

CITY OF LOS ALAMITOS

Via videoconference

Participation via Phone: (301) 715-8592

Meeting ID: 847 2171 1295

AGENDA

BUDGET STANDING COMMITTEE

SPECIAL MEETING

May 2, 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 May 2, 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: **847 2171 1295**. 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. May 2, 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**

2. **ROLL CALL**
Mayor Hasselbrink

Council Member Chirco

3. CONSENT CALENDAR

A. Approval of Minutes

Approve the Minutes of the Special Meeting on March 9, 2022 and Special Meeting on April 6, 2022.

4. DISCUSSION ITEMS

A. Preliminary Budget for Fiscal year 2022-23 and Fiscal Year 2023-24.

This report will review and discuss the preliminary budget for Fiscal Year 2022-23 and Fiscal Year 2023-24.

Recommendation: Review the preliminary budget for Fiscal Year 2022-23 and Fiscal Year 2023-24. Provide direction and comment.

5. 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

City of Los Alamitos

BUDGET STANDING COMMITTEE

AGENDA REPORT

MEETING DATE: May 2, 2022 ITEM NUMBER: 4A

To: Budget Standing Committee Members

Presented By: Craig Koehler, Finance Director

Subject: Preliminary Budget for Fiscal Year 2022-23 and Fiscal Year 2023-24

SUMMARY

This report provides for a review of the preliminary budget for the Fiscal Year 2022-23 and Fiscal Year 2023-24.

RECOMMENDATION

Review and discuss the preliminary budget for Fiscal Year 2022-23 and Fiscal Year 2023-24, and provide direction to staff.

BACKGROUND

It is customary to conduct a preliminary analysis of all appropriations for the upcoming fiscal year. This process updates the Budget Standing Committee on the forecasted fiscal status of the City's General Fund and Other Funds. Los Alamitos implemented a two-year budget cycle beginning with the Fiscal Year 2021-22 Budget. This budget cycle will include budget projections for Fiscal Year 2022-23, and an estimate for Fiscal Year 2023-24, that will provide assistance with future planning.

DISCUSSION

The Mid-Year Budget review and projection for the Fiscal Year ending June 30, 2022, was presented to Council on March 21, 2022. Finance staff has conducted meetings with the departments and the City Manager, to review preliminary budget projections for Fiscal Year 2022-23 and Fiscal Year 2023-24. A new sales tax forecast was received from HdL on April 6, 2022, with reported data through the fourth quarter 2021 (December 2021), and included projections for Fiscal Year 2021-22 and Fiscal Year 2022-23. Beacon Economics has also released new information and their latest forecast on the economy.

Economic Update

Indicators of economic activity and employment continue to grow in recent months and the unemployment rate has declined substantially. Fiscal Year 2022 will continue to be known as the year of recovery, and most business sectors have recovered to the pre-pandemic levels. However, this does not mean that the economy will not face challenges in the coming year. Inflation remains elevated, reflecting imbalances within supply and demand related to the pandemic. Global unrest is present with the invasion of Ukraine by Russia, and the resulting hardships have unknown implications on the U.S. economy at this time.

The U.S. Treasury has made recent moves to counter the growth of inflation. On March 16, the U.S Treasury made the first of several scheduled moves to counter inflation that reached a 40-year high of 7.9%, and raised the federal funds rate by a quarter percentage point. Consumers will soon see higher rates on everything ranging from credit cards to mortgages. This is the first increase of the federal funds rate in more than three years, and will kick off a projected five to seven quarter-point moves during 2022. This represents the most aggressive hike campaign by the Federal government since 2005. Another three or four rate hikes are projected in 2023, a blueprint that will push the rate to 2.25%, or higher, by the close of 2023.

Bond Market Indicators

Current bond market conditions are indicative of a precursor and hedging for a slowdown or recession in the near future. The bond yield curve is currently in an inverse relationship and this represents the first time since September 2019. Yield inversion occurs when the yield on a longer tenure bond becomes less than the yield for a shorter tenure bond. This occurred on March 29, when the 10-year Treasury yield fell below the 2-year Treasury yield. This is a direct reflection of market concerns that the Federal Reserve could tip the economy into a recession as it struggles to control soaring inflation. According to HdL's latest forecast, a slowdown is expected at the end of calendar year 2022 and into the early quarters of calendar year 2023. As such, the budget has been prepared using a conservative approach and factoring in adjustments to sales tax revenue that would be reflective of an economic slowdown.

Housing

According to a recent paper published by the Federal Reserve Bank, a housing bubble is also brewing, but is not expected to be as bad as it was in 2008. Researchers came to the conclusion following a comparison of U.S. home prices to underlying economic data, and housing prices appear to be out of sync with basic fundamentals. However, they do not believe that we are headed for a 2008-style crash. Households are in a much better position today, with ratio of personal income to mortgage debt service payments of just 3.8 %, compared to 7% in 2008. Based on the current data, there is no expectation that the fallout due to a housing correction would be comparable to the 2007-2009 global financial crisis in terms of magnitude or macroeconomic severity.

Fiscal Year 2022-23 and Fiscal Year 2023-24 Budget Overview

The new budget again reflects 2 fiscal years. As shown below, projected revenues for FY22-23 and FY23-24 are \$21.3 million and \$22.7 million, respectively.

Revenues and Transfers In	2021-22 Adopted Budget	2022-23 Projected	2023-24 Estimate
Property Taxes	\$ 4,584,079	\$ 4,899,967	\$ 5,096,898
Sales & Use Taxes - General	3,140,400	3,403,270	3,522,541
Sales & Use Taxes - Local	4,438,588	5,371,740	5,564,000
Utility Users Tax	2,009,900	2,052,487	2,062,487
Transit Occupancy Tax	180,670	325,340	327,753
Franchise Fees	667,836	671,300	677,300
Licenses & Permits	1,705,903	1,777,200	1,795,200
Fines & Forfeitures	738,309	669,000	789,000
Investment Earnings	229,280	180,000	190,000
Revenue from Other Agencies	120,200	12,200	12,200
Charges for Services	620,903	702,278	668,778
Miscellaneous Revenues	68,000	68,000	68,000
Interfund Transfers	375,000	1,216,043	1,903,558
Total Revenues and Transfers In	\$ 18,879,068	\$ 21,348,825	\$22,677,715

General Fund Projected Revenues

Fiscal Year 2022-23 and 2023-24 projections by category are presented as follows:

Property Taxes

The most recent report received from HdL, dated March 30, indicates that property taxes are continuing an upward trend. The projections for secured property taxes for FY22-23 and FY23-24 are \$2.8 million and \$2.9 million, respectfully. This revenue category encompasses unsecured property taxes, lighting district, and property tax in lieu of VLF. The revenue projection for total property tax revenue for FY22-23 is \$4.9 million, and estimated to be \$5.1 million for FY23-24. With a housing adjustment expected sometime in the near future, conservative growth rates have been used for FY22-23 and FY23-24.

Sales & Use Taxes

A report from HdL, dated April 6, reflect receipts for the fourth quarter through December 2021 were 35.8% above the same period in 2020. The local economy has returned to pre pandemic levels. One of industries that was affected the most was restaurants and hotels, and for the most part have fully recovered. The estimate for FY22-23 is \$3.4 million and FY23-24 is \$3.5 million. As noted, with high inflationary rates, there are concerns of a

slowdown in the economy. As such, adjustments to HdL's estimates have been factored into the projections for both FY22-23 and FY23-24.

Measure Y Local Sales Tax

According to HdL's latest report dated April 6, Measure Y generated 163.3% of the Bradley Burns amount, highlighted by solid performances from autos-transportation and general consumer goods. The projection for FY22-23 is \$5.4 million, and \$5.6 million for FY23-24. Consideration for a slowdown in the economy has been factored into the projections similar to the reductions used for Sales & Use Taxes.

Transient Occupancy Tax

Transient Occupancy Tax (TOT) includes the newest hotel, Fairfield by Marriott. Revenues for FY22-23 are projected to be approximately \$325 thousand. The estimate for FY23-24 is \$327 thousand. Both fiscal years have been reduced by factors indicative of a recession and the resulting affect it might have on leisure travel and lodging. A study and review of revenue for TOT, as well as UUT, are being considered for the next fiscal year.

Licenses & Permits

Licenses & Permits are projected to show modest growth for FY22-23 and FY23-24, at \$958 thousand and \$971 thousand, respectfully. A slowdown in the economy could affect this revenue category as well, but adjustments have not been factored into the estimates at this time.

Fines & Forfeitures

Fines & Forfeitures revenue include red light camera and parking fines, and other moving violations. COVID related challenges have negatively impacted revenue from the Photo Enforcement program as well as parking citation revenue. Revenue is expected to return to a normalized level in the next fiscal year.

Charges for Services

The majority of revenue for this revenue category is generated by the Recreation Department's various programs, classes, and special events. Increased participation is anticipated for both FY22-23 and FY23-24, and is expected to exceed FY21-22, barring any recurrence of pandemic, or recessionary impacts.

General Fund Proposed Expenditures

The proposed expenditures represent further restructuring of the City's internal operations in order to meet the goals set forth in the departments and the City. Projected expenditures for FY22-23 are \$20.4 million, and \$19.3 million for FY23-24.

The table below reflects the Preliminary General Fund Budget for department expenditures for FY22-23 and FY23-24, including additional proposed staffing positions.

Department	2021-22 Adopted Budget	2022-23 Projected	2023-24 Estimate
City Council	\$ 66,895	\$ 66,895	\$ 66,895
Administration (City Manager, City Clerk, HR)	1,051,340	1,053,023	1,162,927
Finance	725,906	835,327	861,579
City Attorney	176,000	196,000	196,000
Police	7,376,168	8,005,752	8,279,348
Development Services	3,583,623	4,436,904	4,578,490
Recreation and Community Services	1,775,322	2,104,743	2,325,772
Non-Departmental	1,856,836	2,443,181	595,500
Interfund Operating Transfers	1,113,500	1,225,500	1,265,500
Total Operating Expenditures and Transfers	\$ 17,725,590	\$ 20,367,325	\$19,332,011

In addition to maintenance and operational increases, below is a breakdown of the individual departmental expenditures, including additional proposed staffing. Salaries reflect two-year COLA adjustments as approved in the recently negotiated MOU agreements.

Administration (City Manager, City Clerk, Human Resources)

Administration includes City Manager, City Clerk, and Administrative Manager. A name change for the department was made in the previous budget year to better reflect best practices. Staff is currently analyzing the department's long term needs and has elected not to fill the Executive Assistant position at this time. As such, the cost of this position has not been included in the budget. Contractual Services has been increased for FY22-23 in anticipation of undertaking a Cost Recovery Study. Total department expenditures for Administration for FY22-23 and FY23-24 are projected to be approximately \$1.1 million and \$1.2 million, respectfully.

Finance

The Finance Department now consists of four full-time staff, including Director, Finance Manager, Accountant, and Senior Finance Assistant. The newly created and approved Finance Manager position replaces the part-time Special Projects Coordinator. The Finance Manager will ensure that the department's internal controls are in compliance with GFOA standards, a note that was referenced as a potential finding in a recent audit. In addition to providing direction to day-to-day supervision of support staff, the Finance Manager will perform specialized and complex assignments, including support for the budget and audit. The department is expected to undertake many long-term goals, including studies for banking services, cost recovery and allocation, and financial system enhancements. Total department expenditures for Finance for FY22-23 are projected to be \$835 thousand and \$862 thousand for FY23-24.

Police

The Police budget consists of nine divisions, Administration, Patrol, Investigation, Records, Communication, Community Outreach, Youth Programs, Traffic, and Emergency Preparedness. Salaries reflect the recently negotiated cost of living adjustments for FY22-23 and FY23-24, and assumes the full complement of sworn personnel at 24 sworn officers. Part-time salaries have been increased in Traffic and Records for two additional Police Aides. In addition, a full-time Records Specialist is being added that replaces the CLO at no additional cost. The overall cost increase from the FY21-22 budget is approximately \$630 thousand, and can be attributed to higher salaries and associated increases in benefits, and increase in Materials, Supplies, and Services. The total department expenditures for FY22-23 are projected to be \$8.0 million, and \$8.3 million for FY23-24.

Development Services

Development Services consists of Administration, Planning, Neighborhood Preservation, Building Inspection, NPDES, Street, Park, and Facility Maintenance, and City Engineer. The two administration divisions have been combined and consolidated into one - Community Development/Public Works Administration, to better align services and reduce redundancy. A new division of Economic Development is also being proposed. Under the proposed staffing structure, a "supervisor" level position will be in each division. The clerical staff will report to the Department Secretary. The Associate Planner, Code Enforcement, Economic Development, and the receptionist will report to the Development Services Manager. The Director will directly oversee Public Works, Engineering, Building & Safety, and the analyst(s).

For the Economic Development division, a full-time Economic Development Supervisor is being proposed, for a limited term, and will be funded by ARPA. This position will be responsible for Business Licensing and additional oversight of HdL's Business License processing, the Banner Program, Economic Development initiatives, Outdoor Dining, Employment, and New Business Programs, to name a few.

An increase to Part-Time salaries is being proposed for two additional Public Works Maintenance Workers (20-25 hours/week), to provide coverage in gap areas, weekend trash cleanup at the parks, cleaning the Police Department and Community Center on Fridays and Saturdays, cleaning the parks restrooms on Friday and Saturday evenings, and coverage for Friday and Saturday for accidents, bulk item pickup, and assistance with Recreation events.

For Code Enforcement, a full-time officer is being proposed. This would include code enforcement duties to provide coverage for a full seven days per week, and Strategic Code Enforcement and Housing Solution Assistant Programs.

Total department expenditures for Development Services for FY22-23 and FY23-24 are projected to be \$4.4 million and \$4.6 million, respectfully.

Recreation and Community Services

Recreation and Community Services include divisions for Administration, Community Services, Day Camp, Play Grounds, Sports, Special Classes and Special Events. For staffing, a full-time Recreation Coordinator is planned for FY22-23. This position will provide support for Contract Classes and registration, Staff Enrichment Taught classes, Adaptive Programs, Preschool Program, Weekend of Art, Tennis, and support for various department events, like Week of Los Al Street Fair, Winter Wonderland, and 4th of July.

In addition, Part-Time Salaries is being increased for two additional Community Services Coordinators and a Recreation Specialist and will support all existing senior programs, develop new senior programs as a result of the City's Senior Needs Assessment, in addition to providing support to year-round events, marketing and social media. The Department Secretary is expected to retire in December 2023, creating some salary savings for FY23-24.

Total department expenditures for Recreation and Community Services are projected to be \$2.1 million for FY22-23, and \$2.3 million for FY23-24.

Summary of Proposed Staffing Changes

In total, there are 2 General Fund Full-Time positions being proposed, and an increase in Part-Time Salaries in Police, Development Services, and Recreation. There is also a limited term position proposed to be funded through use of the ARPA funds. Discussion of the proposed positions and corresponding responsibilities are included in the department expenditure sections above. A summary of the proposed positions, increase in Part-Time Salaries, and respective costing are highlighted below:

**Summary of Additional Staffing
FY2022-23**

Change		Position	Full-Time Salaries	Part-Time Salaries Budget Increase
<u>Police</u>				
	PT	Police Aide (2)		\$ 46,870
	FT	Records Specialist (replaces CLO)	\$ -	
<u>Development Services</u>				
	FT	Economic Development Supv	ARPA	
	PT	Pubic Works Maint Worker (2)		\$ 52,998
<u>1</u>	FT	Code Enforcement Officer	\$ 85,218	
1				
<u>Recreation</u>				
<u>1</u>	FT	Recreation Coordinator	\$ 85,237	
	PT	Community Services Coord (2)		\$ 59,584
	PT	Recreation Specialist	\$ -	\$ 25,733
1				
<u>2</u>	FT		\$ 170,455	\$ 185,185

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 out from the General Fund are to other funds to cover Debt Service payments (Fund 31), capital improvement projects funded by the General Fund (Building Improvement Fund 25), transfer to cover facility improvements (Fund 25), and transfers to cover self-insurance costs (Fund 54).

Internal Service Charges

There are no changes being proposed to the Internal Service Charges for FY22-23 and FY23-24, as a review was conducted during the prior budget. The Internal Service Charges will be reviewed in connection with the Cost Recovery Study to determine proper levels of cost recovery and allocation methodology.

Capital Funding Needs

The proposed Capital Improvement Plan for FY22-23 is projected to be \$4,222,269, including \$215,000,000 carryover from FY21-22, as shown below:

PROJECT TITLE	FUNDING SOURCE	ACCOUNT	FY2022-23 PROJECTED
STREETS AND DRAINAGE			
Regular Yearly Work			
ARTERIAL AND RESIDENTIAL TREE TRIMMING	Measure M	26-570-5501.2103	\$ 64,500
Special Funded Projects			
CATCH BASIN CPS PROJECT (MATCH)	Measure M	26-570-5501.2105	\$ 51,523
NEW DUTCH HAVEN STREET IMPROV PROJECT (SB-1)	Gas Tax	20-570-5501.XXXX	\$ 462,500
BLOOMFIELD STREET IMPROV PROJECT	Gas Tax	20-570-5501.XXXX	\$ 300,000
WEBSITE MAINTENANCE	AQMD	23-570-5501.2101	\$ 6,865
BRIGGMAN STREET WIDENING	Traffic Improv	44-570-5501.1719	\$ 275,000
STERN PARK PROJECT (Y)	Measure Y	10-570-5501.XXXX	\$ 650,000
LAUREL PARK PROJECT or PHASE TWO STREET IMPROVEMENTS	Measure Y	10-570-5501.XXXX	\$ 1,000,000
LAUREL PARK PROJECT	Prop 68 Grant	10-570-5501.XXXX	\$ 187,000
CATCH BASIN CPS PROJECT (MATCH)	Gen Fund (Match)	10-570-5501.1708	\$ 12,881
Facilities			
COMMUNITY CTR DIVIDER PROJECT	Bldg Improv	25-570-5503.XXXX	\$ 72,000
DEMO PW & LATV BLDG (Carryover)	Bldg Improv	25-570-5503.XXXX	\$ 75,000
ELECTRIC SVC & WIRING UPGD - PD (Carryover)	Facilities	52-570-5501.2005	\$ 40,000
GENERATOR PROJECT (Carryover \$100,000)	Facilities	52-570-5501. XXXX	\$ 650,000
Pavement Management Plan			
PAVEMENT MGMT PROJECT	Measure M	26-570-5501.1008	\$ 25,000
CDBG Funding Projects			
STERN PARK PROJECT	CDBG	19.570.5501.XXXX	\$ 350,000
Carryover FY21-22			\$ 215,000
FY22-23			\$ 4,007,269
Total Funded			\$ 4,222,269

A summary of the CIP funding follows:

CAPITAL IMPROVEMENT PROJECTS SUMMARY BY FUND - FISCAL YEAR 2022-23	
CDBG Fund (19)	\$ 350,000
Gas Tax Fund (20)	\$ 762,500
AQMD (23)	\$ 6,865
Bldg Improv (25)	\$ 72,000
Measure M Fund (26)	\$ 141,023
Traffic Improv (44)	\$ 275,000
Facilities Streets and Parks (52)	\$ 550,000
Measure Y (10)	\$ 1,849,881
Carryover (FY21-22)	\$ 215,000
Total Capital Improvement Projects - Fiscal Year 2022-23 (Including Carryovers)	\$ 4,222,269

Other Funds

The City additionally has twelve (12) special revenue funds, one debt service fund, four (4) capital projects funds and five (5) internal service funds for budget purposes. Illustrated below, is a comprehensive review of all other funds. Sufficient funds are available to cover the proposed expenditures/transfers.

		Estimated Fund Balance June 30, 2022	Estimated Revenues & Transfers In	Estimated Expenditures & Transfers Out	Estimated Fund Balance June 30, 2023	Estimated Revenues & Transfers In	Estimated Expenditures & Transfers Out	Estimated Fund Balance June 30, 2024
10	General Fund							
	Unassigned	\$ 12,132,108	\$ 21,348,825	\$ 20,367,325	\$ 13,113,608	\$ 22,677,715	\$ 19,332,012	\$ 16,459,311
	OPEB	500,000	-	-	500,000	-	-	500,000
	PERS Reserves	3,620,000	-	-	3,620,000	-	-	3,620,000
	TOTAL GENERAL FUND	16,252,108	21,348,825	20,367,325	17,233,608	22,677,715	19,332,012	20,579,311
	OTHER FUNDS							
19	CDBG	93,920	350,000	350,000	93,920			93,920
20	Gas Tax	(163,128)	606,888	882,500	(438,740)	606,888	120,000	48,148
21	Public Safety Aug. Fund	18,487	133,116	105,000	46,603	138,435	120,000	65,038
22	Supp. Law Enforcement	69,919	171,200	140,000	101,119	171,200	140,000	132,319
23	AQMD	61,580	15,700	6,865	70,415	15,700	6,865	79,250
24	Street & Alley Improvement	6,790	50	-	6,840	50	-	6,890
25	Building Improvement	18,626	150,400	147,000	22,026	150,400	-	172,426
26	Measure M	490,962	281,513	141,023	631,452	229,990	-	861,442
27	Asset Seizure	21,411	400	-	21,811	400	-	22,211
28	Los Alamitos TV	52,084	31,900	45,820	38,164	31,900	45,820	24,244
29	OTS Fund	66,149	15,500	5,000	76,649	15,500	5,000	87,149
31	Debt Service	255	215,600	215,494	361	215,600	215,494	467
40	Park Development	626,522	4,400	-	630,922	4,400	-	635,322
42	Capital Outlay	-	-	-	-	-	-	-
44	Traffic Improvement	72,132	292,500	275,000	89,632	17,500	-	107,132
50	Vehicle & Equipment ISF	264,001	316,750	554,312	26,439	670,000	589,312	107,127
51	Police Capital ISF	178,602	100,000	-	278,602	40,000	-	318,602
52	Facilities, Streets, Parks ISF	609,304	-	-	609,304	100,000	690,000	19,304
53	Technology Replacement ISF	229,280	190,000	288,466	130,814	190,000	263,966	56,848
54	Self Insurance ISF	216,047	661,000	841,233	35,814	901,000	878,800	58,014
55	Coronavirus Relief Fund	246,043	-	246,043	-	-	-	-
56	American Rescue Plan Act Funding	855,116	1,363,442	700,000	1,518,558	-	1,518,558	-
	ALL FUNDS	20,286,208	26,249,184	25,311,081	21,224,311	26,176,678	23,925,827	23,475,162

Updated Long-Term Model

The long-term model has been updated and reflects capital improvements, but before any other program costs. The updated five-year long-term model is presented below:

Five-Year Forecast

	Projection	Forecast	Forecast	Forecast	Forecast	Forecast
	FY21-22	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>FY21-22</u>	<u>FY22-23</u>	<u>FY23-24</u>	<u>FY24-25</u>	<u>FY25-26</u>	<u>2026-27</u>
Revenues:						
Total Revenues	20,023,569	21,348,825	22,677,715	21,609,152	22,072,573	22,549,685
Expenditures:						
Total Expenditures	<u>17,412,065</u>	<u>20,367,325</u>	<u>19,332,012</u>	<u>19,721,390</u>	<u>20,066,415</u>	<u>20,416,639</u>
Projected Budget Surplus						
Before Other Program Costs	2,611,504	981,500	3,345,703	1,887,762	2,006,158	2,133,046

The projected surplus of \$2.6 million for FY21-22, is a result of higher than anticipated revenues primarily from property taxes, sales & use taxes, and Measure Y local sales taxes, and also represents some salary savings from unfilled positions within the Police Department. Surplus positions are projected for the new budget FY22-23 and FY23-24, at \$982k and \$3.4 million, respectfully. The projected surplus for FY23-24, assumes the balance of the transfer from the ARPA Fund to General Fund for previous revenue loss. For forecast years 2 through 5 (FY23-24 to FY26-27), the long-term model includes assumption of CIP expenditures at \$1 million per fiscal year. The projected surpluses are before any other program costs, such as additional reserve set asides, or pension UAL cost reduction.

Other Considerations

Previous discussions with the Budget Standing Committee and Council during 2022 have included review of the pension unfunded accrued liability (UAL) and possible funding options. Some of the additional considerations for the BSC include establishing annual targets for surplus and CIP, additional reserves and set asides, investments, and related policies.

In connection with the UAL, staff has done additional work and has contacted a Public Financial Advisory firm (PFM) to solicit advice regarding funding options for paying down the UAL. Funding of the UAL include many options, including “pay as you go” utilizing reserves (surplus) and cash (Additional Discretionary Payments), “CalPERS Fresh Start Program”, pension obligation bonds, tax-exempt exchange, and use of a 115 Trust, or combinations of various options, to reach an earlier paydown of the UAL. There are costs and estimated savings associated with each of the various options.

Staff will return at a later date for follow up discussions regarding these additional items for consideration, including a presentation from PFM in connection with the feasibility of issuing pension obligation bonds (POB) for funding the UAL.

Fiscal Impact

The fiscal impact associated with the various personnel changes that are recommended is incorporated in the FY22-23 and FY23-24 Budget. This report presents the preliminary projections for the budget for Fiscal Year 2022-23 and Fiscal Year 2023-24. Staff will return with any changes as recommended by the Budget Standing Committee.

Submitted By: Craig Koehler, Finance Director

Approved By: Chet Simmons, City Manager