



CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: JUNE 15, 2020

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: RON AHLERS, CHIEF FINANCIAL OFFICER



SUBJECT: ADOPTION OF RESOLUTION NO. 2020-1687, APPROVING THE OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR JULY 1, 2020 THROUGH JUNE 30, 2022, PROVIDING FOR THE APPROPRIATIONS AND EXPENDITURES FOR ALL SUMS SET FORTH IN SAID BUDGET; AND ADOPTION OF RESOLUTION NO. 2020-1688, ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2020-2021

MEETING DATE: JUNE 24, 2020

SUMMARY RECOMMENDATION:

Staff recommends the City Council adopt Resolution NO. 2020-1687, approving the fiscal year (FY) 2020-21 and FY 2021-22 budgets; and Resolution No. 2020-1688, establishing the Appropriations Limit for FY 2020-21.

BACKGROUND:

The budget season began with a presentation to City Council on April 22, 2020 with a review of the current FY 2019-20 budget and the reduced revenues and expenditures due to the COVID19 Emergency confronting the City. The City Council workshop budget presentation on May 18, 2020 presented a summary of the budget with a projected deficit of about \$3.1 million. The City Council gave direction to staff about expenditures and to continue to meet with Budget Liaisons sub-committee concerning the budget. On June 10, 2020, the City Council considered a revised budget with changes to revenues, expenditures and charging certain non-

General Funds for staffing costs. City Council made certain modifications to the revised budget and those changes are included in the attached budget.

DISCUSSION/ANALYSIS:

GENERAL FUND BUDGET

The FY 2020-21 original budget was presented to the City Council on May 18, 2020 during the Council workshop. The General Fund budget was shown with an approximate \$3.1 million loss, as depicted below in the second column. The revised budget shows a loss of \$432,627. The changes are reflected with an increase in General Fund revenues of \$877,500 and a decrease in expenditures of \$1.8 million. The \$432,627 loss is being funded by the sale of vacant land to Calabasas Auto Spa in the amount of \$1,380,000.

	FY 2020-21		Variance
	Original Budget	Revised Budget	
Revenues	\$ 21,902,700	\$ 22,780,200	\$ 877,500
Expenditures	\$ 25,050,610	\$ 23,212,827	(\$ 1,837,783)
Net Income/(Loss)	(\$ 3,147,910)	(\$ 432,627)	\$ 2,715,283
General Fund Reserve	\$ 3,147,910	\$ 0	
Land Sale to Calabasas Auto Spa	\$ 0	\$ 432,627	
Revised Net Income	\$ 0	\$ 0	

GENERAL FUND REVENUE CHANGES

The following are four adjustments to General Fund revenues for FY 2020-21.

The City does not currently allocate costs for General Fund administrative functions to the various non-General Fund operating funds. The General Fund currently pays the entire costs for: City Council, City Manager, Finance, Human Resources, Communications, City Clerk, etc. The City can charge a portion of these costs to a variety of funds according to Federal Guidelines. By using an Indirect Cost Allocation Plan the City can bring in a minimum of \$900,000 in revenue to the General Fund. This number is probably greater than \$1.5 million but the first year estimate is \$900,000 to allow certain funds time to adjust to the new charges (Library Fund, Tennis & Swim Center Fund). The City will contract with an outside consulting firm

to develop the plan and the proper methodology to allocate these costs. The estimated expense for the study is less than \$20,000. This cost allocation plan will also allow the City to allocate and justify potentially additional costs to Federal and State grants.

The City currently pays for retiree medical costs directly from the General Fund operating account. The City has never set-aside funding for its retiree medical liability. The City has the option of establishing an Internal Revenue Code (IRC) Section 115 Trust (Trust) to pay for these costs. The City would deposit \$2 million (for example) and the Trust would invest the monies in stocks, bonds, etc. to generate earnings sufficient to pay the annual costs, estimated FY 2020-21 expense of \$91,000. For example, \$2 million at a 5% return is \$100,000. The current actuarial unfunded liability of the retiree medical program is about \$1.9 million. The next actuarial will be completed by October 2020 and the number will be closer to \$3 million (CFO estimate and maybe higher?). Staff is tentatively recommending the City fund this liability at 125% or greater in order to generate sufficient earnings to pay for the future growth in the annual expense of retiree medical costs. Finance staff will present these options to the City Council for consideration at a future date.

Two revenue accounts will see decreases for FY 2020-21: July 4th event (**(\$28,500)**) and Pumpkin Festival event (**(\$85,000)**) revenues. Both of these events are cancelled and the expenses are reduced (discussed later in this report).

GENERAL FUND EXPENSE CHANGES

The following pages detail the changes to General Fund expenses in a general category and then by department.

Vacation/Sick Leave cash-out

Suspend Vacation/Sick Leave cash-out for one year is estimated to save about \$150,000 in the General Fund. This program is for full-time employees who have significant hours on the books and have not had the opportunity to use vacation leave. The cash out is in addition to the employee's salary and is real "cash" that leaves the City. By suspending this program the City will save the cash; however, the employees will need to use the accrued vacation leave otherwise the employees will stop earning vacation hours once they reach the maximum.

457 Match

The City currently matches up to 2% of salary for full-time employee contributions to a 457 plan. The program is being deferred for FY 2020-21, saving about \$120,000 in the General Fund and \$125,000 city-wide.

Social Security Replacement

Currently, City part-time staff pay into Social Security (FICA). The employee pays 6.2% of their wages and the City pays 6.2% of the employees' wages, combined

12.4%. By replacing Social Security with an approved replacement plan, the combined contribution decreases to 7.5% of wages. The City can structure the plan to have the 7.5% be paid by the employee with 0% by the City. The main difference between the plans is Social Security is calculated "after-tax" and the replacement plan is calculated "before-tax". The 7.5% "before-tax" contribution results in more cash in the employee's net pay. The entire 7.5% is invested in and provides a return to the employee in a tax-deferred account (similar to a 401k but not a 401k). Upon leaving employment with the City, the employee can take the money in cash (and pay taxes) or transfer the money into an Individual Retirement Account (IRA). This item is on the Council agenda this evening to approve the program and contract with a vendor to provide these services. Estimated savings is \$47,000 in the General Fund and about \$30,000 in Tennis & Swim Center Fund.

Legal Services Contract

The City contracts with the firm of Colantuono, Highsmith & Whatley to provide services as the City Attorney. Upon consultation with the firm, staff has reduced the budget from \$350,000 to \$300,000 for next fiscal year. This is an average monthly charge of \$25,000 which should be sufficient to cover legal expenses. If an extraordinary event(s) occurs next year, staff can request additional funding for consideration by City Council.

General Fund Expenses ~ Administrative

There is currently one vacant full-time Facilities Maintenance Technician that is brand-new this year. No City employee has ever held this position. It was added prior to the COVID19 experience. Staff is eliminating this position and saving \$73,904. Current full-time equivalent staffing for Administrative Services is 5.24.

	General Fund	Other Funds	Total
Administrative Services Manager	0.85	0.15	1.00
Facility Maintenance Technician	1.52	0.48	2.00
Facility Maintenance Technician II	0.52	0.48	1.00
Human Resources Specialist	1.00	0.00	1.00
Maintenance Assistant	0.24	0.00	0.24
	4.13	1.11	5.24

Eliminating this one position reduces the count to 4.24 and saves \$73,904.

The City Council requested additional funding to deal with the COVID19 response. \$50,000 is budgeted for personal protective equipment (PPE), additional cleaning and supplies along with barriers and shields to protect the public and staff.

General Fund Expenses ~ City Clerk

Staff is eliminating the Office Assistant position. This position performs the duty of being the City receptionist. Other City staff will perform the duties. The main City phone line will be directed to another staff person. The seat will remain vacant and all citizens/visitors to City Hall will be directed to the Community Development counter where they will be greeted. Current full-time equivalent staffing for City Clerk is 3.00

	General Fund	Other Funds	Total
Assistant to the City Clerk	1.00	0.00	1.00
City Clerk	1.00	0.00	1.00
Office Assistant	1.00	0.00	1.00
	3.00	0.00	3.00

Eliminating this one position reduces the count to 2.00 and saves \$69,710.

Certain operating accounts were reduced in the City Clerk’s budget. Elections were reduced from \$135,000 down to \$100,000 as this is an updated estimate from Los Angeles County for the November 2020 election given only the Council election and no additional City measures. Advertising and Training were also reduced by \$2,000 and \$2,000 respectively.

General Fund Expenses ~ Community Development

Staff is eliminating one vacant part-time Planning Aide and one vacant full-time Executive Assistant I. Current full-time equivalent staffing for Community Development is 16.23.

	General	Other	
	Fund	Funds	Total
Assistant Planner	1.00	0.00	1.00
Associate Planner	2.00	0.00	2.00
Building Assistant	0.82	0.00	0.82
Building Inspector	2.00	0.00	2.00
Building Official	1.00	0.00	1.00
City Planner	1.00	0.00	1.00
Code Enforcement Officer	1.00	0.00	1.00
Community Development Director	1.00	0.00	1.00
Executive Assistant I	1.00	0.00	1.00
Executive Assistant II	1.00	0.00	1.00
Permit Center Supervisor	1.00	0.00	1.00
Planning Aide	0.41	0.00	0.41
Senior Building Inspector	1.00	0.00	1.00
Senior Planner	2.00	0.00	2.00
	16.23	0.00	16.23

Eliminating these two positions reduces the count to 14.82 and saves \$107,348.

General Fund Expenses ~ Community Services

Staff is eliminating one vacant full-time Recreation Manager. Current full-time equivalent staffing for Community Services is 62.93.

	General Fund	Other Funds	Total
Assistant Aquatics Coordinator	0.00	1.23	1.23
Child Watch	0.00	1.23	1.23
Community Services Director	0.75	0.25	1.00
Deputy Community Services Director	0.70	0.30	1.00
Events Specialist	0.41	0.00	0.41
Executive Assistant I	2.00	0.65	2.65
Facility Maintenance Technician	1.82	0.41	2.23
Facility Supervisor	2.00	0.00	2.00
Fitness Instructor II	0.00	11.48	11.48
Fitness Instructor III	0.00	1.23	1.23
Fitness Staff	0.00	1.23	1.23
Head Lifeguard	0.00	2.05	2.05
Lifeguard	0.00	11.89	11.89
Maintenance Assistant	3.05	0.00	3.05
Preschool Supervisor	1.00	0.00	1.00
Preschool Teacher	4.00	0.00	4.00
Recreation Coordinator	2.41	1.00	3.41
Recreation Manager	0.00	1.00	1.00
Recreation Leader I	3.28	0.00	3.28
Recreation Leader II	2.87	0.00	2.87
Recreation Specialist	2.87	0.00	2.87
Recreation Supervisor	0.00	1.00	1.00
Swim Coach	0.00	0.41	0.41
Water Safety Instructor	0.00	2.87	2.87
	27.16	35.77	62.93

Eliminating this one position reduces the count to 61.93 and saves \$148,072.

The Pumpkin Festival has been cancelled this year; therefore this results in an expense reduction of \$135,000 with a revenue reduction of \$85,000. De Anza Special Dept. Supplies because of the COVID19 shutdown is a reduction of \$25,000. The July 4th event is also cancelled for this year with expenses reduced by \$81,000 and less revenue by \$28,500. There remains \$25,000 for July 4, 2021 event since the City will make down payments on the fireworks and other expenses. The Calabasas Music Festival is reduced by \$35,000 with \$10,000 remaining for the beginning of summer 2021. Staff is adding expenses of \$50,000 for new special events to replace July 4th and Pumpkin Festival after the City is fully open.

General Fund Expenses ~ Finance

Staff is proposing to eliminate one Accounting Supervisor position due to the anticipated retirement of the incumbent by the end of December 2020. Current full-time equivalent staffing for Finance is 8.00.

	General Fund	Other Funds	Total
Accounting Specialist	3.00	0.00	3.00
Accounting Supervisor	1.00	0.00	1.00
Chief Financial Officer	1.00	0.00	1.00
Executive Assistant I	1.00	0.00	1.00
Grant/Contract Administrator	1.00	0.00	1.00
Senior Accounting Specialist	1.00	0.00	1.00
	8.00	0.00	8.00

Eliminating one Accounting Supervisor as of the end of December 2020 saves \$71,507 (six months of savings).

General Fund Expenses ~ Media / I.T. (information Technology)

Staff is proposing to not eliminate any positions in the Media/I.T. department. Current full-time equivalent staffing for Media/I.T. is 9.86.

	General Fund	Other Funds	Total
Executive Assistant I	1.41	0.00	1.41
Information Systems Assistant	1.40	0.00	1.40
Information Systems Manager	1.00	0.00	1.00
Intern	0.41	0.00	0.41
Media Production Specialist	0.82	0.00	0.82
Media Supervisor	1.00	0.00	1.00
Communications Director	1.00	0.00	1.00
Public Information Officer	0.41	0.00	0.41
Senior Media Specialist	2.41	0.00	2.41
	9.86	0.00	9.86

General Fund Expenses ~ Public Works

The City is moving funding from the General Fund to other funds for the Public Works Department. This funding allocation change is where several staff positions actually perform their duties and assignments. The streets and road funds include: Gas Tax Fund and the Road Maintenance and Rehabilitation Fund (SB1 or RMRA). The transit funds are: Proposition A, Proposition C, Measure R and Measure M. The transit funds receive revenue from the voter approved additional 2.0% sales tax in Los

Angeles County. The table below reflects the funding changes along with a few minor changes to contractual services.

Item	Original Budget	Revised Budget	Variance Pos./ (Neg.)
Public Works staff payroll allocation changes to other funds	\$ 1,434,818	\$ 1,006,551	\$ 428,267
Admin & Engineering Contractual	\$ 180,000	\$ 150,000	\$ 30,000
Street Main Serv Contractual Services	\$ 15,000	\$ 10,000	\$ 5,000
Water Quality Enhancement Contractual	\$ 65,000	\$ 35,000	\$ 30,000
Transportation Eng Contractual	\$ 2,800	\$ 5,000	(\$ 2,200)
TOTAL			\$ 491,067

There are no position reductions for the Public Works Department. The Public Works staffing is as follows:

	General Fund	Other Funds	Total
Assistant Transportation Planner	1.41	0.00	1.41
Associate Civil Engineer	1.00	0.00	1.00
Deputy Public Works Director	1.00	0.00	1.00
Engineering Assistant	0.41	0.00	0.41
Environmental Services Supervisor	1.00	0.00	1.00
Executive Assistant I	0.00	0.41	0.41
Executive Assistant II	1.00	0.00	1.00
Intern	0.41	0.00	0.41
Landscape District Maintenance Manager	0.00	1.00	1.00
Landscape Maintenance Inspector	0.00	0.41	0.41
Public Works Director/City Engineer	1.00	0.00	1.00
Public Works Maintenance Technician	2.00	0.00	2.00
Senior Civil Engineer	1.00	0.00	1.00
Senior Public Works Inspector	1.00	0.00	1.00
	11.23	1.82	13.05

General Fund Expenses ~ Training & Miscellaneous

Staff is reducing a variety of training and miscellaneous accounts by about 50% that span various General Fund departments. A few highlights are noted:

- Eliminate the tuition reimbursement program for one year, savings of \$15,000. The City reimburses staff for tuition costs when they are pursuing higher education.

- Reduction in kitchen supplies: paper towels, tea, coffee, etc. Savings of \$11,000
- Increase in Humanitarian Aid back to original amount of \$25,000 to go towards the Neighbors in Need program.
- Eliminate the Art Rental program whereby the City rents art pieces and displays them at the Civic Center. Savings of \$9,000.
- Eliminate the Open Space purchase of \$20,000. If an available property is up for sale City staff will return to Council for an appropriation.

Item	Original Budget	Revised Budget	Variance Pos./ (Neg.)
Business Meeting & Conference : City Clerk	\$ 500	\$ 250	\$ 250
Business Meeting & Conference : Admin Services	\$ 800	\$ 400	\$ 400
Tuition Reimbursement : Administrative Services	\$ 15,000	\$ 0	\$ 15,000
Training : Administrative Services	\$ 1,500	\$ 750	\$ 750
Kitchen Supplies : Non-Departmental	\$ 22,000	\$ 11,000	\$ 11,000
Humanitarian Aid : Non-Departmental	\$ 10,000	\$ 25,000	(\$ 15,000)
Art Rental : Non-Departmental	\$ 9,000	\$ 0	\$ 9,000
Open Space : Non-Departmental	\$ 20,000	\$ 0	\$ 20,000
Business Meeting & Conference : Finance	\$ 800	\$ 400	\$ 400
Training : Financial Management	\$ 800	\$ 400	\$ 400
Business Meeting & Conference : Payroll	\$ 2,000	\$ 1,000	\$ 1,000
Training : Payroll & Revenue	\$ 800	\$ 400	\$ 400
Business Meeting & Conference : Public Inform	\$ 7,000	\$ 3,500	\$ 3,500
Training : Public Information	\$ 500	\$ 250	\$ 250
Business Meeting & Conference : Inform Tech	\$ 2,500	\$ 1,250	\$ 1,250
Training : Information Technology	\$ 7,200	\$ 3,600	\$ 3,600
Business Meeting & Conference : Telecom Reg.	\$ 200	\$ 100	\$ 100
Business Meeting & Conference : Planning	\$ 1,000	\$ 500	\$ 500
Training : Planning Projects & Studies	\$ 100	\$ 50	\$ 50
Training : Building Inspection	\$ 500	\$ 250	\$ 250
Training : Code Enforcement	\$ 200	\$ 100	\$ 100
Training : De Anza Park/Recreation Program	\$ 600	\$ 300	\$ 300
TOTAL			\$ 53,500

General Fund Expenses ~ School Funding

Staff is reducing by 50% the School Grants program from \$250,000 down to \$125,000. All other funding that supports schools remains.

General Fund Expenses ~ City Council

There are proposed reductions in funding for City Council expenses of \$4,000 in total.

Item	Original Budget	Revised Budget	Variance Pos./ (Neg.)
Special Dept. Supplies : Legislation & Policy	\$ 5,000	\$ 4,500	\$ 500
Special Dept Sup- J Bozajian	\$ 5,000	\$ 5,000	\$ 0
Special Dept Sup- MS Maurer	\$ 5,000	\$ 4,500	\$ 500
Special Dept Sup- F Gaines	\$ 5,000	\$ 4,500	\$ 500
Special Dept Sup- D Shapiro	\$ 5,000	\$ 4,500	\$ 500
Special Dept Sup- A Weintraub	\$ 5,000	\$ 4,000	\$ 1,000
Special Events : Legislation & Policy	\$ 5,000	\$ 4,500	\$ 500
Mayor's Youth Council	\$ 5,000	\$ 4,500	\$ 500
TOTAL			\$ 4,000

The staffing for the City Council is the five City Council members, with no changes.

	General Fund	Other Funds	Total
City Council Members	5.00	0.00	5.00
	5.00	0.00	5.00

General Fund Expenses ~ City Manager

There are no proposed reductions in funding for the City Manager department. The staffing remains the same as this current fiscal year

	General Fund	Other Funds	Total
City Manager	1.00	0.00	1.00
Executive Assistant I	1.00	0.00	1.00
Management Analyst	1.00	0.00	1.00
	3.00	0.00	3.00

Calabasas OPEN Small Business Grant Program

City Council directed staff to implement a small business grant program in the dollar amount of \$1 million for FY 2020-21. This grant program is being funded by the Woolsey Fire Settlement. The City received about \$4 million from the settlement. A new fund was created to account for these monies, Disaster Recovery Fund, fund 46 in the financial system. These monies are completely unrestricted and can be used for any purpose by the City Council. This \$1 million grant program is being paid from the Disaster Recover Fund.

The “**Detailed Budget FY 2020-21 & 2021-22**” (Attachment 1) includes all of the City’s revenue and expenditures accounts for each of the City’s funds, and it represents the entire two-year budget for the City of Calabasas at the most detailed level.

Following adoption of Resolution No. 2020-1687 (Attachment 2), the Biennial Budget and Capital Improvement Plan for FY 2020-21 and 2021-22 will be distributed and used for management and reporting purposes.

GANN APPROPRIATIONS LIMIT

In November 1979, the California voters passed Proposition 4 (Article XIII B – “Gann Limit”), which places a ceiling on the amount a local government can spend from "the proceeds of taxation." This limit is known as "the Gann Limit" and for Calabasas, is based on 1992-93 tax expenditures and was adjusted annually for inflation and population growth. According to the Revenue and Taxation Code, Section 7910, local governments must establish its appropriations limit by resolution each year at a regularly scheduled meeting or a noticed special meeting.

Because of Proposition 111, the City is required to choose between two annual inflation factors and two population growth factors for the establishment of the Limit. The choice offered for the annual inflation factor is the greater of (1) the growth in California per capita income, or (2) the growth in non-residential assessed valuation due to new construction within the City. This year, the calculation was based on the growth in California per capita income of 3.73%.

The choice offered for the annual population growth factor is the greater of the growth in City or County population. Based on growth rates for both the City of Calabasas and the County of Los Angeles provided by the California Department of Finance, the appropriation limit was calculated using the City of Calabasas population growth factor of 0.03%.

The application of the annual growth factors to the FY 2019-20 limit resulted in a FY 2020-21 limit of \$33,825,695.

CITY of CALABASAS
GANN APPROPRIATIONS LIMIT CALCULATION
 FY 2020-2021

(A)	PRIOR YEAR'S GANN LIMIT 2019-20	\$ 32,599,937
(B)	PRICE FACTOR	1.0373
(C)	POPULATION FACTOR	1.0003
(D) = (B) X (C)	ANNUAL COMBINED FACTOR	1.0376
(E)	ANNUAL ADJUSTMENT	\$ 1,225,758
(F) = (A) X (E)	CURRENT YEAR GANN LIMIT 2020-21	\$ 33,825,695

The amount in the City's 2020-21 budget subject to the Limit (net proceeds of taxes, including interest earnings) totals \$26,160,562. This amount is well within the required limit:

2020-21 Appropriation Limit	\$ 33,825,695
2020-21 Appropriations Subject to Limit	\$ 26,160,562
Amount Under Limit:	\$ 7,665,133

Resolution No. 2020-1688 (Attachment 3) sets forth the Gann Appropriations Limit for the City of Calabasas for FY 2020-21.

FISCAL IMPACT/SOURCE OF FUNDING:

The Detailed Budget FY 2020-21 & 2021-22 as presented.

REQUESTED ACTION:

Adopt Resolution No. 2020-1687 approving the Operating and Capital Improvement Budget from July 1, 2020 through June 30, 2022, providing for the appropriations and expenditures for all sums set forth in said budget and repealing all resolutions in conflict herewith; and Adopt Resolution No. 2020-1688 establishing the appropriations limit for FY 2020-21.

ATTACHMENTS:

1. Detailed Budget FY 2020-21 & 2021-22
2. Resolution No. 2020-1687
3. Resolution No. 2020-1688
4. Budget Presentation dated June 24, 2020