

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

Wednesday, May 6, 2020 – 5:00 p.m.

SAFETY ALERT –NOTICE REGARDING COVID-19

Due to COVID-19, the City of Los Alamitos Budget Standing Committee Special Meeting on May 6, 2020 will be conducted by videoconference pursuant to the provisions of the Governor’s Executive Orders N-25-20 and N-29-20. The public may access the meeting electronically or telephonically.

Pursuant to Executive Orders and given the current health concerns, members of the public can access meetings by using your phone to dial +1 (669) 990-6833 and enter the Meeting ID: 840-6547-9811. Your microphone will be disabled upon entry for the duration of the meeting. **Members of the public may not attend the meeting in person.**

The public can submit comments to cityclerk@cityoflosalamitos.org with the subject line “PUBLIC COMMENT ITEM #” (insert the item number relevant to your comment) or “PUBLIC COMMENT NON-AGENDA ITEM.” Comments **received by 3:00 p.m.** will be compiled and provided to the Budget Standing Committee and made available to the public before the start of the meeting. Staff will not read email comments at the meeting but the official record will include all email comments received until the close of the meeting.

Members of the public wishing to verbally deliver comments via the telephone conference can submit their requests to cityclerk@cityoflosalamitos.org **until the close of the public comment period.** The City Clerk will compile a list of speakers who have indicated a desire to speak. Before the close of the meeting, the City Clerk will announce each speaker, enable the speaker’s microphone, and begin the three minute timer. The speaker’s microphone will automatically be disabled at the end of three minutes.

All speakers shall observe civility, decorum and good behavior. Any item submitted to the Budget Standing Committee during the meeting shall become public record and subject to applicable disclosure laws.

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 on the City’s website at 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 on the City's website at www.cityoflosalamitos.org.

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.

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 April 14, 2020.

4. DISCUSSION ITEM

A. Preliminary General Fund Budget for Fiscal Year 2020-21

This report provides a preliminary budget for the General Fund for Fiscal Year 2020-21.

Recommendation: Review and discuss the preliminary budget for the General Fund for Fiscal Year 2020-21 and provide direction to staff.

B. Discussion of Potential Options to Address Budget Gap

This report provides a preliminary overview of potential options to address the budget gap for Fiscal Year 2020-21.

Recommendation: Review and discuss the potential budget gap options for Fiscal Year 2020-21 and provide direction to staff.

5. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at Los Alamitos City Hall, 3191 Katella Ave. and available on the City's website, www.cityoflosalamitos.org, not less than 24 hours prior to the meeting.

Craig Koehler

Craig Koehler, Interim Finance Director

5/5/20

Date

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

SPECIAL MEETING

Tuesday, April 14, 2020 – 6:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 6:04 p.m., Monday, April 14, 2020, via video conference, Council Members Chirco and Hasselbrink presiding.

2. ROLL CALL

Present: Committee Members: Council Member Chirco
Council Member Hasselbrink

Absent: Committee Members: None

Present: Staff: Chet Simmons, City Manager
Ron Noda, Deputy City Manager
Craig Koehler, Interim Finance Director
David Cain, Fiscal Sustainability Manager
Windy Quintanar, City Clerk

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 March 23, 2020.

4. DISCUSSION ITEMS

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

The Budget Standing Committee reviewed the General Fund projection and financial update for the Fiscal Year 2019-20.

5. ADJOURNMENT

The Budget Standing Committee adjourned at approximately 6:48 p.m.

Craig Koehler, Interim Finance Director

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: May 6, 2020

ITEM NUMBER: 4A

To: Budget Standing Committee Members

Presented By: Craig Koehler, Interim Finance Director

Subject: Preliminary General Fund Budget for Fiscal Year 2020-21

SUMMARY

The report provides a preliminary budget for the General Fund for Fiscal Year 2020-21.

RECOMMENDATION

Review and discuss the preliminary budget for the General Fund for Fiscal Year 2020-21 and provide direction to staff.

BACKGROUND

It is customary to conduct a preliminary analysis of all appropriations for the upcoming fiscal year. This process updates the Budget Standing Committee and City Council on the forecasted fiscal status of the City's General Fund to address any potential gap closures and/or use of reserves.

DISCUSSION

Fiscal Year 2020-21 General Fund Budget Overview

As the Budget Standing Committee is aware, the long range model that the City had conducted as part of its fiscal sustainability planning efforts had projected that the City would be facing a significant deficit beginning in Fiscal Year 2020-21. This updated modeling currently shows a projected General Fund budget for Fiscal Year 2020-21 with a projected budget gap of \$1,347,073. These current models have been updated to reflect a significant decrease in revenues as a result of the pandemic, federal and state regulatory changes, as well as other budgetary actions that have been taken in order to offset some of those losses.

Given the volatility in the current global and local economic markets and the unknown future impacts of the COVID-19 pandemic, there will be a need to constantly update and review this budget in order to ensure that the City is taking into account the latest market conditions and potential economic impacts. As such, this will be a "living" budget document.

According to the latest estimates for HdL and Beacon Economics, the early part of summer will see the slow reopening of the economy. Overall, these estimates anticipate a 10% decline in GDP. This decline will certainly result in a number of businesses going bankrupt, as they experience contraction through the 4th quarter of 2020. It is anticipated that the recovery could take up to 18 months, lasting through the end of 2021. Even under this model, some retail will not fully recover, as it was experiencing contraction prior to the pandemic. This will especially impact brick and mortar retailers, who had already seen a portion of their sales move to online retailers. Leisure and hospitality industries will be severely impacted, however, the recovery in this sector is anticipated to be more rapid than that experienced during the 2009 recession.

The chart below is an estimate of the Fiscal Year 2020-21 General Fund Preliminary Budget and projected \$1,347,073 deficit and change in fund balance under the current scenario.

Fiscal Year 2020-21 General Fund Preliminary Budget		
Beginning Fund Balance	\$	8,840,707
Add: Revenue and Transfers In		13,640,247
Less: Operating Expenditures/Transfers Out		<u>(14,987,320)</u>
Ending Fund Balance		7,493,634
Change in Fund Balance	\$	(1,347,073)

No such CIP expenditures are included in the Fiscal Year 2020-21 Preliminary General Fund Budget.

Fiscal Year 2020-21 General Fund Revenues

As shown below, Fiscal Year 2020-21 Preliminary Budget Revenues are projected to decrease over the Fiscal Year 2019-20 Amended Budget by approximately \$790,000, to \$13,640,247.

Revenues and Transfers In	2019-20	2020-21 Prelim	Increase/
	Amended Budget	Budget	(Decrease)
Property Taxes	\$ 4,086,019	\$ 4,039,500	\$ (46,519)
Sales & Use Taxes	4,098,259	3,372,837	(725,422)
Utility User Taxes	2,009,240	1,990,000	(19,240)
Transient Occupancy Tax	239,680	300,108	60,428
Franchise Fees	673,025	664,100	(8,925)
Licenses & Permits	853,205	924,902	71,697
Fines & Forfeitures	720,500	730,500	10,000
Investment earnings	105,000	106,100	1,100
Revenue from Other Agencies	117,505	119,700	2,195
Charges for Services	995,532	945,500	(50,032)
Miscellaneous Revenues	72,000	72,000	-
Interfund Transfers	460,000	375,000	(85,000)
Total Revenues and Transfers In	\$ 14,429,965	\$ 13,640,247	\$ (789,718)

The major changes in revenues over the prior year's budget are primarily due to the following:

Property Taxes are projected to decrease by approximately \$46,000. This reflects a general slowdown in the economy and downward trending that began in the later quarters of Fiscal Year 2019-20. As such, a factor has been included to account for the financial impact from the reduction of approximately 1% for the Fiscal Year 2020-21 Preliminary Budget. An update for Property Taxes will be provided once new estimates are received from HdL.

Sales and Use Taxes are projected to decrease by approximately \$725,000. This revenue category is by far expected to experience the largest impact from the pandemic, and assumes HdL's "worst case scenario" based on estimates received on April 16, 2020. The sales and Use Taxes reflect approximately 18% decline over Fiscal Year 2019-20.

However, there will be some offset to this from the 90-day 1st quarter 2020 payment extension, that allows qualifying businesses to spread their 1st Quarter 2020 liability over a twelve-month period. The estimated financial impact from this is a \$275,000 increase for Sales & Use Taxes for Fiscal Year 2020-21, that was deferred and not reflected in Fiscal Year 2019-20. This is based on HdLs' estimate of the 312 potential accounts that may enter into installment payment plans with the State to spread their first quarter 2020 liability over 12 months beginning in August 2020.

Transit Occupancy Tax (TOT) is projected to increase by approximately \$60,000 over the Amended Budget for FY2019-20. This assumes that activity for the two existing hotels will reflect a general decrease over Fiscal Year 2019-20, and the third hotel will come on line sometime during late summer months once COVID-19 restrictions are lifted, and then

overall reduced activity for all three hotels for the remainder of the calendar year 2020 and possibly into 2021.

Licenses and permits are projected to increase by approximately \$72,000 for Fiscal Year 2020-21, and assumes a general increase in building activity following the release of restrictions for COVID-19.

Charges for Services are projected to decrease by approximately \$50,000. The primary reason for this is due to reduced activity projected for Recreation classes and events planned for Fiscal Year 2020-21.

Fiscal Year 2020-21 General Fund Expenditures

As shown below, Fiscal Year 2020-21 expenditures are projected to increase over Fiscal Year 2019-20 Amended budgeted expenditures by approximately \$557,000 to \$14,987,320.

Department	2019-20 Amended Budget	2020-21 Preliminary Budget	Increase/ (Decrease)
City Council	\$ 66,895	\$ 71,895	\$ 5,000
City Manager/City Clerk	796,632	798,055	1,423
Finance	752,515	715,248	(37,267)
City Attorney	176,000	176,000	-
Police	6,411,556	7,031,277	619,721
Development Services	3,116,894	3,145,391	28,497
Recreation and Community Services	1,724,608	1,664,589	(60,019)
Non-Departmental	575,865	575,865	-
Interfund Operating Transfers	809,000	809,000	-
Total Operating Expenditures and Transfers	\$ 14,429,965	\$ 14,987,320	\$ 557,355

Material variances for the Fiscal Year 2020-21 Preliminary Budget for Operating Expenditures and Transfers are as follows:

Police – expenditures are projected to increase by approximately \$619,000 over the Fiscal Year 2019-20 Amended Budget, an increase of \$540,000 for Salaries & Benefits, and approximately \$79,000 more for Materials, Supplies & Services. This also includes an increase in overtime of \$110,000 in Patrol, and includes vacant positions.

Recreation and Community – expenditures are projected to decrease by approximately \$60,000 from prior year’s budget. The primary reason is due to a reduction in Special Events and reduced estimates for race on the Base (\$22,500 less) and Fourth of July (\$37,000 less). There has also been a general decrease in part-time costs as a result of the reduction and postponement of many events, classes and programs.

The changes in citywide expenditures over the prior year’s budgeted expenditures are primarily due to salary and benefit costs which increased by approximately \$557,000 or

3.9%. Below is a breakdown of the personnel costs and comparison of Fiscal Year 2019-20 Amended Budget, Fiscal Year 2019-20 estimate, and projection for Fiscal Year 2020-21.

	Fiscal Year 2019-20 Budget "A"	Fiscal Year 2019-20 Estimated Actual "B"	Fiscal Year 2020-21 Budget "C"	Variance (C-A)
Personnel Costs				
Full-Time Salaries	\$ 5,082,964	\$ 4,248,893	\$ 5,157,711	\$ 74,747
Part-Time Salaries	798,542	767,381	772,141	(26,401)
Pension Costs	2,090,544	2,090,544	2,386,956	296,412
Other Benefits	413,945	435,821	507,454	93,509
Vacation/Sick Payouts	150,622	191,983	150,500	(122)
Overtime	206,574	414,425	319,927	113,353
	<u>\$ 8,743,191</u>	<u>\$ 8,149,047</u>	<u>\$ 9,294,689</u>	<u>\$ 551,498</u>

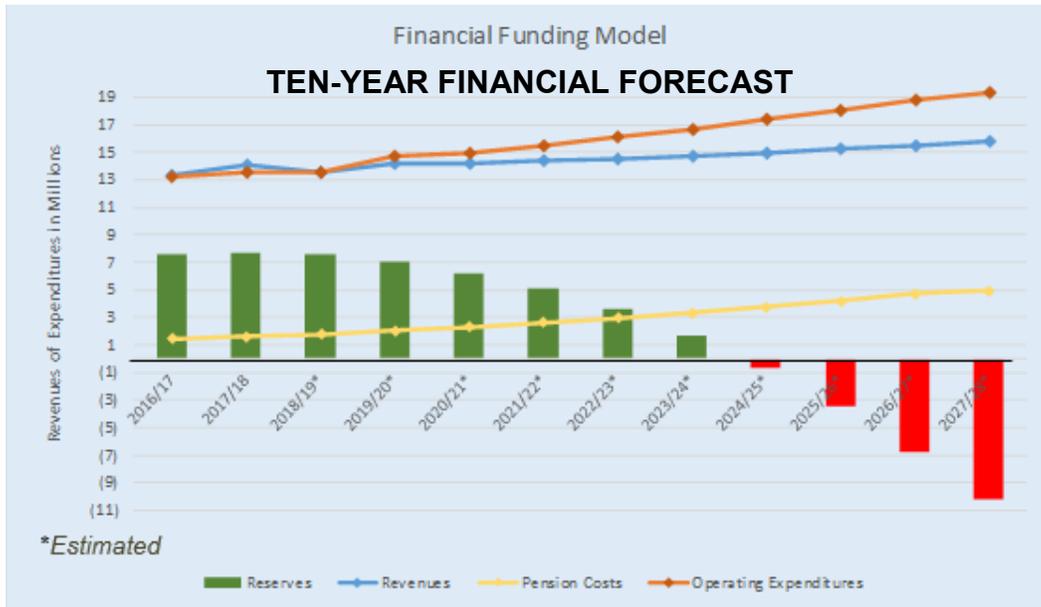
The breakdown of the wages and benefits increase is due to full time salaries (increase by approximately \$75,000), pension costs (increase by approximately \$296,000), other benefits (increase by approximately \$93,000), and overtime costs (increase of approximately \$113,000).

A further breakdown of the \$74,747 increase in full-time positions is due to MOU-directed increases (\$15,000 POA, \$25,900 CEA, and \$21,600 Non-Represented), and other scheduled step increases.

Included in the overall pension increase is an increase in the unfunded accrued liability in the amount of \$217,747. The Fiscal Year 2020-21 Budget assumes that the City will prepay the unfunded portion of the City's pension costs, which will save the City \$47,567 and has already been reflected in amounts shown above. This means the \$217,747 increase in pension costs would be \$47,567 higher if the City did not prepay the unfunded portion of the City's pension costs.

Fiscal Sustainability

Based on the current revenue and expenditure assumptions and service levels included in the Ten Year Financial Forecast, it is projected that fund balance will be depleted by Fiscal Year 2024-25.



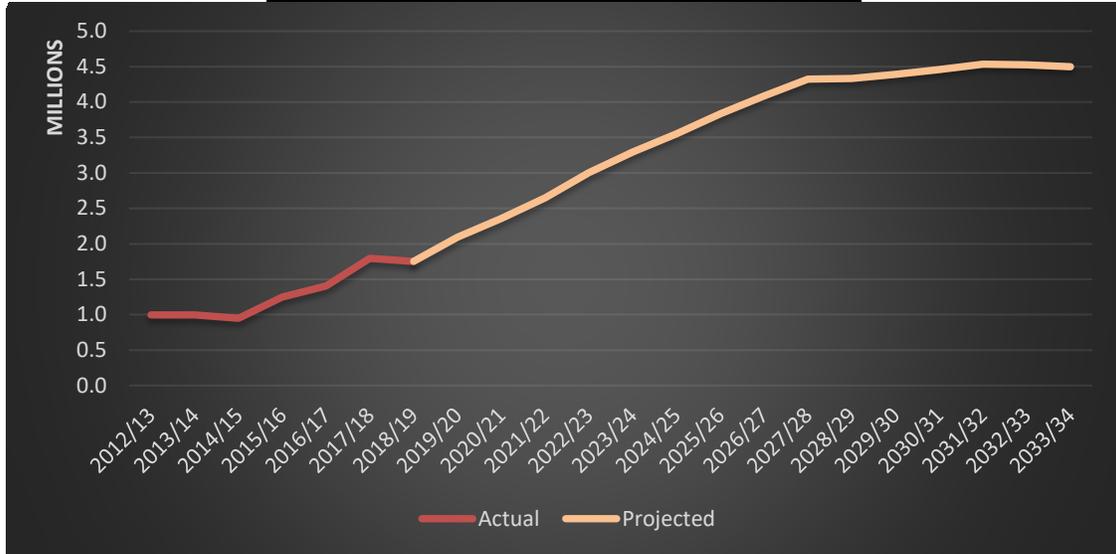
Staff has been meeting with the Budget Standing Committee and will continue to meet regularly with them to discuss the development of the Fiscal Sustainability Plan with the objective of eliminating the long-term General Fund structural deficit and providing long-term fiscal sustainability.

Pension Costs

The City is projected to pay \$2,386,956 to CalPERS in pension costs for Fiscal Year 2020-21, which includes the UAL payment of \$1,434,235. This is an overall increase of \$217,747, or 18%, from prior year’s UAL cost of \$1,216,488. The projected pension cost for Fiscal Year 2020-21 is approximately \$2.39 million, which will be an increase of approximately \$296,000 compared to Fiscal Year 2019-20.

As shown below, the City’s annual pension cost is projected to increase over \$3 million annually by Fiscal Year 2023-24, which is over a \$1 million increase in the City’s current annual budget expenditures. This increase would be phased-in over four years. The graph below illustrates the climbing pension costs forecasted over the next fifteen years.

Historical and Projected Pension Costs



FISCAL IMPACT

The Fiscal Year 2020-21 preliminary budget presents an initial budget gap of \$1,347,073. The forecast for the Preliminary Fiscal Year 2020-21 budget is the most likely projected scenario at this time. Staff will seek direction for various options for closing the budget gap throughout the budget process with the Budget Standing Committee and the City Council.

Submitted By: Craig Koehler, Interim Finance Director
Approved By: Chet Simmons, City Manager