

MINUTES
MEASURE O CITIZENS' OVERSIGHT COMMITTEE

SPECIAL MEETING

Community Meeting Center, Founders Room,
11300 Stanford Avenue, Garden Grove, CA 92840

Monday, March 28, 2022

CALL TO ORDER: 5:30 p.m.

ROLL CALL PRESENT: (7) Chair Thomas, Vice Chair Sanders, Member
Beard, Member Bischoff, Member Holst,
Member Mackanic, Member Malo

ABSENT: (0)

OTHERS PRESENT: Scott Stiles, City Manager; Patricia Song, Finance Director; Ann Eifert, Finance Manager; Meena Yoo, Administrative Analyst.

City Manager Stiles gave an opening statement and provided an update on the performance of the City's three major revenue sources: property tax, sales tax, and transient occupancy tax. Mr. Stiles also reiterated the significance of the recent double-notch credit rating increase to our upcoming Civic Center/Police Facility project. Another project the City is undertaking is the labor negotiation with our Police Officers Association. The City currently has 182 sworn positions, including five School Resource Officers. Mr. Stiles explained how the City will use the American Rescue Plan Act funds: \$13.5 million was designated for the street pavement acceleration program and another \$13.5 million for the police facility renovation. Finally, the Finance Department is taking the initiative to seek a potential issuance of a Pension Obligation Bond (POB). The City will benefit from a POB due to the favorable market conditions, low borrowing rates, and improved credit rating. Potential savings from the POB is estimated to be between \$100 million to \$120 million over the next 20 years.

ORAL COMMUNICATIONS:

Mr. Brian Malley spoke at the meeting. He asked City staff to follow the City of Placentia's report on its special sales tax measure (Measure U) by breaking down how Measure O funds specific projects.

RECEIVE AND FILE MINUTES:

Members confirmed the receipt of the October 4, 2021 meeting minutes. Member Beard pointed out that his name was not listed under the "Ayes". Revision to the minutes will be made by staff. The motion to approve minutes was made by Member Beard, and seconded by Member Malo. Vice Chair Sanders abstained from voting due to his absence at the October 4, 2021 meeting.

Ayes:	(6)	Beard, Bischoff, Holst, Mackanic, Malo, Thomas
Noes:	(0)	None
Abstained:	(1)	Sanders
Absent:	(0)	None

REVIEW CODE OF ETHICS:

Ms. Eifert walked the members through the Garden Grove Municipal Code Title 2, Chapter 2.02, Code of Ethics for Public Officers and Employees. Emphasis was placed on the following areas:

- Public officials and employees are to be independent, impartial, and responsible to the people;
- Public officials and employees are bound to observe in their official acts the highest standards of morality and to discharge faithfully the duties of their offices;
- Preferential consideration of the request of petition of any individual citizen of group of citizens shall not be given; and
- No public official or employee shall request or permit the use of City-owned vehicles, equipment, materials, or property for personal convenience or profit.

REVIEW AUDITED FY 2020-21 GENERAL FUND FINANCIALS:

Ms. Song presented slides on the FY2020-21 audited General Fund financial results.

- Highlights
 - The City received a "clean" opinion from our independent auditor for our FY2020-21 Annual Comprehensive Financial Report (ACFR), and no management comments.
 - Total revenue exceeded total expenditures by \$29.5 million, among which \$24.2 was from the State and Local Fiscal Recovery Fund (SLFRF) as part of the American Rescue Plan Act.
 - Measure O brought in \$23.3 million for the year, an increase of \$3.3 million from FY2019-20.

- General Fund Revenue
 - Total revenue increased by \$18.3 million, primarily due to the receipt of the SLFRF.
 - Property tax had an increase of \$4.9 million comparing to the previous year.
 - Sales tax, including Measure O, saw an increase of \$5.3 million from FY2019-20.
 - Transient Occupancy Tax (TOT) revenue decreased by \$11.1 million from the previous year, and only contributed 4.5% of the overall General Fund revenue. TOT used to represent 20% of the General Fund revenue prior to the pandemic.
- General Fund Expenditures
 - Total expenditures stayed within budget due to disciplined spending as a result of uncertainties related to the pandemic. Some projects were deferred and several positions were held vacant.
 - Public Safety expenditures were 73.1% of the total General Fund expenditures, an increase of \$2.7 million from the previous year.

REVIEW FY 2021-22 MID-YEAR GENERAL FUND PERFORMANCE:

Ms. Song presented slides on the FY2021-22 mid-year General Fund revenue and expenditure update:

- Revenue came in stronger than anticipated (adopted budget):
 - Both property and sales taxes are on track with our adopted budget.
 - Transient Occupancy Tax (TOT) came in higher than expected. In the adopted budget, we estimated TOT be about 40% of the pre-pandemic level; actual year-to-date revenue showed that we could anticipate TOT to end the year at 60% of the pre-pandemic level.
- Actual year-to-date expenditures are in line with our adopted budget.
- Anticipated favorable budget to actual variance will be allocated during the adoption of the FY2021-22 continuation year's budget.

DISCUSS NEXT MEETING DATE:

The next meeting will tentatively be scheduled for September/October 2022.

MATTERS FROM COMMITTEE MEMBERS AND STAFF:

Member Beard asked if the City could follow Placentia's example to report the use of Measure O funds by specific projects. Ms. Song responded that the City considers Measure O as one revenue source of the General Fund, as it supports a wide variety of

governmental services, including public safety, community service, streets, facilities, etc. The use of the Measure O funds are clearly identified by illustrating the different categories of expenditures reported in our audited financials. Staff will research the Placentia report and seek opportunities to improve our report if applicable.

Vice Chair Sanders also commented on the reporting of the Measure O and stated he saw the expenditure category as a good representation of the use of the funds.

Member Bischoff asked how the Measure O funds not directly used for public safety were used. Ms. Song explained that they were used to fund other essential governmental services as well as the reserves.

Member Holst commented that the actual expenditure on public safety for FY2020-21 exceeded the targeted percentage.

Member Malo mentioned that reporting Measure O within the General Fund was discussed when the tax first went into effect. In the past two years our accounting and reporting system has provided sufficient information for the Committee to review and evaluate if the funds were properly accounted for and used.

Committee members also discussed the City's credit rating, the main contributors towards the increase, and our neighboring cities' credit ratings.

Chair Thomas asked if there have been questions from the public on how the Measure O funds were spent since the enactment of the Measure. Staff responded that the only public comment received as of today was from tonight's speaker, Mr. Brian Malley. Chair Thomas further commented that this reflected the high confidence level the community has in our public officials and employees. Vice Chair Sanders testified that the number of sworn officers has been restored to the level appropriate for the size of our community in comparison to the number of sworn officers in pre-Measure O years.

The Committee members thanked City Manager Stiles and staff for the update and expressed that the good communication between City staff and the Committee ensured transparency and accountability of the use of Measure O revenue, providing confidence for the committee and the community they represent.

ADJOURNMENT: At 7:02 p.m.