

**REPORT TO CITY COUNCIL**

**DATE: FEBRUARY 10, 2010**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: GREG RAMIREZ, CITY MANAGER  
CHRISTY PINUELAS, FINANCE DIRECTOR**

**SUBJECT: MID-YEAR BUDGET REVIEW - FISCAL YEAR 2009-10**

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Customary at this point in every fiscal year, staff has completed a detailed review of the current annual budget, has consulted the Finance Committee, and is proposing adjustments as part of the City's mid-year review process.

This year's adjustments revolve around the overwhelming impacts caused by our Nation's troubled economy. Regardless of staff's attempt to be overly conservative in projecting revenues this year, our forecasts do not reflect the reality of our present situation. Therefore, based on current trends and available data, staff anticipates an additional decline in General Fund revenues of \$750,000, or 7%, as shown below:

Sales Tax	\$500,000
Transient Occupancy Tax	200,000
Interest Income	<u>50,000</u>
Total:	\$750,000

- Sales tax revenue - conservatively projected to be \$3.4 million. Recent forecasts project that sales tax will decline by an additional 13%. This represents a decline of \$500,000.
- Transient Occupancy Tax - original projections estimated this revenue to be \$1.9 million. Current trends estimate this revenue to come in at \$1.7 million, or \$200,000 less than originally budgeted.
- Interest income - budgeted conservatively at 2%; however, rates have lowered to historic lows of around .5 %. While rates may increase modestly in the next five months, staff projects a decline of 25% or \$50,000 from the original budget.

In concurrence with the Finance Committee, staff identified as many opportunities as possible, at this time, to offset this additional decrease in revenue, without impacting service levels, those opportunities are identified as follows:

Personnel	\$101,000
Public Works - Contract Services	70,000

Storm Water Fund (Transfer expenses)	40,000
Storm Water Services	100,000
Gas Tax Fund (Transfer expenses)	<u>139,000</u>
Total:	\$450,000

In Personnel, the City will realize a cost savings in three areas: (1) a two-month healthcare “rate holiday” from CalPERS; (2) cost savings in this year’s Other Post Employment Benefits (OPEB), as a result of a better than expected rate; and, (3) a savings in payroll, due to members of the management team declining incentive pay.

The Public Works Department also expect savings in the following areas: (1) contract services, due to the transition from a contract position to a part-time city employee; (2) shifting expenses within the Storm Water Division to the Storm Water Capital Projects Fund; and (3) Capital Projects, due to staff’s ability to persuade vendors to test their products, via pilot projects, minimizing expenditures.

Finally, staff is recommending a transfer of \$139,000 in transit related expenditures from the General Fund to the Gas Tax and Measure R Funds. The shifting of these expenditures out of the General Fund allows the City to utilize more restrictive funds received by the City and to relieve the General Fund of these expenses.

In addition to the aforementioned adjustments, staff is recommending the following amendments to this year’s budget.

**Land Use Studies** - City Council requested that staff perform two studies on wireless telecommunications. The cost of these two studies is estimated to be \$35,800. Additionally, \$2,200 is being requested to print the General Plan Update documents. Therefore the Planning department is requesting a total increase of \$38,000. The City Clerk budgeted \$38,000 to pay for election related costs during the November 2009 election. Due to the fact that there was no election, the monies are available to redirect to the Community Development Department. Therefore, staff is recommending that \$38,000 be transferred from the City Clerk’s Professional Services budget to the Contract Services and Printing budgets in the Community Development Departments’ budget.

**Reyes Adobe Capital Projects Fund** - When the FY 2009-10 Budget was prepared, the Reyes Adobe Bridge Widening Project was budgeted in various special funds. In order to streamline the accounting and tracking of the project, staff is recommending that all the costs be moved to a new fund called the Reyes Adobe Capital Projects Fund. In total, the Reyes Adobe Bridge Widening Project was estimated at \$11,286,754. Based on current estimates, staff is recommending decreasing the budget to \$8,266,355.

The cost savings will allow the City Council to redirect the majority of the 2007 Bond proceeds towards different projects. At this time, staff is recommending that \$1,115,097 be used to reimburse the Redevelopment Agency for Kanan Interchange expenses and that \$1,521,999 be used towards the future purchase of a recreation center.

**Transfers** – In 2007, the City Council designated \$1 million of General Fund revenue to the Reyes Adobe Bridge Widening Project, which was set-aside in the Traffic Improvement Fund. Due to the excellent bid results for construction of the project, these funds are no longer needed. Staff is now recommending that the \$1 million be transferred back to the General Fund, and that the Traffic Improvement Fund increase its contribution to the project by \$365,870.

Finally, staff recommends a transfer of \$43,726 from the General Fund to the Stormwater Capital Projects Fund. This transfer is a set-aside of unspent storm water expenses in the General Fund last year and is consistent with Council direction to establish a special fund for stormwater mitigation.

In conclusion, most local government agencies are experiencing similar declines throughout the State. Fortunately, the City of Agoura Hills has been fiscally conservative and used prudent budgeting practices in the past, which has given us adequate reserves to weather a downturn such as the epic situation we are facing. Council has a policy of maintaining the General Fund reserve at 40% of operating expenses and transfers. At the end of 2008/09, our reserve level was at 73% of General Fund expenses and operating transfers. With the current projected downturn, the net effect leaves the General Fund reserve level at approximately 70%.

Staff will continue to monitor economic activities on the federal and state level to insure the City's General Fund is adequate, so that no vital services are cut, and that the City remains fiscally stable.

Moreover, we will continue working towards accomplishing a balanced budget. Staff works diligently each year and looks to save on General Fund expenditures whenever possible, which leads to further savings, not yet identified. Staff will continue to look for these savings throughout all project and departments.

## **RECOMMENDATION**

It is respectfully recommended the City Council review the information provided and authorize the amendments to this year's budget.

Attachments: Recommended Mid-Year Adjustments  
Inter-fund Transfers

**City of Agoura Hills**  
**Recommended mid-year adjustments**  
**Mid-Year 2009/10**

		<b>Current Budget</b>	<b>Proposed Budget</b>	<b>Proposed Adjustment Inc/(Dec)</b>	<b>Total Adjustment Inc/(Dec)</b>
<b>Adjustments due to Economic Downturn</b>					
<b>Revenue General Fund</b>					
010-0000-3110.00	Sales Tax	2,598,389	2,167,719	(430,670)	
010-0000-3110.01	Property Tax in Lieu of Sales Tax	866,130	796,800	(69,330)	
010-0000-3130.00	Transient Occupancy Tax	1,900,000	1,700,000	(200,000)	
010-0000-3710.00	Interest Income	200,000	150,000	(50,000)	(750,000)
<b>Expenditures - General Fund</b>					
Various	Personnel costs			(101,000)	
010-4505-5520.00	Public Works, Contract Services	192,000	70,500	(121,500)	
010-4515-5520.28	Street Maintenance, Special Street Proj	10,000	-	(10,000)	
010-4520-5520.23	Street Tree Maintenance	27,500	-	(27,500)	
010-4525-5520.40	Road cleanup after storms	10,000	-	(10,000)	
010-4525-5520.41	Storm drain maintenance	20,000	-	(20,000)	
010-4520-5520.42	Transfer of storm drains	10,000	-	(10,000)	
010-4525-5520.44	Storm Water Compliance	246,655	146,655	(100,000)	
010-4610-6001.00	City Beautification	50,000	-	(50,000)	(450,000)
<b>Adjustments due to Consultant Studies</b>					
010-4125-5520.00	Professional Services - City Clerk	40,000	2,000	(38,000)	
010-4305-5520.00	Contract Services - Planning	162,000	197,800	35,800	
010-4305-5423.00	Printing - Planning	3,000	5,200	2,200	-
<b>Adjustments due to Special Funding</b>					
<b>Stormwater Capital Projects Fund</b>					
016-4525-5520.40	Road cleanup after storms	-	10,000	10,000	
016-4525-5520.41	Storm drain maintenance	-	20,000	20,000	
016-4520-5520.42	Transfer of storm drains	-	10,000	10,000	40,000
<b>Expenditures- Gas Tax Fund</b>					
020-4505-5520.00	Contract Services	-	51,500	51,500	
020-4515-5520.28	Special Street Projects	-	10,000	10,000	
020-4520-5520.23	Street Tree Maintenance	37,500	65,000	27,500	
020-4610-6001.00	City Beautification	41,000	91,000	50,000	
020-4640-6305.00	Annual Overlay	192,700	134,000	(58,700)	80,300

**City of Agoura Hills**  
**Recommended mid-year adjustments**  
**Mid-Year 2009/10**

		<b>Current Budget</b>	<b>Proposed Budget</b>	<b>Proposed Adjustment Inc/(Dec)</b>	<b>Total Adjustment Inc/(Dec)</b>
<b>Revenue Measure R Fund</b>					
063-0000-3331.00	Measure R	120,187	140,187	20,000	20,000
<b>Expenditures- Measure R Fund</b>					
063-4640-6305.00	Annual Overlay	120,160	140,160	20,000	20,000
<b>Adjustments due to Reyes Adobe Capital Projects Fund</b>					
<b>Revenues - Reyes Adobe Interchange Capital Project Fund</b>					
017-0000-3345.18	Federal Appropriation	-	2,245,250	2,245,250	
017-0000-3345.23	Stimulus- Road Grant	-	690,000	690,000	
017-0000-3345.24	MTA Grant - Reyes Adobe	-	2,134,000	2,134,000	5,069,250
<b>Revenues - Misc. Grants Fund</b>					
260-0000-3451.18	Federal Appropriation	2,600,000	-	(2,600,000)	
260-0000-3345.23	Stimulus - Road Grant	690,000	-	(690,000)	
260-0000-3345.24	MTA Grant - Reyes Adobe	2,134,000	-	(2,134,000)	(5,424,000)
<b>Expenditures - Reyes Adobe Interchange Capital Project Fund</b>					
017-4640-5421.00	Postage	-	100	100	
017-4640-5423.00	Printing	-	12,000	12,000	
017-4640-5424.00	Special Supplies	-	10,000	10,000	
017-4640-6302.00	Reyes Adobe Interchange - Constn	-	6,437,255	6,437,255	
017-4640-6302.01	Reyes Adobe Preconstruction	-	6,500	6,500	
017-4640-6302.02	Reyes Adobe Construction Mangt	-	1,000,000	1,000,000	
017-4640-6302.03	Reyes Adobe Intchg Const Eng	-	700,000	700,000	
017-4640-6302.04	Reyes Adobe Utility Relocation	-	100,000	100,000	8,266,355
017-4640-6302.05	Reyes Adobe Permits	-	500	500	
<b>Expenditures - Various Funds</b>					
110-4640-6302.00	Reyes Adobe Interchange	5,762,754	-	(5,762,754)	
260-4640-6302.00	Reyes Adobe Interchange	5,424,000	-	(5,424,000)	
400-4640-6302.00	Reyes Adobe Interchange	100,000	-	(100,000)	(11,286,754)

**INTERFUND TRANSFERS**

<b>Fund</b>	<b>Description</b>	<b>Approved</b>	<b>Changes</b>	<b>Recommended</b>
<b>Transfers to Other Funds</b>				
010	General Fund			
	Transfer to Debt Service	672,000.00		672,000.00
	Transfer to Recreation Center	1,500,000.00		1,500,000.00
	Transfer to Stormwater Fund		43,726.00	43,726.00
110	Traffic Improvement			
	Transfer to General Fund		1,000,000.00	1,000,000.00
	Transfer to Reyes Adobe Fund		3,165,870.00	3,165,870.00
500	Pub. Fin Authority Projects Bond Proceeds			
	Transfer to RDA Kanan		1,115,097.58	1,115,097.58
	Transfer to Recreation Center		1,521,999.42	1,521,999.42
	Transfer to Reyes Adobe	2,600,000.00	(2,568,765.00)	31,235.00
400	RDA Capital Projects			
	Transfer to RDA Debt Svc -2008	478,696.00		478,696.00
390	RDA Debt Service			
	Transfer 20% Set Aside to Housing	1,036,000.00		1,036,000.00
	Transfer Tax Increment to RDA Cap Projects	580,000.00		580,000.00
410	RDA Housing			
	Transfer to RDA Debt Svc 2008	612,830.00		612,830.00
	<b>Total</b>	<b>7,479,526.00</b>	<b>4,277,928.00</b>	<b>11,757,454.00</b>
<b>Transfers from Other Funds</b>				
010	General Fund			
	Transfer from Traffic Improvement		1,000,000.00	1,000,000.00
300	Pub Financing Authority Debt Svc.			
	Transfer from General Fund	672,000.00		672,000.00
015	Recreation Center Fund			
	Transfer from General Fund	1,500,000.00		1,500,000.00
	Transfer from Pub. Fin. Auth Project Bond 2007		1,521,999.42	1,521,999.42
016	Stormwater Fund			
	Transfer from General Fund		43,726.00	43,726.00
017	Reyes Adobe Fund			
	Transfer from TIF		3,165,870.00	3,165,870.00
	Transfer from Pub. Fin. Auth Project Bond 2007		31,235.00	31,235.00
110	Traffic Improvement Fund			
	Transfer from Pub. Fin. Auth Project Bond 2007	2,600,000.00	(2,600,000.00)	-
400	RDA Capital Projects			
	Transfer from Pub. Fin. Auth Project Bond 2007		1,115,097.58	1,115,097.58
	Transfer from Tax Increment	580,000.00		580,000.00
390	RDA Debt Service			
	Transfer from RDA Housing 2008	612,830.00		612,830.00
	Transfer from RDA Cap Projects	478,696.00		478,696.00
410	RDA Housing			
	Transfer from 20% Set Aside Debt Svc	1,036,000.00		1,036,000.00
	<b>Total</b>	<b>7,479,526.00</b>	<b>4,277,928.00</b>	<b>11,757,454.00</b>