

City of Malibu

DRAFT- Financial Analysis

Administrative and Finance Subcommittee – October 3, 2019



Agenda

- Introductions
- Current Situation
- Financial Planning Model
- Key Assumptions
 - › Woolsey Fire
 - › Short-Term Rentals
- Status Quo
- Scenarios
- Next Steps



Current Situation

- Starting from a strong financial position
- Woolsey Fire had major impact
 - › Reduced revenues
 - › Significant response and rebuild costs
- Evaluating a ban on shortterm rentals

The City engaged Raftelis to develop a financial planning model and analyze financial impacts of the Woolsey Fire and potential short-term rental ban



Process

- Obtain critical data
- Review and analyze data
 - › Most importantly the City's current and past budgets
- Develop assumptions to forecast all revenues and expenses
- Validate assumptions with City staff
- Build the financial planning model
- Validate the model with City staff
- Present findings



Model Functionality

- The model takes into account
 - › Impacts from Woolsey Fire
 - › Impacts from a potential short-term rental ban
- The model can evaluate
 - › Cost of the Woolsey Fire
 - › Cost of partial and full short-term rental ban
- The model dashboards
 - › Financial Plan
 - › Fund Balance
 - › Revenues and Expenditures



Assumptions

- Informed, reasonable, and conservative
- Revenues
 - › Historical property tax growth rates
 - › CPI
 - › Historical trends
 - › Special assumptions based on inputs and scenarios
- Expenditures
 - › CPI
 - › Historical trends
 - › Special assumptions based on inputs and scenarios
 - › Actual debt service



Financial Policies

- Reserve Targets
 - › Fund Balance
 - City Council Policy– 50% of operating budget
 - City Council Goal– 65%
 - To maintain the City’s high credit rating

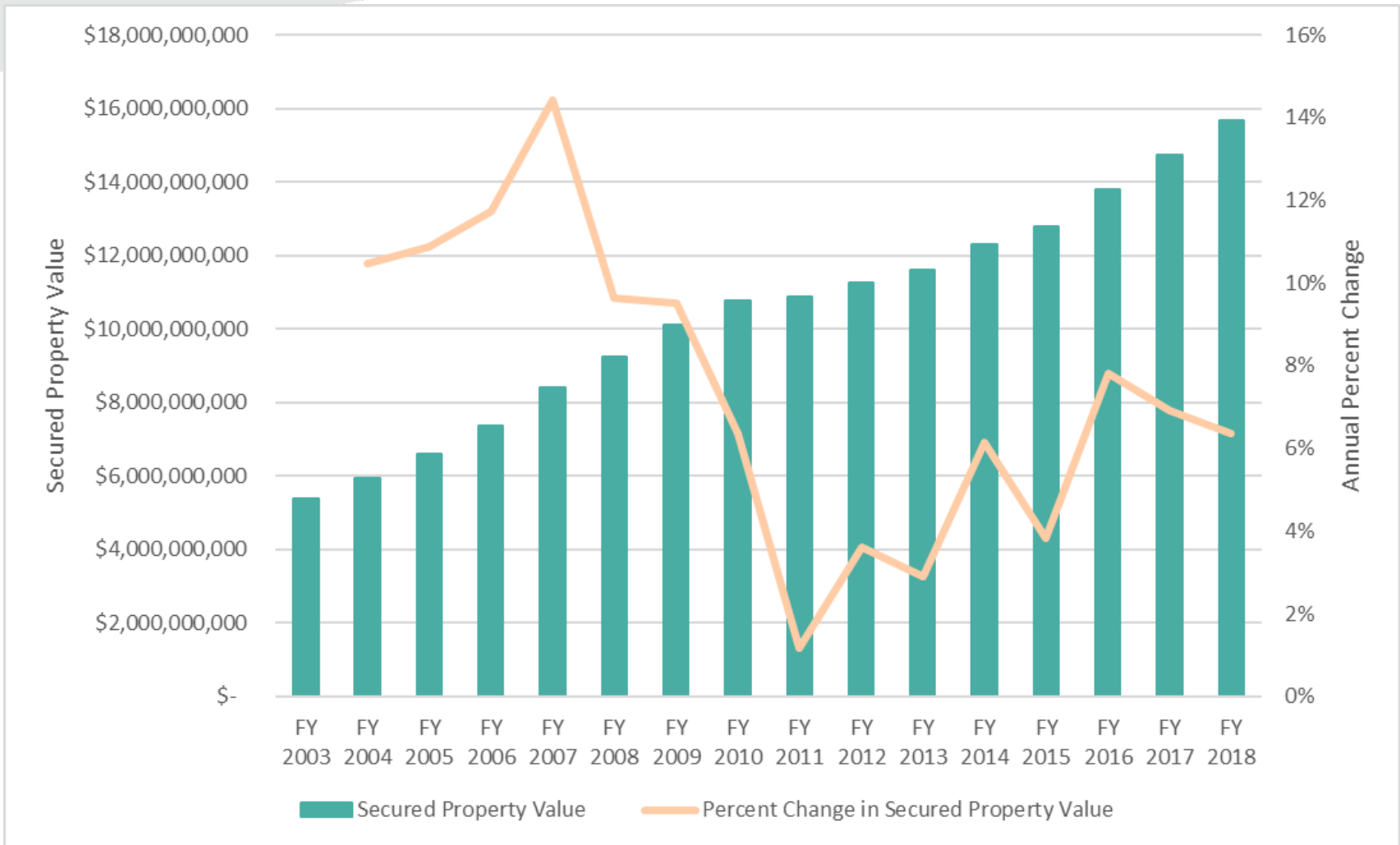


Status Quo Summary

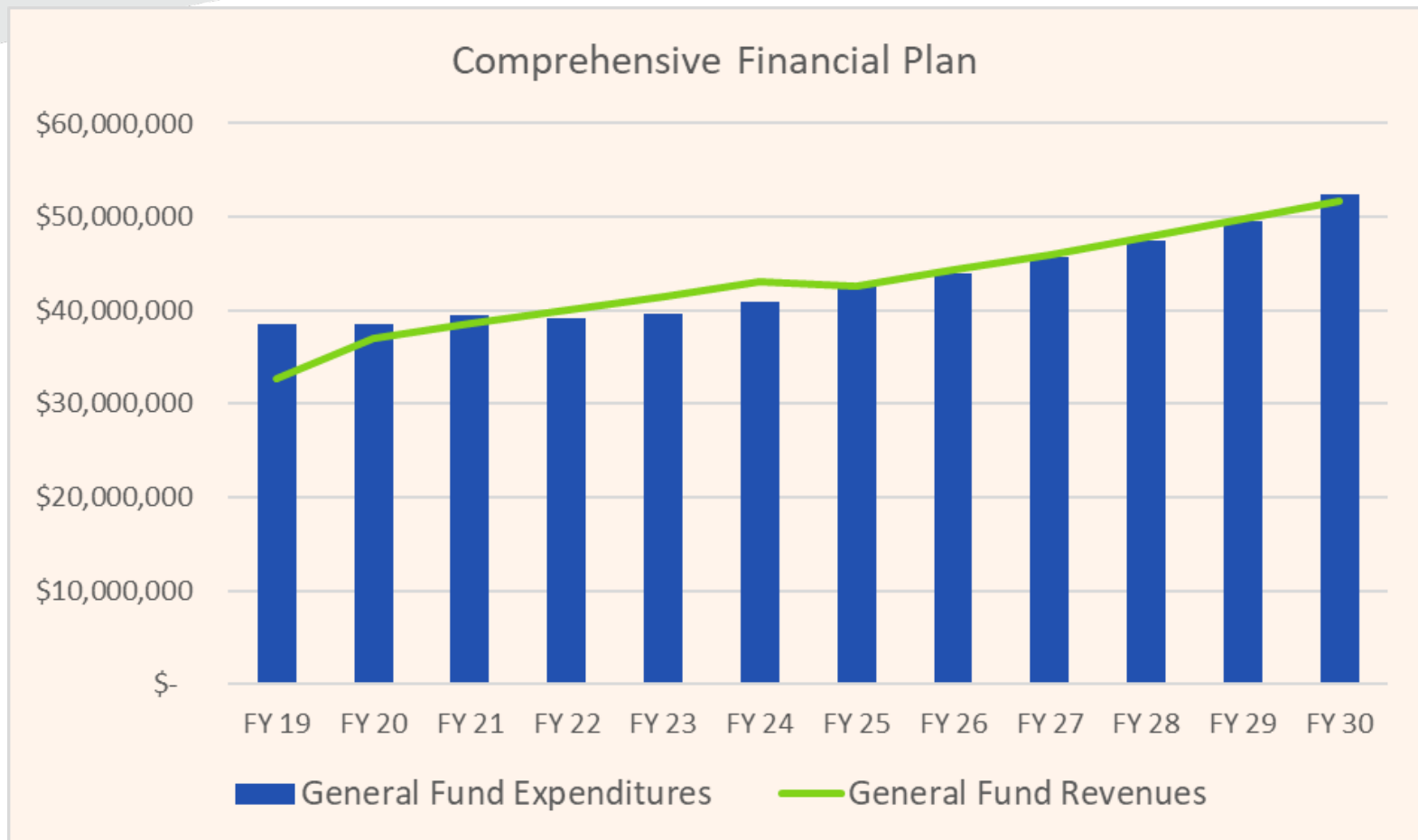
- Property value growth rate of 5.70%
 - › 2012 to 2018
- Fees increase at CPI
- Impacts of Woolsey Fire
 - › Major general fund operating expenditures continue through 2023
 - › Additional flood/debris flow mitigation through 2026
 - › FEMA reimbursements over 5 years beginning in FY 2021
- No short-term rental ban
- Debt service increases substantially due to 2018 COP
- Public Safety
 - › Recent increases to level of service flow into forecast
 - › Increase in FY 2023 due to new Sheriff station



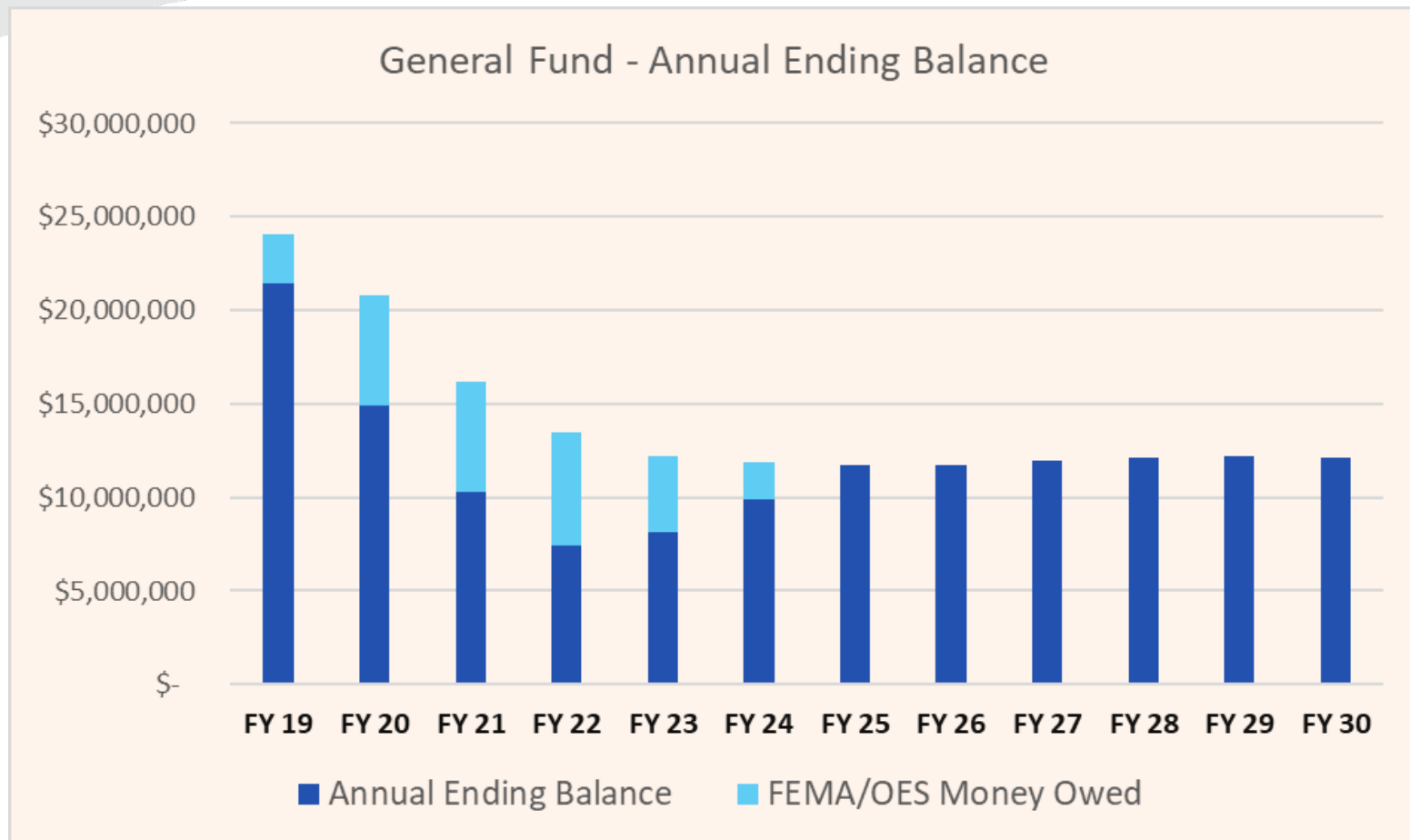
Historical Property Tax – Value and Change in Growth Rate



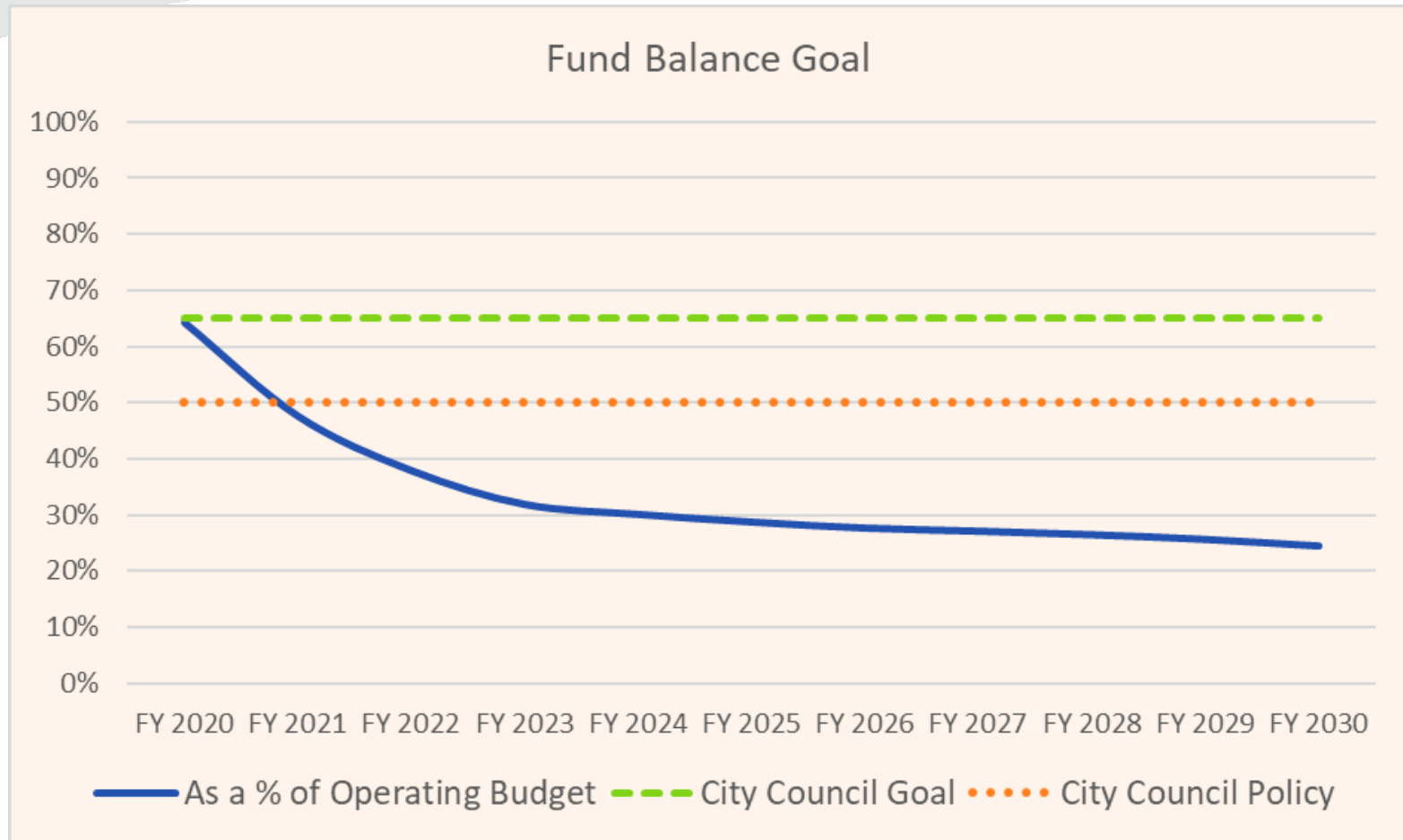
Status Quo - Financial Plan



Status Quo – Ending Fund Balance



Status Quo – Fund Balance Goal



Key Observations – Status Quo

- Property Tax revenue assumptions subject to high degree of variability
- Un-reimbursed Woolsey Fire costs reduce General Fund balance by \$13.4 million from FY 2019- FY 2025
- Large increase in COP debt service and expected public safety costs impact City's ability to restore general fund reserves



Assumptions – Woolsey Fire

- Property Tax Values
 - › 3 Year Recovery vs. 10 Year Recovery
- Capital
 - › FEMA/OES reimbursable costs
 - › Non-reimbursable General Fund costs
- Operating
 - › Fire rebuild costs
 - › Storm response costs
- “Like for Like” Permit Waivers
 - › Assumes no impact to revenues because budget did not assume increase in permit revenues from rebuild activities.
 - › City could receive an increase in revenues due to those residents who do not rebuild “Like for Like.”



Woolsey Fire – Impacts Overview

	<u>FY 2019</u>	<u>FY2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	FY19 - FY25 Total
CIP General Fund - Not Reimbursable	\$ 35,967	\$ 256,620	\$ 397,809	\$ 566,825	\$ -	\$ -	\$ -	\$ 1,257,220
CIP FEMA/OES - Reimbursable	2,617,499	3,207,189	2,048,438	2,206,875	-	-	-	\$ 10,080,001
Subtotal - Capital Costs	\$ 2,653,466	\$ 3,463,809	\$ 2,446,247	\$ 2,773,700	\$ -	\$ -	\$ -	\$ 11,337,221
3002 Fire Rebuilds	\$ 3,585,737	\$ 2,500,000	\$ 2,000,000	\$ 1,250,000	\$ 500,000	\$ -	\$ -	\$ 9,835,737
3002 Storm Response	-	500,000	500,000	500,000	500,000	150,000	150,000	\$ 2,300,000
Total Capital and Operating Costs	\$ 6,239,203	\$ 6,463,809	\$ 4,946,247	\$ 4,523,700	\$ 1,000,000	\$ 150,000	\$ 150,000	\$ 23,472,958
Projected FEMA/OES Reimbursements	\$ -	\$ -	\$ 2,016,000	\$ 2,016,000	\$ 2,016,000	\$ 2,016,000	\$ 2,016,000	\$ 10,080,001
Net Cost to the City								\$ 13,392,957

Note: Currently no costs in FY 2026 and beyond



Potential Short -Term Rental Ban Assumptions

- Status Quo– TOT revenues will increase based upon CPI
- Partial Reduction of 50%
 - › 50% Reduction to STR TOT revenues
 - Future revenues increase based upon CPI
 - › Impact to registration revenues and penalty revenues
 - › Additional code enforcement staffing
- Full Ban
 - › 100% reduction of STR TOT revenues
 - › Impact to registration revenues and penalty revenues
 - › Additional code enforcement staffing



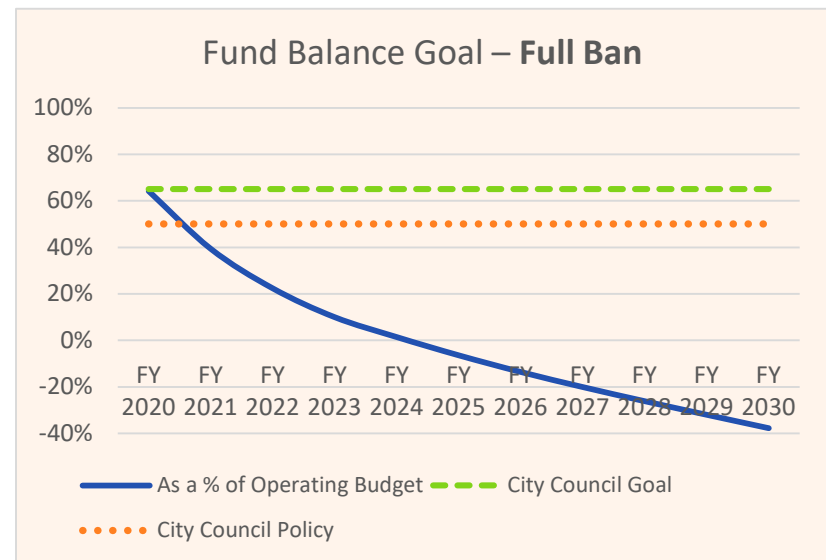
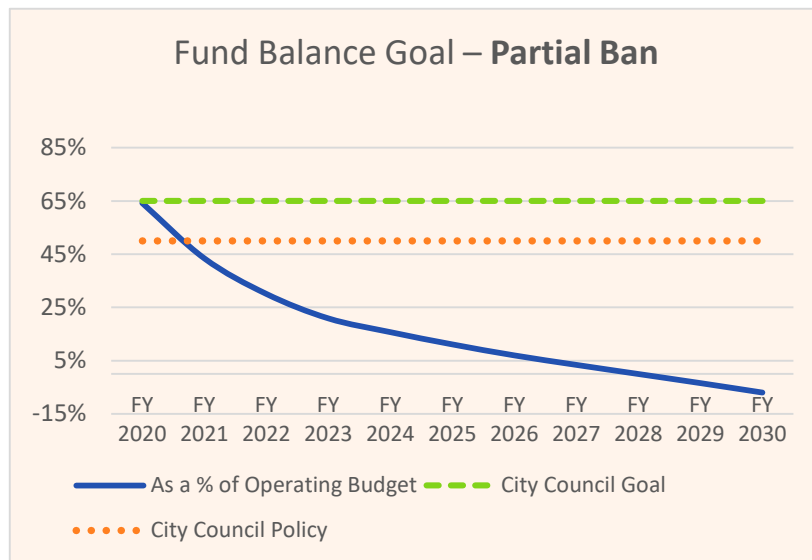
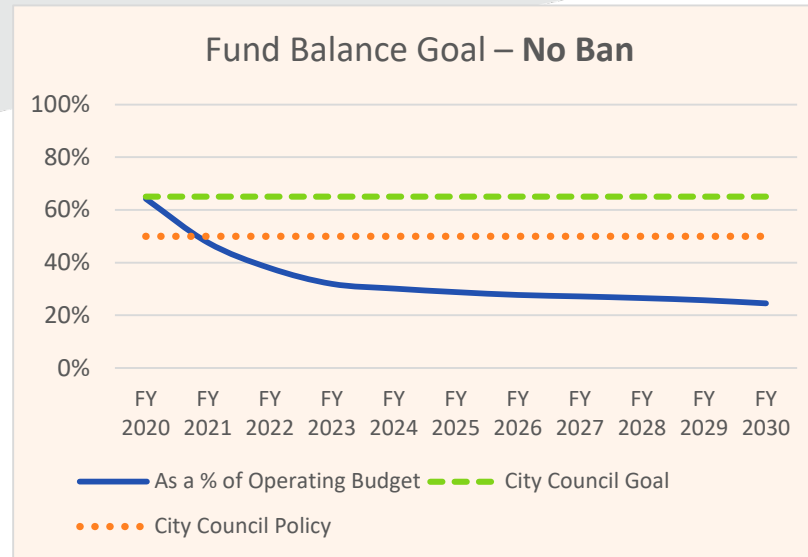
Short-Term Rental Ban Impacts – Scenario Overview

	FY2021 - FY2030 Total Revenue		Difference from Status Quo	
No STR Ban	\$	27,527,527		<i>Status Quo</i>
Partial STR Ban		13,763,763	\$	(13,763,763)
Full STR Ban		-	\$	(27,527,527)



Fund Balance Goal – STR Ban Scenarios

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Overall Observations

- City needs to carefully monitor and forecast property tax revenues due to variability
- A partial or full short-term rental ban could significantly impact the City's finances
 - › Already strained by the Woolsey Fire
- City should work to minimize non-reimbursable one-time Woolsey costs
 - › Currently estimated at \$13.4 million from FY19- FY25
- Consider limiting service level enhancements until full impact of Woolsey Fire determined
- May need to defer General Fund CIP projects



Thank you!

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