

CITY OF LOS ALAMITOS
3191 Katella Ave., Los Alamitos, CA 90720

CITY COUNCIL AGENDA
SPECIAL MEETING

Monday, March 15, 2021 – 5:00 p.m.

SAFETY ALERT – NOTICE REGARDING COVID-19

Due to COVID-19, the above meeting of the City of Los Alamitos City Council 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 may not attend the meeting in person. Members of the public can access the meeting by phone by dialing **+1 (301) 715-8592** and enter the **Meeting ID: 879 0050 4819**. Your microphone will be disabled upon entry for the duration of the meeting.

The public can submit comments to cityclerk@cityoflosalamitos.org with the subject line "PUBLIC COMMENT ITEM #" (insert the item number relevant to your comment). Comments **received by 3:00 p.m.** will be compiled, provided to the City Council, 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 start of the item**. 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 City Council 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 review at City Hall in the City Clerk's Office or on the City's website at www.cityoflosalamitos.org once the agenda has been publicly posted.

Each matter on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "for information" or "for discussion" may also be the subject of an "action" taken by the City Council at the same meeting.

Any written materials relating to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection online 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

Mayor Chirco
Mayor Pro Tem Hasselbrink
Council Member Bates
Council Member Doby
Council Member Nefulda

3. SPECIAL ORDERS OF THE DAY

A. Mid-Year General Fund Budget Review for Fiscal Year 2020-21 and Financial Update (Finance)

This report provides a review of the City's Mid-Year General Fund budget for the Fiscal Year 2020-21 and projections for the Fiscal Year ending June 30, 2021.

Recommendations:

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

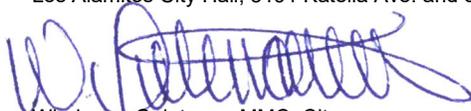
4. CLOSED SESSION

A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

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

5. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at the Los Alamitos City Hall, 3191 Katella Ave. and online at www.cityoflosalamitos.org not less than 72 hours prior to the meeting.



Windmera Quintanar, MMC, City
Clerk Dated: March 11, 2021

City of Los Alamitos

CITY COUNCIL AGENDA REPORT

MEETING DATE: March 15, 2021

ITEM NUMBER: 3A

To: Mayor Mark A. Chirco & Members of the City Council

Presented By: Craig Koehler, Interim Finance Director

Subject: Mid-Year General Fund Budget Review for Fiscal Year 2020-21 and Financial Update

SUMMARY

This report provides a review of the City's Mid-Year General Fund budget for the Fiscal Year 2020-21 and projections for the Fiscal Year ending June 30, 2021.

RECOMMENDATIONS

1. Review the Mid-year General Fund budget for the Fiscal Year 2020-21 and projection for the Fiscal Year ending June 30, 2021; 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.

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 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.

DISCUSSION

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 City Council with an update on the financial status of the City’s General Fund at mid-year and a projection of the remainder of Fiscal Year 2020-21.

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 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
REVENUE SUMMARY				
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	-
TOTAL REVENUE & TRANSFERS IN	<u>13,640,247</u>	<u>5,204,556</u>	<u>14,482,853</u>	<u>842,606</u>

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
EXPENDITURE SUMMARY				
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	-
TOTAL EXPENDITURES & TRANSFERS OUT	<u>13,625,724</u>	<u>7,013,500</u>	<u>13,386,597</u>	<u>(239,127)</u>
REVENUE OVER/(UNDER) EXPENDITURES	<u>\$ 14,523</u>	<u>\$ (1,808,944)</u>	<u>\$ 1,096,256</u>	<u>\$ 1,081,733</u>

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.

Additional Considerations: Pending Federal Legislation

As the Council is aware, a Federal stimulus package recently approved by both houses. Unlike previous relief efforts, this latest round of COVID-19 Stimulus Relief does include 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), Los Alamitos is anticipated to receive \$2,145,612 in Federal funding. While there are a number of unknown factors that will impact the way in which this funding can be used, it is anticipated that guidance will be released by the Treasury Department in the coming weeks.

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, and projection of Fiscal Year 2020-21.

Submitted by: Craig Koehler, Interim Finance Director

Approved by: Chet Simmons, City Manager