



**Town of Paradise
Council Agenda Summary
Date: April 14, 2015**

Agenda Item: 7

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

Subject: Town 2014/15 and 2015/16 Operating and Capital Budget Status Update

Council Action Requested:

Review and file the budget update presented by staff.

Alternatives:

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

Background:

The 2014/15 Operating and Capital Budget was adopted June 25, 2014. Each month staff has completed analysis of the financial transactions recorded to date and additional information received to identify the potential impact to the 2014/15 budget. In February 2015 a comprehensive mid-year review and financial diagnostic was presented to Town Council. It indicated that the worst of the financial crisis is behind the Town (revenues are no longer decreasing), and the Town is able to achieve short term goals of maintaining a balanced budget. Conversely, it was indicated that to achieve long term financial stability the Town must address depleted reserves, long term obligations, diminished assets and diversify its revenue stream. Invested appropriately, funds provided by Measure "C" the next six years can build a bridge to a more stable economic future for the Town organization.

Discussion:

Staff ran and analyzed a General Fund Budget Performance Report to date for the 2014/15 budget in order to review additional changes in revenues and expenses. A copy of this report is attached for review. The following information was derived from this analysis:

- Continued review of the budget indicates that by the end of the fiscal year, about \$75,000 more in revenues will be gained compared to the mid-year budget review.
- The next major property tax deposit will occur at the end of April or beginning of May 2015 which will help confirm the 2014/15 budget numbers and 2015/16 projected revenues.

- With the continued delay of being able to fill vacant officer and the vacant dispatch positions, about another \$25,000 in salary savings will be realized this fiscal year.

Following is the current estimated actual General Fund revenues and expenses for the 2014/15 fiscal year:

	2014/15 Adopted Budget	2014/15 Amended Budget	2014/15 Estimated Actual
Revenues (includes Measure "C")	10,036,524	10,555,236	10,631,512
Expenses	(10,036,524)	(10,193,063)	(10,168,063)
Net Difference	0	362,173	463,449
Designated Reserves			
<i>Non-spendable (RDA loan)</i>	2,015,945	2,006,863	2,006,863
<i>Assigned for Measure "C"</i>	0	148,000	148,000
<i>Unassigned (spendable)</i>	(81,449)	141,806	243,082

2015/16 Budget Process

Town staff met with the newly formed Measure "C" Citizen Oversight Committee on March 24, 2015. They were presented with a complete Town financial overview including how the recession impacted the Town's revenues and how the Town reacted quickly to maintain financial solvency. Results of the financial diagnostic tool were also shared. Estimated Measure "C" funds were discussed, and particularly how those funds would be insufficient to fund every need of the Town and its departments. Finally, Staff provided the committee with the following funding priorities of the Town Council which came out of the February 24, 2015 Council priority setting session:

Fire Department <ul style="list-style-type: none"> • SCBA's • Fire Engine • Contract Maintenance • Fire Station 82 Location 	Police Department <ul style="list-style-type: none"> • Police cars • Equipment • Body Cameras • Personnel 	Public Works <ul style="list-style-type: none"> • Street Sweeper • Materials Only Projects • Road Improvement
Community Development <ul style="list-style-type: none"> • Downtown Sewer • Accela Implementation 	Town Health <ul style="list-style-type: none"> • Reserve • ARC • Facilities 	

Measure “C” revenues and expenditures will have a separate and distinct section within the 2015/16 general fund budget just like departments and their specific programs. An example is illustrated below:

1010.25.4420		General Fund – Measure “C”	
3130.326	Sales & Use District Tax		\$850,000
Revenue Totals			\$850,000
5213.100	Administration Fee		\$8,500
301	<i>Police Operations</i>		
5101	Salary – Sergeant Detective	\$53,000	
5112.101	Benefits – Sergeant Detective	54,000	
5304	Equipment “body cams”	53,000	
5501	Debt Service – Police Cars	100,000	260,000
303	<i>Animal Control</i>		
5101	Salary – AC Officer	\$25,000	
5112.101	Benefits – AC Officer	10,000	35,000
326	<i>Fire Suppression</i>		
5213.100	Contract – Maintain CALFIRE Contract	\$100,000	
5304	Equipment – SCBA’s	50,000	
5501	Debt Service – Fire Engine	100,000	250,000
350	<i>Public Works Streets</i>		
5214.100	Maint Service – Street Overlay	\$140,000	
5304	Equipment – Street Sweeper	60,000	200,000
360	<i>Community Development</i>		
5213.100	Contract – Sewer Research	\$25,000	25,000
370	<i>Town Facilities</i>		
5214.100	Contract – Repair Police Station Siding	\$41,500	41,500
380	<i>Financial Administration</i>		
5602	Reserve Funding	\$30,000	30,000
Expenditure Totals			\$850,000

The next Measure “C” Oversight Committee meeting is April 28, 2015 in which departments will have a chance to address the committee about critical items and priorities for department budgets. Departments have now received their 2015/16 budget packages and are beginning to see what will and won’t fit within their assigned allocations. As discussed with Council previously, higher required CalPERS pension contributions in 2015/16 are absorbing all non Measure “C” anticipated revenue increases. Since all of public safety is funded through the general fund, the highest concentration of this increase is felt within the general fund and public safety programs. This will mean that programs funded through the general fund will not see an improvement in their discretionary spending dollars for 2015/16. Said another way, fixed costs as a percent of total operating expenses will remain above 90%. Departments will have to rely on Measure “C” funds to fund equipment replacement and any budget enhancements.

Fiscal Impact Analysis:

The Town is on track to bring forward and adopt a 2015/16 Operating and Capital Budget by the end of June 2015. Staff will continue to keep Council informed about changes in the 2014/15 budget and the progress of the 2015/16 budget.