

REPORT TO CITY COUNCIL

DATE: FEBRUARY 24, 2021
TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
FROM: NATHAN HAMBURGER, CITY MANAGER
BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE
SUBJECT: MIDYEAR BUDGET UPDATE AND RECOMMENDATIONS TO AMEND FISCAL YEAR 2020-21 BUDGET

The request before the City Council is to consider the amendments to the Fiscal Year 2020/21 City of Agoura Hills (City) Budget, as shown in Exhibit 'A'. The Finance Subcommittee has met and considered the recommended adjustments. The amended budget anticipated that many of the health restrictions would be lifted by December, 2020, and it was projected that the economy would return to its previous state by September, 2020. Continuation of the State and County Health Orders now requires us to consider further adjustments. The City Council last amended the Fiscal Year 2020-21 Budget in October, 2020. Staff has reviewed current data and has made projections through June, 2021 assuming there is no change in the Health Orders. Thus, the recommendation is to reduce revenues by \$521,910 and expenditures by \$413,085. The table below reflects the overall recommendations, as shown in the attached Exhibit "A".

General Fund	Current 2020/21	Recommended 20/21	Difference
Revenues	\$16,089,161	15,567,251	(\$521,910)
Expenditures/Transfers	16,084,839	15,671,753	(413,086)
Net Income/(Loss)	\$4,322	(\$104,502)	(\$108,824)

As shown in the above table, the General Fund is currently budgeted with a \$4,322 surplus, the recommended adjustments bring the General Fund to a \$104,502 deficit.

Revenues

When Sales and Use Tax was estimated at the start of the pandemic, the full impacts to the City revenues were uncertain. However, a recent review by HdL Companies, the City's consulting firm, shows that most sectors are doing better than previously anticipated, particularly general consumer goods, restaurants, and state and county pools. Overall, Sales Tax is projected to be \$547,620 (14.5%) greater than originally projected. This increase is offset by a major decline in Transient Occupancy Tax.

Transient Occupancy Tax is generated from hotel stays and collected quarterly from the City's four hotels. This source generally is 20% of the City's General Fund revenue. With

staff's current recommendations, this revenue source will only bring in 10% of the City's General Fund revenue. 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. In October, the Council adopted a \$600,000 reduction in the budgeted revenues, anticipating that the economy would be picking up by September, 2020. However, the Health Orders became stricter in November, 2020, and revenues continued to decline. Staff now projects an additional reduction of \$1,303,030 or 46%.

With the City's Recreation and Event Center closed to the public and all major events, camps, classes and excursions, anticipated to be cancelled through June, a reduction of \$86,000 in park and recreation fees and a reduction of \$35,500 in rental revenues is recommended. This is offset by a recommended reduction of \$206,700 in program-related costs and events.

The City applied for a Prop A Excess Surplus Grant, which provided an additional \$97,000 to offset the cost of operating the Recreation and Event Center. Additionally, the City will receive an additional \$84,000 more in CARES Act money than anticipated. And, finally, the City has been notified that it will receive \$204,000 in revenues from the final payout of the Southern California Edison settlement. These adjustments are reflected in an adjustment to Miscellaneous Revenue of \$385,000 total.

Expenditures

The City had two unplanned retirements. An Executive Assistant, which is budgeted to be filled with an Administrative Assistant, and a Planning Director, which has been filled with a Senior Planner. These changes resulted in a net savings to the General Fund. Additionally, several part-time positions in the Community Services Department are recommended to go unfilled, due to the extended impact of the pandemic. This resulted in a recommended budget reduction in salaries and benefits of \$154,986.

In the City Manager Department, additional expenses for virtual videography presentations has led to an anticipated increase in costs of \$8,000. This is offset by a savings in travel, conferences, and meetings of \$5,000.

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 June. This has resulted in savings for events held at the Event Center and for summer concerts and movies. Additionally, the recommended reduction includes budgeted costs for contract instructors, supplies, printing, and event security, which are recommended to be eliminated through June. As stated above, a total reduction of \$206,700 in expenses is recommended within the Recreation department.

Emergency Costs

The City anticipates spending \$105,000 in emergency costs for things such as unemployment, advertising, and sanitization of the building, masks, and other necessary protective measures. Staff has begun the process of applying for FEMA, additional CARES, and any other cost reimbursements available. To date, no grant amounts have been secured, and so there is no revenue budgeted to cover these costs. As staff continues to explore options, and secure monies, updates will be provided.

Balanced Budget

The City Council has a Balanced Budget Policy which states that the City’s operating budget in the General Fund is allowed to have total expenditures exceed revenues in a given year for “one-time”, non-recurring expenditures. Furthermore, ending fund balance must meet the minimum policy levels as defined by Council Resolution.

The City Council reserve policy states that the City Council and staff will endeavor to designate an amount equal to or greater than forty (40%) percent of each year’s proposed General Fund Operating Budget as the City’s unobligated General Fund Reserve. On June 30, 2020, the percentage was 45% of operating expenditures and transfers. Because the General Fund Operating Expenditures and Transfers are budgeted to reduce, the projected percentage at June 30, 2021, will be 50%, which is above the required amount.

General Fund	2019/20 Actual	2020/21 Budgeted
Ending Fund Balance	\$ 7,943,437	\$ 7,838,934
Operating Expenses and Transfers	\$17,487,063	\$15,671,753
Percentage	45%	50%

As part of the budget adoption, staff recommended quarterly budget reviews. Due to the timing of the City’s revenue and expenses, this timeframe has provided 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. During the next six months it is anticipated that the Tourism Board Improvement District will market the area for short trip stays as vaccinations increase. Staff will continue to monitor the numbers monthly and anticipates the next review to occur in May, 2021, and will report back sooner, if needed.

RECOMMENDATION

Staff respectfully recommends the City Council review the recommendations to amend the Fiscal Year 2020-21 Budget with the following considerations for discussion.

1. Amend the adjusted budget, as recommended, with the \$104,503 deficit, and wait until May to see if any further adjustments either positive or negative occur.

2. Or recommend additional cuts to services such as a reduction in park landscape, deferral of building and vehicle maintenance, or the reduction of animal control services, and amend the budget, with the additional cuts.

Attachment: Exhibit "A"

**City of Agoura Hills
Recommended adjustments
Fiscal Year 2020/21**

		Current Budget	Proposed Budget	Proposed Adjustment Inc/(Dec)	Subtotal Adjustment Inc/(Dec)
Adjustments General Fund					
Revenue - General Fund					
010-0000-311000	Sales and Use Tax	3,770,647	4,318,267	547,620	
010-0000-313000	Transient Occupancy Tax	2,828,565	1,525,535	(1,303,030)	
010-0000-312002	Property Tax - Successor Agency	130,000	140,000	10,000	
010-0000-34xx	Building Plan Check	233,000	208,000	(25,000)	
010-Various	Park and Recreation Fees	141,000	55,000	(86,000)	
010- Various	Rental Fees	110,500	75,000	(35,500)	
010-0000-392000	Contributions	25,000	10,000	(15,000)	
010-0000-391000	Miscellaneous Revenue	504,287	889,287	385,000	
Adjustments to Revenues					<u>(521,910)</u>
Expenditures - General Fund					
Salaries and Benefits					
010-Various	Salaries and Benefits	4,928,192	4,773,206	(154,986)	
					<u>(154,986)</u>
Recreation					
010- Various	Programs, events	519,300	312,600	(206,700)	
					<u>(206,700)</u>
City Manager					
010-4120-541500	Travel, conference, meetings	10,000	5,000	(5,000)	
010-4120-551000	Professional Services	13,000	21,000	8,000	
					<u>3,000</u>
Finance					
010-4150-541500	Travel, conference, meetings	2,000	1,000	(1,000)	
010-4150-542300	Printing	4,500	3,500	(1,000)	
					<u>(2,000)</u>
Public Facilities					
010-4180-5424	Special Supplies	1,500	1,300	(200)	
010-4180-542800	Utilities	112,000	105,000	(7,000)	
010-4180-543400	Maintenance of Equipment	33,750	25,000	(8,750)	
010-4180-543401	Audio Visual Equipment Maintenance	7,500	3,750	(3,750)	
010-4180-543402	Vehicle Maintenance/Fuel	12,000	10,000	(2,000)	
					<u>(21,700)</u>
Emergency Incident					
010-4219 - Various	Emergency Incident Expenses	-	105,000	105,000	
					<u>105,000</u>

**City of Agoura Hills
Recommended adjustments
Fiscal Year 2020/21**

	Current Budget	Proposed Budget	Proposed Adjustment Inc/(Dec)	Subtotal Adjustment Inc/(Dec)
Community Development				
010-4305-552000	707,000	677,000	(30,000)	<u>(30,000)</u>
Building and Safety				
010-4390-541500	2,900	900	(2,000)	
010-4390-542200	2,000	1,300	(700)	
010-4390-552000	240,000	160,000	(80,000)	<u>(82,700)</u>
Landscape Maintenance				
010-4520-542400	47,000	20,000	(27,000)	
010-4520-552031	6,000	10,000	4,000	<u>(23,000)</u>
				<u>(413,086)</u>
				Adjustments to Expenditures
				4,322
				Current Budgeted Net Income
				(108,824)
				Net Adjustment this Exhibit
				(104,502)
				Recommended 2020/21 Net Income