

# CITY OF LOS ALAMITOS

3191 Katella Avenue  
Los Alamitos, CA 90720

## AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Monday, March 23, 2020 – 6:00 p.m.

### **CORONAVIRUS (COVID-19) ADVISORY NOTICE**

In response to Executive Order N-29-20, the City of Los Alamitos will no longer offer an in-person meeting location for the public to attend. This meeting will be held via video conference. Information on how to participate is below. The City is not responsible for any interrupted service.

Join Zoom Meeting

<https://zoom.us/j/477029481?pwd=bHV0eVVaYnk3QitWR0t2TXA2WFR4QT09>

Meeting ID: 477 029 481

Password: 254072

To ensure the City Council receives your comments, submit written comments to the City Clerk prior to the meeting via email [wquintanar@cityoflosalamitos.org](mailto:wquintanar@cityoflosalamitos.org). If you do not have access to internet, please contact the City Clerk at (562) 431-3538 ext. 220 by 3:00 p.m. the day of the meeting to learn about additional options for remote participation.

Any member of the public who needs accommodations should contact the City Clerk who will use their best efforts to provide reasonable accommodations to provide as much accessibility as possible while also maintaining public safety in accordance with the City procedure for resolving reasonable accommodation requests.

Members of the public may speak on Agenda items.

#### **NOTICE TO THE PUBLIC**

This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at [www.cityoflosalamitos.org](http://www.cityoflosalamitos.org) once the agenda has been publicly posted.

Any written materials relating to an item on this agenda submitted after distribution of the agenda packet are available for public inspection in the City Clerk's Office, 3191 Katella Ave., Los Alamitos CA 90720, during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting.

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made. Assisted listening devices may be obtained from the City Clerk at the meeting for individuals with hearing impairments.

Persons wishing to address the Committee on any item on the agenda will be called upon at the time the agenda item is called or during the Committee's consideration of the item and may address the Committee for up to three minutes.

**1. CALL TO ORDER**

**2. ROLL CALL**

Council Member Chirco  
Council Member Hasselbrink

**3. CONSENT CALENDAR**

**A. Approval of Minutes**

Approve the Minutes of the Special Meeting on November 4, 2019.

**4. DISCUSSION ITEM**

**A. Mid-Year General Fund Budget Review for Fiscal Year 2019-20**

This report provides the Budget Standing Committee with a Mid-year General Fund budget and financial update for the Fiscal Year 2019-20.

Recommendation: Review the mid-year budget and financial update for fiscal year 2019-20 and approve the budget amendments to Fiscal Year 2019-20 as discussed and recommended.

**5. ADJOURNMENT**

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted on the City's website at [www.cityofosalamos.org](http://www.cityofosalamos.org) not less than 24 hours prior to the meeting.

*Craig Koehler*

Craig Koehler, Interim Finance Director

3/20/20

Date

# **MINUTES OF THE BUDGET STANDING COMMITTEE OF THE CITY OF LOS ALAMITOS**

## **SPECIAL MEETING**

**Monday, November 4, 2019 – 5:00 p.m.**

### **1. CALL TO ORDER**

The Budget Standing Committee met for a Special Meeting at 5:00 p.m., Monday, November 4, 2019, at City Hall, 3191 Katella Avenue, Council Members Chirco and Hasselbrink presiding.

### **2. ROLL CALL**

**Present:** Committee Members: Council Member Chirco  
Council Member Hasselbrink

**Absent:** Committee Members: None

**Present:** Staff: Les Johnson, Interim City Manager  
Eric Hendrickson, Finance Director  
Eric Nunez, Police Chief  
Chris Karrer, Police Captain

### **3. CONSENT CALENDAR**

#### **A. Approval of Minutes**

Motion/Second: Chirco/Hasselbrink

Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting on September 23, 2019

### **4. DISCUSSION ITEMS**

Council Member Hasselbrink opened the item for public comment. There being no one present wishing to speak, Council Member Hasselbrink closed the item for public comment.

#### **A. Review impact of changes regarding the School Resource Officer**

The Budget Standing Committee reviewed and discussed the budgetary impact of changes regarding the School Resource Officer.

### **5. ADJOURNMENT**

The Budget Standing Committee adjourned at approximately 5:50 p.m.

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Craig Koehler, Interim Finance Director

# **City of Los Alamitos**

## **BUDGET STANDING COMMITTEE**

### **AGENDA REPORT**

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**MEETING DATE: March 23, 2020      ITEM NUMBER: 4A**

**To:                                      Budget Standing Committee Members**

**Presented By:                      Craig Koehler, Interim Finance Director**

**Subject:                                Mid-Year General Fund Budget Review for Fiscal Year 2019-20**

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#### **SUMMARY**

This report provides the Budget Standing Committee with a Mid-year General Fund budget and financial update for the Fiscal Year 2019-20.

#### **RECOMMENDATION**

Review the mid-year budget and financial update for Fiscal year 2019-20 and approve the budget amendments to Fiscal Year 2019-20 as discussed and recommended.

#### **BACKGROUND**

It is customary to conduct a thorough analysis of all estimated revenues and appropriations at the end of the first six months of the fiscal year. This process updates the Budget Standing Committee and City Council on the fiscal status of the City's General Fund at the midpoint of the fiscal year and provides a forum to address potential budget amendments or adjustments.

#### **DISCUSSION**

##### **Fiscal Year 2019-20 General Fund Budget Overview**

The original adopted budget for fiscal year 2019-20 projected a balanced General Fund budget with operating revenues equaling operating expenditures of \$14,429,965. General Fund revenues and General Fund Expenditures were budgeted at \$14,429,965 (excluding carryovers). On September 16, 2019, the City Council approved a \$722,332 in carryovers which included primarily the Alley Improvement Project and Police Men's Locker Room Update and other encumbrances.

The forecast of estimated General Fund revenues and expenditures included in this report is based on the most likely projected scenario, which is based on a number of assumptions. As the year unfolds staff will continue to monitor the General Fund revenues and expenditures and will provide the City Council with an update later in the fiscal year.

## Fiscal Year 2019-20 General Fund Projected Revenues

The amended budget for Fiscal Year 2019-20 forecasted revenues for the General Fund totals \$14.430 million. Staff has put together a projection of FY 2019-20 General Fund revenues included in the table below. We have provided an explanation for the sources of revenue that have significant budget variances below.

Revenues and Transfers In	2019-20		Budget Variance
	Amended Budget	2019-20 Projected	
Property Taxes	\$ 4,086,019	\$ 4,226,790	\$ 140,771
Sales & Use Taxes	4,098,260	3,873,305	(224,955)
Utility Users Tax	2,009,240	1,998,550	(10,690)
Transit Occupancy Tax	239,680	157,652	(82,028)
Franchise Fees	673,025	664,289	(8,736)
Licenses & Permits	853,205	1,011,115	157,910
Fines & Forfeitures	720,500	780,500	60,000
Investment Earnings	105,000	105,000	-
Revenue from Other Agencies	117,505	146,085	28,580
Charges for Services	995,532	957,071	(38,461)
Miscellaneous Revenues	72,000	74,000	2,000
Interfund Transfers	460,000	460,000	-
<b>Total Revenues and Transfers In</b>	<b>\$ 14,429,966</b>	<b>\$ 14,454,357</b>	<b>\$ 24,391</b>

Material variances from the amended budget are as follows:

**Property Taxes** are projected to be approximately \$141,000 higher than budgeted based on projected increase in assessed valuation. There is an anticipated increase of secured property tax of \$88,000 due to increased assessed values of homes. Based on HdL's net taxable assessed value change in growth, the City's property value has increased by 5.0% when compared to the previous year. This is higher than the original estimated increase of 4.4%. Additionally, there has been a continued increase in property sales in the City therefore, there is also a projected increase of \$53,000 in real estate transfer taxes.

**Sales & Use Taxes** are projected to be approximately \$225,000 lower than budget. This is primarily due to the temporary closure and remodeling of Ganahl Lumber, and opening of the Torrance location, which attracted much of the sales base during the Los Alamitos store closure. In light of the opening of the Torrance location, the full extent of the financial impact on the Los Alamitos store location may not be known until the next quarterly update from HdL.

**Licenses and permits** are projected to be approximately \$158,000 higher than budgeted primarily due to higher than expected permits issued during the first half of Fiscal Year 2019-20 and anticipation of this continuing for the remainder of the fiscal year. Lastly, revenue from public works permits are projected to be \$48,000 higher than estimated.

**Investment Earnings** are projected to be at budget. However, the weighted average yield of the portfolio decreased slightly from 2.08% in September 2019 to 2.00% in December 2019.

**Transient Occupancy Tax** revenue is projected to be approximately \$82,000 less than budgeted for Fiscal Year 2019-20. This is primarily due to lower than expected TOT receipts for the two existing hotels for the first half of Fiscal Year 2019-20. The new hotel development, representing one quarter TOT, or approximately \$60,000 has not been included in the projection based on the likelihood that the hotel will not open in April 2020, as originally planned.

**Fiscal Year 2019-20 General Fund Projected Expenditures**

The amended budget for Fiscal Year 2019-20 forecasted operating expenditures for the General Fund totals \$14.430 million. Staff has put together a projection of FY 2019-20 General Fund expenditures included in the table below. We have provided an explanation for the categories of expenditures that have significant budget variances below.

Department	2019-20 Amended Budget	2019-20 Projected	Budget Variance
City Council	\$ 66,895	\$ 71,895	\$ 5,000
City Manager/City Clerk	796,632	830,591	33,959
Finance	752,515	726,145	(26,370)
City Attorney	176,000	205,000	29,000
Police	6,411,556	6,003,213	(408,343)
Development Services	3,116,894	2,989,451	(127,443)
Recreation and Community Services	1,724,608	1,676,215	(48,393)
Non-Departmental	575,865	575,865	-
Interfund Operating Transfers			-
<b>Total Operating Expenditures and Transfers</b>	<b>\$ 13,620,965</b>	<b>\$ 13,078,375</b>	<b>\$ (542,590)</b>
<b>Non-operating Expenditures</b>			
Grant-related carryover	\$ 53,221	\$ 53,221	\$ -
General Plan Update	18,475	17,391	\$ (1,084)
<b>Total Non-operating Expenditures</b>	<b>\$ 71,696</b>	<b>\$ 70,612</b>	<b>\$ (1,084)</b>

Material variances from the amended budget are as follows:

**City Council** – Fiscal Year 2019-20 City Council expenditures are \$5,000 higher than budget due to increase material costs for the City’s 60<sup>th</sup> Anniversary.

**City Manager/City Clerk** – Fiscal Year 2019-20 City Manager/City Clerk expenditures are \$33,959 higher than budget due to higher payouts in anticipated departures.

**City Attorney** – Fiscal Year 2019-20 City Attorney expenditures are estimated to be \$29,000 higher than budget primarily due to a higher volume of assignments handled by the City Attorney than was originally anticipated.

**Police** – Expenditures are currently estimated to be \$408,300 below budget, which is primarily attributable to salary savings from four vacancies in the first half of Fiscal Year 2019-20. The salary savings are offset with approximately \$133,000 more in projected overtime expenditures in order to cover shifts and \$29,000 more in projected payouts due to higher than anticipated departures.

**Development Services** – Expenditures are currently estimated to be approximately \$127,000 below budget, which is primarily attributable to salary savings from the vacant Development Services Director position. This is offset by higher Contractual Services of \$51,000 being used to fill in for the vacant Director position. In addition, there is \$15,000 savings in Park maintenance due to lower water consumption.

**Recreation and Community Services** – Expenditures for the department are currently estimated to be approximately \$48,400 under budget, which is primarily attributable to \$28,000 in lower part-time salaries and costs associated with the Special Classes section, due to cancellation of one of the classes. In addition, there are \$20,000 lower costs for Special Events, mainly attributable to lower than budgeted costs for the Race on the Base event.

### **Police Department Capital Needs**

The approximate cost to expand and remodel the Police Men's Locker Room is approximately \$199,000 at this time. This project has been put on hold.

### **Community Center Roof Repair Capital Needs**

On May 21, 2018 the City Council approved a contract with K&J Construction for necessary repairs to the Community Center Roof Project (CIP No. 17/18-02). As a result, staff is recommending that the entire Community Center roof be considered for replacement. This effort would prevent any additional water damage being caused by the roof leaks, provide a warranty for a minimum of 5 years, as well as comfort in knowing that the entire roof has been comprehensively addressed at the same time. The cost for this work is estimated to be approximately \$140,000. There is available funding in the Facilities, Streets, and Parks Capital Expenditures Fund for this capital need.

### **Development Services Capital Needs**

A new HVAC unit is needed at the Rec Center. The cost for this is \$11,580, based on obtaining three quotes. The current budget for FY2019-20 did not include allowance for this expenditure. Available funding is available in the Facilities, Streets, and Parks Capital Expenditures Fund for this capital need.

## Park Development - Fund 40 Activity Update

Fiscal Year 2019-20 Budget included the following activity for budgeted revenues and expenditures:

<b>Fund</b>	<b>Fund Balance as of July 1, 2019</b>	<b>2019-20 Revenues</b>	<b>2019-20 Capital Improvement Projects</b>	<b>Projected Fund Balance as of June 30, 2020</b>
Park Development Fund (40)	25,178	269,240	255,000	39,418

The City budgeted revenues of \$269,240 in park impact fees in connection with the Olsen development. In anticipation of these revenues in Fiscal Year 2019-20, the City adopted capital expenditures as detailed below:

<b>Project</b>	<b>2019-20 Budget</b>	<b>Approved Budget Amendments</b>	<b>2019-20 Amended Budget</b>
Community Youth Center ADA Repairs	\$ 45,000	\$ -	\$ 45,000
Community Center Alum Doors	60,000		60,000
Laurel Park Restrooms	30,000		30,000
Laurel Park Fencing & Mesh	30,000		30,000
Laurel Park Tennis Court Resurfacing	40,000		40,000
Laurel Park ADA Bleachers	30,000		30,000
Stansbury Park Turf Renovation	10,000		10,000
Soroptomist Park Turf Renovation	10,000		10,000
	<u>\$ 255,000</u>	<u>-</u>	<u>\$ 255,000</u>

Staff has received the anticipated revenues for the Olson Urban Housing new multi-family residence in the amount of \$496,244, an increase of \$228,004 over the adopted budgeted amount of \$268,240. No other park impact revenues are anticipated for the balance of this fiscal year. In addition, the 2018-2019 Actuals for Project Expenditures have been updated to reflect \$96,600 less in project spending for 2018-2019, thereby increasing the Beginning Fund Balance from \$25,178 to \$121,778.

Since the revenues for 2019-2020 are projected to exceed the adopted project expenditures, Staff is not recommending any adjustment to the adopted project expenditures as shown above. With revisions to the revenues and beginning balance, the new activity in Fund 40 would be reflected as follows:

<b>Fund</b>	<b>Revised Fund Balance as of July 1, 2019</b>	<b>2019-20 Revenues</b>	<b>2019-20 Capital Improvement Projects</b>	<b>Projected Fund Balance as of June 30, 2020</b>
Park Development Fund (40)	121,778	497,244	255,000	364,022

The City was awarded a grant from SCAG for a Community-wide Active Transportation Plan to establish a bike and pedestrian-friendly environment. The City applied for the grant in 2016 (approved by Council), but it was just recently awarded. The City is required to “match” the grant with \$15,000 (originally estimated as \$20,000). SCAG wants assurances that the City is prepared to match the grant before moving forward. Matching funds would be paid from the Gas Tax Fund, Measure M Funds, and/or the Facilities, Streets, & Parks Capital Expenditures fund.

The staff report dated November 21, 2016, stated that if awarded the grant, staff will return to the City Council to request an appropriation for the project since we did not take this into account for FY2019-20 budget. Staff recommends an appropriation for \$15,000 and funding from the Facilities, Streets, and Parks Capital Expenditures Fund (52).

### **Fiscal Year 2019-20 Budget Amendments**

It is recommended that the General Fund expenditures be increased by \$67,959 to account for the expected increases for City Council, City Manager/City Clerk, and City Attorney. Staff recommends increasing the City Council budget by \$5,000 to cover additional costs for the City’s 60<sup>th</sup> Anniversary. Staff recommends increasing the City Manager/City Clerk budget by \$33,959 to cover higher payouts due to vacation and sick conversions, and the City Attorney budget by \$29,000 to cover additional costs that were incurred in the first half of the year for unanticipated litigation.

<b>Funding Source</b>	<b>Budget Increase Request</b>	<b>Project Description</b>
General Fund	\$ 67,959	City Council, City Manager/City Clerk, and City Attorney
Facilities, Streets, and Parks Capital Expenditures (52)	140,000	Replacement of Community Center roof (exterior)
Facilities, Streets, and Parks Capital Expenditures (52)	11,580	Replacement of HVAC for Recreation Center
Facilities, Streets, and Parks Capital Expenditures (52)	15,000	Matching for SCAG grant - Community - wide Active Transportation Plan

### **Fiscal Sustainability**

The City of Los Alamitos has been proactively developing a long term fiscal sustainability process to help identify ways the City can maintain City services utilizing ongoing revenues to cover ongoing costs. City Council and staff are committed to ensuring Los Alamitos retains its small town character, focusing on its important heritage, size and location, as well as ensuring the City remains a safe and welcoming place to live, work, visit and play. The City launched the “Building Future Sustainability” program last year to strategically address the financial challenges ahead and ensure these commitments continue to be met.

Past and current efforts have and continue to focus upon being innovative with City revenues through economic development (new hotel and relocation of Epson), achieving full cost recovery, utilizing grants, as well as managing wise investments. Importantly, we have been innovative and thoughtful with City expenditures through establishing lower tiered pension and salary schedules, using contract service providers where appropriate, and reducing staffing and programs wherever possible without negatively affecting services.

Over the last year, City staff worked closely with the Council Budget Standing Committee to review all the pros and cons of cost cutting and revenue enhancement opportunities. This effort resulted in 21 items being presented to the City Council at the meeting of August 19, 2019. The process of proactively engaging the Community through community meetings along with a community survey was essential in order to gauge the residents' priorities, before making any specific formal recommendations to City Council for reductions to City services or proposing revenue enhancement options to address the budget challenges ahead.

Staff took the months of September 2019 through January 2020 to commence a proactive public outreach program and voter polling to gauge the Community's priorities related to city services and programs. In addition, a number of potential service reduction and revenue enhancement options were explained to the community. Information was updated and posted to the city website and other social media locations.

The Council workshop on January 14 provided a summary of the community stakeholder engagements, survey results, and an overview of potential service cuts and revenue enhancement measures. The overall results of the registered voter survey were presented by FM3. In summary, the survey results show there is strong support to maintaining current service levels and for a local one-cent sales tax adjustment, while maintaining local control of public safety and other city services at 72% to 76% supporting a measure on the ballot in November. The survey represents support for a sales tax increase, which exceeded all other identified taxing options. We value the open dialogue and appreciate the willingness to discuss ideas, concerns, opportunities, and especially how we can work together for beneficial outcomes for our community.

On March 16, Council entered into a second contract with FM3 to provide additional polling and obtaining feedback on an additional one-half percent sales tax increase, for a full 1.5% tax increase measure for the November ballot. This additional increase will better address the long-term budget deficit gaps estimated to be \$1.4M FY2020-21 to over \$3.4M in FY2027-28, and also fund some of the identified essential Capital Improvement Projects (approx. \$60M).

Staff is finalizing the mid-year budget report and will bring this to the April meetings. In addition, the City will start the process for the development of the upcoming Fiscal Year 2020-21 budget with the recognition that based on the long-range plan, it will be a challenging process to balance services with limited revenues. The information from both these processes are essential to keeping our long-term financial plan updated.

## **Fiscal Impact**

The Fiscal Year 2019-20 estimated actual General Fund expenditures and revenues are based on the most likely projected scenarios and include a number of assumptions. As the year unfolds staff will continue to monitor the General Fund revenues and expenditures and will provide the City Council and Budget Standing Committee with an update in the third quarter of this fiscal year. Furthermore, staff will review budget for all other funds and the 7-Year CIP with the council during the budget process in May.

Budget Appropriations increases as detailed in the report include the following total effect:

- General Fund Expenditure Budget increase of \$67,959 – City Council (\$5,000), City Manager/City Clerk (\$33,959), City Attorney (\$29,000)
- Facilities, Streets, and Parks Capital Expenditure Budget increase of \$140,000 for replacement of the Community Center roof from Park Development Funds
- Facilities, Streets, and Parks Capital Expenditure Budget increase of \$11,580 for replacement of the HVAC at the Recreation Center from Park Development Funds
- Facilities, Streets, and Parks Capital Expenditure Budget increase of \$15,000 for SCAG grant matching – Community-wide Active Transportation Plan

Submitted By: Craig Koehler, Interim Finance Director

Approved By: Chet Simmons, City Manager