

REPORT TO CITY COUNCIL

DATE: OCTOBER 11, 2023

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: NATHAN HAMBURGER, CITY MANAGER

BY: DIEGO IBANEZ, DIRECTOR OF FINANCE

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

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	\$19,780,799	\$19,532,327

Fiscal Year 2022/23 amended the General Fund budget for expenditures and transfers is shown as follows:

General Fund Expenditures	Unaudited Actual	Amended Budget
Total Expenditures & Transfers	\$19,303,987	\$19,505,877
Net Income (Deficit)	\$476,812	\$26,450

In reviewing operational revenues, the majority of the increase is related to building permits and building plan check performing better than anticipated (23% or \$177,155) primarily due to increased solar applications and recreation revenues exceeding budget by 19 % or \$50,786, as the City opened back up following the pandemic. Additionally, interest earnings exceeded the budget by 103% or \$144,000 as interest rates climbed during the Fiscal Year.

Offsetting the increase was a deficit in taxes (1.5%) or \$252,614 which consisted of a decrease in Sales and Use Tax of (8%) or \$451,283 and an increase in Property Taxes (2% or \$112,475). During the third and fourth quarter of the Fiscal Year, as the Cost of Living increased, there was less spending on consumer goods. Furthermore, the Los Angeles County Pool allocation, which

is a part of the City's sales tax revenue was impacted by Amazon's opening of California warehouses. Staff will continue to monitor the revenue for 2023/24. Property Taxes exceeded expectations, due to the increased sales of homes and the prices.

The Expenditures and Transfers are under budget by 1% or \$201,890. Although the General Fund was under budget in total, various departments exceeded their budgets due to additional, unanticipated costs being needed. Offsetting these overages were savings within several departments for costs that were underbudgeted or not completed during the Fiscal Year. The details are shown in Exhibit "A".

Staff is recommending that \$89,500 of the net operational income be transferred to the Recreation Center Capital Projects Fund for the completion of the trail above the Center. Although mostly grant funded, staff is requesting additional capital to complete the work. An additional transfer of \$25,000 is being requested to fund the Firewise Study. This study is anticipated to be \$50,000 and will be partially funded by the Fire Grant received, and partially funded by a transfer from the General Fund. Additionally, \$41,000 is needed in the Capital Improvements Fund for a storage shed and pad to store the new Emergency Services van. The project details will be brought back to the City Council at a future date.

With the addition of the \$155,500 in transfers, the increase to the reserves is projected to be \$321,312 (\$476,812-\$155,500). Staff met with the Finance Subcommittee who discussed and suggested additional usage for the remaining \$321,312 in reserves.

The Finance Subcommittee recommended the following transfers: \$60,000 to the Open Space Fund; the Finance Subcommittee believed that increasing the balance of this fund would assist with easier purchase of a parcel if it were to become available. A \$60,000 transfer to the Stormwater Capital Fund; this recommendation was meant to ensure available funds for future projects. The Finance Subcommittee also recommended a \$100,000 transfer to the Facilities Capital Fund in the event that a facilities repair is urgently needed funds would be available. The last transfer the Finance Subcommittee recommended was a \$100,000 to the California Public Employees' Retirement System (CalPERS) Retirement Rate Stabilization Fund; this transfer is needed as CalPERS payments tend to fluctuate and while Finance staff tries its best to estimate CalPERS payments into the annual budget, there could be unforeseen costs that could affect the City's pension plan.

With these transfers, the increase to the reserve balance would be: \$1,312 (\$321,312-\$320,000) for FY 2022-2023.

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.

Reserve levels are projected to be at \$13.7 million or 71% of operating expenses and transfers for Fiscal Year 2022-23.

It is important to note that the reserves are broken into two components of cash and receivables. On June 30, 2023, the cash portion was \$11.1 million or 60% of operating expenses, the remainder consists of a receivable between the City and The Los Angeles County Transportation Authority (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 recommended adjustment for the City Attorney budget is \$47,000 (6%) due to unanticipated litigation costs.

Public Facilities

The recommendation is to adjust the Public Facilities budget by \$55,500 (14%). This relates to the fact that there were unforeseen repairs and equipment component failures of the city's HVAC system, coupled with a replacement of the CO2 monitoring system (\$35,500); and water damage to the building (\$13,000). Additionally, an adjustment is recommended to audio-visual maintenance for \$7,000 because wireless microphones needed to be replaced in the Council Chambers and broadcasting feeds were changed out.

Emergency Incident

During the Fiscal Year the City experienced several flood events that were not included in the budget. The \$88,000 in costs are anticipated to be reimbursed from Federal Emergency Management Agency and California Governor's Office of Emergency Services. However, the City has not budgeted for the offsetting revenues, because it is unknown what will be approved and when the revenues will be received.

Public works

When the Fiscal Year 2022-23 Budget was approved, it was anticipated that Public Works staff would be spending a greater amount of time on grant related projects, which are reimbursable. However, the grant projects were delayed, and so their salaries and associated costs are included within the General Fund. This results in a 13% (\$130,500) recommended adjustment in their budget.

Recreation Center Capital Project Fund

The costs for work on the trail above the Recreation and Event Center were \$21,000 above the 2022-23 Budget. These costs will be reimbursed with a grant and General Fund transfer.

RECOMMENDATION

Staff respectfully recommends the City Council adopt the proposed amendments to the Fiscal Year 2022-23 Budget for the amounts shown in Exhibit 'A'.

Attachment: Exhibit 'A'

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

Project/Fund	Account	Account Number	Amendment	Reason
EXPENSES				
City Attorney				
General Fund	Contract Services	010-4140-551000	47,000	Additional services needed
Public Facilities				
General Fund	Maintenance of Equipment	010-4180-543000	35,500	Maintenance exceeded budget
	Audio Visual Maintenance	010-4180-543401	7,000	Maintenance exceeded budget
	Maint Buildings & Grounds	010-4180-543000	13,000	Maintenance exceeded budget
Emergency Incident				
General Fund	Contract Services	010-4219-552000	88,000	Additional contract services
Building & Safety				
General Fund	Personnel various	010-4390-51xx	2,050	Personnel underbudgeted
Public Works				
General Fund	Personnel various	010-4505-51xx	130,500	Personnel not allocated as budgeted
Other Improvements				
General Fund	City Beautification	010-4610-600100	6,500	Additional work performed
Total General Fund Recommended Expense Increases			<u>329,550</u>	
City Manager				
General Fund	Contract Services	010-4120-552000	(35,000)	Costs under budget
Non Departmental				
General Fund	Special Supplies	010-4190-542400	(13,000)	Costs under budget
	Advertising	010-4190-542600	(16,000)	Not as much ads as planned
	Insurance & Surety Bonds	010-4190-543700	(30,500)	Costs under budget
	Media	010-4190-551010	(15,500)	Costs under budget
	Contract Services	010-4190-552000	(30,000)	Costs under budget
Animal Control				
General Fund	Contract Services	010-4240-552000	(16,000)	
Community Development				
General Fund	Personnel Various	010-4305-510xx	(75,000)	Vacancies
	Contract Services	010-4305-552000	(10,000)	Costs under budget
Landscape Maintenance				
General Fund	Special supplies	010-4520-542400	(24,500)	
Storm Drain & Flood Control				
General Fund	Storm Drain Maintenance	010-4525-552041	(16,500)	
	Npdes Compliance	010-4525-552043	(47,550)	
Total General Fund Recommended Expense Decreases			<u>(329,550)</u>	
Transfers				
			(89,500)	
Recreation Center Cap Projects Fund			(25,000)	
Miscellaneous Grants Fund			(41,000)	
Capital Improvements Fund			(60,000)	
Open Space			(60,000)	
Stormwater Capital Projects			(100,000)	
Facilities Capital Fund			(100,000)	
CalPERS Retirement Rate			<u>(100,000)</u>	
Total Transfers			<u>(475,500)</u>	
Net Decrease General Fund			<u>\$ (475,500)</u>	