



Measure C Citizen Oversight Committee Meeting Agenda

4:00 PM – March 24, 2015

Measure C Committee Members

Chris Buzzard
Dean Fender
Dan Hansen
Nicki Jones
Molly Knappen

George Morris, Jr.
James Ratekin
Kirk Trostle
Kelly Wells

Alternates

Linda Dye
Stacey Poliquin
Sharon Simonton

The Citizen Oversight Committee holds its meetings in the Town Council Chambers at Town Hall, located at 5555 Skyway, Paradise, California, 95969. In accordance with the Americans with Disabilities Act, if you need a special accommodation to participate, please contact the Town Clerk's Department at 872-6291 Extension 101 at least 48 hours in advance of the meeting. Hearing assistance devices for the hearing impaired are available from the Town Clerk.

Members of the public may address the Citizen Oversight Committee on any agenda item. If you wish to address the Committee on any matter on the Agenda, it is requested that you complete a request card and give it to the Committee Secretary prior to the beginning of the Oversight Board Meeting.

All writings or documents which are related to any item on an open session agenda and which are distributed to a majority of the Oversight Committee will be available for public inspection at the Town Hall in the Town Clerk Department at 5555 Skyway, Room 3, at the same time the subject writing or document is distributed to a majority of the subject body. Regular business hours are Monday through Thursday from 8:00 a.m. to 5:00 p.m.

1. OPENING

- a. Call to Order
- b. Pledge of Allegiance to the Flag of the United States of America
- c. Roll Call
- d. Introduction of Measure C Citizen Oversight Committee Members

2. ITEMS

- a. Review Town of Paradise Resolution No. 15-04 (Adopted January 31, 2015), By-Laws for the Governance of the Measure C Citizen Oversight Committee (COC)

- b. Calendar of Meetings for the remainder of the 2014/2015 Fiscal Year and for the 2015/2016 Fiscal Year
- c. Information regarding the Town's financial background and budget process. Consider Council's and department budget priorities for 2015/2016. (STAFF)
- d. Committee selection of Chair, Vice-chair and Secretary.
- e. Steps for the next COC meeting/Expectations from the Committee

3. ADJOURNMENT

STATE OF CALIFORNIA) COUNTY OF BUTTE)	SS.
I declare under penalty of perjury that I am employed by the Town of Paradise in the Town Clerk's Department and that I posted this Agenda on the bulletin Board both inside and outside of Town Hall on the following date: _____	
_____ TOWN/ASSISTANT TOWN CLERK SIGNATURE	

**TOWN OF PARADISE
RESOLUTION NO. 15-04**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF PARADISE
APPROVING BY-LAWS FOR THE GOVERNANCE OF THE MEASURE C CITIZEN
OVERSIGHT COMMITTEE**

WHEREAS, the Town Council of the Town of Paradise desires to set forth certain procedures relating to the conduct of the Town Council appointed Measure C Citizen Oversight Committee required by voter approval of Measure C on November 4, 2014 that adopted Town of Paradise Ordinance No. 545.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Paradise as follows:

Section 1. The formation of the Measure C Citizen Oversight Committee is a requirement of Ordinance No. 545 adopted by voter approval of the Town Council ballot Measure C on November 4, 2014 that established a temporary 0.50 percent transaction and use tax that will automatically expire in six years.

Section 2. That the Measure C Citizen Oversight Committee shall be established for the same six-year term as provided for the 0.50 percent transaction and use tax established by Ordinance No. 545.

Section 3. That the Measure C Citizen Oversight Committee by-laws are attached to this resolution as Exhibit A; and,

Section 4. The resolution shall become effective on the date of adoption by the Town Council.

PASSED AND ADOPTED by the Town of Paradise Town Council on this 13th day of January, 2015 by the following vote:

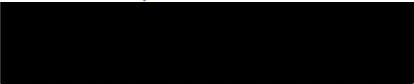
AYES: Steve "Woody" Culleton, Scott Lotter, Jody Jones, John J. Rawlings
and Greg Bolin, Mayor
NOES: None
ABSENT: None
ABSTAIN: None

By: 
Greg Bolin, Mayor

ATTEST: *January 13, 2015*

APPROVED AS TO FORM:

Dwight L. Moore, Town Attorney


Joanna Gutierrez, CMC Town Clerk

**BYLAWS OF THE MEASURE C
CITIZEN OVERSIGHT COMMITTEE**

Section 1. Name of Committee.

The official name shall be the "Measure C Citizen Oversight Committee".

Section 2. Place of Meeting.

The regular place of meetings of the Measure C Citizen Oversight Committee shall be at least quarterly at the Paradise Town Hall located at 5555 Skyway, Paradise, California, on the fourth Tuesday, at 4:00 p.m., unless otherwise cancelled or adjourned to another day or place pursuant to the Ralph M. Brown Act.

Section 3. Purpose & Powers.

The Measure C Citizen Oversight Committee shall have the duties established by Town Council Ordinance No. 545 and codified in Section 3.22.075 of the Paradise Municipal Code. Its meetings shall be held in accordance with the Ralph M. Brown Act. The committee is required to meet at least quarterly with the Town Manager and the Town Finance Director during the preparation of each fiscal year budget to make recommendations to the Town Council regarding how the proceeds from the implementation of Ordinance No. 545 will be allocated for the ensuing budget year.

Section 4. Members and Officers.

The Measure C Citizen Oversight Committee shall be a nine-member committee appointed by the Town Council. Members shall be residents and registered voters of Paradise. Substitutes are not allowed.

Section 5. Chairperson.

The Measure C Citizen Oversight Committee shall annually select one of its members to serve as Chairperson of the committee and shall preside at all meetings.

Section 6. Vice-Chairperson.

The Measure C Citizen Oversight Committee shall select one of its members to serve as Vice Chairperson who shall perform the duties of the Chairperson in the absence or incapacity of the Chairperson.

Section 7. Secretary.

The Measure C Citizen Oversight Committee shall designate a member to serve as the Secretary to the committee. The Secretary shall keep the records, shall act as

secretary at meetings of the committee, shall record all votes, and shall keep a record of the proceedings of the Measure C Citizen Oversight Committee in a journal of proceedings to be kept for such purpose and shall perform all duties incident to the office. The Secretary shall maintain a record of all official proceedings of the Measure C Citizen Oversight Committee and its programs.

Section 8. Vacancies.

When a seat of the Measure C-Citizen Oversight Committee becomes vacant, Town staff will inform the Town Council and schedule appointment to the vacancy at a regular or special meeting. Such appointments are to take place within 60 days of the creation of the vacancy.

Section 9. Compensation.

Measure C Citizen Oversight Committee members shall serve without compensation or reimbursement for expenses.

Section 10. Rosenberg's Rules.

Except as may be provided in the California Brown Act and these bylaws, the meeting procedures of the Measure C Citizen Oversight Committee shall be governed by the latest revised edition of Rosenberg's Rules of Order.

Section 11. Amendments.

The Bylaws may be amended by a majority vote of the Town Council.



Rosenberg's Rules of Order

REVISED 2011

Simple Rules of Parliamentary Procedure for the 21st Century

By Judge Dave Rosenberg



MISSION AND CORE BELIEFS

To expand and protect local control for cities through education and advocacy to enhance the quality of life for all Californians.

VISION

To be recognized and respected as the leading advocate for the common interests of California's cities.

About the League of California Cities

Established in 1898, the League of California Cities is a member organization that represents California's incorporated cities. The League strives to protect the local authority and autonomy of city government and help California's cities effectively serve their residents. In addition to advocating on cities' behalf at the state capitol, the League provides its members with professional development programs and information resources, conducts education conferences and research, and publishes Western City magazine.

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ABOUT THE AUTHOR

Dave Rosenberg is a Superior Court Judge in Yolo County. He has served as presiding judge of his court, and as presiding judge of the Superior Court Appellate Division. He also has served as chair of the Trial Court Presiding Judges Advisory Committee (the committee composed of all 58 California presiding judges) and as an advisory member of the California Judicial Council. Prior to his appointment to the bench, Rosenberg was member of the Yolo County Board of Supervisors, where he served two terms as chair. Rosenberg also served on the Davis City Council, including two terms as mayor. He has served on the senior staff of two governors, and worked for 19 years in private law practice. Rosenberg has served as a member and chair of numerous state, regional and local boards. Rosenberg chaired the California State Lottery Commission, the California Victim Compensation and Government Claims Board, the Yolo-Solano Air Quality Management District, the Yolo County Economic Development Commission, and the Yolo County Criminal Justice Cabinet. For many years, he has taught classes on parliamentary procedure and has served as parliamentarian for large and small bodies.



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INTRODUCTION

The rules of procedure at meetings should be simple enough for most people to understand. Unfortunately, that has not always been the case. Virtually all clubs, associations, boards, councils and bodies follow a set of rules — *Robert's Rules of Order* — which are embodied in a small, but complex, book. Virtually no one I know has actually read this book cover to cover. Worse yet, the book was written for another time and for another purpose. If one is chairing or running a parliament, then *Robert's Rules of Order* is a dandy and quite useful handbook for procedure in that complex setting. On the other hand, if one is running a meeting of say, a five-member body with a few members of the public in attendance, a simplified version of the rules of parliamentary procedure is in order.

Hence, the birth of *Rosenberg's Rules of Order*.

What follows is my version of the rules of parliamentary procedure, based on my decades of experience chairing meetings in state and local government. These rules have been simplified for the smaller bodies we chair or in which we participate, slimmed down for the 21st Century, yet retaining the basic tenets of order to which we have grown accustomed. Interestingly enough, *Rosenberg's Rules* has found a welcoming audience. Hundreds of cities, counties, special districts, committees, boards, commissions, neighborhood associations and private corporations and companies have adopted *Rosenberg's Rules* in lieu of *Robert's Rules* because they have found them practical, logical, simple, easy to learn and user friendly.

This treatise on modern parliamentary procedure is built on a foundation supported by the following four pillars:

1. **Rules should establish order.** The first purpose of rules of parliamentary procedure is to establish a framework for the orderly conduct of meetings.
2. **Rules should be clear.** Simple rules lead to wider understanding and participation. Complex rules create two classes: those who understand and participate; and those who do not fully understand and do not fully participate.
3. **Rules should be user friendly.** That is, the rules must be simple enough that the public is invited into the body and feels that it has participated in the process.
4. **Rules should enforce the will of the majority while protecting the rights of the minority.** The ultimate purpose of rules of procedure is to encourage discussion and to facilitate decision making by the body. In a democracy, majority rules. The rules must enable the majority to express itself and fashion a result, while permitting the minority to also express itself, but not dominate, while fully participating in the process.

Establishing a Quorum

The starting point for a meeting is the establishment of a quorum. A quorum is defined as the minimum number of members of the body who must be present at a meeting for business to be legally transacted. The default rule is that a quorum is one more than half the body. For example, in a five-member body a quorum is three. When the body has three members present, it can legally transact business. If the body has less than a quorum of members present, it cannot legally transact business. And even if the body has a quorum to begin the meeting, the body can lose the quorum during the meeting when a member departs (or even when a member leaves the dais). When that occurs the body loses its ability to transact business until and unless a quorum is reestablished.

The default rule, identified above, however, gives way to a specific rule of the body that establishes a quorum. For example, the rules of a particular five-member body may indicate that a quorum is four members for that particular body. The body must follow the rules it has established for its quorum. In the absence of such a specific rule, the quorum is one more than half the members of the body.

The Role of the Chair

While all members of the body should know and understand the rules of parliamentary procedure, it is the chair of the body who is charged with applying the rules of conduct of the meeting. The chair should be well versed in those rules. For all intents and purposes, the chair makes the final ruling on the rules every time the chair states an action. In fact, all decisions by the chair are final unless overruled by the body itself.

Since the chair runs the conduct of the meeting, it is usual courtesy for the chair to play a less active role in the debate and discussion than other members of the body. This does not mean that the chair should not participate in the debate or discussion. To the contrary, as a member of the body, the chair has the full right to participate in the debate, discussion and decision-making of the body. What the chair should do, however, is strive to be the last to speak at the discussion and debate stage. The chair should not make or second a motion unless the chair is convinced that no other member of the body will do so at that point in time.

The Basic Format for an Agenda Item Discussion

Formal meetings normally have a written, often published agenda. Informal meetings may have only an oral or understood agenda. In either case, the meeting is governed by the agenda and the agenda constitutes the body's agreed-upon roadmap for the meeting. Each agenda item can be handled by the chair in the following basic format:

First, the chair should clearly announce the agenda item number and should clearly state what the agenda item subject is. The chair should then announce the format (which follows) that will be followed in considering the agenda item.

Second, following that agenda format, the chair should invite the appropriate person or persons to report on the item, including any recommendation that they might have. The appropriate person or persons may be the chair, a member of the body, a staff person, or a committee chair charged with providing input on the agenda item.

Third, the chair should ask members of the body if they have any technical questions of clarification. At this point, members of the body may ask clarifying questions to the person or persons who reported on the item, and that person or persons should be given time to respond.

Fourth, the chair should invite public comments, or if appropriate at a formal meeting, should open the public meeting for public input. If numerous members of the public indicate a desire to speak to the subject, the chair may limit the time of public speakers. At the conclusion of the public comments, the chair should announce that public input has concluded (or the public hearing, as the case may be, is closed).

Fifth, the chair should invite a motion. The chair should announce the name of the member of the body who makes the motion.

Sixth, the chair should determine if any member of the body wishes to second the motion. The chair should announce the name of the member of the body who seconds the motion. It is normally good practice for a motion to require a second before proceeding to ensure that it is not just one member of the body who is interested in a particular approach. However, a second is not an absolute requirement, and the chair can proceed with consideration and vote on a motion even when there is no second. This is a matter left to the discretion of the chair.

Seventh, if the motion is made and seconded, the chair should make sure everyone understands the motion.

This is done in one of three ways:

1. The chair can ask the maker of the motion to repeat it;
2. The chair can repeat the motion; or
3. The chair can ask the secretary or the clerk of the body to repeat the motion.

Eighth, the chair should now invite discussion of the motion by the body. If there is no desired discussion, or after the discussion has ended, the chair should announce that the body will vote on the motion. If there has been no discussion or very brief discussion, then the vote on the motion should proceed immediately and there is no need to repeat the motion. If there has been substantial discussion, then it is normally best to make sure everyone understands the motion by repeating it.

Ninth, the chair takes a vote. Simply asking for the “ayes” and then asking for the “nays” normally does this. If members of the body do not vote, then they “abstain.” Unless the rules of the body provide otherwise (or unless a super majority is required as delineated later in these rules), then a simple majority (as defined in law or the rules of the body as delineated later in these rules) determines whether the motion passes or is defeated.

Tenth, the chair should announce the result of the vote and what action (if any) the body has taken. In announcing the result, the chair should indicate the names of the members of the body, if any, who voted in the minority on the motion. This announcement might take the following form: “The motion passes by a vote of 3-2, with Smith and Jones dissenting. We have passed the motion requiring a 10-day notice for all future meetings of this body.”

Motions in General

Motions are the vehicles for decision making by a body. It is usually best to have a motion before the body prior to commencing discussion of an agenda item. This helps the body focus.

Motions are made in a simple two-step process. First, the chair should recognize the member of the body. Second, the member of the body makes a motion by preceding the member’s desired approach with the words “I move . . .”

A typical motion might be: “I move that we give a 10-day notice in the future for all our meetings.”

The chair usually initiates the motion in one of three ways:

1. **Inviting the members of the body to make a motion**, for example, “A motion at this time would be in order.”
2. **Suggesting a motion to the members of the body**, “A motion would be in order that we give a 10-day notice in the future for all our meetings.”
3. **Making the motion**. As noted, the chair has every right as a member of the body to make a motion, but should normally do so only if the chair wishes to make a motion on an item but is convinced that no other member of the body is willing to step forward to do so at a particular time.

The Three Basic Motions

There are three motions that are the most common and recur often at meetings:

The basic motion. The basic motion is the one that puts forward a decision for the body’s consideration. A basic motion might be: “I move that we create a five-member committee to plan and put on our annual fundraiser.”

The motion to amend. If a member wants to change a basic motion that is before the body, they would move to amend it. A motion to amend might be: “I move that we amend the motion to have a 10-member committee.” A motion to amend takes the basic motion that is before the body and seeks to change it in some way.

The substitute motion. If a member wants to completely do away with the basic motion that is before the body, and put a new motion before the body, they would move a substitute motion. A substitute motion might be: “I move a substitute motion that we cancel the annual fundraiser this year.”

“Motions to amend” and “substitute motions” are often confused, but they are quite different, and their effect (if passed) is quite different. A motion to amend seeks to retain the basic motion on the floor, but modify it in some way. A substitute motion seeks to throw out the basic motion on the floor, and substitute a new and different motion for it. The decision as to whether a motion is really a “motion to amend” or a “substitute motion” is left to the chair. So if a member makes what that member calls a “motion to amend,” but the chair determines that it is really a “substitute motion,” then the chair’s designation governs.

A “friendly amendment” is a practical parliamentary tool that is simple, informal, saves time and avoids bogging a meeting down with numerous formal motions. It works in the following way: In the discussion on a pending motion, it may appear that a change to the motion is desirable or may win support for the motion from some members. When that happens, a member who has the floor may simply say, “I want to suggest a friendly amendment to the motion.” The member suggests the friendly amendment, and if the maker and the person who seconded the motion pending on the floor accepts the friendly amendment, that now becomes the pending motion on the floor. If either the maker or the person who seconded rejects the proposed friendly amendment, then the proposer can formally move to amend.

Multiple Motions Before the Body

There can be up to three motions on the floor at the same time. The chair can reject a fourth motion until the chair has dealt with the three that are on the floor and has resolved them. This rule has practical value. More than three motions on the floor at any given time is confusing and unwieldy for almost everyone, including the chair.

When there are two or three motions on the floor (after motions and seconds) at the same time, the vote should proceed *first* on the *last* motion that is made. For example, assume the first motion is a basic “motion to have a five-member committee to plan and put on our annual fundraiser.” During the discussion of this motion, a member might make a second motion to “amend the main motion to have a 10-member committee, not a five-member committee to plan and put on our annual fundraiser.” And perhaps, during that discussion, a member makes yet a third motion as a “substitute motion that we not have an annual fundraiser this year.” The proper procedure would be

as follows:

First, the chair would deal with the *third* (the last) motion on the floor, the substitute motion. After discussion and debate, a vote would be taken first on the third motion. If the substitute motion *passed*, it would be a substitute for the basic motion and would eliminate it. The first motion would be moot, as would the second motion (which sought to amend the first motion), and the action on the agenda item would be completed on the passage by the body of the third motion (the substitute motion). No vote would be taken on the first or second motions.

Second, if the substitute motion *failed*, the chair would then deal with the second (now the last) motion on the floor, the motion to amend. The discussion and debate would focus strictly on the amendment (should the committee be five or 10 members). If the motion to amend *passed*, the chair would then move to consider the main motion (the first motion) as *amended*. If the motion to amend *failed*, the chair would then move to consider the main motion (the first motion) in its original format, not amended.

Third, the chair would now deal with the first motion that was placed on the floor. The original motion would either be in its original format (five-member committee), or if *amended*, would be in its amended format (10-member committee). The question on the floor for discussion and decision would be whether a committee should plan and put on the annual fundraiser.

To Debate or Not to Debate

The basic rule of motions is that they are subject to discussion and debate. Accordingly, basic motions, motions to amend, and substitute motions are all eligible, each in their turn, for full discussion before and by the body. The debate can continue as long as members of the body wish to discuss an item, subject to the decision of the chair that it is time to move on and take action.

There are exceptions to the general rule of free and open debate on motions. The exceptions all apply when there is a desire of the body to move on. The following motions are not debatable (that is, when the following motions are made and seconded, the chair must immediately call for a vote of the body without debate on the motion):

Motion to adjourn. This motion, if passed, requires the body to immediately adjourn to its next regularly scheduled meeting. It requires a simple majority vote.

Motion to recess. This motion, if passed, requires the body to immediately take a recess. Normally, the chair determines the length of the recess which may be a few minutes or an hour. It requires a simple majority vote.

Motion to fix the time to adjourn. This motion, if passed, requires the body to adjourn the meeting at the specific time set in the motion. For example, the motion might be: “I move we adjourn this meeting at midnight.” It requires a simple majority vote.

Motion to table. This motion, if passed, requires discussion of the agenda item to be halted and the agenda item to be placed on “hold.” The motion can contain a specific time in which the item can come back to the body. “I move we table this item until our regular meeting in October.” Or the motion can contain no specific time for the return of the item, in which case a motion to take the item off the table and bring it back to the body will have to be taken at a future meeting. A motion to table an item (or to bring it back to the body) requires a simple majority vote.

Motion to limit debate. The most common form of this motion is to say, “I move the previous question” or “I move the question” or “I call the question” or sometimes someone simply shouts out “question.” As a practical matter, when a member calls out one of these phrases, the chair can expedite matters by treating it as a “request” rather than as a formal motion. The chair can simply inquire of the body, “any further discussion?” If no one wishes to have further discussion, then the chair can go right to the pending motion that is on the floor. However, if even one person wishes to discuss the pending motion further, then at that point, the chair should treat the call for the “question” as a formal motion, and proceed to it.

When a member of the body makes such a motion (“I move the previous question”), the member is really saying: “I’ve had enough debate. Let’s get on with the vote.” When such a motion is made, the chair should ask for a second, stop debate, and vote on the motion to limit debate. The motion to limit debate requires a two-thirds vote of the body.

NOTE: A motion to limit debate could include a time limit. For example: “I move we limit debate on this agenda item to 15 minutes.” Even in this format, the motion to limit debate requires a two-thirds vote of the body. A similar motion is a *motion to object to consideration of an item*. This motion is not debatable, and if passed, precludes the body from even considering an item on the agenda. It also requires a two-thirds vote.

Majority and Super Majority Votes

In a democracy, a simple majority vote determines a question. A tie vote means the motion fails. So in a seven-member body, a vote of 4-3 passes the motion. A vote of 3-3 with one abstention means the motion fails. If one member is absent and the vote is 3-3, the motion still fails.

All motions require a simple majority, but there are a few exceptions. The exceptions come up when the body is taking an action which effectively cuts off the ability of a minority of the body to take an action or discuss an item. These extraordinary motions require a two-thirds majority (a super majority) to pass:

Motion to limit debate. Whether a member says, “I move the previous question,” or “I move the question,” or “I call the question,” or “I move to limit debate,” it all amounts to an attempt to cut off the ability of the minority to discuss an item, and it requires a two-thirds vote to pass.

Motion to close nominations. When choosing officers of the body (such as the chair), nominations are in order either from a nominating committee or from the floor of the body. A motion to close nominations effectively cuts off the right of the minority to nominate officers and it requires a two-thirds vote to pass.

Motion to object to the consideration of a question. Normally, such a motion is unnecessary since the objectionable item can be tabled or defeated straight up. However, when members of a body do not even want an item on the agenda to be considered, then such a motion is in order. It is not debatable, and it requires a two-thirds vote to pass.

Motion to suspend the rules. This motion is debatable, but requires a two-thirds vote to pass. If the body has its own rules of order, conduct or procedure, this motion allows the body to suspend the rules for a particular purpose. For example, the body (a private club) might have a rule prohibiting the attendance at meetings by non-club members. A motion to suspend the rules would be in order to allow a non-club member to attend a meeting of the club on a particular date or on a particular agenda item.

Counting Votes

The matter of counting votes starts simple, but can become complicated.

Usually, it’s pretty easy to determine whether a particular motion passed or whether it was defeated. If a simple majority vote is needed to pass a motion, then one vote more than 50 percent of the body is required. For example, in a five-member body, if the vote is three in favor and two opposed, the motion passes. If it is two in favor and three opposed, the motion is defeated.

If a two-thirds majority vote is needed to pass a motion, then how many affirmative votes are required? The simple rule of thumb is to count the “no” votes and double that count to determine how many “yes” votes are needed to pass a particular motion. For example, in a seven-member body, if two members vote “no” then the “yes” vote of at least four members is required to achieve a two-thirds majority vote to pass the motion.

What about tie votes? In the event of a tie, the motion always fails since an affirmative vote is required to pass any motion. For example, in a five-member body, if the vote is two in favor and two opposed, with one member absent, the motion is defeated.

Vote counting starts to become complicated when members vote “abstain” or in the case of a written ballot, cast a blank (or unreadable) ballot. Do these votes count, and if so, how does one count them? The starting point is always to check the statutes.

In California, for example, for an action of a board of supervisors to be valid and binding, the action must be approved by a majority of the board. (California Government Code Section 25005.) Typically, this means three of the five members of the board must vote affirmatively in favor of the action. A vote of 2-1 would not be sufficient. A vote of 3-0 with two abstentions would be sufficient. In general law cities in

California, as another example, resolutions or orders for the payment of money and all ordinances require a recorded vote of the total members of the city council. (California Government Code Section 36936.) Cities with charters may prescribe their own vote requirements. Local elected officials are always well-advised to consult with their local agency counsel on how state law may affect the vote count.

After consulting state statutes, step number two is to check the rules of the body. If the rules of the body say that you count votes of “those present” then you treat abstentions one way. However, if the rules of the body say that you count the votes of those “present and voting,” then you treat abstentions a different way. And if the rules of the body are silent on the subject, then the general rule of thumb (and default rule) is that you count all votes that are “present and voting.”

Accordingly, under the “present and voting” system, you would **NOT** count abstention votes on the motion. Members who abstain are counted for purposes of determining quorum (they are “present”), but you treat the abstention votes on the motion as if they did not exist (they are not “voting”). On the other hand, if the rules of the body specifically say that you count votes of those “present” then you **DO** count abstention votes both in establishing the quorum and on the motion. In this event, the abstention votes act just like “no” votes.

How does this work in practice?

Here are a few examples.

Assume that a five-member city council is voting on a motion that requires a simple majority vote to pass, and assume further that the body has no specific rule on counting votes. Accordingly, the default rule kicks in and we count all votes of members that are “present and voting.” If the vote on the motion is 3-2, the motion passes. If the motion is 2-2 with one abstention, the motion fails.

Assume a five-member city council voting on a motion that requires a two-thirds majority vote to pass, and further assume that the body has no specific rule on counting votes. Again, the default rule applies. If the vote is 3-2, the motion fails for lack of a two-thirds majority. If the vote is 4-1, the motion passes with a clear two-thirds majority. A vote of three “yes,” one “no” and one “abstain” also results in passage of the motion. Once again, the abstention is counted only for the purpose of determining quorum, but on the actual vote on the motion, it is as if the abstention vote never existed — so an effective 3-1 vote is clearly a two-thirds majority vote.

Now, change the scenario slightly. Assume the same five-member city council voting on a motion that requires a two-thirds majority vote to pass, but now assume that the body **DOES** have a specific rule requiring a two-thirds vote of members “present.” Under this specific rule, we must count the members present not only for quorum but also for the motion. In this scenario, any abstention has the same force and effect as if it were a “no” vote. Accordingly, if the votes were three “yes,” one “no” and one “abstain,” then the motion fails. The abstention in this case is treated like a “no” vote and effective vote of 3-2 is not enough to pass two-thirds majority muster.

Now, exactly how does a member cast an “abstention” vote?

Any time a member votes “abstain” or says, “I abstain,” that is an abstention. However, if a member votes “present” that is also treated as an abstention (the member is essentially saying, “Count me for purposes of a quorum, but my vote on the issue is abstain.”) In fact, any manifestation of intention to vote either “yes” or “no” on the pending motion may be treated by the chair as an abstention. If written ballots are cast, a blank or unreadable ballot is counted as an abstention as well.

Can a member vote “absent” or “count me as absent?” Interesting question. The ruling on this is up to the chair. The better approach is for the chair to count this as if the member had left his/her chair and is actually “absent.” That, of course, affects the quorum. However, the chair may also treat this as a vote to abstain, particularly if the person does not actually leave the dais.

The Motion to Reconsider

There is a special and unique motion that requires a bit of explanation all by itself; the motion to reconsider. A tenet of parliamentary procedure is finality. After vigorous discussion, debate and a vote, there must be some closure to the issue. And so, after a vote is taken, the matter is deemed closed, subject only to reopening if a proper motion to consider is made and passed.

A motion to reconsider requires a majority vote to pass like other garden-variety motions, but there are two special rules that apply only to the motion to reconsider.

First, is the matter of timing. A motion to reconsider must be made at the meeting where the item was first voted upon. A motion to reconsider made at a later time is untimely. (The body, however, can always vote to suspend the rules and, by a two-thirds majority, allow a motion to reconsider to be made at another time.)

Second, a motion to reconsider may be made only by certain members of the body. Accordingly, a motion to reconsider may be made only by a member who voted in the majority on the original motion. If such a member has a change of heart, he or she may make the motion to reconsider (any other member of the body — including a member who voted in the minority on the original motion — may second the motion). If a member who voted in the minority seeks to make the motion to reconsider, it must be ruled out of order. The purpose of this rule is finality. If a member of minority could make a motion to reconsider, then the item could be brought back to the body again and again, which would defeat the purpose of finality.

If the motion to reconsider passes, then the original matter is back before the body, and a new original motion is in order. The matter may be discussed and debated as if it were on the floor for the first time.

Courtesy and Decorum

The rules of order are meant to create an atmosphere where the members of the body and the members of the public can attend to business efficiently, fairly and with full participation. At the same time, it is up to the chair and the members of the body to maintain common courtesy and decorum. Unless the setting is very informal, it is always best for only one person at a time to have the floor, and it is always best for every speaker to be first recognized by the chair before proceeding to speak.

The chair should always ensure that debate and discussion of an agenda item focuses on the item and the policy in question, not the personalities of the members of the body. Debate on policy is healthy, debate on personalities is not. The chair has the right to cut off discussion that is too personal, is too loud, or is too crude.

Debate and discussion should be focused, but free and open. In the interest of time, the chair may, however, limit the time allotted to speakers, including members of the body.

Can a member of the body interrupt the speaker? The general rule is “no.” There are, however, exceptions. A speaker may be interrupted for the following reasons:

Privilege. The proper interruption would be, “point of privilege.” The chair would then ask the interrupter to “state your point.” Appropriate points of privilege relate to anything that would interfere with the normal comfort of the meeting. For example, the room may be too hot or too cold, or a blowing fan might interfere with a person’s ability to hear.

Order. The proper interruption would be, “point of order.” Again, the chair would ask the interrupter to “state your point.” Appropriate points of order relate to anything that would not be considered appropriate conduct of the meeting. For example, if the chair moved on to a vote on a motion that permits debate without allowing that discussion or debate.

Appeal. If the chair makes a ruling that a member of the body disagrees with, that member may appeal the ruling of the chair. If the motion is seconded, and after debate, if it passes by a simple majority vote, then the ruling of the chair is deemed reversed.

Call for orders of the day. This is simply another way of saying, “return to the agenda.” If a member believes that the body has drifted from the agreed-upon agenda, such a call may be made. It does not require a vote, and when the chair discovers that the agenda has not been followed, the chair simply reminds the body to return to the agenda item properly before them. If the chair fails to do so, the chair’s determination may be appealed.

Withdraw a motion. During debate and discussion of a motion, the maker of the motion on the floor, at any time, may interrupt a speaker to withdraw his or her motion from the floor. The motion is immediately deemed withdrawn, although the chair may ask the person who seconded the motion if he or she wishes to make the motion, and any other member may make the motion if properly recognized.

Special Notes About Public Input

The rules outlined above will help make meetings very public-friendly. But in addition, and particularly for the chair, it is wise to remember three special rules that apply to each agenda item:

Rule One: Tell the public what the body will be doing.

Rule Two: Keep the public informed while the body is doing it.

Rule Three: When the body has acted, tell the public what the body did.



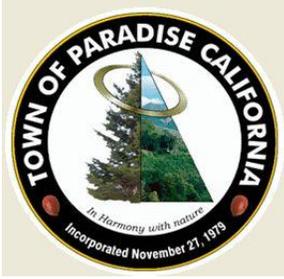
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MEMORANDUM

DATE: February 10, 2015

TO: Town Council
Citizens Oversight Committee
Department Directors and Managers

FROM: Lauren Gill, Town Manager
Gina Will, Finance Director

Town of Paradise 2015/16 Budget Adoption Timeline

February 10, 2015	2014/15 Mid-Year Budget Review and Five Year Projection
February 24, 2015 TBD	Town Council goal setting workshop to determine budget priorities
February 2015	Refinement of revenue and resources projections by Finance Director
March 24, 2015	Meet with Citizens Oversight Committee to determine recommendations for Measure "C" funds
April 1, 2015	Preliminary Budget Packages to Departments
April 13 -17, 2015	Budget Discussions with Finance Committee
April 14, 2015	Discussions with Town Council on Budget Progress
April 28, 2015	Discussions with Citizens Oversight Committee on budget for Measure "C" funds
April 2015	Departments Work on Proposed 2014-15 Budgets

April 30, 2015 - Deadline	Department Budgets Due to Town Manager & Finance Director for Review
May 4 – May 15, 2015	Budget Meetings with each Department
May 12, 2015	Discussions with Town Council on Budget Progress
May 26, 2015	Discussions with Citizens Oversight Committee on Budget Progress
May 19 – May 30, 2014	Final Adjustments and Meetings As Needed
June 2 – June 09, 2014	Final Edits and Compilation of Budget
June 9, 2015	2015-16 Preliminary Budget Presented to Town Council for Review
June 23, 2015	Final Budget Review Session with Town Council & 2015-16 Budget Adopted by Town Council



**Town of Paradise
Measure "C" Citizens Oversight
Committee Agenda Summary**

Agenda Item: 2c

Date: March 24, 2015

Originated by: Lauren Gill, Town Manager
Gina S. Will, Finance Director/Town Treasurer

Subject: Town of Paradise Financial Background and Information
Concerning the 2015/16 Budget Process

Committee Action Requested:

1. Review the information provided by Town staff concerning the Town's financial background and current fiscal health; and
2. Review the 2015/16 Budget Process and the committee's part in that process; and,
3. Consider Town Council and Town Department's priorities and budget needs.

Background:

The recession of 2008 devastated the revenue sources of the Town. There is little diversity to the Town's revenues, so as property values decreased so did the majority of the Town's revenues. \$3.7 million has been lost to date in general fund revenues from reduced property values. Also, the State of California dealt with its budget deficits by reducing local revenues and eliminating economic development tools. In 2011 the State eliminated all State funded motor vehicle license fees and in 2012 it abolished the Paradise Redevelopment Agency. It was the perfect storm of events for the Town. In reaction, the Town took immediate and prudent action to reduce expenses:

- By 2013/14 the Town had cut 25.5% of its workforce (43.3% without considering the CAL FIRE transition).
- For five years the remaining employees took salary cuts and paid larger portions of their benefits. These concessions exceeded \$907,000 in savings.
- Other non-general funds were cut to the point they were self sustaining as the Town could no longer afford to subsidize other funds.
- Nearly all equipment replacement and maintenance was deferred as well as other critical department expenditures.

The hard-fought efforts of the Town were rewarded by 2012/13 when the Town cured two years of general fund deficit spending. However, the storm was not over, revenues continued to decline and expenses were cut below sustainable levels. At the time of adoption of the 2014/15 General Fund budget, the budget was balanced with expected expenditures equal to expected revenues. In November 2014, the Town finally reached a safe harbor to wait out the remainder of the storm and prepare to rebuild. The community passed Measure "C" the 0.5% temporary six year transaction and use tax which will take effect April 1, 2015.

Staff has completed the California Municipal Financial Health Diagnostic created by the League of California Cities, and it confirms the Town's current fiscal health. It reinforces the progress made as well as identifies areas of weakness that the Town must tackle. In simplest terms the Town is currently graded a C -. It can pay its bills in the short term, but must address longer term obligations and weaknesses to be truly "healthy".

Financial Background and the 2015/16 Budget Process

March 24, 2015

Staff has attached a few documents as additional resources to review which will provide the committee a more complete understanding of the current financial condition of the Town:

- ✓ 2014/15 mid-year budget staff report
- ✓ 2014/15 mid-year budget presentation
- ✓ Financial Health Diagnostic Tool

Discussion:

Staff expects to meet with the Measure “C” Oversight Committee monthly until the 2015/16 Town Operating and Capital Budget is adopted which will be at the end of June 2015. The 2015/16 budget adoption timeline is also attached for review. The Committee will consider the priorities of the community, Town Council and departments and ultimately recommend to Town Council how Measure “C” monies should be used.

Following is the language from the ballot as a reminder of its intended use:

*“a temporary sales tax increase of 0.50% that automatically expires in six years, and that establishes a citizen oversight committee to ensure that funds are used to **preserve** public services such as police protection, fire suppression, street maintenance, animal control and other services for the Town of Paradise”*

After the budget is adopted, the committee will meet quarterly in order to review receipts and the use of Measure “C” monies. The committee’s recommendations and reviews will be posted on the Town’s website to aid in the transparency of the process for citizens.

It is intended that this first meeting be used to bring the committee up to date on the Town’s current finances and needs as well as introduce the priorities of the Town Council and department staff. More specific information will be provided by department managers at the next meeting as the budget process progresses and departments begin firming up their 2015/16 budget requirements. The final meeting before budget adoption will be for the Committee to finalize their recommendations for Town Council and to prepare a report of those recommendations.

Measure “C” monies will not address every desire or need of the Town or the community. However, used appropriately it will go a long way toward preserving services, replacing old equipment and improving our community.

Town Council and staff thank you for your service!



**Town of Paradise
Council Agenda Summary
Date: February 10, 2015**

Agenda Item: 7(c)

Originated by: Gina S. Will, Finance Director/Town Treasurer

Reviewed by: Lauren Gill, Town Manager

Subject: 2014/15 Mid-Year Budget Status Update

Council Action Requested:

1. Approve budget adjustments for the following funds; and,
 - a. 1010 – General Fund
 - b. 2030 – Building Safety & Waste Water Services
 - c. 2070 – Animal Control
 - d. 2120 – Gas Tax
2. Approve revised salary pay plan; and,
3. Approve Animal Control Supervisor job descriptions; or,

Alternatives:

Refer the matter back to staff for further development and consideration.

Background:

Town Council adopted the fiscal year 2014/15 operating and capital budget June 25, 2014. At each subsequent Council meeting, Council has approved budget adjustments based on additional information as it became available. In addition, each year staff completes a thorough mid-year budget review after six months of the fiscal year has been completed. The mid-year review includes a complete position control review and recalculation of all staff salary and benefits for the remainder of the fiscal year. With the help of each department, it also includes a comprehensive analysis and review of each maintenance and operations account.

The recession of 2008 devastated the revenue sources of the Town. There is little diversity to the Town's revenues, so as property values decreased so did the majority of the Town's revenues. \$3.7 million has been lost to date in general fund revenues from reduced property values. Also, the State of California dealt with its budget deficits by reducing local revenues and eliminating economic development tools. In 2011 the State eliminated all State funded motor vehicle license fees and in 2012 it abolished the Paradise Redevelopment Agency. It was the perfect storm of events for the Town. In reaction, the Town took immediate and prudent action to reduce expenses:

- By 2013/14 the Town had cut 25.5% of its workforce (43.3% without considering the CAL FIRE transition).
- For five years the remaining employees took salary cuts and paid larger portions of their benefits. These concessions exceeded \$907,000 in savings.
- Other non-general funds were cut to the point they were self sustaining as the Town could no longer afford to subsidize other funds.

- Nearly all equipment replacement and maintenance was deferred as well as other critical department expenditures.

In addition to these drastic cuts, the last several years Town Council, management and staff have worked collaboratively and tirelessly on creating financial stability for the organization by also addressing unfunded liability issues.

- Unfunded liability related to OPEB obligations has been reduced 70.2% from \$45.8 million to \$13.6 million by creating a vesting schedule for benefits and by capping the Town's contribution toward these benefits.
- Before the State enacted its Pension reforms, the Town created a second tier of benefits for both public safety and miscellaneous new hires. Now there are three tiers of pension benefits for employees creating some immediate cost savings on new hires.

The hard-fought efforts of the Town were rewarded by 2012/13 when we cured two years of general fund deficit spending. However, the storm was not over, revenues continued to decline and expenses were cut below sustainable levels. At the time of adoption of the 2014/15 General Fund budget, the budget was balanced with expected expenditures equal to expected revenues. In November 2014, the Town finally reached a safe harbor to wait out the remainder of the storm and prepare to rebuild. The community passed Measure "C" the 0.5% temporary six year transaction and use tax which will take effect April 1, 2015. The mid-year budget includes the projected revenues and expenses resulting from that passage.

The Town should take a moment to celebrate all that has been accomplished. The storm is subsiding and revenues are starting to climb. The revenues of Measure "C" will allow the Town to maintain services and to address some of the expenditures that have long been deferred and are critical to operations. As Council prepares to rebuild the ship, it should carefully balance the short term requirements with the need to invest in the long term sustainability of the Town organization and community. A long-term investment model will lessen future economic impacts and allow the Town to regain control of its own financial future.

Discussion:

Fiscal Health Analysis

Staff has completed the California Municipal Financial Health Diagnostic created by the League of California Cities, and it confirms the Town's current fiscal health. It reinforces the progress made as well as identifies areas of weakness that the Town must tackle. In simplest terms the Town is currently graded a C -. It can pay its bills in the short term, but must address longer term obligations and weaknesses to be truly "healthy". Following are areas where the Town is either doing well or has shown improvement:

- ✓ The General Fund is no longer subsidizing other funds
- ✓ The Town has few constraints on budgetary discretion
- ✓ The Town is not balancing the budget through borrowing
- ✓ The Town is not balancing the budget by deferring debt service payments
- ✓ The Town is not funding operating costs with non-recurring development revenues
- ✓ The Town provides timely and accurate financial reports

Following are areas that must improve for the Town's fiscal health to improve:

1. **The Town has recurring general fund operating deficits.** Even though the Town has a “balanced” budget where it is not spending more than it is taking in, it is not able to fund all of the expenditures necessary to operate a full service government. The Town has been cutting \$400,000 - \$450,000 of critical operating expenses out of each budget to balance. Measure “C” funds will help address this issue in the short term, **but if these funds are not also invested for the long term the Town will be in the same position after six years.**
2. **General fund reserves (unassigned reserves) are inadequate.** Prior to 2012, the Town invested its reserve funds in the economic development of the Town by loaning funds to the Paradise Redevelopment Agency. Three prior loans had been paid in full and with appropriate interest of 5%. In 2012 however, the State abolished the redevelopment agency leaving three new loans to the general fund unpaid and with constraints limiting the amount that could be repaid on these loans. The Town has worked diligently with the State and now has these loans approved as enforceable obligations. These loans will eventually be repaid, but are a last priority and will be repaid slowly over time.

To date all of the Town’s general fund reserves are non-spendable because these loans and other receivables cannot be immediately converted to cash. The last couple years being conservative through budgeting and prudent through spending, the Town is approaching building a small unassigned reserve. Following are the reserves for the year ended June 30, 2014 and the estimated reserve for the year ending June 30, 2015:

<u>Designated Reserves</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-spendable (RDA loan)	\$2,015,945	\$2,006,863
Projected Measure “C” revenue		148,000
Unassigned (spendable) reserves	(81,449)	141,806
Total Reserve	\$1,934,496	\$2,296,669

3. **Inadequate cash and short-term investments as a percentage of current liabilities.** As indicated above, the Town is projected to have \$141,806 in spendable reserves; however this is completely inadequate for a municipal budget. Our goal should be to bring the level of unassigned (spendable) reserves to approximately \$1 Million. One way we will reach our goal is by investing our future RDA loan repayments to the unassigned (spendable) reserve category, thus building that fund over time and reducing our need to borrow money to pay our bills. Currently, the Town borrows cash during the first six months of the fiscal year to make timely vendor and employee payments. Building reserves and liquidity will save the Town roughly \$30,000 a year in interest and loan underwriting costs. It will also provide the Town breathing room to sustain future inevitable economic downturns.
4. **General fixed costs, salaries and benefits exceed 80% of net operating expenditures.** Fixed costs like utilities, retiree health payments, contractual agreements, and lease purchase payments are those costs over which the government has little control in the short term. As the Town has already cut staffing to the bare minimum to maintain services, having fixed costs and salary costs exceed 80% of operating expenditures is an indication that there are inadequate revenues to fund services long term. It leaves insufficient room in the budget to fund equipment and maintenance requirements. Our goal should be 80% or less, while our balance hovers around 90%. A healthy budget includes adequate discretionary funds to adequately function and also to weather financial crises. The cure to this dilemma is a more diversified revenue stream. Following is the formula used to measure this indicator. It assumes the inclusion of Measure “C” Funds.

Fixed costs and labor costs as a percent of expenditures =			<u>Salaries + benefits + fixed costs</u> Net operating expenditures		
2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
90.1%	90.6%	89.8%	90.5%	92.0%	92.0%

5. **The general fund budget has been balanced repeatedly by deferring asset maintenance.** Deferral of asset replacement and facility maintenance should only be a short term solution to budget shortfalls. The Town has deferred portions of these expenses for over five consecutive years. Again, this is an indication of an inadequate revenue stream for the level of service provided.

6. **General fund pension liabilities or post-employment benefits have been repeatedly deferred.** GASB 45, an accounting mandate established in 2010/11 requires all government agencies to measure and report the liabilities associated with post-employment benefits (OPEB). By tackling that obligation head-on, the Town has been able to reduce the unfunded liability by 70.2%. However, aside from one initial contribution, the Town has not been funding the Annual Required Contribution (ARC) related to this obligation. The Town has capped the premium costs associated with these benefits, but employees will continue to retire increasing the Town’s annual costs over time. The actuary report indicates that in addition to the actual premium costs paid directly by the Town, the Town should be contributing \$150,000 to \$200,000 toward these future premium payments building up a “bank” to fund these future obligations. It is critical for the Town to heed this advice and start setting aside funds now before the annual contribution becomes more than we can afford. **We cannot possibly keep up with this growing annual obligation without investing in this account. It is the strong recommendation of the Town Manager and Finance Director to fund this account as a priority. Even a small investment of \$50,000/year for ten years will give us an account that will provide financial stability for the organization’s obligations relating to OPEB.** This bold action will not only get and keep us on a firm financial footing, but this “take the bull by the horns” approach to budget management shows strength in leadership and a direction that the community wants us to go.

With continued prudence and careful investment toward the Town’s future financial stability, many of these indicators can be improved. Measure “C” and the Town’s tough choices and cuts to date have improved many of these indicators already. With continued wise decisions and investment, the Town is expected to improve on its C – rating. It can likely move into the B’s with care, but will likely not be able to move into the A’s with its current revenue constraints.

General Fund - 1010

Staff ran and analyzed a number of year-to-date financial reports in order to review trends or significant swings in budgeted revenues and expenses. Further, finance staff completed a thorough position control review which includes a review of every employee’s budgeted salary and benefits. All of this information was reviewed with specific departments to achieve the recommended budget adjustments included on the attached General Fund Mid-Year Budget Performance Report. The second-to-last column on the right represents the proposed recommended budget amount for each account. The last column on the far right represents the proposed budget adjustment.

After completion of the methodical review, the recommended and proposed General Fund is balanced, and revenues are expected to exceed expenditures by \$362,173. As already touched on, **these funds must be guarded in order to rebuild unassigned reserves**. A structural deficit still remains, in that certain deferred maintenance and asset replacement expenditures have yet to be added back to the budget. Outside of the \$200,000 in Measure "C" revenues added to the budget, other revenues are trending about as expected and originally budgeted. Revenues exclusive of Measure "C" will grow about 2.9% compared to the prior fiscal year. Expenses outside of the expenditures budgeted to implement Measure "C" are also trending as expected. Last fiscal year, approved staffing in public safety divisions remained vacant much of the year as recruitment and hiring proved time consuming and difficult. This fiscal year, many of these positions have been filled, so overall expenditures are expected to increase over 6%. Again, this was expected and revenues will still exceed expenditures. Following is a more detailed explanation from the analysis completed and the adjustments proposed:

Revenues:

- The Town received its first major property tax payment of the fiscal year on January 6, 2015. The receipts are principally in line with original revenue estimates, and it looks like property taxes will grow about 2.39% compared to the prior fiscal year. The housing market appears to have stabilized and properties that were devalued under Prop 8 can rebound at a rate higher than the typical 2% CPI growth cap. Unsecured revenues are trending about \$6,941 more than budgeted and supplemental receipts are trending about \$17,627 more than expected.
- A state audit of county formulas related to the distribution of motor vehicle in lieu (MVIL) fees has proved helpful for the Town this fiscal year. The audit found \$159,969 of prior year corrections to the allocation of MVIL fees. In January 2015, the Town received another \$75,728 as a correction of MVIL fees for this fiscal year. With these corrections, revenues in this area will be nearly 19% above the prior year.
- Sales tax receipts are currently trending a little less than expected, but are still expected to grow about 1.8% compared to the prior year. Added businesses in the community are keeping the revenues growing, but reduced gas prices are preventing them from growing as much as they might otherwise. To remain conservative, staff is recommending a budget adjustment decrease of \$17,756.
- Franchise fees after reviewing the budget performance report and receipts to date, are trending about 2% above the prior fiscal year. Staff recommends a very small \$842 adjustment at this time.
- With 2nd quarter 2014/15 taxes received for Transient Occupancy taxes, staff recommends a small \$1,237 decrease as a budget adjustment. Receipts are trending about 2% below the prior fiscal year.
- Some other non-department specific revenue adjustments include the passage of Measure "C" which is expected to generate about \$200,000 this fiscal year. Also, fire station 83 has been rented out to a local ambulance company starting in December 2014. About \$9,600 of additional revenues is expected through that agreement.
- Revenues specific to Police Department activities are recommended to be decreased by \$9,326 over various accounts. \$4,000 is a reduction in the amount of fines the police department will obtain through tickets, \$2,500 less in DUI accident and arrest collections, and \$3,000 less in special service requests. All of these decreases have a strong

correlation to decreased department staffing levels. More of the department's focus is on basic calls for service and community safety.

Changes in General Fund Revenues

	2013/14 Estimated Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Budget Adjustment
Non Program	\$9,796,383	\$9,969,622	\$10,242,237	\$272,615
Finance	2,170	2,100	11,729	9,629
Police	80,000	81,182	71,856	(9,326)
Fire	32,523	88,981	88,711	(270)
Planning	49,113	57,340	54,394	(2,946)
Waste Management	44,737	46,926	47,120	194
Engineering	47,518	37,000	36,609	(391)
Community Park	3,250	2,500	2,580	80
Totals	\$10,055,695	\$10,285,651	\$10,555,236	269,585

Expenses

Additionally, staff reviewed every general fund department budget account looking for areas where expenses could be reduced. Each account was analyzed from a five year historical perspective, based on financial transactions recorded to date, and based on known account encumbrances. From that analysis budget recommendations were prepared and reviewed with departments. Ultimately, the feedback received was incorporated into the attached report and included in the recommended budget adjustments included in the report. Each department should be commended for their help with this process. Please review the general fund report for specific adjustments, but highlights of significant budget adjustments are indicated as follows:

Administration

For the most part, recommended adjustments in these divisions are negligible. Expenses are decreasing and increasing marginally mainly as a result of a complete personnel costs review and analysis. The adjustments are summarized below:

- ✓ Town Council \$749
 - ✓ Town Clerk \$2,349
 - ✓ Town Manager \$2,957
 - ✓ HR and Risk Management (\$86)
 - ✓ Legal Services (\$10)
 - ✓ EOC \$69
 - ✓ Fleet Management (\$2,752)
 - ✓ Finance \$5,463
- Non Department specific expenses are decreasing \$6,813. \$4,500 is bank fee savings. US Bank is currently offering an earnings credit rate of 0.50%. Since this is higher than the interest offered by LAIF, the Town is maximizing the savings through the checking account before investing funds in LAIF. Also, the Town will save \$2,013 in interest on the

TRAN loan by paying the loan back at the end of May instead of the end of June.

- Central Services is expected to save a total of \$7,722. \$6,219 is from general Town insurance policies savings. There is also \$5,161 in savings from delayed timing of the 2014/15 lease purchase and also savings from the items actually purchased. Some other accounts have been increased due to unexpected repairs and replacements.
- There are one-time setup costs and administrative costs associated with the implementation of the Measure "C" transaction and use tax, so \$52,000 has been designated for this purpose.
- The Town took title to the former RDA property at 5456 Black Olive Drive. There is a note pending against the property that the Town will continue to pay until the property is sold or the note is paid off. \$8,601 is added to the budget for this purpose.

Police Department

- With the staffing shortages in operations and the challenges related to replacing a lieutenant, the lieutenant that was expected to retire in December 2014, extended his retirement until June 2015. Despite savings in some other accounts, this postponement will add about \$18,500 to the Administration budget.
- The vacancies in Police Operations have reduced projected salaries by \$39,324. However, additional overtime in the amount of \$12,851 is needed to fill the gap. Further, the first priority of the department is to community emergencies and calls for service which leaves less time for staff to spend on special grant related assignments. The Town budgeted \$135,724 for police specific grant reimbursements, but upon review, it is recommended this number be reduced to \$60,725, a reduction of \$74,999. A good portion of this is a wash between salaries and grant reimbursement of the AB 109 officer as this position will likely not be filled until May 2015. Overall Police Operations is projected to increase \$22,757.
- Police communication salaries as a result of vacancies are projected to be down \$17,518. Also, overtime expected to be down \$16,374. Light duty police officers as well as other administrative staff were able to assist in dispatch during staffing shortages which helped to keep those costs down. Overall the division is expected to have \$41,085 less in expenditures for the fiscal year.

Fire Department

- In order to balance the original 2014/15 budget, the Town asked CAL FIRE to come up with \$200,000 in savings to the contract. With six months of the 2014/15 fiscal year complete, CAL FIRE is on track to save the \$200,000. In order to do so though they will need to have days, when appropriate, with reduced staffing. Overtime costs are mounting as there are employees in the contract out on work related injuries. Some of these added costs are mitigated by how the contract is budgeted. The contract is budgeted assuming that every CAL FIRE employee receives top step of the salary schedule, but as more original Town employees transition to other CAL FIRE positions, more junior level employees are assigned and charged to the Town's contract creating some savings.

- Fire administration is expected to have about \$8,174 more in costs. Most of this is from increased costs for retiree medical premiums.
- The volunteer fire program was unable to recruit as many new members as was expected. Currently there are only 11 members. While disappointing from an operations standpoint, the reduced numbers will provide about \$11,349 in savings.

Planning/Waste Management

- About \$6,364 in savings will occur from having the code enforcement officer out on three months leave. A temporary code enforcement officer has been brought in to sustain operations, but that person will work few hours and will not be paid benefits.

Engineering, Community Park and Public Facilities

There are minimal adjustments recommended for these programs.

- ✓ Engineering – \$2,380
- ✓ Community Park - \$760
- ✓ Facilities - \$700

Changes in General Fund Expenditures

	2013/14 Estimated Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Budget Adjustment
Administration	\$2,550,543	\$2,670,801	\$2,726,151	\$55,350
Fire	3,178,872	3,523,842	3,521,545	(2,297)
Police	3,511,535	3,743,663	3,743,835	172
Community Dev.	212,022	168,565	162,204	(6,361)
Engineering/PW	31,636	35,488	39,328	3,840
Totals	\$9,484,609	\$10,142,359	\$10,193,063	50,704

These proposed adjustments increase the General Fund ending fund balance and reserves as summarized in the following table.

Changes in General Fund Reserves

	2013/14 Estimated Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2013/14 Proposed Budget Adjustment
Revenues	\$10,055,695	\$10,285,651	\$10,555,236	\$269,585
Expenditures	(9,484,609)	(10,142,359)	(10,193,063)	50,704
Net Difference	\$571,086	\$143,292	\$362,173	\$218,881
Designated Reserves				
Non-spendable (RDA loan)	\$2,015,945	\$2,015,945	\$2,006,863	(\$9,082)
Projected Measure "C" Rev.	0	0	148,000	148,000
Unassigned (spendable)	(81,449)	61,843	141,806	79,963
Total Reserve	\$1,934,496	\$2,077,788	\$2,296,669	\$218,881

Building Safety and Waste Water Services - 2030

The Town has made considerable progress in making this an independent sustainable fund without the need for a general fund subsidy. The fund started the fiscal year with a fund balance of \$194,075. With the recommended budget adjustments, it is projected to end the fiscal year with a \$245,786 fund balance.

Revenues in most areas like plan check fees, building permits and onsite services are trending above budget projections. Increased development which started last fiscal year appears to be continuing this fiscal year which is good news for the local economy. Overall, conservatively, it appears that revenues will be about \$16,977 more than budgeted. Some expenses like retiree medical insurance premiums are trending below budget, so expenses are being reduced \$8,681. The following chart summarizes the proposed budget amendments to the fund.

Building Safety and Waste Water Services Fund Changes

	2013/14 Estimated Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Budget Adjustment
Revenues	\$840,111	\$782,617	\$799,594	\$16,977
Expenditures	(677,983)	(756,906)	(748,225)	(8,681)
Net Difference	162,128	25,711	51,369	25,658
Ending Fund Balance/Reserve	\$194,075	\$219,786	\$245,444	
Reserve %	28.6%	29.0%	32.8%	

Animal Control - 2070

Animal Control services has had a vacant part-time animal control officer position most of the fiscal year. Recruitment of a qualified and reliable person for an 18 hour a week position has proved extremely difficult. This perpetual vacancy has again set back the division in terms of allowing them to be proactive in monitoring the community for dogs running at large and the prevention of dangerous dog attacks. Unfortunately, there has been an increase in dog attacks this year. The one full-time animal control officer on staff currently is only able to react to calls and has no time to educate or be proactive. Also, this vacancy impacts police operations as it is an already busy Lieutenant who must step in and help with operations when needed. Finally, the measures the division took to partner with local vets to ensure dogs are licensed as required by state law has dropped in priority for lack of staffing. Ultimately, it has been determined that the division can't effectively operate with its current staffing model.

Staff proposes to reinstate the original staffing model of a full time Animal Control Supervisor. It is proposed that the full time animal control officer be promoted to this position. She is already acting in this capacity much of the time and is effective as the division's leader. It will raise her hours from 36 to 40 hours per week. The added cost the remainder of this fiscal year is about \$3,200 and for a full year about \$8,300.

Staff also proposed to reinstate a 36 hour animal control officer in place of the 18 hour position. The division desperately needs these hours to properly serve the community and be proactive in protection and dog licenses. It is anticipated that at least part of these increased hours can be made up from additional dog licenses. This proposal will increase the current budget about \$5,300 this fiscal year and about \$29,000 next fiscal year.

Currently Animal Control Services is licensing about 1,000 dogs per year. Conservatively it is estimated that the Town of Paradise has over 4,300 dogs. If the Town was able to license an additional 2,000 dogs per year, over \$34,000 in additional license fees would be generated. This would help close the gap in needed funding.

The Town could not operate and fund this division without the continued support of PASH. PASH has been an invaluable partner in the care and comfort of shelter animals, and they are providing about \$12,000 in funding this fiscal year.

Funding for this division continues to be a concern for the Town. The Town continues to use animal control donations to balance the fund. The Town may need to consider using Measure "C" monies in future years. The Town will have to solve this funding problem eventually. The last few years has proved that the division cannot properly function and serve the community with reduced staffing.

Animal Control Services Fund Changes

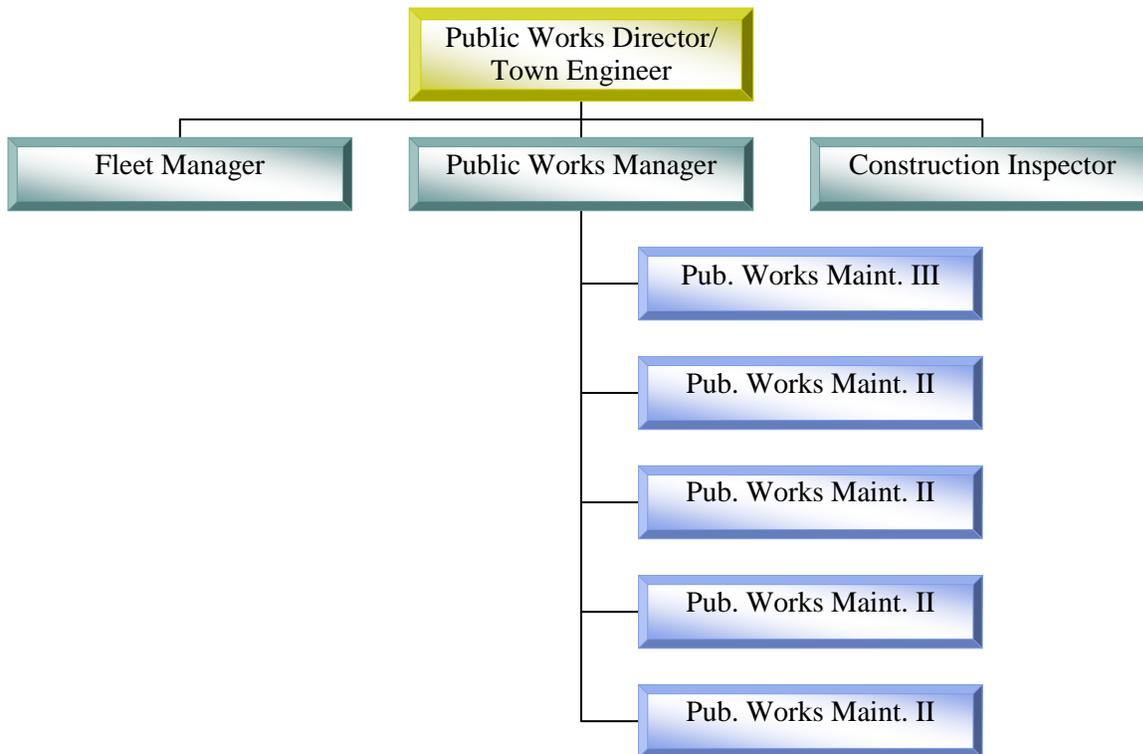
	2013/14 Estimated Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Budget Adjustment
Revenues	\$168,734	\$197,882	\$200,751	\$2,869
Expenditures	(170,069)	(199,861)	(202,254)	2,393
Net Difference	(1,335)	(1,979)	(1,503)	476
Ending Fund Balance/Reserve	\$1,504	(\$475)	\$0	
Reserve %	0.88%	(0.24%)	0.00%	

State Gas Tax - 2120

This fund is presently very healthy and expected to end the fiscal year with a \$545,641 ending fund balance. This fund balance is appropriate considering one project eliminated that fund balance in one fiscal year. Additional revenues of \$34,627 are proposed as estimated by the League of California Cities most recent HUTA estimates. Further, an overlay that was originally anticipated for Elliott, unfortunately has been postponed this fiscal year. The net result of this delay is savings of \$40,241.

Now that the fund and the department have some stability, staff recommends filling the Public Works Director position. The vacancy was a temporary measure to provide some savings and direction to the department when positions were vacant, employees were new and funding was pressured. Staff proposes promoting the Town Engineer to this position. He has already shown vision and leadership to his colleagues within this department. It will be a seamless transition from an operating and financial perspective. For a couple years the department has needed an

expert in that role to prioritize the everyday needs of keeping roads operational with the longer term goal of a proper road maintenance program using the Town's limited resources. Upon approval, the fleet maintenance manager will also report to the Public Works Director. This is a very common alignment of these functions in municipalities and will give the fleet manager some support and assistance from individuals that better understand his function. The increased cost of this proposal is minimal at about \$2,100 this fiscal year and \$5,400 next fiscal year. The department and reporting will look like the following:



Preliminary revenue estimates for 2015/16 are less optimistic due to reduced gas prices. The Town can use the reserve if needed to keep the fund in balance, but it is also anticipated to pursue additional street maintenance projects in 2015/16.

State Gas Tax Fund Changes

	2013/14 Estimated Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Budget Adjustment
Revenues	\$1,295,636	\$1,226,758	\$1,221,144	(\$5,614)
Expenditures	(1,185,586)	(1,251,378)	(1,179,135)	(72,243)
Net Difference	110,050	(24,620)	42,009	66,629
Ending Fund Balance/Reserve	503,583	479,012	545,641	
Reserve %	42.5%	38.3%	46.3%	

Conclusion:

The result of this mid-year report shows that the Town has met its short term objective of maintaining a balanced general fund budget for the 2014/15 fiscal year. It has also started rebuilding an unassigned reserve which it can use to reduce the amount of required annual cash borrowing. The 5 year projection that will be presented and is a part of this mid-year process; however, shows that the Town should be vigilant and guard these reserves. The Town will continue to struggle for at least the next two years to fund basic operations of its divisions outside of the help that will be provided by Measure “C” given the increased costs of pension contributions required starting next fiscal year.

With Measure “C” Funds the town will finally be able to fund and address equipment maintenance and replacement. It can also replace training in most departments, and other expenses the Town has deferred for too long. Those funds will not fund everything that the Town needs, so it will be up to the Council to prioritize the items of most importance. Further, it will be up to Council to consider the long term stability of the Town as it plans how best to use these funds.

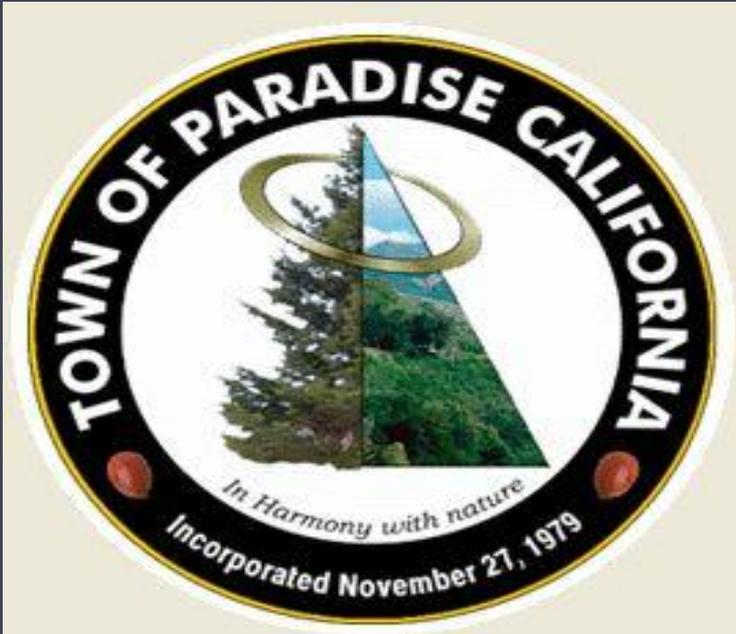
Property taxes and motor vehicle in lieu fees which make up the majority of the Town’s General Fund revenue stream are constrained by a 2% CPI increase on its Prop 13 properties. Less than 25% of the Town’s properties can rebound at a faster rate. Further, sales taxes have already reached prerecession numbers, so substantial growth will be limited to new businesses coming to town. Franchise fees and transient occupancy tax will only grow to the extent those businesses grow and are a limited part of the General Fund revenue stream.

Conversely, expenses like retirement contributions, the Pension Obligation Bond and other operating expenses are not limited to a 2% CPI increase and will grow at a quicker rate. As an example, GASB 68, the new accounting mandate from the Governmental Accounting Standards Board will result in an additional required contribution of approximately \$330,000 per year starting in 2015/16. This new obligation will result in reduced net assets on our balance sheet. However, good decisions regarding our long-term obligations will counterbalance the annual requirements and keep us in a better position to stay in control of our financial destiny.

Overall, expenditure growth is expected to closely match revenue growth. Following are the net revenue projections for the next five years:

2015/16 – (\$65,672)
2016/17 – (\$53,429)
2017/18 - \$15,289
2018/19 - \$84,638
2019/20 - \$153,452

Staff will begin the 2015/16 budget process later this month. A schedule of proposed dates and deadlines are attached for Council review. Staff will seek additional Town Council direction at a budget priority setting session on February 24, 2015. Town Council will be asked to establish priorities and direction for the 2015/16 budget process.



TOWN OF PARADISE

Financial Background



The Great Recession of 2008 starts the Perfect Storm

- General fund revenues plunge as property values fall.
 - \$3.7 million in revenues lost to date
 - Property taxes, sales taxes and MVIL
- Building and development vanishes
- State cuts and defers revenues to balance their budget
- State abolishes Paradise Redevelopment Agency



\$3.7 Million In General Fund Property Value Based Revenues Lost – 2008/09 to 2014/15



Immediate Cuts and Adjustments Made to Balance the Budget

- 25.5% of the workforce cut (43.3% without CAL FIRE Contract)
- 5 years of remaining employee salary and benefit concessions exceeding \$907,000
- Other funds cut so that no general fund subsidy is necessary
 - Building Safety & Waste Management
 - Gas Tax/Streets
 - Animal Control
- Equipment replacement and repairs deferred
- Most training eliminated or deferred

Unfunded liability addressed

- Town reduces OPEB obligation 70.2% from \$45.8 to \$13.6 million by :
 - ▣ Capping contributions
 - ▣ Tiering benefits
 - ▣ Reducing workforce
- Town enacts Pension reform before the State
 - ▣ Creates a second tier of benefits for Misc. & Public Safety Employees
 - ▣ With State enacted reform, now there are three tiers
 - ▣ Is providing immediate savings on new hires

Celebrate Progress

- The Community, Town Council and Staff fought hard to weather the storm
 - Two years of general fund deficit spending has been cured
 - The local economy is improving and revenues are starting to increase
 - Measure “C” was passed which will provide added revenue for the next six years and allow the Town to rebuild



Municipal Financial Health Diagnostic Tool



Fiscal Health Analysis Overview

- It reinforces the progress made to stabilize finances, but also highlights what is still needed
- The Town is currently graded a C – (It could easily move backward)
- The Town can pay its bills in the short term, but must address longer term obligations and weaknesses to be truly “healthy”

Areas of Fiscal Stability

- The General Fund is no longer subsidizing other funds
- Few constraints on budgetary discretion
- **Not** balancing budget through borrowing
- **Not** balancing budget by deferring debt service payments
- **Not** funding operating costs with non-recurring development revenues
- Town provides timely and accurate financial reports

Areas that Must Be Improved to Improve Financial Health



1. Recurring General Fund Operating Deficits

- The Town has balanced its budget by not spending more than it is taking in, but ...
 - It is not funding all that is necessary to sustain a full service government
 - The Town has been cutting \$400,000 - \$450,000 of critical operating expenses to balance
 - Measure “C” will help address this issue in the short term
 - **But if the Town does not also invest these funds for the long term, the Town will be in the same position after six years.**

2. General Fund Reserves (unassigned reserves) are Inadequate

- Prior to 2012, the Town invested its reserves in economic development by loaning funds to the Paradise Redevelopment Agency.
 - Three prior loans had been paid in full and with interest of 5%
 - In 2012 the State abolished redevelopment agencies leaving three new loans unpaid and with constraints limiting the amount that could be repaid
 - The Town has worked diligently with the State to have these loans approved as enforceable obligations

Inadequate Reserves Con't

- To date the Town's general fund reserves are non-spendable because these loans and other receivables cannot be immediately converted to cash
- Through hard work and painful cuts, the Town is approaching building a small unassigned reserve as follows:

Designated Reserves	June 30, 2014	June 30, 2015
Non-spendable (RDA loan)	\$2,015,945	\$2,006,863
Projected Measure "C" funds		148,000
Unassigned (spendable) reserves	(81,449)	141,806
Total Reserve	\$1,934,496	\$2,296,669

3. Inadequate Cash and Short-Term Investments as a % of Liabilities

- At the end of 2014/15 the Town is projected to have \$141,806 in spendable reserves.
- The goal is \$1 million
 - Current and future RDA loan repayments should be used to build this reserve
- Building reserves will save the Town roughly \$30,000 a year in loan costs
- An adequate reserve will also provide breathing room to sustain future economic downturns.

4. Fixed & Personnel Costs Exceed 80% of Operating Expenditures

- Having fixed and personnel costs exceed 80% of operating expenses (after these costs have been cut to the bare minimum) is an indication that there are insufficient revenues to fund services long term
 - It leaves insufficient room to fund equipment replacement and maintenance.
 - A healthy budget includes discretionary funds for maintenance and the unexpected
 - The cure is a more diversified revenue stream

Indicator Formula – Goal 80%

Fixed costs and labor costs
as a % of expenditures

Personnel + Fixed Costs
Net Operating Expenses

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
90.1%	90.6%	89.8%	90.5%	92.0%	92.0%

To improve in this area the Town must diversify and grow its possible revenue base.

5. Budget Balanced by Deferring Asset Maintenance

- Deferral of asset replacement and facility maintenance should only be a short term solution to budget shortfalls
 - These expenses have been deferred for over 5 consecutive years
 - Indication of inadequate revenue stream for level of service provided

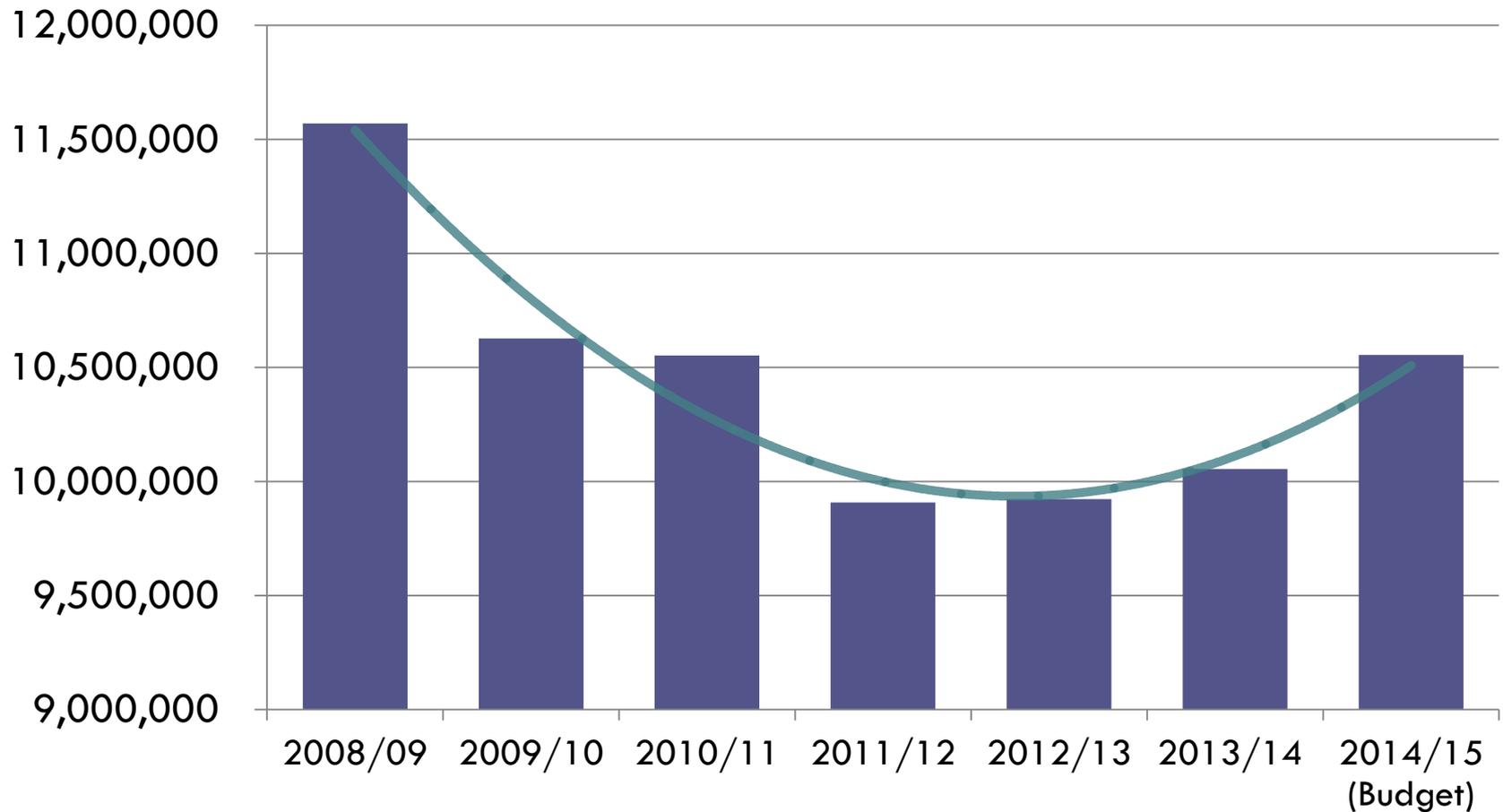
6. Pension Liabilities or Post-Employment Benefit Funding Deferred

- The Town has only made one contribution of \$50,000 toward funding the (ARC) Annual Required Contribution for OPEB benefits.
- The actuary report indicates that in addition to the annual premium costs, the Town should be funding \$150,000 to \$200,00 toward these future premium payments
 - ▣ **Recommend that the Town fund at least \$50,000 a year for 10 years to build an account that can help the Town fund the future obligations**

General Fund Revenues



General Fund Revenue Change Seven Year Comparison



Property Tax Receipts

- Property tax receipts are in line with original estimates. Property taxes will grow about 2.39% compared to the prior fiscal year.
 - Properties that were devalued under Prop 8 can rebound at a rate higher than the typical 2% CPI growth cap.
 - Unsecured revenues are trending about \$6,941 more than budget
 - Supplemental receipts are trending about \$17,627 more

Motor Vehicle in Lieu & Sales Tax

- A State audit of County formulas related to the distribution of MVIL found \$159,968 of 2013/14 corrections, and in January 2015 \$75,728 for this 2014/15.
 - ▣ Normal growth is about 2.4% and with adjustments 19%
- With the drop of gas prices, sales tax receipts are trending a little less than expected, but year over year growth is still 1.8%

Franchise Fees & Transient Occupancy Taxes

- Franchise fees are trending about 2% above the prior fiscal year which is about as budgeted
- With 2nd quarter receipts received, Transient Occupancy Taxes are trending about 2% below last year but about as expected.

Other Revenues

- Measure “C” (transaction and use tax) of 0.50% takes effect 4/1/15.
 - The Town expects to receive about \$200,000 this fiscal year
 - After fees the Town expects to set aside \$148,000 for a full year of expenditures in 2015/16.
- The Town starting leasing fire station 83 to a local ambulance company in December.
 - This lease will generate rents of about \$9,600 this fiscal year

Department Revenues

- Police department receipts are recommended to be decreased about \$9,326 over various accounts
 - \$4,000 reduction for fines in traffic tickets
 - \$2,500 less in DUI accident and arrest collections
 - \$3,000 in special service requests
 - Decreases have a strong correlation to decreased staffing levels

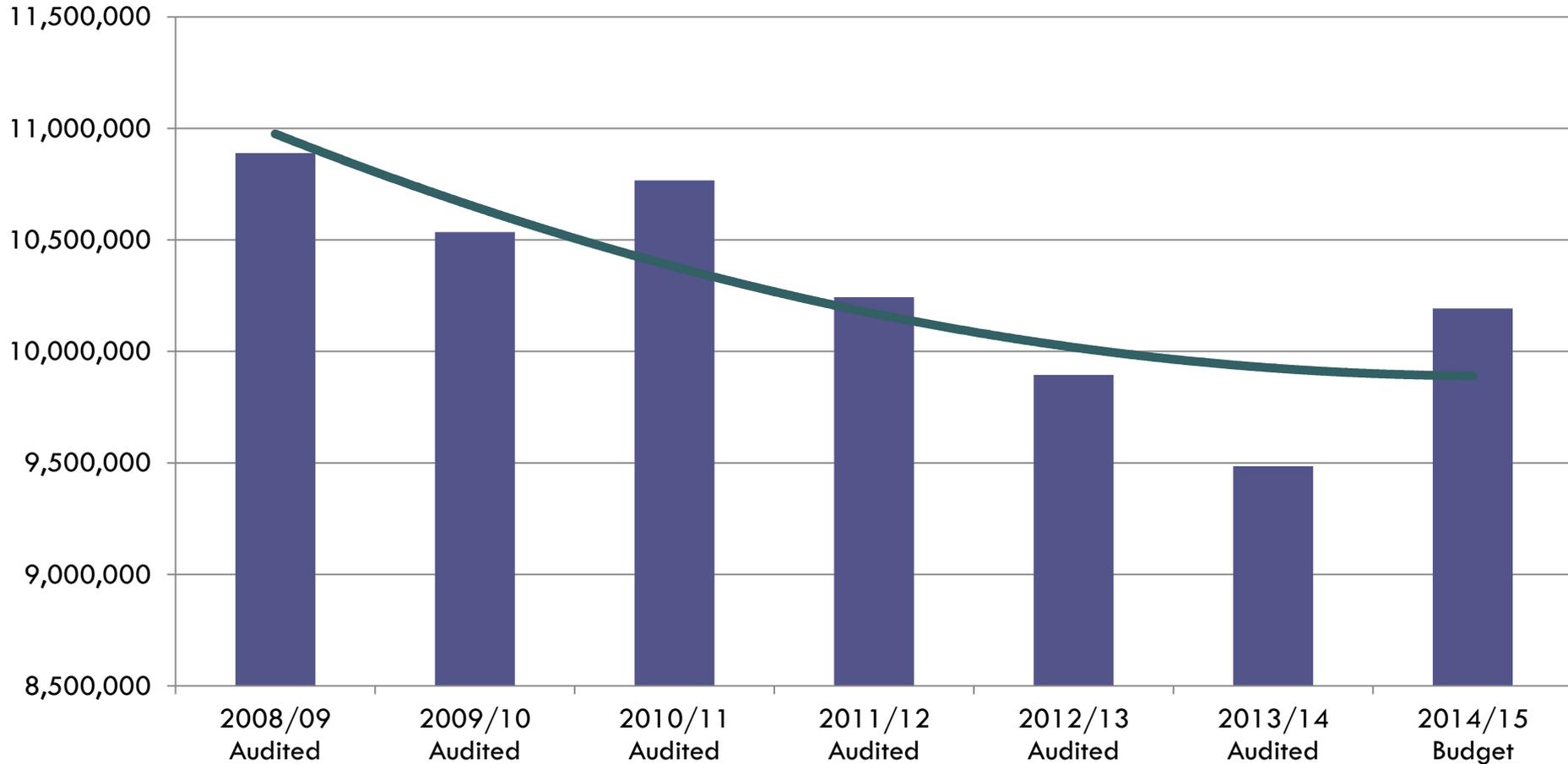
General Fund Revenue Summary

	2013/14 Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Budget Adjustments
Non Program	\$9,796,383	\$9,969,622	\$10,242,237	\$272,615
Finance	2,170	2,100	11,729	9,629
Police	80,000	81,182	71,856	(9,326)
Fire	32,523	88,981	88,711	(270)
Planning	49,113	57,340	54,394	(2,946)
Waste Management	44,737	46,926	47,120	194
Engineering	47,518	37,000	36,609	(391)
Community Park	3,250	2,500	2,580	80
Totals	\$10,055,695	\$10,285,651	\$10,555,236	\$269,585

General Fund Expenditures



General Fund Expenditure Change Seven Year Comparison



Administration

- Non-department specific expenses are decreasing
 - ▣ \$4,500 in bank fee savings (maximizing 0.50% earnings credit rate)
 - ▣ \$2,013 in one month early TRAN payoff
- Central Services is expected to save about \$5,161 from general insurance policies
- Measure “C” set up and first quarter administration will cost about \$52,000

Police Department

- A lieutenant has postponed retirement to help the Town until June 2015. Despite savings in other police admin accounts the added cost is about \$18,500.
- Vacancies in the operations budget has reduced salaries by \$39,324, but increased overtime by \$12,851. Staffing shortages will prevent the Town from performing on all grant assignments. Overall Operations will increase about \$22,757.
- Communication salaries from vacancies are down \$17,518. Overtime is also down as light duty police officers and other admin staff were able to assist. Overall Communications will have \$41,085 less expenses.

Fire Department

- To achieve the requested contract savings of \$200,000 this fiscal year, CAL FIRE will staff the Town with 5 instead of 6 individuals on appropriate days.
- Fire Admin will have about \$8,174 more in costs mainly from increased retiree medical premiums.
- The volunteer fire program was unable to recruit many new members this year, so while disappointing from an operations standpoint, it will provide about \$11,349 in savings.

General Fund Expense Summary

	2013/14 Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Budget Adjustments
Administration	\$2,550,543	\$2,670,801	\$2,726,151	\$55,350
Fire	3,178,872	3,523,842	3,521,545	(2,297)
Police	3,511,535	3,743,663	3,743,835	172
Community Develop.	212,022	168,565	162,204	(6,361)
Engineering/PW	31,636	35,488	39,328	3,840
Totals	\$9,484,609	\$10,142,359	\$10,193,063	\$50,704

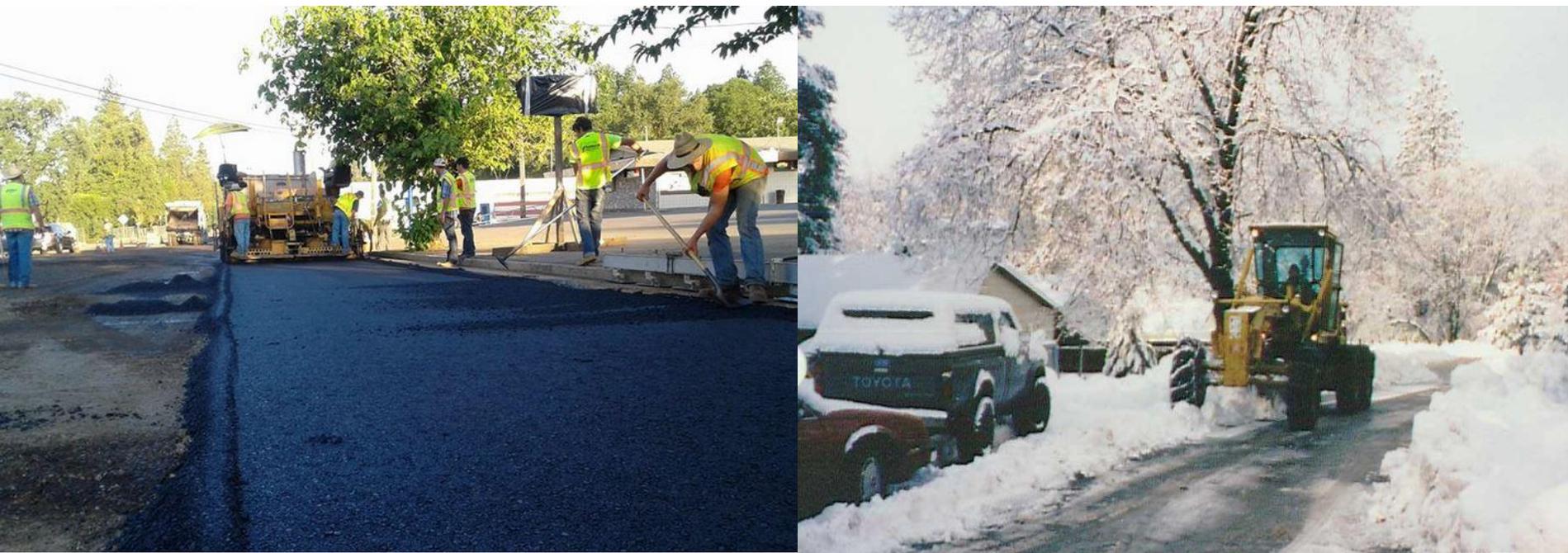
General Fund Summary and Reserves



General Fund Summary

	2013/14 Audited	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Budget Adjustment
Revenues	\$10,055,695	\$10,285,651	\$10,555,236	\$269,585
Expenses	(9,484,609)	(10,142,359)	(10,193,063)	50,704
Net Difference	\$571,086	\$143,292	\$362,173	\$218,881
<u>Designated Reserves</u>				
Non-spendable (RDA loan)	\$2,015,945	\$2,015,945	\$2,006,863	(\$9,082)
Projected Measure "C" Rev.	0	0	148,000	148,000
Unassigned (spendable)	(81,449)	61,843	141,806	79,963
Total Reserve	\$1,934,496	\$2,077,788	\$2,296,669	\$218,881

Other Funds



2030 – Building Safety & Waste Management

	2013/14 Audited Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Adjustment
Revenues	\$840,111	\$782,617	\$799,594	\$16,977
Expenses	(677,983)	(756,906)	(748,225)	(8,861)
Net Difference	162,128	25,711	51,369	25,658
Ending Fund Balance	\$194,075	\$219,786	\$245,444	
Fund Balance %	28.6%	29.0%	32.8%	

Animal Control Proposed Adjustments

- A part-time animal control officer position has been vacant most of the year
 - ▣ Recruitment of a qualified and reliable person for an 18 hour position is difficult.
 - ▣ The vacancy has prevented the division from being proactive in preventing dog attacks and in licensing dogs as required by State law
- Staff proposes to reinstate the original staffing model as the last few years has proved that AC can't function with its current staffing
 - ▣ Promote the 36 hour AC Officer to supervisor & increase hours to 40 – 2014/15 cost \$3,200; annual cost about \$8,300
 - ▣ Hire a 36 hour AC Officer instead of 18 hour – 2014/15 cost \$5,300; annual cost about \$29,000

Other Animal Control Considerations

- The Town could not operate and fund this division without the support of PASH.
 - ▣ PASH is an invaluable partner in the care and comfort of shelter animals and they will provide about \$12,000 in funding this fiscal year
- AC is currently licensing about 1,000 dogs per year when there is about 4,300 dogs in Town. With just 2,000 more dogs licensed, \$34,000 more in funding would be realized.
- Total funding for this division is still concerning. AC donations are being used to balance the fund annually.

2070 – Animal Control Services

	2013/14 Audited Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Adjustment
Revenues	\$168,734	\$197,882	\$200,751	\$2,869
Expenses	(170,069)	(199,861)	(202,254)	2,393
Net Difference	(1,335)	(1,979)	(1,503)	476
Ending Fund Balance	\$1,504	(\$475)	\$0	
Fund Balance %	0.88%	(0.24%)	0.00%	

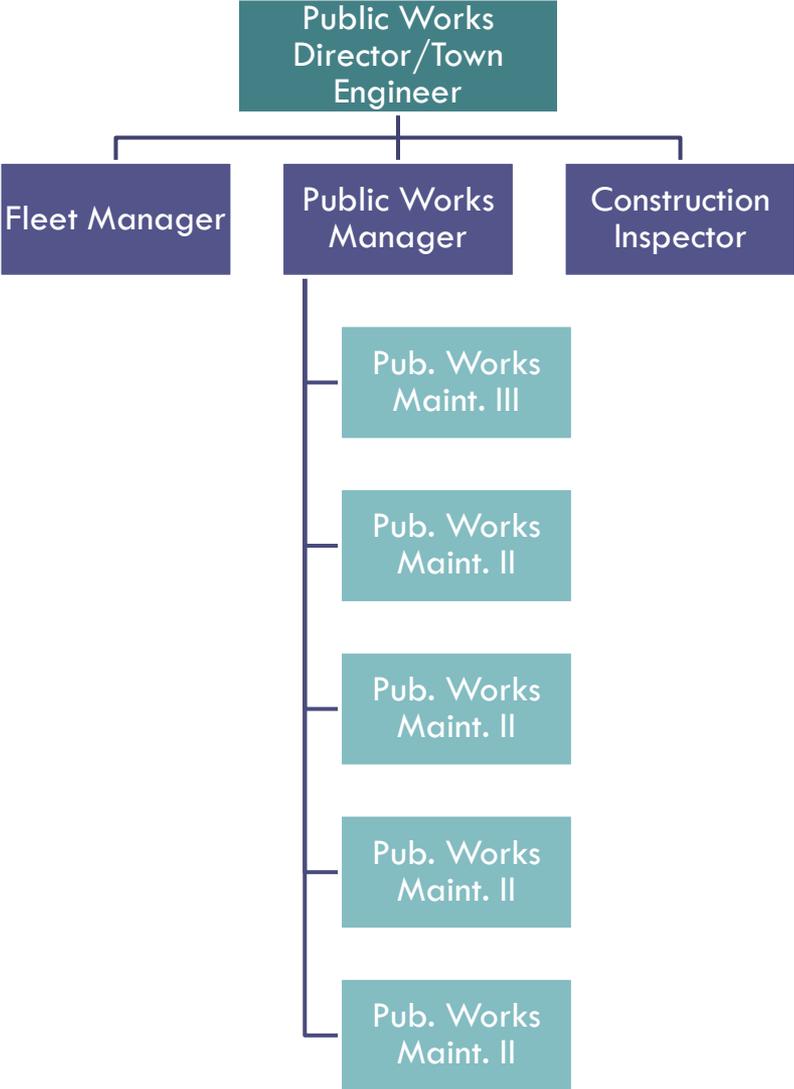
State Gas Tax Proposed Adjustments

- This fund is healthy and expected to end the fiscal year with a \$545,641 ending fund balance.
 - This balance is appropriate and the ending funding balance would easily be eliminated with one major road project.
 - Recent State released projections show additional HUTA revenues of \$34,627.
 - A delayed overlay of Elliott Road saves a net \$40,241

Public Works Staffing Reorganization

With fund stability, staff recommends restoring the Public Works Director Position

- *Aligns functions and pools resources
- *Will prioritize everyday needs with longer term goals
- *Reduces Direct reports to Town Manager
- *\$2,100 this fiscal year and \$5,400 next year



2120 – State Gas Tax

	2013/14 Audited Actual	2014/15 Amended Budget	2014/15 Proposed Budget	2014/15 Proposed Adjustment
Revenues	\$1,295,636	\$1,226,758	\$1,221,144	(\$5,614)
Expenses	(1,185,586)	(1,251,378)	1,179,135	(72,243)
Net Difference	110,050	(24,620)	42,009	66,629
Ending Fund Balance	503,583	479,012	545,641	
Fund Balance %	42.5%	38.3%	46.3%	

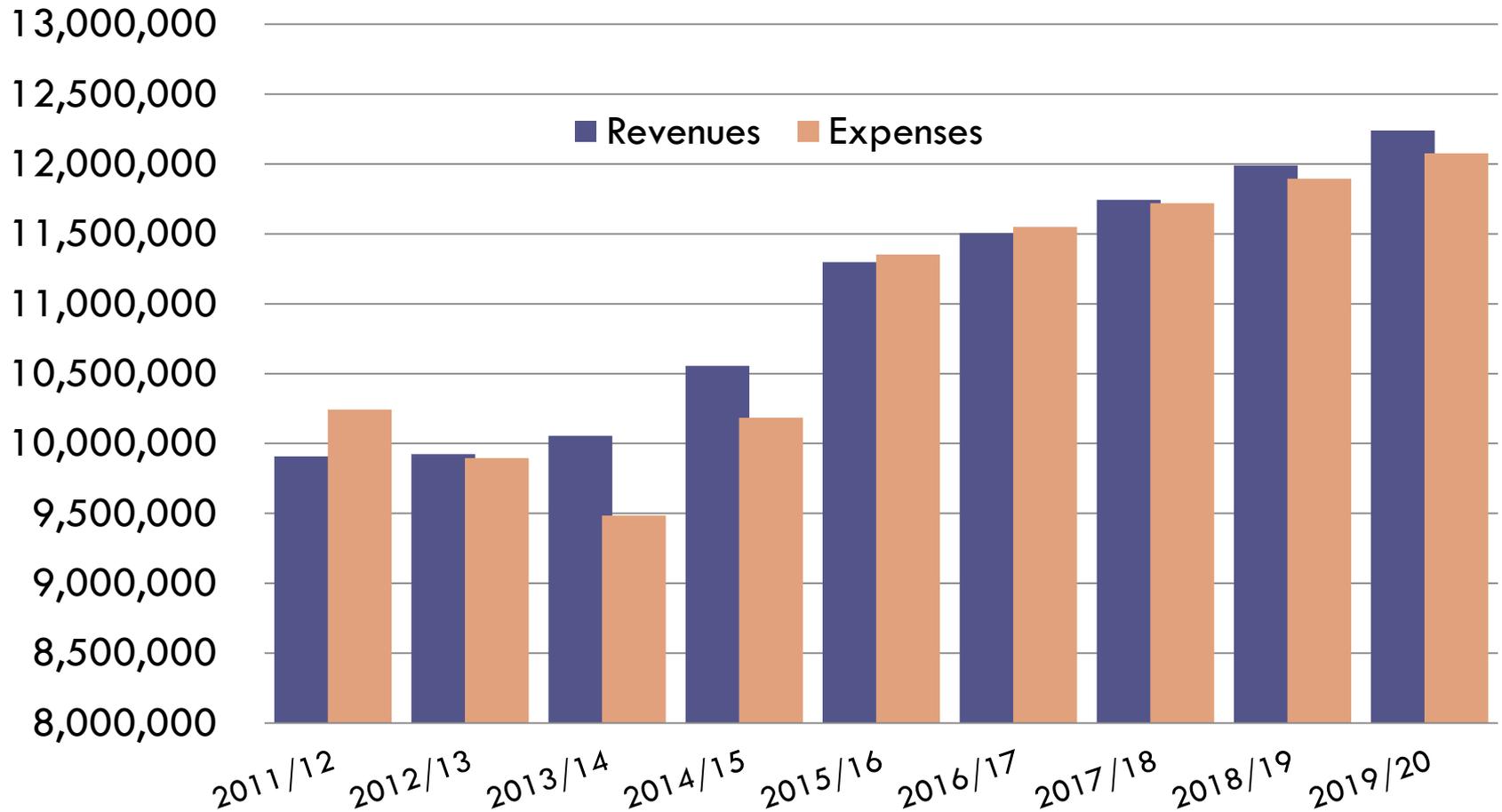
Conclusion



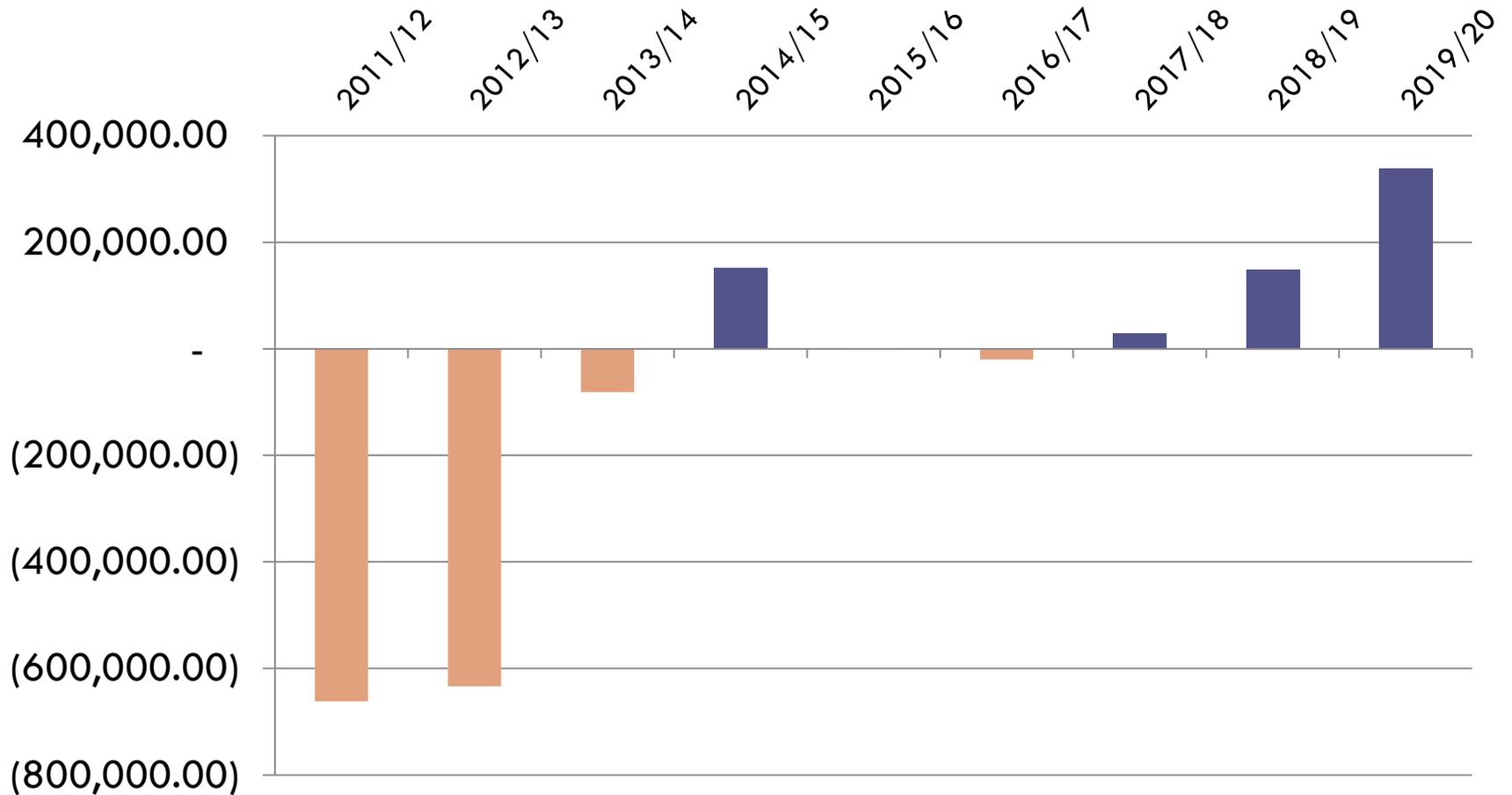
General Fund 5 Year Projection

- Measure “C” will add funds to allow the Town to maintain services and do some equipment replacement and repairs.
 - Staff projects using \$65,000 for reserve investment
- The majority of the general fund revenues are still constrained and it isn't until 2017/18 that they are back to prerecession levels.
- Town starts receiving RDA repayments of about \$25,000 a year
- Expenses do not have the same constraints and will grow or outpace revenues if not kept in check
 - CalPERS contributions will grow about \$330,000 per year with the new GASB 68 requirement in 2015/16

Five Year General Fund Projection Revenue & Expenses



Five Year General Fund Projection Unassigned (Spendable) Reserves



Key Mid-Year Points

- The Town has met its short term objective of maintaining a balanced general fund budget for 2014/15.
- It has starting rebuilding an unassigned reserve which will lesson the amount of annual cash borrowed, but the Town must guard and build these reserves for a sustainable future.
- It should also continue to address liabilities and set money aside to pay those future obligations.

2015/16 Budget Process

- At a special meeting on February 24, 2015, Town Council will be asked to establish budget priorities and give direction for the 2015/16 budget process
- The complete timeline is part of the agenda materials and available for Council and Community Review

Questions



DATE: February 10, 2015

TO: Town Council
Town Manager
Community Members
Town Staff

FROM: Gina Will, Finance Director

RE: Fiscal Health Analysis via the Municipal Financial Health Diagnostic Tool

Michael Coleman, a financial consultant for the League of California Cities recently generated a 13-point report card that grades the financial health of California Cities. As a way to assess our financial health and as way to chart a course for taking control of our financial future, the Town of Paradise, completed the assessment tool. Below is a description of the diagnostic tool from the author, followed by a summary of our results. Attached are the worksheets that led to our final analysis.

California League of Cities Provides Municipal Financial Health Diagnostic Tool

BY MICHAEL COLEMAN

The Great Recession revealed fiscal distress that had not been readily apparent in many cities. In a few well-known cases, cities unable to meet all of their financial obligations entered into Chapter 9 bankruptcy. But most cities struggled financially. They pursued innovations, consolidations and reorganizations with new urgency, hoping to realize savings and avoid reducing services. Despite these efforts, most cities were forced to cut budgets. Some managed to garner sufficient voter support for tax increases.

A moderate economic recovery has followed the Great Recession, and local sales tax and property tax revenues — although lagging behind changes in the economy — are improving in most areas of the state. But while resources are no longer declining for a majority of California cities, neither are they back to the levels of 10 years ago. Moreover, cities' financial struggles were not simply the result of revenue impacts; expenses continue to escalate dramatically, especially in pensions, retiree health care and public works infrastructure.

Heeding the frightening tales of neighboring cities, local officials asked themselves, how are we doing? Are we ignoring something at our peril? How can we be more certain of our city's financial health? Existing methods of evaluating a city's fiscal health included diagnostic tools proffered by consultants, professional associations and academic texts as well as checklists routinely generated in some states. But, city officials wondered, would these have helped Vallejo or Stockton when those cities were en route to bankruptcy? If not, then what are the most relevant elements of such tools? Keeping in mind the unique aspects of California municipal finance and recent budgetary travails of California cities, what other questions and indices should be addressed to truly grasp a municipality's tendency toward fiscal insolvency now and in the near future?

The Municipal Financial Health Diagnostic Tool includes a 13-point report card that grades the near-term financial health of a city's General Fund and other operations. Each indicator receives either a green light (healthy), yellow light (caution) or red light (warning). Completing the tool helps a city identify areas of fiscal concern that should be addressed to avert fiscal crisis.

Staff has completed the California Municipal Financial Health Diagnostic, and it confirms the Town’s current fiscal health. It reinforces the progress made as well as identifies areas of weakness that the Town must tackle. In simplest terms the Town is currently graded a C -. It can pay its bills in the short term, but must address longer term obligations and weaknesses to be truly “healthy”. Following are areas where the Town is either doing well or has shown improvement:

- ✓ The General Fund is no longer subsidizing other funds
- ✓ The Town has few constraints on budgetary discretion
- ✓ The Town is not balancing the budget through borrowing
- ✓ The Town is not balancing the budget by deferring debt service payments
- ✓ The Town is not funding operating costs with non-recurring development revenues
- ✓ The Town provides timely and accurate financial reports

Following are areas that must improve for the Town’s fiscal health to improve:

1. **The Town has recurring general fund operating deficits.** Even though the Town has a “balanced” budget where it is not spending more than it is taking in, it is not able to fund all of the expenditures necessary to operate a full service government. The Town has been cutting \$400,000 - \$450,000 of critical operating expenses out of each budget to balance. Measure “C” funds will help address this issue in the short term, **but if these funds are not also invested for the long term the Town will be in the same position after six years.**
2. **General fund reserves (unassigned reserves) are inadequate.** Prior to 2012, the Town invested its reserve funds in the economic development of the Town by loaning funds to the Paradise Redevelopment Agency. Three prior loans had been paid in full and with appropriate interest of 5%. In 2012 however, the State abolished the redevelopment agency leaving three new loans to the general fund unpaid and with constraints limiting the amount that could be repaid on these loans. The Town has worked diligently with the State and now has these loans approved as enforceable obligations. These loans will eventually be repaid, but are a last priority and will be repaid slowly over time.

To date all of the Town’s general fund reserves are non-spendable because these loans and other receivables cannot be immediately converted to cash. The last couple years being conservative through budgeting and prudent through spending, the Town is approaching building a small unassigned reserve. Following are the reserves for the year ended June 30, 2014 and the estimated reserve for the year ending June 30, 2015:

<u>Designated Reserves</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-spendable (RDA loan)	\$2,015,945	\$2,006,863
Projected Measure “C” revenue		148,000
Unassigned (spendable) reserves	(81,449)	141,806
Total Reserve	\$1,934,496	\$2,296,669

3. **Inadequate cash and short-term investments as a percentage of current liabilities.** As indicated above, the Town is projected to have \$141,806 in spendable reserves; however this is completely inadequate for a municipal budget. Our goal should be to bring the level of unassigned (spendable) reserves to approximately \$1 Million. One way we will reach our goal is by investing our future RDA loan repayments to the unassigned (spendable) reserve category, thus building that fund over time and reducing our need to borrow money to pay our bills. Currently, the Town borrows cash during the first six months of the fiscal year to make timely vendor and employee payments. Building reserves and liquidity will save the Town roughly \$30,000 a year in interest and loan underwriting costs. It will also provide the Town breathing room to sustain future inevitable economic downturns.
4. **General fixed costs, salaries and benefits exceed 80% of net operating expenditures.** Fixed costs like utilities, retiree health payments, contractual agreements, and lease purchase payments are those costs over which the government has little control in the short term. As the Town has already cut staffing to the bare minimum to maintain services, having fixed costs and salary costs exceed 80% of operating expenditures is an indication that there are inadequate revenues to fund services long term. It leaves insufficient room in the budget to fund equipment and maintenance

requirements. Our goal should be 80% or less, while our balance hovers around 90%. A healthy budget includes adequate discretionary funds to adequately function and also to weather financial crises. The cure to this dilemma is a more diversified revenue stream. Following is the formula used to measure this indicator. It assumes the inclusion of Measure “C” Funds.

5.

Fixed costs and labor costs as a percent of expenditures = $\frac{\text{Salaries + benefits + fixed costs}}{\text{Net operating expenditures}}$

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
90.1%	90.6%	89.8%	90.5%	92.0%	92.0%

6. **The general fund budget has been balanced repeatedly by deferring asset maintenance.** Deferral of asset replacement and facility maintenance should only be a short term solution to budget shortfalls. The Town has deferred portions of these expenses for over five consecutive years. Again, this is an indication of an inadequate revenue stream for the level of service provided.

7. **General fund pension liabilities or post-employment benefits have been repeatedly deferred.** GASB 45, an accounting mandate established in 2010/11 requires all government agencies to measure and report the liabilities associated with post-employment benefits (OPEB). By tackling that obligation head-on, the Town has been able to reduce the unfunded liability by 70.2%. However, aside from one initial contribution, the Town has not been funding the Annual Required Contribution (ARC) related to this obligation. The Town has capped the premium costs associated with these benefits, but employees will continue to retire increasing the Town’s annual costs over time. The actuary report indicates that in addition to the actual premium costs paid directly by the Town, the Town should be contributing \$150,000 to \$200,000 toward these future premium payments building up a “bank” to fund these future obligations. It is critical for the Town to heed this advice and start setting aside funds now before the annual contribution becomes more than we can afford. **We cannot possibly keep up with this growing annual obligation without investing in this account. It is the strong recommendation of the Town Manager and Finance Director to fund this account as a priority. Even a small investment of \$50,000/year for ten years will give us an account that will provide financial stability for the organization’s obligations relating to OPEB.** This bold action will not only get and keep us on a firm financial footing, but this “take the bull by the horns” approach to budget management shows strength in leadership and a direction that the community wants us to go.

With continued prudence and careful investment toward the Town’s future financial stability, many of these indicators can be improved. Measure “C” and the Town’s tough choices and cuts to date have improved many of these indicators already. With continued wise decisions and investment, the Town is expected to improve on its C – rating. It can likely move into the B’s with care, but will likely not be able to move into the A’s with its current revenue constraints.

The California Municipal Financial Health Diagnostic Financial Distress Checklist		✓
Measures	1. The city has recurring general fund operating deficits.	✓
	2. General fund reserves are decreasing over multiple consecutive years.	✓
	3. General fund current liabilities (including short-term debt and accounts payable within 60 days) are increasing. Cash and short-term investments are decreasing.	✓
	4. General fund fixed costs, salaries and benefits are increasing over multiple years at a rate faster than recurring revenue growth.	✓
	5. The general fund is subsidizing other enterprises or special funds.	-
Practices and Conditions	6. The city council's authority to make changes is constrained by charter, contract, or law. (e.g. binding arbitration, minimum spending, minimum employee staffing or compensation formulas, etc.)	-
	7. The general fund budget has been balanced repeatedly with reserves, selling assets, deferring asset maintenance.	✓
	8. The general fund budget has been balanced repeatedly with short-term borrowing, internal borrowing or transfers from special funds.	-
	9. General fund pension liabilities, post-employment or other non-salary benefits have been repeatedly deferred or costs have not been determined or disclosed.	✓
	10. General fund debt service payments have been "backloaded" into future years.	-
	11. Ongoing general fund operating costs are being funded with temporary development revenues.	-
	12. Financial Reports are not being filed on time. (CAFR, Annual Audit, State Controller's Financial Transactions Report)	-
<i>For detailed indicators related to these points see the Financial Health Indicators.</i>		

WARNING SIGNS Indications of Crisis

- Failure to pay an undisputed claim from a creditor within 90 days past claim date.
- Failure to forward income taxes withheld or Social Security contributions for over 30 days past the due date.
- Failure to make *required* pension fund contributions on time.
- Missing a payroll for 7 days.
- General fund available unrestricted balance for the end of the current fiscal year will be negative.

**The California Municipal Financial Health Diagnostic
Financial Health Indicators - Summary**

In order to adequately address the twelve points of the *Financial Distress Checklist*, you will need to determine the *Financial Health Indicators*. Use the *Indicators worksheets* to make these determinations. In those worksheets you will find seven quantitative measures to calculate for the current and two prior fiscal years. You will also need to project these measures for the next three years. In addition, there are seven other indicators which evaluate current and recent financial policy and practices. The *Data Gathering worksheet* might be helpful in gathering the information you will need to complete the Indicators worksheets. Rate each indicator based on your determinations. The ratings input in the indicators worksheets will be summarized automatically in the *Summary* table below and in the *Financial Distress Checklist*.

City of Paradise

General Fund

The California Municipal Financial Health Diagnostic Financial Health Indicators - Summary	
Indicator	Rating
1. Net Operating deficit / surplus	<i>Warning</i>
2. Fund balance	<i>Warning</i>
3. Liquidity	<i>Warning</i>
4. Fixed costs & labor costs	<i>Warning</i>
5. General fund subsidies of other funds	<i>Healthy</i>
6. Constraints on budgetary discretion	<i>Healthy</i>
7. Balancing the budget with temporary funds	<i>Warning</i>
8. Balancing the budget with borrowing	<i>Healthy</i>
9. Balancing the budget by deferring employee compensation costs	<i>Caution</i>
10. Balancing the budget with backloaded debt service payments	<i>Healthy</i>
11. Funding operating costs with non-recurring development revenues	<i>Healthy</i>
12. Timeliness and accuracy of financial reports	<i>Healthy</i>

City of **Paradise**

General Fund

The California Municipal Financial Health Diagnostic: Financial Health Indicators

Use the Data Gathering worksheets to assist in collecting the information you will need for this. Operating Deficit/Surplus

The simplest measure of annual operating deficit/surplus is the difference between total revenues and total spending. General fund operating deficits may be an indication that the government's financial condition is unsustainably out of balance and that corrections to bring the finances into a sustainable condition are not occurring. Though an operating deficit in any one year may not be a cause for concern (because, for example, reserves or one-time remedies might be available to cover the difference), frequent and increasing deficits may indicate that the governments activities are not sustainable within the revenues available over time.

Taken as a percentage of total revenues, the city's operating deficit/surplus tells us very plainly if current resources in the fund are sufficient to cover current expenditures. The data to compute this measure should be readily available in the financial statements (comprehensive annual financial reports) of the city. This is measure 1a below.

But a budget can be balanced and an ongoing structural problem masked if a deficit is covered by temporary solutions, such as non-recurring revenues like limited-term grants, land sale income, or transfers from other funds. This approach cannot be relied upon in the long-run (over multiple years). Measure 1b takes a step further than 1a by taking these temporary revenues out of the equation to see how much worse the revenue shortfall becomes at current spending levels.

Still, this may not show the whole picture. If certain current financial obligations are being delayed and not budgeted, then the financial position shown in measure 1b is still incomplete. Measure 1c takes into account "unbudgeted current liabilities" such as Other Post-Employment Benefits (OPEB); unbudgeted earned leave cash-out liabilities; maintenance and replacement costs of vehicles, technology, buildings, streets, and other properties and infrastructure. For the purpose of determining long run solvency, Measure 1c is the best indicator of a city's true fiscal operating position because it reflects the level of spending actually needed to sustain your current level of service over time. If these deferred costs are significant, then your fiscal imbalance may be much worse than you thought. If you cannot find sufficient information to determine these unbudgeted liabilities, that in itself is reason for substantial concern (See indicator # 9).

1a Gross Annual Deficit/Surplus - unadjusted, using all general fund revenues and expenditures					
Year-2	Prior Year	Current Year	Next Year	Year+2	Year+3
0.28%	5.68%	3.52%	1.49%	1.57%	2.13%
<i>Formula</i> gross annual deficit/surplus as a percent of revenues = $\frac{\left(\begin{matrix} \text{gross current} \\ \text{revenues} \end{matrix} \right) - \left(\begin{matrix} \text{gross current} \\ \text{expenditures} \end{matrix} \right)}{\text{gross current revenues}}$				For comparison purposes	
1b Net Operating Deficit/Surplus – sustainable, omitting non-recurring revenues					
Year-2	Prior Year	Current Year	Next Year	Year+2	Year+3
0.90%	6.39%	2.68%	-4.26%	-4.08%	-3.41%
<i>Formula</i> net operating deficit/surplus as a percent of revenues = $\frac{\left(\begin{matrix} \text{net operating} \\ \text{revenues} \end{matrix} \right) - \left(\begin{matrix} \text{temporary} \\ \text{revenues} \end{matrix} \right) - \left(\begin{matrix} \text{net operating} \\ \text{expenditures} \end{matrix} \right)}{\text{net operating revenues}}$			Negative Indicator • Recurring AND static or increasing deficit over consecutive years		For comparison purposes

City of Paradise

General Fund

1c Net True Operating Deficit/Surplus - complete, adding unbudgeted general fund liabilities					
Year-2	Prior Year	Current Year	Next Year	Year+2	Year+3
-1.09%	4.92%	1.26%	-5.59%	-5.38%	-4.69%
<p><i>Formula</i></p> $\text{net true operating deficit/surplus as a percent of revenues} = \frac{\left(\text{net operating revenues} - \left(\text{temporary revenues} - \left(\text{net operating expenditures} - \left(\text{unbudgeted current liabilities} \right) \right) \right)}{\text{net operating revenues}}$			<p>Score:</p> <p>Warning-Red: Persistent & increasing deficits over consecutive years.</p> <p>Caution-Yellow: Deficits are infrequent or relatively marginal compared to fund balance (see #2 below) and/or there is a reasonable plan for bringing revenues and spending into balance.</p> <p>Good-Green: not an issue of concern.</p>		

Q1

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Definitions

Gross current revenues. See CAFR Statement of Revenues and Expenditures “total revenues.”

Gross current expenditures. See CAFR Statement of Revenues and Expenditures “total expenditures”

Net operating revenues. Net operating revenues equals gross revenues and transfers in, minus revenues restricted to capital improvements minus revenues legally restricted to special purposes. Transfers related to non-operating activities should be excluded.

Temporary revenues. Temporary revenues include any non-recurring revenues that derive from short-term activities and cannot be relied upon in the long-run (over multiple years). This might include revenues from land sales, one-time transfers from other funds, limited-term grants, court settlements or major donations. You might also consider excluding receipt of construction-related revenues from a given project that are significantly in excess of an “average” year, if this represents a level of revenue unlikely to be repeated. Back taxes and late payments do not have to be omitted because they just make up for what was not received in a prior year.

Net operating expenditures. Net operating expenditures equals total expenditures (after credits/reimbursements) and transfers out, minus capital improvement expenditures (or transfers out for capital purposes), minus expenditures of revenues legally restricted to special purposes.

Unbudgeted current liabilities. The amortized costs of long-term general fund liabilities not already included in “net operating expenditures.” This includes amounts not budgeted or expended that “should be” in order to pay the current year portion of liabilities. Examples: unbudgeted actuarially required contributions (ARC) to Other Post-Employment Benefits (OPEB) or pension systems; unbudgeted earned leave cash-out liabilities; maintenance and replacement costs of vehicles, technology, buildings, streets, and other properties and infrastructure. If there is insufficient information to determine these unbudgeted liabilities, that, in itself, is reason for substantial concern (See indicator #9).

Fund Balance

A positive fund balance, or reserves, is important for any government to withstand financial risk over time. Unanticipated fluctuations in revenues may occur from economic impacts or state take-ways. "Financial reserves" are important to meet unforeseen revenue shortfalls or expenditure overages. But reserves cannot be relied upon to cover financial shortfalls that are more than temporary. An unplanned decline in unreserved fund balances as a percentage of operating revenues over time suggests the government is less able to withstand financial emergencies.

The right level of fund balance varies depending on many factors including levels of risk and revenue volatility but, generally speaking, dropping below 8% may be cause for concern. The Government Finance Officers Association recommends maintaining a 5-15% reserve.

2 Fund Balance					
Year-2	Prior Year	Current Year	Next Year	Year+2	Year+3
0.00%	0.00%	2.97%	3.49%	4.76%	6.78%
Formula $\text{Fund balance as a percent of expenditures} = \frac{\text{unreserved fund balance}}{\text{net operating expenditures}}$			Score: Warning-Red: Persistently & substantially decreasing or is below 8%. Caution-Yellow: Has decreased but remains above 8% and there is a reasonable plan for stabilizing. Green - not concerning		Q2 <input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>

Definitions

Unreserved fund balance is fund balance not reserved in accordance with state law, charter or contractual obligation. This includes total fund balance minus nonspendable, restricted or committed resources.

Net operating expenditures. Net operating expenditures equals expenditures (after credits/reimbursements) and transfers out, minus capital improvement expenditures (or transfers out for capital purposes), minus expenditures of revenues legally restricted to special purposes.

	Fund Balance Components ¹				
	Nonspendable	Restricted	Committed	Assigned	Unassigned
Total Fund Balance	x	x	x	x	x
Unrestricted Fund Balance			x	x	x
Unreserved Fund Balance (AKA "Balance available for assignment")				x	x

1. See Stephen J. Gauthier, "Governmental Accounting, Auditing, and Financial Reporting." (The "Blue Book") 2012 Government Finance Officers Association.

Liquidity

A decreasing amount of cash and short-term investments as a percentage of current liabilities suggests the government is less able to pay its short-term obligations. Increasing current liabilities at the end of the year as a percentage of net operating revenues indicates liquidity problems and/or deficit spending. Liquidity measures the amount of readily available financial resources relative to immediate financial commitments (current liabilities).

3 Liquidity					
Year-2	Prior Year	Current Year	Next Year	Year+2	Year+3
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Formula $\text{liquidity} = \frac{\text{cash and short term investments}}{\text{current liabilities}}$			Score: Warning-Red: Persistently & substantially decreasing. Caution-Yellow: Has decreased but there is a reasonable plan for stabilizing. Good-Green: not an issue of concern.		Q3 <input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>
Definitions Current liabilities is the sum of all liabilities due at the end of the fiscal year including short-term debt, current portion of long-term debt, all accounts payable accrued IMPORTANT: Include <ul style="list-style-type: none"> Advances and amounts due to other funds, including internal funds from pooled cash transactions or borrowing. Increases in debt service payments due to financings. Cash and short-term investments includes cash on hand and in the bank as well as other assets that can easily be converted to cash.					

Fixed Costs and Budget Flexibility

Increasing fixed costs as a percentage of net operating expenditures may indicate an unsustainable financial structure where the government has limited ability to make necessary budget changes. Fixed does not mean static. Fixed costs may be changing over time but cannot be easily altered.

A major component of general fund spending is labor costs for salaries and benefits: often these costs are anything but fixed, as costs continue to escalate, but as long as the employees are on the payroll, these costs are unavoidable. This indicator computes the proportion of net annual operating expenses that these fixed and labor costs represent, to show the degree of flexibility the city has in making budget reductions. As with all these measures, compute this for general fund and other funds separately.

Some cities find themselves using the general fund to subsidize golf course rates; water, sewer, transit, parking or other enterprise operations; or pay debt service or capital improvement costs that should arguably be paid by proprietary or special revenue funds. Often this is because user fees are not sufficiently high enough to be self-supporting. Sometimes it is because debt obligations were incurred that burdened the general fund with a pledge to support bonds if the intended repayment source (development fees, enterprise fund) proved inadequate. These subsidies limit budget flexibility if they are a significant portion of the general fund net operating expenditures and/or if the trend is increasing.

Constraints on the budgetary discretion of the city council include binding arbitration or required formulas or third party agreement to alter compensation, spending or minimum staffing. These legal constraints impair the city's ability to achieve solutions when in fiscal distress and may also accelerate cost increases over time.

Definitions
Salaries and wages are compensation paid directly to employees.
Benefits include costs for contributions to FICA, pension, life insurance, health insurance, etc. and current contributions to self-insurance funds.
Fixed costs are those costs over which the government has little control in the short run because of contractual agreements, charter restrictions, or state or federal law, other than those costs already included under salaries, wages or benefits. Non-labor fixed costs include debt service, retiree health payments, lease-purchase payments, utilities, contracted goods and services, etc.
Net operating expenditures. Net operating expenditures equals expenditures (after credits/reimbursements) and transfers out, minus capital improvement expenditures (or transfers out for capital purposes), minus expenditures of revenues legally restricted to special purposes.
Subsidy Expenditures / Transfers Out. Total of expenditures and transfers out to support enterprises or special funds.

4a Fixed Costs plus Labor Costs					
Year-2	Prior Year	Current Year	Next Year	Year+2	Year+3
24.07%	40.22%	39.90%	40.20%	41.17%	10.39%

Formula
 Fixed costs as a percent of expenditures = $\frac{\text{fixed costs}}{\text{net operating expenditures}}$
 For comparison purposes

4b Fixed Costs plus Labor Costs					
Year-2	Prior Year	Current Year	Next Year	Year+2	Year+3
90.11%	90.59%	89.84%	90.46%	92.04%	92.00%

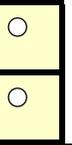
Formula
 Fixed costs and labor $\frac{\text{salaries} + \text{wages} + \text{benefits} + \text{fixed}}{\text{net operating expenditures}}$
Score: Warning-Red: Increasing or over 80%.

Q4 
 LEAGUE OF CALIFORNIA CITIES
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$$\text{costs as a percent of expenditures} = \frac{\text{salaries} + \text{wages} + \text{benefits} + \text{costs}}{\text{net operating expenditures}}$$

Caution-Yellow: Has increased but is projected to stabilize or decline.

Good-Green: not an issue of concern.



5 General fund subsidy of other funds						
Year-2	Prior Year	Current Year	Next Year	Year+2	Year+3	
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
<p><i>Formula</i></p> <p>Subsidy costs as a percent of expenditures = $\frac{\text{Subsidy Expenditures/Transfers Out}}{\text{net operating expenditures}}$</p>			<p>Score:</p> <p>Warning-Red: Increasing or over 5%.</p> <p>Caution-Yellow: Has increased but is projected to stabilize or decline.</p> <p>Good-Green: not an issue of concern.</p>		<p>Q5</p> <input type="radio"/> <input type="radio"/> <input checked="" type="radio"/>	
6 Constraints on Budgetary Discretion						
<p>Do charter provisions or other legal commitments (contracts, court decisions/settlements) restrict the city council's authority?</p> <ul style="list-style-type: none"> • Binding arbitration: required submission of a dispute to a third person whose decision is obligatory. • Formulas require minimum employee compensation, hiring or staffing levels, or spending levels or require the agreement of others. • General fund is pledged as support, or public facilities as security, for non-general fund debt. • Others: restrictions on contracting out, voter-approved tax expiring. 				<p>Score:</p> <p>Warning-Red: Yes - restrictions.</p> <p>Caution-Yellow: Yes but minimal/workable.</p> <p>Green - no restrictions</p>		<p>Q6</p> <input type="radio"/> <input type="radio"/> <input checked="" type="radio"/>

Financial Practices

A city's financial and budgetary management practices may indicate the degree of financial distress. Practices that should be rarely used include solving budgetary imbalances with temporary revenues or cuts (such as furloughs), internal borrowing from special funds beyond budget years (i.e. for more than cash flow), deferring pension or other employee costs, and backloaded debt service schedules. Financial trouble is also strongly correlated with a local government's failure to file financial reports on time.

7 Balancing the budget with temporary funds				
	Year-2 ✓	Prior Year ✓	CurrentYear✓	Score: Warning-Red: Yes, multiple years. Caution-Yellow: Yes but minimal/workable. Good-Green: No. Not a concern.
Has the general fund (budget or financial year close) been balanced with reserves • selling assets • deferring asset maintenance or operating costs ?	X	X	X	Q7 Yes, <input type="radio"/> <input type="radio"/> <input type="radio"/>
8 Balancing the budget with borrowing				
	Year-2 ✓	Prior Year ✓	CurrentYear✓	Score: Warning-Red: Yes, multiple instances. Caution-Yellow: Yes but minimal/workable. Good-Green: No. Not a concern.
Has the general fund (budget or financial year close) been balanced with short-term borrowing, • internal borrowing (including transfers that must be repaid), • amounts owed to other funds from pooled cash ?				Q8 Yes, <input type="radio"/> <input type="radio"/> <input checked="" type="radio"/>
9 Balancing the budget by deferring employee compensation costs				
	Year-2 ✓	Prior Year ✓	CurrentYear✓	Score: Warning-Red: Yes, multiple years. Caution-Yellow: Yes but minimal/workable. Good-Green: No. Not a concern.
Has the general fund been balanced by deferring payments for or not paying the current costs of ... • pension, other post-employment benefit liabilities (e.g., compensated absences, deferred comp, retiree medical, etc.) • risk programs (e.g., workers comp and liability funds, etc.) • pension obligation bonds which presume overly optimistic payroll growth?	X	X	X	Q9 Yes, <input type="radio"/> <input checked="" type="radio"/> <input type="radio"/>
10 Balancing the budget with backloaded debt service				
	Year-2 ✓	Prior Year ✓	CurrentYear✓	Score: Warning-Red: Yes. Caution-Yellow: Yes but minimal/workable. Good-Green: No. Not a concern.
Have general fund debt payment schedules been backloaded (e.g., capital appreciation bonds or other financings with deferred/increasing payment schedules over time)?				Q10 <input type="radio"/> <input type="radio"/> <input checked="" type="radio"/>

City of Paradise

General Fund

11 Funding operating costs with non-recurring development revenues				Q11
Has the general fund (budget or financial year close) been balanced relying on non-recurring development revenues to fund on-going operating costs or debt service? (e.g., developer fees or taxes, sales taxes from construction, etc.)	Year-2 ✓	Prior Year ✓	CurrentYear✓	Score:
				Warning-Red: Yes.
				Caution-Yellow: Yes but minimal/workable.
			Good-Green: No. Not a concern.	<input checked="" type="radio"/>
12 Timeliness and accuracy of financial reports				Q12
Have annual financial reports <i>not</i> been filed on time ? <ul style="list-style-type: none"> • Comprehensive Annual Financial Report (CAFR) • State Controller's Financial Transactions Report 	Year-2 ✓	Prior Year ✓	CurrentYear✓	Score: Warning-Red: Yes.
				Not filed on time.
				Caution-Yellow: Yes but special circumstances.
			Green- No: filed correctly and on time.	<input checked="" type="radio"/>