



**Town of Paradise
Council Agenda Summary
Date: September 9, 2014**

Agenda Item: 7(e)

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

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

Council Action Requested:

Approve the following budget adjustments; or,

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 will complete analysis of the financial transactions recorded to date and additional information received to identify the potential impact to the 2014/15 budget. At least quarterly, but more often if needed, a report will be brought forward to Town Council updating them on the status of the budget and recommending appropriate budget adjustments.

Discussion:

Fund 1010 – General Fund

Staff ran and analyzed a General Fund Budget Performance Report to date for the 2013/14 fiscal year and 2014/15 budget in order to review trends or significant swings in revenues and expenses. A copy of this report is attached for review. The following information was derived from this analysis:

2013/14

A few transactions are still coming in for the fiscal year ended June 30, 2014. Since general fund transactions are recorded on a modified accrual basis, if a revenue or expenditure was measurable or incurred as of June 30, 2014, it is recorded for that fiscal year even if the cash transaction doesn't actually occur until the next year. Final receipts of property taxes are coming in a little better than expected and some expenditures are coming in a little less. At the time of budget adoption it appeared that revenues would exceed expenditures by a little over \$402,000. Now it appears that revenues will exceed expenditures by about \$450,000. This is moving the Town in the right direction in terms of rebuilding an actual cash reserve, but the Town still has a

ways to go to reach firm financial stability. This will bring the Town's ending fund balance/ reserve to about \$1,790,767. The former Paradise Redevelopment Agency owes the Town's general fund \$1,898,321, so the general fund is still short \$108,000 of building some cash reserves.

Revenues

- The final property tax receipts came in for the 2013/14 fiscal year. Overall property taxes are about \$28,271 more than budgeted. This is a difference of 0.65% with total receipts of \$4.35 million. This is 2.88% more than 2012/13. This is the first growth in property taxes in five years. This is promising showing that the values of homes are increasing and that the housing market is active and improving in the community. While this is encouraging, it will still take at least another four years to be equal to where property taxes were five years ago. No adjustment to the 2014/15 budget numbers is currently recommended.
- MVIL finalized exactly as anticipated for 2013/14. However, we recently received a check from the County for \$159,968.64 as a one-time audit adjustment for MVIL fees dating back to 2008/09. The State audited the County and discovered a calculation error in which the County shorted the Town these funds. These one-time monies can be used to cover the \$55,000 cost of the building materials for the roof rebuild at Fire Station 81. It will also cover the \$20,000 cost of repairing the ladder truck which was originally expected to be completed in 2013/14. Staff implores Council to leave the rest of the money unbudgeted for now. There is currently no contingency money budgeted in case of crisis. The Town is so far behind in replacing equipment and facilities that a major emergency replacement is eminent. This could give the Town some breathing room until more of the fiscal year is completed. If at mid-year, finances remain stable, staff may recommend using part of this money to replace or repair some other long deferred equipment.
- With the final sales tax receipt for 2013/14 posted, Sales tax receipts increased 4.1% for the fiscal year. This is about \$26,000 less than expected, but still a healthy growth. The last fiscal quarter property tax growth really flattened and staff only anticipates modest growth in this fiscal year. Staff will keep an eye on 2014/15 initial sales tax receipts and may recommend a decrease in budgeted sales tax receipts next month.
- 2013/14 franchise fees finalized with about \$5,000 more than budgeted and with growth of about 3.2%. Transient occupancy taxes for 2013/14 also finalized with about \$5,000 more than budgeted but with a decrease of about 4.3% compared to the prior year. One hotel still continues to struggle to make their payments timely and the other hotels are not reporting growth. No adjustment is currently recommended for the 2014/15 fiscal year.
- As expected, the summer of 2014 was and continues to be a busy fire season. Some of the Town's equipment and personnel were loaned to CAL FIRE, and is

expected to generate rents of about \$27,404. The Town budgeted \$20,000 so \$7,404 is the recommended adjustment

Expenses:

Fire Department

The personnel services contract with CAL FIRE completed its first full fiscal year in 2013/14. It has proved to be not only financially beneficial for the Town, but has also provided outstanding fire suppression and medical aid services for the community. In addition to the contracted savings negotiated through the contract, the Town asked CAL FIRE to come up with \$200,000 more in savings in order to balance the budget. By year end CAL FIRE was able to achieve a little over \$278,000 in savings for the 2013/14 fiscal year.

Police Department

The Police Department continues to struggle with filling open and budgeted positions. A lateral is in the final stages of the hiring process, and there are others in background, but there are still officially three openings and a couple more vacancies looming. There are two open dispatch positions with some candidates in background. Staff will continue to keep an eye on the budget and overtime, but until some of these positions are filled, there are too many variables to properly estimate the budget impact at this time.

Fund 2120 – State Gas Tax (Street Maintenance)

The last four years this fund has been self-sustaining without transfers in from the general fund. For 2013/14 the fund added about \$100,000 to its ending fund balance, but is expected to use part of that on vital road and street maintenance projects within the community this 2014/15 fiscal year.

- The Town recently received a revised estimate of the Highway Users Taxes (Gas Tax) that will be allocated to the Town. It reflects almost \$98,000 more in funds. These funds may be used to leverage more grant monies or may be used for a small maintenance project.

Conclusion:

Following are the recommended 2014/15 budget adjustments:

| 1010 – General Fund | | |
|--------------------------------------|------------------|--------------------------------|
| Beginning Fund Balance | | 1,790,767 |
| Revenues | | 9,609,041 |
| Recommended Adjustments | | |
| 1. | 00.0000.3356.001 | 159,969 |
| | | MVIL one-time adjustment |
| 2. | 35.0000.3345.100 | 7,404 |
| | | Rents for fire equipment |
| Adjusted Revenues | | 9,776,414 |
| Transfers In | | 427,483 |
| Total Resources | | 10,203,897 |
| | | |
| Expenditures | | 10,036,524 |
| Recommended Adjustments | | |
| 3. | 30.4550.5214 | 20,000 |
| | | Ladder truck repairs |
| 4. | 35.4610.5303 | 55,000 |
| | | Fire Station 81 roof materials |
| Adjusted Expenditures | | 10,111,524 |
| Net Income | | 92,373 |
| Projected Ending Fund Balance | | 1,883,140 |

| 2120 – State Gas Tax (Street Maintenance) | | |
|---|------------------|----------------------|
| Beginning Fund Balance | | 505,288 |
| Revenues | | 1,052,768 |
| Recommended Adjustments | | |
| | 45.4750.3355.001 | 12,582 |
| | | Gas Tax section 2106 |
| | 45.4750.3355.002 | 15,945 |
| | | Gas Tax section 2107 |
| | 45.4750.3355.005 | 70,456 |
| | | Gas Tax section 2105 |
| | 45.4750.3355.007 | (1,043) |
| | | Gas Tax section 2103 |
| Adjusted Revenues | | 1,150,708 |
| Transfers In | | 76,050 |
| Total Resources | | 1,226,758 |
| | | |
| Expenditures | | 1,042,179 |
| Recommended Adjustments | | |
| Adjusted Expenditures | | 1,042,179 |
| Transfers Out | | 206,487 |
| Net Income | | (21,908) |
| Projected Ending Fund Balance | | 483,380 |

Fiscal Impact Analysis:

These current adjustments increase the General Fund net income and increase the General Fund reserves by \$92,373.