

REPORT TO CITY COUNCIL AND REDEVELOPMENT AGENCY

DATE: FEBRUARY 9, 2011

TO: HONORABLE MAYOR/CHAIR AND MEMBERS OF THE CITY COUNCIL/REDEVELOPMENT AGENCY

FROM: GREG RAMIREZ, CITY MANAGER/EXECUTIVE DIRECTOR

**BY: NATHAN HAMBURGER, ASSISTANT CITY MANAGER
CHRISTY PINUELAS, FINANCE DIRECTOR**

SUBJECT: FISCAL YEAR 2010-11 MID-YEAR BUDGET REVIEW

As is customary at this time during each fiscal year, staff has completed a detailed review of the current fiscal year budget, and is bringing this report forward to the City Council and Redevelopment Agency for review to propose necessary adjustments as part of the City's mid-year review process. Each of the items listed below is detailed in the attached "Recommended Mid-Year Adjustments" spreadsheet.

In preparing the Fiscal Year 2010-11 Budget, the following changes are recommended:

Building Permits	\$100,000
Planning Fees	43,000
Interest income	<u>(40,000)</u>
Total requested revenue increases	<u>\$103,000</u>

This increase of \$103,000 represents a 1% overall increase in revenues for the General Fund.

The recommended changes can be explained as follows:

- Building Permits and Planning Fees – In preparing the Fiscal Year 2010-11 Budget, development related fees were estimated very conservatively. However, with the current fees we have received for proposed developments, we are requesting that the budget for Building Permits (\$100,000 or 56%) and Planning Fees (\$43,000 or 47%) be increased.
- Interest Income – The original projection was budgeted at 2%, however with current LAIF rates at only .49%, therefore staff recommends a decrease of \$40,000 (31%).

In the area of expenditures, staff is requesting changes in the following areas:

- Personnel costs – Due to staff turnover in two positions in the Community Services Department and one position in the Public Works Department, there is an estimated savings of \$30,000.
- City Attorney – The City has had increased costs in attorney services primarily due to litigation relating to three proposed commercial land uses and the recent land acquisition in Lower Chesebro. These costs were unanticipated when the budget was prepared in late May. At this time staff is requesting an increase of \$300,000 for attorney services.
- Animal Control – This year, due to the economic downturn, and the surrendering or abandonment of a larger number of animals, and a longer period between pet adoptions, animal control costs have doubled each month from last year’s costs. Staff is therefore requesting a \$30,000 increase in expenditures.
- Building and Safety Contract Services – As revenues are increasing due to a larger number of projects than anticipated, so will the need for consulting services who perform plan reviews. Staff is therefore requesting a \$20,000 increase in this line item.

Excluding the RDA loan payment, the overall requested increase in expenditures of \$320,000, or 3%, exceeds the increased revenue requests by \$217,000. This money is anticipated to come from the General Fund Reserve.

We will be working towards accomplishing a balanced budget by reviewing proposed expenditures and looking for other funding methods. Staff works diligently each year and looks to save on General Fund expenditures whenever possible, which leads to further savings, not yet defined. Staff will continue to look for these savings throughout all of its departments.

Adjustments Underground Utility Fund

Staff is requesting to establish a new special revenue fund, Underground Utility, for the collection of underground utility revenues and related expenditures. Fees previously collected from a previous condominium project on Colodny in the amount of \$150,000 will be transferred into this fund as revenue. In addition, a request is being made to budget for a special study (\$50,000) and attorney fees (\$15,000) of \$50,000 related to utility undergrounding, specifically along the entire freeway corridor. This is in relation to an item reviewed by the City Council in the past.

Adjustments Recreation Center Fund

The City Council authorized the City to enter escrow to purchase property that is proposed to serve as a new recreation center. The funds for this transaction were previously set aside in a special revenue fund. The budget for these expenses was not established in June due to the fact that the expenses were not known at that time. Staff is requesting the \$4,400,000 for the purchase of the land and building be budgeted, as well as \$10,000 for related legal costs and

\$40,000 for studies completed through outside consultants related to the due diligence process necessary for the purchase.

Adjustments Redevelopment Funds

Due to the small level of tax increment that the Agoura Hills Redevelopment Agency receives annually and the need to slowly grow the fund balance necessary to complete some larger scale capital projects, the Agency has borrowed in excess of \$30 million from the City since its inception. A majority of this relates to administrative costs and overhead that the City has provided the Agency since the early 1990's. This type of debt accumulation is common for Redevelopment Agencies as they function differently than cities, in that they create jobs and improve the quality of life via expenditures that will pay off over time. As approved by the Redevelopment Agency Board and reviewed with the City Attorney, the Redevelopment Agency has entered into loan repayment schedule. Because this loan was not anticipated, the \$1,176,218 is requested to be added to the Redevelopment Agency Capital Projects Fund as an expense and to the General Fund as revenue via the repayment agreement that currently exists between the City and the Redevelopment Agency.

Adjustments to Redevelopment Fund Transfers

The City Attorney reviewed and the Redevelopment Agency Board approved the borrowing \$206,968 from the Housing Fund to pay the Redevelopment Agency's Supplemental Educational Revenue Obligation (SERAF), which is authorized and consistent with the legislation that currently exists. On July 28, 2009, the Governor signed AB X\$-26 addressing the fiscal emergency declared by the Governor on July 1, 2009. AB X4-26 allows agencies to loan themselves housing set-aside funds in order to meet their SERAF shift obligation. This loan must be repaid to the housing set-aside fund by June 30, 2015. The Agency intends to repay its housing set-aside loan with tax increment revenues that otherwise would have gone to the Agency's redevelopment fund.

Conclusion

The City of Agoura Hills has been fiscally conservative and used prudent budgeting practices in the past, which has given us adequate reserves to absorb unanticipated costs. Council has a policy of maintaining a fund balance in the General Fund at 40% of operating expenses and transfers. At the end of 2009/10, our reserve level was at 89% of General Fund expenses and operating transfers. Excluding the funds projected to be received from the Redevelopment Agency, the reserve level is projected to be 88% of General Fund operating expenses and operating transfers. 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.

RECOMMENDATION

It is recommended that the City Council and Redevelopment Agency Board review the information provided and approve the requested appropriations.

Attachments: Recommended mid-year adjustments

**City of Agoura Hills
Recommended Mid-Year Adjustments
Mid-Year 2010/11**

	Current Budget	Proposed Budget	Proposed Adjustment Inc/(Dec)	Total Adjustment Inc/(Dec)
--	---------------------------	----------------------------	--	---

Adjustments General Fund

Revenue - General Fund

010-0000-3230.0 Building permits	180,000	280,000	100,000	
010-0000-3410.0 Planning Fees	80,000	123,000	43,000	
010-0000-3710.0 Interest Income	130,000	90,000	(40,000)	103,000

Expenditures - General Fund

Various Personnel costs			(30,000)	
010-4140-5510.0 City Attorney	70,000	370,000	300,000	
010-4240-5520.0 Animal Control - Contract Services	28,000	58,000	30,000	
010-4390-5520.0 Building and Safety - Contract Services	80,000	100,000	20,000	320,000
		Net Adjustments		(217,000)

Adjustments Underground Utility Fund

Revenue - Utility Undergrounding Fund

111-0000-3485.0 Utility Undergrounding	0	150,000	150,000	150,000
--	---	---------	---------	---------

Expenditures - Utility Undergrounding Fund

111-4140-5520.0 Contract Services - City Attorney	0	15,000	15,000	
111-4610-5510.0 Professional Services - Public Works	0	50,000	50,000	65,000
		Net Adjustments		85,000

Adjustments Recreation Center Fund

Expenditures - Recreation Center Capital Projects Fund

015-4140-5520.0 Contract Services - City Attorney	0	10,000	10,000	
015-4190-5520.0 Contract Services - Non Departmental	0	40,000	40,000	
015-4190-6008.0 Property Acquisition	0	4,400,000	4,400,000	4,450,000
		Net Adjustments		(4,450,000)

Adjustments Redevelopment Funds

Expenditures - Redevelopment Capital Projects Fund

400-4600-5801.0 Loan Payments - General Fund	0	1,176,218	1,176,218	
010-0000-3952.0 Loan Payments - Redevelopment Fund	0	1,176,218	1,176,218	
		Net Adjustments		0

Transfers - Redevelopment Housing Fund/Capital Projects Fund

410-4600-5900.0 Transfers - Housing Fund		617,230	824,198	
400-0000-3961.0 Transfers - Capital Projects Fund		706,754	913,722	
		Net Adjustments		0

**City of Agoura Hills
Recommended Mid-Year Adjustments
Mid-Year 2010/11**

Current Budget	Proposed Budget	Proposed Adjustment Inc/(Dec)	Total Adjustment Inc/(Dec)
---------------------------	----------------------------	--	---
