



TOWN OF PARADISE

Fiscal Year 2017/18 Operating and Capital Budget

Mid-Year Budget Review & Financial Report

January 9, 2018

FISCAL YEAR 2017/18 BUDGET UPDATE AND MID-YEAR FINANCIAL REVIEW

“SLOW AND STEADY WINS THE RACE”



OBJECTIVES OF THE MID-YEAR FINANCIAL REVIEW

1. Review the 2016/17 Audit Adjustment
2. Review and Approve 2017/18 Budget Update and Budget Adjustments
3. Review and File GASB 45 Actuarial Report
4. Review Results of California Municipal Financial Health Diagnostic Tool
5. Review Results of General Fund 5 Year Projection and Long Range Financial Projection
6. Provide Direction for Scheduling a Town Council Goal Setting Workshop to Discuss 2018/19 Budget Priorities

BACKGROUND

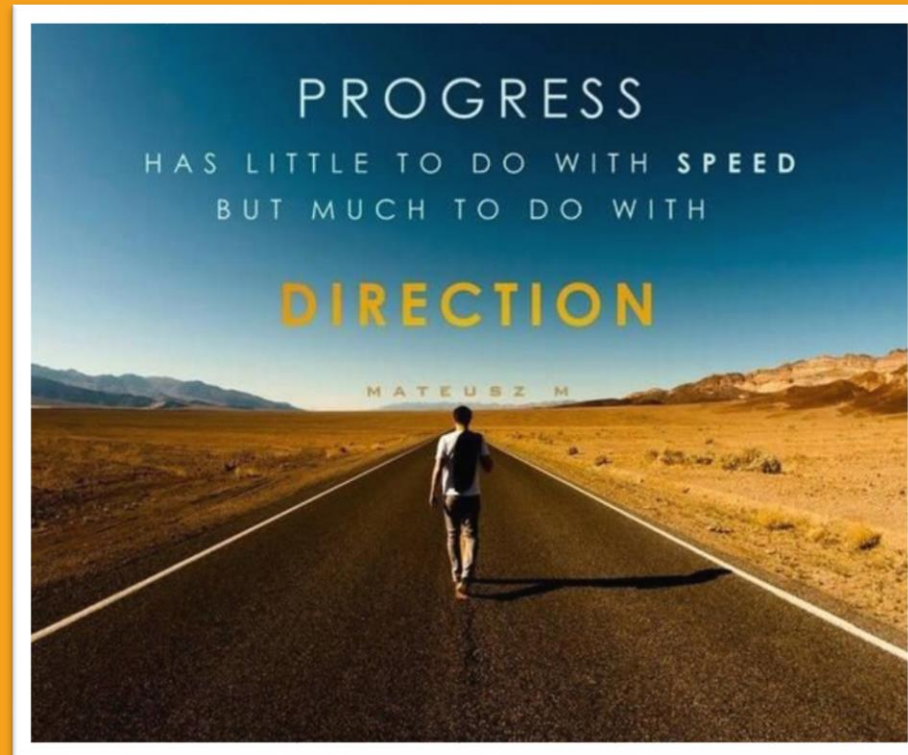


First 6 months of
2017/18 Year
Complete

Measure C
allowing Town to
make progress &
will provide
\$8.15 million in
critical funding

Mid-Year Report
allows the Town
to measure
progress

2016/17 AUDIT ADJUSTMENT



2016/17 AUDIT ADJUSTMENT

- \$1.3 million in loans to former Paradise RDA recognized by State as Enforceable Obligations - \$46,632 repaid to date
- \$645,000 in cash advances not formalized as loan prior to 2012 dissolution
- “Bad Debt” write off of remaining cash advance has no negative impact to General Fund financial position

	2016/17 General Fund Position (w/out Measure C) Before Adjustment	2016/17 General Fund Position (w/out Measure C) After Adjustment
Revenues	11,144,816	11,161,480
Expenditures	10,817,317	11,438,044
Net Change in Fund Balance	327,499	(276,564)
Designated Reserves		
Nonspendable (RDA & Other)	1,950,753	1,346,690
Assigned for Abatements	20,000	20,000
Unassigned – Cash Flow	1,351,534	1,351,534

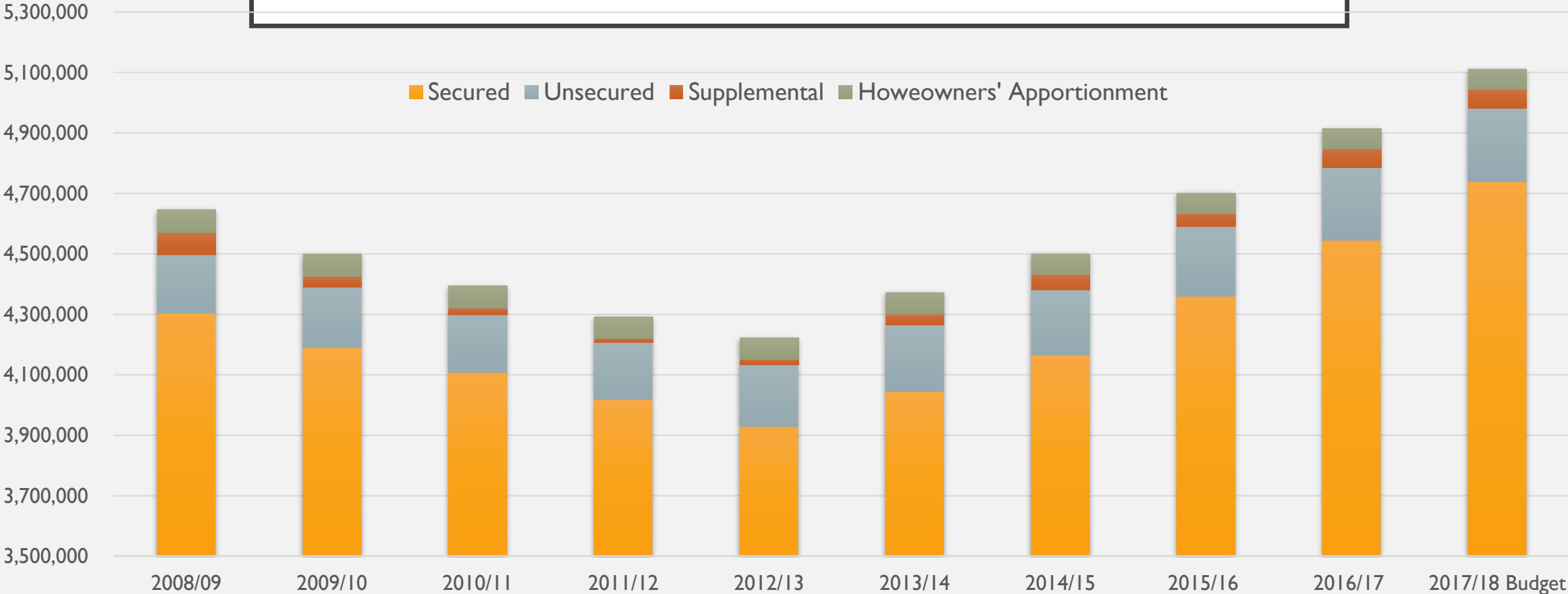
2017/18 OPERATING AND CAPITAL BUDGET UPDATE



GENERAL FUND REVENUES

	2016/17 Estimated Actual	2017/18 Amended Budget	2017/18 Proposed Budget	2017/18 Budget Adjustments
Measure C	\$1,355,070	\$1,368,621	\$1,368,621	\$0
Non Department	10,843,935	11,114,386	11,188,453	74,067
Finance	20,039	20,100	20,100	0
Police	92,290	76,631	70,312	(6,319)
Fire	82,339	133,025	188,700	55,675
Planning	61,099	55,729	78,366	22,327
Waste Management	30,426	45,954	42,696	(3,258)
Engineering	28,433	69,882	61,813	(8,069)
Community Park	2,920	2,500	2,500	0
Totals	\$12,516,551	\$12,886,828	\$13,021,561	\$134,423

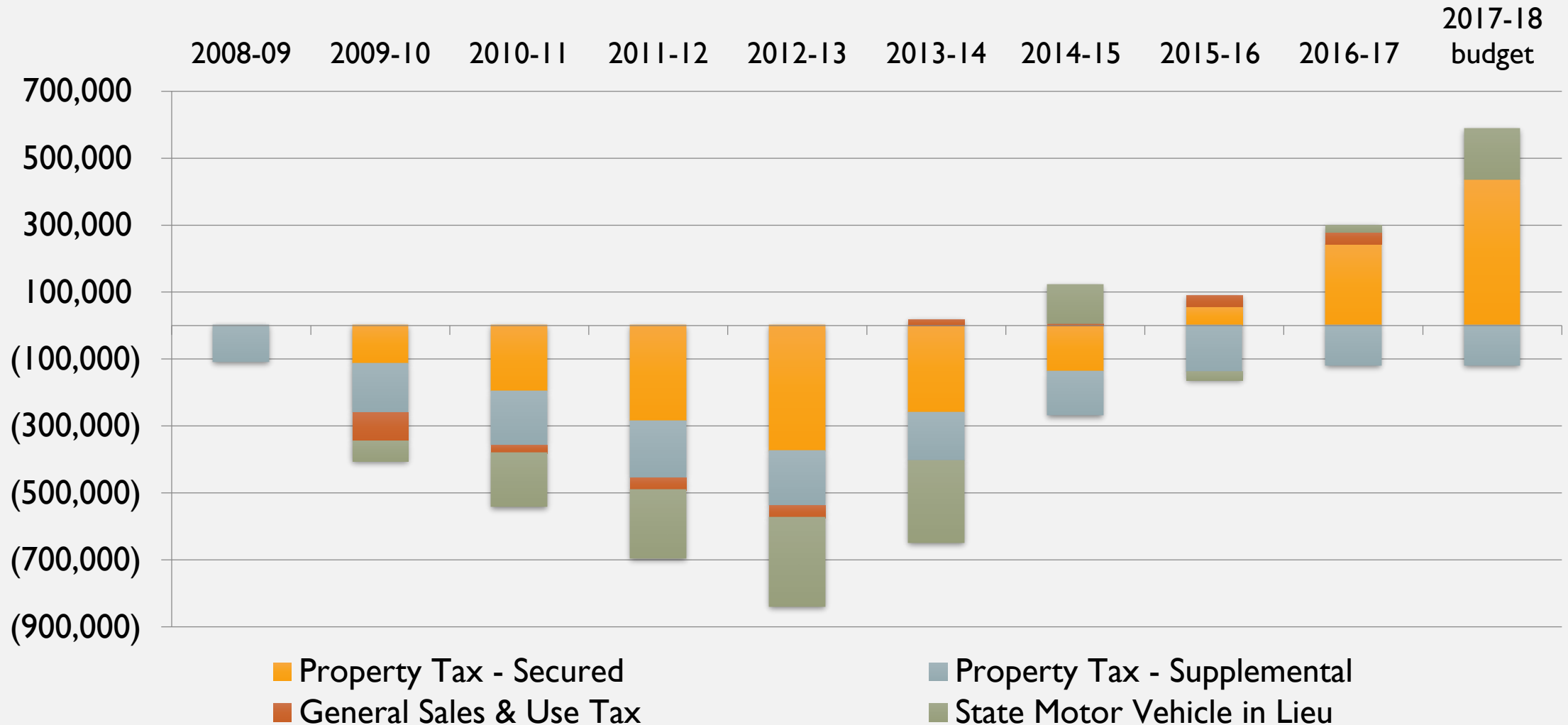
PROPERTY TAXES



Recommended 2017/18 Budget Adjustments:

- Increase secured property taxes \$52,357
- Decrease unsecured property taxes \$1,793
- Decrease Supplemental \$3,553
- Decrease Homeowners Apport \$1,213

\$2.86 MILLION IN GENERAL FUND PROPERTY VALUE BASED REVENUES LOST – 2008/09 TO 2017/18



GROWTH CONSTRAINED

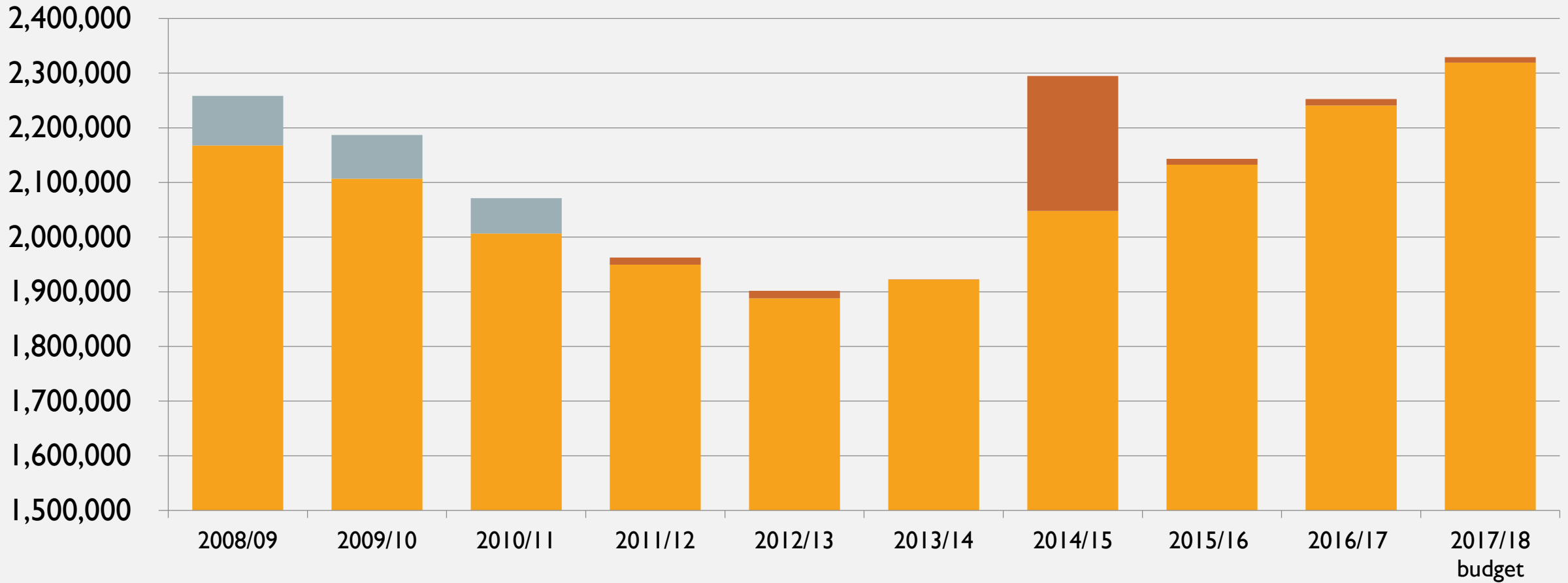
44% of General Fund Revenues generated from property taxes

75% of properties constrained by Prop 13 – 25% of properties must grow 9.9% to maintain 4% secured growth

Several More Years to make up \$2.86 Million lost

MOTOR VEHICLE IN LIEU (MVIL)

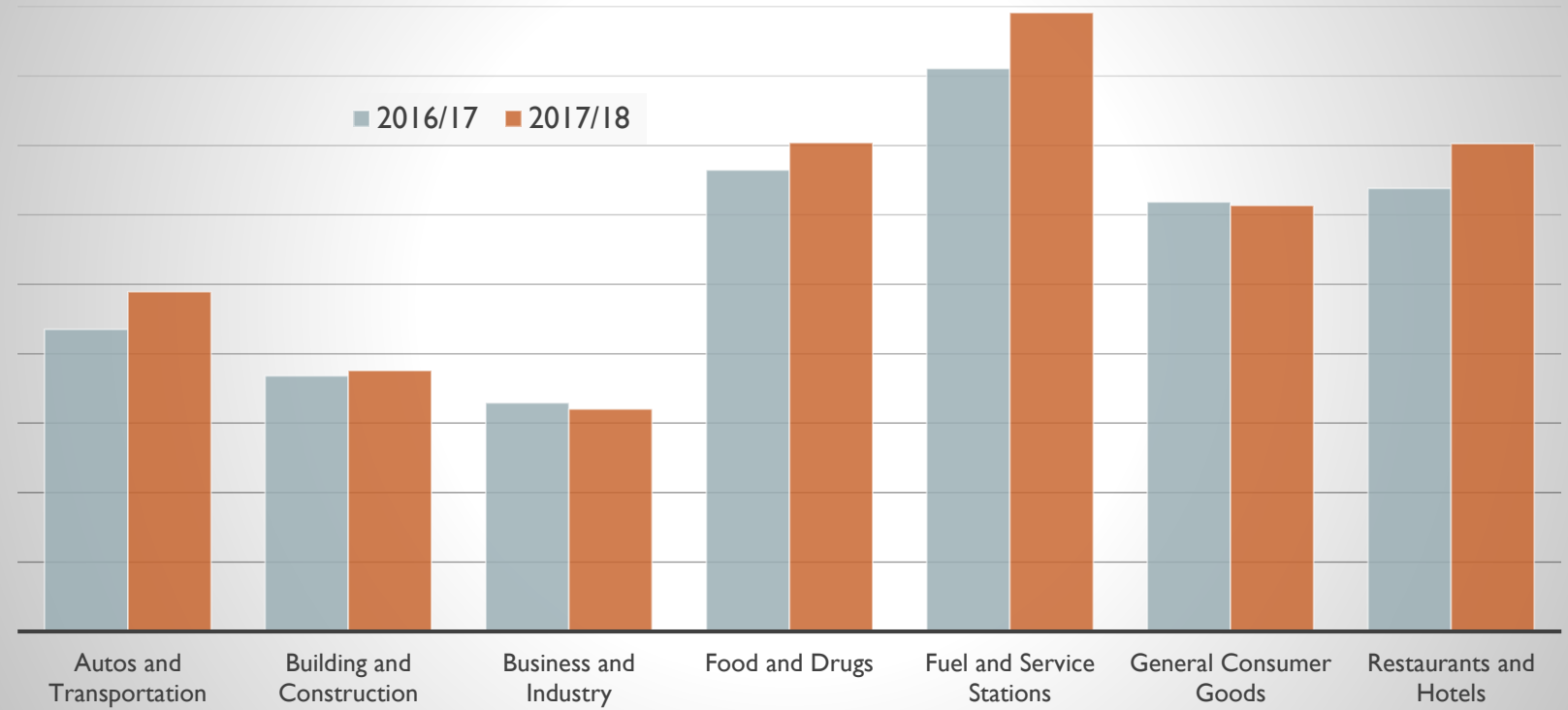
MVIL Vehicle Fees Adjustments



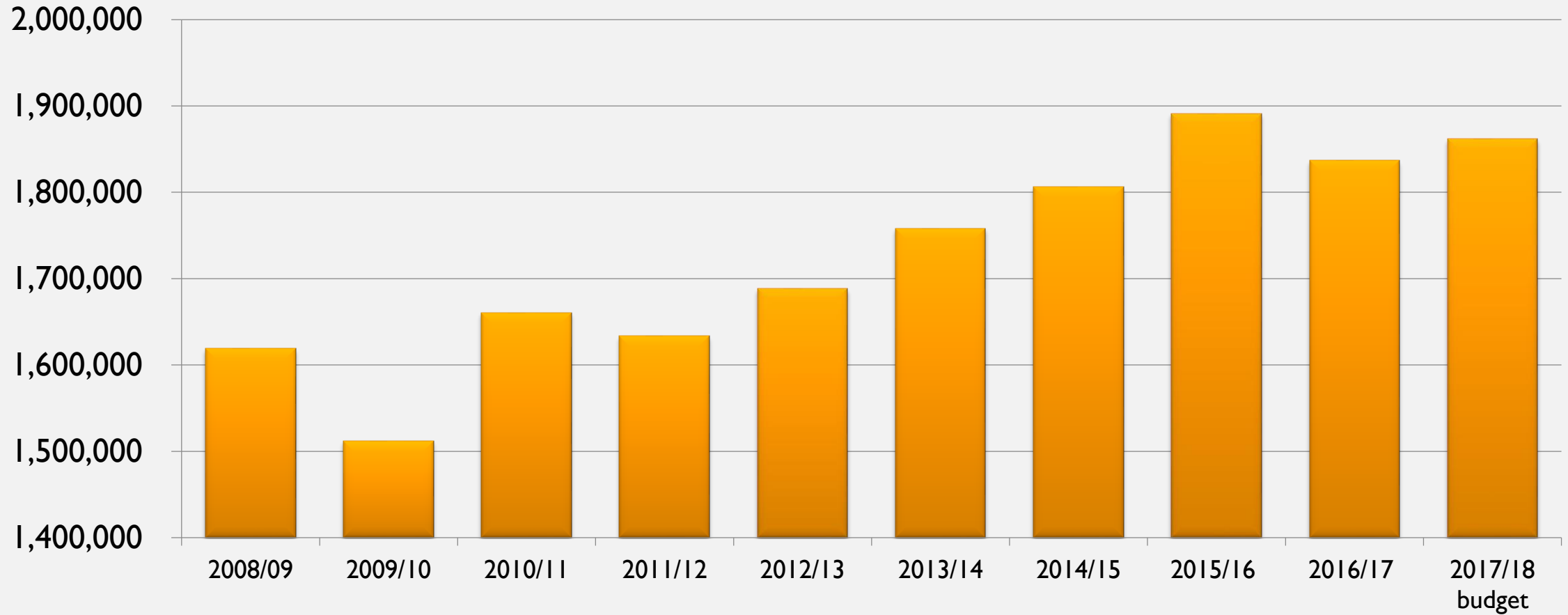
1ST QUARTER SALES TAX

- Gasoline sales are single largest contributor and prices are increasing
- 5 business groups increasing and 2 decreasing

1st Quarter by Major Business Group



SALES TAX



Recommend \$20,302 increase

OTHER REVENUES

Franchise Fees & TOT

Franchise Fees \$958,206

TOT \$207,723

**Increase Franchise Fees \$7,536 and
Decrease TOT \$1,972**

Traffic Safety Fund Transfers

Revenues received from vehicle code fines

Revenues are declining

\$35,311 in 2008/09 \$14,047 in 2016/17

Budget reduction \$10,000

DEPARTMENT REVENUES

Police Services

- Staffing correlates to service revenues
- A couple accounts up, but accounts like POST reimbursements, refunds, and special services trending below budget
- **\$6,319 budget reduction**

Fire Services

- Rental Income:
 - 2017/18 \$180,000
 - 2016/17 \$71,229
 - 2015/16 \$89,635
 - 2014/15 \$174,163
 - 2013/14 \$24,601
- **\$55,000 budget increase**

Planning Citations

- Focus on large outdoor marijuana grows
- Citations issued to motivate compliance
- \$46,445 received to date
- **\$20,500 budget increase**

Public Works/Engineering

- Trending below budget in accounts like private development & drain plans
- Skyway project slowed
- **\$8,069 budget reduction**

MEASURE C FUNDS

*“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”*

MEASURE C 2017/18 INVESTMENTS

Police Department
Roof



MEASURE C 2017/18 INVESTMENTS



Police Department
Windows

MEASURE C 2017/18 INVESTMENTS

2 Police Academy
Graduates



MEASURE C 2017/18 INVESTMENTS

Bille Road
(Fern to Oliver)



MEASURE C 2017/18 INVESTMENTS

Maxwell Drive Safe
Routes to School



PROPOSED 2017/18 MEASURE C MID-YEAR BUDGET

Police Department		2017/18 Amended Budget	2017/18 Proposed Budget	2017/18 Budget Adjustments
	Roof Replacement	\$47,000	\$47,000	\$0
	2 nd Investigator	187,929	97,578	(90,351)
	Police Cadets (2)	46,602	56,583	9,981
	Police Cars	100,000	75,512	(24,488)
	Body Cameras	5,917	5,917	0
	Department Training	15,000	15,000	0
	K-9 Program	11,000	11,000	0
	Totals	\$413,448	\$308,590	(\$104,858)

PROPOSED 2017/18 MEASURE C MID-YEAR BUDGET

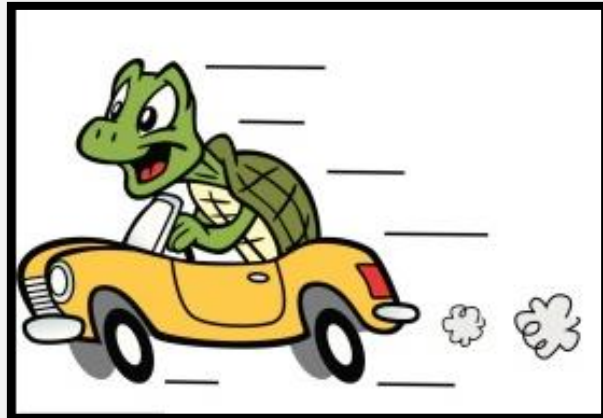
Animal Control	2017/18 Amended Budget	2017/18 Proposed Budget	2017/18 Budget Adjustments
Support for 2 AC Officers w/Rabbies Vaccine	\$75,083	\$60,158	(\$14,925)
Officer and Supervisor Training	1,600	1,600	0
Concrete Repairs	8,000	8,000	0
Rendering Setup & Maintenance	13,700	13,700	0
Computer Replacement	1,017	1,017	0
Online Dog Licensing Renewal	4,000	4,000	0
Additional Support to Maintain Services	0	37,239	37,239
Totals	\$103,400	\$125,714	\$22,314

PROPOSED 2017/18 MEASURE C MID-YEAR BUDGET

Fire Department		2017/18 Amended Budget	2017/18 Proposed Budget	2017/18 Budget Adjustments
	CAL FIRE Contract	\$250,000	\$250,000	\$0
	Fire Engines 81 & 82	167,183	167,183	0
	Totals	\$417,183	\$417,183	\$0

PROPOSED 2017/18 MEASURE C MID-YEAR BUDGET

Public Works	2017/18 Amended Budget	2017/18 Proposed Budget	2017/18 Budget Adjustments
Maxwell Drive SR2S	\$76,045	\$100,014	\$23,969
Bille Overlay (Fern to Oliver)	132,700	110,402	(22,298)
Fleet Bay and Lift	60,000	60,000	0
Totals	\$268,745	\$270,416	\$1,671
Measure C Grand Total	\$1,202,776	\$1,121,903	(\$80,873)



MEASURE C SUMMARY FINANCIAL PLAN (2015/16 – 2020/21)

Projected Revenues		\$8,148,431
Ongoing Commitments for:	Police	\$2,212,351
	Fire	2,240,849
	Animal Control	614,356
	Public Works	1,577,610
	10% Reserve	814,843
	Contingency Reserve	688,420
		(8,148,431)
Net Remaining		\$0

ONGOING ANNUAL COSTS SUPPORTED BY MEASURE C

		Totals
2 nd Investigation Position	\$157,714	
Sponsor Police Cadet	28,292	
K9 Program	11,000	
Enhanced Police Dept. Training	15,000	
Maintain CAL FIRE Service Levels	250,000	
Animal Control Service Staffing and Operations	134,600	\$596,606
\$1.5 million reserve/\$597 thousand = 2.52 years		

MEASURE C DISCUSSION QUESTIONS

Q) *Why isn't the general fund funding Animal Control Services?*

A) It could, but then more police or fire expenses would need to be funded by Measure C. Also, the General Fund stopped contributing to all non-public safety operations including Building Safety, Street Maintenance and Animal Control.

Q) *Why is the Town using Measure C to fund personnel expenses?*

A) The Town is a service agency. Over 73% of the General Fund budget is personnel related expenses. In order to “*preserve public services*” as directed by Measure C, some personnel expenses are paid by Measure C.

Q) *How will services be impacted when Measure C expires?*

A) With prudent planning and reserves, service levels can be maintained another 2.5 years after Measure C expires. A 6 year community investment then is stretched to 8.5 years. Beyond that, services will be impacted.

GENERAL FUND EXPENSES

	2016/17 Estimated Actual	2017/18 Amended Budget	2017/18 Proposed Budget	2017/18 Budget Adjustments
Measure C	\$1,328,364	\$1,202,776	\$1,121,903	(\$80,873)
Non Department	1,632,745	1,089,820	1,192,516	102,696
Administration	1,594,341	1,592,569	1,614,151	21,582
Police	3,990,008	4,287,017	4,259,252	(27,765)
Fire	3,692,132	4,004,633	4,026,616	21,983
Community Develop.	195,049	206,091	208,297	2,206
Public Works	333,769	314,735	327,510	12,775
Totals	\$12,766,408	\$12,697,641	\$12,750,245	\$52,604

NON DEPARTMENT

10% cash flow reserve achieved in 2016/17

- 25% needed to eliminate TRAN (short term borrowing)

3 important longer-term goals to consider

- Ability to replace equipment & vehicles
- Funding for unfunded liabilities
- Increase cash flow reserves

Recommend \$24,964 to each of these goals in 2017/18

- Propose that each year there is a positive net change in fund balance – it is split between goals
- \$74,893 at the end of 2016/17 available

ADMINISTRATION

- **Recommended budget increase \$21,582**
 - Primarily in Central Services with \$12,300 for facilities review study and \$12,960 for water damage repairs to Town Hall
 - Town Council (640)
 - Town Clerk (1,397)
 - Town Manager 1,591
 - Central Services 24,739
 - Information Technology (1,084)
 - HR and Risk Management (892)
 - Legal Services (3,383)
 - Finance 2,458
 - Rental Properties 13
 - Emergency Operation Center 177

POLICE DEPARTMENT

Administration

- Increased costs for facility repairs and retiree health
- Savings from delay in hiring replacement Police Chief
- Recommend decrease \$19,675

Operations

- On the verge of full staffing – cadet in police academy to graduate by year end
- Increased overtime, CalPERS contributions, & retiree health costs offset by salary and benefit savings and AB109 training monies
- Recommend increase \$45,935

Communications

- 2 vacancies
- Overtime and retiree health costs are up, but salary and benefit savings offset increases
- Recommend decrease \$54,025

FIRE DEPARTMENT

Administration

Increased retiree health and utility costs

Recommend increase \$11,038

Suppression

Increased retiree health and gasoline costs

Recommend increase \$17,060

Volunteer Program

Savings from fewer volunteers

Recommend decrease \$6,115

COMMUNITY DEVELOPMENT AND PUBLIC WORKS

- Total recommended increase for the two departments total \$14,981 mainly for Fleet Management Division repairs and maintenance
 - Planning 6,671
 - Waste Management (4,465)
 - Engineering (1,903)
 - Paradise Community Park 2,224
 - Public Facilities 2,500
 - Fleet Management 9,954

GENERAL FUND SUMMARY

	2016/17 Estimated Actual	2017/18 Amended Budget	2017/18 Proposed Budget	2017/18 Budget Adjustments
Measure C Revenues	\$1,355,070	\$1,368,621	\$1,368,621	\$0
Measure C Expenses	(1,328,364)	(1,202,776)	(1,121,903)	(80,873)
Measure C Net Income	\$26,707	\$165,845	\$246,718	\$80,873
GF Revenues	\$11,161,480	\$11,518,207	\$11,652,940	\$134,733
GF Expenses	(11,438,044)	(11,494,865)	(11,628,342)	133,477
GF Net Income	(\$276,564)	\$23,342	\$24,599	\$1,256
Measure C Ending Fund Balance	\$672,797	\$838,642	\$919,515	
GF Ending Fund Balance	2,718,224	2,741,494	2,742,823	
Total Ending Fund Balance	\$3,391,021	\$3,580,136	\$3,662,338	

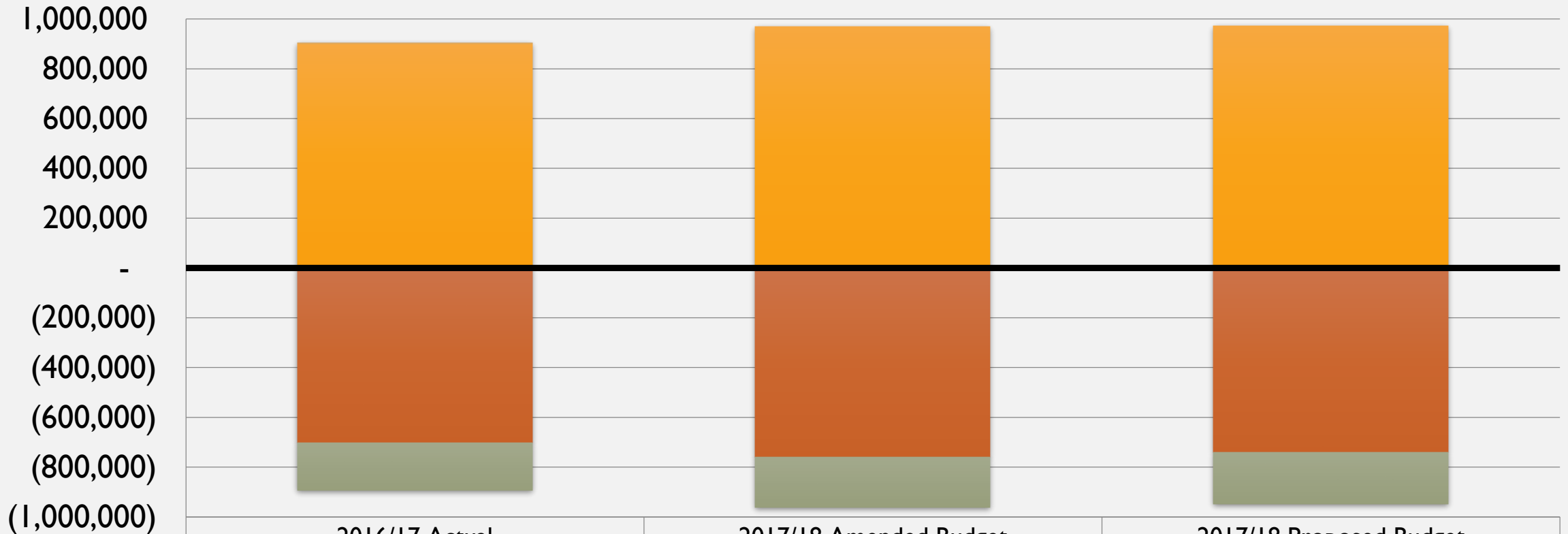
GENERAL FUND RESERVES

	2016/17 Estimated Actual	2017/18 Amended Budget	2017/18 Proposed Budget
<i>Designated Reserves – Measure C</i>			
Assigned – Final Year	283,274	283,274	0
Assigned – Police Vehicles	150,149	150,149	177,454
Assigned – Fixed Reserve		203,710	203,711
Unassigned – Contingencies	239,374	201,509	538,350
<i>Designated Reserves – General Fund</i>			
Non-spendable (RDA & Other)	1,346,690	1,333,310	1,346,690
Assigned – Abatements	20,000	20,000	20,000
Unassigned – Cash Flow	1,351,534	1,388,184	1,376,133

BUILDING SAFETY AND WASTEWATER FUND



2030 – BUILDING SAFETY & WASTEWATER SERVICES



Transfers Out	(190,938)	(203,815)	(207,842)
Expenses	(702,065)	(758,954)	(741,682)
Transfers In	300	-	-
Revenues	902,937	969,383	971,681

Fund Balance	483,240	489,854	505,397
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BUILDING SAFETY AND WASTEWATER SERVICES

Revenues

- Steady growth
- Trending as budgeted

Expenses

- Current vacancy of Building Official/Fire Marshal – First recruitment unsuccessful
- **Recommended decrease \$13,245**

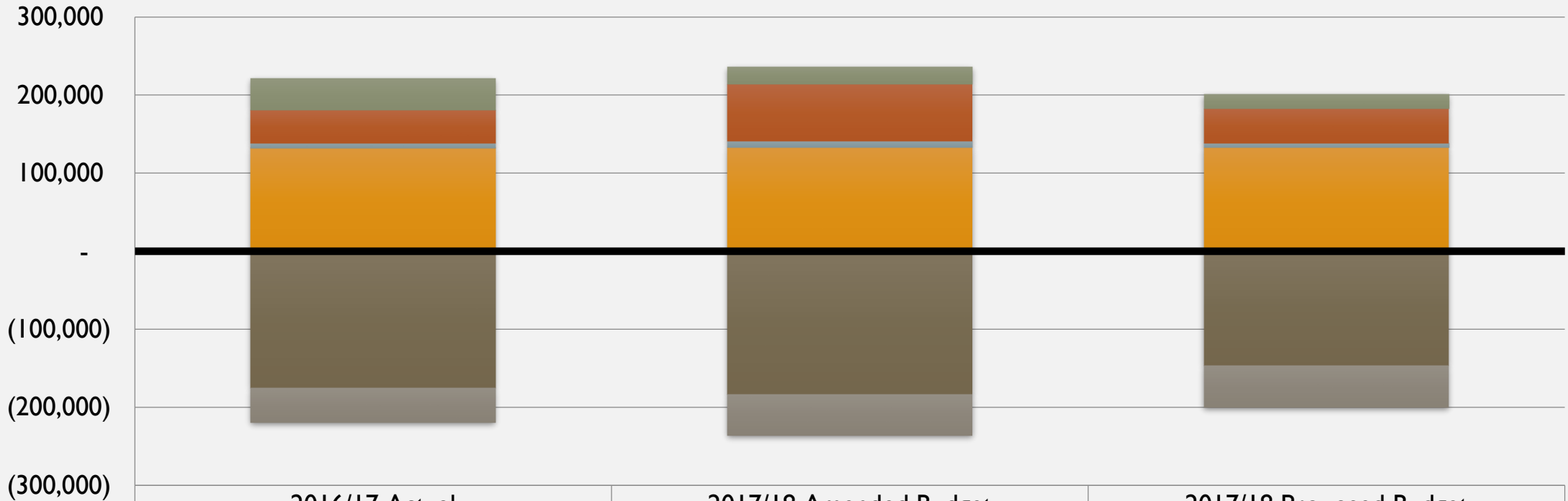
Fiscal Impact

- Healthy reserve
- Required for economic downturn and equipment replacement

ANIMAL CONTROL SERVICES FUND



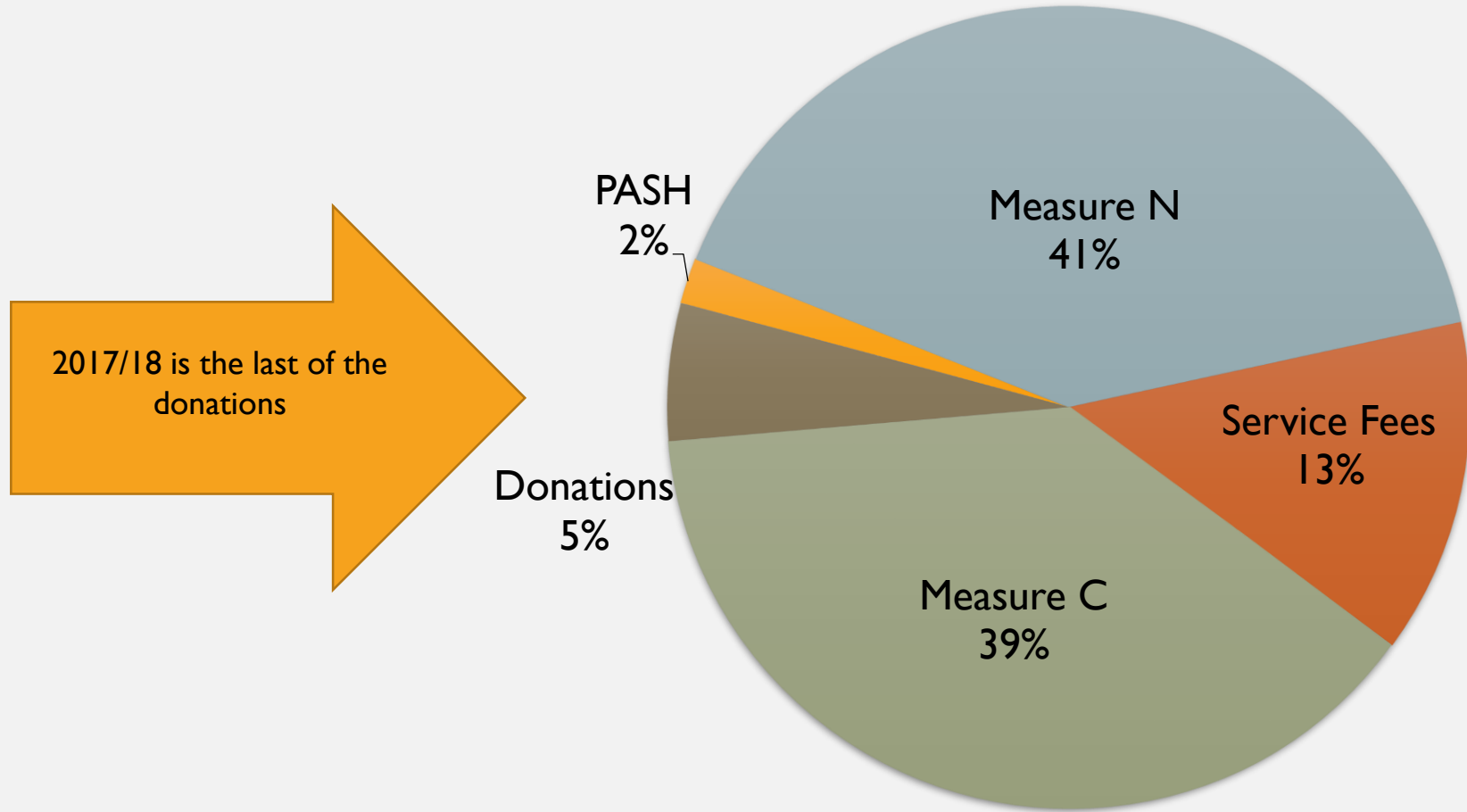
2070 – ANIMAL CONTROL SERVICES



	2016/17 Actual	2017/18 Amended Budget	2017/18 Proposed Budget
■ Transfers Out	(43,799)	(52,384)	(53,316)
■ Expenses	(175,459)	(183,599)	(147,071)
■ Transfers In	40,713	22,268	18,000
■ Other Revenues	42,318	72,853	44,025
■ PASH Support	5,998	8,500	6,000
■ Measure "N"	132,147	132,362	132,362

Fund Balance - - -

ANIMAL CONTROL 2017/18 FUNDING SOURCES



ANIMAL CONTROL SERVICES HIGHLIGHTS

Revenues

- 2017/18 budget built with expectation of full staffing and service revenues
- PASH has pulled back some financial support
- Donation funds will run out sooner than expected
- Recommend decrease \$35,596

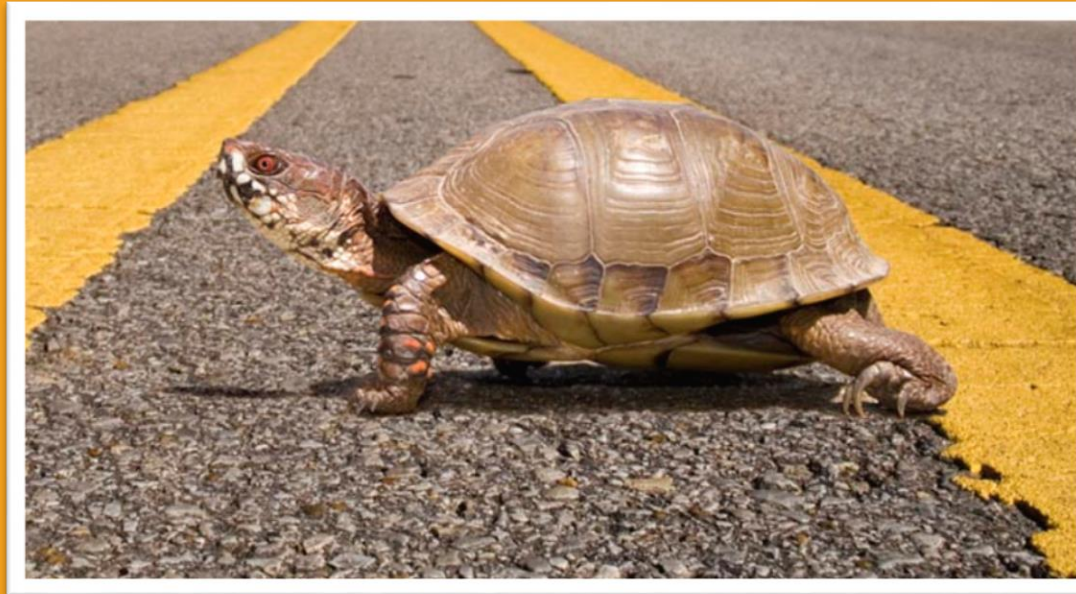
Expenses

- Salary savings is not enough to offset revenues lost
- Measure C is the only viable funding option

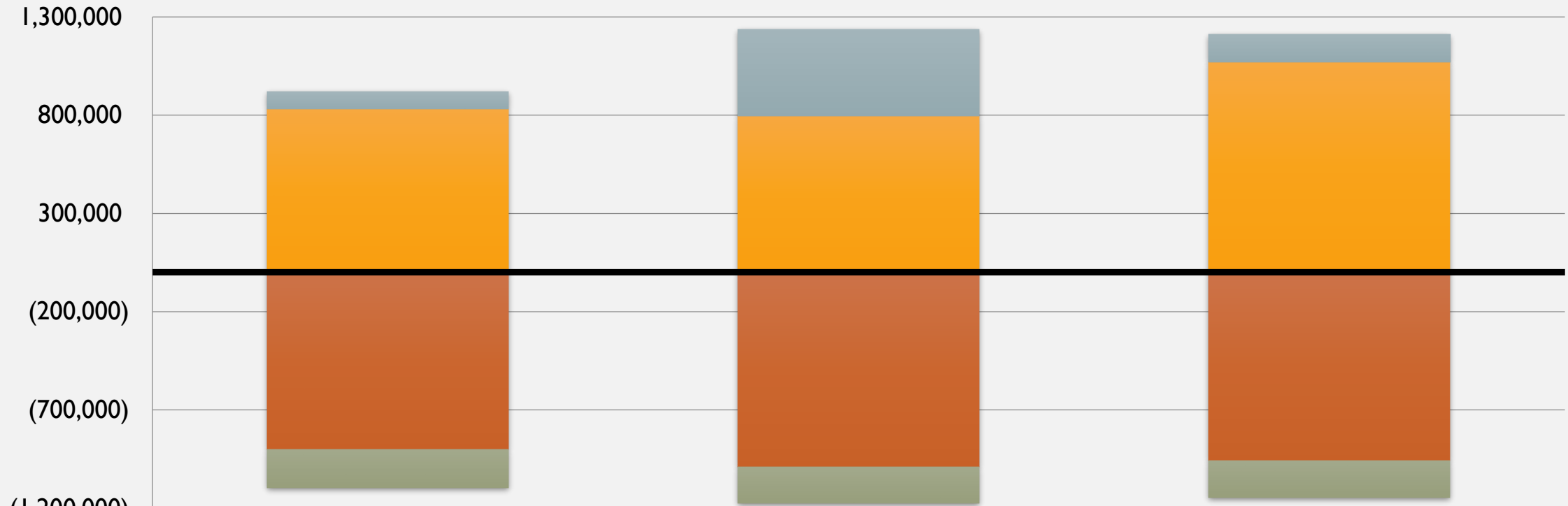
Fiscal Impact

- Measure N at \$12 per parcel per year funds \$132,000 of funding for a \$325,000 operation

GAS TAX/STREET MAINTENANCE FUND



2120 – GAS TAX/STREET MAINTENANCE SERVICES



	2016/17 Actual	2017/18 Amended Budget	2017/18 Proposed Budget
■ Transfers Out	(195,678)	(186,187)	(190,007)
■ Expenses	(902,484)	(990,473)	(958,490)
■ Transfers In	87,125	439,316	140,316
■ Revenues	830,840	795,375	1,071,865

Fund Balance	90,989	149,020	154,673
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GAS TAX/STREET MAINTENANCE HIGHLIGHTS

Revenues

New SB-1 monies will provide about \$178,000 this year

After a careful review of estimates, recommend decrease of \$22,510

Expenses

Ongoing employee leave provides savings after increased overtime

Recommend decrease \$28,163

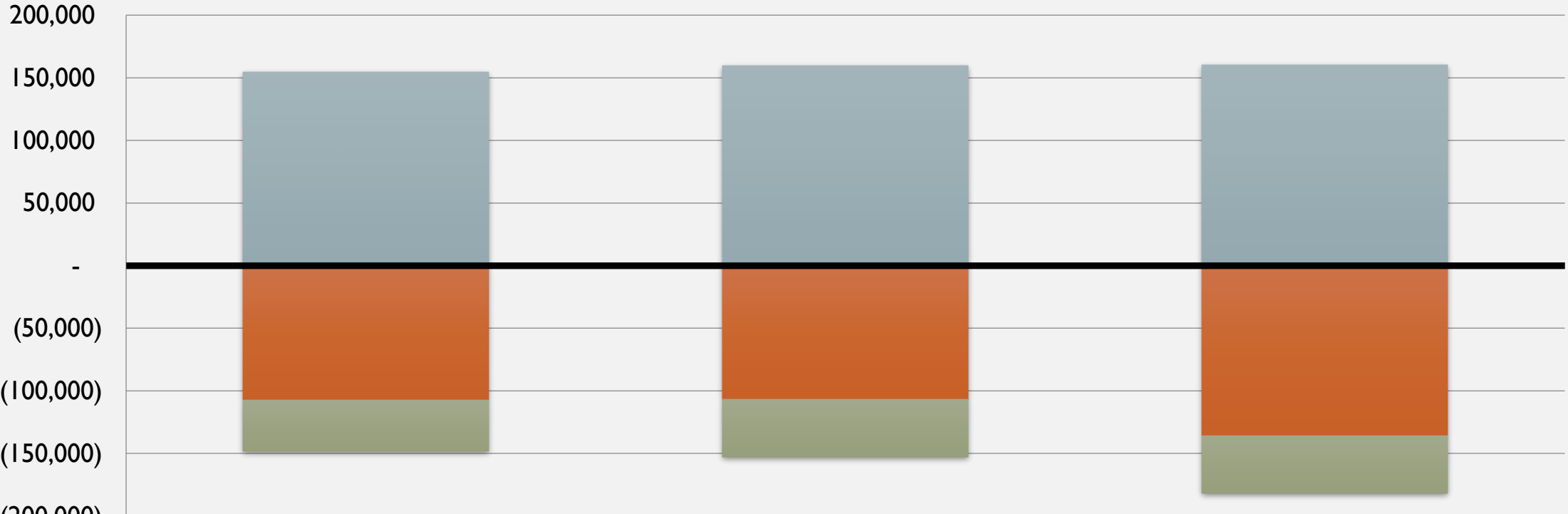
Fiscal Impact

Fund will add \$63,684 to reserves restoring reserves to \$154,673

BUSINESS AND HOUSING SERVICES



2160 – BUSINESS AND HOUSING SERVICES



	2016/17 Actual	2017/18 Amended Budget	2017/18 Proposed Budget
■ Transfers Out	(40,890)	(46,000)	(46,000)
■ Expenses	(106,094)	(106,903)	(136,073)
■ Transfers In	154,594	159,342	159,342
■ Revenues	(1,159)	-	560

Fund Balance	93,098	99,537	70,927
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BUSINESS AND HOUSING SERVICES HIGHLIGHTS

Expenses

- Award of \$1.0 million Home Grant requires monies be used timely
- Hired temporary employee to aid in administration of the grant
- More funds needed for inspections and appraisals
- Recommend increase \$29,170

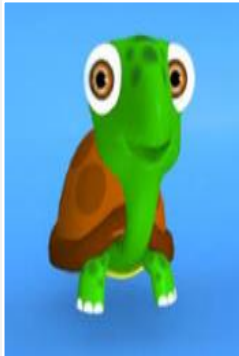
Fiscal Impact

- Ending fund balance fluctuates with timing of grant activity delivery and expenses

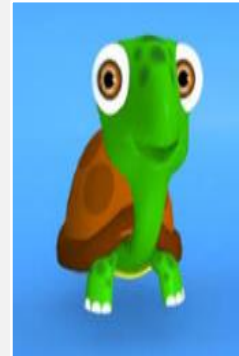
VALUATION OF OPEB (GASB 45) OBLIGATION



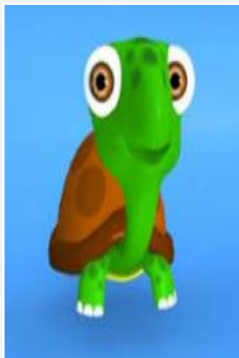
OPEB BACKGROUND



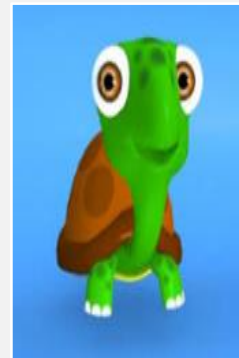
GASB 45 introduced to measure post-employment benefit obligation (OPEB)



First Measurement \$45.8 million as of July 1, 2010



Annual required contribution less actual contribution toward retiree health placed on balance sheet annually



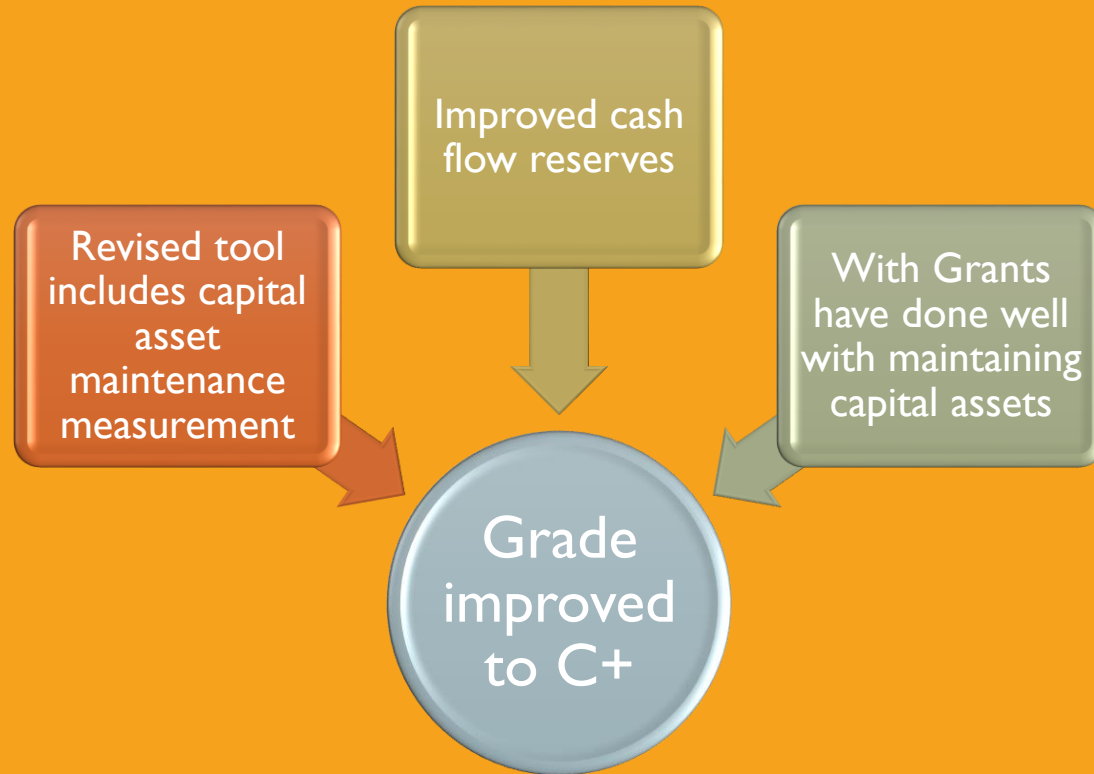
Town took immediate action to reduce obligation

- Implemented vesting schedule
- Reduced workforce
- Negotiated benefit caps
- Began funding irrevocable trust

JULY 1, 2017 OPEB STUDY

July 1, 2010		Safety Employees	Non-Safety Employees	Total Present Value of Projected Benefits	Persons
Current Employees		\$15,942,135	\$14,309,133	\$30,251,268	113
Retired Employees		<u>11,410,044</u>	<u>4,149,278</u>	<u>15,559,322</u>	<u>69</u>
Totals		\$27,352,179	\$18,458,411	\$45,810,590	182
July 1, 2015		Safety Employees	Non-Safety Employees	Total Present Value of Projected Benefits	Persons
Current Employees		\$2,964,622	\$3,963,810	\$6,928,432	66
Retired Employees		<u>6,534,835</u>	<u>4,011,882</u>	<u>10,546,717</u>	<u>80</u>
Totals		\$9,499,457	\$7,975,692	\$17,475,149	146
July 1, 2017		Safety Employees	Non-Safety Employees	Total Present Value of Projected Benefits	Persons
Current Employees		\$890,050	\$1,919,297	\$2,809,347	68
Retired Employees		<u>5,769,194</u>	<u>2,929,065</u>	<u>8,698,259</u>	<u>79</u>
Totals		\$6,659,244	\$4,848,362	\$11,507,606	147

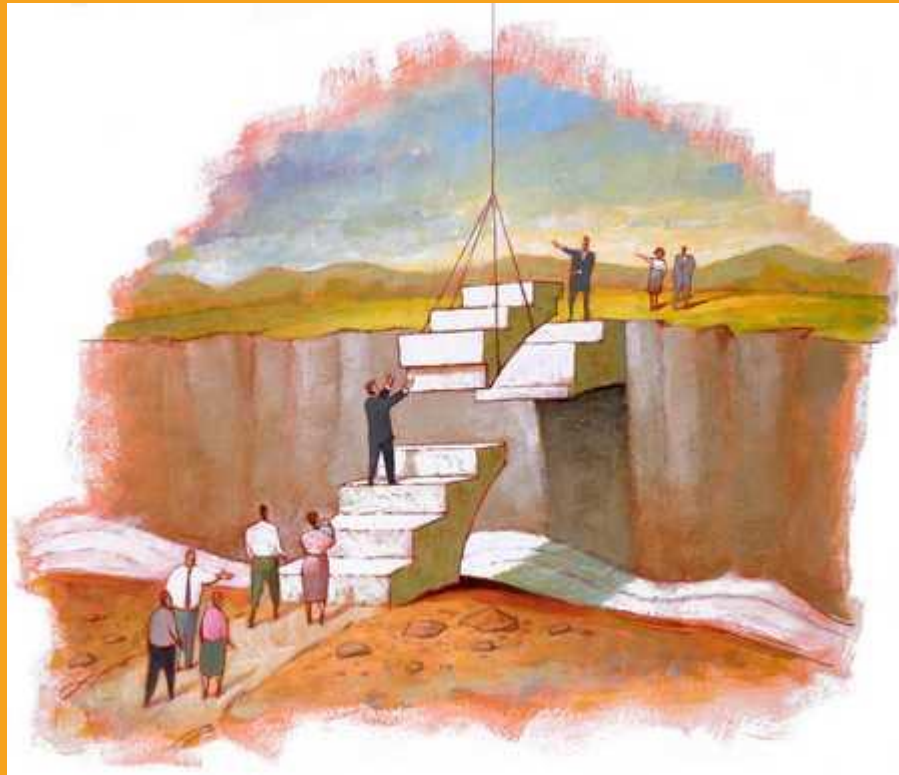
LEAGUE OF CALIFORNIA CITIES MUNICIPAL FINANCIAL HEALTH DIAGNOSTIC TOOL



FINANCIAL HEALTH WEAKNESSES

	2016/17	2017/18	Rating Change
1. Recurring Operating Deficits	Temporarily Cured	Temporarily Cured	Same
2. Fixed & Personnel Costs Exceed 80%	85.99%	87.08%	Same
3. Asset Maintenance Deferred	Temporarily Cured	Temporarily Cured	Same
4. Pension or OPEB Contributions deferred	\$25,000 Contribution	\$50,000 Contribution	Same

GENERAL FUND FIVE YEAR AND LONG TERM PROJECTION



GENERAL FUND 5 YEAR PROJECTION ASSUMPTIONS



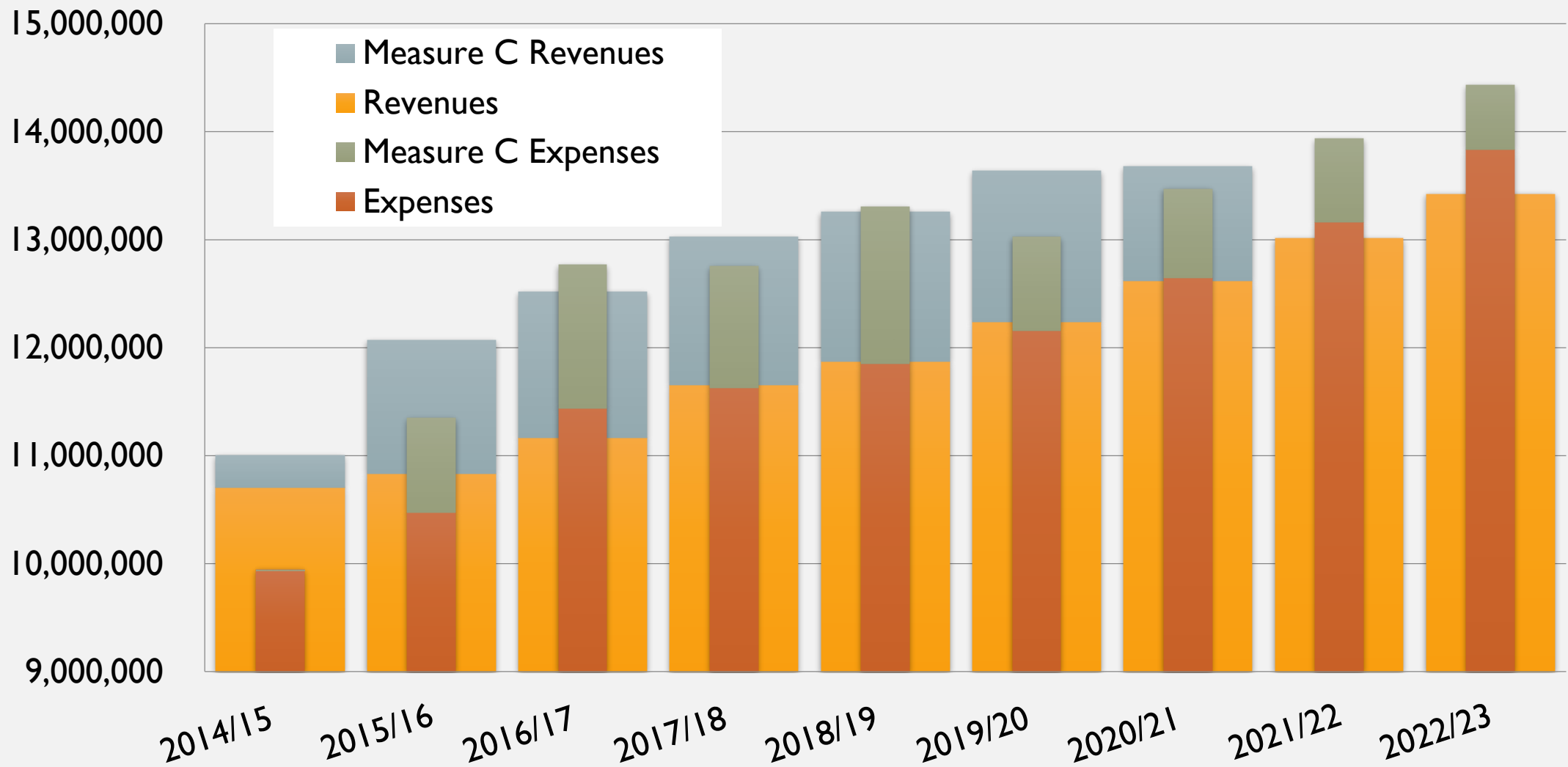
With conservative assumptions including CalPERS increases, Bond increases, contracted COLA's and lease payoffs – Projection starts with \$18,000 positive change in fund balance and ends with \$400,000 negative change



Any deficits will be cured however ...

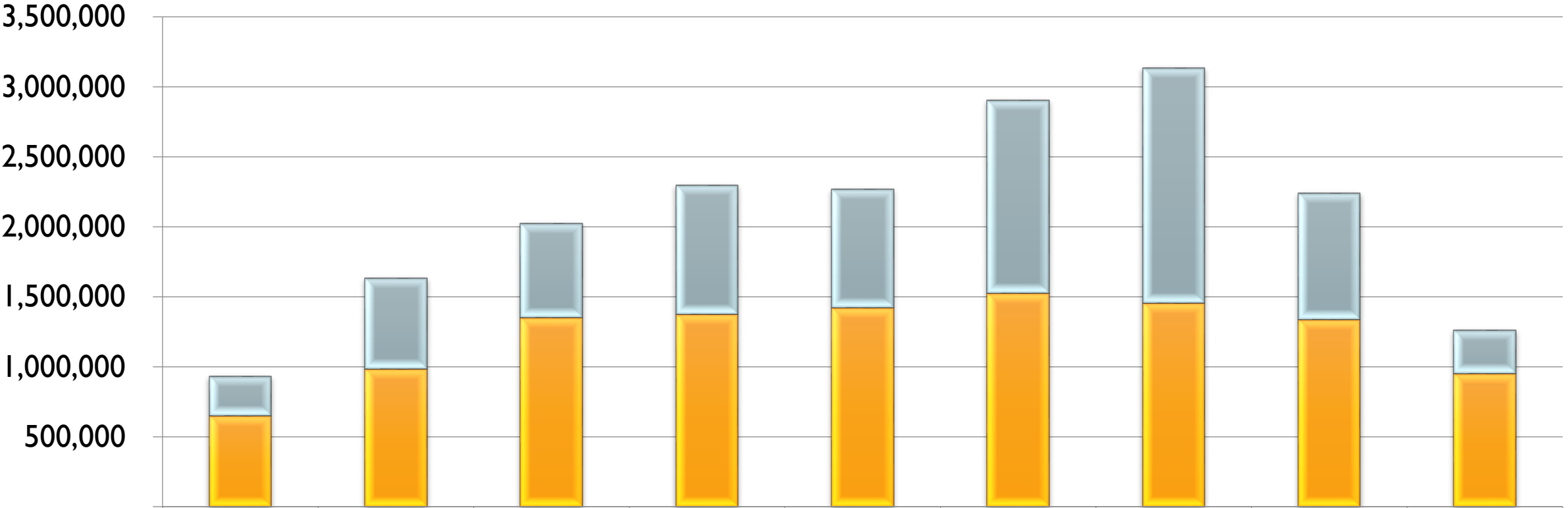
- Measure C expires in 3 years – Measure C reserves will fund ongoing expenses for another 2.5 years
- Employee contracts are up for renewal in 1 year
- CAL FIRE services vulnerable to State action
- Underfunding OPEB obligation

FIVE YEAR GENERAL FUND PROJECTION REVENUE & EXPENSES



FIVE YEAR GENERAL FUND PROJECTION CASH FLOW/MEASURE C RESERVES

■ Cash Flow ■ Measure C



	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Measure C	283,274	646,091	672,797	919,515	851,116	1,377,540	1,680,718	906,658	310,052
Cash Flow	647,523	985,665	1,351,531	1,376,129	1,419,101	1,526,818	1,455,759	1,334,037	949,545

GENERAL FUND LONG RANGE PROJECTION ASSUMPTIONS

Long Range Projection thru 2035-36

- Revenues grow 2.15% and expenses 2.11%
- Pension Obligation Bond largest payment is 2028/29 and repaid by 2030/31

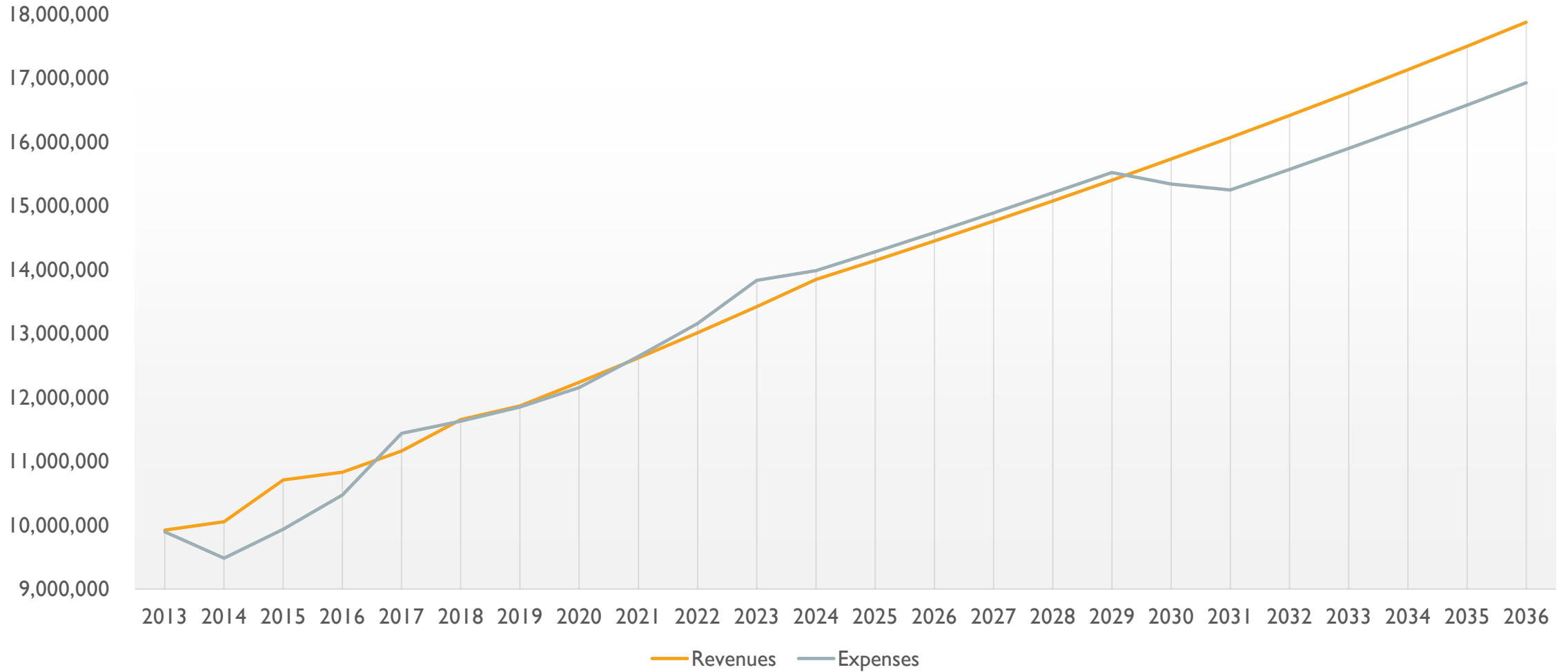
Between 2020/21 and 2030/31 - General Fund sacrifices necessary

- Equipment and facility maintenance will be deferred
- Measure C expires and ongoing expense support lost
- Cash flow reserves may erode
- Unfunded liability contributions postponed
- No matching funds for CIP grants
- Difficult to attract and retain employees

After 2030/31 POB is paid

- However \$925,000 savings today is 7.9% of the budget, but in 2030/31 is only 5.8%

LONG RANGE PROJECTION



2018/19 BUDGET ADOPTION



2018/19 BUDGET ADOPTION TIMELINE

- February 2018 – Town Council goal setting workshop
- Early March 2018 – Budget Discussions with Finance Committee
- Early March 2018 – Budget Packages to Departments
- March, April and May – Town Council and Measure C Citizens Oversight Committee Budget Updates
- Late May 2018 – Budget Discussions with Finance Committee
- Early June 2018 – Preliminary Budget Provide to Town Council for Review
- Mid to Late June 2018 – Adoption of 2018/19 Budget

CONCLUSION

Weaknesses

Strengths

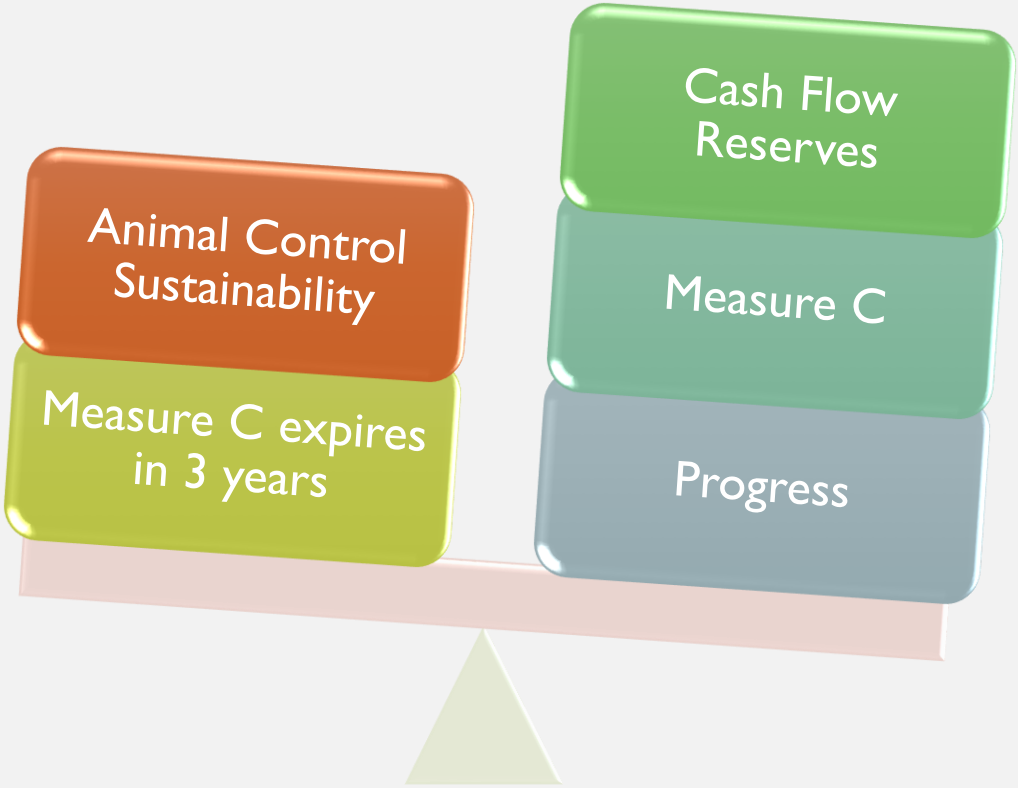
Animal Control
Sustainability

Measure C expires
in 3 years

Cash Flow
Reserves

Measure C

Progress



QUESTIONS

