

REPORT TO CITY COUNCIL

DATE: FEBRUARY 27, 2013

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 2012/13 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, has brought this report forward to the Finance Committee for review, and is now presenting the recommended adjustments as part of the City's mid-year review process. Each of the items listed below is detailed in the attached "Recommended Mid-Year Adjustments" spreadsheet.

Economic Impacts: The economy has steadily increased towards levels seen prior to the recession. Increased gasoline prices, the addition of new restaurants, coupled with a new grocery store have provided a boost to the City's sales tax revenues. Staff is recommending a \$41,417 (2%) increase to the sales tax revenue. Also, due to a more robust economy than originally forecast, increases in the following are being recommended: Business Registration - \$15,000 (15%); Planning Fees - \$15,000 (11%) and Building Plan Check - \$11,000.

State Impacts: The State eliminated Redevelopment Agencies effective February 1, 2012. Assembly Bill 1484 provided further requirements of the Successor Agency, specifically the completion of two separate Due Diligence Reviews to be completed by an authorized auditing firm. Following the State Department of Finance (DOF) review, a disbursement of all available reserves was required (approximately \$2 million that was previously earmarked for affordable housing programs). The funds were thus dispersed to all tax collecting agencies. Due to the fact that the City is a taxing entity within the former Redevelopment Agency boundaries, the General Fund received \$127,500 in additional property tax revenue.

While there are no matching expenses at this point, there is a strong possibility that the Successor Agency will not receive its full administrative allowance to assist in the cost of serving as the Successor Agency with the task of eliminating Redevelopment Agencies. The state legislation provides for a minimum of \$250,000 in administrative allowance, but due to the existing pass-through agreements, and bond payments it appears that the City will only receive \$125,000. If this happens, contract expenses and salary costs will have to be borne by the General Fund of the City, offsetting the increased revenue.

County Impacts: In November, 2012, the Supreme Court of California ruled that the counties were improperly calculating the cost of administering property tax collection fees. The result is a savings of \$28,000 in FY2012/13 for the City of Agoura Hills. Staff is therefore recommending an adjustment to property taxes in the amount of \$28,000.

Expenditures: The City currently holds property outside of the City boundaries. Due to this fact, the government exemption that would normally exist on property owned by a local municipality is not valid, and, thus, the County is allowed to levy property tax. The amount of the property tax that existed with this property was unknown at the time the budget was prepared. Staff is recommending an adjustment of \$71,000 for the cost of the property taxes paid to the County.

The Community Development department has seen a slight increase in activity, which has required additional public notices to be published. Therefore, a request is being made for an additional \$2,700 in advertising costs. Additionally, several studies for Housing Element Updates and proposed developments with the Agoura Village Specific Plan have been required since the original budget forecast. Based on past City Council directives, staff utilized consultants to assist in working through development proposals to insure that they are consistent with the AVSP. Staff is requesting an additional \$38,700 be added to Community Development - Contract Services.

The shade structure at Reyes Adobe Park has deteriorated over time and was already slated to be replaced. Funds are currently included in the Parks Maintenance budget. Staff is requesting that monies currently budgeted within Park Improvements Budget (31,850) be reallocated to Capital Improvements – Reyes Adobe Shade Structure.

Transfer: The City recently purchased land and a building for use as a Recreation Center. Monies have been put aside in anticipation of the cost of renovating the existing building. Staff is recommending setting aside an additional \$1 million from the General Fund reserves to the Recreation Center Capital Projects Fund.

With half of the fiscal year accounted for, the City's General Fund is on target with its major revenues and expenditures. The special funds of the City are also within their budgets. The impacts of the mid-year budget reflect a savings to the General Fund, but it is important to note that the full impact from the shutdown of the Redevelopment Agency is still not fully known. Staff is working in conjunction with several consultants and the City Attorney to forecast a more accurate outcome. However, the adjustments recommended as a part of the mid-year budget will provide us with necessary resources to fund any unanticipated costs.

The City of Agoura Hills has been fiscally conservative and used prudent budgeting practices, which has allowed the City to have adequate reserves to absorb unanticipated costs. The City Council has a policy of maintaining a fund balance in the General Fund at 40% of operating expenses and transfers. At the end of 2011/12, the City's reserve level was 81% of General Fund expenses and operating transfers. With the projected changes, and the previously budgeted transfer out to the Recreation Center Fund, the reserve level at the end of 2012/13 is projected to be 66% of General Fund expenses and operating transfers. Staff will continue to monitor economic activities on the federal and state level to insure that the City's General Fund is adequate, no vital services are cut, and that the City remains fiscally stable.

RECOMMENDATION

It is recommended the City Council adopt the requested amendments to the 2012/13 Budget.

Attachment: Recommended Mid-Year Adjustments

City of Agoura Hills
Recommended mid-year adjustments
Mid-Year 2012/13

	Current Budget	Proposed Budget	Proposed Adjustment Inc/(Dec)	Subtotal Adjustment Inc/(Dec)	Total Adjustment Inc/(Dec)
Adjustments General Fund					
Revenue - General Fund					
010-0000-3110.00	Sales and Use Tax	2,628,799	2,670,216	41,417	
010-0000-3120.00	Property Tax	2,217,357	2,245,357	28,000	
010-0000-3120.02	Property Tax - Successor Agency	0	127,500	127,500	
010-0000-3210.00	Business Registration	100,000	115,000	15,000	
010-0000-3410.00	Planning Fees	140,000	155,000	15,000	
010-0000-3422.01	Building Plan Check - In House	0	11,000	11,000	
				<u>237,917</u>	237,917
Expenditures - General Fund					
010-4190-5440.00	Nondepartmental - Other Charges	0	71,000	71,000	
010-4305-5426.00	Community Development - Advertisin	10,000	12,700	2,700	
010-4305-5520.00	Community Development - Contract S	45,000	83,700	38,700	
010-4505-5520.00	Park Maint. - Maint. Of B&G	73,600	41,750	(31,850)	
010-4620-6107	Park Structure	0	31,850	31,850	
				<u>112,400</u>	112,400
Transfers - General Fund/ Recreation Center Capital Projects Fund					
010-4900-5900.00	General Fund - Transfer Out	672,000	1,672,000	1,000,000	
015-0000-3961.00	Recreation Fund - Transfer In	0	1,000,000	1,000,000	
				<u>0</u>	
				Net Adjustments	125,517