



LH sets balanced budget, warning

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The La Habra City Council approved the annual general fund budget of just under \$42.3 million at its June 19 meeting.

The balanced budget is 3.5 percent, or \$1,432,833 more than last year's budget and reflects a slight increase in revenue from property tax and a consistent sales tax.

The increased budget covers an increased fire contract costs, revenue funded labor costs, increased ambulance contract services costs; and the new body-worn camera equipment and annual maintenance costs for the La Habra Police Department.

While balanced, the city staff warned the council on some financial challenges that are on the way. The popularity of online shopping can have an increasing negative impact on sales tax revenue as the tax is assessed at the location of the distribution center.

Mark Sturdevant, president of the La Habra Area Chamber of Commerce said that's where programs like Shop La Habra comes in to help in encouraging consumers to shop at La Habra retailers.

City staff warned of something even larger that will negatively impact the city's budget. It's based on the changes to the state pension program known as CalPERS. The state pension program revised its policies regarding the amortization of unfunded pension liabilities, which transfers the greater burden of funding to the cities.

City staff reported that it is anticipating that the city's pension obligation costs will continue to increase each year for at least the next decade, growing from approximately \$5.5 million per year 2016-17 to almost \$13.9 million per year by FY 2026-27. This represents a 153 percent increase.

The city prepared somewhat for something like this. Several years ago the council authorized the negotiation of a lower pension formula for newly hired employees, as well as having city employees pay either seven or nine percent towards their own pension costs, depending on the plan they were in.

However, according to Mel Shannon, La Habra's director of finance, that adjustment is not enough to cover the pending increased pension costs on the city budget.

In an effort to begin addressing these growing costs, the council has designated \$500,000 of unappropriated funds to a Pension Rate Stabilization Fund, with the intent on setting aside available resources to address future pension cost increase.

Shannon said the city's goal to maintain a prudent and fiscally responsible budget in future fiscal years will be challenging, but not impossible.

He noted that new residential and commercial infill projects have the potential to revitalize areas of the city and spur additional growth and investments. This will help increase tax revenue.

Shannon shared some of the more notable goals that are already factored into the budget. They include:

- Completion of the major residential, commercial and development projects under construction,
- Continued maintenance of the city's streets, sidewalks, medians, parks, water, storm drains, and sewer infrastructure;
- Beginning and completion of the Lambert Road Improvement Project;
- The final landfill cover and complete designs for park and recreational uses at Vista Grande Park;
- Completion of the La Habra Bikeway Master Plan;
- Continuation of the city's Water Main, Sewer Lining and Manhole Replacement Program.

All council members acknowledged the staff's work to prepare a balanced budget without making any large cuts to city services. However, they stressed to the city staff that they should start planning for the fiscal impact in coming years.

