

# CITY OF LOS ALAMITOS

3191 Katella Avenue  
Los Alamitos, CA 90720

## BUDGET STANDING COMMITTEE AGENDA SPECIAL MEETING

March 10, 2021 – 6:00 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 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: 849 2114 5572. 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](mailto: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](mailto: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](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 on the City’s website at [www.cityoflosalamitos.org](http://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**

Mayor Chirco  
Mayor Pro Tem Hasselbrink

**3. CONSENT CALENDAR**

**A. Approval of Minutes**

Approve the Minutes of the Special Meeting on September 29, 2020.

**4. DISCUSSION ITEM**

**A. Financial Update for Fiscal Year 2020-21**

This report provides the Budget Standing Committee with a mid-year General Fund budget, financial update for the Fiscal Year 2020-21, and long-term projection.

Recommendation:

1. Review the mid-year budget for the Fiscal Year 2020-21, projection for Fiscal Year ending June 30, 2021, and update to long term financial plan.
2. Provide direction and comments.

**5. CLOSED SESSION**

**A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Pursuant to Government Code Section 54957(b)(1)  
Public Employee Title: City Manager – Annual Performance Evaluation

**6. 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](http://www.cityoflosalamitos.org) not less than 24 hours prior to the meeting.



Windmera Quintanar, MMC, City Clerk  
Date: March 8, 2021

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

## SPECIAL MEETING

Wednesday September 29, 2020 – 5:00 p.m.

### 1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 5:00 p.m., Tuesday, September 29, 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 Director of Finance  
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 July 7, 2020.

### 4. DISCUSSION ITEMS

#### A. Financial Update for Fiscal Year 2020-21

The Committee received a financial update for the General Fund for Fiscal Year 2020-21 for the two-month period ending August 31, 2020. No action was taken and the report was received and filed.

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

The Committee received an update for the CARES Act Funding received, budget, and planned expenditures for FY2020-21. The Committee recommended approval of amending the FY2020-21 Budget for the CARES Act Fund Budget as presented.

**5. ADJOURNMENT**

The Budget Standing Committee adjourned at approximately 5:38 p.m.

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Craig Koehler, Interim Director of Finance

# **City of Los Alamitos**

## **BUDGET STANDING COMMITTEE**

### **AGENDA REPORT**

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**MEETING DATE: March 10, 2021**

**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 2020-21 and Financial Update**

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#### **SUMMARY**

This report provides the Budget Standing Committee and Council with a review of Mid-Year General Fund budget for the Fiscal Year 2020-21. It also provides a projection for the Fiscal Year ending June 30, 2021, and an update to the longer-term financial plan.

#### **RECOMMENDATIONS**

1. Review the Mid-year General Fund budget for the Fiscal Year 2020-21, projection for the Fiscal Year ending June 30, 2021, and update to the longer-term financial plan; and,
2. Provide direction and comments.

#### **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.

On November 3, 2020, Measure Y – Quality of Life, 911 Police Response, Business/Job Protection Measure, was successfully passed by Los Alamitos voters. The estimated 1.5 cent sales tax increase will generate approximately \$4.1 million in additional locally controlled revenue. The City will receive approximately 25%, or one quarter of the new local sales tax in Fiscal Year 2020-21.

At the same time, there is continuing uncertainty in the current global and local economic markets and the unknown future impacts of the COVID-19 pandemic. As such, there is a need to ensure that the City is taking into account the latest market conditions and potential economic impacts.

## **DISCUSSION**

The economy has suffered and is slowly recovering since the outbreak and spread of the COVID-19 pandemic. Since that time, economic activity has shown some 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. With the introduction of the vaccine, the virus's transmission should show signs of slowing, and consumer spending should see an increase.

This report represents a snapshot in time and reflects recorded information through December 31, 2020, or six months of the fiscal year, and projection of 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 mid-year, projection of Fiscal Year 2020-21, and a longer-term financial picture.

The Gap Measures that were put in place to balance the FY2020-21 Budget are holding. At the same time, departments are continuing to control internal costs. Overall department expenditures are projected to be in line with the Amended Budget, and some departmental cost savings are projected for FY2020-21. General Fund expenditures for most CIP related projects were also put-on hold. As such, the CIP budget only reflects funding from other Special Revenue Funds.

The financial summary below depicts the Amended Budget for Fiscal Year 2020-21, actual General Fund revenues through December 31, 2020 and a projection to June 30, 2021. The original budget for Fiscal Year 2020-21 was amended on October 19, 2020, to establish a CARES Act Fund Budget, Fund 55, since the anticipated additional funding was not reflected at the time the budget was adopted. There were no changes to the General Fund Budget.

	2020-21 Amended Budget	2020-21 Actual thru 12/31/20	2020-21 Mid-Year Projection	Variance
<b>REVENUE SUMMARY</b>				
PROPERTY TAXES	\$ 4,039,500	\$ 1,571,471	\$ 4,355,481	\$ 315,981
SALES & USE TAXES	2,715,937	972,673	2,967,671	251,734
MEASURE Y - LOCAL SALES TAX	-	-	1,109,647	1,109,647
UTILITY USER TAXES	1,990,000	807,698	2,040,546	50,546
TRANSIT OCCUPANCY TAX	300,108	36,062	75,027	(225,081)
FRANCHISE FEES	664,100	123,461	608,777	(55,323)
LICENSES & PERMITS	1,581,802	1,093,010	1,672,982	91,180
FINES & FORFEITURES	730,500	135,302	361,037	(369,463)
USE OF MONEY & PROPERTY	106,100	43,969	131,907	25,807
OTHER AGENCIES	119,700	25,505	132,394	12,694
CHARGES FOR CURRENT SERVICES	945,500	153,366	397,845	(547,655)
MISCELLANEOUS	72,000	54,539	254,539	182,539
TRANSFERS IN	375,000	187,500	375,000	-
<b>TOTAL REVENUE &amp; TRANSFERS IN</b>	<b><u>13,640,247</u></b>	<b><u>5,204,556</u></b>	<b><u>14,482,853</u></b>	<b><u>842,606</u></b>

## General Fund Revenues

### Property Taxes

Property taxes remain 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.

A report received from HdL at the end of 2020, indicated a preliminary net value change in property values up 7.2% over the 2019-20 tax roll, which would indicate that property taxes are trending up. The projection for Fiscal Year 2020-21 will come in at approximately \$316,000 better than budget.

The majority of this change is attributed to the 2% Proposition 13 inflation adjustment which was \$38.8 million. Residential property accounts for 57.5% of all value in the City and these values grew by \$64 million (4.8%) for 2020-21. Commercial property values grew by \$21.6 million, or approximately 5.0%.

Residential prices have continued to rise in response to lower inventory and lower interest rates. The median sale price of a detached single family residential home in Los Alamitos

from January through October 2020 was \$910,000. This represents a \$25,000, or 2.8% increase in median sale price over the prior year.

In addition, there was an increase of approximately \$110,000 in the estimate for Vehicle License Tax Fee (VLF) revenue over the budgeted amount. This can be attributed to a higher turnover and resale of vehicles and purchase of new vehicles.

### Sales & Use Taxes

Recorded Sales & Use Taxes through December 31, 2020 are tracking relative to the FY2020-21 Amended Budget (\$2,715,937). A report from HdL, dated February 2 for the quarter July – September, 2020, showed the projection for Fiscal Year 2020-21 at \$2,967,671. Although an increase over the budgeted amount and reflecting a moderate recovery that began in January, it nonetheless shows a 5.2% decrease from the prior year, and continued economic impacts of COVID-19.

This projected increase in Sales & Use Taxes can be attributed to a rebounding economy mainly in building and construction and the state and county pools. However, non-essential retailer restrictions and reduced customer spending at local businesses has continued. Reductions in general consumer goods, restaurants and hotels have suffered significant declines as reflected in recent tax filings. Conversely, revenues have grown significantly from in-state fulfillment centers as the Coronavirus calamity has necessitated a lifestyle adaptation by heightened internet buying that has altered spending patterns. Ecommerce sales have escalated dramatically yielding significant growth as seen in sales tax distributed through the county pools.

According to HdL, the 2020 sales tax outcomes tied to COVID-19 will carry into 2021 and beyond. A return to “normalization” is not expected in 2021, and significant recovery is not anticipated until Fiscal Year 2021-22. Full recovery may also look different than before the pandemic, with a major shift away from “brick and mortar” that may become a permanent mainstay.

### Measure Y – Local Sales Tax

With the successful passage of Measure Y, the City will benefit from an additional 1.5 cent sales tax that will flow directly to the City. New to the revenue stream, this additional revenue is projected to add approximately \$4.1 million to the general revenues, of which the City will receive one quarter (25%), or approximately \$1.1 million by the end of June 2021. All funds generated will remain under local control and for the benefit of the Los Alamitos community to maintain the “Quality of Life”. The Local Sales Tax is being tracked separately and a unique account number has been established to distinguish from the general Sales & Use Taxes.

### Utility User Taxes (UUT)

Utility User Taxes, or UUT, are collected for all utilities, including electricity, natural gas, telephone, and water, and are dependent on consumer usage. For Fiscal Year 2020-21, UUT is projected to be on track and estimated to show a slight increase of approximately 2% over the budget.

### Transit Occupancy Tax (TOT)

As expected, Transit Occupancy Tax (TOT) is trending lower and is projected to be below budget (\$300,108). This is directly due to the continued stay-at-home orders. When the budget was prepared, the assumptions included some return of travel and leisure activities during the later-half of Fiscal Year 2020-21. TOT will not see any significant revenue activity until the stay orders are lifted, and until which time the third hotel becomes fully operational.

### Franchise Fees

Franchise fees are collected on cable TV, refuse, electric, gas, water, and pipeline. The projection for Fiscal Year 2020-21 is estimated to be approximately 8% less than budget (\$664,100).

### Fines & Forfeitures

Fines & Forfeitures include red light camera and parking fines, and other moving violations, which are currently trending lower than the budget amount of \$730,500. Street sweeping enforcement was put on hold at the beginning of the pandemic when the stay-at-home orders were issued. With the resumption of street sweeping enforcement, street sweeping violations should show increased revenue. Red light camera fines are also trending lower due to COVID-19.

### Charges for Services

The majority of revenue collected within this category represents programs, classes, and events for Recreation and Community Services. The lower activity reflected through December is directly related to the ongoing pandemic. The projection for Fiscal Year 2020-21 reflects a 58% reduction in revenue as compared to the budget (\$945,500). Revenue is expected to show some increase as the stay order is ultimately lifted and classes resume. However, the projected revenue for Fiscal Year 2020-21 will be significantly less than budget.

## General Fund Expenditures

The financial summary below reflects the Amended Budget for Fiscal Year 2020-21, actual General Fund expenditures through December 31, 2020 and a projection to June 30, 2021.

	2020-21 Amended Budget	2020-21 Actual thru 12/31/20	2020-21 Mid-Year Projection	Variance
<b>EXPENDITURE SUMMARY</b>				
CITY COUNCIL	66,895	24,579	66,895	-
CITY MANAGER / CITY CLERK	770,249	451,492	770,249	-
FINANCE	641,579	346,723	641,579	-
CITY ATTORNEY	176,000	88,275	176,000	-
POLICE	6,400,326	3,337,989	6,216,715	(183,611)
DEVELOPMENT SERVICES	2,881,354	1,395,184	2,855,615	(25,739)
RECREATION	1,304,456	671,501	1,274,679	(29,777)
NON-DEPARTMENTAL	575,865	293,257	575,865	-
TRANSFERS OUT	809,000	404,500	809,000	-
<b>TOTAL EXPENDITURES &amp; TRANSFERS OUT</b>	<b>13,625,724</b>	<b>7,013,500</b>	<b>13,386,597</b>	<b>(239,127)</b>
<b>REVENUE OVER/(UNDER) EXPENDITURES</b>	<b>\$ 14,523</b>	<b>\$ (1,808,944)</b>	<b>\$ 1,096,256</b>	<b>\$ 1,081,733</b>

For the most part, department expenditures are trending with the budget, and the gap measures that were put in place are holding. Budgets for City Council, City Manager/City Clerk, Finance and City Attorney, are all projected to be at budget for Fiscal Year 2020-21, while Police, Development Services and Recreation are projected to reflect some potential savings.

### Police

The Police department budget is projected to have a potential savings of approximately \$183K, reflecting overall savings from lower expenditures in Materials, Supplies, and Services.

### Development Services

Development Services is projected to have a small potential savings of approximately \$26,000, reflecting overall lower expenditures for Materials, Supplies and Services.

### Recreation

Recreation programs and services are projected to reflect potential savings of approximately \$30,000. These savings are attributable to reduction in Materials, Supplies

and Services for classes and programs primarily for Playgrounds, and Special Events, cancelled or postponed as a result of the ongoing pandemic. Activities and costs are expected to resume once the restrictions for stay-at-home have been lifted and programs and services return.

The Mid-Year Fiscal Year 2020-21 General Fund revenues are projected to exceed expenditures by approximately \$1.1 million. This is mainly attributable to the additional 1.5 cent local sales tax that the City will begin to receive in the fourth quarter, offset by other revenue changes and projected departmental cost savings, as outlined above.

When factoring out the estimated Measure Y Local Sales Tax, the projection for FY2020-21 would have resulted in a net deficit of \$27,914, or approximately -0.3% difference from the Amended Budget. The Council can be commended for their efforts in successfully guiding the budget process in such uncertain times.

### Long-Term Financial Plan

A revised five-year long-term financial plan is presented below. It is based on the latest set of assumptions and reflects current revenue and expenditure trends. It also reflects inclusion of the 1.5 cent local sales transaction tax that becomes effective April 1, 2021. Beginning in Fiscal Year 2021-22, the City will receive approximately \$4.1 million from the successful passage of ballot Measure Y. To simplify presentation, Sales & Use Taxes includes Measure Y Local Sales Tax; Other Taxes include UUT, TOT, and Franchise Taxes; and Other Revenue includes License & Permits, Charges for Services, Fines & Forfeitures, and Miscellaneous Revenue.

Long-Term Projection	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
	1	2	3	4	5
<b>Revenues:</b>					
Property Taxes	\$ 4,498,778	\$ 4,616,434	\$ 4,763,320	\$ 4,919,481	\$ 5,083,511
Sales & Use Taxes	7,662,587	7,898,359	8,056,326	8,217,452	8,381,801
Other Taxes	2,858,406	3,068,267	3,097,131	3,125,065	3,155,116
Total Taxes	15,019,771	15,583,060	15,916,777	16,261,998	16,620,428
Total Other Revenue	3,449,274	3,861,903	3,918,197	3,975,819	4,034,799
Transfers In	460,000	470,000	480,000	490,000	500,000
<b>Total Revenues &amp; Transfers</b>	<b>18,929,045</b>	<b>19,914,962</b>	<b>20,314,974</b>	<b>20,727,817</b>	<b>21,155,227</b>
<b>Expenditures</b>					
Salaries & Benefits	9,809,578	10,307,029	10,644,314	10,993,904	11,303,242
Materials, Supplies & Services	4,578,570	4,574,596	4,638,493	4,703,500	4,769,644
Transfers Out	954,500	956,500	961,500	966,500	971,500
<b>Total Expenditures &amp; Transfers</b>	<b>15,342,648</b>	<b>15,838,125</b>	<b>16,244,307</b>	<b>16,663,904</b>	<b>17,044,386</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>\$ 3,586,397</b>	<b>\$ 4,076,837</b>	<b>\$ 4,070,667</b>	<b>\$ 4,063,913</b>	<b>\$ 4,110,841</b>

Without Measure Y \$ (852,191) \$ (450,521) \$ (547,239) \$ (646,351) \$ (693,628)

When the long-term model was originally prepared, it was based on the best information, and revenue and cost assumptions available at the time. Subsequent to that, and after passage of Measure Y, the model has been updated to reflect revenues and expenditures based on current trends and new information. The prior model also included assumption of General Fund CIP expenditures. For the current model, CIP has not been included and will be factored in for any General Fund related capital projects when the CIP budget is established for FY2021-22 and beyond. The net revenues have also been shown without the Measure Y Local Sales Tax, to highlight the importance of the passage of the tax measure and the results without the additional revenue.

**PERS Projections**

Cal PERS retirement costs have been updated in the long-term financial plan. They are based on the latest Annual Valuation Report (dated July 2020), and Actuarial Valuation as of June 30, 2019, and provide projections for Fiscal Year 2021-22. The next report will be released July 2021. Actuarial valuations are based on assumptions regarding future plan experience including investment return, payroll growth, eligibility for the types of benefits provided, and longevity of retirees. The valuation is based on an investment return assumption of 7%. Although actual returns are less, CalPERS has employed a new investment strategy that will incorporate leverage into strategic asset allocation that will realistically result in a better portfolio return over approximately the next three years.

Recent changes by CalPERS have resulted in greater costs. The CalPERS Board adopted a new amortization policy effective with the latest actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years. The City has four plans: Miscellaneous, Safety, and PEPRAs Miscellaneous and PEPRAs Safety plans, for employees entering service or hired after January 1, 2013. Each plan has a different cost.

Below is a graphical representation of PERS costs reflecting the current trend.



\*Actual

It is worthy to note that the first major change is projected to occur in FY2027-28, where the normal cost component is reduced, and the total costs are expected to reach a peak in FY2033-34, where the Unfunded Accrued Liability is modeled to decline.

PERS retirement costs have two components, normal costs as a percentage of payroll, and amortization of the Unfunded Accrued Liability, or UAL. UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. Normal costs are currently trending at approximately 8% per year and are expected to decline to approximately 2%. Unfunded Accrued Liability will begin to trend down as the UAL is reduced over the next several years. As PERS costs are projected to be covered with current available funding, Finance will be looking for ways to cover future PERS costs, including the establishment of an Internal Revenue Service Section 115 Trust, and other funding methods.

#### Additional Considerations: Pending Federal Legislation

As the Council is aware, a Federal stimulus package is currently making its way through the legislative process. This latest round of COVID-19 Stimulus Relief includes dedicated funding for state and local governments, with \$130 billion being allocated through a modified CDBG formula; \$45.5 billion for entitlement communities (>50,000 population); \$19.5 billion for non-entitlement communities (<50,000 population). While this legislation is expected to pass, there are a number of unknown factors that will impact the way in which this funding can be used.

#### **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 mid-year, projection of Fiscal Year 2020-21, and longer-term financial plan.

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