



**Town of Paradise
Council Agenda Summary
Date: February 9, 2016**

Agenda Item: 6a

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

Subject: 2015/16 Operating and Capital Budget Status Update (Mid-Year Budget Review)

Council Action Requested:

1. Review the report presented and approve the recommended mid-year budget adjustments; and,
2. Provide direction to staff for scheduling a Town Council goal setting workshop to discuss 2016/17 budget priorities; and,
3. Provide direction to staff concerning a Master Fee Schedule revision; or

Alternatives:

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

Background:

Under the direction of the Town Council, Town management and staff have sacrificed and worked tirelessly to right the Town's financial ship. After six years of depleted reserves, delayed asset replacement and deferred maintenance, the community responded by passing a six year 0.50% transaction and use tax (Measure C) which took effect April 1, 2015. Measure C is expected to provide about \$1 million a year for six years. The appropriate use of the 2015/16 monies were vetted through the Community Oversight Committee and approved by the Town Council and includes replacement of three police cars, purchase of a new fire engine, investment in town roads, a new detective sergeant and part-time animal control officer, as well as much needed public safety equipment. The 2015/16 operating and capital budget was adopted June 29, 2015.

This mid-year budget report provides an opportunity for staff to do a comprehensive review of all budgeted accounts, including personnel expenditures. It is also the start of the next year budget cycle wherein a timeline for completion, a five-year budget projection is analyzed, and priorities are discussed.

Discussion:

Fund 1010 – General Fund

Staff met with each department and reviewed a General Fund Budget Performance Report to date for the 2015/16 fiscal year in order to review trends or significant swings in revenues and expenses and to identify needed budget adjustments. A copy of this report is attached for review. The following information was derived from this analysis and highlights of the recommended adjustments are summarized below:

Revenues

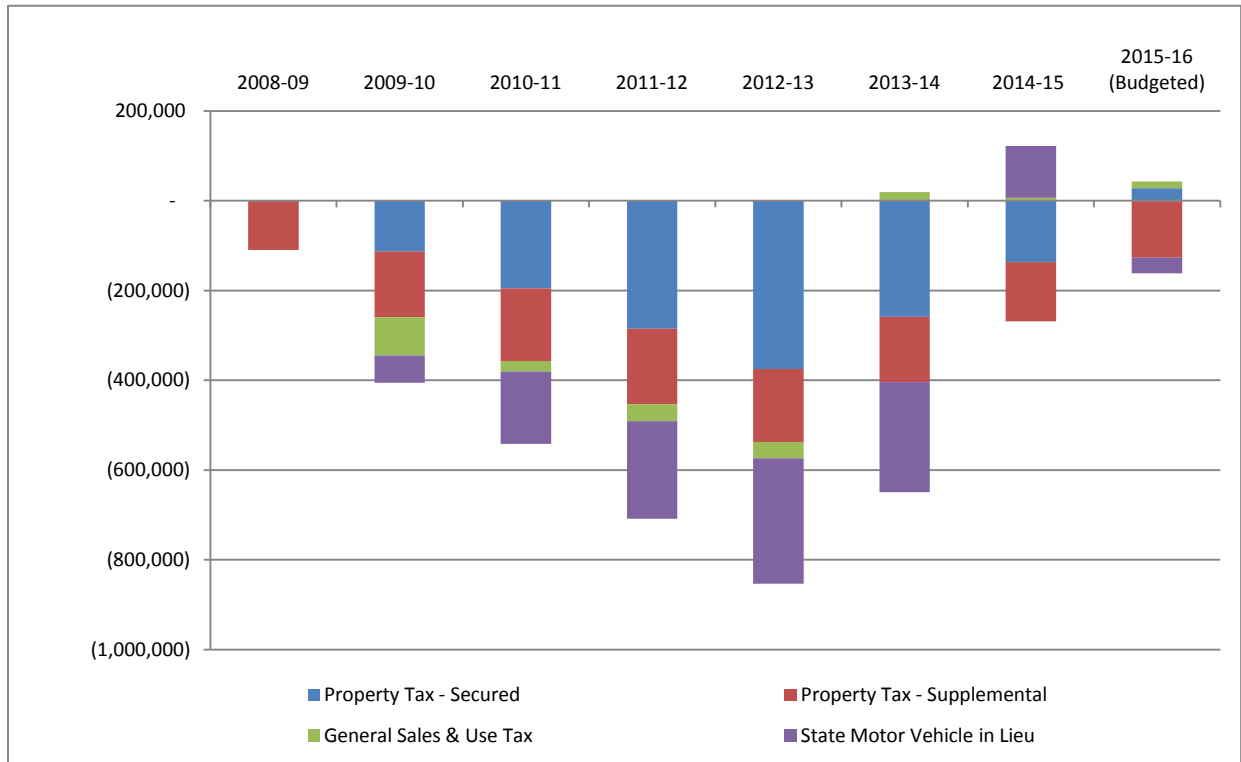
	2014/15 Audited Actual	2015/16 Amended Budget	2015/16 Proposed Budget	2015/16 Budget Adjustments
Measure C	\$291,666	\$998,429	\$1,071,000	\$72,571
Non Department	10,230,048	10,285,524	10,307,233	21,709
Finance	13,454	20,100	20,100	0
Police	125,505	73,221	78,351	5,130
Fire	182,925	83,465	92,808	9,343
Planning	50,325	56,479	57,325	846
Waste Management	60,640	50,373	50,593	220
Engineering	42,263	39,500	38,260	(1,240)
Community Park	2,670	2,500	2,500	0
Totals	\$10,999,496	\$11,609,591	\$11,718,170	\$108,579

- Measure C: The 0.50% transaction and use tax approved by the voters in November 2014, took effect April 1, 2015. The Town has now received two quarters of receipts. The most recent quarter receipts from July through September are historically the lowest quarter of receipts. The receipts to date support an estimate of about \$1.1 million per year; however, staff recommends remaining conservative and reducing the estimate 5%. Thus, **staff recommends increasing Measure C Revenue budget \$72,571**. Staff has just recently acquired the raw data from the Board of Equalization, and will analyze point of sale transactions versus out of Town sales and report back to Council.

- Property Taxes: The Town has received its first deposit of 2015/16 property tax receipts and final estimates from Butte County based on the finalized tax rolls. About 75% of the secured tax rolls are governed by Proposition 13 which means that property taxes cannot grow on those properties more than 2% per year. 25% of the properties then are generating most of the growth. Secured property taxes are expected to grow 3.95% as compared to growth of 3.02% last year. Unsecured property taxes are expected to grow 3.39% after a loss of 2.40% last year. Homeowner's apportionment is expected to decline 2.75% after declining 0.47% last year.

For the first time in seven years property taxes collectively are nearly back to prerecession levels; although, Council should also take note of the following:

1. It will take several more years to make up the \$3.6 million in lost property value based revenues.

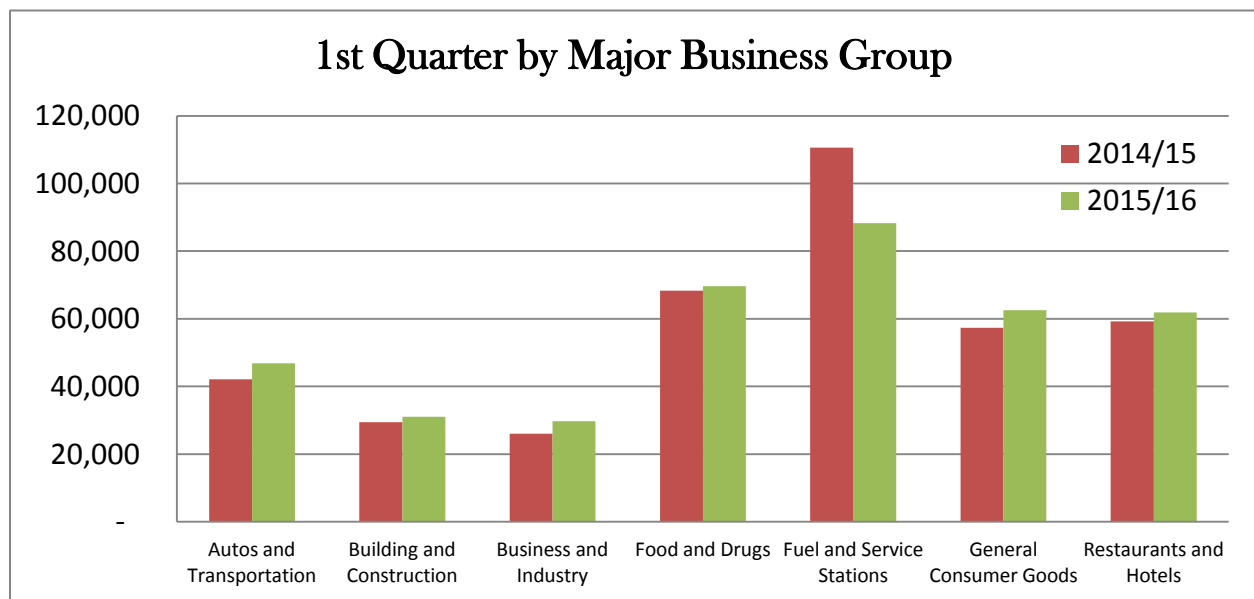


2. Staff has been notified by the League of California Cities that the Board of Equalization has determined that the Proposition 13 growth factor for 2016/17 will be 1.525%, so less than the normal 2%. Thus, about 75% of the Town's property taxes can only increase by that percent.
3. This also means then that 25% of properties will have to turn over or grow 7.4% in order for the Town to maintain property tax growth of 3%.
4. 44% of General Fund revenue (without Measure C) is generated from Property Taxes. With these constrained revenues, inflation or fast increasing CPI will create financial strain in future budgets

The following chart further summarizes property tax expectations and recommended budget adjustments for this 2015/16 budget year:

Property Taxes	2014/15 Audited Actual	2015/16 Amended Budget	2015/16 Proposed Budget	2015/16 Budget Adjustments
Secured	\$4,165,560	\$4,269,699	\$4,330,179	\$60,480
Unsecured	217,678	220,943	225,055	4,112
Supplemental	50,011	55,012	55,012	0
Homeowners Apportionment	67,508	69,455	65,655	(3,800)
Totals	\$4,500,757	\$4,615,109	\$4,675,901	\$60,792

- Motor Vehicle in Lieu (MVIL): The Town has received its first receipts and reviewed the County’s calculations of MVIL for 2015/16. The County has corrected its formula errors from the last several years which provided some one-time revenues last year. Staff was overly optimistic in its estimates for 2015/16, and **recommends decreasing MVIL \$55,976**. With one-time monies last year the Town received \$2.28 million; this year the Town is predicted to receive \$2.14 million.
- Sales Tax: With the first quarter of 2015/16 sales tax receipts recorded, receipts remain flat. Analysis shows there is growth in every business group except for fuel stations which shows sharp decline because of lower gasoline prices. Forecasts indicate that gas prices on average in 2016 will remain 16% less than in 2015 and in 2017 will grow but will still be 9% less than 2015. Gasoline sales are the single largest contributor to sales tax generation in the Town, so this forecast supports **decreasing the 2015/16 sales tax budget \$10,059**. Sales taxes provided \$1.8 million in 2014/15 and are estimated to remain at \$1.8 million for 2015/16.



- Property Transfer Tax: Transfer taxes for the first six months show year of year growth of 56%. A good sign that properties are both selling and increasing in value. Even assuming conservative growth the remainder of the fiscal year, staff recommends **increasing the 2015/16 transfer tax budget \$15,093** to \$78,339. \$63,702 was received last year.
- Franchise Fees and Transient Occupancy Taxes (TOT): Only minimal budget adjustments are recommended by staff for Franchise Fees and TOT. Only one quarter of receipts have been recorded for the 2015/16 fiscal year and they align closely to budget estimates. The Town anticipates receiving \$872,070 in Franchise Fees and \$200,236 in TOT for 2015/16.
- State Mandated Claims Reimbursements: With the improved State economy, the State released another \$10,867 in interest on outstanding mandated claim reimbursements this fiscal year. \$6,662 toward administrative service claims and \$4,205 toward police claims. The Town is still owed \$218,810 according to the most recent report acquired from the State Controller's Office. **Staff recommends increasing the 2015/16 budget by the amounts received \$10,867.**
- Fire Equipment Rental: The 2014/15 fire season was especially demanding for the State of California. When possible, the Town lent resources to the State which resulted in rental income. A little over \$174,000 in rental income was received in 2014/15. This was significantly more than the annual average; a recent history of which is shown below:

▪ 2014/15	\$174,163
▪ 2013/14	\$24,601
▪ 2012/13	\$94,085
▪ 2011/12	\$5,609
▪ 2010/11	\$0

\$75,000 was budgeted for 2015/16, but \$78,237 has already been received to date. **Staff recommends increasing the 2015/16 budget \$10,000** to \$85,000. For 2016/17 staff also recommends that a certain portion of these receipts be put aside for future fire engine replacement.

To summarize, the Town is expected to receive \$108,579 more in revenues for 2015/16 than currently budgeted. \$72,571 in Measure C receipts and \$36,008 in other receipts. While this is great compared to the recent past and confirms that revenues truly have stabilized and show moderate growth, the Town will not receive the large one-time revenues from last year that allowed the Town to start rebuilding reserves.

Further, the Town continues to be challenged by its lack of diversified revenues. Thankfully Measure C is currently filling in the gap, allowing the Town to maintain quality services for the community. Because such a large portion of its revenues are constrained, the Town should be vigilant in recouping costs of special services so that

the community as a whole isn't subsidizing the special services of a few. The last complete master fee schedule revision was 2 ½ years ago.

Expenses:

	2014/15 Audited Actual	2015/16 Amended Budget	2015/16 Proposed Budget	2015/16 Budget Adjustments
Measure C	\$8,392	\$881,183	\$969,919	\$88,736
Non Department	929,836	967,726	976,735	9,009
Administration	1,755,969	1,545,301	1,558,540	13,239
Police	3,587,252	4,084,261	4,042,069	(42,192)
Fire	3,463,198	3,639,083	3,636,874	(2,209)
Community Develop.	164,317	168,540	173,442	4,902
Public Works	38,174	220,479	243,145	22,666
Totals	\$9,947,138	\$11,506,573	\$11,600,725	\$94,152

Measure C:

Measure C has been essential in preserving services and maintaining a balanced budget this fiscal year. As previously reported, the Town is replacing public safety equipment, sustaining the CAL FIRE contract, planning road rehabilitation and addressing deferred maintenance issues with this funding. As the Town's budget is so lean, staff recommends Measure C help the Town address some other critical one-time expenses that will be fully described below. Following is a recap of the Measure C proposed budget.

Measure C Updated

	<u>2015/16 Amended Budget</u>	<u>2015/16 Proposed Budget</u>	<u>2015/16 Budget Adjustments</u>
Police Department			
Lieutenant Reinforcement	\$0	\$13,439	\$13,439
Sergeant Detective	97,814	\$111,619	\$13,805
Police Cadets (3)	45,000	51,563	6,563
Police Cars	100,000	100,000	0
Body Cameras	14,034	14,034	0
LiveScan Machine	12,000	11,670	(330)
Station Repairs	45,000	96,000	51,000
Officer Training	15,000	15,000	0
K-9 Program	10,000	10,000	0
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	\$338,848	\$423,325	\$84,477

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Animal Control

Increased Officer Hours	\$24,792	\$23,751	(\$1041)
Officer Training	3,000	3,000	0
Pressure Washer	5,000	5,200	200
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	\$32,792	\$31,951	(\$841)

Fire Department

CAL FIRE Contract	\$150,000	\$150,000	\$0
Exhaust System	20,511	20,511	0
4 SCBAs	25,000	25,000	0
Fire Engine	89,032	94,132	5,100
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	\$284,543	\$289,643	\$5,100

Public Works

Pedestrian Safety Crossing	\$25,000	\$25,000	\$0
Road Improvements	200,000	200,000	0
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	\$225,000	\$225,000	\$0

Subtotal	\$881,183	\$969,919	\$88,736
Unassigned Reserve	\$117,246	\$101,081	(\$16,165)
Totals	<hr/> \$998,429	<hr/> \$1,071,000	

➤ Police Department:

- *Lieutenant Reinforcement* – All three department leadership positions are in the final phase of their careers. Both of the Lieutenants are of retirement age and are considering retirement at the end of this fiscal year. Staff recommends recruiting at least one replacement Lieutenant as quickly as possible and providing about a month cross training between the positions. This will help transition the new person into the department as well as provide support while the department is short staffed. This additional staffing will cost about \$13,439.
- *Sergeant Detective* – A thorough review of the salary, benefits and previously not considered overtime costs associated with the Sergeant Detective position for 2015/16 is \$13,805 more than first estimated. This is more than the last estimate but less than the original budget. Given the staffing shortage and heavy case load of the department, this position has proven to be invaluable.
- *Police Cadets (3)* – All costs have been identified related to sponsoring three police cadets through the police academy. The cost includes background, the trainee’s time, tuition, uniform and supplies. The final cost is expected to be \$51,563. The academy started January 4, 2016 and runs until June 10, 2016.

- *Building Repairs* – An emergency was declared by Town Council in September 2015 in order to expedite the siding repairs needed to prepare the building for a wet winter. As the repair work progressed, further damage and rot was identified. The entire building overhang needed to be reconstructed at an additional cost of \$45,673. The total cost of all the repairs and reconstruction is projected to be \$96,000. With maintenance and care, the repairs can last over forty years.

➤ *Fire Department:*

- *Type 1 Fire Engine* – In August 2015, the Town Council approved the purchase of a Pierce Enforcer Pumper Fire Engine. The engine is being constructed and will be delivered to the Town in April or May 2016. After negotiations and final design review, the final cost is \$495,050. Total costs this fiscal year will be \$94,132 with five more annual lease payments of \$86,632 in future years.

Staff met with and shared this update with the Measure C Citizen Oversight Committee on January 26, 2016.

Non Department:

- Non department specific expenses are expected to increase by \$9,009. \$4,245 in additional bank fees are projected due to the Town's investment strategy change. As a reminder, US Bank lowered its earnings credit rate making it prudent to shift more of the working capital out of US Bank into LAIF to maximize interest earnings. Also, \$3,566 will be transferred out to the Town's Housing Loan Fund as RDA loans are starting to be repaid to the town and 20% of those payments must be transferred to housing funds.

Administration:

Collectively administrative divisions are anticipated to increase \$13,239 for a variety of reasons including needed computer and equipment replacements, utility increases, staff benefit election changes and increased legal matters as summarized below:

✓ Town Council	(500)
✓ Town Clerk	(2,619)
✓ Town Manager	1,038
✓ Central Services	4,117
✓ Information Technology	5,128
✓ HR and Risk Management	724
✓ Legal Services	2,300
✓ Finance	3,051

Police Department

- *Police Administration:* With the potential retirement of Lieutenants later this year and the overall staffing shortage in the department, staff recommends hiring a replacement Lieutenant as soon as possible as described above in the Measure C section. Given the strain on the overall budget however, it will be helpful for Measure C to fund this and leave room in the budget for other possible contingencies. This shift of funding sources provides savings in the police administration budget of \$13,448. The proposed budget includes the assumption of one Lieutenant retiring this year, so if both retire, additional costs of about \$20,000 will need to be funded.
- *Police Operations:* The Police Department continues to struggle to fill open and budgeted positions within police operations. For a short time, at the end of last fiscal year, all positions were filled; however, the division is back up to four vacancies and there is a potential for more. Two replacements are needed from retirements, the AB 109 position is vacant, and a vacancy was created to promote an officer to the Measure C funded Detective Sergeant position. Four trainees were intended to be sponsored through the police academy; however, one cadet has already resigned. Further, the academy is not complete until June 2016 and then the officers will need additional training before they can patrol independently.

In the meantime, the revised personnel budget includes the salary savings from the vacant positions, additional overtime budgeted in light of the staffing shortage, and finally, funding for contracted investigative support. Overall, there is operations division savings projected of \$18,134 (\$5,000 from gasoline price savings). This is helpful considering the vulnerability of the department and provides some budget room in case of emergency and in order to recruit candidates.

- *Public Safety Communications:* Due to a medical leave situation and fewer part time dispatchers available to cover shifts, the communications division is also experiencing staffing shortages. Staff recommends unfreezing one of the dispatch positions, which depending on the staffing schedule chosen, results in a minimal budget impact because of the overtime saved. With the current staffing model and shortages, overtime is currently paid each week. The proposed revised communications budget includes the new hire and additional overtime needed due to current shortages, but also includes the savings of fewer part time dispatchers. Overall the divisions projects savings of \$11,324. Most of that savings is a result of retiree medical premiums decreased as one retiree has left the plan.

Fire Department

Overall, the fire department is expected to achieve savings of \$2,209. Namely, a result of a retiree being Medicare eligible and gasoline price savings. On the personnel contract, CAL FIRE is currently on track to achieve the \$96,884 requested budget savings already included in the budget.

Community Development – Planning

Staff recommends increasing the Community Development budgets \$4,902 principally as a result of a staff member changing their health benefit elections. Some other minor changes are recommended as shown on the attached report.

Public Works – Fleet Management

After a three month staff vacancy in Fleet Management that was cured early this fiscal year, staff has made tremendous progress in repairing and maintaining the Town’s fleet. However, bringing the aged fleet back up to safety standards will cost about \$23,000 more than expected. Even with this increase, however, the fleet budget will still be nearly \$13,000 less than the prior year. With the Measure C replacement of police cars and a fire engine the overall fleet age and maintenance will greatly improve over the next few years.

After a comprehensive review of all budgeted accounts and thorough analysis of position control, staff recommends a \$94,152 increase in budgeted expenditures. \$88,736 for Measure C and \$5,416 for other divisions.

Fiscal Impact:

Again, Measure C is the key to allowing the Town to move cautiously forward and maintain services this fiscal year. Outside of Measure C, revenues are growing modestly and the Town has to address long deferred expenditures. This year the Town will maintain a balanced budget, and is only expected to add a marginal amount to cash flow reserves. Until those cash flow reserves are adequately replenished, the Town will continue to borrow cash for operating expenses at a cost of about \$25,000 a year. Following shows the progress the Town is making in rebuilding its General Fund Ending Fund Balance and Cash Flow Reserves:

	2014/15 Audited Actual	2015/16 Amended Budget	2015/16 Proposed Budget	2015/16 Budget Adjustments
Revenues	\$10,707,830	10,611,162	\$10,647,170	\$36,008
Measure C Revenues	291,666	998,429	1,071,000	72,571
Expenses	(9,938,746)	(10,625,390)	(10,630,806)	5,416
Measure C Expenses	(8,392)	(881,183)	(969,919)	88,783
Net Income	\$1,052,358	\$103,018	\$117,445	

Ending Fund Balance	\$2,938,359	\$3,041,377	\$3,055,804
<i>Designated Reserves</i>			
Nonspendable (RDA)	2,008,233	1,974,731	1,983,233
Measure C Assigned	283,274	400,520	384,355
Unassigned	646,852	666,126	688,216

Fund 2030 – Building Safety and Wastewater Services

	2014/15 Audited Actual	2015/16 Amended Budget	2015/16 Proposed Budget	2015/16 Budget Adjustments
Revenues	\$935,539	\$812,722	\$839,830	\$27,108
Expenses	(738,488)	(824,585)	(818,538)	(6,047)
Net Income	\$197,050	(\$11,863)	\$21,292	
Ending Fund Balance	\$391,125	\$379,262	\$412,417	

Revenues:

Overall development revenues continue to rebound and show that there is building growth in the community. The 2014/15 building permits revenues were back at 2007/08 levels. The 2015/16 revenues were budgeted very conservatively. In light of the 2014/15 numbers and healthy permit and plan check numbers already being reported for 2015/16, staff recommends increasing building permits by \$10,178 and plan check fees by \$11,920. There are still conservative revenue numbers built into the proposed 2015/16 budget.

Expenses:

Collectively expenses for 2015/16 can be reduced \$6,047. While there are some increased costs related to central service allocations, there is anticipated savings from staff benefit elections and retiree health.

Fiscal Impact:

The fund will end the fiscal year with a good healthy reserve which is important to maintain for equipment replacement purposes and to prepare for the inevitable next economic downturn. Eventually the fund may need to increase staffing to maintain timely services; however, current budget numbers would not yet sustain that addition.

Fund 2070 – Animal Control Services

	2014/15 Audited Actual	2015/16 Amended Budget	2015/16 Proposed Budget	2015/16 Budget Adjustments
Revenues	\$198,000	\$205,275	\$205,879	\$604
Expenses	(192,907)	(210,937)	(212,475)	1,538
Net Income	\$5,092	(\$5,662)	(\$6,596)	
Ending Fund Balance	\$6,596	\$934	\$0	

Revenues:

Revenues for 2015/16 are anticipated to conclude principally as expected with some growth in code enforcement citation receipts related to unlicensed, unleashed and dangerous dogs, and some modest decreases in other categories. PASH is expected to provide \$11,900 in funding various shelter expenses for the care and comfort of the animals.

Expenses:

Expenses for 2015/16 are also expected to conclude about as expected. Overtime and animal rendering expenses are anticipated to be higher, but retiree health costs will be lower. A full personnel cost analysis was completed with the inclusion of the new 36 hour animal control officer and actual expenses will be a little less than projected.

Fiscal Impact:

The fund will require a transfer from the animal control donation fund of \$14,021 in order to balance in 2015/16. This will leave about \$48,000 in the fund at the end of the fiscal year. Without increased revenues in other areas, this is enough to sustain services for about another 3.5 years.

Fund 2120 – State Gas Tax (Street Maintenance)

	2014/15 Audited Actual	2015/16 Amended Budget	2015/16 Proposed Budget	2015/16 Budget Adjustments
Revenues	\$1,163,803	\$1,024,198	\$1,041,356	\$17,158
Expenses	(1,145,169)	(1,218,244)	(1,178,672)	(39,572)
Net Income	\$18,634	(\$194,046)	(\$137,316)	
Ending Fund Balance	\$438,273	\$244,227	\$300,957	

Revenues:

While lower gasoline prices are helpful in a couple areas of the Town's budget, it is detrimental to sales tax and gas tax revenues. Revised gas tax projections were recently released for 2015/16 allowing staff to recommend increasing gas tax receipts about \$17,158. Unfortunately, even with the increased revenue, gas tax revenue will be down 22%. This trend is projected to continue with another 7% drop in revenue projected next year. On a positive note, the Governor recognizes that additional funding is needed to rehabilitate roads statewide so has included funding for this purpose in his proposed State budget for next year. If passed, \$139,000 more in revenues could be provided to the Town.

Expenses:

The fund is expected to save about \$39,572 this budget year. A little over \$28,000 is a result of salary and benefit savings. Two positions have been out on extended leaves and one of those individuals recently retired. Two temporary employees have been hired to help fill the void. A more permanent personnel solution will be implemented later this fiscal year. A little over \$12,000 can be cut from repair and maintenance services. The debt service account can be reduced \$10,123 because \$6,287 in equipment was purchased out right instead of through lease purchase and some equipment replacement is postponed.

Fiscal Impact:

The fund is currently maintaining appropriate reserves; however, staff is monitoring the trend of decreasing revenues. This year the fund will use \$137,316 of its reserves; \$69,004 of that as a contribution to a capital project. These reserves are needed to maintain existing staffing and service levels. They are also a critical funding source for leveraging grants.

Municipal Financial Health Diagnostic Tool:

The Town will maintain its C- grade for fiscal year 2015/16 as the overall general fund outlook remains the same since the original budget was adopted. The Town is making progress on its fiscal health, but must continue to address depleted reserves, long-term obligations, diminished assets and diversity its revenue stream. Following are the items that remain a hindrance to the Town's financial health:

1. *Recurring General Fund Operating Deficits*

Measure C has temporarily cured the General Fund Operating Deficit, but the town must now diversity its revenue sources to prepare for when Measure C goes away.

2. *General Fund Unassigned Reserves are Inadequate*

A \$688,216 unassigned reserve is projected as of June 30, 2016 on an \$11.6 million budget which is 5.9% of the budget. The diagnostic tool recommends at least an 8% unassigned reserve, and the Town has a goal of 10%.

3. *Inadequate Cash and Short Term Investments*

The amount of the annual Tax Revenue Anticipation Note (TRAN) is being reduced; however, the Town still had to borrow \$2.7 million to build a cash flow bridge this fiscal year. The TRAN will cost \$31,000 in interest and issuance costs.

4. *Fixed and Personnel Costs Exceed 80% of Operating Expenditures*

The Town's fixed costs as a percent of operating expenditures have improved slightly from 90% for budget year 2014/15 to 89% for budget year 2015/16.

5. *Budget Balanced by Deferring Asset Maintenance*

For the first time in five years, Measure C has allowed the Town to budget asset replacement and maintenance in 2015/16. However, as Council knows Measure C will only last another 5 years.

6. *Pension Liabilities or Post-Employment Benefit Funding Deferred*

GASB 68 and CalPERS are requiring that the pension related unfunded liabilities be funded over time. The Town has another 15 years to pay on the Pension Obligation Bond and CalPERS is amortizing current unfunded liability over 20 + years. This leaves very little room in the budget to fund OPEB benefits (retiree health). \$150,000 to \$200,000 should be contributed toward these obligations, but the Town can only afford to contribute \$25,000 this fiscal year.

General Fund Five Year Projection:

Staff made some basic and conservative assumptions about revenue and expenditure growth for the next five years. Further, staff estimated and included CalPERS pension contribution increases, Pension Obligation Bond Increases, the CAL FIRE personnel contract increases, and reductions for any lease purchases paid off. The result is that there is projected to be a little revenue that exceeds expenditures in a range from \$50,000 to \$150,000 in this five year projection. The challenge will be to prioritize the many items that will require funding. A list of the most important of these are indicated below:

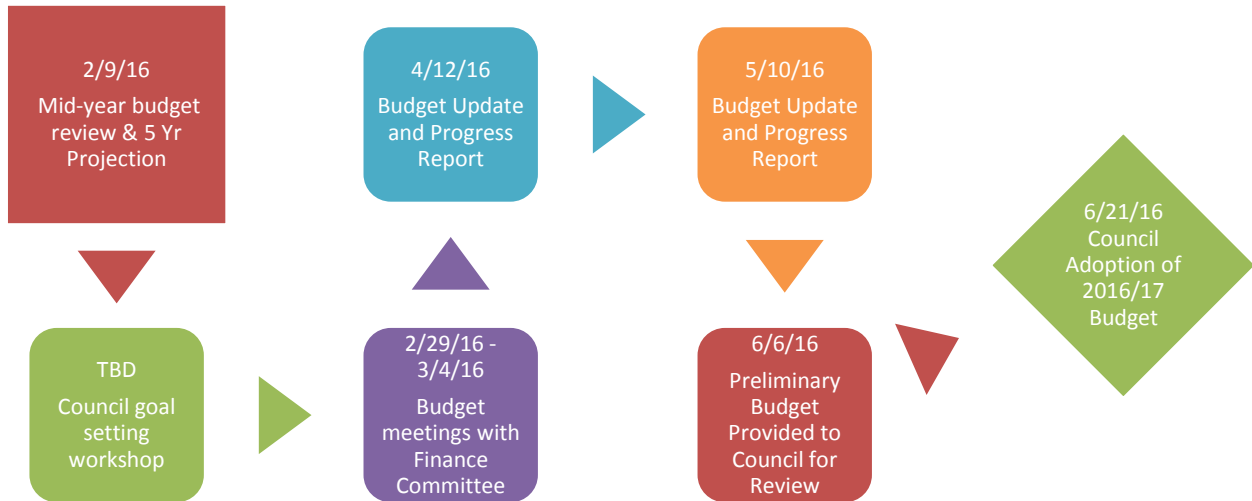
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- It has been at least 7 years since employees have received cost of living adjustments (COLA). Four of the five employee groups received a COLA in July of 2007. One group received a COLA in July 2008. In addition, 5 of these 7 years employees agreed to various concessions including salary reductions. The last of the salary reductions expired in June 2014. All the while, since July 2008 CPI has grown 8.6% for Western States. To further exasperate take home compensation for Town employees, medical premium caps enacted between October and December 2011, are permanent. Each year as premiums have gone up, the amount the Town contributes remains the same, and the amount employees pay increases. On average, to maintain family coverage, employees have had to contribute 4.01% of their salaries to maintain the same level of benefit.
- Measure C expires in just over 5 years, and while the Town has been careful to use Measure C mainly for asset replacement and deferred maintenance, there are some ongoing expenses being funded through this revenue source that the Town should begin to wean itself off of:
 - Sergeant Detective Position
 - CAL FIRE contract support
 - 75% of Animal Control Officer
 - Police Officer training support
 - K-9 program
- The first five year CAL FIRE personnel contract expires in June 2017 when the Town will be negotiating a new service contract. A not to exceed 5% escalator amounting to about \$150,000 a year has been built into the current contract. While the Town would like to maintain the same level of service for its wildfire vulnerable community, the majority of the Town's revenues cannot grow by 5% per year, perhaps making it difficult for the Town to sustain this contract in the long term.
- The Town has been underfunding its OPEB (retiree medical) obligation. It will contribute \$25,000 this fiscal year when it should be contributing \$150,000 to \$200,000 per year to make the obligation manageable in the future.

2016/17 Budget Adoption Timeline:

Starting with this mid-year budget report, the Mayor, Vice Mayor and Council members will have a number of opportunities to indicate their budget priorities and provide input during the budget process as indicated below:

2015/16 Operating and Capital Budget Status Update (Mid-Year Review)
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Conclusion:

In conclusion, this report is not meant to be a doom and gloom report, but is meant to be cautionary. The Town has made considerable progress towards its financial stability, and the Town must continue its efforts of fiscal responsibility. All funds are being carefully monitored and only sustainable expenses are being put back into budgets. Further, the Town is being good stewards of Measure C monies and is investing those funds as expected by the community in items that sustain and enhance the services provided to the community. Next steps will be to diversity revenue sources and invest in future sustainability by providing funding for asset replacement and long term obligations.