

CITY OF LOS ALAMITOS

3191 Katella Avenue
Los Alamitos, CA 90720

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

September 29, 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 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 (301) 715-8592 and enter the Meeting ID: 895 1226 0919. 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 July 7, 2020.

4. DISCUSSION ITEMS

A. Financial Update for Fiscal Year 2020-21

This report provides the Budget Standing Committee with a financial update for the Fiscal Year 2020-21.

Recommendation: Review and discuss the financial update for Fiscal Year 2020-21.

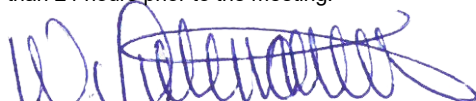
B. CARES Act Funding, Budget, and Planned Expenditures for FY2020-21

This report provides the Budget Standing Committee with an update for the CARES Act Funding, budget, and planned expenditures for FY2020-21.

Recommendation: Review and discuss the CARES Act Funding, budget, and planned expenditures for FY2020-21.

5. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at City Hall, 3191 Katella Ave., Los Alamitos, CA 900720 and on the City's website at www.cityoflosalamitos.org not less than 24 hours prior to the meeting.



Windmera Quintanar, MMC, City Clerk
Date: September 28, 2020

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

SPECIAL MEETING

Wednesday July 7, 2020 – 5:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 5:00 p.m., Tuesday, July 7, 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
Craig Koehler, Interim Finance Director
David Cain, Fiscal Sustainability Manager
Windmera Quintanar, MMC, 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 June 3, 2020.

4. DISCUSSION ITEMS

A. Fiscal Sustainability Update

The Committee received an update to the Fiscal Sustainability Plan and recommended to move forward with the 1.5% sales tax measure. The Committee also requested inclusion of a draft communication plan and outreach schedule for the July 20 Council meeting. The Committee requested additional information for the marketing materials to include delineation of items subject to sales and use tax, and sales tax rates for surrounding cities.

B. FM3 Research Survey

A presentation on the latest polling survey was given by Adam Sonenshein of FM3 Research. The survey was conducted from May 19 to May 28, 2020, and included completed survey interviews of Los Alamitos residents likely to vote in the November election. The survey results will be provided to the Council at the July 20 meeting.

5. ADJOURNMENT

The Budget Standing Committee adjourned at approximately 6:07 p.m.

Craig Koehler, Interim Finance Director

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: September 29, 2020 ITEM NUMBER: 4A

To: Budget Standing Committee Members

Presented By: Craig Koehler, Interim Finance Director

Subject: Financial Update for Fiscal Year 2020-21

SUMMARY

This report provides the Budget Standing Committee with a financial update for the Fiscal Year 2020-21.

RECOMMENDATION

Review and discuss the financial update for Fiscal Year 2020-21.

BACKGROUND

On June 15, 2020, the City Council approved and adopted a balanced budget for Fiscal Year 2020-21. At that time, the City implemented extensive reductions to close a budget gap of over \$1.3 million in order to balance the budget. These actions were significant, as they included reductions in the City's workforce by the equivalent of 19 additional full-time positions, including four police officers, implementing pay cuts for City employees, and shutting down certain City programs and services.

Given the uncertainty in the current global and local economic markets and the unknown future impacts of the COVID-19 pandemic, there is a critical need to continually 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, staff has committed to returning to provide periodic updates throughout the fiscal year.

DISCUSSION

The economy has suffered and is slowly recovering since the outbreak and spread of the COVID-19 pandemic. A recent report issued by Beacon Economics from their fall Economic Forecast for the U.S and California, (dated September 2, 2020) reported that the recession is technically over. According to The National Bureau of Economic Research (NBER), the start and endpoints for recessions are based on peaks and troughs of economic activity. The NBER has dated the peak of the last expansion as February 2020 prior to the pandemic outbreak. While the NBER has not officially dated the trough or low point yet, it is believed to be April 2020.

Since that time, economic activity has shown signs of rebounding as reflected in housing sales, durable goods orders, and consumer spending. However, public health concerns remain in connection with containing the spread of the virus. This is critical for the economic recovery that has been underway since April, and as the virus's transmission slows, consumer spending should see an increase.

This report represents a snapshot in time and reflects recorded information for two months (July and August 2020) for Fiscal Year 2020-21. It will provide the Budget Standing Committee and City Council with an update on the financial status of the City's General Fund at an interim point in time.

The financial report below depicts the Adopted Budget for FY2020-21, and actual General Fund fiscal year to date revenues and expenditures through August 31 for both current and prior fiscal year. It also reflects variances for FY2021 actual data to the current budget (\$ To Budget), percentage of current budget (% To Budget), and actual FY2021 compared to FY2020 (\$ to Prior Year).

FINANCIAL REPORT						
Fiscal Year to Date Through August 31, 2020						
Budget Performance Report						
16.7% of Fiscal Year Complete						
	FY 2021 Adopted Budget	FY 2021 YTD Actual	FY 2020 YTD Actual	Variance		
				\$ To Budget	% of Budget	\$ To Prior Year
Revenues and Transfers In						
Property Taxes	\$ 4,039,500	\$ 47,875	\$ 87,793	\$ (3,991,625)	1.2%	\$ (39,918)
Sales & Use Taxes	3,372,837	944,193	206,574	(2,428,644)	28.0%	737,619
Utility Users Tax	1,990,000	359,332	112,654	(1,630,668)	18.1%	246,678
Transit Occupancy Tax	300,108	22,240	-	(277,868)	7.4%	22,240
Franchise Fees	664,100	42,472	17,382	(621,628)	6.4%	25,090
Licenses & Permits	924,902	110,240	108,588	(814,662)	11.9%	1,652
Fines & Forfeitures	730,500	50,966	93,616	(679,534)	7.0%	(42,650)
Investment Earnings	106,100	-	-	(106,100)	0.0%	-
Revenue from Other Agencies	119,700	21,464	234,711	(98,236)	17.9%	(213,247)
Charges for Services	945,500	99,249	181,052	(846,251)	10.5%	(81,803)
Miscellaneous Revenues	72,000	54,602	56,256	(17,398)	75.8%	(1,654)
Interfund Transfers	375,000	-	-	(375,000)	0.0%	-
Total Revenues and Transfers In	\$ 13,640,247	\$ 1,752,633	\$ 1,098,626	\$ (11,887,614)	12.8%	\$ 654,007
Department						
City Council	\$ 66,895	\$ 9,394	\$ 7,988	\$ (57,501)	14.0%	\$ 1,406
City Manager/City Clerk	770,249	203,545	227,954	(566,704)	26.4%	(24,409)
Finance	641,579	148,074	180,497	(493,505)	23.1%	(32,423)
City Attorney	176,000	18,833	15,865	(157,167)	10.7%	2,968
Police	6,400,326	1,439,992	1,447,803	(4,960,334)	22.5%	(7,811)
Development Services	2,881,354	483,667	479,134	(2,397,687)	16.8%	4,533
Recreation and Community Services	1,304,456	367,753	406,810	(936,703)	28.2%	(39,057)
Non-Departmental	575,865	43,077	66,427	(532,788)	7.5%	(23,350)
Interfund Operating Transfers	809,000	-	-	(809,000)	0.0%	-
Total Operating Expenditures and Transfers	\$ 13,625,724	\$ 2,714,335	\$ 2,832,478	\$ (10,911,389)	19.9%	\$ (118,143)
Budget Surplus/Deficit	\$ 14,523	\$ (961,702)	\$ (1,733,852)	\$ (976,225)	-6622%	\$ 772,150

As a check against the Adopted Budget for FY2020-21, the two months recorded data reflect how well the City is performing in relation to the current budget. It also gauges how the current revenues and expenditures are tracking relative to the same two-month time-period for prior year.

For the current fiscal year, revenues are tracking at 12.8% and expenditures are at 19.9% of the current budget (% To Budget). Some categories are tracking better and some worse. Interfund transfers in and out, and investments do not reflect any activity, as entries are recorded on a quarterly basis. For a general reference, two months represents 2/12 of the fiscal year, or approximately 16.7% of the budget.

General Fund Revenues

Property Taxes

Property taxes are the largest revenue source for the City and are received in December and April, following payment due dates. For secured property taxes, the first installment is due November 1 and delinquent after December 10, the second installment is due on February 1 and delinquent after April 10. As such, notable revenue streams would not be expected until later in the calendar year.

A report received from HdL on August 17, indicated a preliminary net value change in property values up 7.2% over 2019-20, which would indicate that property taxes are trending up and should be on track for Fiscal Year 2020-21. The next Property Tax update from HdL is expected sometime within the next month.

Sales & Use Taxes / Business Licenses

For presentation purposes, Sales & Use Taxes includes Business Licenses in the chart above. Recorded sales taxes through August 31, 2020 are tracking at \$608,015 relative to the FY2020-21 Adopted Budget (\$2,619,537), or approximately 23%. From the most recent sales tax update received from HdL (July 20), the projection for FY2020-21 was \$2,737,789, representing a slight increase of 5% over the budget. A meeting with HdL is scheduled on October 14 to review the 2nd Quarter (April through June) Sales Tax update. Conversely, Business Licenses are at \$336,178 compared to the budget (\$656,900), or approximately 51%. This combined category of Sales & Use Taxes/Business Licenses exceeds the prior fiscal year by \$737,619.

Utility User Taxes

Utility User Taxes are on track and reflects \$359,332 received through August 31 compared to the budgeted amount of \$1,990,000, or 18.1%, and exceeds the prior fiscal year by \$246,678.

Transit Occupancy Tax (TOT)

As expected, TOT is trending lower at only \$22,240 and below the budget of \$300,108, due the continued stay-at-home orders. However, TOT receipts exceed prior year for the same time-period. TOT will not see any significant revenue activity until the stay orders are lifted, and until which time the third hotel becomes operational.

Franchise Fees

Franchise Fees are \$42,472, or 6.4% of budget (\$664,100). Although a lower trend than expected, it exceeds the prior year by \$25,090 for the same time-period.

Fines & Forfeitures

Fines & Forfeitures are at \$50,966, or 7.0%, as compared to the budget (\$730,500), and represent \$42,650 less due to lower red light camera and parking fines as compared to the same period for FY2019-20.

Charges for Services

Charges for Services are at \$99,249, or 10.5% of budget relative to the two-month timeframe. The lower activity for this time-period reflects reduction in Recreation's classes and programs due to the ongoing pandemic as compared to the prior fiscal year. Revenues are expected to begin trending up as the stay order is lifted and program activities are resumed.

Overall, revenues are \$1,752,633 and 12.8% of the budget relative to two months, compared to a 16.7% target. In comparison, revenues for the current fiscal year exceed the same period for the prior fiscal year by \$654,007.

General Fund Expenditures

For the most part, General Fund departmental expenditures are on track for Fiscal Year 2020-21 at approximately 19.9% of budget, compared to the two-month target of 16.7%. As a comparison to prior fiscal year, department expenditures are \$118,143 less for the same period.

Some revenue streams, like property tax, are not reflected until later in the year due to the timing and structure of when payments are generally received (December and April). Other large one-time expenditures, like the \$1.4 million accrued Unfunded Actuarial Liability (UAL) payment, which is typically made in July, is not spread evenly over the fiscal year. However, the lump sum payment structure does result in approximately \$50,000 in savings.

Both of these represent timing issues, which have a negative effect, and tend to skew trending. Factoring these two aforementioned aberrations, FY2020-21 appears to be on track and the gap closing measures that were established are holding.

Although the two-month snapshot for FY2020-21 reflects a deficit relative to this point in time, FY2020-21 is \$772,150 better than prior fiscal year for the same two-month time-period.

FISCAL IMPACT

There is no fiscal impact, as this report provides an update on the financial status of the General Fund revenues and expenditures relative to an interim two-month period using comparisons to the Fiscal Year 2020-21 Budget and actual recorded data for FY2021 and the prior fiscal year.

Submitted By: Craig Koehler, Interim Finance Director

Approved By: Chet Simmons, City Manager

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: September 29, 2020 ITEM NUMBER: 4B

To: Budget Standing Committee Members

Presented By: Craig Koehler, Interim Finance Director

**Subject: CARES Act Funding, Budget, and Planned Expenditures for
FY2020-21**

SUMMARY

This report provides the Budget Standing Committee with an update for the CARES Act Funding, budget, and planned expenditures for FY2020-21.

RECOMMENDATION

Review and discuss the CARES Act Funding, budget, and planned expenditures for FY2020-21.

BACKGROUND

Due to the severity of the pandemic, State and County officials have issued numerous orders and recommendations that require action and expenditure of resources, some of which were beyond the City's current budgeted resources and intended use when the FY 2020/21 budget was adopted. Subsequent to the start of the pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump on March 27, 2020.

While the City did not receive a direct allocation of CARES Act funding, the State of California and the County of Orange have subsequently elected to allocate a portion of their direct funding allocations to agencies in their jurisdictions. The City received a total of \$370,434.14 from the County of Orange in two tranches (June 4 and June 24, 2020). The State funds through the Department of Finance (DOF) are being distributed over six months in equal payments of \$23,803, the first three of which were received on July 30th, August 25th, and September 21st, for a total anticipated allocation from the State Department of Finance of \$142,818. Total CARES Act funding received by the City from both sources is \$513,252.14.

DISCUSSION

The majority of the CARES Act Funding received and revenue will be reflected in FY2019-20 and receipts through August 31 will be accrued and recorded in the prior fiscal year.

As this funding was not available at the time the budget was adopted on June 15, 2020, the FY 2020/21 Operating Budget and Capital Improvement Program Plan will need to adopt a CARES Act fund budget for the Fiscal Year 2020/21 for the additional funding anticipated to be received and planned expenditures to be made during FY2020-21

The following applies to both allocations and requires that payment from this funding may only be used to cover costs that are deemed the following:

- 1) Necessary expenditures incurred due to the public health emergency with respect to COVID-19;
- 2) Not accounted for in the budget most recently approved as of March 27, 2020. This requirement pertains to the FY 2019/20 budget and excludes Public Safety costs, as per the Federal Guidelines, as Public Safety costs are considered substantially dedicated; they are therefore, covered by CARES Act funding;
- 3) Incurred during the period that begins March 1, 2020, and ends on December 30, 2020.

Per the Guidance by California Department of Finance on Eligible Expenses & Reporting of the CARES Act funds, there are six expenditure categories, in which City expenses may qualify for coverage by CARES Act funding. These categories include: (1) medical expenses, (2) public health expenses, (3) substantially dedicated payroll expenses, (4) compliance with public health measures expenses, (5) economic support, and (6) other reasonably necessary expenses. Reimbursement of qualified expenditures are in addition to and not included through reimbursement of any other Federal programs (FEMA).

For category 3, qualified expenditures include budgeted personnel and services diverted to a substantially different use and payroll for Public Health and Safety (Police) employees. For category 5, qualified expenditures are being reported for economic support through the Emergency Relief Grant Program administered through the Small Business Development Center (SBDC) approved by Council, awarded and disbursed in \$5,000 increments to qualified applicants.

The following outlines the total funding and expenditure categories that were used and reported for CARES Act Funding received for FY2019-20 (funding recorded \$418,040.14)

State DOF Funding (two allocations of \$23,803)	\$47,606.00
Expenditure Category applied – substantially dedicated payroll (3)	<u>(47,606.00)</u>
Available	-
County of Orange (total of \$370,434.14 two tranches)	\$370,434.14
Expenditure Category applied - substantially dedicated payroll (3)	(329,595.14)
economic support (5)	(15,000.00)
other (6)	<u>(20,839.00)</u>
Available	\$5,000.00

Proposed Amended Budget for FY2020-21 – CARES Act Fund

State DOF Funding (four allocations anticipated of \$23,803)	\$95,212.00
Expenditure Category to be applied – substantially dedicated payroll (3)	<u>(95,212.00)</u>
Available remaining	-
County of Orange (carryover available)	\$5,000.00
Expenditure Category applied - economic support (5)	<u>(5,000.00)</u>
Available remaining	-

For accounting purposes, CARES Act funding received has been recorded and reflected in a new fund, Fund 55 – Coronavirus Relief Fund.

For external reporting purposes, County of Orange and State Department of Finance expenditures have reflected qualified spending to show 100% usage of available CARES Act funding by December 31, 2020.

However, actual cash expenditures to date are \$20,000 (four qualified recipients of Emergency Relief Grant Program – Phase I). The balance of the cash funds in Fund 55 will be reflected as part of the reserves.

FISCAL IMPACT

There is no fiscal impact in the proposed Amended Budget for FY2020-21 - CARES Act Fund. The proposed expenditures in FY 2020-21 will be reimbursed by the Federal CARES Act funds anticipated to be received by December 31, 2020 through the State Department of Finance.

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