

REPORT TO CITY COUNCIL

DATE: NOVEMBER 9, 2022

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: NATHAN HAMBURGER, CITY MANAGER

BY: CHRISTY TRUELSEN, DIRECTOR OF FINANCE

SUBJECT: APPROVE ADOPTION OF AMENDMENTS TO CITY OF AGOURA HILLS, CALIFORNIA FISCAL BUDGET YEARS 2021/22 AND 2022/23

The request before the City Council is to consider the amendments to the Fiscal Year 2021/22 and 2022/23 City of Agoura Hills (City) budgets, as shown on Exhibit 'A'. The Finance Subcommittee 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 revenue forecasting for the Fiscal Year 2021/22 budget.

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 a second allocation of \$2.4 million in Fiscal Year 2021/22. The City also received \$32,778 in Sick Pay Relief money from the Federal Government. This money shown below (\$2,441,788) is excluded from operational revenues for 2020/21. Additionally, the City received \$231,963 from Southern California Edison (SCE) and \$22,536 from the Federal Emergency Management Agency (FEMA) as a part of the Woolsey Fire settlement. Because all of these are one-time monies, they are excluded from operational revenues in the chart shown below.

Unaudited Net Operational General Fund revenues, including the loan repayment from the Successor Agency, are 102% of the amended budget:

| General Fund Revenues | Unaudited Actual | Amended Budget |
|---------------------------------|-----------------------------|---------------------------|
| Total Revenues | \$21,596,752 | \$21,394,747 |
| Less Pandemic related | -2,441,788 | -2,400,000 |
| Less SCE & FEMA | -254,499 | -255,000 |
| Less SB2 & LEAP Grants | -32,778 | -310,000 |
| Net Operational Revenues | \$18,867,687 | \$18,429,747 |

Fiscal Year 2021/22 amended the General Fund budget for expenditures and transfers is shown as follows:

| General Fund Expenditures | Unaudited Actual | Amended Budget |
|---|-----------------------------|---------------------------|
| Total Expenditures & Transfers | \$18,422,274 | \$18,708,032 |
| Less Pandemic related | -22,272 | -18,500 |
| Less SB2 & LEAP Grant related | -84,600 | -310,000 |
| Net Operational Expenditures | \$18,315,402 | \$18,379,532 |
| Net Operational Income (Deficit) | \$552,285 | \$50,215 |

The above tables show that, while the City anticipated a \$50,215 net operational income, the increase in operational revenues was actually \$552,285.

In reviewing operational revenues, the majority of the increase is related to sales tax performing better than anticipated (4% or \$255,168) and transient occupancy tax exceeding budget by \$326,496 or 11%. Because of the pandemic, both revenue sources were difficult to forecast.

The projected Net Operational Expenditures are under budget by less than 1% or \$64,130. 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".

Staff is recommending that \$250,000 of the net operational income be transferred to the Capital Improvements Fund for park improvements, such as restrooms. Currently the City has money set-aside and some Measure A Grant funding. Staff is currently reviewing options, and the additional funding would provide greater flexibility. The project details will be brought back to the City Council at a future date.

With the addition of the \$250,000 transfer, the total increase to the reserves is projected to be \$2.9 million. This increase to the reserves can be explained as follows:

| | |
|---------------------------------------|---------------------|
| Net Operational Income | \$ 552,285 |
| Net Pandemic related income | 2,419,516 |
| SCE and FEMA | 254,499 |
| Net SB2 & LEAP | -51,822 |
| Transfer to Capital Improvements Fund | -250,000 |
| Total increase to reserves | \$ 2,924,478 |

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 planned 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 \$13.6 million or 74% of operating expenses and transfers for Fiscal Year 2021/22.

It is important to note that the reserves are broken into two components of cash and receivables. At June 30, 2022, the cash portion was \$6.4 million or 35% 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 and the Federal government for the Roadside Bridge Widening project. The City will continue to need the reserves to serve as a temporary funding source for new infrastructure and capital improvement projects before being reimbursed.

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 \$123,528 (34%). 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 \$27,500 (86%).

Recreation Center Capital Project Fund

The costs for work on the trail above the Recreation and Event Center were \$3,800 above the 2021/22 Budget. These costs will be reimbursed from a grant.

Traffic Improvement Fund

The cost of the Roadside Bridge Project which were not eligible for Federal reimbursement were charged to the Traffic Improvement Fund.

2022/23 Recommended Adjustments

Adjustments to the current year budget are generally considered as a part of the mid-year process but are being considered at this time to address employee retirements and to complete the aggressive work plan. When the 2022/23 Budget was prepared, additional staffing was proposed but not included because of the fiscal constraints placed on the City during the Pandemic. Currently, staff is recommending the addition of three new positions to the 2022/23 Budget. The positions are:

Administrative Assistant, City Manager's Department, \$57,100
Associate Planner, Community Development Department, \$63,882
Accountant, Finance Department, \$67,578

The total recommended adjustment to the 2022/23 Budget is \$188,560 for the remainder of the 2022/23 Budget year. The cost for all three positions for 2023/24 is projected to be approximately \$312,000.

Additionally, \$25,000 is recommended to be added to the Community Development Budget Contract Services to account for additional services needed for the implementation of the Climate Action and Adaptation Plan.

The total recommended adjustment to the 2022/23 Budget is \$213,560, as shown in Exhibit 'A'.

Staff will bring back the 2022/23 Budget for the midyear review in February, and new goal considerations for the two-year budget cycle will be considered in the upcoming goal setting sessions in the first quarter of 2023.

RECOMMENDATION

Staff respectfully recommends the City Council adopt the proposed amendments to the Fiscal Years 2021/22 and 2022/23 Budgets for the amounts shown in Exhibit 'A'.

Attachment: Exhibit 'A'

**City of Agoura Hills
Fiscal Year 2021/22 Budget Amendments
Exhibit 'A'**

| Project/Fund | Account | Account Number | Amendment | Reason |
|---|---------------------------|-----------------|----------------------------|--|
| EXPENSES | | | | |
| City Attorney | | | | |
| General Fund | Contract Services | 010-4140-551000 | 123,528 | Additional services needed |
| Automated Office Systems | | | | |
| General Fund | Professional Services | 010-4195-568300 | 27,500 | Additional equipment needed |
| Emergency Incident | | | | |
| General Fund | Professional Services | 010-4219-551000 | 3,800 | Additional contract services |
| Public Works | | | | |
| General Fund | Personnel, various | 010-4505-510100 | 20,000 | Personnel costs not allocated |
| Storm drain & Flood | | | | |
| General Fund | Contract Services | 010-4525-552043 | 250 | Additional contract services |
| Total General Fund Recommended Expense Increases | | | <u>175,078</u> | |
| City Clerk | | | | |
| General Fund | Personnel, various | 010-4120-510100 | (10,000) | Savings due to allocated costs |
| General Fund | Other Charges | 010-4125-552000 | (12,000) | Reduction in contract services |
| Finance | | | | |
| General Fund | Salaries | 010-4150-510100 | (50,000) | Savings due to shared costs in special funds |
| Non Departmental | | | | |
| General Fund | Media | 010-4190-551010 | (18,000) | |
| General Fund | Contract Services | 010-4190-552000 | (19,000) | |
| Animal Control | | | | |
| General Fund | Contract Services | 010-4240-552000 | (30,000) | |
| Parks Maintenance | | | | |
| General Fund | Special supplies, various | 010-4450-542400 | (16,078) | |
| General Fund | Special Supplies Comm Srv | 010-4450-5424HO | (20,000) | |
| Total General Fund Recommended Expense Decreases | | | <u>(175,078)</u> | |
| Transfers | | | | |
| General Fund to Capital Improvements Fund | | | (250,000) | |
| Net Decrease General Fund | | | <u>\$ (250,000)</u> | |
| Recreation Center Capital Projects Fund | | | | |
| Rec Center Cap Pro Fund | Contract Services | 015-4610-552000 | 3,800 | Costs greater than originally budgeted |
| Traffic Improvement Fund | | | | |
| Roadside Bridge | | 110-4640-631600 | 25,300 | Costs allocated to TIF |

**City of Agoura Hills
 Fiscal Year 2022/23 Budget Amendments
 Exhibit 'A'**

| <u>Project/Fund</u> | <u>Account</u> | <u>Account Number</u> | <u>Amendment</u> | <u>Reason</u> |
|---|--|-----------------------|-----------------------|---------------------|
| EXPENSES | | | | |
| General Fund | City Manager Dept., Salaries, Benefits | 010-4120-51xx | 57,100 | Additional position |
| | Comm. Dev. Dept. , Salaries, Benefits | 010-4305-51xx | 63,882 | Additional position |
| | Finance Dept. , Salaries, Benefits | 010-4150-51xx | 67,578 | Additional position |
| | Community Development Contracts | 010-4305-552000 | 25,000 | |
| Total General Fund Recommended Expense Increases | | | <u><u>213,560</u></u> | |