



CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: JUNE 11, 2024

TO: HONORABLE MAYOR AND COUNCILMEMBERS

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

SUBJECT: PUBLIC HEARING ON FY 2024-25 BUDGET; ADOPTION OF RESOLUTION NO. 2024-1906, APPROVING THE OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR JULY 1, 2024 THROUGH JUNE 30, 2025, PROVIDING FOR THE APPROPRIATIONS AND EXPENDITURES FOR ALL SUMS SET FORTH IN SAID BUDGET; ADOPTION OF RESOLUTION NO. 2024-1907, ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2024-2025; ADOPTION OF RESOLUTION NO. 2024-1908, APPROVING A SALARY SCHEDULE FOR PERMANENT EMPLOYEES.

MEETING DATE: JUNE 26, 2024

SUMMARY RECOMMENDATION:

Staff recommends the City Council conduct the public hearing on the budget for fiscal year (FY) 2024-25. Staff recommends the City Council adopt Resolution No. 2024-1906, approving the FY 2024-25 and FY 2025-26 budgets; Resolution No. 2024-1907, establishing the Appropriations Limit for FY 2024-25, and Resolution No. 2024-1908 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 a Council meeting in June.

DISCUSSION/ANALYSIS:

The FY 2024-25 and 2025-26 budgets are presented to the City Council for consideration. The total budget is approximately \$86.5 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 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	7,700,000
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 Reimburs	8,558	0			
VLF	2,786,733	2,955,168	3,050,000	3,100,000	3,200,000
Other	1,526,108	2,706,514	2,914,000	3,333,000	3,086,000
	25,015,674	28,173,115	27,219,000	28,118,000	28,711,000

Property Taxes

Property Taxes are increasing \$220,000 or about 4% next fiscal year. 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 \$7.7 million.

Franchise Fees

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 (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 \$850,000 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	129,700
Admin Services	59,007	47,853	49,600	66,600	80,800
Non Departmental	3,661,853	4,371,296	5,045,463	5,023,415	4,470,152
Personnel Services	8,325,414	9,035,137	9,681,099	10,320,111	10,833,183
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	26,084,437	27,039,863	28,115,527	28,613,155

The table above summarizes the General Fund budget expenditures by department. Please note the department labeled, "Non-Departmental", for FY 2024-25 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.

There were three modifications to the General Fund from the budget meeting of May 22nd. The first was a decrease of the Sales Taxes of \$100,000. The second was a decrease of hourly employee salaries of \$65,0000. The third is a \$30,000 reduction in the City Clerk contractual services budget due to reduced services from Apple One temporary staffing.

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	28,711,000
Transfers In	348,476	56,552	335,000	0	0
Total Revenues	25,015,674	28,173,115	27,219,000	28,118,000	28,711,000
Expenditures	21,879,158	24,120,638	24,073,215	25,110,923	26,350,876
Transfers Out	1,889,933	1,963,799	2,966,648	3,004,604	2,262,279
Total Expenditures	23,769,091	26,084,437	27,039,863	28,115,527	28,613,155
Surplus / (Deficit)	1,246,583	2,088,678	179,137	2,473	97,845
Fund Balance, Begin	12,670,598	13,917,181	16,005,859	16,005,859	16,008,332
Fund Balance, End	13,917,181	16,005,859	16,184,996	16,008,332	16,106,177

The prior two years show surpluses and this year staff is estimating a small surplus in the General Fund. Next year's General Fund budget is balanced and has a small surplus of \$97,845.

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	64,021,665
Transfers In	11,101,242	11,101,242	17,764,958	16,614,606	15,939,456
Total Revenues	64,063,426	64,063,426	69,502,173	72,094,341	79,961,121
Expenditures	47,706,046	47,706,046	64,679,929	67,271,666	70,582,815
Transfers Out	11,101,242	11,101,242	17,764,958	16,614,606	15,939,456
Total Expenditures	58,807,288	58,807,288	82,444,887	83,886,272	86,522,271
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	(1,212,590)

There are two modifications to other funds from the budget meeting of May 22nd. The first modification is to add one Library Technician position in the amount of approximate \$95,500. The second is to adjust the transfer in and transfer out for the Capital Improvement Fund.

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 3.62%, or (2) the growth in non-residential assessed valuation due to new construction within the City, positive 0.14%. FY 2024-25, the calculation was based on the growth in California per capita income of positive 3.62%.

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 (0.50%)**, and the County of Los Angeles, which was a positive 0.05%, provided by the California Department of Finance. FY 2024-25, the Gann Appropriation limit was calculated using the County of Los Angeles population growth factor of positive 0.05%.

The application of the annual growth factors to the FY 2023-24 Gann Appropriations Limit resulted in a FY 2024-25 Gann Appropriations Limit of \$41,353,621.

CITY of CALABASAS
GANN APPROPRIATIONS LIMIT CALCULATION
 FY 2024-2025

(A)	PRIOR YEAR'S GANN LIMIT 2023-24	\$ 39,889,670
(B)	PRICE FACTOR	1.0362
(C)	POPULATION FACTOR	1.0005
(D) = (B) X (C)	ANNUAL COMBINED FACTOR	1.0367
(E) = (A) X [(D)-1]	ANNUAL ADJUSTMENT	\$ 1,463,951
(F) = (A) + (E)	CURRENT YEAR GANN LIMIT 2024-25	\$ 41,353,621

The amount in the City's 2024-25 budget subject to the Gann Appropriations Limit (net proceeds of taxes, including interest earnings) totals \$33,619,175. This amount is well within the required limit:

2024-25 Appropriation Limit	\$ 41,353,621
2024-25 Appropriations Subject to Limit	\$ 33,619,175
Amount Under Limit:	\$ 7,734,446

Resolution No. 2024-1907 (Attachment 3) sets forth the Gann Appropriations Limit for the City of Calabasas for FY 2024-25.

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. 2024-1908 provides for the salary range schedule incorporated in this resolution. The City has added one full-time Library Technician position in the Library department. Total full-time position count is 85 for FY 2024-25.

Beginning with the paycheck of July 12, 2024, the salary schedule provides a 4.0% 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 2024 after CalPERS finalizes the medical insurance plan premiums for calendar year 2025.

FISCAL IMPACT/SOURCE OF FUNDING:

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

REQUESTED ACTION:

- Adopt Resolution No. 2024-1906 approving the Operating and Capital Improvement Budget from July 1, 2024 through June 30, 2025, providing for the appropriations and expenditures for all sums set forth in said budget and repealing all resolutions in conflict herewith.
- Adopt Resolution No. 2024-1907 establishing the appropriations limit for FY 2024-25.
- Adopt Resolution No. 2024-1908, Approving a salary schedule for permanent employees.

ATTACHMENTS:

1. Detailed Budget FY 2024-25 & 2025-26
2. Resolution No. 2024-1906
3. Resolution No. 2024-1907
4. Resolution No. 2024-1908