

REPORT TO CITY COUNCIL

DATE: FEBRUARY 8, 2012

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER

BY: NATHAN HAMBURGER, ASSISTANT CITY MANAGER
CHRISTY PINUELAS, FINANCE DIRECTOR

SUBJECT: FISCAL YEAR 2011-12 MID-YEAR BUDGET REVIEW

As is customary at this time during each fiscal year, staff has completed a detailed review of the current fiscal year budget, and presented the proposed adjustments to the Finance Committee, which are now be presented to the City Council for approval. Each of the items listed below is also detailed in the attached "Recommended Mid-Year Adjustments" spreadsheet.

Projected Revenue: Recent changes at the State level include the removal of the Motor Vehicle In-Lieu revenue source. The adopted Fiscal Year 2011-12 budget included \$87,000 of Motor Vehicle In-Lieu revenue that will not be paid as originally stated. However, this decline has been offset by the reinstatement of \$100,000 in COPS (Community Oriented Policing Services) revenue. This COPS revenue will be budgeted in the Supplemental Law Enforcement Fund. Staff recommends moving \$100,000 in traffic enforcement costs originally budgeted in the General Fund to the Supplemental Law Enforcement Fund, which results in a \$13,000 net increase to the General Fund.

An additional adjustment to the anticipated revenue funds that is being recommended includes a reduction in interest income in the General Fund of \$65,000. When the budget was prepared, it was anticipated that interest rates would rise to at least 1%, however interest rates have not increased to the projected amount. Therefore, staff is recommending a reduction that accurately reflects the existing market conditions.

Redevelopment Agency Related: After the adoption of the Fiscal Year 2011-12 Budget, the State of California passed legislation that has significantly impacted the City and the Redevelopment Agency. These changes represent the majority of the recommended adjustments to the budget. The State has eliminated Redevelopment Agencies effective February 1, 2012 via Assembly Bill 26 (ABX 26), confirmed through the California Supreme Court. While the City was prepared for this possibility and had made contingency plans, it was unknown at the time of budget adoption when the changes would occur thus, the budget amendments will be effective with the mid-year budget approval. The majority of the changes are reflected in the Redevelopment Agency Debt Service Fund with a net loss of \$1,959,712 in tax increment that will not be received and the offsetting pass-through payments to other tax collecting agencies. These cuts also eliminate funds for the Redevelopment Agency's housing program loans through the Housing Set-Aside Fund. The City had also anticipated a \$247,787 payment from the General Fund to the Redevelopment Agency to assist in funding general operational costs. The elimination of the payment to the Redevelopment Agency means that the City should have an

additional \$247,787 in the General Fund reserve. Staff would like to caution the City Council that there are still various unresolved issues with the dissolution of the Redevelopment Agency and that ABX 26 does not provide clear guidance on several of its directives to local agencies. Due to the time restrictions placed on closing the financials for the Redevelopment Agency, this adjustment must be made now but there still is the possibility that these funds may be determined to be necessary later in the fiscal year to dissolve the Redevelopment Agency. Staff will continue to diligently work with our various consultants, legal staff, and various groups such as the League of California Cities to further understand what will be required of the City and Successor Agency.

As the Redevelopment Agency is being dissolved, there are related expenditures that are necessary and allowable under the provisions of ABX 26. One such expenditure is related legal costs, and an increase of \$3,521 for legal expenses in the Redevelopment Agency budget is being recommended. ABX 26 also provides that the State will allot funds for Successor Agencies that will assist with certain administrative and operation costs related to eliminating Redevelopment Agencies. While the City has not been provided with a definitive amount, it is anticipated that the Redevelopment Agency will receive approximately \$104,500 in Fiscal Year 2011-12. Staff recommends adding this amount to the Redevelopment Debt Service Fund.

The final item related to the elimination of the Agoura Hills Redevelopment Agency is an increase in General Fund expenditures of \$34,000, for membership and services provided by the Greater Conejo Valley Chamber of Commerce within the City Manager's Department. These costs had previously been expenditures paid for through Redevelopment funds.

Law Enforcement: In looking at the public safety expenditures and revenues there are several changes that are recommended at this time. The County Board of Supervisors, Los Angeles County Sheriff's Department (LASD) and the Contract Cities Association, recently reviewed the County Liability trust fund, and determined that the existing balance was sufficient enough to forgo this year's liability rate for services (4%). This information was provided after the adoption of the annual budget, but has resulted in a \$138,192 savings to the General Fund.

In addition, the City's contract with LASD was amended for Fiscal Year 2011-12, to include a motorcycle patrol unit. As the motorcycle will now be used full time within Agoura Hills, it is being recommended that an additional \$10,000 be utilized towards the purchase of specialized equipment (breathalyzer, radar gun, etc.) with available Supplemental Law Enforcement Funds.

Parks and Recreation: Community Services staff is requesting \$43,200 for increased contract services due to higher than anticipated class and camp attendance. These costs are offset by an increase in Park and Recreation fees of \$63,000. The net result is a \$9,800 increase to the General Fund.

Office Systems: Although staff has been working towards updating various components of the City's Information Technology Network, the City has experienced several part failures related to the age of our computer equipment. Staff is reviewing an overall technology plan for the next budget cycle, but is requesting an increase of \$5,000 for equipment maintenance and an increase of \$10,000 to replace an aging scanner/plotter that is vital to our Planning and Public Works Departments.

Although the economy has not fully recovered and there are various uncertainties, the City's General Fund is in line with its major revenues and expenditures. The special funds of the City are also within their expected budgets. The impacts of the mid-year budget reflect a slight savings to the General Fund, but it is important to again note that the full impacts of the shutdown of the Redevelopment Agency are still not known. The City of Agoura Hills has traditionally been fiscally conservative and used prudent budgeting practices, which has allowed the City to have adequate reserves that can absorb unanticipated costs. The City Council has kept true to its policy of maintaining a General Fund balance at 40% of operating expenses. With the proposed changes, and the previously budgeted transfer out to the Recreation Center Fund, the reserve level at the end of 2011/12 is projected to be 79% of General Fund expenses and operating transfers. Staff will continue to monitor economic activities on the federal and state levels to insure that the City's General Fund is adequate, as well as continue to focus on cost saving strategies that don't affect the quality of services provided to the community. This approach will make certain that the City remains fiscally stable.

RECOMMENDATION

It is recommended the City Council adopt the requested amendments to the 2011-12 Budget.

Attachments: Recommended Mid-Year Adjustments

City of Agoura Hills
Recommended mid-year adjustments
Mid-Year 2011/12

		Current Budget	Proposed Budget	Proposed Adjustment Inc/(Dec)	Subtotal Adjustment Inc/(Dec)	Total Adjustment Inc/(Dec)
Adjustments General Fund						
Revenue - General Fund						
010-0000-3310.00	Motor Vehicle In Lieu	87,000	0	(87,000)		
010-0000-3510.00	Park and Recreation Fees	254,600	317,600	63,000		
010-0000-3710.00	Interest Income	155,000	90,000	(65,000)	(89,000)	
Expenditures - General Fund						
010-4120-5510.00	City Manager - Professional Services	22,000	56,000	34,000		
010-4195-5683.00	Automated Office Systems - Equipment	5,000	20,000	15,000		
010-4210-5437.00	Sheriff - Insurance and surety bonds	138,192	0	(138,192)		
010-4210-5520.51	Sheriff - Traffic Enforcement	242,419	142,419	(100,000)		
010-4420-5520.AO	Recreation - Contract Services - Classes	28,000	68,000	40,000		
010-4420-5520.CO	Recreation - Contract Services - Camps	4,800	18,000	13,200		
010-4900-5900.00	Transfer monies to other funds	2,549,787	2,302,000	(247,787)	(383,779)	
					Net Adjustments	294,779
Adjustments Traffic Improvement Fund						
Revenue - Traffic Improvement Fund						
110-0000-3480.00	Traffic Improvement Fees	75,000	150,000	75,000	75,000	
Expenditures - Traffic Improvement Fund						
110-4640-5510.00	Professional Services	0	5,000	5,000		
110-4640-6308.00	Kanan/101 Interchange	0	250,000	250,000	255,000	
					Net Adjustments	(180,000)
Adjustments Supplemental Law Enforcement Fund						
Revenue - Supplemental Law Enforcement Fund						
240-0000-3345.00	Supplemental Law Enforcement Grants	0	100,000	100,000		
240-0000-3710.00	Interest Earnings	0	200	200	100,200	
Expenditures - Supplemental Law Enforcement Fund						
240-4210-5425.00	Small Equipment	0	13,856	13,856		
240-4210-5520.51	Traffic Enforcement	0	16,936	16,936		
240-4210-5420.54	Juvenile Intervention Program	0	78,209	78,209	109,001	
					Net Adjustments	(8,801)

City of Agoura Hills
Recommended mid-year adjustments
Mid-Year 2011/12

	Current Budget	Proposed Budget	Proposed Adjustment Inc/(Dec)	Subtotal Adjustment Inc/(Dec)	Total Adjustment Inc/(Dec)
Redevelopment Agency					
Revenues - Debt Service Fund					
390-0000-3120.00 Tax Increment	4,317,200	2,357,488	(1,959,712)		
390-0000-3910.00 Miscellaneous Revenue	0	104,500	104,500		
390-0000-3961.00 Receive monies from other funds	1,094,420	1,484,420	390,000	(1,465,212)	
Expenditures - Debt Service Fund					
390-4600-5520.90 Pass Thru to Other Agencies	2,515,252	1,363,223	(1,152,029)		
390-4600-5520.91 Pass Thru to LVUSD	360,519	180,260	(180,260)		
390-4600-5520.90 Pass Thru to Community College	53,579	26,790	(26,790)		
390-4600-5900.00 Transfer monies to other funds	1,365,589	865,038	(500,551)	(1,859,629)	
			Net Adjustments		394,417
Revenues - Redevelopment Capital Projects Fund					
400-00000-3961.00 Receive monies from other funds	751,429	393,540	(357,889)	(357,889)	
Expenditures - Redevelopment Capital Projects Fund					
400-4140-5520.00 City Attorney - Contract Services	0	3,521	3,521	3,521	
			Net Adjustments		(361,410)
Revenues - Redevelopment Housing Set-Aside Fund					
410-0000-3710.00 Interest Income	150,000	40,000	(110,000)		
410-0000-3961.00 Receive monies from Other Funds	861,947	471,498	(390,449)	(500,449)	
Expenditures - Redevelopment Housing Set-Aside Fund					
410-4305-5520.7 Housing Program - MDG Consultant	20,000	0	(20,000)		
410-4305-5520.71 Housing Program - Loan Amount	100,000	0	(100,000)		
410-4305-5520.71 Housing Program - Loan Processing	2,000	0	(2,000)		
410-4600-5900.00 Transfer Monies to Other Funds	616,331	1,006,331	390,000	268,000	
			Net Adjustments		(768,449)

**City of Agoura Hills
Sources and Uses
Budget 2011-12**

Fund	Budget 2011/12				-----Proposed Amendments-----				Prop. Fund Balance 6/30/2012				
	Fund Balance 6/30/2011	Revenues	Expenditures	Transfers (Out)/In	Projected Fund Balance 6/30/2012	Revenues	Expenditures	Transfers		Adjustment to Fund Balance	Revenues	Expenditures	Transfers
City of Agoura Hills													
010 General Fund	10,410,643	11,484,656	10,407,967	(2,549,787)	8,937,545	(89,000)	(135,992)	247,787	294,779	11,395,656	10,271,975	(2,302,000)	9,232,324
20 Gas Tax	175,476	630,622	738,000		68,098					630,622	738,000		68,098
21 Traffic Congestion	0				0					-	-		0
40 Traffic Safety	18,780	151,000	152,500		17,280					151,000	152,500		17,280
60 Proposition A	522,977	729,494	720,666		531,805					729,494	720,666		531,805
61 Proposition C	(287,756)	267,507			(20,249)					267,507	-		(20,249)
63 Measure R	8,124	200,267	201,500		6,891					200,267	201,500		6,891
70 SCAQMD	42,362	27,000	24,200		45,162					27,000	24,200		45,162
110 Traffic Improvement	2,966,040	100,000	-	(1,276,560)	1,789,480	75,000	255,000		(180,000)	175,000	255,000	(1,276,560)	1,609,480
111 Utility Undergrounding	118,325				118,325								118,325
240 Suppl. Law Enfemt	9,213	500			9,713	100,200	109,001		(8,801)	100,700	109,001		912
260 Misc. Grants	(60,350)	213,350	153,000		(0)					213,350	153,000		(0)
520 Waste Management	181,545	72,850	107,000		147,395					72,850	107,000		147,395
420 Inc. Housing In-Lieu	2,434,486	15,000			2,449,486					15,000	-		2,449,486
300 Public Fin Auth Debt Service	(0)		669,631	672,000	2,369					-	669,631	672,000	2,369
500 Public Fin Auth Cap Projects	1,567,054			(1,557,390)	9,664					-	-	(1,557,390)	9,664
15 Rec Center Capital Projects	386,274	20,000	400,000	3,187,390	3,193,664					20,000	400,000	3,187,390	3,193,664
16 Stormwater Capital Projects	94,128	500	91,000		3,628					500	91,000		3,628
17 Reyes Adobe Interchange Project	(1,204,401)	1,503,841	1,576,000	1,276,560	0					1,503,841	1,576,000	1,276,560	0
18 Measure R Capital Projects	(550,745)	2,864,320	2,313,575		-					2,864,320	2,313,575		-
Subtotal City of Agoura Hills	46,267,626	18,280,907	17,555,039	(247,787)	17,310,254	86,200	228,009	247,787	105,978	18,367,107	17,783,048	-	17,416,232
Agoura Hills RDA													
390 RDA Debt Service	898,602	4,317,200	4,084,211	(232,978)	898,613	(1,855,212)	(1,359,079)	890,551	394,418	2,461,988	2,725,132	657,573	1,293,031
400 RDA Capital Projects	381,049	20,000	271,500	235,150	364,699	-	3,521	(357,889)	(361,410)	20,000	275,021	(122,739)	3,289
410 RDA Housing Set-Aside	11,939,038	150,000	684,079	245,615	11,650,574	(110,000)	(122,000)	(780,449)	(768,449)	40,000	562,079	(534,834)	10,882,125
Subtotal Agoura Hills RDA	(12,289,875)	4,487,200	5,039,790	247,787	12,913,886	(1,965,212)	(1,477,558)	(247,787)	(735,441)	2,521,988	3,562,232	-	12,178,445
Grand Total	33,977,751	22,768,107	22,594,829	-	30,224,140	(1,879,012)	(1,249,549)	-	(629,463)	20,889,095	21,345,280	-	29,594,677