

CITY OF LOS ALAMITOS

Via videoconference

Participation via Phone: (301) 715-8592

Meeting ID: 831 8748 7623

AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING

October 19, 2022 – 6:00 p.m.

SAFETY ALERT –NOTICE REGARDING COVID-19

Due to COVID-19, the City of Los Alamitos Budget Standing Committee Special Meeting on October 19, 2022 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:831 8748 7623. 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). Comments **received by 3:00 p.m. October 18, 2022** 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 – 6:00 p.m.

2. ROLL CALL
Mayor Hasselbrink
Council Member Chirco

3. CONSENT CALENDAR

A. Approval of Minutes

Approve the Minutes of the Special Meeting on July 27, 2022, Special Meeting on August 15, 2022, Special Meeting September 13, 2022, and Special Meeting October 11, 2022.

4. DISCUSSION ITEMS

A. Review and discuss the Pension Unfunded Liability (UAL), consider possible early funding options, and draft funding policy.

Recommendation: Discuss the Pension Unfunded Liability (UAL), consider possible early funding options, and draft funding policy.

B. Review and discuss additional items.

Recommendation: Review and discuss additional items.

6. 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, Finance Director

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

SPECIAL MEETING

Wednesday July 27, 2022 – 6:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 6:02 p.m., Wednesday, July 27, 2022, via video conference, Mayor Hasselbrink and Councilmember Chirco presiding.

2. ROLL CALL

Present: Committee Members: Mayor Hasselbrink
Councilmember Chirco

Absent: Committee Members: None

Present: Staff: Chet Simmons, City Manager
Craig Koehler, Finance Director

3. CONSENT CALENDAR

A. Approval of Minutes

Motion/Second: Hasselbrink/Chirco

Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting on May 2, 2022, June 1, 2022, June 13, 2022, and Special Meeting on July 13, 2022.

4. DISCUSSION ITEMS

A. Review and discuss the Pension Unfunded Liability (UAL) and review possible early funding options.

The Budget Standing Committee reviewed and discussed the Pension Unfunded Liability (UAL) and considered early funding options. Representatives from PFM provided an overview of UAL funding options, including issuance of Pension Obligation Bonds (POB), and Additional Discretionary Payment (ADP) scenarios. Staff will return at a future meeting with a draft policy for funding the UAL.

B. Review City's Investment Policy and consider changes for allowable Investments per State Government Code.

The Budget Standing Committee reviewed and discussed the City's Investments and recommended approval of a resolution for the proposed additional investment instruments per State Government Code.

C. Review of the City's Infrastructure Needs.

The Budget Standing Committee received a briefing on the City's infrastructure needs as it pertains to the three main building facilities: Police, Administration, and Recreation. The report was received and filed and no action was taken.

D. Discussion of the creation and funding of a new Fund for Economic Development.

The Budget Standing Committee discussed the creation of a new fund and funding for Economic Development, and recommended approval.

E. Discussion on the next phase of Economic Development.

The Budget Standing Committee received a briefing on the next phase of Economic Development. The report was received and filed and no action was taken.

F. Discussion of additional items:

1. Cost Recovery RFP process.

The Budget Standing Committee received a report on the Cost Recovery RFP process and recommended that the selection process be handled under the City Manager's approval authority.

2. City Treasurer title designation.

The Budget Standing Committee received a report on reassigning the City Treasurer title, and recommended approval of a resolution for the assignment of title of City Treasurer to the Finance Director.

3. Resolution adding access to confidential HdL sales tax data.

The Budget Standing received a briefing on providing additional access to HdL confidential sales tax data, and recommended approval of a resolution adding specified City personnel access in connection with the Economic Development program.

4. Police Over Hire

The Budget Standing Committee received a report on over hire of police officers. The report was received and filed and no action was taken.

5. ADJOURNMENT

The meeting adjourned at 8:02 p.m.

Craig Koehler, Finance Director

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

SPECIAL MEETING

Monday August 15, 2022 – 5:25 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 5:27 p.m., Monday, August 15, 2022, via in person, Mayor Hasselbrink and Councilmember Chirco presiding.

2. ROLL CALL

Present: Committee Members: Mayor Hasselbrink
Councilmember Chirco

Absent: Committee Members: None

Present: Staff: Chet Simmons, City Manager
Craig Koehler, Finance Director
Windy Quintanar, City Clerk, MMC

3. CONSENT CALENDAR

A. Findings Required by AB 361 For Continued Use of Teleconferencing for Meetings

Motion/Second: Chirco/Hasselbrink

Unanimously Carried: The Budget Standing Committee made the findings required by AB 361 and approved the option to meet teleconferencing during the pandemic.

5. ADJOURNMENT

The meeting adjourned at 5:28 p.m.

Craig Koehler, Finance Director

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

SPECIAL MEETING

Tuesday September 13, 2022 – 6:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 6:05 p.m., Tuesday, September 13, 2022, via videoconference, Mayor Hasselbrink and Councilmember Chirco presiding.

2. ROLL CALL

Present: Committee Members: Mayor Hasselbrink
Councilmember Chirco

Absent: Committee Members: None

Present: Staff: Chet Simmons, City Manager
Craig Koehler, Finance Director

3. CONSENT CALENDAR

A. Findings Required by AB 361 For Continued Use of Teleconferencing for Meetings

Motion/Second: Chirco/Hasselbrink

Unanimously Carried: The Budget Standing Committee made the findings required by AB 361 and approved the option to meet teleconferencing during the pandemic.

5. ADJOURNMENT

The meeting adjourned at 6:06 p.m.

Craig Koehler, Finance Director

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

SPECIAL MEETING

Tuesday October 11, 2022 – 9:00 a.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 8:58 a.m., Tuesday, October 11, 2022, via videoconference, Mayor Hasselbrink and Councilmember Chirco presiding.

2. ROLL CALL

Present: Committee Members: Mayor Hasselbrink
Councilmember Chirco

Absent: Committee Members: None

Present: Staff: Craig Koehler, Finance Director

3. CONSENT CALENDAR

A. Findings Required by AB 361 For Continued Use of Teleconferencing for Meetings

Motion/Second: Chirco/Hasselbrink

Unanimously Carried: The Budget Standing Committee made the findings required by AB 361 and approved the option to meet teleconferencing during the pandemic.

5. ADJOURNMENT

The meeting adjourned at 8:59 a.m.

Craig Koehler, Finance Director

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: **October 19, 2022** **ITEM NUMBER: 4A**

To: **Budget Standing Committee Members**

Presented By: **Craig Koehler, Finance Director**

Subject: **PERS Unfunded Actuarial Liability (UAL), Consideration of Possible Early Funding Options, and Draft Unfunded Liability Pay-Down Policy**

SUMMARY

Since the adoption of the City's Fiscal Sustainability Plan, the Budget Standing Committee and the Los Alamitos City Council have been exploring different methods of maximizing investment opportunities that result in net savings to the City's residents.

This report provides the Budget Standing Committee with a follow-up discussion on the PERS Unfunded Actuarial Liability (UAL), consideration of possible early funding options, and a draft funding policy.

RECOMMENDATION

Review and discuss the information in connection with the PERS Unfunded Actuarial Liability (UAL), consideration of early funding options, and draft funding policy.

BACKGROUND

A report on additional PERS funding for an UAL paydown was presented to the City Council on June 21, 2021. Council requested that staff return to the Budget Standing Committee for additional study and review of the different options available to the City in order to determine the feasibility of an early Pay-Down Plan for the unfunded liability, as well as developing needed policies.

A follow up report was provided to the Budget Standing Committee on August 23, 2021, and at the January 25, 2022 Special Meeting. The Budget Standing Committee received additional information at a Special Meeting on July 27, 2022, including a presentation from a public financial advisory firm, PFM Financial Advisors, LLC, in connection with alternatives for early funding of the UAL.

DISCUSSION

At the July 27, 2022 Special Meeting, several early UAL funding options were reviewed and discussed, including "Pay as You Go" (current payment methodology), Hybrid funding

(percentage of fiscal year-end surplus applied to infrastructure and UAL), Additional Discretionary Payments (ADP), "Fresh Start Program", Pension Obligations Bonds (POB), Tax Exempt Exchange, and IRS Section 115 Trust. A presentation was also provided by PFM Financial Advisors, LLC, related to different funding options in order to address the City's UAL.

While the presentation initially focused on Pension Obligation Bonds as a vehicle to achieve the City's desire to retire all outstanding PERS Unfunded Actuarial Liability, further analysis revealed that utilizing an annual Additional Discretionary Payments (ADP) plan may be more advantageous. Applying an ADP plan methodology would allow the City to achieve its goals sooner and generate more potential savings. It also would also enable the City to avoid some of the potential pitfalls of Pension Obligation Bonds, such as taking on additional debt that may not result in completely paying down the existing UAL.

Below is a summary of the three potential ADP funding plan options, and their associated projected savings. It is important to note that regardless of the ADP plan term selected (15, 12, or 10 years), the savings generated would be recouped at the end of the specified target period.

Funding UAL - Additional Discretionary Funding (ADP) Comparison						
Target Period	Annual ADP	Final Year UAL (no ADP)	Final Year UAL w/ADP	Total Payments - no ADP	Total Payments w/ADP	Total Est. Savings
10 yrs	\$540,000	FY2052	FY2033	\$27,913,751	\$24,296,385	\$3,617,366
12 yrs	260,000	FY2052	FY2035	27,913,751	25,729,637	2,184,114
15 yrs	74,000	FY2052	FY2038	27,913,751	27,134,154	779,594

Source: PFM Presentation July 27, 2022

While a 10-year ADP funding plan would generate the largest amount of savings, it would seriously restrict the City's cash flow and the ability to continue to make other improvements outlined within the City's Fiscal Stabilization Plan. Conversely, a 15-year ADP funding plan would not allow provide enough additional funding in order to generate significant savings.

For these reasons, staff is recommending an UAL funding payment plan utilizing 12-year funding, with an estimated savings of \$2.2 million. This would require an additional ADP payment of \$260,000 annually.

If the Budget Standing Committee elect to pursue one of the above ADP plans, staff recommends the adoption of a supporting policy as this undertaking will require multiple budget cycles to achieve. A draft policy has been included as an attachment to this report.

The main directives of the draft policy are as follows:

The Los Alamitos City Council directs the City Manager to incorporate within the annual budget an Additional Discretionary Payment (ADP) of at least \$260,000 in order to address the City's current PERS Unfunded Actuarial Liability (UAL). The City Manager is further directed to include the same \$260,000 in subsequent budgets, with the goal of achieving a 100% funding within 12 years of adoption of this policy.

As stated above, ADPs should not adversely affect the general operations of the City, and therefore may be withheld in any given fiscal year if the financial condition of the City precludes such ADP being made. In the event it is recommended that ADPs amounts be lower than \$260,000, a separate report to Council will be made to justify the reason for withholding the ADP along with appropriate financial support certified by the City Manager.

Submitted By: Craig Koehler, Finance Director

Approved By: Chet Simmons, City Manager

Unfunded Liability Pay-Down Policy

The purpose of this Unfunded Liability Pay-Down Policy ("Policy") is to provide guidance on the development and adoption of a funding plan for any Unfunded Accrued Liabilities ("UAL") that are calculated annually by CalPERS. This funding Policy should also support the decision-making process of the City Council and should be consistent with the overall purpose and goals of the City of Los Alamitos.

The City recognizes that a fiscally prudent Policy should:

- Maintain the City's sound financial position
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenditures
- Protect the City's creditworthiness
- Ensure that all pension funding decisions are structured to protect both current and future taxpayers, ratepayers and residents of the City, and
- Ensure that the City's debt is consistent with the City's strategic planning goals, objectives, capital improvement program, and/or budget.

The City is committed to fiscal sustainability by employing long-term financial planning efforts, maintaining appropriate reserve levels, and employing prudent practices in governance, management, budget administration, and financial reporting. This Policy is intended to make all relevant information readily available to decision-makers and the public to improve the quality of decisions, identify policy goals, and to demonstrate a commitment to long-term financial planning. The City's overall objective is to fund the CalPERS pension plan near 100% of the total accrued liability, whenever possible.

The purpose of this funding policy is to establish a framework for funding the City of Los Alamitos' defined benefit pension plan, taking into account factors that are relevant to the plan and the City. These factors include:

- The financial position of the City
- Stability of the plan and / or the affordability of the annual contributions
- Benefit security
- The terms of the CalPERS contract for Los Alamitos, along with any related collective bargaining agreements
- Minimum funding requirements under State law

At its adoption, the approved funding plan will use a target of 12 years to reach 100% of the Unfunded Liability. It is acknowledged that a significant number of different factors may impact the City's ability to reach this target, including but not limited to:

As such the realized funding period could be extended or shortened based on these factors.

After completion of the annual audit, all discretionary fund reserve balances will be reviewed by City staff. Based on any budgetary constraints at that time, a determination

may be made that it is in the best interest of the City to use any available reserves or one-time savings from the prior fiscal year to make ADPs.

Policy Directive:

The Los Alamitos City Council directs the City Manager to incorporate within the annual budget an Additional Discretionary Payment (ADP) of at least \$260,000 in order to address the City's current PERS Unfunded Actuarial Liability (UAL). The City Manager is further directed to include the same \$260,000 in subsequent budgets, with the goal of achieving a 100% funding within 12 years of adoption of this policy.

As stated above, ADPs should not adversely affect the general operations of the City, and therefore may be withheld in any given fiscal year if the financial condition of the City precludes such ADP being made. In the event it is recommend that ADPs amounts be lower than \$260,000, a separate report to Council will be made to justify the reason for withholding the ADP along with appropriate financial support certified by the City Manager.

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: October 19, 2022 ITEM NUMBER: 4B

To: Budget Standing Committee Members

Presented By: Craig Koehler, Finance Director

Subject: Review and Discuss Additional Items

SUMMARY

This report provides the Budget Standing Committee with a discussion of additional items.

RECOMMENDATION

Review and discuss additional items and consider recommendations.

Submitted By: Craig Koehler, Finance Director

Approved By: Chet Simmons, City Manager