

REPORT TO CITY COUNCIL

DATE: FEBRUARY 22, 2023
TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
FROM: NATHAN HAMBURGER, CITY MANAGER
BY: CHRISTY TRUELSEN, DIRECTOR OF FINANCE
SUBJECT: MIDYEAR BUDGET UPDATE AND RECOMMENDATIONS TO AMEND FISCAL YEAR 2022/23 BUDGET

The request before the City Council is to consider the amendments to the Fiscal Year 2022/23 City of Agoura Hills (City) Budget, as shown in Exhibit 'A'. The Finance Subcommittee has met and considered the recommended adjustments. The recently amended budget for the City's General Fund anticipated a \$184,095 operating loss with the understanding that staff would bring back revenue adjustments to offset the loss.

Staff has reviewed current data and has made projections through June 2023. The recommendation is to increase revenues by \$410,810 and expenditures by \$209,000. The table below reflects the overall recommendations, as shown in the attached Exhibit "A".

General Fund	Current 2022/23	Recommended 2022/23	Difference
Revenues	\$18,833,894	\$19,244,704	\$410,810
Expenditures/Transfers	19,017,989	19,226,989	209,000
Operating Net Income/(Loss)	(184,095)	17,715	201,810

As shown in the above table, the General Fund recommended adjustments bring the General Fund to an anticipated \$17,715 net surplus.

Revenues

The majority of the City revenues are on track with the budget. The recommendations presented are for those revenues that are already exceeding or are very near to the budget. The adjustment to the building permits and building plan check revenue reflect increased building activity. In addition, rising interest rates have resulted in increased earnings above the anticipated amount.

Expenditures

The recommended requests to adjust the budget, address impacts that have arisen during the fiscal year.

A \$75,000 adjustment is being requested in the City Attorneys' division for unanticipated legal costs. Additionally, \$35,000 is being requested by the Community Services Department for increased utility costs at the Recreation and Event Center and \$20,000 for the costs of the City's 40th Anniversary Celebration.

Due to damage caused by the most recent January storms, Public Works is requesting \$70,000 to pay for repairs to the Driver Avenue storm drain. There currently are no reimbursement or emergency funds available to pay for these costs. The adjustment to accident repairs and graffiti removal reflects higher than anticipated incidents. Finally, additional landscape supplies are being requested to improve water conservation.

The Miscellaneous Grants Fund is recommended to be adjusted \$1 million for a grant the City has been awarded to pay for improvements at the Agoura Hills Calabasas Community Center. The fund is also offset by a \$1 million expense item, which will pay for the improvements. Further details on the improvements will be brought back to the City Council at a later date.

Several special revenue funds are recommended for adjustments. These funds are restricted by their revenue source for certain expenditures, primarily related to transportation. Staff is requesting to reduce landscaping costs in the Gas Tax Fund, which is for landscaping along the City streets, and reallocate that money to Park and Ride Maintenance within the Proposition A Fund. An additional request for \$9,000 in Proposition A funding is for added costs to maintain the bus stops.

The largest recommendation is a carry forward of \$255,000 in the Proposition C Fund for the Roadside Bridge project which was previously approved. Additionally, \$55,000 is requested for signal maintenance due to unforeseen repairs to the Kanan and Thousand Oaks Boulevard intersection. The final request in Proposition C is added traffic engineering for work on the Bike Master Plan.

In the local Measure R Fund, staff is requesting an increase of \$55,000 for road repair to Dorothy Drive at the Chesebro Southbound 101 ramp. Additionally \$100,000 in annual overlay work is being eliminated in Fiscal Year 2022/23 and will be requested in Fiscal Year 2023/24 for design work on Colodny Drive.

Finally, the local Measure M Fund is recommended to be adjusted \$30,000 for striping on Reyes Adobe and Agoura Road and \$22,500 for anticipated storm related damage to City streets, such as potholes.

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 No. 05-1378.

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, 2022, the percentage was 74% of operating expenditures and transfers, primarily due to the receipt of ARPA funds.

Committed Fund Balance

During the adoption of the Fiscal Year 2022/23 Budget, the City Council committed \$50,000 to Open Space. This amount is excluded from the unobligated or unassigned fund balance shown below.

General Fund	Actual Fiscal Year 2021/22	Recommended 2022/23 Mid-Year Budget
Ending fund Balance, less designations	\$13,690,128	\$ 13,891,938
Operating Expenses and Transfers	\$18,672,266	\$ 19,176,989
Percentage	74%	73%

It is important to note that these reserves are not all cash. Currently, approximately \$4 million is being utilized to front the money for outstanding grants. The amount needed for operational reserves is \$7.8 million (40%), leaving \$2 million for other uses such as the funding of the Agoura Hills Calabasas Community Center Federal Grant or other long-term capital projects.

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 2022/23 fiscal year. There will also be an economic forecast provided to the City Council at the second meeting in March.

RECOMMENDATION

Staff respectfully recommends the City Council approve the recommendations to amend the Fiscal Year 2022/23 Budget.

Attachment: Exhibit “A”

**City of Agoura Hills
Recommended adjustments
Fiscal Year 2022/23**

		<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					
010-0000-312001	Property Tax in Lieu of VLF	2,695,360	2,718,670	23,310	
010-0000-314000	Franchise Fees	800,000	840,000	40,000	
010-0000-315000	Property Transfer Tax	180,000	210,000	30,000	
010-0000-323000	Building Permits	350,000	425,000	75,000	
010-0000-342200	Building Plan Check	200,000	300,000	100,000	
010-0000-3720do	Rental Income - Facilities	350,000	375,000	25,000	
010-0000-371000	Interest Earnings	60,000	140,000	80,000	
010-0000-391000	Miscellaneous Revenue	77,500	115,000	37,500	
Adjustments to Revenues					<u>410,810</u>
Expenditures - General Fund					
City Attorney					
010-4140-552000	Professional Services	180,765	255,765	75,000	
					<u>75,000</u>
Recreation and Event Center					
010-4426-542800	Utilities	60,000	75,000	15,000	
					<u>15,000</u>
Special Events					
010-4430-551000	Professional Services	115,700	135,700	20,000	
					<u>20,000</u>
Public Works					
010-4505-552003	Special Projects	50,000	120,000	70,000	
					<u>70,000</u>
Traffic Safety					
010-4510-5552014	Accident Repairs	10,000	20,000	10,000	
					<u>10,000</u>
Landscape Maintenance					
010-4520-542400	Special Supplies	47,000	62,000	15,000	
010-4520-552031	Graffiti Removal	6,000	10,000	4,000	
					<u>19,000</u>
Adjustments to Expenditures					<u>209,000</u>
Current Budgeted Net Income					(184,095)
Net Adjustment this Exhibit					<u>201,810</u>
Recommended 2022/23 Net Income					<u><u>17,715</u></u>

**City of Agoura Hills
Recommended adjustments
Fiscal Year 2022/23**

		<u>Current Budget</u>	<u>Proposed Budget</u>	<u>Proposed Adjustment Inc/(Dec)</u>	<u>Subtotal Adjustment Inc/(Dec)</u>
Adjustments to Miscellaneous Grants Fund					
Revenues - Miscellaneous Grants Fund					
260-0000-3xxx	Federal Grant - AHCCC	0	1,000,000	1,000,000	
					<u>1,000,000</u>
Expenditures - Miscellaneous Grants Fund					
260-4190-551008	Agoura/Calabasas Community Center	0	1,000,000	1,000,000	
					<u>1,000,000</u>
Adjustments to Gas Tax Fund					
Expenditures - Gas Tax Fund					
020-4520-552000	Landscape Contract Services	215,300	179,300	(36,000)	
					<u>(36,000)</u>
Adjustments to Proposition A Fund					
Expenditures - Proposition A Fund					
060-4520-552036	Park and Ride Maintenance	20,000	56,000	36,000	
060-4520-552037	Bus Stop Maintenance	6,000	15,000	9,000	
					<u>45,000</u>
Adjustments to Proposition C Fund					
Expenditures - Proposition C Fund					
061-4510-552010	Traffic Engineer	75,000	115,000	40,000	
061-4510-552013	Signal Maintenance	65,000	120,000	55,000	
061-4640-630700	Roadside Bridge	0	255,000	255,000	
					<u>350,000</u>
Adjustments to Measure R Fund (Local Return)					
Expenditures - Measure R Fund					
063-4505-552000	Contract Services	107,500	162,500	55,000	
063-4640-630500	Annual Overlay	100,000	-	(100,000)	
					<u>(45,000)</u>
Adjustments to Measure M Fund (Local Return)					
Expenditures - Measure M Fund					
064-4510-552011	Traffic Marking and Striping	20,000	50,000	30,000	
064-4510-552020	Street Repairs and Maintenance	47,500	70,000	22,500	
					<u>52,500</u>