

2019-20 Draft Proposed Budget – Part 2

City of Chico, California





CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

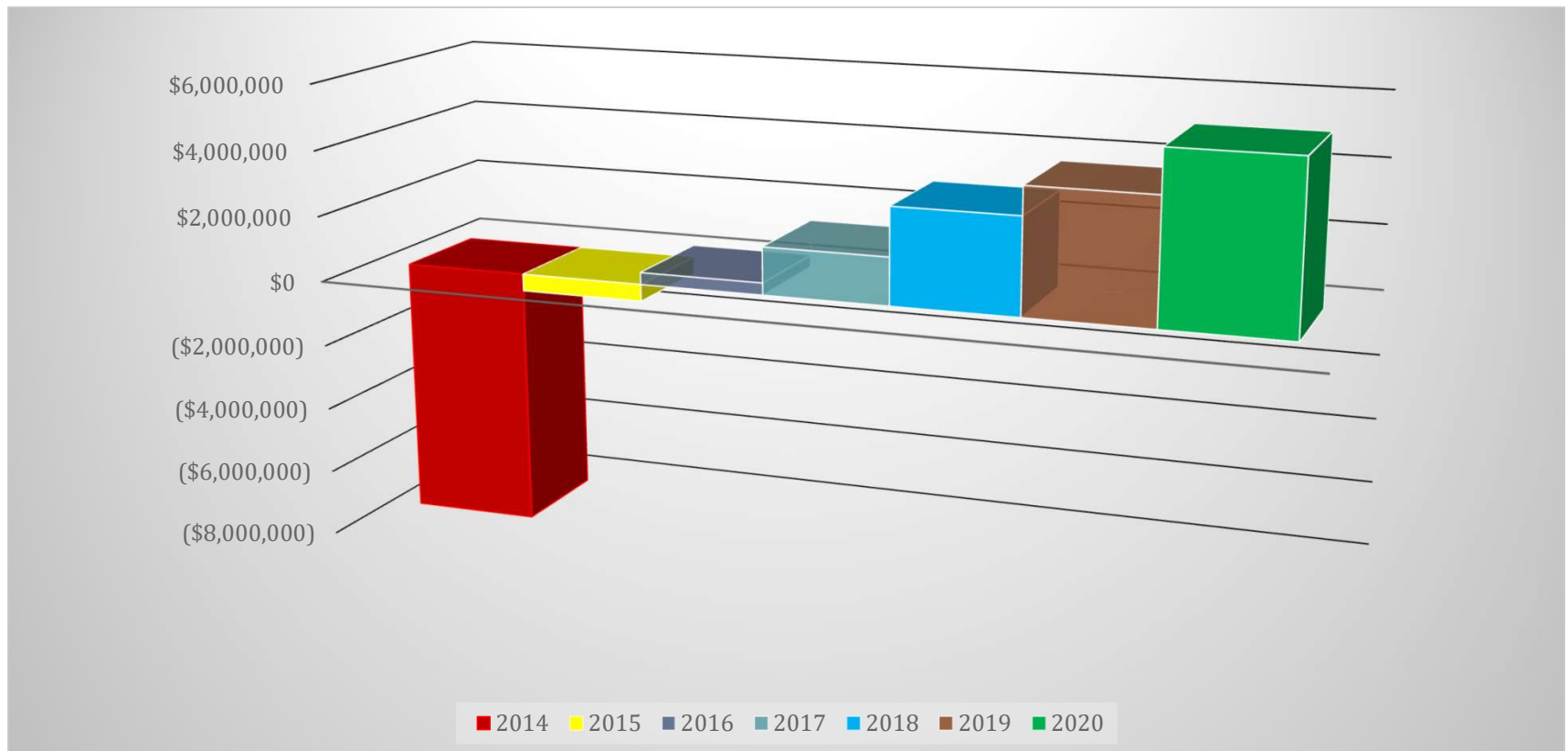
- **#1 - General Fund is Balanced (Funds 001 & 002)**
 - Utilizes \$2,074,564 from Unassigned Fund Balance carry forward
 - Projected Unassigned Fund Balance at 6/30/2019 is \$1,100,396
 - Unassigned Fund Balance Target is \$3,954,200 (7.5% of General and Park Fund operating expenses)



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#2 - General Fund Emergency Reserves are at highest level since Great Recession (Fund 003)**
 - Reserves are like savings accounts for specified purposes
 - \$1,300,000 transfer to Emergency Reserve
 - Projected Balance at 6/30/2020 is \$5,160,749
 - Emergency Reserve Target is \$10,872,200 (47%)

Levels of Emergency Reserves in comparison to desired reserves (from Deficit to Reserve)



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#3 – New positions proposed (15 Full Time Equivalents (FTE))**
 - **ASD – Senior Information System Analyst – Radio**
 - **CDD – Office Assistant**
 - **CDD – Housing Specialist**
 - **CDD – Assistant/Associate Planner**
 - **FIRE – Firefighter**
 - **POLICE – Records Technicians (2)**
 - **POLICE – Police Officers: Grant Funded (2)**



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

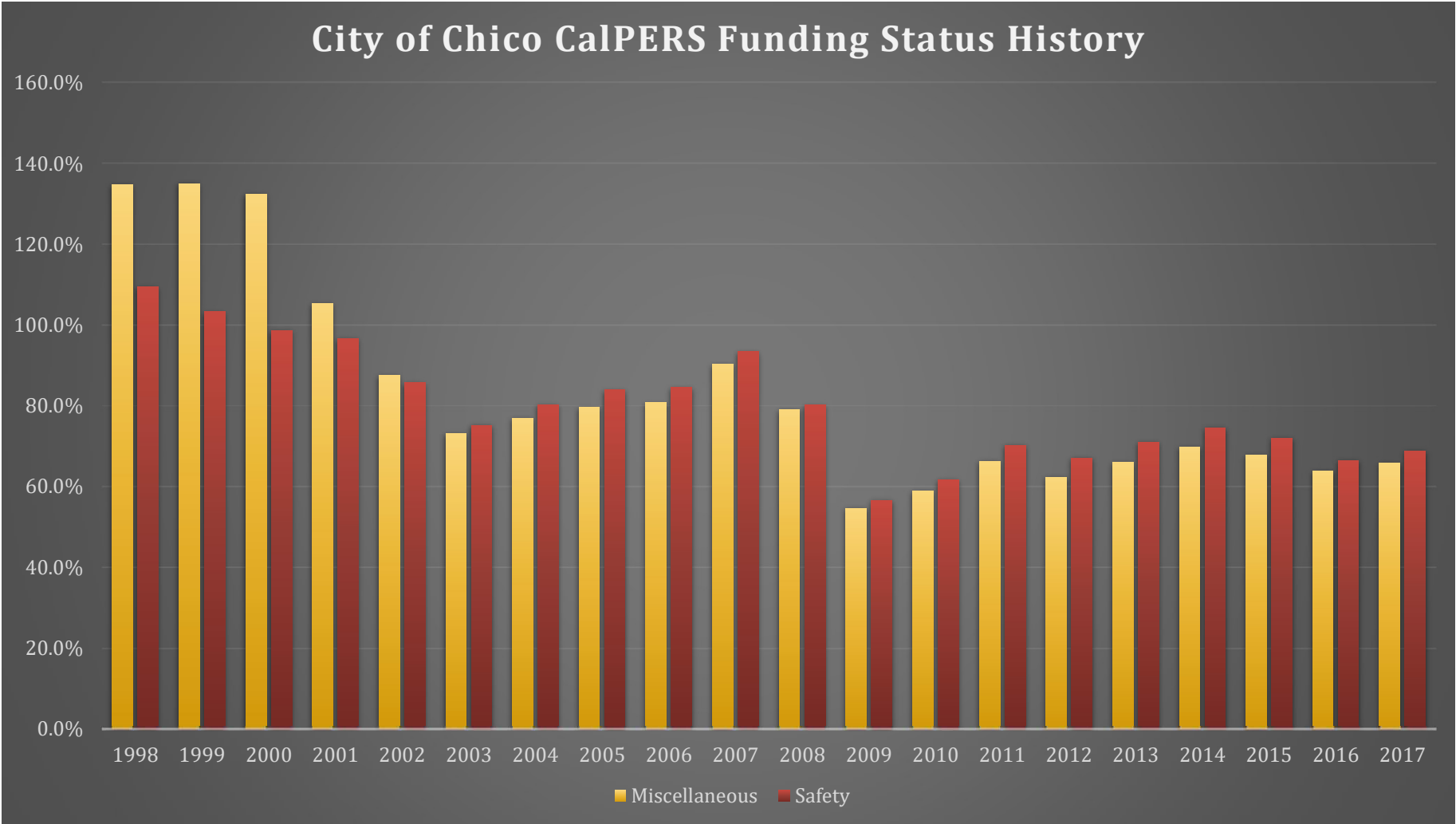
- **#3 – New positions proposed (15 FTE)**
 - PW ENG – Assistant/Associate Planner
 - PW ENG – Senior Civil Engineer
 - PW O&M – Office Assistant
 - PW O&M – Senior Maintenance Worker
 - PW WPCP – WPCP Lead Operator
 - PW Parks – Maintenance Aide
- **Position reduction (1 FTE)**
 - CITY MGR - Administrative Analyst: Unfilled position
- **Position Swapped (Net 0 FTE)**
 - CITY MGR – Add: Public Information Officer
 - CITY MGR – Retire: Management Analyst



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

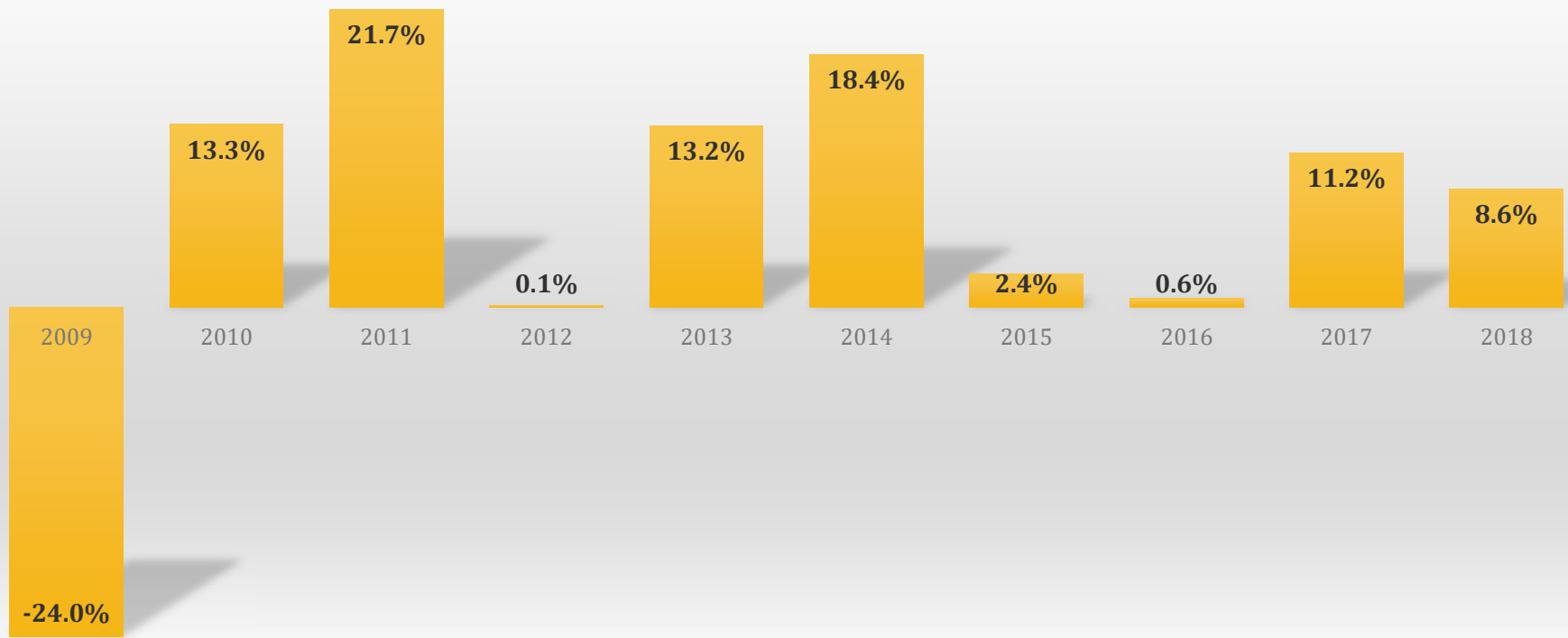
- **#4 – CalPERS unfunded accrued liability is \$128,000,000**
 - **History of liability:**
 - **Superfunded status in early 2000's**
 - **New benefit formulas proposed**
 - **Chico approved 3% @ 60 formula for Miscellaneous in 2002**
 - **Great Recession occurs in 2008**
 - **Reduction of staff**
 - **Investment returns did not make 7.5% assumption**
 - **Discount rate decreased to 7.0%**
 - **New mortality rates**
 - **ADDITIONAL COSTS TO EMPLOYER**







CalPERS Investment Rate of Return History



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#4 – CalPERS unfunded accrued liability is \$128,000,000**
 - **Current City of Chico Funding Status at 6/30/2017**
 - 65.8% for Miscellaneous Plan
 - 68.8% for Safety Plan
 - Healthy plan is about 80-100% Funded
 - **Normal Cost % of salaries**
 - **Unfunded Accrued Liability (UAL) Annual Payment**
 - Similar to a mortgage balance that is a moving target
 - Annual payment can be paid in July of each year
 - City has saved \$516,314 since 2017-18 by prepaying UAL



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#4 – CalPERS unfunded accrued liability is \$128,000,000**
 - **What has been done to minimize?**
 - **Engaged CalPERS leadership**
 - **Attendance at CalPERS Board Meetings**
 - **Negotiations with employee groups for additional employee contributions (Employees pay over \$500,000 annually towards employer's share)**
 - **Creation of Section 115 Pension Stabilization Trust**





CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#5 – Employee Benefits**
 - **Employee Total Cost = Salary AND Benefits**
 - **“Benefits” include:**
 - **Health/Dental/Vision Insurance**
 - **Life Insurance**
 - **Retirement (CalPERS)**
 - **Long Term Disability Insurance**
 - **FICA (Medicare)**
 - **Workers’ Compensation**
 - **State Unemployment Insurance**



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#5 – Employee Benefits**

- **U.S. Bureau of Labor Statistics reported that 2018 benefit costs for state and local government workers averaged 37.50% of total compensation**
- **City of Chico benefit costs vary, based on employee group; however, the average is approximately 38.558% of total compensation***

**This does not include the UAL payment*

CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#5 – Employee Benefits**
 - **CalPERS at a glance:**

	Group	Employer Cost	Employee Cost*
Miscellaneous	Classic	10.235%	11.00%
	PEPRA	10.235%	9.75%
Safety	Classic	18.843%	12.00%
	PEPRA	18.843%	15.00%**

**Includes 3% Cost sharing of Employer cost. Note, CPSA employees pay 6% of Employer cost.*

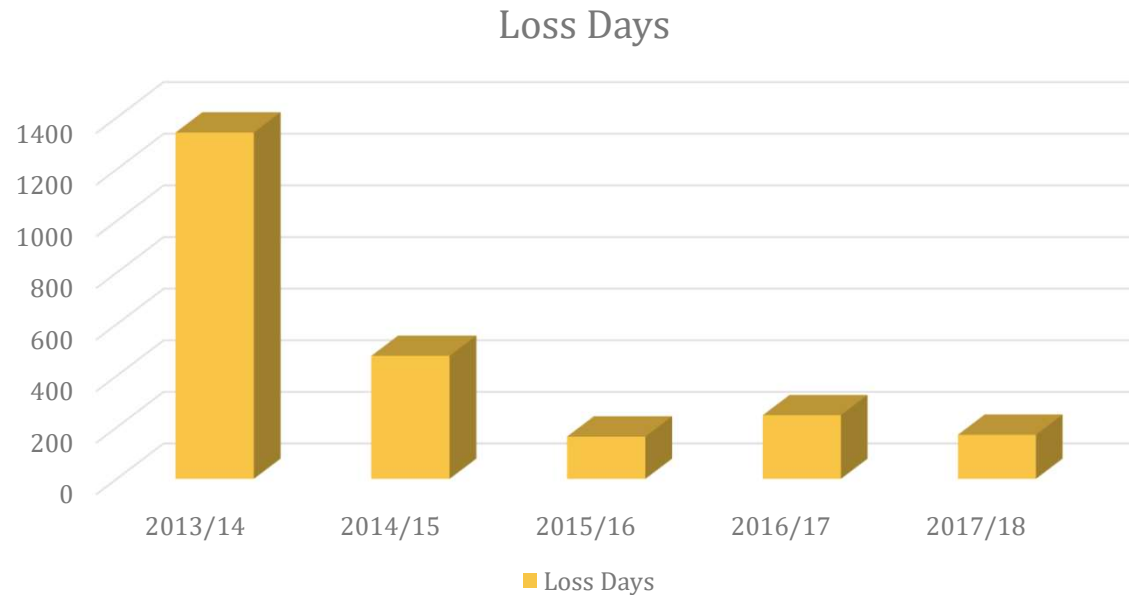
***CPOA PEPRA pay 15%; IAFF PEPRA have ratified an agreement to pay 12%.*

City of Chico employees are paying, or are nearly paying, HALF of the CalPERS pension costs.

CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#5 – Employee Benefits**

- **Historical Workers' Compensation at a glance:**



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#5 – Employee Benefits**

- **Historical Workers' Compensation at a glance:**

Fiscal Year	Total Paid	Total FTE	Total Claims	Workers' Comp Cost per Claim
2013/14	\$307,494	341.62	52	\$5,913
2014/15	\$164,396	348.50	53	\$3,102
2015/16	\$107,485	364.25	52	\$2,067
2016/17	\$196,047	352.25	57	\$3,439
2017/18	\$185,471	360.25	52	\$3,567



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#6 – Sewer Funds are challenged to pay debt**
 - Water Pollution Control Plant (WPCP) debt is \$36,271,141 at 6/30/2018
 - Annual debt payments total \$5,109,185
 - Large portion of debt to be covered by new development reported in Fund 321
 - Fund 850 – Sewer Operating is transferring amounts to Fund 321 totaling \$1,970,838 to cover Fund 321's debt payment
 - This transfer creates an annual deficit in Fund 850 of \$895,264
 - Fund 850 Fund Balance has gone from \$16,184,802 at 6/30/2016 to \$6,800,797 projected at 6/30/2020

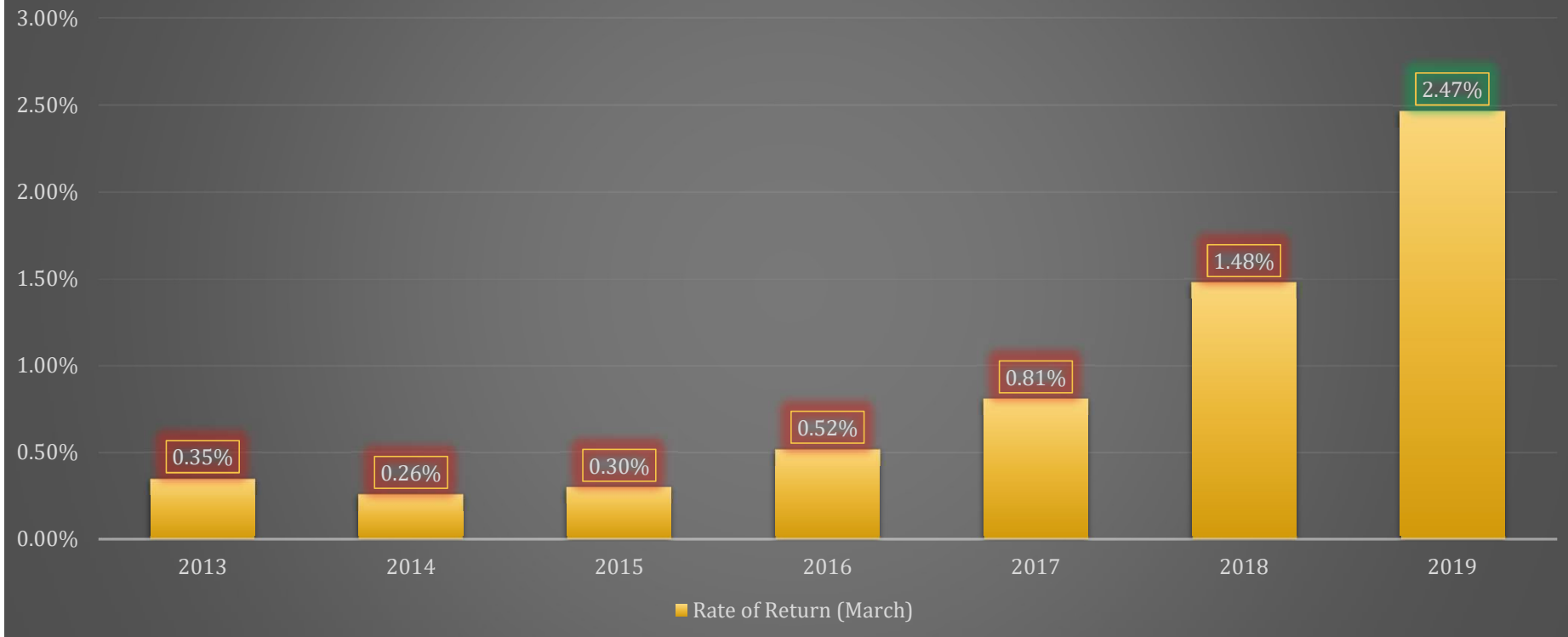
CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#7 – Investments**
 - **Average investment returns have increased since 2013**
 - **Balances in investments have increased since 2013**
 - **Investment income for 6/30/2018 was \$807,394**
 - **Investment income for 6/30/2017 was \$395,229**
 - **Local Agency Investment Fund (LAIF)**



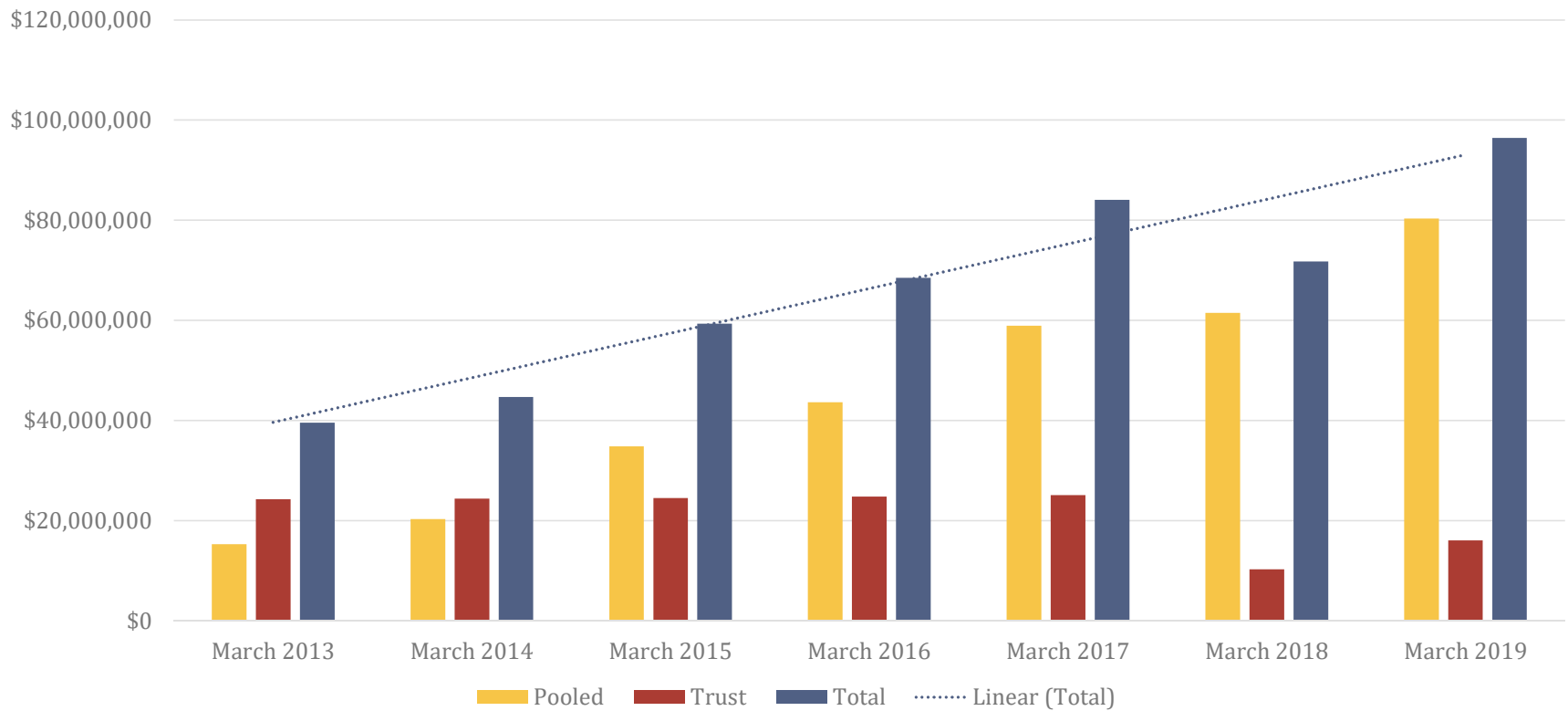
CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

Investments Average Rate of Return (March)



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

Investment Balances at March by Year



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#8 – Unfunded capital projects and Replacement Funds**
 - **Unfunded capital requests total \$25,975,420**
 - **Road maintenance of \$7,950,000**
 - **Replacement reserves are underfunded**
 - **Technology Replacement (F931)**
 - **Fleet Replacement (F932)**





CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#9 – Camp Fire Financial Effects**
 - **Short-term effects**
 - **Costs incurred to-date are \$1,084,000**
 - **Working on reimbursements from FEMA and CalOES**
 - **Revenues**
 - **Transient Occupancy Tax (TOT)**
 - **Sales Tax**
 - **Long-term effects**
 - **Ongoing costs of services**
 - **Possible Federal/State assistance**



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#10 – Potpourri**
 - **Technology Embraced**
 - CAD/RMS system in 2017
 - Financial System Upgrade in 2018
 - New Permits System (TrackIT) in 2019
 - Disaster Recovery Systems being implemented
 - **Fund 862 Private Development is now four new funds**
 - Fund 871 Private Development – Building
 - Fund 872 Private Development – Planning
 - Fund 873 Private Development – Engineering
 - Fund 874 Private Development - Fire



CITY OF CHICO, DRAFT PROPOSED BUDGET 2019-20: Top 10 – Finance Director

- **#10 – Potpourri**
 - **Fund 052 – Warming/Cooling Center**
 - **Sub-fund of General Fund**
 - **Funded with \$100,000 from 2018-19 budget**

2019-20 Draft Proposed Budget – Part 2

City of Chico, California

