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

BUDGET STANDING COMMITTEE AGENDA
SPECIAL MEETING

Monday, May 6, 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 April 22, 2024.

   Recommendation:

   Approve the minutes of the Special Meeting of April 22, 2024.

5. DISCUSSION ITEM

A. Preliminary Draft Budget for Fiscal Year 2024-25 and Fiscal Year 2025-26 (Finance)

This report provides the Budget Standing Committee with the second review of the preliminary draft budget for Fiscal Years 2024-25 and 2025-26.

Recommendation:

Review and discuss the preliminary budget for Fiscal Years 2024-25 and 2025-26 and provide direction to staff.

6. 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

D. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Property: 10911 Oak St., Los Alamitos, CA 90720
Agency Negotiator: Chet Simmons, City Manager
Negotiating Parties: Los Alamitos Unified School District
Under Negotiation: Price and terms of payment

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: May 2, 2024

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

SPECIAL MEETING

Monday, April 22, 2024 – 5:00 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 5:15 p.m., Monday, April 22, 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 Mathew Lightner, Management Analyst Trisha Murphy, Council Member

3. Oral Communications

There is none to report.

4. CONSENT CALENDAR

A. Approval of Minutes

Motion/Second: Doby /Hasselbrink
Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting of March 11, 2024.

6. DISCUSSION ITEMS

A. Preliminary Draft Budget for Fiscal Year 2024-25 and Fiscal Year 20255-26 (Finance)

Staff provided the Committee with a review of the preliminary draft General Fund budget for Fiscal Years 2024-25 and 2025-26. Staff will provide updates and recommended changes for the next version and the May 13 meeting.

B. City Council Travel Policy (Administration)

Staff presented the revised Administrative Regulation 6.2—City Council travel Policy. Staff will make revisions as recommended by the Committee, and the draft Travel Policy will be presented to the Council for adoption.

C. Future Discussion Items (Finance)

Staff presented the Committee with a discussion of additional items for future meetings.

6. 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 the Closed Session with no reportable action.

7. ITEMS FROM STAFF AND THE COMMITTEE

None.

8. ADJOURNMENT

The meeting was adjourned at 6:33 p.m.

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Craig Koehler, Finance Director

City of Los Alamitos
BUDGET STANDING COMMITTEE AGENDA REPORT

MEETING DATE: May 6, 2024 **ITEM NUMBER: 5A**

To: **Budget Standing Committee Members**

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

Subject: **Preliminary Draft Budget for Fiscal Year 2024-25 and Fiscal Year 2025-26**

SUMMARY

This report provides the Budget Standing Committee with the second review of the preliminary draft budget for Fiscal Years 2024-25 and 2025-26.

RECOMMENDATION

Review and discuss the preliminary budget for Fiscal Years 2024-25 and 2025-26 and provide direction to staff.

BACKGROUND

Conducting a preliminary analysis of all appropriations for the upcoming fiscal year is customary. This process updates the Budget Standing Committee on the forecasted fiscal status of the City's General Fund. Los Alamitos implemented a two-year budget cycle beginning with the Fiscal Year 2021-22 Budget. This budget cycle will include projections for Fiscal Year 2024-25 and an estimate for Fiscal Year 2025-26 that will aid with future planning.

DISCUSSION

The Mid-Year Budget review and projection for the Fiscal Year ending June 30, 2024, was presented to the Council on March 18, 2024. Since then, Finance has compiled cost information to create draft budgets for each department. Increases reflect the proposed MOU salary and benefit changes, as well as normal O&M increases. Meetings with the departments and the City Manager were conducted to review the draft budgets. An updated report was received from HdL on April 30, 2024 in connection with new estimates for sales tax for FY24-25 and FY25-26.

Finance has been closely tracking the economy. Information has been gathered from various sources, including HdL, Beacon Economics, Bloomberg, and the U.S. Treasury. In a recent webinar by UCLA School of Management dated April 9, 2024, economists forecast slow growth for the next few years. Other factors remain in play, including the presidential election in November and larger-scale ongoing geopolitical risks. Even though there is evidence of a recession within the data, it is not expected to materialize anytime soon and maybe a couple of years down the road, according to the latest forecast.

Fiscal Year 2024-25 and Fiscal Year 2025-26 Budget Overview

The new draft budget again reflects two fiscal years. As shown below, projected revenues (including transfers) for FY24-25 and FY25-26 are $24.4 million and $25.0 million, respectively.

General Fund Projected Revenues

Fiscal Year 2024-25 and 2025-26 revenue projections by category are presented as follows:

	2024-25 Proposed	2025-26 Projection
Revenue Summary		
Property Taxes	$ 5,436,347	$ 5,629,908
Other Taxes	11,176,715	11,507,381
Utility User Taxes	2,283,000	2,289,000
Franchise Fees	864,200	868,200
Licenses & Permits	1,123,480	1,170,784
Fines & Forfeitures	1,031,975	1,052,075
Investment Earnings	750,000	750,000
Revenue from Other Agencies	11,000	11,000
Charges for Current Services	1,237,531	1,242,531
Miscellaneous	100,000	100,000
Total Revenue	**24,014,248**	**24,620,879**
Transfers In	425,000	425,000
Total Revenue & Transfers In	**$ 24,439,248**	**$25,045,879**

Property Taxes

The report received from HdL (dated September 19, 2023) indicates that property taxes are continuing an upward trend and estimated increases of 3% in FY24-25, followed by 4% growth for FY25-26 through FY28-29. The projections for secured property taxes for FY24-25 and FY25-26 are $3.0 million and $3.1 million, respectively. This revenue category encompasses unsecured property taxes, lighting district, and property tax in lieu of VLF. The total property tax revenue projection for FY24-25 is $5.4 million, estimated to be $5.6 million for FY25-26.

Other Taxes

The revenue category for Other Taxes includes Sales and Use taxes, Measure Y Local Sales tax, Transit Occupancy tax, and Business Licenses.

<u>Sales & Use Taxes</u>

An updated report from HdL, dated April 30, 2024, reported data for the December 31, 2023 quarter. The projection and estimate for Sales & Use Taxes is $3.7 million and $3.8 million for FY24-25 and FY25-26.

Measure Y Local Sales Tax

According to the latest report from HdL dated April 30, 2024, estimates for Measure Y Local Sales Tax for FY24-25 are $6.1million, and FY25-26 $6.3 million.

The revision represents a combined projected decline of $300,000 for FY24-25 and $400,000 for FY25-26 promulgated by the results for the quarter ending December 31, 2023.

Transient Occupancy Tax

Transit Occupancy Tax (TOT) includes TOT tax from three hotels. The estimate for FY24-25 is $630,000, and for FY25-26, $640,000.

Business Licenses

Business Licenses are projected to reflect strong business activity for FY24-25 and FY25-26, at $750,000 and $787,000, respectively. A cost recovery study and review of all fees are being conducted and are expected to be completed later this year.

Utility User Tax

Utility User tax is projected to be $2.3 million and reflects taxes paid by the following utilities:

- Electricity 6% - Southern California Edison (LAMC 3.20.080)
- Gas 6% Southern California Gas Company (LAMC 3.20.090)
- Telecommunications Frontier Communications 5% (LAMC 3.20.070)
- Water 6% Golden State Water (LAMC 3.20.100)

Franchise Fees

As the Public Utilities Commission allows, franchise fees levied on utilities are passed directly to customers and itemized on their bills as city fees. The utility collects the fee and remits it to the city. Franchise fees include cable, refuse, electric, gas, water, and pipeline, and they are projected to be approximately $800,000 for FY24-25 and FY25-26.

Licenses & Permits

Licenses & Permits are expected to reflect continued strong activity for building and construction. The resulting changes to the fees have not yet been factored in. Estimates for FY24-25 and FY25-26 are $1.1 million. A Cost Recovery Study is being conducted and is expected to be completed later this year. The resulting changes to the fees have not yet been factored in. However, the U.S. BLS 12-month CPI adjustment as of March 2024 recommends and supports a CPI adjustment of 4% that is being recommended.

Fines & Forfeitures

Fines & Forfeitures revenue includes red light cameras, parking fines, and other moving violations. Revenue is expected to return to a more normalized level in the next fiscal year. Projections for Fines & Forfeitures are $1.0 million for FY24-25 and FY25-26.

Charges for Services

The Recreation Department's various programs, classes, and special events generate the majority of revenue for this category. The Aquatics Program has been added to Recreation's full menu of programs, and the newest category is Los Alamitos Youth Baseball. Estimated revenues total $1.2 million for FY24-25 and FY25-26.

General Fund Proposed Expenditures

The proposed expenditures represent further restructuring of the City's internal operations to meet the goals outlined in the departments and the City. Projected expenditures (including transfers out) for FY24-25 are $23.4 million and $23.8 million for FY25-26. In addition to maintenance and operational increases, a breakdown of the individual departmental expenditures is below. Salaries reflect the proposed MOU adjustments that are currently being approved and negotiated. There were no changes in expenditures from the April 22nd report other than structural revisions.

The table below reflects the Preliminary General Fund Budget for department expenditures for FY24-25 and FY25-26, including additional proposed staffing positions.

	2024-25 Proposed	2025-26 Projection
Expenditure Summary		
City Council	$ 35,957	$ 35,982
Administration - City Mgr, City Clk, HR	1,730,850	1,732,064
Finance	1,134,465	1,171,415
City Attorney	226,000	226,000
Police	8,208,997	8,354,480
Development Services	5,695,455	5,740,455
Recreation	3,489,050	3,627,946
Non-departmental	1,209,500	1,210,500
Total Expenditutes	**21,730,274**	**22,098,842**
Transfers Out	1,605,000	1,605,000
Total Expenditures & Transfers Out	**$ 23,335,274**	**$23,703,842**

Council

The Council budget has been revised to reflect the transfer of many line-item expenditures to the Administration budget, including supplies, postage, advertising, employee service awards, commission appreciation, meeting cable casting, and dues & subscriptions, to better align with City operations. The Council budget is projected to decrease by approximately $32,000.

Administration (City Manager, City Clerk, Human Resources)

Administration includes the City Manager, City Clerk, Administrative Manager, two Management Analysts, a Deputy City Clerk, and a Department Secretary. Line item expenses have been moved from the Council budget as described above to align with overall City operations. Expenditures for Administration for FY24-25 and FY25-26 are projected to be approximately $1.7 million, respectively.

Finance

The Finance Department consists of four full-time staff members: the Finance Director, Finance Manager, Accountant, Senior Finance Assistant, and Part-Time Clerical Assistant. The Finance Manager position is currently vacant and is being recruited. It is currently covered through contract staffing until successful recruitment can be made. Animal services have historically been expensed in Finance and are being moved to Development Services. Total department expenditures for Finance are projected to be $1.1 million.

Police

The Police budget consists of ten divisions: Administration, Patrol, Investigation, Records, Communication, Community Outreach, Youth Programs, Traffic, Emergency preparedness, and the K-9 Unit, which will be reported separately. The total department expenditure for FY24-25 is projected to be $8.2 million and $8.3 million for FY25-26.

Development Services

Development Services include Administration, Planning, Neighborhood Preservation, Building Inspection, NPDES, Street, Park, Facility Maintenance, City engineering, and Economic Development. The Street Department (division 542) reflects salaries and benefits for Park Maintenance (division 543) and Facility Maintenance (division 544), which were previously reported separately. The revision will simplify reporting, as salaries and benefits were split for multiple divisions. The Animal Services expenses have also been moved to Development Services. The addition of a Code Enforcement Officer is being proposed to support the seven-day full coverage further. The total department expenditures for FY24-25 and FY25-26 are projected to be $5.7 million, respectively.

The Economic Development Division (545) salaries and benefits will continue to be funded and offset by the Economic Development Fund (57). This position will be responsible for Business Licensing and additional oversight of HdL’s Business License processing, the Banner Program, Economic Development initiatives, and New Business Programs.

Recreation and Community Services

Recreation and Community Services include divisions for Administration, Community Services, Day Camp, Playgrounds, Sports, Special Classes, and Special Events. Aquatics is now year-round and includes using the pool facilities at the Joint Forces Training Base. Due to the expansion of programs, part-time salaries are being increased. A reclass from

Recreation Supervisor to Management Analyst is being proposed to align with the expanded role and responsibilities of the position. Total department expenditures for Recreation and Community Services are projected to be $3.4 million for FY24-25 and $3.5 million for FY25-26.

Non-Departmental

Non-departmental includes contractual services not associated with other departments, retiree health insurance costs, credit card processing fees, contributions to North SPA, and capital projects funded by Measure Y and General Fund.

Interfund Operating Transfers Out

Interfund transfers from the General Fund are to other funds to cover Debt Service payments of $205,000 (Fund 31), Vehicle and Equipment Replacement of $500,000 (Fund 50), Technology Replacement of $200,000 (Fund 53), and Self-insurance costs of $700,000 (Fund 54).

Internal Service Charges for FY24-25 are being eliminated, and line-item charges at the department level have been replaced by direct transfers from the general fund to better align with operations. This change will reduce departmental expenses, and the transfers will be made directly by the General Fund to create more transparency.

Other Considerations

In connection with the UAL, a report was taken to the Council in November for a plan to pay down the unfunded liability. Council adopted Resolution 2022-23, adopting the PERS Unfunded Accrued Liability Pay-Down Funding Policy. The policy establishes an ADP of at least $260,000 to address the City's current PERS UAL. Upon completion of the City's annual independent financial audit, should a surplus be identified and verified, at least 25% of the identified and verified surplus will be used to make an additional ADP payment. This payment is in addition to and does not replace the already directed $260,000 annual payment.

Due to the extreme fluctuations and uncertainty in the CalPERS rate of returns, the Council also approved funding the trust established with PARS at $50,000 monthly. This funding would be in addition to the already approved $260,000 annual ADP, which, combined with the trust funding, will accelerate the UAL paydown.

FISCAL IMPACT

The projection and estimate for FY24-25 and FY25-26 reflect a surplus.

Attachment: None