




CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: OCTOBER 21, 2020

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: RON AHLERS, CHIEF FINANCIAL OFFICER 

SUBJECT: FIRST QUARTER GENERAL FUND BUDGET UPDATE FY 2020-21

MEETING DATE: OCTOBER 28, 2020

SUMMARY RECOMMENDATION:

Staff is providing this first quarter General Fund budget update to City Council for discussion. Staff is not making any recommended changes to the budget at this time. The mid-year budget report will be presented to the City Council in February 2021.

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 during the June 10th and June 24th meetings and adopted a budget with an estimated loss of approximately \$433,000. The City Council requested staff return each quarter with an update regarding the progress of the budget.

DISCUSSION:

The table below depicts the last three full years of actual revenues and expenses along with the original budget for 2021 and a revised 2021 estimate.

CITY of CALABASAS
GENERAL FUND
1ST QUARTER BUDGET REPORT
FY 2020-21

	Actuals 2018	Actuals 2019	Actuals 2020	Budget 2021	<i>Revised 2021</i>
Property Tax	3,399,242	3,815,995	3,839,932	4,000,000	4,000,000
Sales Tax	5,178,580	5,824,369	5,979,032	5,200,000	<i>5,300,000</i>
Franchise TV	299,750	344,016	307,865	310,000	310,000
Franchise Edison	379,646	365,850	372,844	380,000	380,000
TOT	2,003,514	2,114,825	1,571,867	1,100,000	<i>1,000,000</i>
UUT Electric	1,736,736	1,620,719	1,691,338	1,650,000	<i>1,675,000</i>
UUT Gas	362,052	441,082	483,986	430,000	<i>450,000</i>
UUT Phone	814,146	747,556	678,819	800,000	<i>700,000</i>
Building Fees	2,130,041	1,648,193	1,776,011	1,776,200	1,776,200
VLF	2,406,088	2,504,434	2,619,375	2,720,000	2,720,000
Other	4,795,782	4,414,676	3,344,219	4,414,000	4,414,000
	23,505,577	23,841,715	22,665,288	22,780,200	22,725,200
Expenses	23,226,700	23,678,513	23,952,942	23,212,827	<i>23,000,000</i>
Income/(Loss)	\$ 278,877	\$ 163,202	(\$ 1,287,654)	(\$ 432,627)	(\$ 274,800)

FY 2018 the General Fund had net income of \$278,877 while FY 2019 the net income was \$163,202. FY 2020 shows an actual loss of **\$1.3 million**. During budget discussions with the City Council this past spring, staff estimated the 2020 loss to be \$2.0 million to \$2.9 million. The City reduced expenses because of the Governor's order to shut down. Revenues actually came in higher than estimated as well; mainly from Sales Tax. The original budget for 2021 has an estimated loss of **\$432,627** while the revised estimate for 2021 shows a loss of **\$274,800**. The "Revised 2021" column shows changes from the original budget by using *italized* font style.

Sales Tax

Please note that Sales Tax actually came in greater than the prior year 2019. This occurred despite the entire state being on full-lockdown from March 13th to the end of May 2020. Staff estimated the April – June 2020 quarter for sales tax to be a loss; it actually was a gain of over 13% from the prior year. That was a real surprise. The City’s sales tax consultants, HdL, will provide a full report on this quarter in November. Staff will forward portions of that report to the City Council when it becomes available. Given this April-June data showing an increase, staff has revised the estimate for Sales Tax to be \$5.3 million (an increase of \$100,000 from the budget). This still remains a 10% reduction from actuals from the prior year 2019. As each quarter occurs staff will revise this figure to reflect what is actually happening.

Transient Occupancy Tax (TOT)

The trend in this revenue is for \$1 million to be generated this year from the three hotels. This is a \$100,000 reduction from the original budget. Staff provides a monthly update to the City Council regarding this revenue. As of the writing of this report, staff has not received all of the hotel tax payments for September 2020 yet.

UUT Electric & Gas

Both of these revenues have been increasing these past few years and the revised estimates reflect this trend. Staff has increased the estimates by \$25,000 and \$20,000 respectively.

UUT Phone

This revenues has been trending lower the past few years and the revised estimated has been decreased by \$100,000 to reflect this.

All other General Fund revenues

Given that only three months have elapsed in the year, staff is not estimating any changes in other revenues. The mid-year report will reflect six months of actual data and provide a better estimate for the full year.

General Fund Expenses

The expenses show a slight decrease to \$23 million. This reflects that the City is not fully operational and therefore there are staff cost savings. The table below depicts the actual expenses for the past three years along with this year's actual expenses. Staff uses this data to extrapolate a full-years expense estimate for 2021.

The July YTD row reflects one-month's actual expenses for each of the four years. FY 2021 for July were the highest amongst the four years and extrapolates to a full year of \$28.8 million. The August YTD row shows two months of actual expenses for each year with FY 2021 being the lowest. The full year estimate based on two months actual is \$21.9 million. The September YTD row depicts three months of actual expenses and 2021 is the lowest figure. The full year estimate is \$20.7 million. The \$23 million, reflects in the table on the prior page, is at the upper end of the estimates for the entire fiscal year. The mid-year report will show six months of actual expenses and provide a more accurate full-year estimate.

<u>Expenses</u>	Actuals 2018	Actuals 2019	Actuals 2020	Actuals 2021	<i>Estimate Full Year 2021</i>
July YTD	1,950,482	1,497,813	1,975,493	2,208,223	28,839,775
August YTD	3,562,303	3,483,977	3,777,293	3,343,785	21,892,766
September YTD	5,790,387	5,263,306	5,217,532	4,749,006	20,665,674

FISCAL IMPACT/SOURCE OF FUNDING:

None.

REQUESTED ACTION:

No recommended changes to the General Fund budget for this current year. Staff recommends the City Council receive and file this report.

ATTACHMENTS:

None.