




CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: MAY 4, 2022

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: KINDON MEIK, CITY MANAGER
RON AHLERS, CHIEF FINANCIAL OFFICER 

SUBJECT: CITY MANAGER RECOMMENDED BUDGET FOR FISCAL YEAR (FY)
2022-23 AND 2023-24

MEETING DATE: MAY 10, 2022

SUMMARY RECOMMENDATION:

The City Manager's recommended budget for the City of Calabasas for Fiscal Year (FY) 2022-23 and 2023-24 is hereby presented to the City Council. This report will present a snapshot of the budget and a summary of major revenues and expenses. This report identifies recommended changes from the current FY 2021-22 budget to the recommended FY 2022-23 budget. Staff is not planning on a detailed discussion of the budget this evening. More than anything, this is the opportunity to get the document into the hands of the entire City Council and at the same time make the recommended budget available to the public.

FUTURE BUDGET MEETINGS:

May 18, 2022 Council Meeting – Liabilities and Capital Projects

The May 18th Council Meeting will consist of a report regarding: Liabilities, Capital Projects, and new funds for Capital & Equipment Replacement. This special meeting/study session gives the City Council the most time possible to deliberate and discuss the following:

- California Public Employee Retirement System (CalPERS) Unfunded Accrued Liability (UAL) ~ Overview of why the City has an UAL, the amount of the

UAL, and the plan agreed upon by the Budget Subcommittee to address this going forward.

- Other Post Employment Benefits (OPEB) Liability ~ Overview of why the City has an OPEB liability, the amount of the liability, and the plan agreed upon by the Budget Subcommittee to address this going forward.
- Internal Revenue Code Section 115 Trust (IRC 115 Trust) ~ Brief presentation by Public Agency Retirement Services (PARS) on the IRC 115 trust and the benefit of the plan for the City. Use of \$2,500,000 (\$2,000,000 towards PERS UAL and \$500,000 to OPEB) from Management Reserve Fund (Fund 60).
- Capital Projects – Introduction of 5-year Capital Improvement Plan (CIP) budget. Historically, capital projects are included in the budget document and at most the Council has only received two years of capital projects. As far as current staff knows, this may be first time that the Council would be seeing a separate document with a five-year look ahead.
- Equipment Replacement Fund – Why an equipment replacement fund is needed and discussing the idea of utilizing a portion of the Management Reserve funds to kick-start this new fund.

May 25, 2022 Council Meeting – Budget Details

Staff will provide a recap of the budget, a budget summary and then discuss specific details of the budget. Focus would be on the operational aspects of the budget with reference to only those capital projects that are included in the FY 2022-23 budget. This meeting provides Council and the public the opportunity to comment on programs and services (either funded or not funded). Council would be able to provide direction on any revisions to the budget.

June 8, 2022 Council Meeting – Finalize Budget

If needed, the City Council will continue to discuss the budget and provide direction to staff regarding changes for the final budget.

June 22, 2022 Council Meeting – Budget Adoption

Public hearing on the final budget and adoption of the budget, CIP, salary resolution, GANN Initiative, etc.

BACKGROUND:

The annual budget serves as a major policy document and describes how the City intends to finance its services and infrastructure. The budget is a reflection of the City's policies, goals, and priorities for the upcoming fiscal year (July 1 thru June 30). The annual budget is a planning tool that assists the City Council and staff in planning for the future and learning from the past.

The City of Calabasas (City) budget has two primary components: The Operating Budget and the Capital Budget. The Operating Budget includes personnel costs, program costs and facility operating costs. It is funded primarily through a variety of taxes: property, sales, utility users and franchise. Other sources of revenue include permit fees such as building and development fees; charges for services; fines and other smaller sources of revenue such as interest on investments.

The Capital Improvement Budget funds major improvements to City facilities and infrastructure and is an annually revised document. It is supported through multiple funding sources: Gas Taxes, Prop A & C, Measures R & M, grants and the General Fund as well as other smaller sources of funding. While the operating budget often gets more attention (and scrutiny), a government's capital improvement plan provides the blueprint for acquiring the infrastructure, technology, large equipment, and other large and expensive assets that governments use to provide critical services. An effective capital improvement plan not only supports budgeting, it also provides direction for long-term financial planning, debt management, grants management, procurement, and many other processes.

DISCUSSION/ANALYSIS:

The FY 2022-23 and 2023-24 budgets are presented to the City Council for discussion and consideration. The total budget is approximately \$56 million. As is typical, this report shall focus on the City's General Fund.

PROPOSED CHANGES FROM THE PRIOR YEAR BUDGET

Staff proposes a Cost-of-Living-Adjustment (COLA) for full-time employees of 5.35%. Tuition reimbursement, 457 employer match of 2%, vacation cash-out and sick leave cash-out have all been restored for the full-time staff.

The recommended budget increases full-time staff by three positions. Staff is recommending the following additions/deletions to full-time staff:

- Deleted one Senior Planner position
- Added one Emergency Services Manager position
- Added one Executive Assistant I position
- Added one Permit Technician position
- Added one Senior Code Enforcement Officer position

This year's budget includes a five-year Capital Improvement Plan (CIP). The five-year period begins with FY 2022-23 and ends with FY 2026-27. Staff is recommending a number of new projects for the City Council to consider. Please refer to those pages of the CIP for a detailed description of each project. The newly created fund for the American Rescue Plan Act (ARPA) is proposed to fund many projects over the next two years.

GENERAL FUND REVENUES

	2019-20 ACTUALS	2020-21 ACTUALS	FY 2021-22		FY 2022-23
			Current BUDGET	Revised Estimate	Proposed BUDGET
Property Taxes	3,839,932	4,010,563	4,200,000	4,200,000	4,400,000
Sales Tax	5,979,032	6,885,572	7,500,000	7,500,000	7,400,000
Franchise Fees	768,308	826,445	830,000	830,000	855,000
Transient Occup. Tax	1,571,867	983,758	1,600,000	1,750,000	2,000,000
Utility Users Tax	2,854,143	3,001,556	3,025,000	3,025,000	3,050,000
Vehicle License Fee	2,619,375	2,724,328	2,775,000	2,775,000	2,900,000
Building Fees	1,627,826	1,296,701	1,345,000	1,345,000	1,345,000
All other revenues	3,411,001	3,050,633	3,704,207	3,509,698	3,413,707
Total Revenues	22,671,484	22,779,556	24,979,207	24,934,698	25,363,707

Property Taxes are increasing \$200,000 next fiscal year. This is attributable to sales prices increasing as well as the annual Prop 13 adjustment to assessed values of 2%. Next year's estimate is \$4.4 million. Traditionally, a stable source of revenue for the City; not dependent on the condition of the economy.

Sales Tax has been the surprise these past two years. Calabasas is one of about eight cities in LA County that experienced increases in sales taxes during the shutdown. Next year, the projection is for a decrease of about \$100,000 over this year from \$7,500,000 to \$7,400,000. This source of revenue can be volatile since it is wholly dependent on the sale of taxable goods.

Franchise Fees are derived from electricity, natural gas and cable television (TV). This is a stable source of revenue with electricity and natural gas usually increasing while cable tv franchise fees are on a slight decline.

Transient Occupancy Tax decreased from \$1.6 million in FY 2019-20 to \$1 million in FY 2020-21. This year's estimate is \$1,750,000 and next year's is \$2 million. The year prior to the shutdown was about \$2.2 million. Staff is projecting a steady increase in this revenue but not yet a full recovery from the economic shutdown. This revenue source can vary significantly depending on economic conditions. The Cambria Hotel has opened and the City has received checks from the hotel since December 2021. Staff did not estimate any increased revenue from the additional 51 rooms at the Hilton since it has not received an occupancy permit.

Utility Users Tax (UUT) of \$3 million for next year is an increase of \$25,000 from the current year. The UUT is applied to electricity, natural gas, phone and cell phone.

This is also a stable, increasing source of income since generally electricity and natural gas and cell phone usage are increasing, even during economic slowdowns.

Vehicle License Fees are distributed by the State twice yearly in January and May. This revenue is a calculation based on the growth in real property assessed value. Therefore, the growth rate is similar to the growth in property taxes. Staff estimates this revenue to increase to \$2.9 million next year.

Building Fees are estimated at \$1,345,000 for this current year, FY 2021-22, and the same amount is estimated for next year, FY 2022-23.

The last category is for all the other revenues in the General Fund. This ranges from interest income (\$200,000) to senior center fees (\$285,000), etc.

GENERAL FUND EXPENSES

	2019-20	2020-21	FY 2021-22		FY 2022-23
	ACTUALS	ACTUALS	Current BUDGET	Revised Estimate	Proposed BUDGET
Legislative & Policy	81,362	70,936	95,000	111,500	114,000
Boards & Commissions	3,964	4,653	14,100	14,100	14,000
Legal	530,680	401,505	314,000	315,187	313,000
City Clerk	111,571	81,103	44,200	75,200	139,200
Admin Services	26,884	68,370	9,100	51,100	34,000
Non Departmental	3,381,694	3,584,674	3,768,300	3,782,992	3,715,907
Personnel Services	9,744,725	8,332,225	8,988,531	8,579,773	10,062,342
Civic Center O & M	264,286	228,410	214,200	238,200	262,000
City Management	11,546	10,173	23,300	12,900	12,900
Financial Management	99,736	98,977	386,800	402,350	171,800
Payroll & Revenue	70,276	65,145	62,900	67,800	0
Public Information	247,979	128,330	118,450	165,850	147,350
Information Technology	204,883	105,157	190,150	174,300	287,300
Telecom Regulation	10,598	7,374	0	1,000	0
LA Sheriff	4,651,188	4,848,335	5,017,100	5,007,100	5,107,100
LA Fire District	20,810	20,810	20,900	20,900	20,900
Public Safety & Emerg	75,459	37,885	71,600	71,100	71,100
LA Animal Services	48,455	41,496	50,000	50,000	50,000
PW Admin/Engineer	116,250	166,121	180,600	180,605	250,600
Street Maintenance	811,510	702,902	606,200	649,700	606,200
Water Quality	299,399	284,960	243,000	243,000	270,900
General Landscape	507,254	573,981	639,500	665,018	639,500
Transportation Planning	2,388	607	4,500	4,500	4,500
Transport Eng/Operations	255,420	277,026	331,800	428,800	331,800
Intergovernment Reltaions	93,590	30,141	107,900	107,900	107,900
Comm Dev Admin	249,082	135,266	164,600	201,600	167,300
Planning Projects & Studies	169,677	368,401	416,550	416,650	417,500
Building Inspection	828,378	776,202	723,750	725,611	638,500
Code Enforcement	51,738	202,575	30,100	73,271	52,000
Comm Serv Management	1,234	428	43,700	43,928	56,700
Creekside Park	9,153	6,777	11,800	11,800	11,800
De Anza Park	221,000	86,229	302,300	302,300	288,000
Park Maintenance	199,213	156,561	170,600	171,600	142,600
School Joint Use	121,278	176,296	182,100	217,455	182,100
Special Events	317,470	83,356	399,500	344,200	344,200
Klubhouse Preschool	1,477	6,617	5,000	5,000	5,000
Senior Center	277,594	220,540	284,800	300,644	285,800
Total Expenditure	24,119,200	22,390,544	24,236,931	24,234,934	25,325,799

The table above summarizes the General Fund budget expenditures by department. Please note the department labeled, “Non Departmental”, for FY 2022-23 shows expenses of \$3.7 million. The majority of which is composed of the following:

- \$1,840,000 Debt Service payment
- \$1,060,907 for insurance premiums to California Joint Powers Insurance Authority (CJPIA)
- \$250,000 Contribution to Parent Faculty Clubs (PFC) at the local schools

The department labeled, “Personnel Services” consolidates all the General Fund wages, salary, health insurance, CalPERS payments, etc. for all full-time and part-time staff supported by the General Fund. As noted earlier, staff has estimated a COLA of 5.35% and other increases for CalPERS retirement contributions and medical insurance premiums. The City has experienced employee turnover the last 12-24 months. This turnover has limited the dollar impact of the 5.35% COLA; because the employees who left were paid at Step 10 while the new employees are generally starting at the lower steps (1,2 or 3). This has created “salary savings” for the budget.

GENERAL FUND BUDGET OVERVIEW

The table below depicts the General Fund revenue, expenses and fund balance for the past two fiscal years actuals, this current year budget and estimate along with next year’s proposed budget.

	2019-20 ACTUALS	2020-21 ACTUALS	FY 2021-22		FY 2022-23
			Current BUDGET	Revised Estimate	Proposed BUDGET
Revenues	22,395,864	22,410,195	24,160,000	24,417,630	24,519,500
Transfers In	275,620	369,361	819,207	517,068	844,207
Total Revenues	22,671,484	22,779,556	24,979,207	24,934,698	25,363,707
Expenditures	22,694,704	20,547,893	22,397,931	22,257,934	23,457,799
Transfers Out	1,424,496	1,842,651	1,839,000	1,977,000	1,868,000
Total Expenditures	24,119,200	22,390,544	24,236,931	24,234,934	25,325,799
Surplus / (Deficit)	(1,447,716)	389,012	742,276	699,764	37,908
Fund Balance, Begin	13,729,302	12,281,586	12,670,598	12,670,598	13,370,362
Fund Balance, End	12,281,586	12,670,598	13,412,874	13,370,362	13,408,270

FY 2019-20 earned revenues of \$22,671,484 with expenditures totaling \$24,119,200; therefore, a deficit of \$1,447,716, resulting from the shutdown of the economy in March 2020. The City’s Sales Tax and Transient Occupancy Tax decreased during those last few months of the FY 2019-20. FY 2020-21 saw a

continuation of the shutdown in various degrees. Revenues totaled \$22,779,556 with expenditures of \$22,390,544 for a surplus of \$389,012. This year’s (FY 2021-22) revised estimate show a surplus \$699,764. Next year’s proposed budget for FY 2022-23 has estimated revenues of \$25,363,707 and expenditures estimated \$25,325,799 for an estimated surplus of \$37,908 (i.e. balanced budget) in the General Fund.

CITY-WIDE BUDGET OVERVIEW

The table below depicts the entire City for the past two fiscal years actuals, this current year budget and estimate along with next year’s proposed budget. The FY 2022-23 proposed budget city-wide shows a deficit of \$4,768,411. This decrease in fund balance is due to the proposed capital infrastructure investment for next year. This is using money received from the American Rescue Plan Act (ARPA) and the Woolsey Fire settlement funds for capital projects as outlined in the five-year CIP.

	2019-20 ACTUALS	2020-21 ACTUALS	FY 2021-22		FY 2022-23
			Current BUDGET	Revised Estimate	Proposed BUDGET
Revenues	46,874,460	41,681,655	53,156,125	52,010,121	51,055,713
Transfers In	8,222,542	9,366,664	14,917,707	11,354,249	14,943,707
Total Revenues	55,097,002	51,048,319	68,073,832	63,364,370	65,999,420
Expenditures	42,576,336	41,564,690	52,277,139	51,210,612	55,824,124
Transfers Out	8,222,542	9,366,664	13,807,707	11,387,725	14,943,707
Total Expenditures	50,798,878	50,931,354	66,084,846	62,598,337	70,767,831
Surplus / (Deficit)	4,298,124	116,965	1,988,986	766,033	(4,768,411)
Fund Balance, Begin	45,174,233	49,472,357	49,589,322	49,589,322	50,355,355
Fund Balance, End	49,472,357	49,589,322	51,578,308	50,355,355	45,586,944

FISCAL IMPACT/SOURCE OF FUNDING:

The Detailed Budget FY 2022-23 & 2023-24 as presented.

REQUESTED ACTION:

Receive the City Manager’s Recommended Budget for FY 2022-23 and 2023-24.

ATTACHMENTS:

1. City Manager Recommended Budget FY 2022-23 & 2023-24
2. PowerPoint Presentation