

REPORT TO CITY COUNCIL

DATE: OCTOBER 14, 2020

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: NATHAN HAMBURGER, CITY MANAGER

BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE

SUBJECT: QUARTERLY BUDGET UPDATE AND RECOMMENDATIONS TO AMEND FISCAL YEAR 2020-21 BUDGET

In June, 2020 the City Council adopted the Fiscal Year 2020-21 Budget. The City adopted a balanced budget with General Fund Revenues of \$16.8 million and General Fund Expenditures and Transfers out of \$16.8 million. The adopted budget anticipated that many of the health restrictions would be lifted by July, 2020 and it was hopeful that the economy would return to its previous state by September, 2020. Continuation of the Health Orders now requires us to make further adjustments. Staff has reviewed current data and has made projections through December, assuming there is no change in the Health Orders. Thus, the recommendation is to reduce revenues by \$726,213 and expenditures by \$688,798. The table below reflects the overall recommendations, as shown in the attached Exhibit "A".

General Fund	Current 2020/21	Difference	Recommended 20/21
Revenues	\$16,815,374	(\$726,213)	\$16,089,161
Expenditures/Transfers	16,772,887	(688,048)	16,084,839
Net Income/(Loss)	\$42,487	(\$38,165)	\$4,322

As shown in the above table, the General Fund is currently budgeted with a \$42,487 surplus, the recommended adjustments bring the General Fund to a \$4,322 surplus.

Revenues

Transient Occupancy tax is generated from hotel stays and collected quarterly from the City's four hotels. In discussions with the individual hotel management staff, and reviewing the revenue to date, it is anticipated that occupancy is and at least in the short-term will remain below the original projections. Furthermore, our newest hotel, did not open until mid-August, although it was originally anticipated that they would be open in late June.

Staff has projected revenue through December, and if the Health Orders remain in place, the occupancy is anticipated to remain the same, with revenues reduced by \$600,000 or 18%.

With the City's Recreation and Event Center closed to the public and all major events, camps, classes and excursions, cancelled during the summer and fall, a reduction of \$89,500 in park and recreation fees and a reduction of \$156,000 in rental revenues is recommended.

The City will receive CARES Act money to offset costs of public safety measures in the Fiscal Year 2020-21. The current budget anticipated \$50,000, which has been adjusted by \$119,287 based on the updated information received.

Expenditures

The promotion of the Community Development Director to Assistant City Manager left a temporary vacancy in Community Development. Furthermore, the vacancy of the Planning Director position left a temporarily unfilled position. Additionally, two positions which are furloughed have been extended due to the continued closure of city facilities. This resulted in a recommended budget reduction in full-time salaries and benefits of \$112,341.

Due to the current closure of the Recreation and Event Center, there were no excursions, large events, or classes during the summer or fall. Based on the current Health Orders, staff is anticipating that the Center will remain closed for in-person events and excursions through December. This has resulted in savings for events like Reyes Adobe Days, the Rose Parade excursion, camps, and classes. Additionally, the recommended reduction includes budgeted costs for contract instructors, part-time employees, supplies, printing and event security are recommended to be eliminated through December. A total reduction of \$345,250 in expenses is recommended within the Recreation department.

During the budget process one sheriff position was eliminated. Part of the savings was placed in the budget, in case additional services were needed. Staff is recommending a reduction of \$120,000 in this line item, which still leaves some money for emergency use, if needed. Additionally, the STAR program was budgeted at \$49,207. Due to the current Health Orders, the Sheriff's department has eliminated this program for the current fiscal year, therefore, the elimination of the line item is being recommended.

Crossing guard services are requested to be reduced by \$35,000 for Fiscal Year 2020-21, due to the distant learning environment and no in-person activities at the local schools. This still leaves monies in the budget for crossing guard services, if school resumes in January, 2021.

Finally, the City has two lobbyists, one which focuses primarily on federal programs and one that covers multiple levels of programs, including federal, state programs, and assistance with the City's current water quality grant applications. Due to the lack of federal programming and funding sources to meet the City's current needs, it is recommended that the budget be reduced by \$26,250 and to eliminate the services for one of the lobbyists that only covers federal programs from January to June 2021.

After the Woolsey Fire, the City applied for a HMGP grant through FEMA for flood protection on Agoura Road. The City has received notification it may be eligible for \$96,017, which unfortunately is only a portion of the total project cost. To complete the project, the City would need at least an additional \$68,300 in General Fund money, which is not included in the 2020/21 budget. Although this project would have been something that would be beneficial to complete, it was not one of the top priority projects. Currently, the funds are being held in escrow, by the law firm of Baron and Budd, because they are part of the SCE litigation settlement. The City Council is being asked to consider not moving forward with this project at this time, thus allowing the City to utilize the funds to be taken in as General Fund money. The grant amount would be combined with other funds held in retention to the settlement and would provide additional revenue in the budget, which could be used in the event further reductions are needed, or unanticipated expenses arise. Should the City Council decide to forego moving forward with this project, staff would need to complete the necessary process to request the funds to be released and would be received sometime later in the current fiscal year.

As part of the budget adoption, staff recommended quarterly budget reviews. Due to the timing of the City's revenue and expenses, this timeframe will provide a snapshot of the first six months of the 2020-21 fiscal year and accurate account of the short-term economic effects of the pandemic. Staff will continue to monitor the numbers monthly and anticipates the next review to occur in February 2021, and will report back sooner, if needed.

The proposed budget amendments were reviewed, discussed, and are being recommended for approval by the Finance Subcommittee.

RECOMMENDATION

Staff respectfully recommends the City Council adopt the recommendations to amend the Fiscal Year 2020-21 Budget and to forgo the flood protection project on Agoura Road.

Attachment: Exhibit "A"

Exhibit A

**City of Agoura Hills
Recommended Adjustments
Fiscal Year 2020-21**

		<u>Current Budget</u>	<u>Proposed Budget</u>	<u>Proposed Adjustment Inc/(Dec)</u>	<u>Subtotal Adjustment Inc/(Dec)</u>
Adjustments General Fund					
Revenue - General Fund					
010-0000-313000	Transient Occupancy Tax	3,428,565	2,828,565	(600,000)	
010-Various	Park and Recreation Fees	230,500	141,000	(89,500)	
010- Various	Rental Fees	266,500	110,500	(156,000)	
010-0000-391000	Miscellaneous Revenue	385,000	504,287	119,287	
Adjustments to Revenues					<u>(726,213)</u>
Expenditures - General Fund					
Salaries and Benefits					
010-Various	Full-Time Salaries and Benefits			(112,341)	
					<u>(112,341)</u>
Recreation					
010- Various	Part-time salaries, programs, events	811,450	466,200	(345,250)	
					<u>(345,250)</u>
Sheriff					
010-4210-552057	Other Sheriff Services	123,600	3,600	(120,000)	
010-4210-552055	Star Program	49,207	-	(49,207)	
					<u>(169,207)</u>
Crossing Guards					
010-4220-551000	Professional Services	35,000	-	(35,000)	
					<u>(35,000)</u>
Non-Departmental					
010-4190-551000	Professional Services	118,500	92,250	(26,250)	
					<u>(26,250)</u>
Adjustments to Expenditures					<u>(688,048)</u>
Current Budgeted Net Income					42,487
Net Adjustment this Exhibit					<u>(38,165)</u>
Recommended 2020/21 Net Income					<u><u>4,322</u></u>