

CITY OF LOS ALAMITOS

3191 Katella Ave.
Los Alamitos, CA 90720

AGENDA CITY COUNCIL SPECIAL MEETING

Monday, February 3, 2020 – 6:00 p.m.

I, Richard Murphy, as Mayor of the City of Los Alamitos, do hereby call a special meeting of the City Council of the City of Los Alamitos, to be held at the time and place listed above to discuss the matters listed below.



Richard Murphy, Mayor of the City of Los Alamitos

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

1. CALL TO ORDER

2. ROLL CALL

Mayor Murphy
Mayor Pro Tem Chirco
Council Member Doby
Council Member Grose
Council Member Hasselbrink

3. SPECIAL ORDER OF THE DAY

A. **Building Future Fiscal Sustainability Program Next Steps (Finance)**

The City of Los Alamitos is at a financial crossroads where future revenue and expenditure projections will require a major reduction of city services, raising taxes, raising fees or a combination of such. The challenge facing the city is a projected structural deficit growing from \$1.4M in Fiscal Year 2020-21 to over \$3.4M in Fiscal Year 2027-28. The deficit is projected to top out at about \$3.7M per year in 2031. With realistic revenue assumptions, growing deficits are forecasted with a cumulative deficit of \$41.5M at the end of 2033-34.

In late 2018, the City proactively focused on developing a plan for “Building Future Fiscal Sustainability”. City staff worked closely with the Budget Standing Committee to identify review and evaluate cost cutting and revenue enhancement options available to the City. The options identified were presented to City Council on August 19, 2019.

A key part of this effort involved the opportunity to engage with the community in order to provide information and obtain feedback. Constructive feedback along with city service priorities were identified based on input from hundreds of residents. Another critical item was to obtain direct feedback from registered voters, which included conducting of a statistically reliable community survey or most likely to vote registered voter, which was completed in November by a contracted vendor. The results of the survey showed after information was provided and opposition messages were presented, support for the sales tax measure remains well above the threshold for victory and outside the survey’s margin of error of 72% of likely voters.

Recommendations:

1. Direct city staff to contract out with consultant FM3 to survey the community to evaluate their interest in either a 1% or 1.5% sales tax increase; and,
2. Direct city staff to formalize a list of Capital Improvement Projects and other services that could be addressed or implemented should the community support a 1.5% sales tax increase; and,
3. Direct city staff to continue their pro-active community outreach and feedback campaign related to “Building Fiscal Sustainability”, focusing in upon the option of pursuing a sales tax increase; and,
4. Report back to City Council during the May 18, 2020 meeting with a recommendation to place an ordinance on a future City Council meeting date. This ordinance would become effective only if voters approve of the measure during the November election. (Last day for

Council to submit a measure for the ballot is July 7, 2020. Also requires 4/5ths Council support).

4. CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

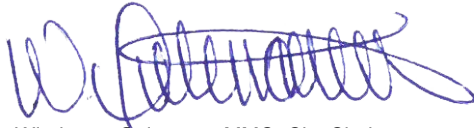
Pursuant to paragraph (1) of subdivision (d) of Government Code Section 54956.9. Name of Case: *Los Alamitos Community United, et al. v. City of Los Alamitos, et al.* Superior Court of California, County of Orange, Case No. 30-2018-00987018-CU-WM-CXC.

B. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: One potential case.

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 following locations: Los Alamitos City Hall, 3191 Katella Ave.; Los Alamitos Community Center, 10911 Oak Street; and, Los Alamitos Museum, 11062 Los Alamitos Blvd.; not less than 24 hours prior to the meeting.



Windmera Quintanar, MMC, City Clerk
Date: January 31, 2020

City of Los Alamitos

CITY COUNCIL AGENDA REPORT

MEETING DATE: February 3, 2020

ITEM NUMBER: 3A

To: Mayor Richard Murphy & Members of City Council

Via: Chet Simmons, City Manager

From: David D. Cain, Fiscal Sustainability Manager

Subject: Building Future Fiscal Sustainability Program Next Steps

SUMMARY

The City of Los Alamitos is at a financial crossroads where future revenue and expenditure projections will require a major reduction of city services, raising taxes, raising fees or a combination of such. The challenge facing the city is a projected structural deficit growing from \$1.4M in Fiscal Year 2020-21 to over \$3.4M in Fiscal Year 2027-28. The deficit is projected to top out at about \$3.7M per year in 2031. With realistic revenue assumptions, growing deficits are forecasted with a cumulative deficit of \$41.5M at the end of 2033-34.

In late 2018, the City proactively focused on developing a plan for “Building Future Fiscal Sustainability”. City staff worked closely with the Budget Standing Committee to identify review and evaluate cost cutting and revenue enhancement options available to the City. The options identified were presented to City Council on August 19, 2019.

A key part of this effort involved the opportunity to engage with the community in order to provide information and obtain feedback. Constructive feedback along with city service priorities were identified based on input from hundreds of residents. Another critical item was to obtain direct feedback from registered voters, which included conducting of a statistically reliable community survey or most likely to vote registered voter, which was completed in November by a contracted vendor. The results of the survey showed after information was provided and opposition messages were presented, support for the sales tax measure remains well above the threshold for victory and outside the survey’s margin of error of 72% of likely voters.

RECOMMENDATIONS

1. Direct city staff to contract out with consultant FM3 to survey the community to evaluate their interest in either a 1% or 1.5% sales tax increase; and,
2. Direct city staff to formalize a list of Capital Improvement Projects and other services that could be addressed or implemented should the community support a 1.5% sales tax increase; and,
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BACKGROUND & DISCUSSION

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. With realistic revenue assumptions, growing deficits are forecasted with a cumulative deficit of \$41.5M at the end of 2033-34. There are various reasons for these projected deficits, including rising cost for staffing (minimum wage, pension and health care), utilities, insurance, contract services, equipment, vehicles and deferred maintenance. Maintaining the present course will quickly erode and deplete City reserves that will create financial instability in the near future. If services are to be reduced, staff will work closely with City Council to prioritize the service cuts in order to minimize impacts to the community, most financial efficacy and retain our small town quality of life. This will be a tough journey and arduous process, and there will be no “one-size fits all option.”

City Council and staff are committed to ensuring Los Alamitos retains its small town character, focusing on it 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 tired pension and salary schedules, using contract service providers were 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.

City Council January 14, 2020 Workshop

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. 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.

Council also asked staff about the feasibility of getting feedback on a one-half percent sales tax measure which would address the long term budget deficit gaps (\$3.7M in 2031-32 and 2032-33) and some of the identified essential Capital Improvement Projects. A second reason for focusing on the one-half percent sales tax is that with voter approval it would direct the tax locally to Los Alamitos. Under current state law the maximum additional sales tax that can be approved by the voters is 2%. Currently Orange County has Measure M (County Transportation) which is utilizing half percent of the 2%.

Community Meetings

Staff took the months of September through January 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. City Staff held a number of community meetings including:

- Five formal community meetings (Community Center and local parks)
- Presentations to the Planning, Traffic and Recreation Commission members
- Other Outreach efforts included:
 - Chamber of Commerce Breakfast
 - Kiwanis and Rotary Clubs
 - Senior Club
 - City Employee Groups

Registered Voter Survey Results (conducted November 2019)

The Los Alamitos Community Voter Satisfaction Survey employed a methodology that provides the City with a statistically reliable understanding of its residents' (**most likely to vote**) satisfaction, priorities, and concerns related to services and facilities provided by the City. The survey was critical for two main research reasons. The first is to use the survey as a community needs assessment and performance measurement tool. That is,

the survey is an opportunity to identify residents' needs and priorities, measure how well the City is performing in meeting those needs through existing services and facilities, and gather data on a variety of quality of life issues.

The City was also interested in exploring voters' willingness to support a local revenue measure to provide additional funding for city services. In short, the goal was to assess the feasibility of placing a revenue measure on the ballot in 2020 and determine how best to structure a measure for voter approval. The results of the survey have provided City Council and staff with information that can be now used to make sound, strategic decisions in a variety of areas including services improvements and enhancements, measuring and tracking internal performance, budgeting, policy, planning, and further community engagement opportunities.

The overall results of the registered voter survey were presented by FM3 during the January 14, 2020 City Council Workshop. 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 exceed all other identified taxing options. Of the other options, only a TOT increase looks like a viable path for the future. A TOT increase does not completely address the current fiscal needs of the City. Survey results also identified the following:

- Positive ratings to the performance of the City government overall.
- Top priorities include public safety and fiscal accountability
- Over two-thirds of registered voters in the recent survey stated the following were extremely or very important:
 - Maintaining 911 response time, police patrols of local neighborhoods, parks and recreation areas
 - Maintaining the long-term financial stability of the City
 - Maintaining youth and afterschool programs
 - Retaining and attracting qualified police officers & preventing reductions to the number of police officers in the City
 - Keeping public areas safe and clean
 - Maintaining streets and improving traffic flow

The City has been focusing on maintaining long-term financial stability – a consistent priority for City Council, staff and our residents and business community. Los Alamitos is unique for its size in that we provide a full range of city services that many residents have come to enjoy. These services take quality, well-trained staff, equipment, and infrastructure. Los Alamitos services are not fee-based, and are heavily used by

residents, the business community and non-residents alike. These services rely heavily on other revenues, such as property and sales taxes, to cover operational costs.

The consultant suggested, based on their vast experience, that the City continue its outreach campaign, do several tracking polls to measure support for a 1.5% sales tax measure, and to also evaluate what impact any other propositions, which get authorization to be placed on the November ballot between now and May would have on a Los Alamitos ballot measure.

Ballot Measure Information

The City Council must approve an ordinance placing a measure on the ballot for voter consideration by a 4/5ths vote. The final day for the Council to submit a measure and request the County of Orange to coordinate is July 7, 2020. Once the measure has been authorized then City staff will not and cannot advocate for or against the measure. However, the City can continue to provide financial information to the community including how the revenues would be utilized. So it is a good idea to have the City Council formally adopt a "Responsible Spending Pledge" which would state in the event there are any significant increases in revenues the money would be used to maintain city services and when possible fund essential capital improvement projects.

Next Steps

The June 30, 2019 Audited Financial Statements have been completed and the CAFR has been printed. The CAFR was brought to City Council for Receive and File at the January 21, 2020 meeting. The City has started 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.

It is critical that we continue the process we started over 20 months ago to proactively "Build Our Fiscal Sustainability". This will include the following in the months to come:

- Continued dialogue and engagement with the community and key stakeholders including development of "Frequently Asked Questions"; additional community meeting to get feedback on priorities and service levels;
- Development of a grassroots voter group to expand on the information campaign related to the long run fiscal sustainability plan
- Tacking pole(s) on sales tax revenue enchantment measure and potential impacts of other propositions on the November ballot
- Development of the 2020-21 City Budget and CIP project list
- Update of the Long Range Financial Plan
- Adoption by the City Council of a "Responsible Spending Pledge" for use of any significant increases in City revenues

City Council and staff greatly appreciate the hundreds of residents who have already provided feedback, ideas, and concerns about the City's Long Term Financial Sustainability.

Prepared by: David D. Cain, Fiscal Sustainability Manager

Reviewed by: Eric Hendrickson, Finance Director

Approved by: Chet Simmons, City Manager