



CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: JUNE 12, 2023

TO: HONORABLE MAYOR AND COUNCILMEMBERS

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



SUBJECT: ADOPTION OF RESOLUTION NO. 2023-1858, APPROVING THE OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR JULY 1, 2023 THROUGH JUNE 30, 2024, PROVIDING FOR THE APPROPRIATIONS AND EXPENDITURES FOR ALL SUMS SET FORTH IN SAID BUDGET; ADOPTION OF RESOLUTION NO. 2023-1859, ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2023-2024; ADOPTION OF RESOLUTION NO. 2023-1860, APPROVING A SALARY SCHEDULE FOR PERMANENT EMPLOYEES AND RESCINDING RESOLUTION NO. 2023-1839.

MEETING DATE: JUNE 21, 2023

SUMMARY RECOMMENDATION:

Staff recommends the City Council adopt Resolution No. 2023-1858, approving the fiscal year (FY) 2023-24 and FY 2024-25 budgets; Resolution No. 2023-1859, establishing the Appropriations Limit for FY 2023-24, and Resolution No. 2023-1860 approving a salary schedule 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 reflects 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 5-year 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 2023-24 and 2024-25 budgets are presented to the City Council for consideration. The total budget is approximately \$83.7 million. As is typical, this report shall focus on the City's General Fund.

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

Property Taxes are increasing \$155,000 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 \$4.6 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 it to remain stable at \$8,200,000. 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 to remain constant.

Transient Occupancy Tax decreased from \$1.6 million in FY 2019-20 to \$1 million in FY 2020-21 and \$2.1 million in FY 2021-22. Next year's estimate is \$2.5 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 been operation for over a year and the City has received checks from the hotel since December 2021.

Utility Users Tax (UUT) of \$3.55 million for next year is an increase of \$155,000 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 \$3,075,000 million next year.

Building Fees are estimated at \$1,905,000 for next year, FY 2023-24.

The last category is for all the other revenues in the General Fund and is shown as remaining stable from this current fiscal year.

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	5,617,100
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	379,200
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	27,039,863

The table above summarizes the General Fund budget expenditures by department. Please note the department labeled, "Non-Departmental", for FY 2023-24 shows expenses of \$5 million. The majority of which is composed of the following:

- \$1,839,000 Debt Service payment
- \$1.2 million for insurance premiums to California Joint Powers Insurance Authority (CJPIA)
- \$1.1 million transfer to Agoura Hills Calabasas Community Center (AHCCC)
- \$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 3% and other increases for CalPERS retirement contributions and medical insurance premiums. The City continues to experience employee turnover the last three years. This turnover has limited the dollar impact of the 3% 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.

There were two modifications to the General Fund from the budget meeting of May 31st. The first was an increase in the City contribution to the Film Festival from \$15,000 to \$30,000. The second was an increase for the Flock Cameras of \$35,000.

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	24,073,215
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	27,039,863
Surplus / (Deficit)	389,012	1,246,583	1,443,984	854,892	179,137
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	14,951,210

FY 2023-24 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 2023-24.

The FY 2023-24 budget as presented to the Council at the June 21, 2023, meeting has estimated revenues of \$27,219,000 and expenditures of \$27,039,863, thereby showing a positive surplus of \$179,137.

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 \$12.5 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	67,114,212
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	83,728,818
Surplus / (Deficit)	116,965	5,256,138	(4,940,922)	(459,282)	(12,538,477)

Per the Council direction received at the meeting on May 31, 2023, City staff added approximately \$1 million in spending from the Woolsey Fire settlement funds. In addition, the Capital Project to paint the Civic Center of \$100,000 was moved from FY 2023-24 to FY 2027-28; thus saving \$100,000 in next year’s budget.

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 \$20.2 million. This \$20.2 million is responsible for the city-wide deficit of \$12.5 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 2023-24. 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 \$20.2 million.

This \$20.3 million capital investment is comprised into three categories. The first category is "Cash on hand" of \$6.3 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 \$12.5 million would be a positive surplus of \$7.7 million (difference between \$20.2 million capital projects and \$12.5 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.

GANN APPROPRIATIONS LIMIT

In November 1979, the California voters passed Proposition 4 (Article XIII B – "Gann Appropriations 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 chooses between two annual inflation factors and two population growth factors for the establishment of the Gann Limit.

The choice offered for the annual inflation factor is the greater of (1) the growth in California per capita income, positive 4.44%, or (2) the growth in non-residential assessed valuation due to new construction within the City, positive 0.01% . FY 2023-24, the calculation was based on the growth in California per capita income of positive 4.44%.

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, which was a **negative (0.99%)**, and the County of Los Angeles, which was a **negative (0.75%)**, provided by the California Department of Finance. FY 2023-24, the Gann Appropriation limit was calculated using the County of Los Angeles population growth factor of **negative (0.75%)**.

The application of the annual growth factors to the FY 2022-23 Gann Appropriations Limit resulted in a FY 2023-24 Gann Appropriations Limit of \$39,889,670.

CITY of CALABASAS
GANN APPROPRIATIONS LIMIT CALCULATION
 FY 2023-2024

(A)	PRIOR YEAR'S GANN LIMIT 2022-23	\$ 38,481,256
(B)	PRICE FACTOR	1.0444
(C)	POPULATION FACTOR	0.9925
(D) = (B) X (C)	ANNUAL COMBINED FACTOR	1.0366
(E) = (A) X [(D)-1]	ANNUAL ADJUSTMENT	\$ 1,408,414
(F) = (A) + (E)	CURRENT YEAR GANN LIMIT 2021-22	\$ 39,889,670

The amount in the City's 2023-24 budget subject to the Gann Appropriations Limit (net proceeds of taxes, including interest earnings) totals \$34,029,830. This amount is well within the required limit:

2023-24 Appropriation Limit	\$ 39,889,670
2023-24 Appropriations Subject to Limit	\$ 34,029,830
Amount Under Limit:	\$ 5,859,840

Resolution No. 2023-1859 (Attachment 3) sets forth the Gann Appropriations Limit for the City of Calabasas for FY 2023-24.

SALARY RESOLUTION

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. 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. 2023-1860 provides for the salary range schedule incorporated in this resolution. The City has added three full-time Recreation Coordinator positions in the Community Services department and deleted one Executive Assistant I position in the Finance department. Total full-time position count is 81 for FY 2023-24.

Beginning with the paycheck of July 14, 2023, the salary schedule provides a 3.0% Cost Of Living Adjustment (COLA) for all permanent full-time employee positions (with the exception of the City Council and City Manager).

BENEFITS RESOLUTION

The Benefits Resolution will be presented to City Council in late August or early September 2023 after CalPERS finalizes the medical insurance plan premiums for calendar year 2024.

FISCAL IMPACT/SOURCE OF FUNDING:

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

REQUESTED ACTION:

- Adopt Resolution No. 2023-1858 approving the Operating and Capital Improvement Budget from July 1, 2023 through June 30, 2024, providing for the appropriations and expenditures for all sums set forth in said budget and repealing all resolutions in conflict herewith.
- Adopt Resolution No. 2023-1859 establishing the appropriations limit for FY 2023-24.
- Adopt Resolution No. 2023-1860, Approving a salary schedule for permanent employees and rescinding Resolution No. 2023-1839.

ATTACHMENTS:

1. Detailed Budget FY 2023-24 and 2024-25
2. Resolution No. 2023-1858
3. Resolution No. 2023-1859
4. Resolution No. 2023-1860