



## **B. Management's Discussion and Analysis**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2004**

*Note: Throughout this discussion the term "City" as used herein refers to The City of Calabasas and all subordinate entities falling under its immediate financial domain.*

The City welcomes the opportunity to present Management's Discussion and Analysis (MD&A) as a supplement to the City's financial statement. This MD&A offers an objective narrative of the City's financial activities based upon facts, decisions, and conditions known to management as of the auditor's report date for the fiscal year ended June 30, 2004. Readers are encouraged to utilize this report in conjunction with the information outlined in the City's financial statements and notes to the financial statements (found on subsequent pages). A summary of the fiscal year's financial picture immediately follows.

**Summary Highlights**

- City assets exceeded liabilities by \$68.2 million
- Total net assets increased by \$6.1 million
- Combined ending fund balances for governmental funds experienced an 8% increase
- \$31.2 million available for the City's governmental activity
- Unreserved fund balance for the general fund was \$16.8 million
- The City's total long-term debt (\$6.4 million) remains relatively unchanged

**OVERVIEW OF THE FINANCIAL STATEMENTS**

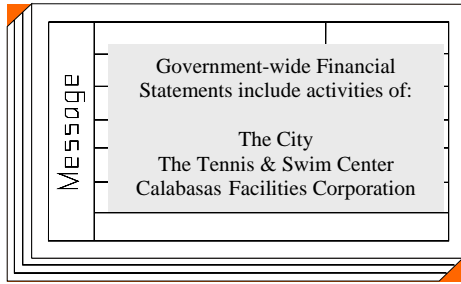
This document memorializes the financial activities of the City from an unaudited managerial perspective using an integrated approach as prescribed by GASB Statement No. 34. Its goal: To provide readers with an easy-to-understand user friendly overview of the City's basic financial statements that are inclusive of 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Information outlined in government-wide financial statements is drawn from numerical data relating to the City's major funds. Government-wide financial statements detail all capital assets, including infrastructure, depreciation and long-term debt. Examples covered in this printing include general, special revenue, capital projects, and non-major governmental funds. Fund financial statements primarily contain information about short-term fiscal accountability for governmental funds and longer-term operational accountability for proprietary and agency funds such as the Tennis and Swim Center and the Las Virgenes Parking Authority Fund respectively. Notes to the financial statements include support and other qualifying documentation as warranted.

The aforementioned are covered in subsequent sections.



**Government-wide financial statements.**



As previously discussed, government-wide financial statements detail all capital assets, including infrastructure, depreciation, and long-term debt. Specifically, these statements are designed to provide an expansive overview of the City’s finances. Given its scope and in an effort to adequately present this data in a comprehensible format, government-wide financial statements are divided into two subcategories, the Statement of Net Assets and the

Statement of Activities. These statements reasonably chart long- and short-term information regarding the City’s financial condition.

The City’s statements provide a manageable yet comprehensive view of the City’s economic position, appropriately accounting for all revenue and expenses during the specified fiscal year. To accomplish this, government-wide financial statements are reported utilizing the flow of economic resources (cost of services) measurement focus and the accrual method of accounting. Using the flow of economic resources measurement focus allows the City to provide financial transparency insofar as all assets and liabilities are listed on the Statement of Net Assets. The added use of the accrual basis of accounting allows the City a ‘real-time’ advantage as revenues are recognized when earned and expenses are recognized when incurred.

*The Statement of Net Assets* outlines the City’s assets and liabilities. The difference between the assets and liabilities is recorded as net assets (assets - liabilities = net assets). While fluctuations are expected, over time increases or decreases in the City’s net assets could be used to gauge the City’s financial standing in order to ascertain whether it is improving or deteriorating.

*The Statement of Activities* demonstrates how the City’s net assets evolve during the current fiscal year. Specifically, this statement provides comparative analysis between direct expenses and program revenues for each functional activity of the City. In this forum, net asset changes are recorded in real time when triggered by underlying events without respect to the timing of the related cash flows. Because of this it is expected that revenue and expenses for some items (such as uncollected taxes and earned but unused vacation and/or sick leave) will result in recorded cash flows in future fiscal periods.

Combined, the *Statements* reveal functions of the City that can be divided into two categories: 1) Governmental activities, and 2) business-type activities.

Governmental activities are chiefly supported by a) taxes elicited from such sources as utility users tax, transient occupancy tax, sales tax, property tax, and franchise tax, and by b) intergovernmental revenues such as motor vehicle in-lieu fees. Governmental activities of the City are inclusive of general government, police, public works, traffic and transportation, community development, and community services such as parks and recreation. As mentioned earlier, tax revenue principally funds these activities. Consequently, a good portion of the City’s basic services is reported in this category.

Component units are legally separate entities that the City is either financially accountable for or shares a significant relationship with in such a way that their exclusion would cause the City’s financial statements to be misleading or incomplete. The Calabasas Facilities Corporation (termed the “Corporation”) meets the criteria of component unit classification and has thus been included as a blended component unit in the governmental activities statements.



Business-type activities are funded in large part through the assignment of user fees charged to external parties for goods or services. In other words, the City charges a fee to parties to cover all or most of the cost of certain services it provides. The City’s Tennis and Swim Center is reported in this category.

**Fund Financial Statements.**

**Fund Financial Statements**

*City Fund Groups:*

- Governmental
- Non-major governmental
- Special revenue
- Proprietary
- Fiduciary

Fund Financial Statements cover segregated groupings of related accounts whose funds have been designated for specific activities or purpose. They provide a detailed accounting of revenue and expenditures, assets and liabilities, and remaining fund balances for each fund. This helps to ensure and demonstrate finance-related legal compliance.

Fund financial statements differ from activity reports due to the way capital outlay, depreciation, long-term debt, compensated absences, deferred revenues, and intergovernmental receivables are reported. The impact of these differences is laid out in the notes accompanying the financial statements.

Funds required by State law and by bond covenants (i.e., Proposition A & C, and Highway Users Tax) are part of the fund financial statements. Likewise, other funds (i.e., Developer Impact Fees, Grants, and Storm Damage) established to provide

the City with tighter fiscal controls and accountability are itemized on these statements. The following sections provide a more in-depth detailing of the fund groups.

*Governmental funds* are reported in essentially the same fashion as governmental activities in the government-wide financial statements with an exception----governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources. This means governmental fund financial statements identify current sources and uses of money within the immediate fiscal year. Benefits derived include a detailed *short-term view* of the City’s general government operations and the basic services it provides, which assist in determining whether there are sufficient financial resources available to meet the City’s current needs.

Since the scope of the governmental funds is different than that of the government-wide financial statements, it is beneficial to comparatively examine information presented for the governmental funds with comparable information presented for governmental activities in the government-wide financial statements. From this, readers gain a clearer picture of the long-term impacts current financial decisions might yield. When examined together, the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide the reader with a different snapshot that identifies variances between the two different methodologies of accounting for governmental activities and governmental funds. The City maintains twenty governmental funds including the general fund.

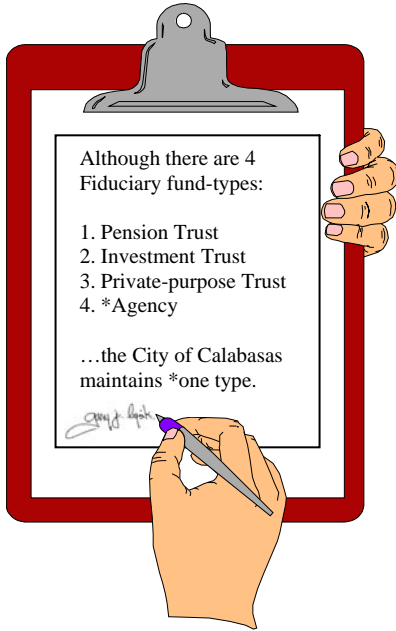
Governmental funds statements are included in subsequent pages of this report.

*Proprietary funds* record revenues when they are earned and record expenses at the time liabilities are incurred. Proprietary funds can be divided into two fund types: enterprise funds and internal service funds.

Enterprise funds display financial activities operating in a similar fashion to a business enterprise. Specifically, these funds account for services for which the City charges a user fee. Enterprise funds are documented in the business-type activities section of the governmental-wide financial statements. They account for operations that provide services primarily to customers outside the financial reporting entity (the City).



Internal service funds are generally used to accumulate and allocate costs internally among the City's various functions. These funds might include general benefits and insurance, duplicating and printing, office maintenance, architectural services, and information technology, to name a few. Given these services largely benefit governmental activities rather than business-type functions, City services that might ordinarily be reported in this area have been included with governmental activities in the government-wide financial statements.



The City maintains one type of proprietary fund (the enterprise fund), which accounts for the Tennis and Swim Center. Readers will find accounting for the Tennis and Swim Center recorded in the business-type activities section of the governmental-wide financial statements. Here, all capital acquisitions are recorded as fund assets and depreciation is included as a current operating expense.

Propriety funds financial statements follow on subsequent pages of this report.

*Fiduciary fund* statements are used to present assets held in trustee or agency capacity for others. As such, these funds cannot be used to support the City's own programs. The City oversees five agency funds that fall under the fiduciary fund type.

Agency funds report resources held by the City in a purely custodial capacity (assets = liabilities). Generally, management of agency funds typically involves the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The City holds funds for the following agencies: 1) Las Virgenes Parking Authority, 2) Community Facilities District 98-1, 3) Community Facilities District 2001-1, 4) Deposits, and 5) Education Fund.

The City's agency fund activities are reported in a Combining Statement of Assets and Liabilities and a Combining Statement of Changes in Assets and Liabilities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **Notes to the Financial Statements**

The notes provide additional support information that is essential in assisting readers in gaining a full understanding of the data provided in the government-wide and fund financial statements.

### **Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the City's Special Revenue Funds, Debt Service Fund, and Agency Funds. Reports include schedules of revenues, expenditures, and changes in fund balances (budget and actual) for each specific fund in these three fund categories.



**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

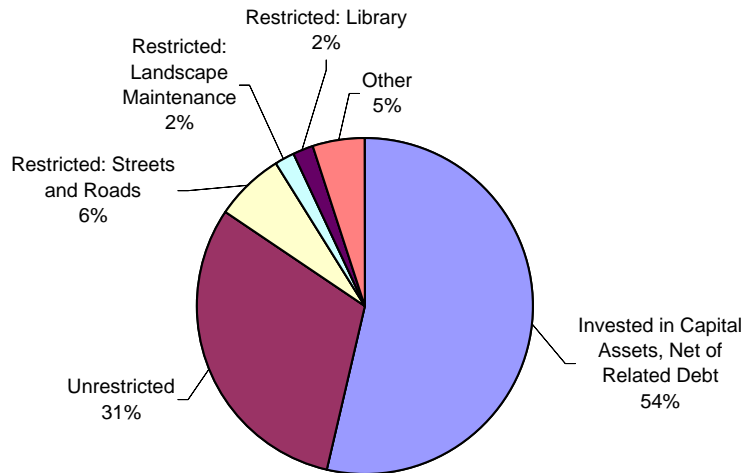
**Net assets.** Recall that the statement of net assets outlines the City’s assets and liabilities with the delta of the two being recorded as the net assets. The City’s net assets can be separated into three primary categories: 1) Capital assets – net of related debt, 2) unrestricted assets, and 3) restricted assets. As shown in Chart 1, the largest portions of the City’s net assets are found in capital assets – net of related debt (54%) and unrestricted assets (31%). The percentage of net assets subject to external use restrictions makes up 15% of the net asset portfolio. Streets and roads, and landscape maintenance fall under this category.

For purposes of discussion, 54% of the City’s net assets are derived from investments in capital assets such as land, buildings, machinery and equipment – net of accumulated depreciation, minus the remaining outstanding debt related to these acquisitions. Despite equity gains that might be experienced, capital assets are not available for future spending since they are tangible assets used to provide services to citizens. Consequently, resources required to address related debt must be secured from other sources.

*Chart 1 Percentage of net assets by asset type and category.*

Chart 1

**Net Assets - Primary Government**  
For the Fiscal Year Ended June 30, 2004  
(as a percent)



Thirty-one percent (\$21.1 million) of the City’s net assets are unrestricted meaning they can be used in any way (subject to the approval of council) to meet the City’s ongoing obligations to citizens and creditors. As shown in Table 1, positive balances in all three categories of net assets, for both the government as a whole, as well as for its separate governmental and business-type activities are reported. Additionally, Table 1 presents condensed financial information derived from the Statement of Net Assets.

**Changes in net assets.** Current fiscal year changes in net assets reflect an increase by \$6.1 million dollars (9.8%) over the prior fiscal year bringing the total net assets for both governmental activities and business-

**CITY OF CALABASAS**  
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type activities to \$68.2 million. The increase can be attributed to an overall reduction in general government reportable expenses for governmental activities coupled with a relatively steady contribution of revenue. Table 2 further details the contributing factors regarding the change in net assets for the primary government.

*Table 1. Condensed financial information derived from statement of net assets.*

Table 1

**Net Assets - Primary Government**  
 For the Fiscal Year Ended June 30, 2004  
 (amounts in millions)

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Cash and investments	\$ 30.4	\$ 31.8	\$ 0.9	\$ 0.9	\$ 31.3	\$ 32.7
Other current assets	3.9	2.2	-	-	3.9	2.2
Capital Assets	39.9	36.2	0.8	2.2	40.7	38.4
Other non-current assets	0.3	-	1.3	-	1.6	-
<b>Total assets</b>	<b>\$ 74.5</b>	<b>\$ 70.2</b>	<b>\$ 3.0</b>	<b>\$ 3.1</b>	<b>\$ 77.5</b>	<b>\$ 73.3</b>
Current liabilities	\$ 2.6	\$ 4.5	\$ 0.3	\$ 0.3	\$ 2.9	\$ 4.8
Non-current liabilities	6.4	6.4	-	-	6.4	6.4
<b>Total liabilities</b>	<b>\$ 9.0</b>	<b>\$ 10.9</b>	<b>\$ 0.3</b>	<b>\$ 0.3</b>	<b>\$ 9.3</b>	<b>\$ 11.2</b>
<b>Total Net Assets:</b>	<b>\$ 65.5</b>	<b>\$ 59.3</b>	<b>\$ 2.7</b>	<b>\$ 2.8</b>	<b>\$ 68.2</b>	<b>\$ 62.1</b>
Invested in capital assets, net of related debt	\$ 34.5	\$ 30.0	\$ 2.1	\$ 2.1	\$ 36.6	\$ 32.1
Restricted	10.5	-	-	-	10.5	-
Unrestricted	20.5	29.3	0.6	0.7	21.1	30.0
<b>Total Net Assets</b>	<b>\$ 65.5</b>	<b>\$ 59.3</b>	<b>\$ 2.7</b>	<b>\$ 2.8</b>	<b>\$ 68.2</b>	<b>\$ 62.1</b>

**Governmental activities.** As stated earlier, taxes and intergovernmental revenue chiefly support governmental activities.

Governmental activities expenses totaled \$20.5 million. Of this, \$7.8 million (community services department expenses) and \$4.2 million (general government department expenses) account for slightly greater than 50% of governmental activity expenditures. City funding for governmental activities was derived from \$12.9 million in general revenue and such sources as program revenue, which contributed \$7.6 million (37%). Program revenue funds were secured from \$5.4 million in charges for services and \$2.1 million grant money.

The City's governmental activities have been accounted for in six departmental categories: 1) Community services, 2) general government, 3) public safety, 4) public works, 5) other, and 6) community development (see Chart 2).

Total net assets for governmental activities were \$65.5 million representing an upward adjustment of \$6.2 million since the fiscal year ended June 30, 2003. Chart 3 presents a three-year comparison of net assets for governmental activities.

As of this printing, tax revenue (52%) was the single greatest source of City revenues for governmental activities. In fact, total tax revenues collected for governmental activities improved by \$1.8 million



compared to the prior fiscal year. A strong economy and the boost in new automobile sales contributed to the increase in sales tax revenue. Charts 4 and 5 present the percentage of total expenses for each program of governmental activities and the percentage of total revenues by source.

Table 2 Condensed financial information derived from the statement of activities.

Table 2

**Changes in Net Assets - Primary Government**

For the Fiscal Year Ended June 30, 2004  
(amounts in millions)

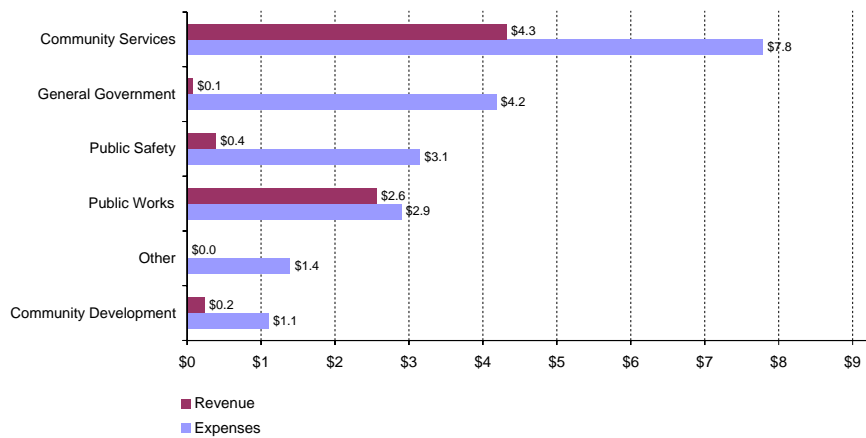
	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenue:</b>						
Program Revenue:						
Charges for services	\$ 5.4	\$ 2.6	\$ 2.8	\$ 2.4	\$ 8.2	\$ 5.0
Operating grants and contributions	1.7	6.0	-	0.1	1.7	6.1
Capital grants and contributions	0.5	4.5	-	-	0.5	4.5
General Revenue:						
Taxes:						
Utility users tax	3.3	-	-	-	3.3	-
Transient occupancy tax	1.1	-	-	-	1.1	-
Sales tax	5.2	4.7	-	-	5.2	4.7
Property tax	3.3	3.0	-	-	3.3	3.0
Franchise tax	0.3	0.6	-	-	0.3	0.6
Other tax	0.4	4.2	-	-	0.4	4.2
Motor vehicle in-lieu	1.0	1.2	-	-	1.0	1.2
Use of money and property	0.5	0.4	-	-	0.5	0.4
Miscellaneous	0.5	1.5	-	-	0.5	1.5
Transfers	0.2	-	(0.2)	-	-	-
Extraordinary Item:						
Insurance settlement	2.8	-	-	-	2.8	-
Prior period adjustments	0.5	-	(0.1)	-	0.4	-
<b>Total Revenue</b>	<b>\$ 26.7</b>	<b>\$ 28.7</b>	<b>\$ 2.5</b>	<b>\$ 2.5</b>	<b>\$ 29.2</b>	<b>\$ 31.2</b>
<b>Expenses:</b>						
General Government	\$ 4.2	\$ 9.9	\$ -	\$ -	\$ 4.2	\$ 9.9
Public Safety	3.1	2.9	-	-	3.1	2.9
Public Works	2.9	1.8	-	-	2.9	1.8
Community Development	1.1	2.4	-	-	1.1	2.4
Community Services	7.8	7.4	-	-	7.8	7.4
Interest and fiscal charges	0.3	0.3	-	-	0.3	0.3
Unallocated depreciation	1.1	-	-	-	1.1	-
Tennis and Swim Center	-	-	2.6	2.4	2.6	2.4
<b>Total Expenses</b>	<b>\$ 20.5</b>	<b>\$ 24.7</b>	<b>\$ 2.6</b>	<b>\$ 2.4</b>	<b>\$ 23.1</b>	<b>\$ 27.1</b>
Change in Net Assets	\$ 6.2	\$ 4.0	\$ (0.1)	\$ 0.1	\$ 6.1	\$ 4.1
Net Assets 7/1/03	59.3	55.3	2.8	2.7	62.1	58.0
<b>Net Assets 6/30/04</b>	<b>\$ 65.5</b>	<b>\$ 59.3</b>	<b>\$ 2.7</b>	<b>\$ 2.8</b>	<b>\$ 68.2</b>	<b>\$ 62.1</b>



*Chart 2 Program comparisons of governmental activity expenses, with related revenues.*

Chart 2

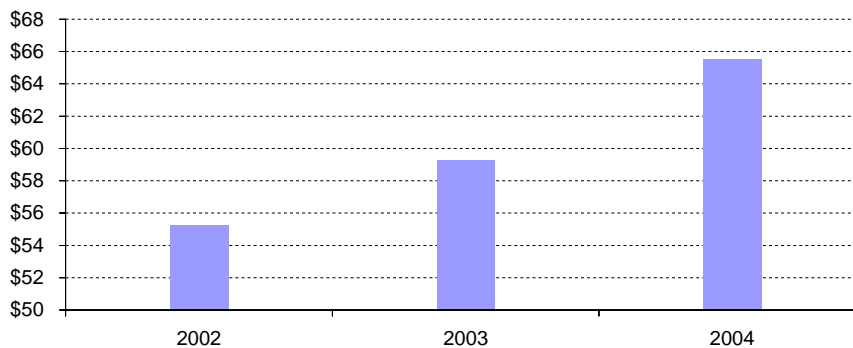
**Expenses and Program Revenues - Governmental Activities**  
 For the Fiscal Year Ended June 30, 2004  
 (amounts in millions)



*Chart 3 Three-year comparisons of net assets for governmental activities.*

Chart 3

**Total Net Assets - Governmental Activities**  
 For the Fiscal Year Ended June 30, 2004  
 (amounts in millions)





Charts 4 & 5 Percentage of total program expenses and the percentage of total revenues by source, respectively.

Chart 4

**Expenses - Governmental Activities**  
For the Fiscal Year Ended June 30, 2004  
(as a percent)

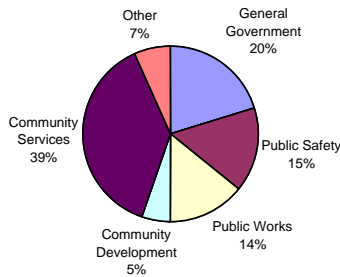
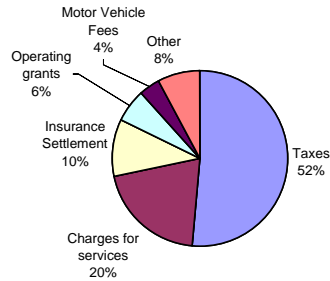


Chart 5

**Revenues by Source - Governmental Activities**  
For the Fiscal Year Ended June 30, 2004  
(as a percent)

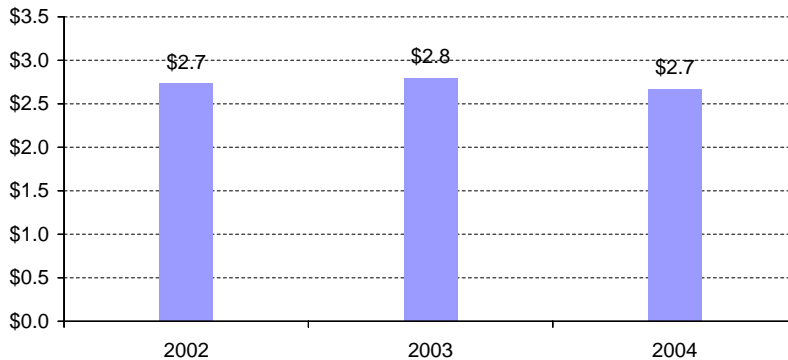


**Business-type activities.** As mentioned earlier, business-type activities are funded in large part through the assignment of user fees imposed on external parties in exchange for goods or services. The Tennis and Swim Center (the “Center”) is reported in this category. Obligatory charges for patron services at the Center were raised resulting in growth of business-activity revenue by \$0.4 million over the prior fiscal year. The City’s net assets for business-type activities related to the Center decreased by \$0.1 million due to a \$0.2 million transfer of funds back to the General Fund to repay an amount previously spent using General Fund money for landscape maintenance. Chart 6 shows a three-year history of net assets for business-type activities.

Chart 6 Three-year histories of total net assets for business-type activities.

Chart 6

**Total Net Assets - Business-type Activities**  
For the Fiscal Year Ended June 30, 2004  
(amounts in millions)





At the close of the current fiscal year, total net assets for business-type activities were \$2.7 million. Revenue, mainly stemming from Center fees, totaled \$2.5 million (net of transfers and prior period adjustments).

As shown in the Statement of Revenues, Expenses, and Changes in Net Assets (Proprietary Fund), amounts paid to operate the facility include: \$1.5 million – outside services, \$0.5 million – supplies, and \$0.5 million – administrative costs.

## FUND FINANCIAL ANALYSIS

**Governmental funds.** As stated, governmental funds financial statements identify current sources and uses of money. Benefits derived include a detailed *short-term view* of the City's general government operations and the basic services it provides, which assists in determining whether there are sufficient financial resources available to meet the City's current needs.

The financial position of the City's governmental funds improved when compared to the previous fiscal year. The \$16.8 million general fund balance depicts an overall gain of \$2.1 million mainly due to an increase in revenue received to this fund. The increase in revenue received from taxes can be linked to a strong economy, consequently, fund balances for each of the governmental funds experienced growth.

The total ending fund balance for the City's governmental funds was \$31.2 million, which represented a \$2.5 million or 9% increase over the prior fiscal year. Of the total fund balance, \$30.7 million was identified as unreserved thereby making these funds available for appropriation. The reserved portion of the fund balance totaled \$0.5 million, which is committed to debt service and to offset non-current financial resources not likely to be executed in the near term.

**Revenue.** Total revenue of \$16.3 million remained steady. Of this, \$11.5 million (71%) was generated by taxes, \$1.5 million (licenses and fees), \$1.0 million (intergovernmental), \$1.2 million (charges for services), and \$1.1 million (others) represents source specific income that contributed to the general fund's total revenue balance (see Chart 7).

**Expenditures.** Very little change in General fund expenditures of \$14.6 million over the prior fiscal year is noted. The slight reduction (\$0.5 million) in general government expenses is attributed to efficiency improvements. Community development costs also decreased by \$1.2 million. Conversely, public safety costs experienced a \$0.3 million increase because of higher cost of services performed by the County of Los Angeles. Community services expenses also increased by \$1.1 million, largely due to park maintenance.

**Special revenue funds.** Fund balances for special revenue funds (developer impact fees, landscape maintenance districts, grants) experienced a slight increase bringing their combined total to \$5.2 million. The balance for developer impact fees was reduced slightly by \$0.2 million bringing its fund balance to \$4.4 million. Total available funds for the landscape maintenance districts increased by \$0.4 million over the prior reporting fiscal year making its total fund balance \$1.4 million. Outstanding grant reimbursements not yet received but are expected total \$0.7 million.

**Capital projects.** The capital project fund should reflect a zero or near zero fiscal year ending balance. This is expected since capital project fund revenues are project specific and are funded by other sources in amounts equal to the amount being spent. Relatively unchanged from the prior fiscal year, this fiscal year's sources and uses of funds totaled \$4.9 million. Primary sources and uses involved \$3.3 million for public work projects, \$0.9 million for transportation projects, and \$0.4 million for costs associated with the new civic center.



**Non-major governmental funds.** The City’s non-major governmental funds include affordable housing, the library district, bridge and thoroughfare / Lost Hills district, highway users tax, and others.

Total revenue of \$3.2 million for non-major governmental funds represents a \$0.5 million decrease from last fiscal year. The major revenue sources included intergovernmental revenue at \$1.5 million, taxes at \$1.0 million, and uses of money and property at \$0.5 million. (See Chart 8).

Expenditures totaled \$2.4 million, up \$0.5 million from last fiscal year. The greatest expenditure of \$1.4 million was in the area of community services. Debt service payments for the 1999 Certificates of Participation (used to lease the proposed Civic Center Site and Creekside Park) totaled \$0.4 million. Other expenditures including Public Works projects, spending for public safety, community development, and various capital projects accounted for the remaining costs incurred (see Chart 9). Following a prior period adjustment of \$0.1 million, the total fund balances of all non-major governmental funds increased by \$0.1 million bringing the total fund balances to \$9.3 million (see Chart 10).

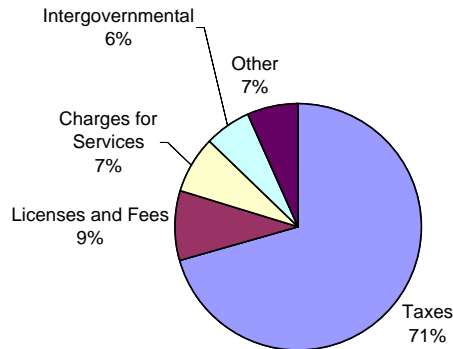
**Proprietary funds.** As mentioned in the business-type activities discussion, the City accounts for one proprietary fund: The Tennis and Swim Center. With the exception of interest revenue received totaling \$0.1 million, the Center received its operating revenue exclusively from fees associated with services. This fiscal year, total revenue received was \$2.8 million, up \$0.3 million from last fiscal year. Operating expenses totaled \$2.6 million, an amount greater than last fiscal year by \$0.2 million.

**Fiduciary (agency) funds.** The City of Calabasas has five agency funds, which consist of Las Virgenes Parking Authority, Community Facilities District 98-1, Community Facilities District 2001-1, Deposits, and the Education Fund. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. Assets of the agency funds total \$8.5 million.

*Chart 7 General fund revenue sources.*

Chart 7

**Revenue by Source - General Fund**  
For the Fiscal Year Ended June 30, 2004  
(as a percent)





*Charts 8 and 9 Percentage of total program expenses for each non-major governmental funds and the percentage of total revenues by source, respectively.*

Chart 8

**Revenue by Source - Non-major Governmental Funds**  
 For the Fiscal Year Ended June 30, 2004  
 (as a percent)

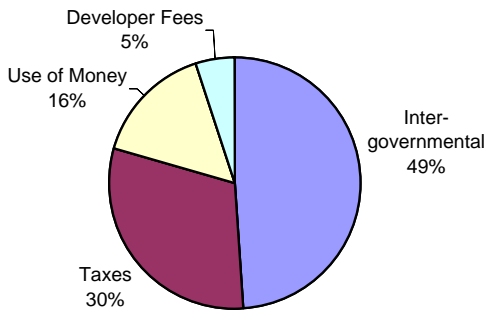
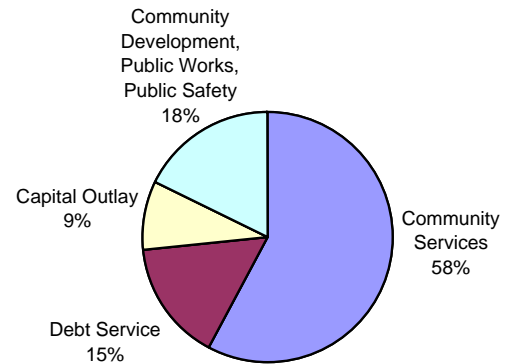


Chart 9

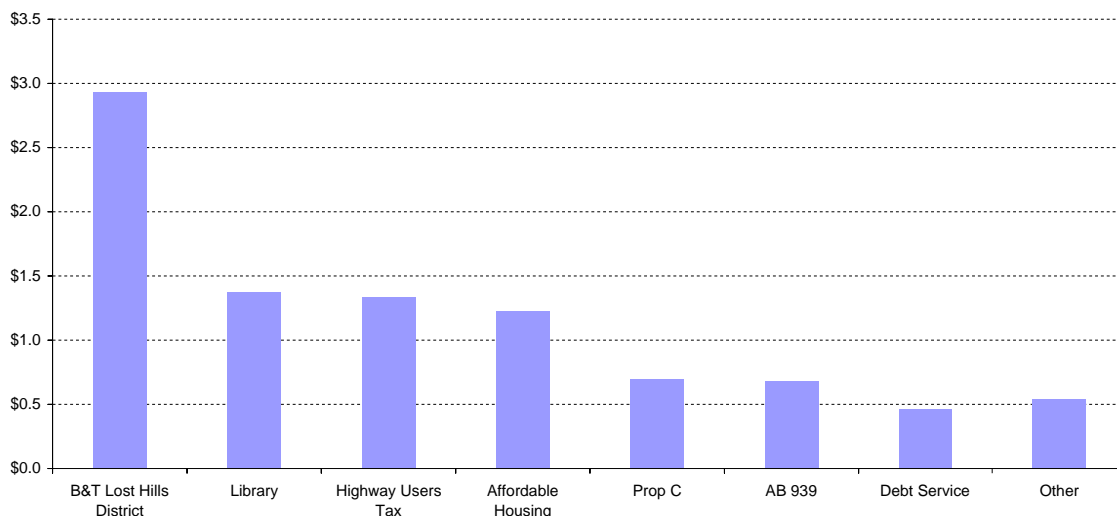
**Expenses - Non-major Governmental Funds**  
 For the Fiscal Year Ended June 30, 2004  
 (as a percent)



*Chart 10 Fiscal year ending fund balances for the non-major governmental funds.*

Chart 10

**Fund Balances - Non-major Governmental Funds**  
 For the Fiscal Year Ended June 30, 2004  
 (amounts in millions)



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The City's current fiscal year investment in capital assets for its governmental and business-type activities amounted to \$42.1 million (net of accumulated depreciation). Table 3 shows this investment by investment category. Depreciable property includes equipment, buildings, improvements other than buildings, and infrastructure. Infrastructure assets are items that are normally immovable and can be preserved for a greater number of years than most capital assets, such as roads, bridges, streets and sidewalks, drainage systems, and lighting systems.

**Long-term liabilities.** Debt liability for governmental activities decreased (\$0.1 million) by last fiscal year's comparison due to normal amortization of the existing debt. In 1999, the Corporation issued \$6.345 million in Certificates of Participation (COP) for the lease of two properties: Creekside Park and the proposed Civic Center site. Total outstanding balance owed for the COP is \$6.150 million. (See Table 4).

*Table 3 Summary of capital assets for governmental and business-type activities.*

Table 3

**Capital Assets**

For the Fiscal Year Ended June 30, 2004  
(amounts in millions)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land .....	\$ 3.746	\$ 0.838	\$ 4.584
Construction in progress .....	4.245	0.372	4.617
Buildings .....	0.984	0.843	1.827
Equipment .....	0.497	0.038	0.535
Investment in joint venture .....	1.850	-	1.850
Infrastructure .....	28.663	-	28.663
<b>Total .....</b>	<b>\$ 39.985</b>	<b>\$ 2.091</b>	<b>\$ 42.076</b>

*Table 4 Summary of long-term obligations for governmental and business-type activities.*

Table 4

**Long-Term Obligations**

For the Fiscal Year Ended June 30, 2004  
(amounts in millions)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Facilities corporation COP - Series 1999 .....	\$ 6.150	\$ -	\$ 6.150
Compensated absences payable .....	0.283	0.012	0.295
<b>Total .....</b>	<b>\$ 6.433</b>	<b>\$ 0.012</b>	<b>\$ 6.445</b>



### **GENERAL FUND BUDGETARY HIGHLIGHTS**

In July 2002, the City adopted a biennial budget identifying revenue and expenditures for the two-year period ending June 2004. Council renews the budget on an as-needed basis.

Increased revenue from secured property tax, transfer tax, and utility tax caused the fiscal year revenue to end up \$1.4 million greater than the original budgeted amount, and \$1.2 million greater than the amended budget. Total revenue received during the fiscal year was \$16.3 million.

The City under-ran its budgeted expenditures by \$0.6 million, mostly in the areas of public safety and public works. The result was a net increase in the fund balance of \$1.7 million.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

#### **Economic Factors**

Like many California cities, the City has been called to address several economic challenges. It is expected that the future cost of inflation as it pertains to employee salaries and the cost to purchase materials and services will require focus. Higher forecasted health costs, worker's compensation, and retirement benefits will be reflected in the upcoming budget.

Revenue from sales tax generated by new automobile dealerships being established in the City will help defray rising costs; and, of course, revenue received from citizen-participation in programs the City offers is likely to increase to deal with increasing costs associated with providing the programs. It is expected that property tax revenue and transfer tax revenue will continue to experience growth due to the rising cost of housing coupled with associated housing sales activity.

#### **Next Year's Budget**

The budget has four main purposes:

1. Present a clear picture to residents, council, and staff regarding the City's direction,
2. Provide an overview and summary of City Funds,
3. Identify Capital Improvement Projects (CIPs), Department / City special projects, and other discretionary spending items, and
4. Improve financial tracking

The 2004-05 proposed General Fund spending plan is approximately \$18 million.

A new two-year budget with an annual review is being developed and is slated for release on July 1, 2005. The finance department is implementing a budgetary approach that will result in a balanced budget in the general fund. The goal is to implement a system whereby total projected expenditures will be less than or equal to total projected revenue. In this way, the general fund balance is shielded from revenue shortfalls.

It should be noted that while a balanced budget is the goal, it remains possible that other funds may experience greater out-flows relative to in-flows for the same period. Still, those funds are expected to have a positive ending fund balance to pay for the overages.

Recently installed City management (City Manager and Chief Financial Officer) will be especially challenged in two areas: 1) to reduce expenditures through the discovery and implementation of cost saving programs; 2) to increase revenue through innovation.



### REQUESTS FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the City of Calabasas' finances. Questions concerning the information provided in this report or requests for additional information should be addressed to:

City of Calabasas  
Finance Department  
26135 Mureau Road  
Calabasas, California 91302

This report is also available on the Finance Department's website at <http://www.cityofcalabasas.com>.



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