

REPORT TO CITY COUNCIL

DATE: NOVEMBER 10, 2021

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: NATHAN HAMBURGER, CITY MANAGER

BY: CHRISTY TRUELSEN, DIRECTOR OF FINANCE

SUBJECT: ADOPTION OF AMENDMENTS TO CITY OF AGOURA HILLS, CALIFORNIA, 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 on Exhibit 'A'. The Finance Committee has reviewed the recommended adjustments.

In March of 2020, the COVID-19 pandemic resulted in health and safety directives that led to the closure of businesses, and limitations on gatherings. Many businesses continued to operate remotely which impacted the City's Fiscal Year 2020/21 budget. The major losses of revenue to the City of Agoura Hills were transient occupancy taxes, which are collected on hotel stays and the closure or limitations placed on events at the Recreation and Events Center.

In March, 2021, the Federal Government passed the American Rescue Plan (ARPA), which included money for state and local governments to assist with continuing operations. The City received \$2.4 million in these funds for Fiscal Year 2020/21 and is scheduled to receive a second allocation of \$2.4 million in Fiscal Year 2021/22. Additionally, the City received \$253,930 in Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020) money from the Federal Government. This money shown below (\$2,672,696) is excluded from operational revenues for 2020/21.

Unaudited Net Operational General Fund revenues, including the loan repayment from the Successor Agency, are 103% of the amended budget:

General Fund Revenues	Unaudited Actual	Amended Budget
Total Revenues	\$17,691,716	\$17,593,808
Less Pandemic related	(2,672,696)	(2,653,287)
Less SCE & FEMA	(113,391)	(204,000)
Less SB2 & LEAP Grants	0	(208,450)
Net Operational Revenues	\$14,905,629	\$14,528,071

Fiscal Year 2020/21 amended the General Fund Budget for expenditures and transfers is shown as follows:

General Fund Expenditures	Unaudited Actual	Amended Budget
Total Expenditures & Transfers	\$15,009,401	\$15,616,196
Less Pandemic related	(142,099)	(145,000)
Less SB2 & LEAP Grant related	(33,760)	(208,450)
Net Operational Expenditures	\$14,833,542	\$15,262,746
Net Operational Income (Deficit)	\$ 72,087	(\$ 734,675)

The above tables show that, while the City anticipated a \$734,675 operational use of reserves, the increase in operational revenues offset by a decrease in operational expenditures resulted in a \$72,087 operational surplus (\$14,905,629 - \$14,833,542).

In reviewing operational revenues, the majority of the increase is related to sales tax performing better than anticipated (5% or \$192,300) and property tax exceeding budget by \$139,318 or 2%. Because of the pandemic, both revenue sources were difficult to forecast.

The projected Net Operational Expenditures are under budget by less than 3% or \$429,204. Almost every department had operational savings, as staff looked for ways to reduce or defer expenditures due to the uncertainties that the City was facing. The details are shown in Exhibit "A".

The total increase to the reserves is projected to be \$2,682,315. This increase to the reserves can be explained as follows:

Net Operational Income	\$ 72,087
Net Pandemic related income	2,530,597
SCE and FEMA	113,391
Net SB2 & LEAP	(33,760)
Total increase to reserves	\$ 2,682,315

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.

Inclusive of the Pandemic related income, reserve levels are projected to be at \$10.9 million or 73% of operating expenses and transfers for Fiscal Year 2020/21. However,

the City has a planned use of those funds to support operations in Fiscal Year 2021/22 and 2022/23. Due to the use of ARPA funds over the coming years, and a return to normalized operating expense levels in the post Pandemic environment, the reserve percentage is anticipated to decline from 73% to 58% by the end of Fiscal Year 2022/23.

	FY 2020/21	FY 2021/22	FY 2022/23
Beginning Fund Balance	8,223,763	10,906,078	11,744,128
Ending Fund Balance	10,906,078	11,744,128	10,339,751
Percentage	73%	68%	58%

It is important to note that the reserves are broken into two components of cash and receivables. At June 30, 2021, the cash portion was \$4.2 million or 28% of operating expenses, an additional \$2.4 million for the ARPA revenue was not received until July, and the remainder consists of a receivable between the City and METRO for the Palo Comado Interchange and Agoura Road Widening Projects. The City will continue to need the reserves to serve as a temporary funding source for new infrastructure and capital improvement 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 is compliant with 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. 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 Attorney

The costs for the City Attorney contract exceeded budget by \$5,500 (2%). This was due to unanticipated litigation.

Automated Office Systems

The costs for this division include new computers and routers for remote work. Due to the continuation of the Pandemic, these costs exceeded budget by \$18,800 (6%).

Storm Drain and Flood Control

The management share of CIMP monitoring was transferred to the Storm Water Management Fund resulting in expenses being greater than budgeted by \$42,980 or 16%.

Recreation Center Capital Project Fund

The costs for completion of the trail above the Recreation and Event Center were \$24,000 which was not included in the 2020/21 Budget. These costs will be reimbursed from a Federal grant.

Proposition A Fund

Costs in the City's Proposition A Fund exceeded the budget by \$32,000, primarily due to increased costs for contract services for bus services.

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 \$9,550 (3%) due to additional staff time that was charged to the special fund.

Miscellaneous Grants Fund

The Miscellaneous Grants Fund was over budget by \$154,000 due to greater than planned progress on the Roadside Bridge Project. These costs will be reimbursed from a grant.

RECOMMENDATION

Staff respectfully recommends the City Council adopt the proposed amendments to the Fiscal Year 2020/21 Budget for the amounts shown in Exhibit 'A'.

Attachment: Exhibit 'A'

**City of Agoura Hills
Fiscal Year 2020/21 Budget Amendments
Exhibit 'A'**

Project/Fund	Account	Account Number	Amendment	Reason
EXPENSES				
City Attorney				
General Fund	Contract Services	010-4140-552000	5,500	Additional services needed
Automated Office Systems				
General Fund	Professional Services	010-4195-551000	18,800	Additional services needed
Storm drain & Flood				
General Fund	Contract Services	010-4525-552000	43,000	Additional contract services
Total General Fund Recommended Expense Increase:			<u><u>67,300</u></u>	
City Manager				
General Fund	Salaries	010-4120-510100	(40,000)	Savings due to retirement
Finance				
General Fund	Salaries	010-4150-510100	(27,300)	Savings due to shared costs in special funds
Total General Fund Recommended Expense Decrease:			<u><u>(67,300)</u></u>	
Net Increase General Fund			<u><u>\$ -</u></u>	
Recreation Center Capital Projects Fund				
Rec Center Cap Pro Fund	Contract Services	015-4610-552000	24,000	Costs greater than originally budgeted
Proposition A Fund				
Proposition A Fund	Dial-A-Ride	060-4530-552080	32,000	Costs for Dial-A-Ride
Measure M Local Return				
Measure M Local Return	Street Repairs& Maint.	064-4510-510100	10,000	Costs greater than originally budgeted
Miscellaneous Grants Fund				
Misc. Grants Fund	Roadside Bridge Widen	260-4640-6316	154,000	Unanticipated project costs