

REPORT TO CITY COUNCIL

DATE: OCTOBER 28, 2020

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: NATHAN HAMBURGER, CITY MANAGER

BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE

SUBJECT: RECOMMEND ADOPTION OF AMENDMENTS TO CITY OF AGOURA HILLS, CALIFORNIA, FISCAL YEAR 2019/20 BUDGET

The request before the City Council is to consider the amendments to the Fiscal Year 2019/20 City of Agoura Hills (City) Budget, as shown in Exhibit 'A'. The Finance Committee has met and considered the recommended adjustments.

General Fund

In March of 2020, the COVID-19 Pandemic ("Pandemic") resulted in health and safety directives that resulted in the closure of businesses and stay-at-home orders. This impacted the City's Fiscal Year 2019/20 budget, as sales tax, and transient occupancy taxes were impacted. Although the City Council reviewed the 2019/20 budget in July, 2020, the length of the health crisis was unknown.

The City has a balanced budget policy, which states that the General Fund operating revenues must fully cover operating expenditures, including debt service. Under this policy it is allowable for total expenditures to exceed revenues in a given year; however, in this situation beginning fund balance can only be used to fund capital improvement plan projects, or other "one-time", nonrecurring expenditures. Furthermore, the fund balance must meet the minimum policy levels of 40% as defined by the City Council.

Unaudited General Fund revenues, including the loan repayment from the Successor Agency, are 98% of the amended budget:

General Fund Revenues	Unaudited Actual	Amended Budget
Total Revenues	\$16,395,155	\$16,603,145
Less Pandemic Related	(79,486)	0
Less SCE & FEMA	(1,399,707)	(1,399,707)
Net Operational Revenues	\$14,915,962	\$15,203,438

Fiscal Year 2019/20 amended the General Fund budget for expenditures and transfers is shown as follows:

General Fund Expenditures	Unaudited Actual	Amended Budget
Total Expenditures & Transfers	\$17,480,616	\$17,402,384
Less Pandemic Related	(171,890)	(95,000)
Less Transfer – Storm Water Project	(400,000)	(400,000)
Net Operational Expenditures	\$16,908,726	\$16,907,384

The above graphs show that although the City complied with the balanced budget policy, a one-time use of reserves was necessary (\$14,915,962 - \$16,908,726) to meet operational needs. The use of reserves, due to the Pandemic, and the transfer to the Storm Water Project Fund were also a one-time use of money. The operational use of reserves was off-set with the money received from the Southern California Edison (SCE) litigation and Federal Emergency Management Agency (FEMA). The reserve level will be discussed later in this report.

In reviewing operational revenues, the majority of the decline is related to Transient Occupancy Taxes, which came in under budget (10% or \$226,653) because of reduced occupancy rates in the hotels caused by the Pandemic closures.

The projected Total General Fund Expenditures and Transfers are over budget by less than 1% or \$78,232. The majority of the overage relates to unanticipated costs for health and safety measures (\$77,000 greater than budgeted). Additionally, Public Works went over budget by \$109,471 for flood repair work, contract services and plan check and inspection. The remaining details are shown in Exhibit "A".

The net General Fund use of reserves was \$1,085,491 or 6% of the budget. This use of reserves can be explained as follows:

Transfer to Storm Water Fund	\$ 400,000
Various Expenditures	140,673
Revenue Reductions – Pandemic	449,818
Expenditure Reductions – Pandemic	95,000
Total Use of Reserves	\$1,085,491

Reserve levels are projected to be at 49% of operating expenses and transfers for Fiscal Year 2019/20. However, it is important to note that the reserves are broken into two components. The cash portion is \$6.1 million or 35% of operating expenses, and the remainder consists of a long-term receivable between the City and Los Angeles County Metropolitan Transportation Authority (METRO) for the Palo Comado Interchange Project. The City will continue to need the reserves to serve as a temporary funding source for new projects. The recommended budget is balanced and in compliance with

the Balanced Budget Policy. This means operating revenues cover operating expenditures, including debt service, and the ending fund balance meets the minimum policy level as defined by City Council resolution.

The City utilizes a departmental budget process, breaking out various functions of operations to allow for a transparent budget for the community to see and understand. Excluding the one-time expenses for health and safety purposes, operational expenses were over budget in Fiscal Year 2019/20 by \$1,342. Various departments within the General Fund exceeded budgeted appropriations, as explained in Exhibit 'A'. These costs were offset by savings in other departments. The major departmental increases are summarized below.

City Manager

The costs budgeted for the City Manager exceeded budget by \$34,000 (3%) primarily due to a new position, Public Safety Liaison Officer, which was anticipated to be a Los Angeles County Sheriff position. The monies were budgeted in the Sheriff department, and are recommended to be transferred between departments. The Fiscal Year 2020/21 budget has included the expenses in the City Manager Department.

City Attorney

The costs for the City Attorney contract exceeded budget by \$18,000 (5%). This was due to unanticipated litigation.

Community Development

This budget was impacted by unanticipated costs for various studies, primarily related to the Climate Action Plan. This resulted in an additional \$23,000 (2%) in costs.

Public Works Administration

Costs for Public Works Administration exceeded their budget by \$109,471, or 11%. This relates, primarily, to additional needs for second-year maintenance of flood control costs (\$55,300), more than anticipated, and additional contract services (\$29,350).

Traffic Safety

This budget includes amounts for accident repairs. The estimate was lower than the actual expenditures by \$39,128. The City is seeking reimbursement for these costs.

Storm Drain and Flood Control

These costs were originally anticipated to be paid with Measure W, and were budgeted in a special fund. However, the City will not start receiving the funds September, 2020. Therefore, the costs were transferred to the General Fund, resulting in an additional \$62,800 in expenditures.

Proposition C Fund

The City received Proposition C monies from the County to offset costs of the Palo Comado Interchange Project. The City utilizes these funds, and is then reimbursed through Measure R or M. The money is returned to Proposition C and utilized for additional projects. These monies were spent and reimbursed three times during the fiscal year, resulting in an increased expenditure of \$600,000.

Measure M Local Return Fund

The City Measure M monies come from sales taxes and are to be used for transportation related expenses. The Measure M local return budget was exceeded by \$31,700 (11%) due to additional sidewalk repairs.

RECOMMENDATION

Staff respectfully recommends the City Council adopt the proposed amendments to the Fiscal Year 2019/20 Budget for the amounts shown in Exhibit 'A'.

Attachment: Exhibit 'A'

City of Agoura Hills
Fiscal Year 2019/20 Budget Amendments
Exhibit 'A'

Project/Fund	Account	Account Number	Amendment	Reason
REVENUES				
General Fund	Transient Occupancy Tax	010-0000-313000	<u>(226,653)</u>	Decline due to Covid-10 Health Orders
			<u>(226,653)</u>	
EXPENSES				
City Manager				
General Fund	Personnel	010-4120-510200	34,000	Crime Analyst budgeted in sheriff, need reclass
City Attorney				
General Fund	Contract Services	010-4140-552000	18,000	Additional services needed
Public Facilities				
General Fund	Maintenance/Building&Ground	010-4180-543000	17,100	Additional services needed
Automated Office Systems				
General Fund	Professional Services	010-4195-551000	3,200	Additional services needed
Emergency Incident				
General Fund	Contract Services	010-4219-552000	77,000	Unanticipated due to COVID-19
Community Development				
General Fund	Contract Services	010-4305-552000	23,000	Additional work on various studies
Building & Safety				
General Fund	Contract Services	010-4390-552000	3,390	Additional plan check services
Landscape Maintenance				
General Fund	Contract Services	010-4520-552000	9,800	Additional contract services
Public Works				
General Fund	Regular Salaries	010-4505-510100	8,512	Less time allocated to projects than anticipated
General Fund	Printing	010-4505-542300	4,336	Additional services needed
General Fund	Contract Services	010-4505-551000	29,350	Unanticipated legal and traffic studies
General Fund	Plan check and inspection	010-4505-552002	11,973	Plan checks greater than anticipated
General Fund	Special Projects	010-4505-552003	55,300	Second year flood costs greater than anticipated
Traffic Safety				
General Fund	Accident Repairs	010-4510-552014	39,128	Unanticipated costs
Storm drain & Flood				
General Fund	Contract Services	010-4525-552000	62,800	Additional contract services
Total General Fund Recommended Expense Increases			<u><u>396,889</u></u>	
Total General Fund Recommended Increase			<u><u>\$ 623,542</u></u>	
City Clerk				
General Fund	Contract Services	010-4125-544000	(22,500)	Decreased scanning due to Covid-19
Non-Departmental				
General Fund	Contract Services	010-4190-543700	(34,000)	Savings due to cancellation of programs Covid19
Los Angeles County Sheriff				
General Fund	Crime analyst	010-4210-552063	(50,000)	Charged to City Manager Department
General Fund	Special Events	010-4210-552052	(10,000)	Events cancelled due to Covid-19
General Fund	STAR Program	010-4210-552055	(6,300)	Savings due to Covid-19
General Fund	Additional Services	010-4210-552058	(9,200)	Reduced need of additional services
School Crossing Guards				
General Fund	Professional Services	010-4220-551000	(6,000)	Savings due to Covid-19
Animal Control				
General Fund	Contract Services	010-4240-552000	(23,000)	Less services than anticipated

**City of Agoura Hills
Fiscal Year 2019/20 Budget Amendments
Exhibit 'A'**

Project/Fund	Account	Account Number	Amendment	Reason
Recreation				
General Fund Recreation Center	Materials, supplies	010-4420-54xxxx	(27,000)	Savings due to Covid-19 health order closure
General Fund	Part-time Salaries	010-4426-510200	(11,000)	Savings due to Covid-19 health order closure
General Fund	Utilities	010-4426-542800	(12,000)	Savings due to Covid-19 health order closure
Reyes Adobe				
General Fund Community Services	Maintenance Buildings/Grounds	010-4425-543000	(18,125)	Less maintenance than anticipated
General Fund	Regular Salaries	010-4440-510200	(28,400)	Savings due to Covid-19 layoffs, furloughs
Parks Maintenance				
General Fund	Special Supplies	010-4450-542400	(24,600)	Savings on Special supplies
Total General Fund Recommended Expense Decreases			<u><u>(282,125)</u></u>	
Various Departments			(37,000)	
Net Increase General Fund			<u><u>\$ 304,417</u></u>	
Recreation Center Capital Projects Fund				
Rec Center Cap Pro Fund	Contract Services	015-4610-552000	2,400	Costs greater than originally budgeted
Proposition C Fund				
Proposition C Fund	Street Improvements	061-4640-630500	600,000	Costs for Palo Comado Project
Measure M Local Return				
Measure M Local Return	Personnel	064-4505-510100	2,700	Costs greater than originally budgeted
Measure M Local Return	Street Repairs and Maintenance	064-4510-552020	29,000	Costs greater than originally budgeted
South Coast Air Quality Mgmt District				
South Coast Air Quality Mgmt	Charging Station	070-4190-568200	7,500	Unanticipated project costs
Agoura Hills Authority Bond				
Agoura Hills Authority Bond	Administrative Charges	305-4180-580000	5,000	Contract costs greater than budgeted
Solid Waste Management				
Solid Waste Management	Contract Services	520-4395-552000	16,000	Contract costs greater than budgeted