




CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: FEBRUARY 17, 2021
TO: HONORABLE MAYOR AND COUNCILMEMBERS
FROM: RON AHLERS, CHIEF FINANCIAL OFFICER 
SUBJECT: MID-YEAR BUDGET UPDATE FY 2020-21
MEETING DATE: FEBRUARY 24, 2021

SUMMARY RECOMMENDATION:

Staff is providing this mid-year budget update to City Council for discussion. The prior two years staff did not provide a mid-year budget report to the City Council. Staff is proposing certain changes to the adopted budget at this time to reflect more accurately revenue and expenditure estimates. City staff is requesting City Council adopt the attached resolution of appropriation to reflect these changes.

BACKGROUND:

The budget season began with a presentation to City Council on April 22, 2020 with a review of FY 2019-20 budget and the reduced revenues and expenditures due to the State's Order to shut-down the economy. The City Council workshop FY 2020-21 budget presentation on May 18, 2020 presented a summary of the budget with a projected General Fund 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 General Fund 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
MID-YEAR 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	4,016,000
Sales Tax	5,178,580	5,824,369	5,979,032	5,200,000	5,900,000
Franchise TV	299,750	344,016	307,865	310,000	300,000
Franchise Edison	379,646	365,850	372,844	380,000	370,000
TOT	2,003,514	2,114,825	1,571,867	1,100,000	900,000
UUT Electric	1,736,736	1,620,719	1,691,338	1,650,000	1,725,000
UUT Gas	362,052	441,082	483,986	430,000	475,000
UUT Phone	814,146	747,556	678,819	800,000	650,000
Building Fees	2,130,041	1,648,193	1,776,011	1,776,200	1,737,000
Damage Reimb	-	-	19,977	-	650,000
VLF	2,406,088	2,504,434	2,619,375	2,720,000	2,707,000
Cost Plan	-	-	-	900,000	900,000
Other	4,795,782	4,414,676	3,330,440	3,514,000	1,523,800
	23,505,577	23,841,715	22,671,486	22,780,200	21,853,800
Expenses	23,226,700	23,678,513	24,119,202	23,212,327	21,135,700
Income/(Loss)	\$ 278,877	\$ 163,202	(\$ 1,447,716)	(\$ 432,127)	\$ 718,100

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 **\$1.4 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

State's Order to shut down and revenues actually came in higher than estimated as well; mainly from Sales Tax.

The Original Budget for FY 2020-21 has an estimated loss of **\$432,127** while the revised estimate shows income of \$718,100. A brief discussion of the major revenues is detailed below.

Sales Tax

Please note that Sales Taxes have actually increased over the past two quarters versus the prior fiscal year. 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 \$173,000 or 13.2% from the prior year. That was unanticipated and a strong finish for last FY 2019-20. The July-September quarter sales tax increased by \$136,000 or 8.8%. Based on these figures staff increased the revised estimate to \$5.9 million. This is basically equal with last fiscal year. The City has only one quarter of actual data at this point (out of four quarters). The October-December quarter sales tax figure is scheduled to be released by the State on February 22nd. Staff will report the results orally at the Council meeting. If this quarter shows an increase then the revised estimate will increase to over \$6 million. As each quarter is reported, staff will revise the budget estimate to reflect what is actually occurring.

Transient Occupancy Tax (TOT)

The trend in this revenue is for \$900,000 to be generated this year from the three hotels. This is a \$200,000 reduction from the original budget of \$1.1 million. Staff provides a monthly update to the City Council regarding the TOT revenue. As of the writing of this report, staff has not received any of the hotel tax payments for January 2021 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 these estimates from the original budget by \$75,000 and \$45,000 respectively.

UUT Phone

This revenues has been trending lower the past few years and the revised estimate has been decreased by \$150,000 to reflect this.

Damage Reimbursement – Woolsey Fire

This revenue is reimbursement from CJPIA (City's insurance provider) for the Woolsey Fire. Staff is scheduled to finalize the claim within the next few weeks and estimates receiving \$650,000 this year.

Indirect Cost Plan

The original budget is \$900,000 which remains the same for the revised estimate. The Indirect Cost Plan project is beginning and estimated to finish by late May 2021. City Council will review the cost plan study and authorize which operations (funds) should share the cost of overhead of the City. Currently, the General Fund pays the entirety of the internal departments expenses: City Council , City Manager, City Clerk, Administrative Services, Finance, Media and Information Technology along with insurance (General Liability, Property, Workers Compensation, etc). These costs are typically borne and paid for by the operating funds of the City. This will be a cash transfer into the General Fund from the various other funds of the City. The Council will ultimately have to determine how they wish to implement the cost plan. This plan will be very helpful in capturing City overhead costs on grants and other outside funding. However, if fully implemented it would mean the Library and Tennis and Swim Center would pay their fair share of overhead costs as well.

All other General Fund revenues

The revised estimate reflects that many events have not occurred this fiscal year and therefore the revenues from those events are zero. Please see the detail in the attachment for actual dollar amounts.

General Fund Expenses

The FY 2020-21 revised estimate for General Fund expenses show a decrease to \$21.1 million. This reflects that the City is not fully operational and therefore there are staff cost savings along with other reduced expenses. Attachment 1 shows the expense detail for every department/account in the General Fund.

Recall that effective July 2020 the City reduced staff costs by eliminating these full-time positions: Accounting Supervisor (6 months), Executive Assistant I, Maintenance Technician, Office Assistant, and Recreation Manager. Additionally, the City eliminated the: two percent match into the 457 program, tuition reimbursement program, vacation and sick leave cash out and the cost of living adjustment (COLA) for July 1, 2020. Additionally, in September 2020 the City laid off five full-time employees in the pre-school program. The revised salary expenses reflect this reduction as well as an adjustment in the revenue estimates from Little Learners.

The City reduced expenses by not hosting certain events like the Fourth of July and the pumpkin festival. Contributions to the schools were cut in half to \$125,000 along with a variety of other reductions. Staff reallocated certain costs from the General Fund to other funds, mainly within the Public Works Department by charging other funds for City staff costs.

The indirect cost plan study requires funding of about \$15,000 along with an increase in appropriation for the Los Angeles County Sheriff contract of \$221,400.

The Agoura Hills Calabasas Community Center will require about \$15,000 more in funding this current fiscal year.

One of the things the City Manager is recommending is that a management consulting firm be retained to perform an evaluation of city departments along with staffing requirements. At this time staff does not have a cost estimate. If the Council is receptive to this idea staff can return with more information.

Variability

As a reminder, the General Fund budget is slightly over \$23 million. A two percent variance in the revenues or expenses, plus or minus, would result in the projected net income to range from \$250,000 to \$1,175,000.

Other Funds

The sale of city land to Calabasas Union Corp. finalized in February 2021. The land sale proceeds of about \$1.38 million are one-time monies and have been deposited into the Management Reserve Fund until the City Council provides direction on where these funds should be deposited. The Management Reserves are in essence General Fund reserves and are available to appropriate as the Council determines. Staff recommends that one-time monies should only be spent on one-time expenses.

The six leased vehicles (Toyota Prius) are nearing the end of the term in April 2021. The City will not be renewing these leases. Staff is proposing to purchase three new vehicles, either trucks or SUVs, as replacements. The estimated cost of \$110,000 is being added to the South Coast Air Quality Management District (SCAQMD) fund.

Fund 27, Lighting/Landscape Maintenance District 27 for Mont Calabasas is being adjusted to reflect new irrigation controllers installation. The amount is \$88,000.

Staff is proposing to transfer \$250,000 from the Library Fund to the Library Capital Replacement Fund to set-aside enough money for eventual repair and replacement of that City facility and its infrastructure systems.

The Transit fund requires budget adjustments to increase the funding for Dial a Ride and one of the routes. The appropriation is coming from a reduction in the regular bus budget since it has not been operating due to the economic shutdown.

There are five capital improvement projects that need to have their appropriations increased a combined \$2,320,000 for FY 2020-21. The projects are: Wild Walnut Park increase of \$75,000, Stormwater & Water Quality Improvement increase of \$20,000, Lost Hills Overpass increase by \$25,000, Rondell Park & Ride increase by \$2 million and Mulholland Corridor Project increase by \$200,000. Staff is adjusting the transfers for these projects as well.

The Budget Liaison Committee met on February 5th to review revenue and expenditure estimates. If there are any comments or recommendations from the Committee they will be provided under separate cover.

FISCAL IMPACT/SOURCE OF FUNDING:

Appropriations totaling \$2,240,793 as per the attached resolution.

REQUESTED ACTION:

Staff recommends the City Council approve the attached resolution of appropriation.

ATTACHMENTS:

Attachment 1: General Fund Revenues and Expenses

Attachment 2: Resolution No. 2021 - 1717 Resolution of Appropriation