

## **Gloria Harper**

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**From:** Robert Goldberg <rgoldberg@live.com>  
**Sent:** Sunday, April 11, 2021 8:32 PM  
**To:** Thomas Moore; Schelly Sustarsic; Mike Varipapa; Sandra Massa-Lavitt; Joe Kalmick  
**Cc:** Jill Ingram; Gloria Harper; Charles M. Kelly; Jeannette Andruss; Iris Lee; Steve Myrter; Kelly Telford; Bruce Bennett; Jean Orland; Joyce  
**Subject:** Questions & Comments for Open Session 4/12/21  
**Attachments:** 4.12.21 Questions & Comments.doc

Dear Council and Staff,

Please see the attached questions and comments for this Monday's open session.

Thank you for your consideration and service,

Robert Goldberg

## Questions & Comments for 3/08/21 Open Session from Robert Goldberg

### **Item B: Demand on Treasury (Warrants)**

Page 4, Check #19061 to DxTerity Diagnostics Inc for \$65,050 for COVID 19 testing services/kits.

*Who was the City testing for COVID?*

*Will this expense be reimbursable?*

### **Item D: Comprehensive Annual Financial Report**

Another year, another Comprehensive Annual Financial Report (CAFR) with thousands of numbers. Since 2007, I have spent countless hours trying to get my arms around these reports, every year trying to differentiate the important from non-important numbers with only limited success.

Within this context, I was very happy to have recently come across a recommendation (see <https://www.sanclementetimes.com/sen-moorlach-releases-financial-report-card-for-cities/>) from the former Treasurer for Orange County, John Moorlach, to focus on one number as the best indicator of a City's long term financial soundness-- the Unrestricted Net Position (UNP) for Governmental Activities. This is a key number because it represents the unrestricted cash, investments, and other non-capital assets in the General Fund and other "governmental funds" (i.e., Gas Tax, M2, SB1, Debt Service and others listed on page 81, but excluding Water & Sewer) minus the unfunded liabilities from pensions and retiree medical obligations for the General Fund.

The subtraction of these unfunded liabilities from the UNP has been a GASB requirement since 2017, and resulted in negative UNP's for many California cities. However, a city's UNP can now be followed over time to evaluate its long-term financial health in light of these future obligations.

Our UNP for Governmental Activities for 2020 can be found on the second line from the bottom of Table 1 on page 7 which shows a figure of negative \$11,716,000. This figure is 19% worse than that for 2019 (negative \$9,873,000). This worsening is consistent with the trend since 2017 as shown in the table below.

Fiscal Year Ending June	2017	2018	2019	2020
Unrestricted Net Position for Governmental Activities	(\$3,661,000)	(\$4,911,000)	(\$9,873,000)	(\$11,716,000)
Population (approximate)	25,000	25,000	25,000	25,000
Per Capital Unrestricted Net Position for Governmental Activities	(\$146)	(\$196)	(\$395)	(\$469)

Municipalities can be compared by dividing their UNP's by population to generate a per capita figure. For several years, State Senator Moorlach published rankings and comparisons of California counties and O.C. cities. The latter is no longer available on-line, but Mr. Moorlach was kind enough to send me the following table for fiscal year ending June 2019. It shows Seal Beach to be

ranked 19<sup>th</sup> out of 34 O.C. cities. Our per capita UNP for Governmental Activities of negative \$394 is worse than the average of negative \$159 and the median of positive \$66.

Rank	City	Per Capita UNP	Rank	City	Per Capita UNP	Rank	City	Per Capita UNP
1	Laguna Beach	\$1,707	13	RSM	\$393	25	Placentia	(\$972)
2	Cypress	\$1,656	14	Villa Park	\$369	26	Orange	(\$1,130)
3	Irvine	\$1,550	15	Mission Viejo	\$249	27	Newport Beach	(\$1,170)
4	Tustin	\$1,334	16	Laguna Hills	\$145	28	Fountain Valley	(\$1,186)
5	Dana Point	\$756	17	Yorba Linda	\$137	29	Fullerton	(\$1,192)
6	Laguna Niguel	\$750	18	San Juan Cap	(\$5)	30	Huntington Bch	(\$1,232)
7	Lake Forest	\$723	19	Seal Beach	(\$394)	31	Anaheim	(\$1,543)
8	Laguna Woods	\$607	20	Buena Park	(\$543)	32	Santa Ana	(\$1,580)
9	La Palma	\$596	21	Garden Grove	(\$599)	33	Brea	(\$1,709)
10	Aliso Viejo	\$588	22	La Habra	(\$716)	34	Costa Mesa	(\$2,085)
11	Stanton	\$452	23	Westminster	(\$888)		Average	(\$159)
12	San Clemente	\$449	24	Los Alamitos	(\$917)		Median	\$66

#### **Item F: On-Call Asphalt Repair Contracts**

As with the recent award of on-call contracts for emergency repair of pipes, I applaud staff for their effort to solicit bids and pricing before the emergencies occur. Regarding the proposed pricing, I did have two questions.

The fee proposal for Sager Construction shows the same hourly labor rate for Superintendents and Labors (both \$70.00).

*Is this correct?*

If not, the fee proposal must be corrected with a revised fee proposal provided to the Council before their consideration and approval Monday night.

Both fee proposals provide for overtime and double time labor rates. However, the contracts (to my reading) do not define when these premium rates will be charged. Given that the service requested is for emergency repairs, it would not seem appropriate to trigger these rates for a project that simply occurs, say, after 5 pm, or on a Saturday, but takes less than 8 hours to complete.

*When does overtime and double time apply in both contracts?*

#### **Item L: Budget Amendment to Pay for City Utility Accounts**

I wish to thank staff for bringing forward the preliminary findings of the ongoing audit and a budget amendment in time for incorporation into the development of the FY 21-22 budget. Without any

details on how the figures in the proposed budget amendment were derived, I cannot compare them with the prior estimates that I shared with the Council at the Rate Hearing in February. I look forward to the release of the full audit report within the next few months.

I do have several questions regarding the proposed budget amendment. The \$195,800 proposed to pay for FY 20-21 utilities is being budgeted entirely from Building Maintenance (001-052, Budget page 163). However, water and sewer payments are due not only for City buildings, but also parks. The latter would seem to be appropriately allocated to Park Maintenance (001-049, Budget page 192). I would think doing so would be analogous to the allocation of electricity payments to both Building Maintenance (001-052-41020) and Park Maintenance (001-049-41020).

*Why is there no allocation of water or sewer costs to Park Maintenance?*

One of the line items in the budget amendment is a revenue transfer into the General Fund of \$2528. This \$2528 comes from the \$705,407 General Fund transfer-out to cover utility costs prior to FY 20-21. So it appears that the General Fund is paying itself for something related to utilities. This transfer is not addressed in the staff report.

*Please explain the basis for the \$2528 transfer.*

I would interpret the staff report text and proposed budget amendment as indicating that the combined Water Operations and Capital Funds will be receiving a total of \$873,442. This represents the sum of a \$190,000 expenditure by Building Maintenance plus transfers-in of \$680,762 and \$2680 from General Fund reserves.

*Is this interpretation correct?*