



AGENDA
SPECIAL CITY COUNCIL BUDGET STUDY SESSION #1

WEDNESDAY, APRIL 14, 2021 AT 6:00 PM

Maywood City Council Chambers
4319 E. Slauson Avenue, Maywood, CA 90270
www.cityofmaywood.com

I. CALL TO ORDER/ROLL CALL

CALL TO ORDER
ROLL CALL

II. CITY OFFICIALS

MAYOR
Ricardo Lara

CITY CLERK
Flor Aguiluz

MAYOR PRO TEM
Heber Marquez

CITY TREASURER
Mary Mariscal

COUNCIL MEMBERS
Eduardo De La Riva
Frank Garcia
Jessica Torres

CITY MANAGER
Jennifer E. Vasquez

CITY ATTORNEY
Roxanne Diaz

III. COVID-19 MEETING PROCEDURES

PUBLIC ADVISORY: THE CITY COUNCIL CHAMBERS WILL NOT BE OPEN TO THE PUBLIC Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the regular meeting of the City Council for April 14, 2021 will be conducted telephonically through Zoom and broadcast live on the City's Facebook page. Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, the Council Chambers will not be open for the meeting. Council Members will be participating telephonically and will not be physically present in the Council Chambers.

If you would like to speak on an agenda item, you can access the meeting remotely via zoom:

Join by phone 1-669-900-6833 Enter Meeting ID: 842 7407 4311 Passcode: 981718

OR

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/84274074311?pwd=TTJwc2lqeEltMmhtQllyd1RXalVjZz09>

Passcode: 981718

If you want to comment during the public comment portion of the agenda, Press *9 on your phone or raise your hand in the zoom controls and we will select you from the meeting cue. NOTE: Your phone number will appear on the screen unless you first dial *67 before dialing the numbers as shown above.

The City wants you to know that you can also submit your comments by email to shirley.quinones@cityofmaywood.org. To give adequate time to print out your comments for consideration at the meeting, please submit your written comments prior to 4:30 p.m.; or if you are unable to email, please call the City Clerk's Office at (323) 562-5714 by 4:30 p.m.

If you wish to have your comments read to the Council Members during the appropriate Public Comment period, please indicate in the Subject Line "FOR PUBLIC COMMENT" and list the item number you wish to comment on. Comments that you want read to the Council will be subject to the three minute time limitation (approximately 350 words). Written comments that are only to be provided to Council and not read at the meeting will be distributed to the Council prior to the meeting.

Pursuant to the Executive Order, and in compliance with the Americans with Disabilities Act, if you need special assistance to participate in the Council meeting, please contact the City Clerk's Office, (323) 562-5714 within 48 hours of the meeting.

IV. MAYOR, COUNCILMEMBERS AND STAFF COMMENTS

V. PUBLIC PARTICIPATION (Agenda Items; Time allotted: 3 minutes)

Speakers wishing to address the City Council on an item on the agenda may use the following:

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VI. PRESENTATIONS

1. PRESENTATION OF THE FISCAL YEAR 2021-2022 CITY OF MAYWOOD BUDGET - FIRST STUDY SESSION

VII. PUBLIC PARTICIPATION (Non-Agenda Items; Time allotted: 3 minutes)

Speakers wishing to address the City Council on an item on the non-agenda may use the following:

If you would like to speak on an non-agenda item, you can access the meeting remotely via zoom:

Join by phone 1-669-900-6833 Enter Meeting ID: 842 7407 4311 Passcode: 981718
OR

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- VIII. ADJOURNMENT** - The next Regular Meeting of the Maywood City Council is Wednesday, April 14, 2021 at 7:00 p.m.

PUBLIC ACCESS TO MEETING AGENDA AND AGENDA PACKETS

I, _____, Flor Aguiluz, City Clerk or Shirley Quinones, Deputy City Clerk, hereby certify that this agenda was duly posted by law at 4319 E. Slauson Avenue, Maywood, CA 90270 and the City Website. Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection at the Maywood City Hall, 4319 E. Slauson Avenue, Maywood CA 90270. If you challenge in court any discussion or action taken concerning an item on this Agenda, you may be limited to rising only those issues you or someone else raised during the meeting or in written correspondence delivered to the City at or prior to the City's consideration of the item at the meeting. In compliance with the ADA, if you need special assistance for the meeting, call (323) 562-5723 within 72 hours prior to the meeting so the City can make reasonable arrangements to ensure accessibility.



AGENDA REPORT
CITY OF MAYWOOD



AGENDA ITEM NO. 1.

DATE: April 14, 2021

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: JENNIFER VASQUEZ, CITY MANAGER

BY: HRANT MANUELIAN, FINANCE DIRECTOR

SUBJECT: PRESENTATION OF THE FISCAL YEAR 2021-2022 CITY OF MAYWOOD BUDGET - FIRST STUDY SESSION

RECOMMENDATION:

This is the first of two planned budget workshops, prior to a public hearing in June 2021 to consider adoption of the proposed FY 2021 - 2022 budget. City staff is seeking direction from Council which will be used to build the draft budget.

BACKGROUND:

The purpose of this workshop is for the City Council to receive an overview of governmental accounting/budgeting and updated information regarding the General Fund and expectations for FY 2021-2022.

General Fund Balance

At Mid-Year budget on January 27, 2021 the General Fund Balance was expected to be \$3,776,179 for FY 20-21 ending June 30, 2021. We will have updated fund balance amounts in the next budget sessions. However, based on current information we are on track to reach the budgeted amounts as per the mid-year budget.

Revenue Expectations for FY 2021 - 2022

Sales tax is roughly 17% of the total General Fund revenues. Sales tax projections for FY 21-22 are expected to be \$2.2 Million, which is about \$90 thousand more than the expected for FY 20-21. These estimates are better than they were a year ago as the economy has been slowly reopening. As we get more information the sales tax revenue estimate will be adjusted.

Cannabis sales tax revenue makes up roughly 22% of the total General Fund revenues. Based on the current trends in the market we expect revenues for FY 21-22 to be \$2.5 million. This is a conservative estimate due to the uncertainties of the cannabis market. However, it is worthwhile to note that the budget for FY 20-21 was originally \$2 million and then revised to \$2.5 million with the mid-year budget. For FY 20-21 the City has already collected in excess of \$2.5 million. There has been some fluctuation in the last few quarters which were further complicated by COVID-19 making this fairly difficult to forecast. Once the Q3 cannabis taxes are collected, in late April, we will have a better idea of the expected revenues for next fiscal year.

Property tax revenue is about 18% of the total General Fund revenues. This is expected to remain in line with

the annual 2% increase by the county assessor. The City does not foresee any major changes to its property tax revenues in FY 2021 – 2022. The COVID-19 pandemic did not have major effects on the property tax values and for the most part values have remained constant.

Vehicle license fees in lieu of property taxes make up approximately 26% of the General Fund revenues. Like property taxes not much change is expected other than the annual 2% increase in property taxes. Therefore, we expect the City to receive \$3.1 million in VLF fees in lieu of property taxes.

Major Expense Categories

- Employee Compensation

Employee compensation accounts for roughly 13% of the General Fund budget, this includes wages and benefits. Benefit costs are health insurance (medical, dental, and vision), employee pension, and retiree health insurance.

- Employee Pension and Retiree Health Insurance

The City has three major expenditures related to employee retirement: the employer’s normal cost contribution to the defined benefit pension system; the employer’s payment of the unfunded pension liability; and the cost of retiree health insurance premiums. As of June 30, 2020 the City had an unfunded liability of \$18,123,469. It is important to note that this is not the annual expense but rather the long term liability which fluctuates annually based on the performance of the fund, salaries paid and actuarial assumptions as calculated by California Public Employers Retirement System (CalPERS).

- Sheriffs Contract

The sheriff’s contract is accounts for 43% of the General Fund budget. For the upcoming fiscal year we have been notified by the Sheriffs office that there will be an increase of 1.45%. This will increase the cost by approximately \$70K.

DISCUSSION:

City Events FY 2021 - 2022

The City holds several community events through out the year which are funded by the General Fund. The following is a list of events suggested by staff. In FY 20 - 21 the budget for community events was \$27,400. The budget for this years events are being worked on with staff. Any input from council would be helpful.

- Healthy Kids Day
- National Night Out
- Halloween Event
- Christmas Lighting
- Sub-Station Grand Opening
- Flag Ceremony

Are there any other events that need to be added to the budget?

Capital Improvement Projects

The City has several sewer and street related capital projects for the upcoming year. The source of funding for these projects are the Sewer, Gas Tax, Measure M, Measure R, and Street Lighting funds. As we continue to work with engineering and city staff we will have detailed list of the projects and projected costs.

LEGAL REVIEW:

The City Attorney has reviewed this staff report.

FISCAL IMPACT:

No fiscal impact. City Council direction will be used to prepare the draft FY 2021-2022 budget.

ATTACHMENT(S)

1. Maywood Budget Study Session 1

City of Maywood, FY 2021-22
Budget Study Session

Municipal Budgeting Overview
April 14, 2021



Agenda

- * Public Sector Finance
- * Fiscal Year 2021-22 General Fund Revenue
- * Expenditure Overview
- * FY 2020-21 Budget Process
- * City Council Feedback
- * Next Steps

Public Sector Finance

- * What is a “budget?”
- * Funds, funds and more funds...
- * General vs. Restricted
- * Chart of Accounts
- * Fund balance
- * Reserve policy

What is a Budget?

- * A budget is just a plan. It's not a restriction on spending—it's a plan for how the City will spend revenue. It's a plan for what's coming in and what's going out. The annual budget process gives revenue a purpose.*
- * Public sector budgeting is accomplished by use of funds, accounts, object codes, project codes, etc.*

Components of a Budget

- * Budget Message: the “story” of that year’s budget, highlights, summary, significant issues, City Council priorities
- * Revenue and Expenditure tables
- * Full-time Equivalent listing (i.e., position listing)
- * Department budgets
 - * Narrative
 - * Revenue details
 - * Expenditure details
- * CIP plan

Funds, funds, and more funds...

Funds = Buckets



Funds: are the building blocks of public sector budgeting and accounting



Funds, funds, and more funds...

- Revenue in each bucket restricted (more or less)
- Expenditures categorized by source of revenue

General Fund
“Bucket”



Gas Tax, Prop A,
Prop C, Sewer,
Street Lighting, etc.
Funds/ “Buckets”



Funds, funds, and more funds

General Fund – This is the main fund of the City and is used to account for resources traditionally associated with governments, which are not legally required, or by sound financial management, to be accounted for in another fund.

Special Revenue Funds

- **Gas tax** – To account for the revenues and expenditures of the City's proportionate share of gas tax monies collected by the State of California which are used for street construction and maintenance.
- **Prop 1B** – To account for the revenues and expenditures of Prop 1B activities. Currently zero balance.
- **Bikeway Grant** - To account for the revenues and expenditures of the City's share of Transportation Development Act allocations restricted for design and construction of pedestrian and bicycle facilities and amenities.
- **Proposition C** - To account for the revenues and expenditures of the City's proportionate share of funds from the Los Angeles County Metropolitan Transportation Authority funded by the ½ cent sales tax measure to be used for eligible project expenditures (such as management programs, bikeways and bike lanes, and pavement management systems).
- **Section 108 Loan** - To account for revenues and expenditures related to the HUD Section 108 Loan.
- **Air Quality Improvement (AQMD)** - To account for the revenues and expenditures related to air pollution mitigation efforts.
- **STPL Local Fund** - To account for the revenues and expenditures for local non-arterial street improvement projects. Currently zero balance.
- **Measure R** - To account for the revenues received from Los Angeles County under Measure R that are to be used exclusively for transportation projects and improvements.
- **Proposition A** - To account for the revenues and expenditures of the City's proportionate share of funds from the Metropolitan Transportation Authority funded by the ½ cent sales tax measure to be used exclusively to benefit public transit (such as fixed route and paratransit services and transportation demand management).

Funds, funds, and more funds

Special Revenue Funds

- **Measure M** - To account for the “half-cent” local return revenues from the County-wide sales tax administered by Metro. These funds are to be used to pave local streets, potholes and traffic signals.
- **Public Safety Grants** - To account for the revenues and expenditures of the City's grant funds to provide knowledge, resources products, and learning for police personnel. Currently zero balance.
- **CDBG** - To account for the revenues and expenditures of the City's proportionate share of funds from the Housing and Community Development Authority for street improvements, housing programs and incentives, sidewalk repair program, fair housing, code enforcement, and other related projects.
- **Street Lighting** - To account for the revenues of the City's special assessments and expenditures relating to lighting improvements.
- **Sewer Assessment** – To account for assessments used to pay for the operation and maintenance of the City's sewer system.

CAPITAL PROJECTS FUNDS

- **Street Projects Fund** – To account for the revenues and expenditures funded by grants for street related projects.

General vs. Restricted

- * General Fund
 - * Largest bucket
 - * Least restrictive revenue sources
 - * Provides funding for the majority of City's basic operations, programs, services:
 - * Public Safety, Park maintenance, community services, internal support functions...
 - * Sources of Revenue: Sales Tax, Property Tax, Cannabis Tax, Charges for Services, etc...
 - * "General" revenues
- * Gas Tax, Proposition A, Proposition C, Measure R, Measure M...
 - * Smaller buckets
 - * Restricted for specific purposes
 - * Traffic, Transit, Pavement, etc.

Chart of Accounts

- * “Chart of Accounts” keeps track of revenue and expenditures:
 - * Recorded by Fund, Department, Division, Object Code, Project Number (if applicable):

01-604-01000-5001 – General Fund, Finance Department, General Government, Wages

16-611-02000-5430 – CDBG, CDBG, Community Development, Contractual Services

62-648-02000-5020 – Street Lighting, Public Works, Community Development, Street Light Maintenance



Chart of Accounts

- * Better Recording = Better Management
- * Promotes transparency and improved fiscal stewardship
- * Promotes Fiscal responsibility



Fund Balance

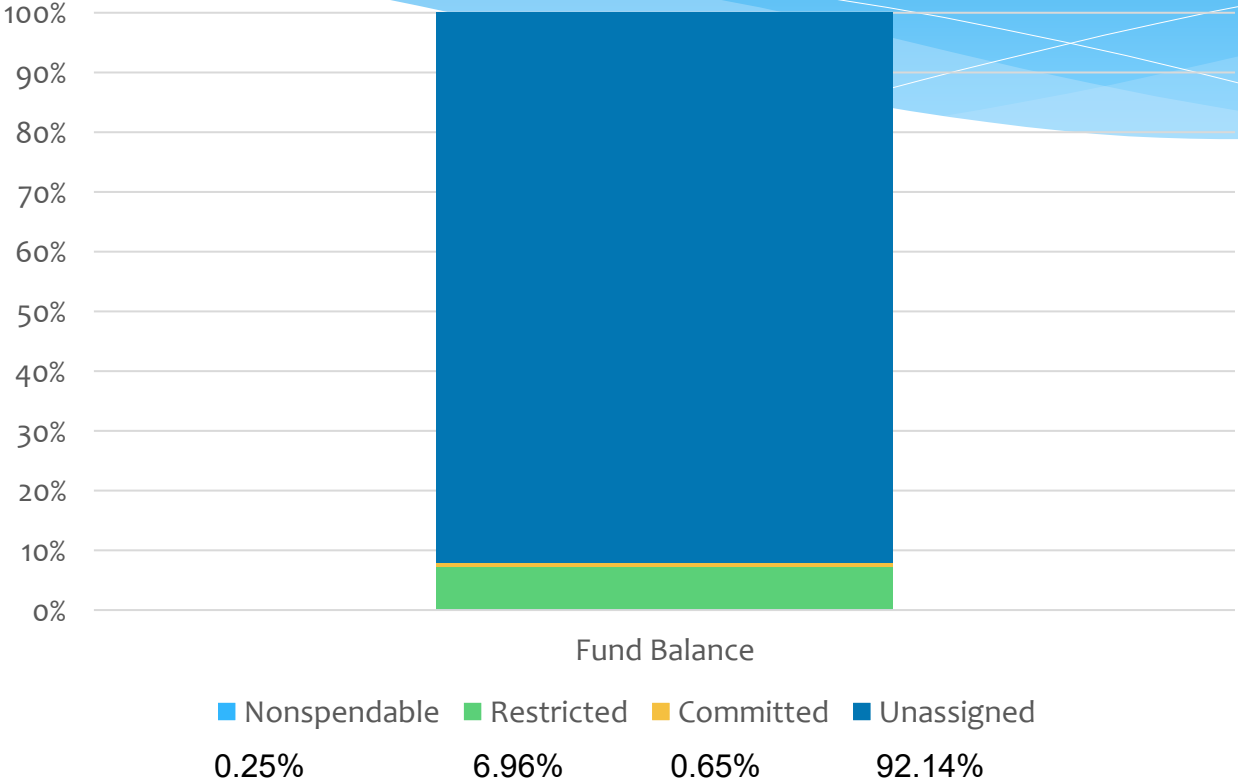
- * Cash Balance vs. Fund Balance
- * Cash Balance:
 - * Idle “cash on hand” to meet immediate and long-term needs
 - * **Maywood has good liquidity: \$5.4 million in General Accounts (least restricted) for the General Fund**
 - * Bank accounts, Local Agency Investment Fund (LAIF), etc.
- * Fund Balance:
 - * Difference between assets and liabilities
 - * **June 30, 2020: total fund balance in General Fund \$3.8 million**
 - * Increase of \$1.6 million over June 30, 2019

Fund Balance

- * Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.
- * The following are the 5 categories of fun balances as per GASB 54:
 - * Non-spendable **Most Restricted**
 - * Restricted
 - * Committed
 - * Assigned
 - * Unassigned **Least Restricted**
- * Each GASB 54 category has different restrictions
 - * Useful to set-aside fund balance for specific reasons....

Fund Balance

Fund Balance Composition



As of June 30, 2020

Fund Balance

Fund Balance	
General Fund, June 30, 2020	
Unassigned*	\$ 3,443,990
FY 2019-20 Expenditures	\$ 10,961,660
Unassigned FB as % of Expenditures	34.1%

**Unassigned Fund Balance equivalent to 3.7 months of General Fund expenditures*

Reserve Policy

- * **GFOA recommends, at a minimum,** that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.
- * City adopted resolution #6133 on August 12, 2020 to establish a reserve policy and maintain a reserve fund balance of 20%

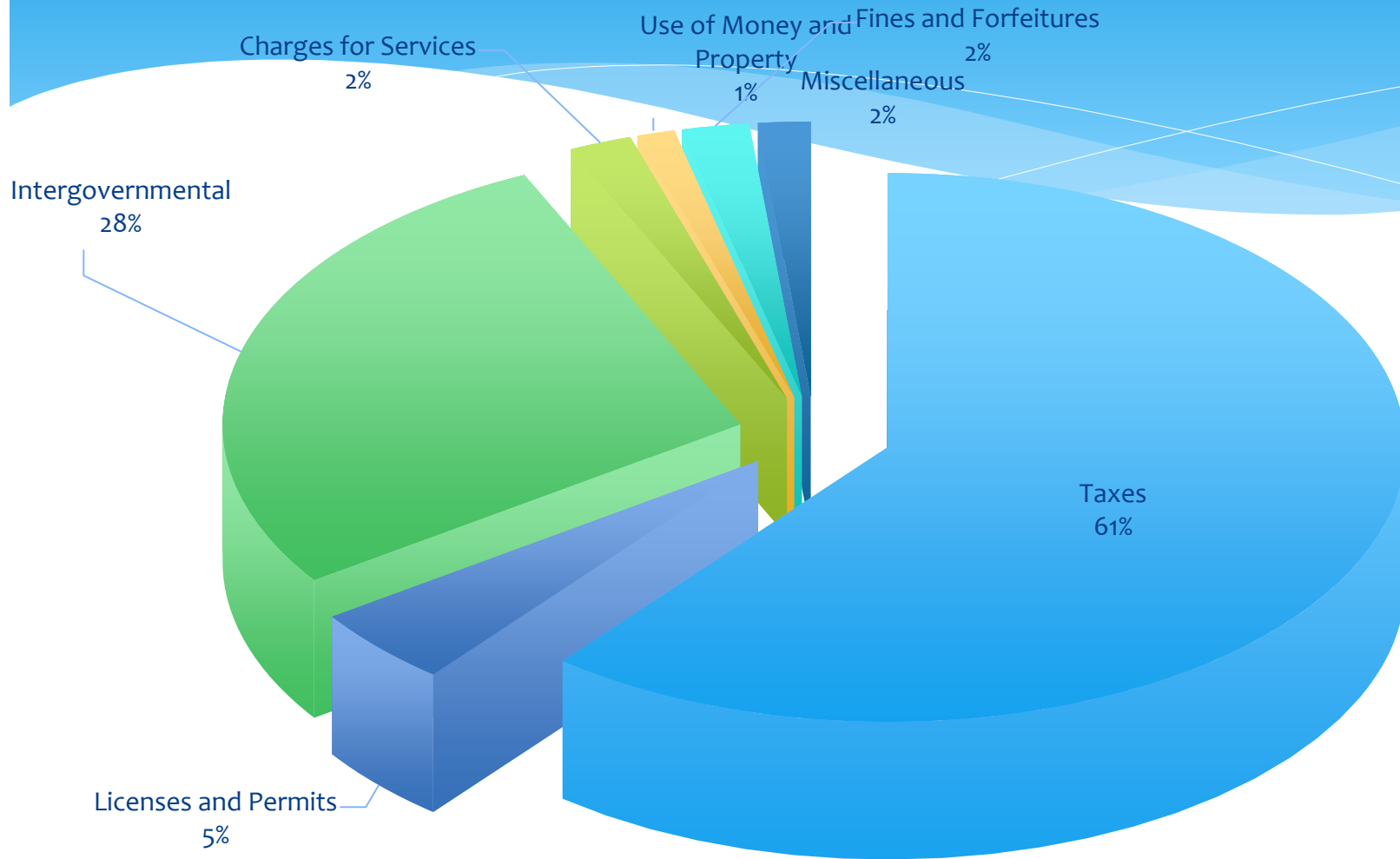
Reserve Policy

- * Reserve policy helps to protect the fiscal solvency of the City by mitigating the impact of economic fluctuations on revenues, to fund unforeseen expenditures, provide minimum levels of cash, and avoid the need to borrow for cash management purposes.
- * The reserve policy was set at 20% of the following years Adopted General Fund budgeted operating expenditures.

Fiscal Year 2020-2021 General Fund Revenue

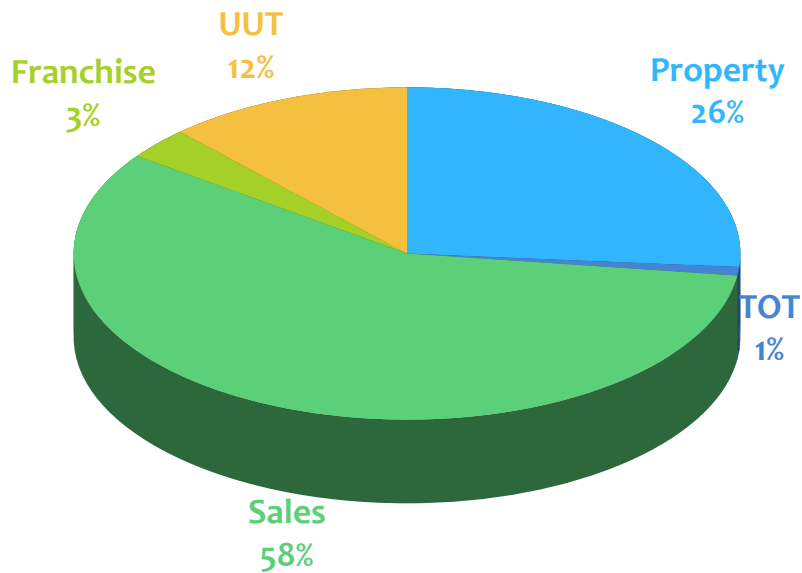
- * General Fund Revenue Sources:
 - * Taxes – Sales, Property, Cannabis, etc.
 - * Licenses and Permits
 - * Intergovernmental
 - * Charges for Services
 - * Use of Money and Property
 - * Fines and Forfeitures
 - * Miscellaneous

Revenue Sources

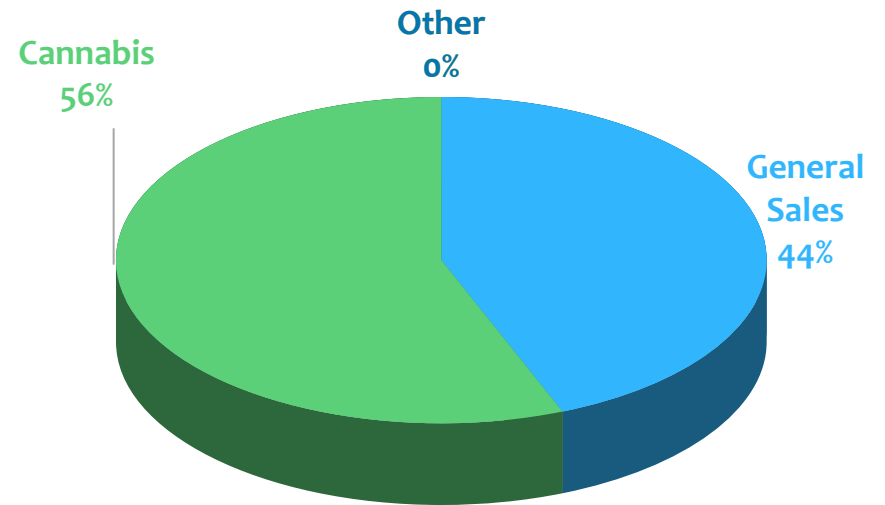


Tax Breakdown

Taxes



Sales Tax

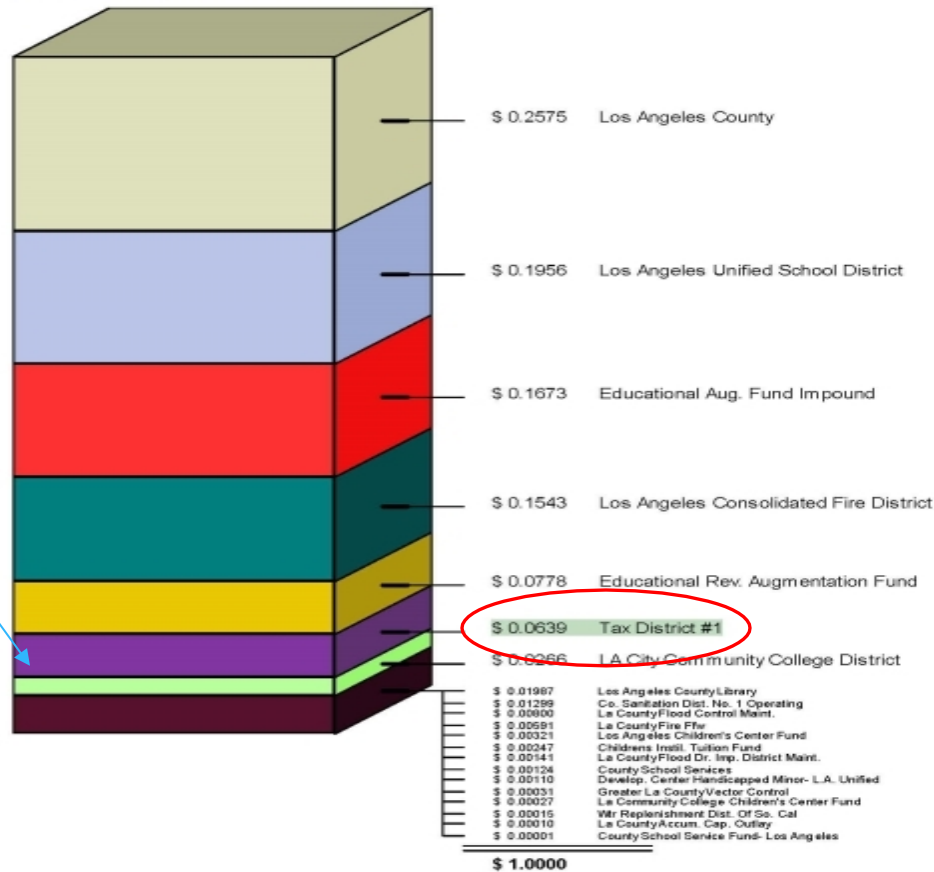


Property Tax Allocation



THE CITY OF MAYWOOD PROPERTY TAX DOLLAR BREAKDOWN

Maywood receives \$0.0639 of every property tax dollar paid.



ATI (Annual Tax Increment) Ratios for Tax Rate Area 00656, Excluding Redevelopment Factors & Additional Debt Service

Data Source: Los Angeles County Assessor 2020/21 Annual Tax Increment Tables

Prepared On: 11/30/2020 By: MW

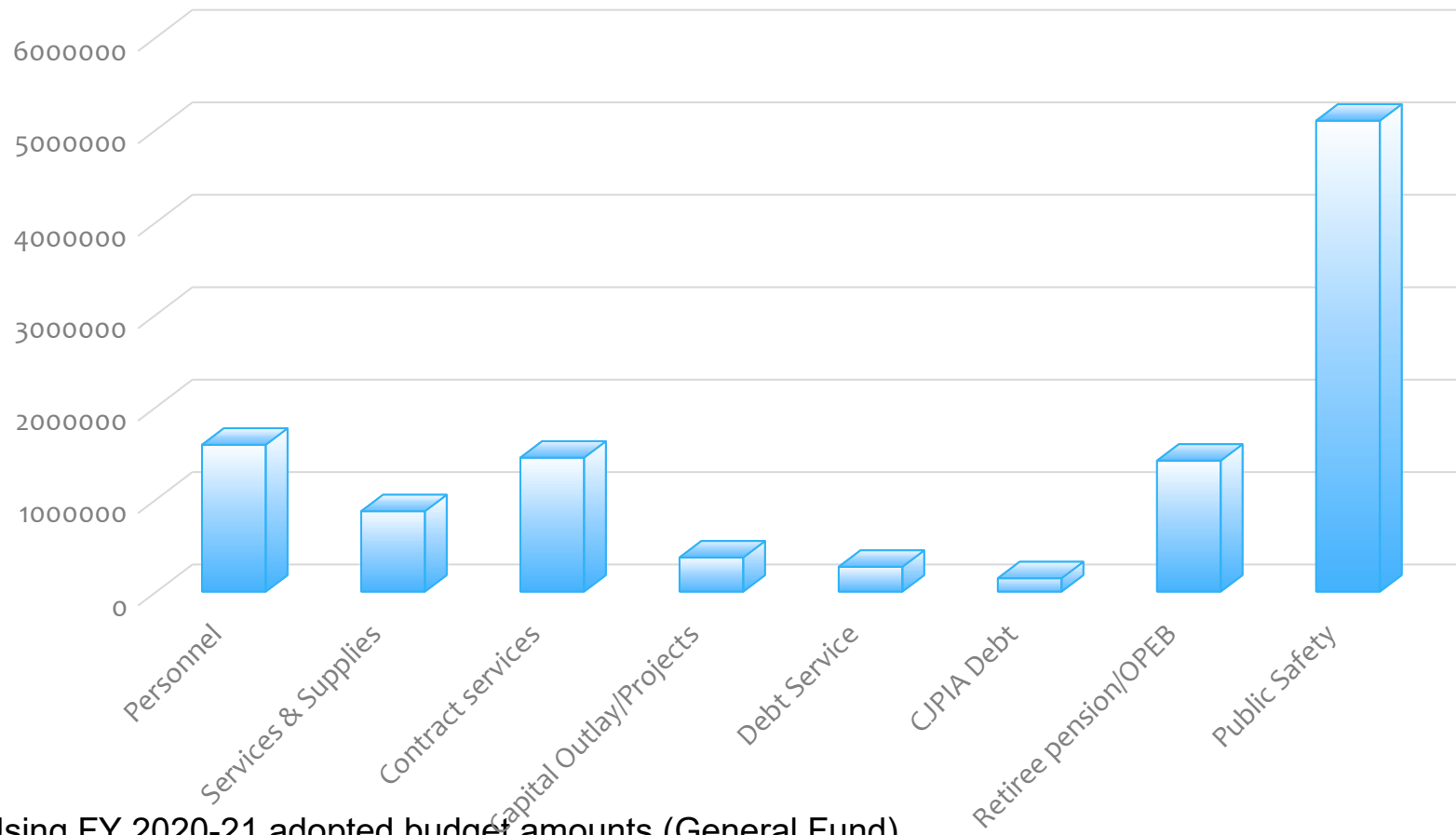
This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

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Preliminary FY 2020-21 General Fund Revenue Forecast

	Actuals FY 2019-20	Revised FY 2020-21 Revenue Budget	Preliminary FY 2020-21 Budget
Taxes	\$ 6,441,820	\$ 6,220,000	\$ 6,955,000
Licenses & Permits	\$ 3,729,801	\$ 3,585,000	\$ 3,730,000
Charges for Services	\$ 123,527	\$ 84,000	\$ 120,000
Fines and Forfeitures	\$ 266,002	\$ 190,500	\$ 257,500
Leases and Concessions	\$ 55,656	\$ 56,400	\$ 44,400
Miscellaneous	\$ 278,890	\$ 441,834	\$ 132,000
Retiree Pension Levy	\$ 1,120,198	\$ 850,000	\$ 1,100,000
General Fund Revenue Totals	\$ 12,015,894	\$ 11,427,734	\$ 12,338,900

Expenditures by Function*



*Using FY 2020-21 adopted budget amounts (General Fund).

Largest Expenditure Categories

- * Public Safety
 - * Sherriff's contract – Approximately 45% of the General Fund budget
- * Personnel
 - * Wages, health/vision/dental benefits, workers compensation, special pays, etc.
- * Contract Services
- * Retiree Pension/OPEB
 - * Pension costs
 - * OPEB costs

FY 2020-21 Budget Process



Fiscal Discipline - Sustainability

- * Goal: achieve long-term financial stability and sustainability
 - * *Through fiscal discipline*
- * Right-size the budget: ongoing expenditures must align with ongoing revenues
 - * *Fish cannot/should not outgrow the Bowl*

FY 2021-22 Budget Process

- * Collaborative process, led by Finance
- * Preliminary, draft budget being developed
 - * Input from Departments
 - * Refine revenue forecasts
 - * Receive expenditure requests
 - * Iterative process to achieve best budget plan given the limits of our revenue

The Goal...



Budget Process Improvements

- * It all starts with REVENUE ...
- * Available resources constrain our spending plan
- * What size is our fish bowl... ?



Budget Process Improvements

- * Collaboration, partnership between departments and Finance
 - * Ongoing Revenue must be sufficient to meet ongoing Expenditures
- * Look at spending patterns, re-align as needed
- * ***Sustainability and Stability – achieved through Fiscal Discipline***
 - * Fiscal responsibility: enable management to monitor and adjust budgets as needed

City Council Feedback

- * City Council wishes, direction, feedback, questions....

Next Steps

- * Departments continue to work with City Manager and Finance on proposed budgets
- * Schedule more Study Sessions
- * Adopt budget in June

What is our future...

Fish Bowl and no room ... or



Koi Pond
with plenty
of room to
grow and
flourish...



City of Maywood, FY 2021-22 Budget Study Session