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

BUDGET STANDING COMMITTEE AGENDA
SPECIAL MEETING

Monday, March 11, 2024 – 5:00 PM

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 Budget Standing Committee at the same meeting.

Any written materials relating to an item on this agenda submitted to the Budget Standind Committee 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 Pro Tem Shelley Hasselbrink
Council Member Tanya Doby

3. ORAL COMUNICATIONS

At this time, any individual in the audience may come forward to speak on any item within the subject matter jurisdiction of the Budget Standard Committee. Remarks are to be limited to not more than five minutes per speaker.

4. CONSENT CALENDAR

All Consent Calendar items may be acted upon by one motion unless a Committee Member requests separate action on a specific item.

A. Approval of Minutes (Finance)

Approve the Budget Standing Committee Special Meeting Minutes of February 12, 2024.

Recommendation:

Approve the minutes of the Special Meeting of February 12, 2024.

5. CLOSED SESSION

A. CONFERENCE WITH LABOR NEGOTIATOR (Administration)
City Negotiator: Chet Simmons, City Manager
Employee Organization: Teamsters Local 911
Authority: Government Code Section 54957.6

B. CONFERENCE WITH LABOR NEGOTIATOR (Administration)
City Negotiator: Chet Simmons, City Manager
Employee Organization: Executive Management, Non-Represented
Authority: Government Code Section 54957.6

C. CONFERENCE WITH LABOR NEGOTIATOR (Administration)
City Negotiator: Chet Simmons, City Manager
Employee Organization: Police Officers Association
Employees Authority: Government Code Section 54957.6

6. DISCUSSION ITEM

A. Mid-Year General Fund Budget Review and Financial Update for Fiscal Year 2023-24 (Finance)

This report provides the Budget Standing Committee and Council with a review of the Mid-Year General Fund budget for the Fiscal Year 2023-24 and a projection for the fiscal year ending June 30, 2024.

Recommendation:

1. Review the Mid-year General Fund budget for the Fiscal Year 2023-24 and the projection for the Fiscal Year ending June 30, 2024; and,

2. Provide directions and comments.

7. ITEMS FROM STAFF AND THE COMMITTEE

At this time, Committee Members and Staff may also report on items not specifically described on the Agenda that are of interest to the community, provided no action or discussion is taken except to provide Staff direction to report back or to place the item on a future Agenda.

8. 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.

Craig Koehler, Finance Director
Dated: March 7, 2024

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

SPECIAL MEETING

Monday, February 12, 2024 – 5:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 5:03 p.m., Monday, February 12, 2024, with Mayor Pro Tem Hasselbrink and Council Member Doby presiding.

2. ROLL CALL

Present:	Committee Members:	Mayor Pro Tem Hasselbrink Council Member Doby
Absent:	Committee Members:	None
Present:	Staff:	Chet Simmons, City Manager Craig Koehler, Finance Director Chelsi Wilson, Administrative Services Manager Ron Noda, Deputy City Manager, Development Services Director

3. Oral Communications

There is none to report.

4. CONSENT CALENDAR

A. Approval of Minutes

Motion/Second: /Hasselbrink
Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting of November 6, 2023.

5. CLOSED SESSION

A. CONFERENCE WITH LABOR NEGOTIATOR (Administration)
City Negotiator Chet Simmons, City Manager
Employee Organization: Teamsters Local 911
Authority: Government Code Section 54957.6

B. **CONFERENCE WITH LABOR NEGOTIATOR (Administration)**
City Negotiator Chet Simmons, City Manager
Employee Organization: Executive Management, Non-Represented
Authority: Government Code Section 54957.6

C. **CONFERENCE WITH LABOR NEGOTIATOR (Administration)**
City Negotiator Chet Simmons, City Manager
Employee Organization: Police Officers Association
Authority: Government Code Section 54957.6

The Budget Standing Committee adjourned from Closed session at 6:28 p.m. with no reportable action.

6. DISCUSSION ITEMS

A. Increased Efforts to Digitize City Records and Workflows

The Committee received a report on an update to digitize Police records using Laserfiche. Finance is also pursuing efforts to digitize the accounts payable workflow process. No action was taken, and this item will be discussed with the Council during the budget process.

B. Budget Restructuring (Finance)

The Committee received a report on considering options for restructuring the budgets for the City Council, Technology Charges (Fund 53), Police, and Internal Service Charges. Changes discussed were recommended and will be incorporated with the new budget.

C. HdL Sales Tax Update (Finance)

The Committee was provided with an update from the latest HdL quarterly report ending September 30, 2023, indicating that combined sales tax and local sales tax are down for the period by approximately $598K. This should be offset by other categories expected to show strong performance, with investment income and franchise fees exceeding budget. A mid-year budget for FY23-24 projections will be provided to the Committee at the March 11 meeting.

D. Consideration for the November 6, 2024, General Municipal Election (Administration)

Staff discussed information about adding a Charter Amendment to the November 6, 2024, General Municipal Election ballot. Staff were provided direction to submit a budget appropriation request to cover the costs of the Charter amendment.

7. ITEMS FROM STAFF AND THE COMMITTEE

None.

8. ADJOURNMENT

The meeting was adjourned at 7:28 p.m.

____

Craig Koehler, Finance Director

City of Los Alamitos
BUDGET STANDING COMMITTEE AGENDA REPORT

MEETING DATE: March 11, 2024 **ITEM NUMBER: 6A**

To: **Budget Standing Committee Members**

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

Subject: **Mid-Year General Fund Budget Review and Financial Update for Fiscal Year 2023-24**

SUMMARY

This report provides the Budget Standing Committee and Council with a review of the Mid-Year General Fund budget for the Fiscal Year 2023-24 and a projection for the fiscal year ending June 30, 2024.

RECOMMENDATION

1. Review the Mid-year General Fund budget for the Fiscal Year 2023-24 and the projection for the Fiscal Year ending June 30, 2024; and,

2. Provide directions and comments.

BACKGROUND

On June 20, 2023, the City Council approved and adopted a balanced budget for Fiscal Year 2023-24, which included operating revenues of $22,322,066 and operating expenditures of $21,157,708, excluding transfers.

DISCUSSION

Two leading factors, unemployment and inflation, remain relatively low compared to the prior year, which casts doubt on a recession, as predicted by many economists. This has been fueled by continued strong consumer buying, resulting in gross domestic product growth of 4.9% in the third quarter of 2023, the strongest period in almost two years.

However, recent internal research data from a leading bank shows that consumer spending is beginning to decrease. This is consistent with the disinflation path (slowing in the inflation rate) the Federal Reserve targets as it aims for a soft landing. Rate cuts are expected in mid-late summer in the second half of the year, as noted from an economic forecast presented by California State University Fullerton. Longer-term predictors point to a possible downward economic shift 12 months out.

It is important to note that this mid-year report represents a snapshot in time and reflects recorded information through December 31, 2023, or six months of the fiscal year, and a projection of Fiscal Year 2023-24. 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 and a projection for Fiscal Year 2023-24.

General Fund Revenues
The financial summary below depicts the Adopted Budget for Fiscal Year 2023-24, actual General Fund revenues through December 31, 2023, and a projection to June 30, 2024.

	2023-24 Adopted Budget	Actual thru 12/31/23	2023-24 Projection	Variance
Revenue Summary				
Property Taxes	5,085,144	2,911,199	5,076,966	(8,178)
Sales Tax	3,937,304	1,106,195	3,770,874	(166,430)
Sales Tax - Local (Measure Y)	6,593,000	1,315,072	6,161,000	(432,000)
Transit Occupancy Tax (TOT)	530,000	156,233	530,000	-
Business Licenses	824,000	667,774	824,000	-
Utility Users Tax	1,799,000	1,127,645	2,255,290	456,290
Franchise Fees	655,300	726,834	830,368	175,068
Licenses & Permits	1,075,300	364,878	1,075,300	-
Fines & Forfeitures	696,000	331,871	585,788	(110,212)
Use of Money & Property	300,000	350,807	800,000	500,000
Other Agencies	12,200	153,901	156,101	143,901
Charges for Current Services	764,818	241,690	713,631	(51,187)
Misc.	50,000	7,627	2,938,495	2,888,495
Total Revenue	**22,322,066**	**9,461,726**	**25,717,813**	**3,395,747**
Transfers In	870,000	685,000	870,000	-
Total	**23,192,066**	**10,146,726**	**26,587,813**	**3,395,747**

Property Taxes, Sales and Use Taxes, and Measure Y Local Sales Taxes are the three largest revenue sources for Los Alamitos and comprise approximately 67.0% of all revenue generated and collected by the City.

Property Taxes
Property taxes remain one of the largest revenue sources for the City, and the majority are received in December and April, following the payment due dates. For secured property taxes, the first installment is due November 1 and is delinquent after December 10; the second is due February 1 and delinquent after April 10. A report received from HdL at the end of 2023 indicated a preliminary net value change in property values up 7.4% over the 2022-23 tax roll and indicates that property taxes are continuing an upward trend. Residential properties comprise 56.8% of all values in the City and grew by $94.7 million (5.9%). The 2023-24 CPI applied to property values is expected to be the maximum allowed under Proposition 13. Commercial properties added $27.1 million (5.1%), and industrial properties added $86 million. Unsecured values also increased by $4.5 million (2.4%). Residential prices have continued to respond to lower inventory with higher interest rates. The median sale price of a detached single-family residential home in Los Alamitos from January through August 2023

was $1.25 million. This represents a $202,500 (19.3%) increase in median sale price over the prior year.

Sales & Use Taxes

A report from HdI, dated January 18, 2024, reported data for the quarter ending September 2023. Sales were down 8.1% for the 3rd quarter of 2023 compared to the same time frame for 2022, reflecting a slowdown in consumer spending. The primarily decreases were reflected in business sectors of business & industry, office equipment, and light and heavy industrial printers. The projection and estimate for Sales & Use Taxes for Fiscal Year 2033-24 is $3.8 million, 4.2% lower than the Adopted Budget. Measure Y (Local Sales Tax) Los Alamitos is now benefiting from an additional 1.5% sales tax with the passage of Measure Y, and this has now become the largest source of revenue at 27% of total revenues collected by the City and exceeds property tax, traditionally the top revenue producer. Fiscal Year 2023–24 Projections are $6.2 million, representing a 6.6% decrease from the adopted budget. The Other Taxes category, which includes Sales Tax and Measure Y Local Sales Tax, is projected to be $598,430 lower than the adopted budget. As detailed below, this is projected to be offset by other revenue categories.

Utility Users Tax

Utility Users Tax (UUT) is a usage tax imposed on utilities, including electricity, natural gas, telephone, and water. The rates for Los Alamitos are currently 6%, except for telecommunications, which is 5%. UUT revenue receipts through December 31, 2023, are approximately 13% higher than in 2022 compared to the same period. The projections for FY2023-24 are trending higher and reflect an overall increase in usage that could potentially produce an additional $456K.

Fines & Forfeitures

Fines & Forfeitures include red light cameras, parking fines, and other moving violations, and are currently trending lower than the budget, as explained below.

Red Cameras

One of the red camera systems was down due to a traffic collision, which is one explanation for a deficit in the projected revenue. In addition, the City is in the process of having additional approaches installed. Hopefully, the new red light camera angles will help the City recoup some of the lost revenue before the end of this fiscal year.

Parking Fines/Moving Violations

Historically, there were two Police Aid positions in the field doing parking enforcement and two inside doing Records / Front Desk work. The position of Police Aid, like others, was met with attrition, and we went down to one Police Aid in the field and one in Records. That was the first decrease in the projected revenue for parking enforcement. The Records position is considered a primary function of the police department, whereas parking enforcement is not. Therefore, whenever staffing issues arise, like lunch breaks or outages due to illness, the Police Aid was diverted from the field to work on Records. That would be the second deficit affecting the projected revenue for parking enforcement. The department is currently in the process of recruiting to fill both of those vacant positions to get back to full staffing.

In connection with moving violations, the motor patrol is currently vacant and, when deployed, is expected to help facilitate additional revenue through increased concentration on moving violations.

Use of Money & Property (Investment Earnings)
The City's investment portfolio and earnings are tracking higher than budget due to continued strong market activity. The interest earnings recorded for the 2nd quarter ending December 31, 2023, reflected interest of $236K. Given this trend, the City is projected to benefit from an additional $500K in interest for the fiscal year.

Miscellaneous
The large variance in the Miscellaneous revenue category is due to the grant offsets anticipated for the infrastructure ($2.5 million) and the purchase of the Police armored vehicle ($380,838).

General Fund revenues for FY2023-24 will exceed the Adopted Budget by $3.4 million. This is primarily due to the $2.5 million offset for State grant reimbursement funding for the Recreation roof repair and other eligible state grant expenditures (Miscellaneous Revenue), increased investment income (Use of Money & Property), and increased projected UUT.

General Fund Expenditures
The financial summary below reflects the Adopted Budget General Fund Expenditures for Fiscal Year 2023-24, actual expenditures through December 31, 2023, and a projection to June 30, 2024.

	2023-24 Adopted Budget	Actual thru 12/31/23	2023-24 Projection	Variance
Expenditure Summary				
City Council	66,895	17,793	66,895	-
Administration	1,493,294	628,712	1,432,544	(60,750)
Finance	1,011,972	502,493	986,766	(25,206)
City Attorney	196,000	177,352	226,000	30,000
Police	8,345,059	4,457,635	8,220,758	(124,301)
Development Services	5,003,100	2,392,503	5,628,948	625,848
Recreation	2,458,757	1,318,743	2,504,764	46,007
Non-Departmental	2,582,631	188,334	5,941,768	3,359,137
Total Expenditures	**21,157,708**	**9,683,565**	**25,008,443**	**3,850,735**

For the most part, department expenditures are trending with the Adopted Budget. The most significant variances are in Developmental Services and Non-Departmental, as explained below.

City Council
Council department expenditures are in line and are projected to align with the adopted budget.

Administration (City Manager, City Clerk, Human Resources)

An additional appropriation of $20,000 is being requested for general election creation/distribution of educational materials and has been added. Overall department expenditures for Administration are projected to be under budget.

Finance

Finance currently has a vacancy with the Finance Manager, which is being augmented by contract staffing until a successful recruitment can be done. Higher contractual costs offset salary savings for the vacancy, but the department is projected to be below budget for FY2023-24.

City Attorney

The City Attorney is expected to be above budget due to higher expenditures concerning ongoing litigation. At the time of budget adoption, an estimate is typically used for litigation, and the actual is unknown until litigation arises. An additional appropriation of $30,000 is being requested to close the gap in the overall budget.

Police

The Police department budget is projected to have potential savings, reflecting a vacancy in the Traffic Division.

Additional appropriations of $168,000 are being requested to cover higher costs for Wescom dispatch, as actual costs were not known when the budget was created, and the additional amount is needed to cover higher costs than anticipated for FY2023-24.

Development Services

Expenditures for Development Services are projected to exceed the budget. Higher costs are projected for the Street Maintenance Division for additional expenditures for concrete remediation, potholes, concrete apron repairs, etc. Facility Maintenance is projected to have additional expenditures for the Police Department's unanticipated building improvement project. An additional appropriation of $626,000 is requested to cover the anticipated additional costs.

Recreation

Recreation expenses are projected to exceed the budget by approximately $46K, representing higher part-time salaries and benefits due to increased program costs for Administration and Special Classes. The budget also reflects year-round programming for Aquatics.

Non-Departmental

Non-departmental expenses are not aligned with other departments and consist of contractual services, pre-employment expenses, credit card fees, health insurance costs for retirees, and capital expenditures funded by the General Fund.

Additional costs are expected for Recreation Center roof repair ($1,7901,952), other state grant-eligible expenses ($709,048), and the purchase of the Police armored vehicle ($380,868), all of which are anticipated to be offset by grants. In addition, funding for the Trust commenced in January following the Council's approval in November and was not budgeted; an additional appropriation of $300,000 (6 months of funding) is being requested for Fiscal Year 2023-24.

Technology Replacement (Fund 53)
Additional funding for Technology Replacement (Fund 53) for digitization workflow enhancement (Laserfiche) is being requested. Records for both the Police Department and the Finance department are paper copies. Paper copies make for a very manual process from beginning to end. Requests for records are cumbersome as Staff must locate and then make a physical copy of the records being used. Unlike digital systems, searching for records requires very precise details to find them. As we've realized in Development Services, digitizing records improves efficiency from creating records through the useful life of the record. Digital records allow the public additional transparency and quick access to records. Staff has begun requesting quotes to implement these processes. However, these projects are un-budgeted and would require an allocation at mid-year.

For Police, due to the confidential nature of records, they would require a separate Laserfiche license. The first-year upfront cost would be $17,050. Every year after that, the annual cost would be $10,050.

Finance Records can be added to the City's existing license. An electronic workflow for accounts payable will also be purchased. The current process is to print out digital invoices received from vendors, manually create a warrant request and print it out, route the paper copy for signatures, and then provide it to Finance. Finance then processes and files the paper copy. To retrieve records later, Finance would search for the information in the City's financial software, Incode, and cross-reference it with the paper copies. The workflow would digitize that entire process, similar to what was implemented with the agenda process in 2020. All records would be retrievable digitally for Finance staff and other departments. It would also assist in providing records to outside parties and be beneficial in providing documents during the City's annual audit.

Additional users, an accounts payable module, and the interface between Laserfiche and our financial system would need to be added to our current license. To build the interface between Laserfiche and Incode, there is a one-time fee for software licenses and professional services (implementation/deployment), which is $15,289. Thereafter, an annual maintenance fee of $2,544 would be incurred.

The total cost for both Police ($27,100) and Finance ($17,833) is estimated at $47,477 and was not budgeted. An additional appropriation is being requested to implement these technological enhancements.

Economic Development (Fund 57)
A transfer of $200,000 from Economic Development to the General Fund is needed for property assessment and development.

It is important to remember that the projection for FY2023-24 is an estimate, and many other factors outside the City's control, like shifts in the economy, may affect the outcome. The final numbers will not be known until the close of the fiscal period.

FISCAL IMPACT

If approved by the BSC and Council, the additional cost appropriations are summarized below:

Additional Appropriations

General Fund		
Administration	$ 20,000	General election
City Attorney	30,000	Litigation
Police	168,000	Wescom
Development Services	626,000	Street and Facility maintenance
Non-Departmental	300,000	Trust funding
	$ 1,144,000	
Technology (Fund 53)	$ 47,477	Finance and Police digitization workflow
Economic Development (Fund 57)	$ 200,000	Property assessment and development

Attachment: None