



CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: MAY 15, 2024

TO: HONORABLE MAYOR AND COUNCILMEMBERS

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

SUBJECT: CITY MANAGER RECOMMENDED BUDGET FOR FISCAL YEAR (FY)
2024-25 AND 2025-26

MEETING DATE: MAY 22, 2024

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 2023-24 budget to the recommended FY 2024-25 budget.

BACKGROUND:

The annual budget serves as the City Council's fiscal policy document. The budget reflects the City's policies, goals, and priorities for the upcoming fiscal year (July 1 thru June 30). Furthermore, the annual budget is the financial document that outlines how the City will fund the services, programs, and projects that are important to Calabasas residents.

In 2022, the City Council identified "Fiscal Resiliency" as one of its six strategic priorities. Fiscal resiliency requires prudent financial decisions with each annual

budget and dictates that the City Council and Staff develop a long-range financial plan that ensures the robust fiscal health of the City for decades to come.

The City Council demonstrated its commitment to this goal over the two most recent fiscal years when the City benefitted from an unprecedented spike in sales tax revenues. With the additional funds, the City Council increased funding for public safety, fronted over \$1,000,000 to improve City recreational facilities, set aside \$2,000,000 for deferred maintenance, invested over \$2,000,000 into a Section 115 trust account to address pension liabilities, and established a 50% General Fund Reserve Policy.

Unfortunately, sales tax revenues have declined over the last four quarters and it is difficult to determine where that will level off. Additionally, although other General Fund revenues are increasing the growth rate is minimal. Further complicating the financial outlook, General Fund expenses are outpacing revenue projections and will thus lead to budget shortfalls over the next decade. It is important to note that the projected shortfall does not include public safety and emergency preparedness initiatives, needed repairs and improvements at City parks and recreational facilities, infrastructure and capital projects associated with the City's streets, sidewalks, and medians, and other operational needs identified by the various City departments. Attachment A summarizes the different projects, initiatives, and infrastructure improvements identified by the City Council and staff.

At its March 27 meeting, the City Council discussed two revenue generating options. Increasing the Transient Occupancy Tax (hotel tax) by 1% would yield an additional \$220,000 per year to the General Fund. In contrast a 0.75% Transaction and Use Tax measure or sales tax add-on would generate approximately \$4,000,000 in new sales tax revenues for the City. Recognizing that increasing the Transient Occupancy Tax would be insufficient to address the public safety, park improvements, and infrastructure needs of the City, the City Council directed staff to conduct additional outreach and education regarding a sales tax measure.

DISCUSSION/ANALYSIS:

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.

The FY 2024-25 and 2025-26 budgets are presented to the City Council for discussion and consideration. The total annual budget is approximately \$70.6 million. As is typical, this report shall focus on the City's General Fund.

PROPOSED CHANGES FROM THE PRIOR YEAR BUDGET

The budget includes a staffing increase of four positions; which is 85 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.

This year's budget includes a five-year Capital Improvement Plan (CIP). The five-year period begins with FY 2024-25 and ends with FY 2028-29. 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.

GENERAL FUND REVENUES

CITY of CALABASAS
GENERAL FUND
CITY MANAGER RECOMMENDED BUDGET
FY 2024-25

	Actuals 2021-22	Actuals 2022-23	Adopted Budget 2023-24	Revised Estimate 2023-24	<i>City Manager Budget 2024-25</i>
Property Tax	4,224,154	4,460,552	4,605,000	4,590,000	4,810,000
Sales Tax	8,447,615	8,544,730	8,200,000	7,500,000	7,800,000
Franchise TV	294,970	318,130	300,000	315,000	315,000
Franchise Edison	436,104	485,331	500,000	505,000	550,000
TOT	2,108,153	2,612,537	2,400,000	2,700,000	2,750,000
UUT Electric	2,161,900	2,580,873	2,300,000	2,650,000	2,800,000
UUT Gas	556,773	798,813	650,000	800,000	850,000
UUT Phone	645,256	621,321	600,000	625,000	650,000
Building Fees	1,819,350	2,089,146	1,700,000	2,000,000	2,000,000
Damage Reimbur	8,558	0			
VLF	2,786,733	2,955,168	3,050,000	3,100,000	3,200,000
Other	1,523,103	2,706,465	2,914,000	3,327,000	3,086,000
	25,012,669	28,173,066	27,219,000	28,112,000	28,811,000

Property Taxes

Property taxes continue to increase. The increase over current year is \$220,000 or about 4%. 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

Sales Tax is the most sensitive to the economy and this current year it is decreasing from the prior two years. This year's estimate is revised significantly downward to \$7.5 million and staff is projecting it to increase next year to \$7.8 million.

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 \$45,000, or 9%, 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 two years. 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 \$50,000, or 2%, 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 2023-24 revised estimates reflect this trend. Staff estimates this to increase to \$2.8 million for FY 2024-25 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 2023-24 revised estimates reflect this trend. Estimates for FY 2024-25 show an upward trend of \$50,000 or 6% 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 for next year at \$650,000.

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 \$100,000 or 4%.

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 \$3 million.

GENERAL FUND EXPENSES

	2021-22	2022-23	FY 2023-24		FY 2024-25
	ACTUALS	ACTUALS	Current BUDGET	Revised Estimate	Proposed BUDGET
Legislative & Policy	99,296	135,423	134,000	134,000	134,000
Boards & Commissions	3,198	10,318	12,000	12,000	12,000
Legal	355,863	356,593	313,000	313,000	313,000
City Clerk	102,581	173,847	76,700	76,700	159,700
Admin Services	59,007	47,853	49,600	66,600	80,800
Non Departmental	3,661,853	4,060,717	5,045,463	4,985,463	4,470,152
Personnel Services	8,325,414	9,035,137	9,681,099	10,320,111	10,898,183
Civic Center O & M	296,013	367,563	291,000	326,000	344,000
City Management	33,324	42,013	36,900	36,900	87,000
Financial Management	96,697	217,902	370,700	370,700	245,700
Payroll & Revenue	59,316	0	0	0	0
Public Information	149,645	223,602	239,350	239,350	157,300
Information Technology	169,053	247,074	252,300	252,300	258,400
Telecom Regulation	512	1,175	0	0	0
LA Sheriff	4,980,484	5,143,670	5,617,100	5,615,000	5,870,000
LA Fire District	20,810	20,810	20,810	20,810	20,810
Public Safety & Emerg	40,899	99,948	66,100	66,100	66,100
LA Animal Services	51,032	89,321	80,000	85,000	90,000
PW Admin/Engineer	109,620	155,080	108,600	108,600	156,650
Street Maintenance	893,148	711,445	664,000	770,200	892,450
Water Quality	160,218	186,972	155,900	155,900	195,000
General Landscape	748,278	863,564	658,500	711,100	659,950
Transportation Planning	1,445	6,537	2,600	2,600	2,000
Transport Eng/Operations	473,469	350,173	320,400	320,400	387,900
Intergovernment Reltaions	145,708	189,975	212,041	212,041	247,850
Comm Dev Admin	172,378	85,857	153,300	153,300	162,100
Planning Projects & Studies	446,563	314,898	357,000	357,000	355,000
Building Inspection	899,161	944,854	638,500	813,500	863,300
Code Enforcement	95,531	40,825	52,100	122,100	84,000
Comm Serv Management	17,848	107,236	106,700	106,700	65,110
Creekside Park	3,006	7,284	11,800	11,800	18,600
De Anza Park	201,046	309,652	543,900	543,900	564,200
Park Maintenance	165,178	242,581	77,600	77,600	105,600
School Joint Use	171,673	262,597	0	0	0
Special Events	298,392	401,064	379,200	379,200	424,200
Klubhouse Preschool	3,439	8,059	0	0	0
Senior Center	257,993	312,239	311,600	311,600	317,100
Total Expenditure	23,769,091	25,773,858	27,039,863	28,077,575	28,708,155

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 \$4.5 million. The majority of which is composed of the following:

- \$1,839,000 Debt Service payment
- \$1,442,873 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.

	2021-22 ACTUALS	2022-23 ACTUALS	FY 2023-24		FY 2024-25
			Current BUDGET	Revised Estimate	Proposed BUDGET
Revenues	24,667,198	28,116,563	26,884,000	28,118,000	28,811,000
Transfers In	348,476	56,552	335,000	0	0
Total Revenues	25,015,674	28,173,115	27,219,000	28,118,000	28,811,000
Expenditures	21,879,158	23,810,059	24,073,215	25,110,927	26,445,876
Transfers Out	1,889,933	1,963,799	2,966,648	2,966,648	2,262,279
Total Expenditures	23,769,091	25,773,858	27,039,863	28,077,575	28,708,155
Surplus / (Deficit)	1,246,583	2,399,257	179,137	40,425	102,845
Fund Balance, Begin	12,670,598	13,917,181	16,316,438	16,316,438	16,356,863
Fund Balance, End	13,917,181	16,316,438	16,495,575	16,356,863	16,459,708

The prior two years show surpluses of \$1.2 million and \$2.4 million. This year staff is estimating a small surplus in the General Fund. Next year's budget is balanced and has a small surplus of \$102,000.

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 City continues to invest in its capital infrastructure. 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.

	2021-22 ACTUALS	2022-23 ACTUALS	FY 2023-24		FY 2024-25
			Current BUDGET	Revised Estimate	Proposed BUDGET
Revenues	52,962,184	52,962,184	51,737,215	55,479,735	64,121,665
Transfers In	11,101,242	11,101,242	17,764,958	16,614,606	15,575,237
Total Revenues	64,063,426	64,063,426	69,502,173	72,094,341	79,696,902
Expenditures	47,706,046	47,706,046	64,679,929	67,271,666	70,582,359
Transfers Out	11,101,242	11,101,242	17,764,958	16,614,606	15,575,237
Total Expenditures	58,807,288	58,807,288	82,444,887	83,886,272	86,157,596
Add: PY ARPA & FY Grants			9,263,958	16,063,958	5,348,560
Surplus / (Deficit)	5,256,138	5,256,138	(3,678,756)	4,272,027	(1,112,134)

FUTURE BUDGET MEETINGS:

June 19, 2024 Council Meeting – Budget Adoption

Public hearing on the final budget and adoption of the annual budget, CIP, GANN Initiative, Salary Resolution and the City-wide Fee Resolution.

June 26, 2024 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 19.

FISCAL IMPACT/SOURCE OF FUNDING:

The Detailed Budget FY 2024-25 & 2025-26 as presented.

REQUESTED ACTION:

Receive the City Manager's Recommended Budget for FY 2024-25 and 2025-26.

ATTACHMENTS:

- A. Summary of public safety initiatives, park and recreational facility improvements, infrastructure and capital projects, and other operational needs of the City.
- B. Budget Presentation
- C. City Manager Recommended Budget FY 2024-25 & 2025-26