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CITY of CALABASAS

CITY COUNCIL AGENDA REPORT

DATE: JUNE 8, 2022

TO: HONORABLE MAYOR AND COUNCILMEMBERS

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

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SUBJECT: ADOPTION OF RESOLUTION NO. 2022-1792, APPROVING THE OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR JULY 1, 2022 THROUGH JUNE 30, 2023, PROVIDING FOR THE APPROPRIATIONS AND EXPENDITURES FOR ALL SUMS SET FORTH IN SAID BUDGET; ADOPTION OF RESOLUTION NO. 2022-1793, ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2022-2023; ADOPTION OF RESOLUTION NO. 2022-1794, APPROVING A SALARY SCHEDULE FOR PERMANENT EMPLOYEES AND RESCINDING RESOLUTION NO. 2021-1742; AND ADOPTION OF RESOLUTION NO. 2022-1795, APPROVING A BENEFITS PROGRAM FOR PERMANENT EMPLOYEES AND RESCINDING RESOLUTION NO. 2021-1742

MEETING DATE: JUNE 22, 2022

SUMMARY RECOMMENDATION:

Staff recommends the City Council adopt Resolution No. 2022-1792, approving the fiscal year (FY) 2022-23 and FY 2023-24 budgets; Resolution No. 2022-1793, establishing the Appropriations Limit for FY 2022-23, Resolution No. 2022-1794 approving a salary schedule for full-time employees and Resolution No. 2022-1795 approving a benefits program for full-time employees.

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, America Rescue Plan Act (ARPA) and the Deferred Maintenance Fund as well as other smaller sources of funding.

City Council holds a public hearing on the proposed operating and capital budgets and then approves the budget at the last Council meeting in June.

DISCUSSION/ANALYSIS:

The FY 2022-23 and 2023-24 budgets are presented to the City Council for consideration. The total budget is approximately \$73.8 million. As is typical, this report shall focus on the City's General Fund.

GENERAL FUND REVENUES

	2019-20 ACTUALS	2020-21 ACTUALS	FY 2021-22		FY 2022-23
			Current BUDGET	Revised Estimate	For Approval 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	3,310,707
Total Revenues	22,671,484	22,779,556	24,979,207	24,934,698	25,260,707

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

			FY 2021-22		FY 2022-23
	2019-20 ACTUALS	2020-21 ACTUALS	Current BUDGET	Revised Estimate	For Approval BUDGET
Legislative & Policy	81,362	70,936	95,000	111,500	124,000
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	9,715,809
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	102,350	471,800
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	180,600
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	116,150
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	359,200
Klubhouse Preschool	1,477	6,617	5,000	5,000	5,000
Senior Center	277,594	220,540	284,800	300,644	290,800
Total Expenditure	24,119,200	22,390,544	24,236,931	23,934,934	25,247,516

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	For Approval BUDGET
Revenues	22,395,864	22,410,195	24,160,000	24,417,630	24,416,500
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	25,260,707
Expenditures	22,694,704	20,547,893	22,397,931	21,957,934	23,379,516
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	23,934,934	25,247,516
Surplus / (Deficit)	(1,447,716)	389,012	742,276	999,764	13,191
Fund Balance, Begin	13,729,302	12,281,586	12,670,598	12,670,598	13,670,362
Fund Balance, End	12,281,586	12,670,598	13,412,874	13,670,362	13,683,553

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 \$999,764. Next year's proposed budget for FY 2022-23 has estimated revenues of \$25,260,707 and expenditures estimated \$25,247,516 for an estimated surplus of \$13,191 (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) 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	50,652,713
Transfers In	8,222,542	9,366,664	14,917,707	11,354,249	17,443,707
Total Revenues	55,097,002	51,048,319	68,073,832	63,364,370	68,096,420
Expenditures	42,576,336	41,564,690	52,277,139	50,910,612	56,409,428
Transfers Out	8,222,542	9,366,664	13,807,707	11,387,725	17,443,707
Total Expenditures	50,798,878	50,931,354	66,084,846	62,298,337	73,853,135
Surplus / (Deficit)	4,298,124	116,965	1,988,986	1,066,033	(5,756,715)
Fund Balance, Begin	45,174,233	49,472,357	49,589,322	49,589,322	50,655,355
Fund Balance, End	49,472,357	49,589,322	51,578,308	50,655,355	44,898,640

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 7.55%.

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 County of Los Angeles population growth factor of **negative -0.71%**.

The application of the annual growth factors to the FY 2021-22 limit resulted in a FY 2022-23 limit of \$38,481,256.

CITY of CALABASAS
GANN APPROPRIATIONS LIMIT CALCULATION
 FY 2022-2023

(A)	PRIOR YEAR'S GANN LIMIT 2021-22	\$ 36,034,513
(B)	PRICE FACTOR	1.0755
(C)	POPULATION FACTOR	0.9929
(D) = (B) X (C)	ANNUAL COMBINED FACTOR	1.0679
(E) = (A) X [(D)-1]	ANNUAL ADJUSTMENT	\$ 2,446,743
(F) = (A) + (E)	CURRENT YEAR GANN LIMIT 2021-22	\$ 38,481,256

The amount in the City's 2022-23 budget subject to the Limit (net proceeds of taxes, including interest earnings) totals \$33,244,685. This amount is well within the required limit:

2022-23 Appropriation Limit	\$ 38,481,256
2022-23 Appropriations Subject to Limit	\$ 33,244,685
Amount Under Limit:	\$ 5,236,571

Resolution No. 2022-1793 (Attachment 3) sets forth the Gann Appropriations Limit for the City of Calabasas for FY 2022-23.

SALARY & BENEFITS RESOLUTION ~ SPLIT IN TWO

This year staff is splitting the Salary & Benefits Resolution into two separate resolutions. The Salary Resolution lists the full-time position title and the salary schedule number along with the complete Salary Schedule for the City. The salary schedule details the bi-weekly pay by salary schedule number and each of the ten steps. The Benefits Resolution describes each benefit the City Council authorizes for the full-time employees of the City.

SALARY RESOLUTION

On an annual basis, the City Council adopts a new salary resolution for permanent full-time employees for the upcoming fiscal year. This resolution approves employee position titles and salary ranges. Resolution No. 2022-1794 provides for the salary range schedule incorporated in this resolution.

Beginning with the paycheck of July 15, 2021, the salary schedule provides a 5.35% Cost Of Living Adjustment (COLA) for all permanent full-time employee positions (with the exception of the City Council and City Manager). The City Manager salary increased by 5.00% from \$20,000 monthly to \$21,000 monthly.

The City Manager has approved the creation of new position titles: Emergency Services Manager, Public Works Superintendent, Senior Management Analyst, Senior Information Technology Specialist, Maintenance Inspector, Assistant Engineer, Librarian, Information Technology Specialist, Maintenance Technician II and Maintenance Technician I.

In addition, the City Manager has moved certain position titles to higher salary schedules.

Assistant to the City Clerk	from P87	to P102
Human Resources Specialist	from P112	to P122
Accounting Supervisor	from P132	to P147
Recreation Manager	from P140	to P152
Administrative Services Manager	from P157	to P162

BENEFITS PROGRAM RESOLUTION

There are numerous changes to the benefits program resolution. A number of the changes provide clarification of the actual benefit and there are restorations of benefits that were suspended during the pandemic. Below is a list of the substantive changes to the benefits program resolution.

Section 3. Automobile Allowance ~ Added a specific list of position titles that receive this benefit along with the monthly dollar amount.

Section 4. Retirement ~ Listing of specific benefits provided in the CalPERS contract.

Section 7. Deferred Compensation 457 Plan Contribution ~ The 2% City match was restored in January 2022. Added language that states the 457 loan payments are not a part of the 2% City match calculation.

Section 9. Retiree Medical Insurance ~ Added this entire section to state the City provides retiree medical insurance coverage under certain criteria for all full-time city employees who retire from the City.

Section 13. Flexible Spending Account ~ Added language to state the employee is responsible to pay the administrative fee for this benefit.

Section 15. Holiday ~ Clarified that the half day holiday on New Year's Eve begins at 12:00pm.

Section 16. Vacation Leave ~ Restoration of the vacation leave cash out for all city full-time employees.

Section 17. Sick Leave ~ Restoration of the sick leave cash out for all city full-time employees. Includes a section for full-time city employees, upon retirement, the option to cash out sick leave up to 150 hours.

Section 21. Fitness/Recreation Programs ~ Add language to clarify that the City provides retired City Council Members a one-person, lifetime, non-transferable membership to the Calabasas Tennis and Swim Center.

Section 22. Uniforms and Safety Equipment ~ New section to state the City provides uniform shirts and safety boots to certain employees.

FISCAL IMPACT/SOURCE OF FUNDING:

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

REQUESTED ACTION:

- Adopt Resolution No. 2022-1792 approving the Operating and Capital Improvement Budget from July 1, 2022 through June 30, 2023, providing for the appropriations and expenditures for all sums set forth in said budget and repealing all resolutions in conflict herewith.
- Adopt Resolution No. 2022-1793 establishing the appropriations limit for FY 2022-23.
- Adopt Resolution No. 2022-1794, Approving a salary schedule for permanent employees and rescinding Resolution No. 2021-1742.
- Adopt Resolution No. 2022-1795, Approving a benefits program for permanent employees and rescinding Resolution No. 2021-1742.

ATTACHMENTS:

1. Detailed Budget FY 2022-23 & 2023-24
2. Resolution No. 2022-1792
3. Resolution No. 2022-1793
4. Resolution No. 2022-1794
5. Resolution No. 2022-1795