



Staff Report

Date: February 15, 2018
To: Mayor Robbins and Council Members
From: Joe Chinn, Town Manager
Subject: Financial Forecast

Recommendation

This report is information only.

Background and discussion

The purpose of this report is to provide the Council with an update of the five year financial forecast for the Town's Operating and Recreation Fund. The financial forecast projects revenues and expenses over the next fiscal years from Fiscal Year 2017-18 through 2022-23. A financial forecast provides an order of magnitude estimate of revenues and expenses based on current Town policies and State statutes. A financial forecast assists the Council and Town management in understanding the Town's ability to fund the current level of services being provided and determine if it is likely to be sustainable in the future under the current Town revenue structure. The financial forecast assumes the Town provides a similar level of services in the future as it does today – there is no attempt to either increase or decrease the current level of services in order to balance the budget with the financial forecast.

For purposes of the financial forecast, the Town's Operating and Recreation Funds are combined to provide a more complete picture of the Town's financial conditions. The financial forecast includes a modest level of capital expenses coming from the Operating and Recreation Fund each year (average approximately \$165,000 yearly which includes average \$130,000 transfer to the Facilities Fund). That being said the Town's facilities are physically and functionally obsolete and have a significant amount of deferred maintenance. In the future significant financial resources will be required to update the facilities for better organization functionality and improved public spaces. The financial forecast also includes an additional contribution of \$200,000 per year to pay down the CalPERS Unfunded Accrued Liability (UAL) and reduce future principal and interest costs from the UAL.

Financial Forecast Results

Current estimates for Fiscal Year Ending 2019 (FYE19) show an estimated operating surplus of approximately \$223,000 on revenues of \$8.31 million and expenses of \$8.09 million. Expenses are projected to grow at a slightly higher rate than revenues over the five year forecast under current conditions and statutes. Because of this, the surplus is anticipated to decrease each year down to \$6,000 in FYE23, which is breakeven given the surplus for that year, is projected to be less than 1% as a percent of expenses (0.1% in FYE23).

Town of Ross Operating and Recreation Fund Financial Forecast

Item	Projected FYE 2018	Projected FYE 2019	Projected FYE 2020	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023
Total Revenues	\$8,087,000	\$8,315,000	\$8,601,000	\$8,866,000	\$9,118,000	\$9,377,000
Total Expenses	\$8,028,000	\$8,093,000	\$8,427,000	\$8,789,000	\$9,075,000	\$9,371,000
Net Surplus/(Gap)	\$59,000	\$222,000	\$174,000	\$77,000	\$43,000	\$6,000
Surplus/(Gap) as % of Expenses	0.7%	2.7%	2.1%	0.9%	0.5%	0.1%

The surpluses each year provide the Town the opportunity to help fund the need for significant capital improvements related to the outdated facilities or fund a greater portion of the growing CalPERS UAL costs to assist the Town’s long-term financial position.

At the end of this report, Figure 1 shows the revenues and expenses by major category and Figure 2 shows a more detailed listing of revenues and expenses from FYE17 through the FYE23 period.

Revenues

The growth rate of revenues has been slowing down in the last several years after the prior years’ recovery following the great recession. Property taxes are the Town’s largest revenue source accounting for 63% of the Town’s revenue when including the public safety parcel tax (and 53% without the public safety parcel tax). The growth rate in FYE18 is lower than the prior four years which is a trend expected to continue in the future years with the assessed value (and property tax) growth rate estimated to be about 3.5% in FYE19, 4% range in FYE20 and FYE21, and 3.5% in the years that follow. The Town receives on average 18.9 cents per every dollar of property tax; the other 81.1 cents goes to other public agencies such as Ross School, Tamalpais Union High School District, Marin Community College, Ross Valley Sanitation, and other government entities.

Other revenue such as business licenses, franchise, property transfer taxes, investment income, and intergovernmental revenue are expected to have slow growth in the coming years (in total 1.7% to 2% average annual growth). In most California cities, the two largest revenue sources

are property taxes and sales taxes. In the case of Ross, sales tax revenues are very minor (\$60,000 budgeted this year) because there is little retail or other taxable sales occurring in Ross. Overall, total revenues are projected to increase by approximately 2.8% next fiscal year and then in the following years are estimated to range between 2.8% and 3.5% annually.

The Town's second largest revenue category is Recreation revenues, which are approximately equal to Recreation expenses. Building and public works is the next largest category of revenues. These revenues along with planning department revenues are primarily charges for service and permits related to development activity, and thus are very volatile.

Expenses

The projected expenses for FYE19 in the Operating and Recreation Fund are currently estimated to be \$8.1 million and growing to \$9.4 million by FYE23. The average growth rate of expenses is approximately 3.9% per year. Wages and benefits comprise approximately 43% of total expenses. Wages are estimated to increase at 3.5% to 4% per year from FYE19 forward. Benefits particularly medical and pension have been increasing at higher rates than inflation. For the forecast, medical costs are assumed to increase at a 5% annual rate after FYE18.

Pension rates are anticipated to increase at much higher rates than inflation moving forward. In December 2016, CalPERS officially announced it is lowering the discount rate it anticipates earning on investments from 7.5% to 7.0% per year. This change is being phased in over time with the first impact being to FYE19 rates and not being fully phased in until FYE25. This change along with CalPERS only earning 0.6% in FY15-16 versus the 7.5% target investment rate is anticipated to add approximately \$7 million costs to the Town over the next 30 years. The result of the CalPERS modification is that the Town's pension costs are estimated to go from \$429,000 in FYE18 to \$782,000 by FYE23 (a 13% average annual increase).

The Town has been aggressive in paying down the CalPERS UAL to reduce long-term costs of CalPERS. The Town has taken numerous steps to reduce our total PERS costs such as:

- In June 2016, the Town made an additional \$1 million payment to CalPERS to reduce our UAL debt that saved the Town \$1.2 million of interest costs over 20 years
- Paid an additional \$200,000 down in FYE17 (saving the 7% to 7.5% interest cost a net savings of over \$200,000)
- Currently has \$200,000 included in the FYE18 budget which staff is going to recommend to increase further this fiscal year
- Currently, \$200,000 included in the Financial Forecast each year to pay a portion of the CalPERS UAL early to reduce the long-term annual interest charged and thus total CalPERS long-term costs.
- Town has also reduced amortization schedules for PERS costs from 30 years to 20 years which results in higher costs in the short run but much lower total costs due to significantly less interest paid in the long run.
- Police personnel are paying a portion of the employer share of CalPERS reducing the Town's costs.

Town staff is continually reviewing strategies and options to reduce the overall costs over time. Staff will be recommending to the Town Council this fiscal year that we increase our additional PERS UAL payment above the currently budgeted \$200,000. The financial forecast does not take into account lower future PERS costs due to our future additional paydowns of the UAL. Thus, the Financial Forecast is likely overstating the pension cost in the latter years of the forecast. That being said, PERS costs can increase if PERS investment returns fail to reach the 7% investment target or actuarial assumptions are modified that increase costs such as if the assumption is changed for longer life expectancies.

Pension costs are volatile and staff anticipates these costs will need to be continually analyzed and updated. The Town is looking at ways to pay down the costs quicker than the CalPERS schedule and thus reduce the long-term interest expenses associated with the liability as well as reviewing other strategies to reduce pension costs.

The Town's Other Post-Employment Benefits (OPEB) Retiree Health Care cost is going from approximately \$64,000 in recent years to \$0 annually in future years as shown in the financial forecast. The Town maintains a Section 115 trust fund dedicated to prefunding our OPEB costs which we have been advance funding to reduce our unfunded liabilities through the California Employers' Benefit Trust (CERBT) Fund. The Total Compensation Systems (TCS) actuarial study results as of June 30, 2017 show the Town has more money in the CERBT fund than the OPEB Retiree Health liability, thus we have a net OPEB asset. As such, we will fund future ongoing cost of Retiree Healthcare cost straight from the CERBT fund and there will not be an Operating Fund cost.

Outside services that include contracts with outside firms are another significant cost representing approximately 16% of the Town's costs in FYE18. Many services are provided to the Town through contracts such as attorney, accounting, audit, building plan check and inspection, landscape maintenance, and recreation instructors. There are alternative ways of providing many of these various services such as by staffing or contracting. The Town will continually evaluate the efficiency, effectiveness, and service levels provided by contracts and staff and at times there may be adjustments of whether to staff or contract. The forecast is showing 2.5% to 3.0% annual inflation on outside service costs in FYE19 through FYE23.

The Ross Valley Fire services are provided through the Ross Valley Fire Department JPA and at approximately \$1.9 million annually are 24% of total expenses. These costs increased 8.6% between FYE17 and FYE18 due largely to a new labor contract cost increases. Fire service costs are anticipated to increase in the 4% to 5% annual range in the following years with the new labor contract, pension cost increases, and fully funding the apparatus replacement schedule.

Financial Forecast Summary

- Current level of services is fundable for the next five years. Small surpluses are likely available to help fund capital or one-time expenses.
- The passage of the public safety sales tax measure (Measure K) in November 2016 stabilized the Town's funding of operations for the next eight year period.

Challenges

- Revenue growth which is largely property taxes, service charges, and miscellaneous taxes, franchises, and lease and investment income are challenged to keep up with expense growth. Strategies should be developed to improve revenue growth and to reduce the rate of expense growth.
- Medical and pension costs have been growing significantly faster than inflation and the challenge will be finding ways to reduce the growth rate including funding the long-term pension UAL. CalPERS recent decision to decrease the pension discount rate from 7.5% to 7.0% as well as poor investment returns in recent years have dramatically increased the future pension costs to all CalPERS entities. The Town has been pro-actively dealing with pension and post-retirement medical costs (OPEB costs) and will have to continue to find ways to reduce total retirement and medical cost increases.
- Fire costs have been growing at a higher rate than inflation and as the Town's largest cost item, there is a need to keep future cost increases closer to the inflation rate. The Town working with the other JPA members will need to find strategies to reduce long-term cost increase while providing effective, efficient fire protection and emergency services for our residents.
- Deferred capital needs and physically and functionally obsolete facilities will need additional funding beyond the approximately \$130,000 capital maintenance money included in the fiscal forecast. The Town will need to substantially rehabilitate or replace existing Town facilities such as the outdated and obsolete public safety building. In the coming year, a plan is needed on which facilities to replace and rehabilitate and then develop site plan options and funding plan for funding the construction costs.

Alternative actions

Informational report only

Environmental review (if applicable) – Not applicable

FIGURE 1
TOWN OPERATING FUND AND RECREATION FUND BASE MODEL FINANCIAL FORECAST

	Actual FYE 2016	Actual FYE 2017	Budget FYE2018	Projected FYE 2018	Projected FYE 2019	Projected FYE 2020	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023
Revenues									
Property Taxes	\$3,856,000	\$4,143,000	\$4,219,000	\$4,293,000	\$4,431,000	\$4,595,000	\$4,766,000	\$4,921,000	\$5,082,000
Public Safety Tax	773,000	792,000	808,000	808,000	832,000	857,000	879,000	901,000	923,000
Other Taxes	381,000	345,000	366,000	368,000	370,000	378,000	385,000	392,000	400,000
Investment Income and Rents	259,000	267,000	255,000	285,000	312,000	329,000	336,000	343,000	351,000
Building Department Revenue	980,000	914,000	832,000	860,000	859,000	884,000	905,000	927,000	950,000
Public Works Revenue	129,000	87,000	117,000	52,000	62,000	64,000	65,000	67,000	68,000
Planning	260,000	236,000	197,000	168,000	175,000	180,000	185,000	189,000	194,000
Recreation Revenue	1,155,000	946,000	1,092,000	1,092,000	1,109,000	1,143,000	1,171,000	1,200,000	1,230,000
Other Revenue and Transfers In	163,000	163,000	161,000	161,000	164,000	172,000	174,000	176,000	178,000
Total Revenues	\$7,956,000	\$7,893,000	\$8,047,000	\$8,087,000	8,315,000	8,601,000	8,866,000	9,118,000	9,377,000
Expenses									
Wages	\$1,826,000	\$2,001,000	\$2,192,000	\$2,198,000	\$2,305,000	\$2,398,000	\$2,481,000	\$2,568,000	\$2,658,000
Benefits	980,000	955,000	1,092,000	1,050,000	1,203,000	1,284,000	1,407,000	1,456,000	1,507,000
Outside Services	1,661,000	1,236,000	1,282,000	1,253,000	1,290,000	1,329,000	1,362,000	1,396,000	1,431,000
Ross Valley Fire Department	1,661,000	1,757,000	1,908,000	1,906,000	2,001,000	2,091,000	2,185,000	2,273,000	2,364,000
Other Services and Supplies	694,000	765,000	872,000	896,000	923,000	951,000	974,000	999,000	1,024,000
Debt Service and PERS UAL Payments	1,395,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000
PERS Arrears		267,000							
Capital Expenses and Transfer Out	46,000	491,000	608,000	515,000	160,000	165,000	169,000	173,000	177,000
Total Expenses	\$8,263,000	\$7,682,000	\$8,164,000	\$8,028,000	8,093,000	8,427,000	8,789,000	9,075,000	9,371,000
Net Surplus/(Gap)	(\$307,000)	\$211,000	(\$117,000)	\$59,000	\$222,000	\$174,000	\$77,000	\$43,000	\$6,000
Surplus/(Gap) as a % of Expenses	-3.7%	2.7%	-1.4%	0.7%	2.7%	2.1%	0.9%	0.5%	0.1%

FIGURE 2
TOWN OPERATING FUND AND RECREATION FUND BASE MODEL FINANCIAL FORECAST

	Actual FYE 2017	Budget FYE2018	Projected FYE 2018	Projected FYE 2019	Projected FYE 2020	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023
REVENUES								
Property Taxes								
Property Tax	\$ 3,524,046	\$ 3,657,000	\$ 3,700,000	\$ 3,830,000	\$ 3,983,200	\$ 4,142,528	\$ 4,287,516	\$ 4,437,580
Property Tax In Lieu Vehicle Lic. Fee	252,877	262,000	268,000	276,000	287,040	298,522	308,970	319,784
Property Tax - Excess ERAF Funds	366,161	300,000	325,000	325,000	325,000	325,000	325,000	325,000
Subtotal	4,143,084	4,219,000	4,293,000	4,431,000	4,595,240	4,766,050	4,921,486	5,082,363
Public Safety Tax	791,580	808,250	808,250	832,498	857,472	878,909	900,882	923,404
Other Taxes								
Business Licenses	41,775	40,400	40,400	40,400	40,804	41,212	41,624	42,040
Sales Tax	55,590	60,000	60,000	60,000	61,800	63,345	64,929	66,552
Property Tax in Lieu of Sales Tax(3flip)	-	-	-	-	-	-	-	-
Franchise - Cable TV	56,718	55,000	58,000	60,000	61,800	63,345	64,929	66,552
Franchise - Marin Sanitary Service	85,695	91,000	90,000	90,000	92,700	95,481	98,345	101,296
Franchise - PG&E	34,298	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Real Property Transfer Tax	70,973	85,000	85,000	85,000	85,850	86,709	87,576	88,451
Subtotal	345,049	366,400	368,400	370,400	377,954	385,092	392,402	399,891
Intergovernmental Revenue								
Marin County Measure A Parks	18,185	19,500	18,352	19,000	19,190	19,382	19,576	19,771
Zero Waste Grant	9,140	-	9,140	-	-	-	-	-
Homeowner Property Tax Relief	18,053	18,300	18,153	18,400	18,400	18,400	18,400	18,400
Prop 172 1/2 Cent Sales Tax	21,567	22,000	22,000	23,000	23,690	24,282	24,889	25,512
State Mandated Cost Reimbursement	-	-	-	-	-	-	-	-
State Vehicle License Fee	1,132	1,000	-	-	-	-	-	-
Subtotal	68,077	60,800	67,645	60,400	61,280	62,064	62,865	63,683
Investment Income and Rents								
Interest/Change in Value	63,552	50,000	80,000	80,000	80,000	80,000	80,000	80,000
Rental Income - Cellular	93,630	93,500	93,500	100,000	100,000	102,500	105,063	107,689
Rental Income - Post Office	109,687	111,880	111,880	120,282	124,912	129,283	133,800	138,491
Rental Income - Residence	-	-	-	12,000	24,000	24,240	24,482	24,727
Subtotal	266,869	255,380	285,380	312,282	328,912	336,023	343,345	350,907
Building Department Revenue								
Construction Penalties	3,015	3,300	13,000	5,000	5,000	5,000	5,000	5,000
Building Permits	731,861	670,000	690,000	690,000	710,700	728,468	746,679	765,346
Building - BSASRF & SMIP	3,284	3,600	3,600	3,600	3,708	3,801	3,896	3,993
Resale Inspections	39,103	29,000	25,000	25,000	25,750	26,394	27,054	27,730
Fee Program Administration	23,100	20,000	20,000	22,000	22,660	23,227	23,807	24,402
Records Management & Retention	17,330	16,000	18,000	18,000	18,000	18,000	18,000	18,000
Technology Surcharge Fees	95,816	90,000	90,000	95,000	97,850	100,296	102,804	105,374
Subtotal	913,509	831,900	859,600	858,600	883,668	905,185	927,239	949,845
Public Works Revenue								
Earth Grading Permits	3,918	2,000	2,000	2,000	2,050	2,101	2,154	2,208
Encroachments	82,972	115,000	50,000	60,000	61,500	63,038	64,613	66,229
Subtotal	86,890	117,000	52,000	62,000	63,550	65,139	66,767	68,436
Planning								
Planning Application Fees	159,770	145,000	120,000	125,000	128,750	131,969	135,268	138,650
Planning Construction Review	59,173	32,000	32,000	32,000	32,960	33,784	34,629	35,494
Tree Removal Permits	17,274	20,000	16,000	18,000	18,540	19,004	19,479	19,966
Subtotal	236,217	197,000	168,000	175,000	180,250	184,756	189,375	194,110

FIGURE 2
TOWN OPERATING FUND AND RECREATION FUND BASE MODEL FINANCIAL FORECAST

	Actual FYE 2017	Budget FYE2018	Projected FYE 2018	Projected FYE 2019	Projected FYE 2020	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023
Police Revenue	51,713	37,200	40,000	41,000	42,230	43,286	44,368	45,477
Recreation Revenue	946,362	1,091,500	1,091,500	1,109,245	1,142,522	1,171,085	1,200,363	1,230,372
Miscellaneous								
Contributions	-	-	-	-	-	-	-	-
Miscellaneous	4,373	7,500	2,500	2,500	2,500	2,500	2,500	2,500
Permits - Film	-	-	-	-	-	-	-	-
Permits - Special Events	129	500	500	500	500	500	500	500
Reimbursement for Town Costs	29,935	10,000	5,000	5,000	5,150	5,279	5,411	5,546
Subtotal	34,437	18,000	8,000	8,000	8,150	8,279	8,411	8,546
Total revenues before transfers in	7,883,787	8,002,430	8,041,775	8,260,425	8,541,229	8,805,867	9,057,504	9,317,035
Transfers In - Legal Def	-	-	-	-	-	-	-	-
Transfers In - General Plan Fund	9,600	45,000	45,000	55,000	60,000	60,000	60,000	60,000
Total Revenues	7,893,387	8,047,430	8,086,775	8,315,425	8,601,229	8,865,867	9,117,504	9,377,035
EXPENSES								
Wages	2,001,112	2,191,833	2,197,730	2,305,339	2,397,553	2,481,467	2,568,318	2,658,210
Pension - Normal Cost	200,690	206,024	204,518	227,802	247,051	279,962	289,761	299,903
Pension - Unfunded Liab. Cost	164,889	224,415	224,415	350,422	387,710	453,180	467,800	482,400
Medical	247,946	263,930	261,073	297,027	311,878	327,472	343,845	361,038
OPEB-Retiree Health Care	63,180	64,060	48,000	-	-	-	-	-
Employee Benefits - Other	278,035	333,746	312,362	327,633	337,462	345,898	354,546	363,409
Subtotal	2,955,852	3,284,008	3,248,098	3,508,223	3,681,654	3,887,979	4,024,271	4,164,960
Outside Services	1,235,695	1,282,027	1,252,787	1,290,371	1,329,082	1,362,309	1,396,366	1,431,276
Ross Valley Fire Department	1,756,934	1,907,616	1,905,821	2,001,112	2,091,162	2,185,264	2,272,675	2,363,582
Memberships & Organizations	72,097	80,973	73,585	75,793	78,066	80,018	82,018	84,069
Rent	109,429	101,772	113,818	117,233	120,750	123,768	126,862	130,034
Repairs and Maintenance	242,539	282,200	291,300	300,039	309,040	316,766	324,685	332,802
Vehicles	24,445	27,500	29,500	30,385	31,297	32,079	32,881	33,703
Insurance	76,600	81,000	78,000	80,340	82,750	84,819	86,939	89,113
Other (miscellaneous)	239,644	298,240	309,755	319,048	328,619	336,835	345,255	353,887
Debt Service (net of proceeds)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
PERS UAL optional payments	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
PERS Arrears	266,915	-	-	-	-	-	-	-
Capital Exp pd with Op & Rec Funds	116,986	209,000	115,000	35,000	36,050	36,951	37,875	38,822
Subtotal	4,351,284	4,480,328	4,379,566	4,459,319	4,616,816	4,768,809	4,915,558	5,067,288
Total expenses before transfers	7,307,136	7,764,336	7,627,664	7,967,542	8,298,469	8,656,789	8,939,829	9,232,247
Transfers to Facilities & Equip Fund	375,000	400,000	400,000	125,000	128,750	131,969	135,268	138,650
Total Expenses	7,682,136	8,164,336	8,027,664	8,092,542	8,427,219	8,788,757	9,075,097	9,370,897
Net surplus (gap)	\$ 211,251	\$ (116,906)	\$ 59,111	\$ 222,882	\$ 174,010	\$ 77,110	\$ 42,406	\$ 6,138

FIGURE 3
TOWN OPERATING FUND AND RECREATION FUND BASE MODEL FINANCIAL FORECAST

	Actual FYE 2017	Budget FYE2018	Projected FYE 2018	Projected FYE 2019	Projected FYE 2020	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023
REVENUES								
Property Taxes								
Property Tax	6.08%	3.77%	4.99%	3.51%	4.00%	4.00%	3.50%	3.50%
Property Tax In Lieu Vehicle Lic. Fee	6.53%	3.61%	5.98%	2.99%	4.00%	4.00%	3.50%	3.50%
Property Tax - Excess ERAF Funds	23.35%	-18.07%	-11.24%	0.00%	0.00%	0.00%	0.00%	0.00%
Subtotal	7.43%	1.83%	3.62%	3.21%	3.71%	3.72%	3.26%	3.27%
Public Safety Tax								
	2.38%	2.11%	2.11%	3.00%	3.00%	2.50%	2.50%	2.50%
Other Taxes								
Business Licenses	-5.01%	-3.29%	-3.29%	0.00%	1.00%	1.00%	1.00%	1.00%
Sales Tax	34.92%	7.93%	7.93%	0.00%	3.00%	2.50%	2.50%	2.50%
Property Tax in Lieu of Sales Tax(3xflip)	-100.00%							
Franchise - Cable TV	7.07%	-3.03%	2.26%	3.45%	3.00%	2.50%	2.50%	2.50%
Franchise - Marin Sanitary Service	-2.16%	6.19%	5.02%	0.00%	3.00%	3.00%	3.00%	3.00%
Franchise - PG&E	6.49%	2.05%	2.05%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Property Transfer Tax	-35.85%	19.76%	19.76%	0.00%	1.00%	1.00%	1.00%	1.00%
Subtotal	-9.45%	6.19%	6.77%	0.54%	2.04%	1.89%	1.90%	1.91%
Intergovernmental Revenue								
Marin County Measure A Parks	1.51%	7.23%	0.92%	3.53%	1.00%	1.00%	1.00%	1.00%
Zero Waste Grant	24.05%	-100.00%	0.00%	#DIV/0!	-100.00%			
Homeowner Property Tax Relief	-0.94%	1.37%	0.55%	1.36%	0.00%	0.00%	0.00%	0.00%
Prop 172 1/2 Cent Sales Tax	2.74%	2.01%	2.01%	4.55%	3.00%	2.50%	2.50%	2.50%
State Mandated Cost Reimbursement	-100.00%							
State Vehicle License Fee	12.52%	-11.66%	0.00%	0.00%				
Subtotal	-3.83%	-10.69%	-0.63%	-10.71%	1.46%	1.28%	1.29%	1.30%
Investment Income and Rents								
Interest/Change in Value	7.53%	-21.32%	25.88%	0.00%	0.00%	0.00%	0.00%	0.00%
Rental Income - Cellular	1.43%	-0.14%	-0.14%	6.95%	0.00%	2.50%	2.50%	2.50%
Rental Income - Post Office	2.00%	2.00%	2.00%	7.51%	3.85%	3.50%	3.49%	3.51%
Rental Income - Residence					100.00%	1.00%	1.00%	1.00%
Subtotal	3.06%	-4.31%	6.94%	9.43%	5.33%	2.16%	2.18%	2.20%
Building Department Revenue								
Construction Penalties	-93.43%	9.45%	331.18%	-61.54%	0.00%	0.00%	0.00%	0.00%
Building Permits	6.17%	-8.45%	-5.72%	0.00%	3.00%	2.50%	2.50%	2.50%
Building - BSASRF & SMIP	-40.15%	9.62%	9.62%	0.00%	3.00%	2.50%	2.50%	2.50%
Resale Inspections	36.42%	-25.84%	-36.07%	0.00%	3.00%	2.50%	2.50%	2.50%
Fee Program Administration	-21.25%	-13.42%	-13.42%	10.00%	3.00%	2.50%	2.50%	2.50%
Records Management & Retention	-18.06%	-7.67%	3.87%	0.00%	0.00%	0.00%	0.00%	0.00%
Technology Surcharge Fees	-40.06%	-6.07%	-6.07%	5.56%	3.00%	2.50%	2.50%	2.50%
Subtotal	-6.75%	-8.93%	-5.90%	-0.12%	2.92%	2.43%	2.44%	2.44%
Public Works Revenue								
Earth Grading Permits	60.44%	-48.95%	-48.95%	0.00%	2.50%	2.50%	2.50%	2.50%
Encroachments	-34.47%	38.60%	-39.74%	20.00%	2.50%	2.50%	2.50%	2.50%
Subtotal	-32.68%	34.65%	-40.15%	19.23%	2.50%	2.50%	2.50%	2.50%
Planning								
Planning Application Fees	-9.49%	-9.24%	-24.89%	4.17%	3.00%	2.50%	2.50%	2.50%
Planning Construction Review	-11.31%	-45.92%	-45.92%	0.00%	3.00%	2.50%	2.50%	2.50%
Tree Removal Permits	4.84%	15.78%	-7.38%	12.50%	3.00%	2.50%	2.50%	2.50%
Subtotal	-9.05%	-16.60%	-28.88%	4.17%	3.00%	2.50%	2.50%	2.50%
Police Revenue								
	-10.37%	-28.06%	-22.65%	2.50%	3.00%	2.50%	2.50%	2.50%

FIGURE 3
TOWN OPERATING FUND AND RECREATION FUND BASE MODEL FINANCIAL FORECAST

	Actual FYE 2017	Budget FYE2018	Projected FYE 2018	Projected FYE 2019	Projected FYE 2020	Projected FYE 2021	Projected FYE 2022	Projected FYE 2023
Recreation Revenue	-18.04%	15.34%	15.34%	1.63%	3.00%	2.50%	2.50%	2.50%
Miscellaneous								
Contributions	-100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Miscellaneous	162.17%	71.51%	-42.83%	0.00%	0.00%	0.00%	0.00%	0.00%
Permits - Film	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Permits - Special Events	-74.20%	287.60%	287.60%	0.00%	0.00%	0.00%	0.00%	0.00%
Reimbursement for Town Costs	119.85%	-66.59%	-83.30%	0.00%	3.00%	2.50%	2.50%	2.50%
Subtotal	111.48%	-47.73%	-76.77%	0.00%	1.88%	1.58%	1.59%	1.61%
Total revenues before transfers in	-0.68%	1.50%	2.00%	2.72%	3.40%	3.10%	2.86%	2.87%
Transfers In from Legal Defense Fund								
Transfers In from General Plan Fund	100.00%	368.75%	368.75%	22.22%	9.09%	0.00%	0.00%	0.00%
Total Revenues	-0.79%	4.12%	2.45%	2.83%	3.44%	3.08%	2.84%	2.85%
EXPENSES								
Wages	9.59%	9.53%	9.83%	4.90%	4.00%	3.50%	3.50%	3.50%
Pension - Normal Cost	-2.31%	2.66%	1.91%	11.38%	8.45%	13.32%	3.50%	3.50%
Pension - Unfunded Liab. Cost	10.10%	36.10%	36.10%	56.15%	10.64%	16.89%	3.23%	3.12%
Medical	10.67%	6.45%	5.29%	13.77%	5.00%	5.00%	5.00%	5.00%
OPEB-Retiree Health Care	-44.97%	1.39%	-24.03%	-100.00%				
Employee Benefits - Other	-2.85%	20.04%	12.35%	4.89%	3.00%	2.50%	2.50%	2.50%
Subtotal	5.33%	11.10%	9.89%	8.01%	4.94%	5.60%	3.51%	3.50%
Outside Services	-25.59%	3.75%	1.38%	3.00%	3.00%	2.50%	2.50%	2.50%
Ross Valley Fire Department	5.74%	8.58%	8.47%	5.00%	4.50%	4.50%	4.00%	4.00%
Memberships & Organizations	0.43%	12.31%	2.06%	3.00%	3.00%	2.50%	2.50%	2.50%
Rent	18.64%	-7.00%	4.01%	3.00%	3.00%	2.50%	2.50%	2.50%
Repairs and Maintenance	22.04%	16.35%	20.10%	3.00%	3.00%	2.50%	2.50%	2.50%
Vehicles	-1.71%	12.50%	20.68%	3.00%	3.00%	2.50%	2.50%	2.50%
Insurance	9.41%	5.74%	1.83%	3.00%	3.00%	2.50%	2.50%	2.50%
Other (miscellaneous)	1.50%	24.45%	29.26%	3.00%	3.00%	2.50%	2.50%	2.50%
Debt Service (net of proceeds)	-97.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PERS UAL optional payments	-80.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PERS Arrears	100.00%	-100.00%	-100.00%					
Capital Exp pd with Op & Rec Funds	471.78%	78.65%	-1.70%	-69.57%	3.00%	2.50%	2.50%	2.50%
Subtotal	-19.89%	2.97%	0.65%	1.82%	3.53%	3.29%	3.08%	3.09%
Total expenses before transfers	-11.30%	6.26%	4.39%	4.46%	4.15%	4.32%	3.27%	3.27%
Transfers to Facilities & Equip Fund	1400.00%	6.67%	6.67%		3.00%	2.50%	2.50%	2.50%
Total Expenses	-7.03%	6.28%	4.50%	0.81%	4.14%	4.29%	3.26%	3.26%