



CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: MAY 26, 2023

TO: HONORABLE MAYOR AND COUNCILMEMBERS

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

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

MEETING DATE: MAY 31, 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 the budget and a summary of major revenues and expenses. This report identifies recommended changes from the first draft of the FY 2023-24 budget to the second draft FY 2023-24 budget. This second iteration of the budget has a number of changes from the first version. 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:

June 21, 2023 Council Meeting – Budget Adoption

Public hearing on the final budget and adoption of the annual budget, CIP, GANN Initiative, etc. The Salary Resolution for city staff cost of living adjustment. The first reading of an ordinance to increase City Council salary.

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, America Rescue Plan Act (ARPA), 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 \$66.8 million. As is typical, this report shall focus on the City’s General Fund.

PROPOSED CHANGES FROM THE FIRST DRAFT 2023-24 BUDGET

The budget increases staffing levels to 81 full-time employees. This reflects adding three Recreation Coordinators for the Agoura Hill Calabasas Community Center (AHCCC) and one deletion of an Executive Assistant in the Finance department. There are numerous changes to revenues and expenses in the General Fund and other funds. These will be explained in further detail later in the report.

On the May 10th Council Agenda was discussion regarding the Agoura Hills Calabasas Community Center (AHCCC) and its annual operating costs as well as “opening costs”. These costs have been included in this budget. The General Fund is transferring approximately \$1.1 million to the AHCCC in FY 2023-24. This transfer funds the difference in the: roof replacement costs (\$1.5 million) versus the Los Angeles County grant (\$1,010,000); start up costs of approximately \$300,000; and the difference in estimated revenue vs expenses for the nine months AHCCC is open. The estimated transfer from the General Fund to AHCCC in FY 2024-25 is \$91,000; which is a decrease of over 90% from the initial start-up year.

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 the last pages of the budget document for the CIP and a detailed description of each project. The American Rescue Plan Act (ARPA) funds many capital projects over the next two years which is detailed as a funding source for a number of CIP projects.

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	2,500,000
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	1,905,000
Damage Reimburs	19,977	445,605	8,558			
VLF	2,619,375	2,724,328	2,786,733	2,900,000	2,931,000	3,075,000
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	2,249,000
	22,671,485	22,829,311	25,012,669	25,260,707	26,452,000	27,219,000

Revenue changes from the first draft of the FY 2023-24.

Transient Occupancy Tax (TOT)

Staff reviewed the revenues received from July 2022 to March 2023 and have increased the TOT estimate by \$100,000 to \$2.5 million for next fiscal year. The trend from the four hotels in the City is upward and when staff reviews this revenue in six months it could be revised higher. Recall that the Cambria Hotel commenced operations about 16 months ago. A few months ago, the Hilton brought their additional rooms on-line as well.

Building Fees

This revenue estimate increased by \$205,000 to \$1,905,000 from the first draft based on the revenues received year to date. Additionally, there are two large building projects coming forward to City Council in the near future for approval. These projects are located near City Hall.

Staff is conducting a Planning and Building Fee study and will be coming to the City Council with recommendations on increasing fees during FY 2023-24. These increased fees are not included in these revenue estimates.

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 the City boundaries of Calabasas. Staff has increased this revenue by \$25,000 to \$3,075,000.

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 an increase of \$30,000 to \$2,249,000.

Community Services is conducting a study regarding programming at AHCCC and associated fees with those programs. Staff will be presenting that study to the City Council in FY 2023-24 with the new and/or increased fees. The programs and fees are not reflected in this budget.

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	12,000
Legal	401,505	355,863	313,000	316,000	313,000
City Clerk	81,103	102,581	139,200	141,200	76,700
Admin Services	68,370	59,007	34,000	52,030	49,600
Non Departmental	3,584,674	3,661,853	3,715,907	3,720,962	5,045,463
Personnel Services	8,332,225	8,325,414	9,715,809	9,723,050	9,681,099
Civic Center O & M	228,410	296,013	262,000	261,524	291,000
City Management	10,173	33,324	12,900	37,900	36,900
Financial Management	98,977	96,697	471,800	176,200	370,700
Payroll & Revenue	65,145	59,316	0	0	0
Public Information	128,330	149,645	147,350	185,565	239,350
Information Technology	105,157	169,053	287,300	303,707	252,300
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	20,810
Public Safety & Emerg	37,885	40,899	71,100	122,989	66,100
LA Animal Services	41,496	51,032	50,000	67,170	80,000
PW Admin/Engineer	166,121	109,620	180,600	183,096	108,600
Street Maintenance	702,902	893,148	606,200	606,200	664,000
Water Quality	284,960	160,218	270,900	275,770	155,900
General Landscape	573,981	748,278	639,500	770,677	658,500
Transportation Planning	607	1,445	4,500	9,011	2,600
Transport Eng/Operations	277,026	473,469	331,800	375,352	320,400
Intergovernment Reltaions	30,141	145,708	116,150	181,150	212,041
Comm Dev Admin	135,266	172,378	167,300	167,400	153,300
Planning Projects & Studies	368,401	446,563	417,500	422,100	357,000
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	543,900
Park Maintenance	156,561	165,178	142,600	240,625	77,600
School Joint Use	176,296	171,673	182,100	190,732	0
Special Events	83,356	298,392	359,200	385,973	364,200
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	25,597,108	26,989,863

The City Manager requested the operating departments to reduce their budgets by 2.5%. Some departments made reductions larger than the requested 2.5%. Upon reviewing the budgets there were a couple instances where the budget required a sizable increase.

The following are a few of the higher dollar amount reductions that were accomplished:

- Financial Software project reduced \$100,000 to \$200,000
- Paint Civic Center moved from General Fund to Deferred Maintenance fund, reduction of \$100,000
- Compliance Monitoring Program for storm drains reduced \$80,000 to \$120,000
- Hourly Wages reduced \$75,000 to \$625,000
- Eliminated one Ford F-150 truck purchase for a savings of \$70,000
- Reduced contractual services in Planning by \$70,000 to \$225,000
- Reduced contractual services in Public Works Administration by \$70,000 to \$80,000

Staff increased certain General Fund expenses to make them match actual costs. A few of these are:

- Crossing Guard contract increase of \$95,891 to \$185,891
- General Landscape Maintenance increase of \$55,000 to \$285,000
- Los Angeles County Animal Control Contract increase of \$30,000 to \$80,000

As mentioned previously, the General Fund transfers increased \$1.1 million which is going to the AHCCC for the repair of the roof and start-up costs.

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	26,884,000
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	27,219,000
Expenditures	20,547,893	21,879,158	23,379,516	23,729,108	24,023,215
Transfers Out	1,842,651	1,889,933	1,868,000	1,868,000	2,966,648
Total Expenditures	22,390,544	23,769,091	25,247,516	25,597,108	26,989,863
Surplus / (Deficit)	389,012	1,246,583	1,443,984	854,892	229,137
Fund Balance, Begin	12,281,586	12,670,598	13,917,181	13,917,181	14,772,073
Fund Balance, End	12,670,598	13,917,181	15,361,165	14,772,073	15,001,210

FY 2022-23 revised estimated revenues of \$26,452,000 and expenses of \$25,597,108 net an estimated surplus of \$854,892. This surplus could be higher due to full-time employees retiring or leaving. In addition, Sales Tax and TOT are forecasted to be higher than their estimates for FY 2022-23.

The revised draft of the FY 2023-24 budget as resented to the Council at the May 31, 2023 meeting has estimated revenues of \$27,219,000 and expenditures of \$26,989,863, thereby showing a positive surplus of \$229,137.

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 \$11.6 million. This decrease in fund balance is due to the proposed capital infrastructure investment for next year. This is using money received in prior fiscal years from the American Rescue Plan Act (ARPA), Gas Tax and RMRA funds for street improvements and the Woolsey Fire settlement funds for capital projects as outlined in the five-year CIP. Money will also be received in the future due to grant reimbursables and Measure R & M funds, Prop 1 funds for transportation and street projects. In the case of capital investments at the Tennis & Swim Center, future fee increases will be used.

	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	54,575,735
Transfers In	9,366,664	11,101,242	17,279,500	12,227,500	16,614,606
Total Revenues	51,048,319	64,063,426	69,852,213	62,889,365	71,190,341
Expenditures	41,564,690	47,706,046	57,274,428	51,121,147	66,193,712
Transfers Out	9,366,664	11,101,242	17,518,707	12,227,500	16,614,606
Total Expenditures	50,931,354	58,807,288	74,793,135	63,348,647	82,808,318
Surplus / (Deficit)	116,965	5,256,138	(4,940,922)	(459,282)	(11,617,977)

INVESTMENT IN CAPITAL PROJECTS

Attachment A lists 32 capital projects the City is investing \$20.3 million. These projects impact City Hall, Founders Hall, Tennis & Swim Center and various parks with the total investment over \$20.3 million. This \$20.3 million is responsible for the city-wide deficit of \$11.6 million noted above. Recall that the majority of these projects were reviewed and approved by the City Council during last year’s budget adoption for FY 2022-23. The City Council annually approves a five-year Capital plan and the projects roll forward each year as we progress in the five-year plan. If need be, the City can move out certain projects another year or two years in to the future in order to reduce this year’s capital investment of \$20.3 million.

This \$20.3 million capital investment is comprised into three categories. The first category is “Cash on hand” of \$6.4 million (General Fund, ARPA, Gas Tax, Road Maintenance & Rehabilitation Account (RMRA) and Deferred Maintenance Funds).

“Future reimbursement” of \$11.4 million (Measure R, Measure M, Grants Funds). “Future fees” increases of \$2.6 million for the Tennis & Swim Center. If the City did not invest in capital next year then the deficit of \$11.6 million would be a positive surplus of \$8.7 million (difference between \$20.3 million capital projects and \$11.6 million deficit).

CALABASAS TENNIS & SWIM CENTER REVENUE

The Calabasas Tennis and Swim Center is also reviewing their fee structure in the coming fiscal year and will present the findings to the City Council. As noted previously, the Tennis and Swim Center needs major capital investment and this will require new and increased fees in order to pay for their capital projects. The new and increased fees are not included in this budget as they are unknown at this time.

COUNCIL REQUESTS

Attachment B lists budget requests by the City Council and partnering entities. These items are up for discussion by the City Council and can be added to the General Fund budget at this time or at another time during FY 2023-24.

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:

- A. Capital Improvement Projects Summary
- B. Council Requests
- C. City Manager Recommended Budget FY 2023-24 & 2024-25