22500(C)	No Parking (Safety Zone)	35.00	42.00
CVC	22500(D)	No Parking (Fire Station)	35.00	43.00
CVC	22500(E)	No Parking (Driveway)	35.00	42.00
CVC	22500(F)	No Parking (Sidewalk)	35.00	42.00
CVC	22500(G)	No Parking (Construction Zone obstruction)	35.00	42.00
CVC	22500(H)	No Parking (Double Park)	35.00	42.00
CVC	22500(I)	No Parking (Bus Zone)	250.00	288.00
CVC	22500(J)	No Parking (Tunnel)	45.00	45.00
CVC	22500(K)	No Parking (Bridge)	45.00	45.00
CVC	22500(L)	No Parking (Wheelchair Access)	250.00	288.00
CVC	22500.1	No Parking (Fire Lane)	35.00	45.00
CVC	22502(A)	No Parking (Wrong Way/18" from Curb)	35.00	40.00
CVC	22507.8(A)	No Parking (Disabled Space)	275.00	288.00
CVC	22507.8(B)	No Parking (Blocking Disabled Space)	275.00	288.00
CVC	22507.8(C)(1)	No Parking (Disabled Space Markings)	275.00	288.00
CVC	22507.8(C)(2)	No Parking (Disabled Space Loading/Unloading Zones)	275.00	288.00
CVC	22514	No Parking (Fire Hydrant)	35.00	40.00
CVC	22515(A)	Engine Running	35.00	40.00
CVC	22515(B)	Parking Brake Set/Wheels Blocked	30.00	40.00

ATTACHMENT A

Type	Sections	Description of Violation	EXISTING BAIL AMOUNT	PROPOSED BAIL AMOUNT
CVC	22521	No Parking (Railroad Tracks)	50.00	50.00
CVC	22522	No parking (Disabled Access Ramp)	275.00	288.00
CVC	22523(A)	Abandoned Vehicle (Street)	150.00	150.00
CVC	22523(B)	Abandoned Vehicle (Private/Public Property)	150.00	165.00
LHMC	11-12.040(A)(1)	Parking in Loading Zones	35.00	42.00
LHMC	11-12.040(A)(2)	Stopping in Bus Zone	35.00	42.00
LHMC	11-12.040(B)	Parking more than 72 hours	35.00	42.00
LHMC	11-12.040(C)	Camping in Recreational Vehicle on Public Street	35.00	42.00
LHMC	11-12.040(D)	No-Parking Zone	35.00	42.00
LHMC	11-12.040(E)	Vehicle Not in Condition to be Lawfully Operated	35.00	42.00
LHMC	11-12.040(F)	Repairing/Maintaining Vehicle in Street	35.00	42.00
LHMC	11-12.040(G)	Trailer/Non-motorized Vehicle in Street	35.00	42.00
LHMC	11-12.040(H)	Parking in Bicycle Lane	35.00	42.00
LHMC	11-12.070	Parking in Excess of 72 Hours	35.00	50.00
LHMC	11-12.080	Oversized Vehicle	35.00	50.00
LHMC	11-12.090	Oversized Commercial Vehicle	35.00	50.00
LHMC	11-12.095	Overnight Parking on City Property	35.00	50.00
LHMC	11-24.090	Residential Parking Permit	35.00	50.00

RESOLUTION NO. 2017-12-12-X

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LAGUNA HILLS, CALIFORNIA,
ESTABLISHING AN UPDATED SCHEDULE OF
PENALTIES FOR PARKING VIOLATIONS AND LATE
PAYMENT PENALTIES

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, violations of local and state regulations respecting the standing or parking of vehicles are subject only to civil penalties and are governed by the civil administrative process found in California Vehicle Code Sections 40200, et seq; and

WHEREAS, pursuant to California Vehicle Code Section 40203.5, the parking violation fee schedule and late payment penalties must be established by the governing body of the jurisdiction where the notice of violation is issued; and

WHEREAS, municipalities may also enter equipment violations on notices of parking violations pursuant to California Vehicle Code Section 40225(a) and process said violations in accordance with the civil administrative process found in California Vehicle Code Section 40200, et seq.; and

WHEREAS, the City Council has reviewed the existing parking violation penalty schedule last updated in 2009 and now desires to approve an updated parking penalty violation schedule in order to ensure continued compliance with state regulations and maintain an effective parking violation deterrence program.

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

SECTION 1. The foregoing recitals are true and correct and are incorporated herein by reference.

SECTION 2. The City Council hereby rescinds Resolution No. 2009-08-25-3, which established an updated schedule of penalties for parking violations and late payment penalties.

SECTION 3. Parking violation penalties for violation of the California Vehicle Code, Laguna Hills Municipal Code, and City Council Policies adopted by Resolution pertaining to parking regulations and vehicle equipment specifications

are hereby amended and restated and are approved as set forth in Exhibit "1," entitled "Laguna Hills Parking Violation Penalty Schedule," which is attached hereto and incorporated by reference herein.

PASSED, APPROVED, AND ADOPTED this 12th day of December 2017.

_____, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2017-12-12-X adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 12th day of December 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Attachment: Attachment B - Proposed Resolution (1448 : Updated Parking Violation Penalty Schedule)

EXHIBIT "1"

Laguna Hills Parking Violation Penalty Schedule

Adopted: October 24, 2017

Laguna Hills Municipal Parking Violations

LHMC Section	Offense	1 st Violation*	2 nd Violation*	3 rd Violation*	Late Payment**
11-12.040(A)(1)	Parking in Loading Zones	42.00	92.00	192.00	35.00
11-12.040(A)(2)	Stopping in Bus Zone	42.00	92.00	192.00	35.00
11-12.040(B)	Parking more than 72 hours	42.00	92.00	192.00	35.00
11-12.040(C)	Camping in Recreational Vehicle on Public Street	42.00	92.00	192.00	35.00
11-12.040(D)	No-Parking Zone	42.00	92.00	192.00	35.00
11-12.040(E)	Vehicle Not in Condition to be Lawfully Operated	42.00	92.00	192.00	35.00
11-12.040(F)	Repairing/Maintaining Vehicle in Street	42.00	92.00	192.00	35.00
11-12.040(G)	Trailer/Non-motorized Vehicle in Street	42.00	92.00	192.00	35.00
11-12.040(H)	Parking in Bicycle Lane	42.00	92.00	192.00	35.00
11-12.070	Parking in Excess of 72 Hours	50.00	100.00	150.00	35.00
11-12.080	Oversized Vehicle	50.00	100.00	150.00	35.00
11-12.090	Oversized Commercial Vehicle	50.00	100.00	150.00	35.00
11-12.095	Overnight Parking on City Property	50.00	100.00	150.00	35.00
11-24.090	Residential Parking Permit	50.00	100.00	150.00	35.00

California Vehicle Code Parking Violations

Code Section	Offense	1 st Violation *	2 nd Violation*	3 rd Violation*	Late Payment**	Corrected Bail
4000(a)(1)	Current Registration Required	57.00	107.00	207.00	35.00	10.00
4000.4(a)	California Registration Required	25.00	25.00	25.00	35.00	10.00
5200(a)	Front plate Required	25.00	25.00	25.00	35.00	10.00
5201(a)	Plates not Legible or Loose	25.00	25.00	25.00	35.00	10.00
5201(b)	Cover on Plate	25.00	25.00	25.00	35.00	10.00
5201(c)	Obstruction of Plate	25.00	25.00	25.00	35.00	10.00
5204(a)	Display of Tabs	25.00	25.00	25.00	35.00	10.00
21211(a)	Blocking Bike Path	40.00	90.00	190.00	35.00	N/A
21113(a)	Permit Required on Pubic Grounds	38.00	88.00	188.00	35.00	N/A
22500(a)	No Parking (Intersection)	42.00	92.00	192.00	35.00	N/A
22500(b)	No Parking (Crosswalk)	42.00	82.00	182.00	35.00	N/A
22500(c)	No Parking (Safety Zone)	42.00	92.00	192.00	35.00	N/A
22500(d)	No Parking (Fire Station)	43.00	93.00	193.00	35.00	N/A
22500(e)	No Parking (Driveway)	42.00	92.00	192.00	35.00	N/A
22500(f)	No Parking (Sidewalk)	42.00	92.00	192.00	35.00	N/A
22500(g)	No Parking (Construction Zone obstruction)	42.00	92.00	192.00	35.00	N/A
22500(h)	No Parking (Double Park)	42.00	92.00	192.00	35.00	N/A
22500(i)	No Parking (Bus Zone)	288.00	348.00	448.00	35.00	N/A
22500(j)	No Parking (Tunnel)	45.00	95.00	195.00	35.00	N/A
22500(k)	No Parking (Bridge)	45.00	95.00	195.00	35.00	N/A
22500(l)	No Parking (Wheelchair Access)	288.00	348.00	448.00	35.00	N/A
22500.1	No Parking (Fire Lane)	45.00	95.00	195.00	35.00	N/A
22502(a)	No Parking (Wrong Way/18" from Curb)	40.00	90.00	190.00	35.00	N/A
22507.8(a)	No Parking (Disabled Space)	288.00	348.00	448.00	35.00	N/A
22507.8(b)	No Parking (Blocking Disabled Space)	288.00	348.00	448.00	35.00	N/A
22507.8(c)(1)	No Parking (Disabled Space Markings)	288.00	348.00	448.00	35.00	N/A
22507.8(c)(2)	No Parking (Disabled Space Loading/Unloading Zones)	288.00	348.00	448.00	35.00	N/A
22514	No Parking (Fire Hydrant)	40.00	95.00	195.00	35.00	N/A

EXHIBIT "1"

22515(a)	Engine Running	40.00	95.00	195.00	35.00	N/A
22515(b)	Parking Brake Set/Wheels Blocked	40.00	90.00	190.00	35.00	N/A
22521	No Parking (Railroad Tracks)	50.00	100.00	200.00	35.00	N/A
22522	No parking (Disabled Access Ramp)	288.00	348.00	448.00	35.00	N/A
22523(a)	Abandoned Vehicle (Street)	150.00	200.00	300.00	35.00	N/A
22523(b)	Abandoned Vehicle (Private/Public Property)	165.00	215.00	315.00	35.00	N/A

* California Vehicle Code section 42001(a) limits the monetary penalty for a first violation of local regulations and most state regulations to \$100. For repetitive violations of the same regulations within a twelve month period, the second citation is limited to a maximum penalty of \$200, and the penalty for any violation occurring thereafter is limited to \$250.

** California Vehicle Code section 40203.5 authorizes local governments to establish late payment penalties for parking citations paid more than 21 days after the date the citation is issued.



City of Laguna Hills

City Council/Planning Agency

Staff Report

DATE: December 12, 2017

TO: Mayor and Council Members

FROM: Roland Chacon
Police Chief

ISSUE: Proposed Ordinance Amending Title 11 (Vehicles and Traffic) of the Laguna Hills Municipal Code Relating to Enforcement and Establishment of Parking Penalties

RECOMMENDATION: That the City Council introduce for first reading, read by title only, and waive further reading, an Ordinance entitled: "An Ordinance of the City of Laguna Hills, California, Amending Certain Sections of Chapter 11-04 (General Provisions and Administration) and Chapter 11-12 (Stopping, Standing and Parking) of Title 11 (Vehicles and Traffic) of the Laguna Hills Municipal Code relating to the Enforcement and Establishment of Parking Penalties."

SUMMARY:

The City Council is concurrently considering an update to the City's Parking Penalty Schedule proposed by the Police Services Department. To prepare the revisions to the Parking Penalty Schedule, staff reviewed the existing provisions of Title 11 of the Laguna Hills Municipal Code. During this review, staff identified certain amendments which are necessary to facilitate the enforcement and establishment of parking penalties within the City. The recommended amendment to Section 11-04.040 clarifies that the Orange County Sheriff's Department, under contract as the Police Services Department, is responsible for traffic control and enforcement within the City. The restatement of Sections 11-12.010 and 11-12.100 reaffirms that parking penalty violations are established by Resolution of the City Council.

ATTACHMENTS:

- Proposed Ordinance

ORDINANCE NO. 2017-____

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING CERTAIN SECTIONS OF CHAPTER 11-04 (GENERAL PROVISIONS AND ADMINISTRATION) AND CHAPTER 11-12 (STOPPING, STANDING AND PARKING) OF TITLE 11 (VEHICLES AND TRAFFIC) OF THE LAGUNA HILLS MUNICIPAL CODE RELATING TO THE ENFORCEMENT AND ESTABLISHMENT OF PARKING PENALTIES

THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Section 11-04.040 (Traffic Enforcement) of Chapter 11-04, Article II (Traffic Administration) of Title 11 (Vehicles and Traffic) of the Laguna Hills Municipal Code pertaining to the enforcement of traffic and parking related laws is hereby amended and restated in its entirety to read as follows:

11-04.040 Traffic enforcement.

The Orange County Sheriff's Department is the law enforcement agency responsible for traffic control and enforcement in the city.

SECTION 2. Section 11-12.010 (Regulations Adopted by City Council) of Chapter 11-12 (Stopping, Standing and Parking) of Title 11 (Vehicles and Traffic) of the Laguna Hills Municipal Code pertaining to parking violations and penalties is hereby amended and restated in its entirety to read as follows:

11-12.010 Regulations adopted by City Council.

Except as hereinafter provided, regulations pertaining to the stopping, standing or parking of vehicles shall be established by ordinance or resolution of the City Council. Regulations established by ordinance or resolution, including this Title, pertaining to the stopping, standing or parking of vehicles are deemed infractions subject to penalties as shall be established by resolution of the City Council.

SECTION 3. Section 11-12 (Enforcement) of Chapter 11-12 (Stopping, Standing and Parking) of Title 11 (Vehicles and Traffic) of the Laguna Hills Municipal Code pertaining to parking violations and penalties is hereby amended and restated in its entirety to read as follows:

11-12.100 Enforcement.

A. In the event a vehicle is parked or left standing upon a street or alley in violation of Sections 11-12.070, 11-12.080, and/or 11-12.090 and is not moved as required by this chapter, any law enforcement member may

remove the vehicle from the street in the manner and subject to the requirements of California Vehicle Code Section 22650 et seq.

B. In addition to the grounds for removal specified in the California Vehicle Code, and pursuant to California Vehicle Code Section 22651(n), any vehicle parked or left standing on any property owned or operated by the city contrary to the directions or provisions of signs erected or posted pursuant to Section 11-12.095 may be immediately removed by any law enforcement officer or regularly employed and salaried employee of the city who is engaged in directing traffic or enforcing parking laws and regulations of the city. Vehicles removed pursuant to this subsection shall be removed and stored either to: (1) the nearest garage; (2) a garage designated or maintained by the city or the Orange County Sheriff's Department; or (3) other place of safety as approved in writing by the City Manager, or his or her designee, or the Orange County Sheriff's Department. The City Manager or the Orange County Sheriff's Department is authorized to adopt such written regulations and procedures as necessary to implement the removal of vehicles pursuant to this subsection and to enter into such agreements with tow services as may be necessary to implement the removal remedies of this subsection.

SECTION 4. If any section, subsection, subdivision, sentence, clause, phrase, or a portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more section, subsection, subdivision, sentence, clause, phrase, or portion thereof be declared invalid or unconstitutional.

SECTION 5. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted at the duly designated posting places within the City and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

Ordinance No. 2017-__

PASSED, APPROVED, AND ADOPTED this 12th day of December 2017.

_____, MAYOR

ATTEST:

MELISSA AU-YEUNG, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Melissa Au-Yeung, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing Ordinance No. 2017-__ was duly introduced and placed upon its first reading at a Regular Meeting of the City Council on the 12th day of December 2017, and that thereafter, said Ordinance was duly adopted and passed at a Regular Meeting of the City Council held on the ____ day of _____ 2018, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

MELISSA AU-YEUNG, CITY CLERK

Attachment: Proposed Ordinance (1447 : Ordinance Amending Title 11 of LPMC)

Ordinance No. 2017-__

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

AFFIDAVIT OF POSTING
AND PUBLICATION

MELISSA AU-YEUNG, being first duly sworn, deposes and says:

That she is the duly appointed and qualified City Clerk of the City of Laguna Hills;

That in compliance with State Laws of the State of California, ORDINANCE NO. 2017-__, being:

AN ORDINANCE OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING CERTAIN SECTIONS OF CHAPTER 11-04 (GENERAL PROVISIONS AND ADMINISTRATION) AND CHAPTER 11-12 (STOPPING, STANDING AND PARKING) OF TITLE 11 (VEHICLES AND TRAFFIC) OF THE LAGUNA HILLS MUNICIPAL CODE RELATING TO THE ENFORCEMENT AND ESTABLISHMENT OF PARKING PENALTIES

on the ____ day of _____ 2017, was published in summary in the Saddleback Valley News, and on the ____ day of _____ 2018, was published in summary in the Saddleback Valley News; and was, in compliance with City Resolution No. 2004-05-25-2, on the ____ day of _____ 2017, and the ____ day of _____ 2018, caused to be posted in three places in the City of Laguna Hills, to wit:

Laguna Hills City Hall
Laguna Hills Community Center
La Paz Center

MELISSA AU-YEUNG, CITY CLERK
Laguna Hills, California

Attachment: Proposed Ordinance (1447 : Ordinance Amending Title 11 of LHMC)