



REPORT TO CITY COUNCIL

DATE: JUNE 25, 2014

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER 

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

SUBJECT: DISCUSSION TO CONSIDER THE ADOPTION OF RESOLUTION NO. 14-1754; ESTABLISHING FISCAL YEAR 2014-15 APPROPRIATIONS LIMITATIONS, AND RESOLUTION NO. 14-1755; ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR 2014-15, AND THE APPROVAL OF THE INDEPENDENT AUDITOR AND FINANCIAL POLICIES

Article XIII-b of the California State Constitution, known as Proposition 4, the Gann Initiative, was passed by the citizens of California on November 6, 1979. Proposition 4 placed limitations on the amount of annual appropriations "from the proceeds of taxes" for state and local governments. The legislation also provided a method to calculate the annual appropriation limit, using a growth factor comprised of the Consumer Price Index (CPI) for California per capital income and the percentage change in population. The City of Agoura Hills appropriation limit for the General Fund from the "proceeds of taxes" for fiscal year 2014-15 is in the amount of \$14,827,188.

The General Fund operational budget is balanced, with revenues of \$12.5 million, operating expenditures of \$11.6 million, and operating fund transfers of \$872,000 (\$12.5 million total). Expenditures from proceeds of taxes are projected at \$10.3 million, well within the Appropriations limit. The transfer out represents \$672,000 to pay debt service on the 2007 bond refunding and \$200,000 to pay costs to complete the Recreation Center. Public Safety continues to be a high priority at 30% of the General Fund budget to fund various safety programs. These include patrol and traffic personnel, a juvenile intervention team, school crossing guards, youth drug awareness education programs, and animal control services. In addition to the Chesebro interchange plans and designs and Agoura Road widening projects, the Fiscal Year 2014-15 Budget includes funding for several capital improvement projects, including beautification through trash and weed abatement along the U.S. 101 corridor, the annual street overlay program, sidewalk repairs, and other traffic improvement projects.

On June 11, 2014, the City Council held a budget workshop, extensively covering all budget matters, and direction by the City Council has been incorporated into the final budget. The Fiscal Year 2014-15 Budget for the City of Agoura Hills of \$27.5 million includes approximately \$14.4 million in day-to-day operational/service costs, with an

additional \$13.1 million in capital improvement projects. The Capital Improvement Projects include \$8.9 million to be spent on Measure R transportation related projects. In addition, \$3.3 million is proposed to be spent on the Recreation Center Capital Improvement Project.

For the budget year 2014-15 the General Fund projected ending fund balance is \$8.6 million, or 69% of operating expenditures and transfers.

Finally, the City currently does not have formal policies on the rotation of independent auditors or the review of financial policies and procedures. The independent auditor policy establishes guidelines for seeking outside auditors and the rotation of firms and partners. The financial policy implements a schedule to review key financial procedures and policies. Staff reviewed several municipal policies and consulted with legal counsel. The proposed policy was discussed at the Finance Committee meeting.

RECOMMENDATION

Staff respectfully recommends the City Council adopt Resolution No. 14-1754; Establishing the Appropriations Limit for Fiscal Year 2014-15, Resolution No. 14-1755; Adopting the Annual Budget for Fiscal Year 2014-15, and approve the Independent Auditor and Financial Policies.

Attachments: Sources and Uses
City Council Resolution Nos. 14-1754 and 14-1755
Independent Auditor Policy
Financial Policy

**City of Agoura Hills
Sources and Uses
Estimate 2014-15**

Fund	----- Estimate 2014/15 -----				Fund Balance 06/30/2015
	Fund Balance 06/30/2014	Revenues	Expenditures	Transfers (Out)/In	
<u>City of Agoura Hills</u>					
010 General Fund	8,587,227	12,538,180	11,660,192	(872,000)	8,593,214
20 Gas Tax	135,807	535,064	532,800		138,071
40 Traffic Safety	16,941	95,200	82,000		30,141
60 Proposition A	600,757	550,718	610,345		541,130
61 Proposition C	3,850	290,500	101,247		193,103
63 Measure R	210,453	210,280	420,560		173
70 SCAQMD	80,746	27,000	1,200		106,546
110 Traffic Improvement	1,285,276	32,500	15,000		1,302,776
111 Utility Undergrounding	49,262	500	-		49,762
240 Suppl. Law Enfcmnt	5,557	100,700	100,000		6,257
250 CDBG		171,000	171,000		-
260 Misc. Grants	27,887	397,534	562,662		(137,241)
520 Waste Management	115,311	75,250	109,500		81,061
420 Inc. Housing In-Lieu	2,746,389	8,000			2,754,389
300 Public Fin Auth Debt Service	4,628	-	671,432	672,000	5,196
305 Improvement Authority Debt Serv	334,996		170,825		164,171
15 Rec Center Capital Projects	2,353,121	750,000	3,303,121	200,000	(0)
16 Stormwater Capital Projects	93,790	-	80,000		13,790
18 Measure R Capital Projects	1,198,277	8,033,704	8,928,394		303,587
Total City of Agoura Hills	17,850,274	23,816,130	27,520,278	-	14,146,126

**City of Agoura Hills
Sources and Uses
Estimate 2013-14**

Fund	Estimate 2013/14				Fund Balance 06/30/2014
	Fund Balance 06/30/2013	Revenues	Expenditures	Transfers (Out)/In	
<u>City of Agoura Hills</u>					
010 General Fund	8,536,844	12,424,985	11,454,352	(920,250)	8,587,227
20 Gas Tax	165,340	603,267	632,800		135,807
40 Traffic Safety	11,241	95,200	89,500		16,941
60 Proposition A	589,424	1,126,345	1,115,012		600,757
61 Proposition C	250,706	289,460	536,316		3,850
63 Measure R	173	210,280	-		210,453
70 SCAQMD	58,746	27,000	5,000		80,746
110 Traffic Improvement	1,257,776	32,500	5,000		1,285,276
111 Utility Undergrounding	120,362	500	71,600		49,262
240 Suppl. Law Enfemt	4,857	100,700	100,000		5,557
260 Misc. Grants	(24,873)	538,084	485,324		27,887
520 Waste Management	142,011	75,300	102,000		115,311
420 Inc. Housing In-Lieu	2,476,389	270,000			2,746,389
300 Public Fin Auth Debt Service	1,758	-	669,130	672,000	4,628
305 Improvement Authority Debt Srv		3,727,984	292,988	(3,100,000)	334,996
15 Rec Center Capital Projects	3,969,621	2,515,000	7,431,500	3,300,000	2,353,121
16 Stormwater Capital Projects	123,790	-	130,000	100,000	93,790
17 Reyes Adobe Interchange Project	50,522	1,228	-	(51,750)	0
18 Measure R Capital Projects	(1,480,379)	6,878,187	4,199,531		1,198,277
Total City of Agoura Hills	16,254,307	28,916,020	27,320,053	-	17,850,274

RESOLUTION NO. 14-1754

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF AGOURA HILLS, CALIFORNIA, ESTABLISHING
FISCAL YEAR 2014-15 APPROPRIATIONS LIMITATIONS**

WHEREAS, Article 13b of the California Constitution refers to a government entity's requirement for the establishment of an appropriations limit; and

WHEREAS, Senate Bill 1352, Chapter 1205, 1980, statutes adds Revenue and Taxation Code, Section 7910, which requires each local government to establish it's appropriation limits by resolution each year at a regularly scheduled meeting.

NOW, THEREFORE, BE IT RESOLVED, that the City of Agoura Hills' appropriation limitation for Fiscal Year 2014-15 shall be \$14,827,188.

BE IT FURTHER RESOLVED, that any challenge to the appropriations limits, as per the above mentioned government codes, must be brought to the City of Agoura Hills' attention within sixty (60) days of the effective date of this resolution.

PASSED, APPROVED, AND ADOPTED, this 25th day of June, 2014, by the following vote to wit;

AYES: ()
NOES: ()
ABSENT: ()
ABSTAIN: ()

William D. Koehler, Mayor

ATTEST:

Kimberly M. Rodrigues, City Clerk

**CITY OF AGOURA HILLS
GANN APPROPRIATION LIMIT
FY 2014-15**

Appropriation Limitation Calculation				Schedule 1	Appropriation Subject to Limit			
% Change in				Appropriation Limit by Fiscal Year				Non
Personal Income	Population per DOF	Growth Factor	in		Source	Estimated Revenues	Proceeds of Tax	Proceeds of Tax
1981-82 Base Year Approp Subject to Limit:				\$2,200,000	Unrestricted:			
Allowed Growth Rate:								
1992-93	0.9936	1.0133	1.0068149	5,920,556	Taxes	\$11,014,000	\$10,304,000	\$710,000
1993-94	1.0272	1.0080	1.0354176	6,130,248	License and Permits	348,000		348,000
1994-95	1.0071	1.0028	1.0099199	6,191,060	Intergovernmental	0		0
1995-96	1.0472	0.9969	1.0439537	6,463,180	Charges for Services	805,680		805,680
1996-97	1.0467	1.0034	1.0502588	6,788,011	Fines and Forfeitures	74,000		74,000
1997-98	1.0467	1.0104	1.0575857	7,178,904	Interest Earnings	75,000	60,000	15,000
1998-99	1.0415	1.0120	1.0539980	7,566,550	Miscellaneous	221,500		221,500
1999-00	1.0453	1.0158	1.0618157	8,034,282	Total Unrestricted	12,538,180	10,364,000	2,174,180
2000-01	1.0491	1.0148	1.0646267	8,553,511	Restricted:			
2001-02	1.0782	1.0137	1.0929713	9,348,742	Bonds			0
2002-03	0.9873	1.0400	1.0267920	9,599,213	License and Permits	3,250		3,250
2003-04	1.0231	1.0157	1.0391627	9,975,145	Intergovernmental	10,564,848		10,564,848
2004-05	1.0328	1.0102	1.0433346	10,407,413	Charges for Services	90,000		90,000
2005-06	1.0526	1.0540	1.1094404	11,546,405	Fines and Forfeitures	95,000		95,000
2006-07	1.0396	1.0017	1.0413673	12,024,049	Interest Earnings	28,200		28,200
2007-08	1.0442	1.0034	1.0477503	12,598,200	Miscellaneous	496,652		496,652
* 2008-09	1.0429	1.0056	1.0487402	13,212,239	Total Restricted	11,277,950	0	11,277,950
* 2009-10	1.0062	1.0058	1.0120360	13,371,262	Total Source of Funds	\$23,816,130	\$10,364,000	\$13,452,130
2010-11	0.9746	1.0059	0.9803501	13,108,518				
* 2011-12	1.0251	1.0025	1.0276628	13,471,136				
* 2012-13	1.0377	1.0021	1.0398792	14,008,354				
2013-14	1.0512	1.0045	1.0559304	14,791,847				
2014-15	0.9977	1.0047	1.0023892	14,827,188				
2014-15 Appropriation Limit				\$14,827,188				
Less Appropriations subject to limit (Sched 2)				10,364,000				
2012-13 Appropriations Under Allowed Limit				\$4,463,188				

* Revised

RESOLUTION NO. 14-1755

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF AGOURA HILLS, CALIFORNIA, ADOPTING THE
ANNUAL BUDGET FOR FISCAL YEAR 2014-15**

WHEREAS, the City Council has reviewed the City Manager's preliminary budget for Fiscal Year 2014-15, and

WHEREAS, a budget workshop concerning the Fiscal Year 2014-15 proposed budget was held Wednesday, June 11, 2014,

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Agoura Hills, as follows:

1. That the Fiscal Year 2014-15 Budget be approved pursuant to Chapter 6, Section 2603 (Ordinance No. 22) of the City of Agoura Hills Municipal Code and that the proposed amendments to the Fiscal Year 2014-15 Budget be approved.
2. Any unused appropriations from the Fiscal Year 2013-14 Adopted Budget at the end of Fiscal Year 2013-14 may be re-appropriated by the City Manager for continued use in Fiscal Year 2014-15.

PASSED, APPROVED, AND ADOPTED, this 25th day of June, 2014, by the following vote to wit;

AYES: ()
NOES: ()
ABSENT: ()
ABSTAIN: ()

William D. Koehler, Mayor

ATTEST:

Kimberly M. Rodrigues, City Clerk



INDEPENDENT AUDITOR POLICY

PURPOSE

The purpose of this policy is to provide for the rotation of independent auditors who perform the annual examination of the City's financial statements and render an opinion thereon.

POLICY

It shall be the policy of the City Council that independent auditors will serve initially for a period of two years. Provided that services are satisfactory to staff and the City Council, at the conclusion of the initial two-year period, staff will be authorized to negotiate an additional three-year term and revised contract, subject to City Council approval.

Following the first five-year period of utilizing any audit firm, the City shall consider other audit firms, as well as the current firm. However, if the current firm is selected, a mandatory rotation of the Partner and Manager shall take place. Following ten years of utilizing any audit firm, a mandatory rotation of firms will take place. Pursuant to Government Code Section 12410.6(b), in no event shall the City employ a public accounting firm to provide audit services to the City if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the City for six consecutive fiscal years, unless the Controller waives this requirement upon making the finding that another eligible public accounting firm is not available to perform the audit.

PROCEDURE

1. The Request for Proposal process shall be used in the evaluation of prospective audit firms.
2. Following the conclusion of the initial two-year term with an auditor, a report to the City Council will be prepared, discussing staff's evaluation of the audit services for the period then ended, and, if staff's evaluation of service levels provided is satisfactory, contract terms for the upcoming three-year period shall be presented to the City Council.
3. Prior to the expiration of a five-year term with an auditor, staff will solicit proposals from at least three firms (one may be the current firm) and will evaluate such proposals. Members of the Finance Committee will be invited to interview the firms. A report to the City Council will be prepared recommending the selection of an audit firm for a period of two years with a provision to extend for three additional years, along with a proposed contract for approval.

4. Prior to the expiration of a ten-year term with an audit firm, staff will solicit proposals from at least three firms (not including the current firm) and will evaluate such proposals. A report to the City Council will be prepared recommending the selection of an audit firm for a period of two years with a provision to extend for three additional years.
5. Audit contracts shall require that auditors conform to the independence standard promulgated in the General Accounting Office's Government Audit Standards, even for audit engagements that are not otherwise subject to generally accepted government auditing standards.
6. All audits shall be made by a certified public accountant or public accountant licensed by and in good standing with the California Board of Accountancy.



FINANCIAL POLICY

PURPOSE

The purpose of this policy is to provide for the implementation, review and update of financial policies and procedures.

POLICY

It shall be the policy of the City Council that financial policies and procedures be reviewed annually and updated at least once every three years.

PROCEDURE

1. Each financial policy shall be updated every three years, reviewed by the Finance Committee for its recommendation to the City Council, and considered by the City Council for final approval.
2. All financial policies shall be included in the City's annual budget document and reviewed annually as a part of the City's annual budget workshop.
3. All financial procedures shall be reviewed by the City Treasurer annually and updated at least every three years.