




CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: MAY 1, 2023

TO: HONORABLE MAYOR AND COUNCILMEMBERS

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

SUBJECT: CITY MANAGER RECOMMENDED BUDGET FOR FISCAL YEAR (FY) 2023-24 AND 2024-25

MEETING DATE: MAY 10, 2023

SUMMARY RECOMMENDATION:

The City Manager's recommended budget for the City of Calabasas for Fiscal Year (FY) 2023-24 and 2024-25 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 2022-23 budget to the recommended FY 2023-24 budget. Staff is planning on a detailed discussion of the budget this evening. 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 citizens of the City of Calabasas.

FUTURE BUDGET MEETINGS:May 24, 2023 Council Meeting – Salary Resolution

The May 24th Council meeting will consider the annual Cost of Living Adjustment (COLA) for full-time City staff. This will consist of an updated Salary Resolution. The Benefits Resolution will be delayed to late summer so City staff can incorporate the annual changes to the CalPERS medical insurance program. In addition, the City Council salary will be considered and an ordinance for first reading will be presented to the City Council.

May 31, 2023 Council Meeting – Second Meeting on the Budget and Capital Projects

The May 31st Council meeting will continue the discussion regarding the annual budget: includes five-year Capital Improvement Projects and operational budgets. This special meeting/study session gives the City Council the most time possible to deliberate and discuss the 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 21, 2023 Council Meeting – Budget Adoption

Public hearing on the final budget and adoption of the annual budget, CIP, GANN Initiative, etc. The City Council Salary Ordinance, second reading, will also be considered.

June 28, 2023 Council Meeting – Budget Meeting, if needed

This last City Council meeting in June may be required to finalize and adopt the budget prior to July 1st. This meeting is optional and may not be needed if the City Council adopts the budget on June 21.

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 2023-24 and 2024-25 budgets are presented to the City Council for discussion and consideration. The total annual budget is approximately \$64.7 million. As is typical, this report shall focus on the City's General Fund.

PROPOSED CHANGES FROM THE PRIOR YEAR BUDGET

The budget includes keeping the same staffing levels as the prior year; which is 79 full-time employees. There is an estimated COLA for full-time staff plus increased contributions to CalPERS for retirement and medical insurance. There is \$200,000 increase in City insurance costs as well as increases for the Los Angeles Sheriff's contract to provide policing services.

On the May 10th Council agenda is discussion regarding the Agoura Hills Calabasas Community Center (AHCCC) and its' annual operating costs as well as "opening costs". Those costs are not in the budget presented this evening. Those costs are not in the current budget. The costs will be included in the next iteration of the budget on May 31st.

This year's budget includes a five-year Capital Improvement Plan (CIP). The five-year period begins with FY 2023-24 and ends with FY 2027-28. Please refer to those pages of the CIP for a detailed description of each project. The American Rescue Plan Act (ARPA) funds many capital projects over the next two years.

GENERAL FUND REVENUES

CITY of CALABASAS
 GENERAL FUND
 CITY MANAGER RECOMMENDED BUDGET
 FY 2023-24

	Actuals 2019-20	Actuals 2020-21	Actuals 2021-22	Adopted Budget 2022-23	Revised Estimate 2022-23	<i>City Manager Budget 2023-24</i>
Property Tax	3,839,932	4,010,560	4,224,154	4,400,000	4,450,000	4,605,000
Sales Tax	5,979,032	6,885,572	8,447,615	7,400,000	8,200,000	8,200,000
Franchise TV	307,865	310,706	294,970	300,000	300,000	300,000
Franchise Edison	372,844	417,091	436,104	450,000	485,000	500,000
TOT	1,571,867	983,758	2,108,153	2,000,000	2,200,000	2,400,000
UUT Electric	1,691,338	1,841,004	2,161,900	1,975,000	2,200,000	2,300,000
UUT Gas	483,986	526,393	556,773	500,000	600,000	650,000
UUT Phone	678,819	634,119	645,256	575,000	600,000	600,000
Building Fees	1,776,011	1,465,771	1,819,350	1,495,000	1,700,000	1,700,000
Damage Reimburs	19,977	445,605	8,558			
VLF	2,619,375	2,724,328	2,786,733	2,900,000	2,931,000	3,050,000
Cost Plan		335,000	335,000	335,000	335,000	335,000
Other	3,330,439	2,249,404	1,188,103	2,930,707	2,451,000	2,219,000
	22,671,485	22,829,311	25,012,669	25,260,707	26,452,000	26,859,000

Property Taxes

Property taxes continue to increase. The increase over current year is \$155,000 or about 3%. This is attributable to assessed value increases due to sales of property. Additionally, the annual Proposition 13 adjustment to assessed values of 2% for all the non-sold properties. Traditionally, property taxes are a stable source of revenue for the City; not dependent on the condition of the economy.

Sales Tax

Please note that Sales Taxes have actually increased dramatically over the past seven quarters. This was unanticipated and proved a strong finish for FY 2020-21 and 2021-22. The July-September 2022 quarter sales tax increased by \$70,000 or 3.5% versus the same quarter in the prior year. October-December 2022 quarter sales tax increased by \$71,000 or 3.2%. The January-March 2023 data will be released by May 26th. Based on these figures staff increased the revised estimate FY 2022-23 to \$8.2 million. The FY 2023-24 Recommended Budget holds the Sales Tax revenue at \$8.2 million; which is zero change from the current year. This revenue is more dependent on the economy and can change from quarter to quarter. Inflation also has an impact on this revenue source. Inflation is currently greater than 5.1% for the Los Angeles region down from a high of 8.6% in June 2022.

Franchise Cable TV

This is the Franchise Fee imposed on cable TV providers. There are two providers in the City. The fee has remained stable over the years, about \$300,000.

Franchise Edison

This is the Franchise Fee imposed on electricity providers. The one main payer is Southern California Edison. We receive this fee once a year in April. The estimate for next year is an increase of \$15,000, or 3%, from the current year revised.

Transient Occupancy Tax (TOT)

The City generates fees from four hotels within the city limits. The newest hotel, the Cambria has been operational about one year. TOT revenue is a 12% tax upon the hotels. TOT revenue dropped by over one-half due pandemic and reduced business/leisure travel in FY 2019-20 and 2020-21. The estimate for next year is an increase of \$200,000, or 9%, from the current year revised.

UUT Electric

This is a 5% tax on electricity users located within the City limits. Revenue has been increasing these past few years and the FY 2022-23 revised estimates reflect this trend. Staff estimates this to increase to \$2.3 million for FY 2023-24 particularly with the increase in electricity rates.

UUT Gas

This is a 5% tax on natural gas users located within the City limits. Revenue has been increasing these past few years and the FY 2022-23 revised estimates reflect this trend. Estimates for FY 2023-24 show an upward trend of \$40,000 or 9% due to increased natural gas prices.

UUT Phone

This is a 5% tax on phone service (cell and land-line) users located within the City limits. This revenue has been trending lower the past few years, except for last year. Staff estimates this revenue to remain constant for next year at \$600,000.

Building Fees

This revenue estimate is held constant from the revised for the current year; based on recent trends.

Vehicle License Fee (VLF)

This revenue is actually property taxes in lieu of VLF and is based on the increase in property assessed value within Calabasas. The City receives this revenue directly from Los Angeles County in January (50%) and May (50%). The County releases the actual dollar amount after the fiscal year has begun; usually by October. The estimate for next year is an increase of about \$119,000 or 4%.

Indirect Cost Plan

No change to the \$325,000 annual revenue.

All other General Fund revenues

This is a compilation of several dozen different revenue estimates ranging from interest income to recreational fees to facility rentals. The estimate for next year is about \$2.2 million.

GENERAL FUND EXPENSES

	2020-21	2021-22	FY 2022-23		FY 2023-24
	ACTUALS	ACTUALS	Current BUDGET	Revised Estimate	Proposed BUDGET
Legislative & Policy	70,936	99,296	124,000	129,494	134,000
Boards & Commissions	4,653	3,198	14,000	14,000	14,000
Legal	401,505	355,863	313,000	316,000	313,000
City Clerk	81,103	102,581	139,200	141,200	79,700
Admin Services	68,370	59,007	34,000	52,030	51,100
Non Departmental	3,584,674	3,661,853	3,715,907	3,720,962	4,045,815
Personnel Services	8,332,225	8,325,414	9,715,809	9,723,050	10,351,531
Civic Center O & M	228,410	296,013	262,000	261,524	291,000
City Management	10,173	33,324	12,900	37,900	37,900
Financial Management	98,977	96,697	471,800	170,200	470,700
Payroll & Revenue	65,145	59,316	0	6,000	0
Public Information	128,330	149,645	147,350	185,565	254,350
Information Technology	105,157	169,053	287,300	303,707	277,300
Telecom Regulation	7,374	512	0	0	0
LA Sheriff	4,848,335	4,980,484	5,107,100	5,107,100	5,582,100
LA Fire District	20,810	20,810	20,900	20,900	20,900
Public Safety & Emerg	37,885	40,899	71,100	122,989	71,100
LA Animal Services	41,496	51,032	50,000	67,170	50,000
PW Admin/Engineer	166,121	109,620	180,600	183,096	250,600
Street Maintenance	702,902	893,148	606,200	606,200	606,200
Water Quality	284,960	160,218	270,900	275,770	270,900
General Landscape	573,981	748,278	639,500	770,677	634,900
Transportation Planning	607	1,445	4,500	9,011	4,500
Transport Eng/Operations	277,026	473,469	331,800	375,352	331,800
Intergovernment Reltaions	30,141	145,708	116,150	116,150	116,150
Comm Dev Admin	135,266	172,378	167,300	167,400	167,300
Planning Projects & Studies	368,401	446,563	417,500	422,100	422,000
Building Inspection	776,202	899,161	638,500	641,597	638,500
Code Enforcement	202,575	95,531	52,000	52,100	52,100
Comm Serv Management	428	17,848	56,700	83,335	106,700
Creekside Park	6,777	3,006	11,800	13,456	11,800
De Anza Park	86,229	201,046	288,000	291,571	392,800
Park Maintenance	156,561	165,178	142,600	240,625	77,600
School Joint Use	176,296	171,673	182,100	190,732	182,100
Special Events	83,356	298,392	359,200	385,973	359,200
Klubhouse Preschool	6,617	3,439	5,000	9,500	0
Senior Center	220,540	257,993	290,800	317,672	311,600
Total Expenditure	22,390,544	23,769,091	25,247,516	25,532,108	26,981,246

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 \$4 million. The majority of which is composed of the following:

- \$1,840,000 Debt Service payment
- \$1,245,815 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 and other increases for CalPERS retirement contributions and medical insurance premiums. The City has experienced employee turnover the last 2-3 years. This turnover has limited the dollar impact of the 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.

	2020-21 ACTUALS	2021-22 ACTUALS	FY 2022-23		FY 2023-24
			Current BUDGET	Revised Estimate	Proposed BUDGET
Revenues	22,410,195	24,667,198	26,336,500	26,105,000	26,524,000
Transfers In	369,361	348,476	355,000	347,000	335,000
Total Revenues	22,779,556	25,015,674	26,691,500	26,452,000	26,859,000
Expenditures	20,547,893	21,879,158	23,379,516	23,664,108	25,114,246
Transfers Out	1,842,651	1,889,933	1,868,000	1,868,000	1,867,000
Total Expenditures	22,390,544	23,769,091	25,247,516	25,532,108	26,981,246
Surplus / (Deficit)	389,012	1,246,583	1,443,984	919,892	(122,246)
Fund Balance, Begin	12,281,586	12,670,598	13,917,181	13,917,181	14,837,073
Fund Balance, End	12,670,598	13,917,181	15,361,165	14,837,073	14,714,827

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. FY 2021-22 saw a recovery with revenues totaling \$25,015,674 and expenditures of \$23,769,091 for a surplus of \$1,246,583. This year’s (FY 2022-23) revised estimate show a deficit \$656,514. There will actually be a surplus because of few

of the capital outlay items will not be happening this year along with further salary savings from vacant positions. Next year’s proposed budget for FY 2023-24 has estimated revenues of \$26,859,000 and expenditures estimated at \$26,981,246 for an estimated deficit of \$122,246.

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 2023-24 proposed budget city-wide shows a deficit of \$12.9 million. 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), Measure R & M funds for transportation, Gas Tax and RMRA funds for street improvements and the Woolsey Fire settlement funds for capital projects as outlined in the five-year CIP.

	2020-21 ACTUALS	2021-22 ACTUALS	FY 2022-23		FY 2022-23
			Current BUDGET	Revised Estimate	Proposed BUDGET
Revenues	41,681,655	52,962,184	52,572,713	50,661,865	51,737,215
Transfers In	9,366,664	11,101,242	17,279,500	12,227,500	17,764,958
Total Revenues	51,048,319	64,063,426	69,852,213	62,889,365	69,502,173
Expenditures	41,564,690	47,706,046	57,274,428	51,121,147	64,679,929
Transfers Out	9,366,664	11,101,242	13,807,707	12,227,500	17,764,958
Total Expenditures	50,931,354	58,807,288	71,082,135	63,348,647	82,444,887
Surplus / (Deficit)	116,965	5,256,138	(1,229,922)	(459,282)	(12,942,714)

FISCAL IMPACT/SOURCE OF FUNDING:

The Detailed Budget FY 2023-24 & 2024-25 as presented.

REQUESTED ACTION:

Receive the City Manager’s Recommended Budget for FY 2023-24 and 2024-25.

ATTACHMENTS:

1. City Manager Recommended Budget FY 2023-24 & 2024-25