



**Welcome to the  
City of Chico  
Community Budget/Fiscal Workshop**

**March 12, 2020**



# **City of Chico**

## **Community Budget/Fiscal Workshop**

**March 12, 2020**

**Presenters:**

**Mark Orme, City Manager**

**Scott Dowell, Admin Services Director**

**Barbara Martin, Deputy Finance Director**

**Kathryn Mathes, Accounting Manager**

**Amanda McGarr, Accounting Tech 2**



# Trying to Figure Out Municipal Finances?





# Today's Agenda

- City Departments and Services
- Government Accounting "101"
- \$\$ - Where Does It Come From?
- \$\$ - Where Does It Go, and Who Says So?
- Who Makes Sure \$\$ are Properly Received, Expended and Reported? <sup>4</sup>



## Today's Agenda (Continued)

- How Do Things Look in the Future?
  - What are the Major Fiscal Challenges?
- Fiscal Year 2020-21 Budget
  - Who, What, When & Where?
- What Resources are Available?
- Quiz Time – What have you learned?

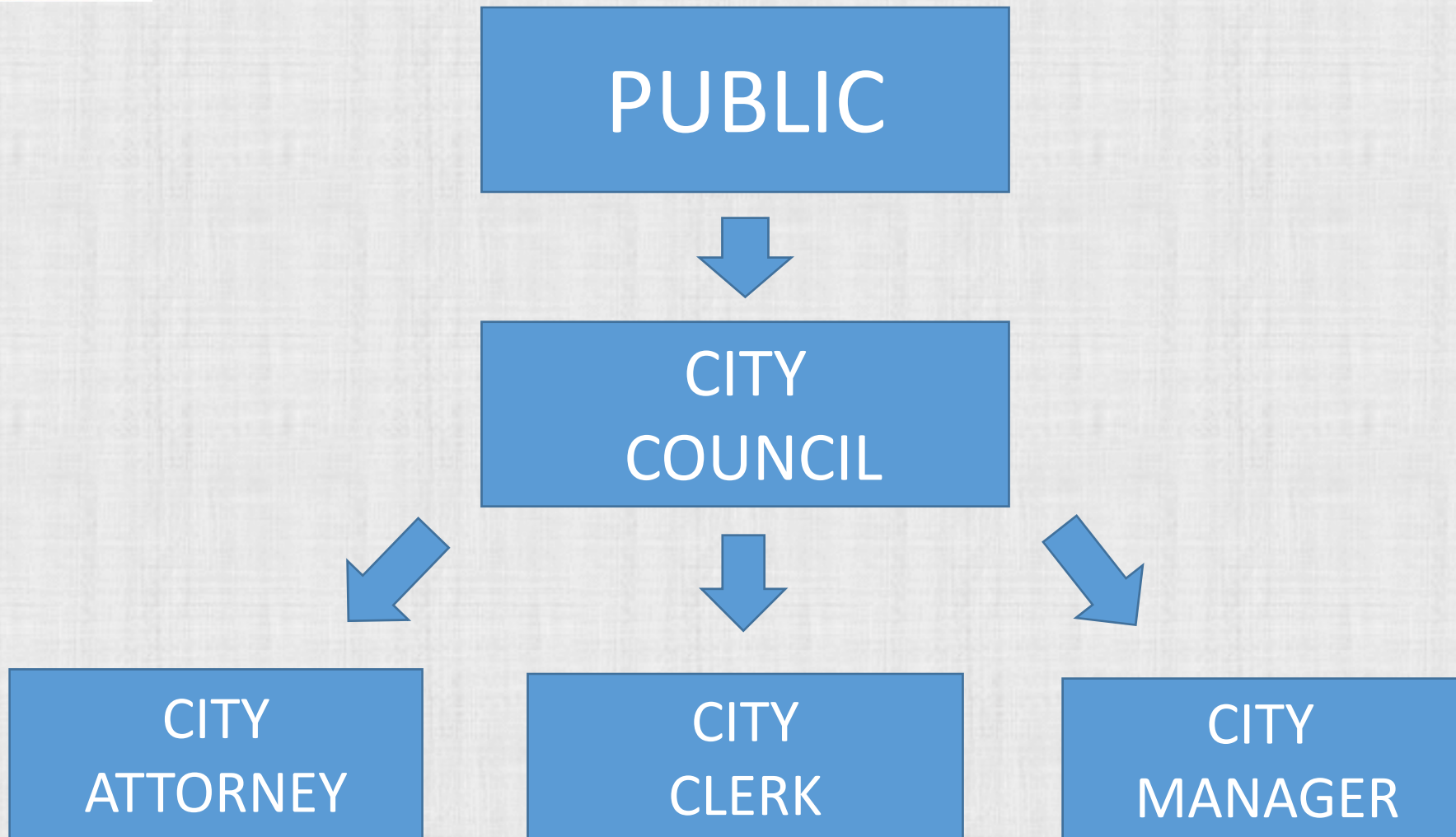


# Today's Agenda (Continued)

- Questions?
  
- [Website: chico.ca.gov](http://chico.ca.gov)
  
- **Key Contacts:**
  - Mark Orme – [Mark.Orme@chicoca.gov](mailto:Mark.Orme@chicoca.gov)
  - Scott Dowell – [Scott.Dowell@chicoca.gov](mailto:Scott.Dowell@chicoca.gov)
  - Barbara Martin – [Barbara.Martin@chicoca.gov](mailto:Barbara.Martin@chicoca.gov)
  - Kathryn Mathes – [Kathryn.Mathes@chicoca.gov](mailto:Kathryn.Mathes@chicoca.gov)
  - Amanda McGarr – [Amanda.Mcgarr@chicoca.gov](mailto:Amanda.Mcgarr@chicoca.gov)



# CITY STRUCTURE





# Departments and Services – City Manager

- City Management & Administration
- Economic Development
- Intergovernmental Relations
- Franchises
- Media Relations





# Departments and Services

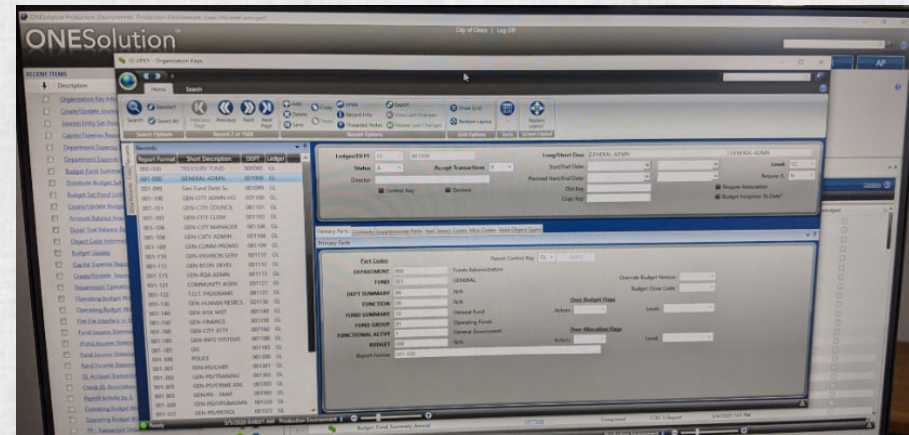
Directed by City Manager

1. Administrative Services
2. Community Development – Building & Code
3. Community Development – Planning & Housing
4. Fire
5. Human Resources & Risk Mngmnt
6. Police
7. Public Works – Engineering
8. Public Works – Operations & Maint.



# Departments and Services – Administrative Services

- Finance
  - Accounting
  - Accounts Payable
  - Budgeting
  - Cash Flow
  - Investments
  - Licenses – Animal, Bikes & Business
  - Parking Passes
  - Payroll
- Information Technology
  - Network Maintenance (Over 300 workstations)
  - Software
  - Website





# Departments and Services – Community Development – Building and Code

- Building permits and plan checks
- Code enforcement





# Departments and Services – Community Development – Planning & Housing

- Planning Services for new development
- Updating and Implementing City's General Plan
- Plans for and administer affordable housing program
- Geographic Information System (GIS) services





# Departments and Services – Fire

- Public safety
- Emergency services
- Fire inspection
- Fire investigation services





# Departments and Services – Human Resources and Risk Management

- **Human Resources**
  - Personnel Coordination
  - Recruiting
  - Payroll
  - Benefits Management
  - Labor Negotiations
  - Policy Administration
- **Risk Management**
  - Insurance Administration
  - Claims Processing
  - ADA Compliance
  - Risk Mitigation





# Departments and Services – Police

- Public safety
- Emergency services
- Code RED warning system
- Animal Shelter





# Departments and Services – Public Works - Engineering

- Development Engineering Services
- Traffic Engineering
- Sewer / Storm Drain
- Capital Project Services
- ADA Compliance
- Parade permitting
- Roadway books and record keeping
- Fee updates and studies
- Transportation Planning
- City Design Standards







# Departments and Services – Public Works – Operations & Maintenance

- Parks (Bidwell)
- Street Sweeping & Leaf Collection
- Streets, Potholes & Grading
- Sewers, Storm Drains & Manholes
- Traffic signals, street lights & signs
- Fleet Maintenance
- Facilities Maintenance
- Water Pollution Control Plant





# Government Accounting “101”

- Funds, Funds and More Funds
  - City has over 200 separate Funds
  - Largest is the General Fund
  - Fund Accounting is required to ensure that \$\$ are spent as intended



**General  
Fund**



**Special  
Revenue  
Funds**



**Capital  
Project  
Funds**



**Enterprise  
Funds**

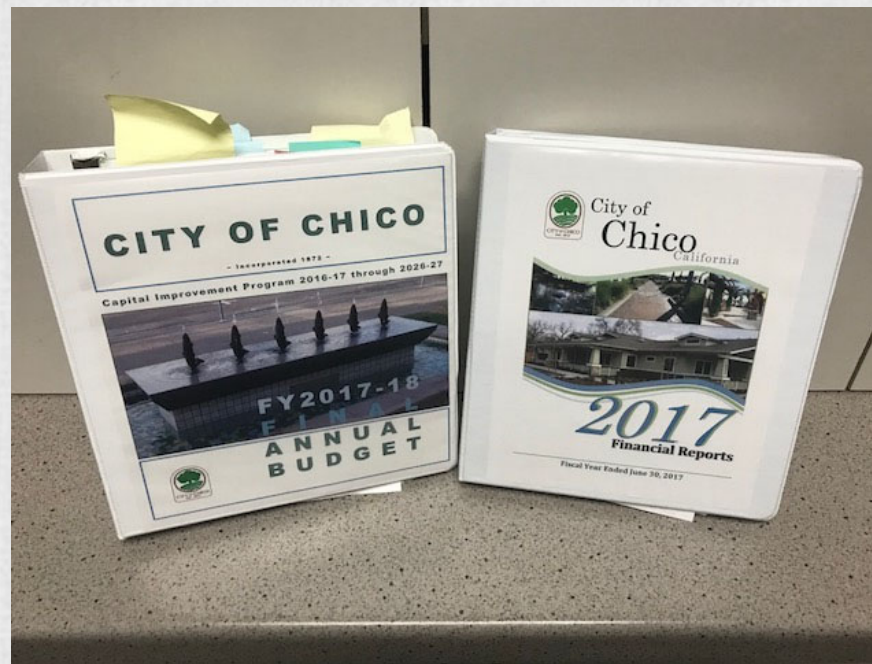


**Internal  
Service  
Funds**



# Government Accounting “101”

- Main Documents
  - “The Plan” – Budget - approved annually
  - “The Results” - Comprehensive Annual Financial Report (CAFR) – audited annually





## \$\$ - Where Does It Come From

- City receives funding from taxes, grants, charges, assessments and fines.
- Fiscal Year Budget 2019-20 estimated approximately \$125M in revenue:

General & Park Funds	\$55M
Capital Grants	\$19M
Development Related	\$8M
Sewer Fees	\$12M
Transit & Transportation Related	\$7M
Successor Agency Funds	\$9M
All Other Funds/Types	\$15M



# \$\$ - Where Does It Come From

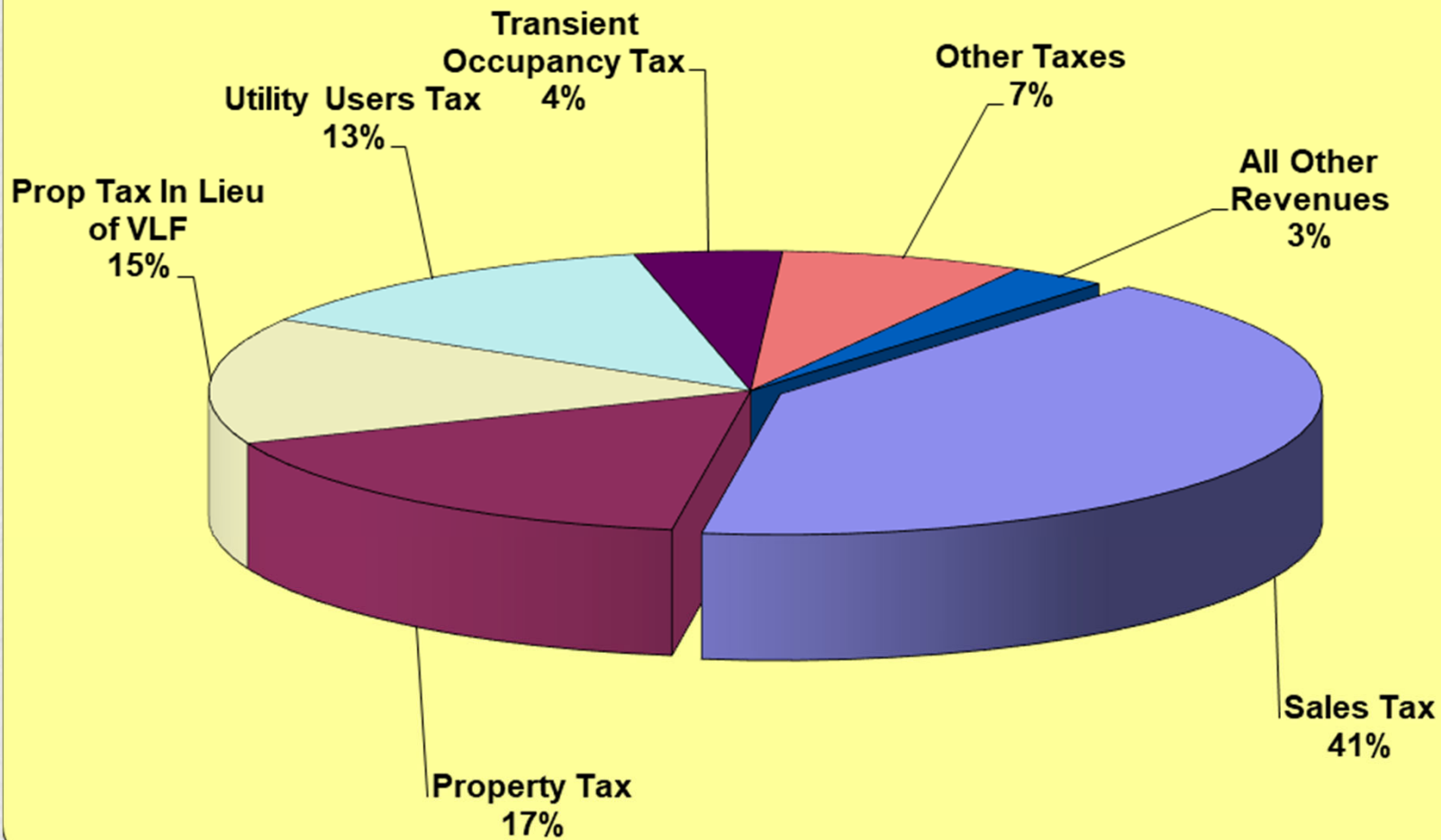
## General Fund Revenue:

Sales Tax	\$23M
Property Tax	\$8.8M
Property Tax In-Lieu of VLF	\$7.9M
Utility Users Tax	\$7.1M
Transient Occupancy Tax (Hotel Tax)	\$2.4M
Other Taxes	\$3.7M
Other Revenue	\$2.1M
<b>Total General Fund Revenue</b>	<b>\$55M</b>



# \$\$ - Where Does It Come From

## General & Park Funds - Revenue Sources





## \$\$ - Where Does It Come From

### - Did You Know??

- Sales Tax: of the 7.25% Rate, the City receives only 1%. 0.25% goes to fund county transportation.
- 6% goes back to the State!!
- Example - You spend \$100, tax is \$7.25 City gets \$1.00 while the other \$6.25 goes elsewhere (i.e., State and County).



## \$\$ - Where Does It Come From

### - Did You Know??

- Property Tax: For each \$\$ of assessed value of your home, Proposition 13 capped the tax at 1%.
- And, only \$0.12 of each \$1.00 comes back to the City. Most of the tax supports schools.
- Example - Your home has a net assessed value of \$150,000, annual property taxes = \$1,500. The City receives \$180.





## \$\$ - Where Does It Go

- City spends its money to provide services to the community. This includes public safety, parks, public works projects and maintenance, etc.
- Fiscal Year Budget 2019-20 included the following appropriations:

General & Park Funds	\$54M
Capital Projects	\$39M
Sewer Operations & Debt Service	\$14M
Successor Agency Funds	\$9M
All Other	\$19M



## \$\$ - Where Does It Go

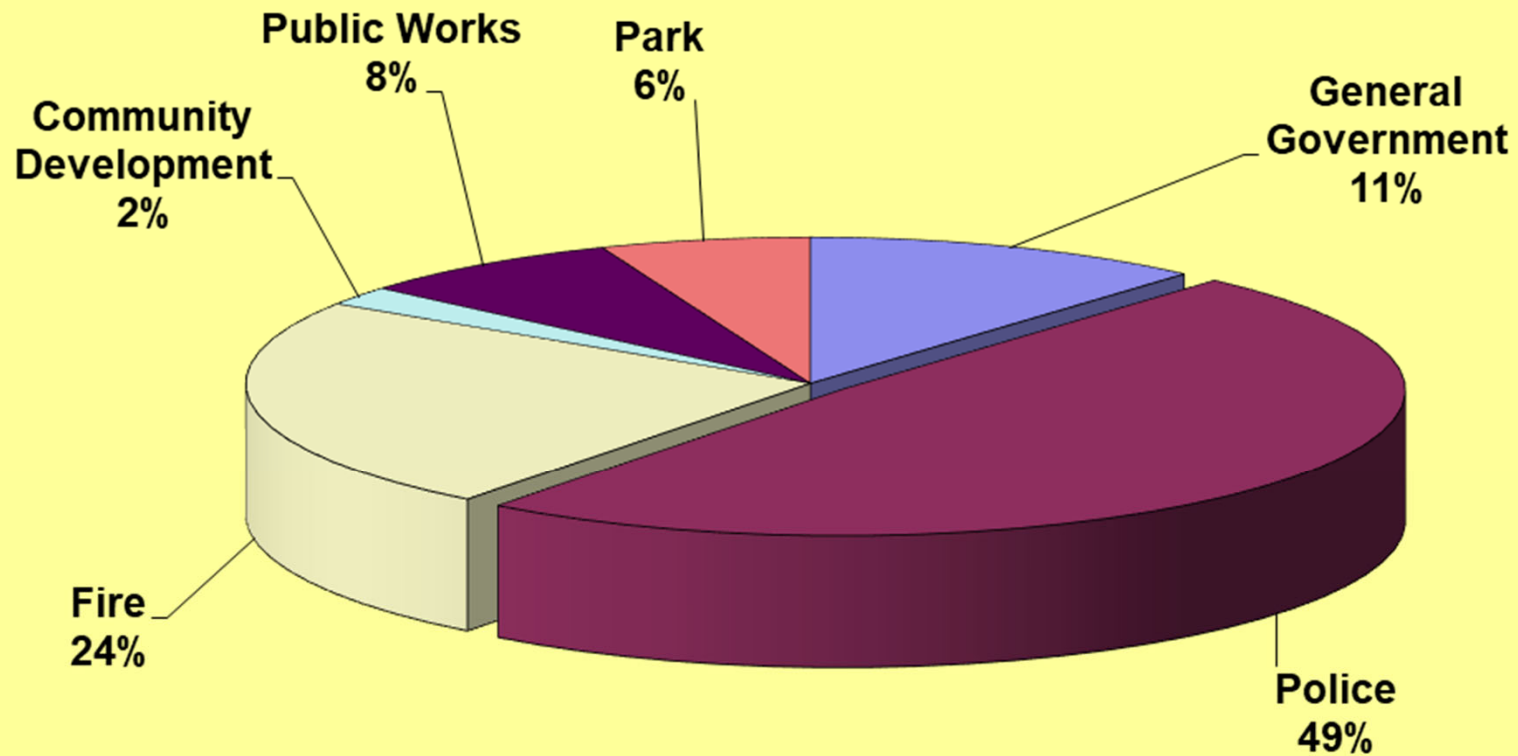
### General Fund Operating Expenditures:

Police	\$26.7M
Fire	\$13.1M
Public Works	\$4.3M
Parks	\$3.5M
Community Development	\$1.2M
Debt Service (Equipment Leases)	\$.5M
General Government (See Offset Below)	\$5.8M
Less: Indirect Cost Allocation	<\$1.9M>
<b>Total General Fund Expenditures</b>	<b>\$53.2M</b>



# \$\$ - Where Does It Go

## General & Park Funds - Expenditures by Department





## Who Makes Sure \$\$ Are Properly Received, Expended and Reported

- City Manager hires a Finance Director to direct the financial affairs of the City.
- Auditors are hired by Council to audit the Finance operations.
- The City is required to have an Annual Audit each year by a qualified CPA.
- The Audit ensures that the City's financial statements are properly stated.



## Who Makes Sure \$\$ Are Properly Received, Expended and Reported

- The Auditors also report if internal control deficiencies are found that may increase the likelihood of misreporting.
- Auditors have given the City “clean” audit opinions which indicate that the audited financial statements are properly (fairly) stated.
- Audited financial statements for the last five years are available at:  
<http://www.chico.ca.us/finance/CAFRMainPage.asp>



How Do Things Look in the Future?

What are the Major Fiscal Challenges?



## Future Outlook & Challenges

- The long term future outlook is challenging.
- The City can afford current service levels.
- However, growth in services will be dependent upon new funding sources or higher than expected revenue (e.g., sales tax).
- CalPERS Unfunded Accrued Liability (UAL) payments are escalating



## Future Outlook & Challenges

- Rebuilding financial reserves to help the City should an economic downturn.
- Funding for roads and other public infrastructure is insufficient.
- The City must stay the course. Fiscal sustainability will have to be addressed and considered at every turn.





# Future Outlook & Challenges:

## Pension Costs

- CalPERS Retirement System Defined Benefit
  - Safety (Police and Fire)
  - Miscellaneous (All Other)
- Escalating costs due to actuarial calculations
  - Benefit formulas changed in 2002
  - Mortality Rates (People live longer)
  - Lower Investment Returns (Discount rate)
  - Funding Status at 67% (Safety)
  - Funding Status at 65% (Miscellaneous)



# Future Outlook & Challenges: Pension Costs

- Safety formula (3% at 50) Example
  - 3% per each year worked
  - Top highest year of compensation
  - Retire at age 50
  - Example:
    - Retire at age 50 with 25 years of service
    - Highest wage year was \$100,000
    - Retirement benefits:
      - \$75,000 per year
      - 75% (25 years x 3%)



## Future Outlook & Challenges: Pension Costs

- UAL is \$141,000,000 per 6/30/2018 actuarial report
- How has the City Responded?
  - New employees have a different tier (PEPRA)
  - Negotiated with unions for employees to pay more of the employer's share
  - No Cost of Living Adjustments for employees for 10 years.
  - Advocated CalPERS Board of Directors



# Future Outlook & Challenges: Pension Costs

- How has the City Responded?
  - Created and began funding Section 115 Pension Stabilization Trust
  - Prepay UAL payment in July to save on interest costs

## Challenges: Road Maintenance 2017-18 Budget Presentation – Shortage of Funding Continues

Category	Existing Allocation	Minimum Allocation	Shortage
<b>Streets</b>	<b>\$1,000,000</b>	<b>\$7,083,813</b>	<b>\$6,083,813</b>
<b>Bridges</b>	<b>20,000</b>	<b>304,625</b>	<b>284,625</b>
<b>Storm Drain</b>	<b>403,681</b>	<b>1,080,830</b>	<b>677,149</b>
<b>Traffic Signals/Safety</b>	<b>193,409</b>	<b>1,074,900</b>	<b>881,491</b>
<b>Sidewalks</b>	<b>103,500</b>	<b>559,663</b>	<b>456,163</b>
<b>Bikeways</b>	<b>86,250</b>	<b>304,663</b>	<b>218,413</b>
<b>City Facilities</b>	<b>322,222</b>	<b>925,000</b>	<b>602,778</b>
<b>Park Crew</b>	<b>1,474,000</b>	<b>1,463,750</b>	<b>(10,250)</b>
<b>Trees/Landscaping</b>	<b>1,528,000</b>	<b>1,937,125</b>	<b>409,125</b>
<b>Fleet</b>	<b><u>1,465,000</u></b>	<b><u>1,465,000</u></b>	<b><u>0</u></b>
<b>Total</b>	<b>\$6,596,062</b>	<b>\$16,199,369</b>	<b>\$9,603,307</b>



## Future Outlook & Challenges

- Camp Fire Effects
  - Almost 20,000 new residents
  - Challenge to provide services
  - Temporary “blip” in sales tax and TOT revenue after Camp Fire
- Potential Sales Tax Initiative to discussed by City Council on March 17, 2020



# BUDGET – FISCAL YEAR 2020-21

## WHO, WHAT, WHEN & WHERE



## BUDGET - WHO

- Deputy Director - Finance
- Finance Staff
- Administrative Services Director (aka Finance Director)
- Police Chief and Fire Chief
- Department Directors
- Departmental Managers and Staff
- City Manager
- **COUNCIL – APPROVES THE FINAL BUDGET!!**





## BUDGET - WHAT

- City Charter Section 1102 directs the City Manager to present Council a Proposed Budget each year.
- The Council Adopted Final Budget provides authority for staff to expend City \$\$.
- The Budget includes limitations on spending by type of expenditure (e.g., salaries, supplies, etc.) and provides methodology required to modify the Budget.
- The Finance Office provides monthly updates on spending trends to the Finance Committee each month.



## BUDGET - WHEN

- Each Budget covers the City's Fiscal Year – July 1 thru June 30.
- Staff begins the process of compiling the Budget in January.
- Staff presents Council with a Draft Proposed Budget on April 21.
- Staff makes at least three separate presentations to Council – one in April and two in May.
- Council approves the Final Budget at its first meeting in June (June 2, 2020).



## BUDGET - WHERE

- The Budget is prepared, examined, reviewed, formatted, etc. in City Hall.
- All public discussions and Council deliberation about the Budget is held in Council Chambers. There are times when an issue may be referred to Finance Committee held in Council Conference Room 1 (Finance Committee meetings are held on the 4<sup>th</sup> Wednesday morning at 8:30 am each month).



# FINANCIAL RESOURCES

- The City's Finance Office Website includes:  
[http://www.chico.ca.us/finance/home\\_page.asp](http://www.chico.ca.us/finance/home_page.asp)
- Audit Reports
- Budgets
- Employee Compensation Reports
- CalPERS (Pension) Actuarial Valuation Reports
- Accounts Payable Reports
- Cost Allocation Plan Reports
- Monthly Budget Reports
- Monthly Investment Reports
- Quarterly Sales Tax Newsletter
- Annual Property Tax Summary Reports



## Quiz Time

1. Which Department issues building permits?
2. What is the abbreviation for the Comprehensive Annual Financial Report?
3. What document provides the “Plan” for the City’s finances?
4. Who is the City Manager?
5. What department utilizes 49% of the General Fund’s budget?

## Grand Prize Question

In what year was the City  
of Chico incorporated?

**1872**



## Our Goal Today....

- We hope this presentation provided a “kick-off” to further discussions and questions.
- Please feel free to contact us as questions arise.

**THANK YOU!!**



**QUESTIONS?**

**[www.chico.ca.gov](http://www.chico.ca.gov)**