

Finance Commission Identified Areas for Review in Five-Year Forecast

| Item | Finance Commission Recommendation | Staff Comments | Change from Proposed Budget |
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| Revenue | | | |
| Property Tax Adjustment | Increased property tax projected for 2025-26 by \$200,000. | Staff accept the recommendation. | The Property Tax increases by \$200,000. |
| Sales Tax Adjustment | N/A | Increase sales & use tax projected for 2025-26 by \$162,759 as proposed by the Town's Sales Tax consultant. Change occurred after publishing of the proposed budget. | Sales & Use Tax increases by \$162,759. |
| Planning and Building Permit Fees | Review planning and building fees to understand the drop-off of approximately \$600,000. | Planning Department recommends a \$15,000 addition. | Planning Permit Revenue increases by \$15,000. |
| Engineering Permit | N/A | The Engineering Department is recommending a \$358,891 increase to this revenue source due to approval of new fees by the Town Council on 5/6/2025. | Engineering permit fee increases by \$358,891. |
| Business License Tax | Increase business license tax by \$200,000 to reflect historical trends. | Staff recommend using HdL, the Town's current business license and property tax consultant, to conduct a business license audit. Staff estimate recovery could reach \$50,000. | Business license revenue increases by \$50,000 for FY 2025-26 Proposed Budget. |
| Intergovernmental | Review Intergovernmental-State drop and increase where the 2025-26 amount does not appear aligned with the trend. | Staff identified that SLESF Intergovernmental Revenue was overstated by \$200,000 from the beginning of FY 2026-27. | There are no changes to the FY 2025-26 Proposed Budget. |

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| Investment Income | Remove the GASB 31 adjustment of (\$500,000) for mark to market as it is a balance sheet item. | Staff are consolidating the line items. Consolidating accomplishes the intent to lower future interest expense projections, as this value was intended to demonstrate volatility. | Lines consolidated into Investment income. |
| License and Permits – Waste Hauler Encroachment Permit | N/A | Staff increased license and permits by \$668,000 to reflect encroachment fees assessed by solid waste joint powers authority. Change occurred after publishing the proposed budget. | License and Permits increase by \$668,000. |
| Expenditures | | | |
| CalPERS Benefits | Projection for 2025-26 appears to be \$1 million higher than shown in consultant Foster & Foster's June 30, 2023 report. | Staff reviewed the projections with Foster & Foster. The unfunded liability amount which represents 63.5% of the projection was verified. Additionally, the normal cost percentages applied to pensionable pay were verified. Projected payroll was the variable which determined the pension expense projection. Based on more review, staff can take a more aggressive position which may result in up to a reduction of \$255,000 in pension expense. | Reduces CalPERS benefits expenditure by \$255,000. |
| Internal Service Charges | Internal Service Charges appear \$1 million higher than reasonable. Assess and determine what it is, why we have it, and can it be reduced. | General Fund Internal Service Charges are increasing significantly in the General Liability and Workers' Compensation Internal Services Funds to ensure that General Fund charges cover cost. The insurance premium is the primary driver of the increases in the General Liability Insurance Fund expenses. The primary drivers in the Workers' Comp Internal Service Fund | There is no anticipated saving in FY 2025-26. Review of ISF methodology may result in a change in the 2025-26 mid-year budget. |

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| | | <p>expenses are the claim experience and the insurance premium. While no change appears warranted, staff will be conducting a review of the ISF in 2025-26 to verify its allocation methodology.</p> <p>Staff are evaluating the possibility of switching to a different insurance provider to reduce the premium cost. Potential savings will be utilized in FY 2026-27.</p> | |
| Reserves | | | |
| Pension Trust Reserve | Utilize some of the pension trust to cover shortfall in order to not utilize unassigned fund balance. | Staff disagree with utilizing the pension reserve in lieu of the unassigned fund balance. | There is no change to the FY 2025-26 Proposed Budget. |
| Other | | | |
| General Fund Policy | Update criteria defining contribution to the Town's catastrophic and uncertainty reserves to reflect total expenditures in the General Fund and not just the Operating Expenditures Line item. | Staff agree with this correction. | No change to financials. |