



CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: FEBRUARY 15, 2024

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: RON AHLERS, CHIEF FINANCIAL OFFICER *RA*

SUBJECT: MID-YEAR BUDGET UPDATE FY 2023-24 AND ADOPTION OF RESOLUTION OF APPROPRIATION NO. 2024-1889

MEETING DATE: FEBRUARY 28, 2024

SUMMARY RECOMMENDATION:

Staff is providing this mid-year budget update to City Council for discussion. Staff is proposing certain changes to the adopted budget at this time to reflect more accurately revenue and expenditure estimates. City staff is requesting City Council adopt the attached resolution of appropriation to reflect these changes.

BACKGROUND:

The City Council adopted the fiscal year (FY) 2023-24 budget on June 21, 2023. The General Fund budget was adopted with a surplus of \$179,137. City Council made certain modifications to the budget during the June 22nd meeting. Staff is presenting this mid-year budget report to the Council.

DISCUSSION:

GENERAL FUND (Fund 10)

The table below depicts the last four full years of actual revenues and expenses along with the original budget for 2023-24, six-month actuals and a revised 2023-24 estimate.

CITY of CALABASAS
GENERAL FUND
MID YEAR BUDGET REPORT
FY 2023-24

	Actuals 2019-20	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Budget 2023-24	<i>Actuals</i> 12/31/2023	<i>Revised</i> 2023-24
Property Tax	3,839,932	4,010,560	4,224,154	4,460,551	4,605,000	1,964,417	4,635,000
Sales Tax	5,979,032	6,885,572	8,447,615	8,544,730	8,200,000	2,538,670	7,500,000
Franchise TV	307,865	310,706	294,970	318,130	300,000	73,926	300,000
Franchise Edison	372,844	417,091	436,104	485,331	500,000		500,000
TOT	1,571,867	983,758	2,108,153	2,612,537	2,500,000	1,166,401	2,650,000
UUT Electric	1,691,338	1,841,004	2,161,900	2,580,873	2,300,000	1,192,035	2,600,000
UUT Gas	483,986	526,393	556,773	798,813	650,000	141,763	800,000
UUT Phone	678,819	634,119	645,256	621,321	600,000	216,881	625,000
Building Fees	1,776,011	1,465,771	1,819,350	2,152,908	1,905,000	914,594	1,905,000
Damage Reimbur	19,977	445,605	8,558				
VLF	2,619,375	2,724,328	2,786,733	2,955,168	3,075,000		3,075,000
Interest Income	274,041	324,021	347,379	450,636	100,000	57,315	500,000
Other	3,056,398	2,260,383	1,175,724	2,191,111	2,484,000	2,526,773	2,684,000
	22,671,485	22,829,311	25,012,669	28,172,109	27,219,000	10,792,775	27,774,000
Expenses	24,119,200	22,440,299	23,722,854	25,773,858	27,039,863	13,669,335	27,555,814
Income/(Loss)	(1,447,715)	389,012	1,289,815	2,398,251	179,137	(2,876,560)	218,186

FY 2019-20 shows an actual loss of **\$1.4 million**. FY 2020-21, the General Fund surplus was \$389,012, FY 2021-22 the surplus was \$1,297,545. Last year's surplus was about \$2.4 million.

The Original Budget for FY 2023-24 has an estimated surplus of \$179,137.

The six months Actuals 12-31-2023 show a negative **\$2.9 million**. This is typical for the first half of the year. The first six months of a fiscal year receive zero to minimal dollars from these revenues: Sales Tax, VLF, Franchise Fees and Interest revenue. Additionally, some expenses the City has made the full fiscal year cash payment: CalPERS Unfunded Liability, CAJPIA Insurance (General Liability, Workers Comp, Property, Crime, etc.), and Membership & Dues (Leagues of CA Cities, etc.).

The FY 2023-24 Revised Estimate shows a positive surplus of almost \$218,186. A brief discussion of the major revenues is detailed below.

GENERAL FUND REVENUES

Property Taxes

Property taxes are being revised minimally upward by \$30,000 from the original budget. This is attributable to sales prices increasing as well as the annual Prop 13 adjustment to assessed values of 2%. Traditionally, 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 3 fiscal years. This was unanticipated and proved a strong finish for FY 2020-21, 2021-22 and FY 2022-23. However, the last reported three quarters have actually **decreased**. The quarters ending June 2023, September 2023 and December 2023 **decreased** by **(\$195,000) or (9.1%), (\$152,000) or (7.4%) and (\$275,000) or (12.1%)**, respectively versus the same quarter in the prior year. Based on these figures staff has reduced the budget to \$7.5 million. This is a reduction of **\$700,000** from the original budget and a reduction slightly greater than **\$1 million** from last year’s actual receipts. The March 2024 quarterly figures will be released in three months by the State and staff will consider analysis at that time.

Transient Occupancy Tax (TOT)

The Cambria Hotel opened and has been operational about two years now. This revenue is up from the original budget estimate of \$2.5 million. The revised estimate is \$2.65 million and that may be exceeded by the end of the year.

UUT Electric & Gas

Both of these revenues have been increasing these past few years and the revised estimates reflect this trend. Staff has increased these estimates from the original budget by \$300,000 and \$150,000 respectively.

UUT Phone

This revenue has been trending lower the past few years, except for last year. The revised estimate has been increased by \$25,000 to reflect this.

Building Fees

This revenue estimate is being held constant based on recent trends.

Vehicle License Fee

No adjustment to the budget estimate of \$3,075,000.

Interest Income

Annual Interest income revised estimate increased to \$500,000 to reflect increased yield. Please note last fiscal year interest income was \$450,636.

All other General Fund revenues

The revised estimate reflects that certain events and programs are making more than the budget estimate.

GENERAL FUND EXPENSES

The FY 2023-24 revised estimate for General Fund expenses show an increase to \$27.6 million. This reflects that the City has staff cost savings along with other increased expenses for utilities and landscaping. Attachment 1 shows the expense detail for every department/account in the General Fund.

Variability

As a reminder, the General Fund budget is approximately \$27.5 million. The revised estimates for both revenues and expenses show a surplus of \$218,000.

OTHER FUNDS ~ (NOT THE GENERAL FUND)

LANDSCAPE MAINTENANCE DISTRICT 22 (LMD 22) FUND (Fund 22)

Based upon the recommendation of the Landscape District Maintenance Manager, there are 15 changes in expenses to the budget for LMD 22. The changes are due to increased costs of the landscape contracts to the specific zones within LMD 22. Some of the cost increases were offset by decreases in other expenses. The total increase in appropriation for LMD 22 is \$106,616. These cost increases have been communicated to the affected homeowners' associations.

TRANSIT FUND (Fund 29)

The multiple Transit funds funded by LA Metro by Prop A, Prop C, Measure R and Measure M require budget adjustments this year as we re-align funding for the various transit programs in the City. There is no change to the service provided. This City, based on recommendations by the auditors and LA Metro, is adjusting various budgets within the transit funds. The Transit Fund receives its revenues from: Prop A, Prop C, Measure R and Measure M. Each one of these four voter approved taxes are a one-half cent (½ %) Sales Tax on transactions in Los Angeles County for a total of 2% Sales Tax dedicated to public transportation. Staff is adjusting the transfers from these sources into the Transit Fund.

CAPITAL IMPROVEMENT FUND (Fund 40)

There are capital improvement projects that need to have their appropriations increased or decreased for FY 2023-24. Staff is adjusting the Transfers as well. The projects are:

Street – Rubberized Overlay

\$90,000 Increase. Source of funding: Gas Tax Fund and RMRA Fund.

FISCAL IMPACT/SOURCE OF FUNDING:

Appropriations totaling \$286,616 as per the attached resolution from various funds as explained above.

REQUESTED ACTION:

Staff recommends the City Council adopt attached Resolution of Appropriation No. 2024-1889.

ATTACHMENTS:

- Attachment 1: Resolution of Appropriation No. 2024–1889
- Attachment 2: General Fund Revenues and Expenses
- Attachment 3: PowerPoint Presentation