

KEY GOALS FOR 2018-19

- Assess issues that will compromise the Town's long-term fiscal health, including unfunded pension and other post employment benefits (OPEB) and accrued leave payout
- Complete Town Hall Renovation Project
- Increase business outreach efforts and economic development
- Complete 5-year Capital Improvement Program
- Explore and apply for grant funds for Town infrastructure improvements and safety enhancements
- Continue to develop and offer more community-based and teen programs
- Complete cost of service study for planning, building and engineering fees

KEY ACCOMPLISHMENTS FOR 2017-18

- Prepared ballot initiatives for Transient Occupancy Tax for November 2018
- Received a clean audit for fiscal year ending June 30, 2017
- Implemented Reserve Police Officer Program
- Began conceptual design for the Serramonte/Collins Master Plan project
- Added Community Fair, Annual Holiday Tree Lighting, and Dia De Los Muertos Altar events



Town of Colma
1198 El Camino Real
Colma, CA 94014-3212

Phone: (650) 997-8300
Fax: (650) 997-8308
Website: www.colma.ca.gov

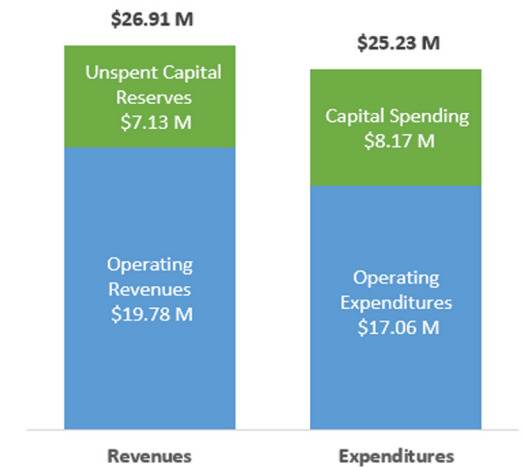
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BUDGET HIGHLIGHTS

The 2018-19 Adopted Budget continues to showcase the Town's financial strength and stability. The budget projects \$19.78 million in total revenues and \$17.06 million in operating spending, resulting in an operating surplus of \$2.72 million. Operating surplus is an important indicator of financial health. It means the Town is operating within its means.

In addition to the operating budget, the Town plans to invest \$8.17 million in capital improvements. These improvements include construction at Town Hall, Mission Road, and Sterling Park and plan development for Serramonte Boulevard/Collins Avenue, Roadway Network, and General Plan Update. Over 80 percent (\$7.13 million) of capital investments were funded in prior years. While the projects are in progress, the unspent funds are recorded in the Capital Improvement Fund.

2018-19 Adopted Budget

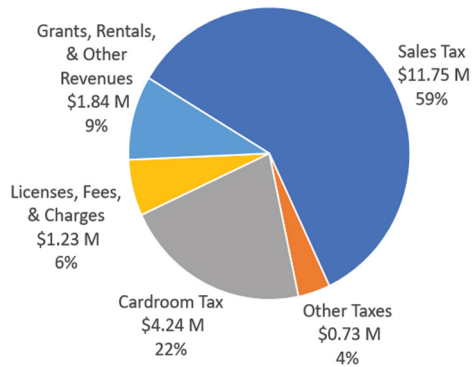


The projected ending reserve balance at June 30, 2019 is \$28.00 million, \$4.48 million less than last year as a result of capital spending.

REVENUES

The Town of Colma relies heavily on sales tax and cardroom tax revenues, with 81 percent of all revenues are from sales and cardroom taxes. The largest contributor of sales tax is the auto industry. This makes the Town's continued efforts to work with our local businesses vital to the financial strength of the organization. One of the goals directed by the City Council in 2018-19 is to setup workgroups with the Town's auto industry and cemetery industry, the two largest industries in Town. The goal of the workgroups is to maintain an open line of communication between the Town and the local businesses, improving services to residents and visitors.

**2018/19 Revenues for All Funds
(\$19.78 Million)**



The next largest category is Grants, Rentals & Other Revenues, which includes over \$1.0 million in street and local grants, \$300,000 in rental revenues and over \$300,000 in interest earnings. The \$1.0 million in street and road improvement grants, which are designated for two major capital projects, the Mission Road Improvements and Roadway Network Plan.

Of the \$1.23 million in Licenses, Fees, & Charges, \$820,000 is in sewer charges to offset the sewer treatment and conveyance cost of \$899,000 – paid to Daly City and South San Francisco.

EXPENDITURES

The total expenditure budget for 2018-19, including debt and capital spending, is \$25.23 million. As shown in the chart to the right, a third is in Salary & Wages and Benefits (\$10.21 million, in blue), a third in Capital Investment (\$8.17 million, in yellow), and the remaining in Supplies, Contracts, and Debt Services (\$7.51 million, in green).

SIGNIFICANT CHANGES

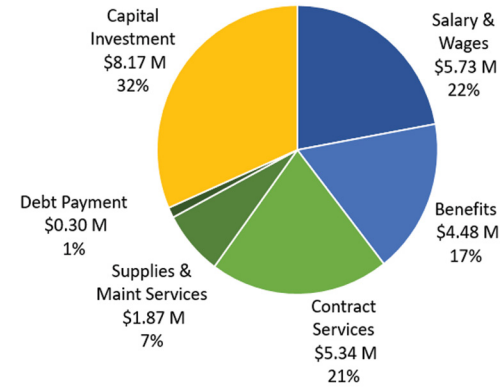
The 2018-19 budget is \$993,000 more than the anticipated spending in 2017-18. A majority of the increase is in Salary & Wages and Benefits (\$1.2 million) – \$335,000 is related to increases in post-employment cost, \$218,000 from staffing changes, \$391,000 for salary adjustment per 2016 Council action and \$156,000 for accrued leave payout from two anticipated retirements.

Staffing Changes

To better serve the community, the Town made the following staffing changes:

- Addition of an Administrative Technician in the City Manager's Office to process development permits, collect cash, and assist visitors to the new Town Hall Facility. This was performed by a contractor, who will be phased out.
- Addition of a Recreation Coordinator in the Recreation Department to offset the reallocation of the Administrative Services Director's focus to 100% in General Government functions.
- Addition of two Reserve Police Officers for succession planning and one part-time CSO to enhance parking enforcement.
- Reclassification of a full-time HR Manager to a part-time position.

**2018/19 Expenditures for All Funds
(\$25.23 Million)**



Post-Employment Benefits

In recent years, the Town's pension administrator, CalPERS, has begun moving to a more conservative approach in estimating their future pension obligations and in their expected investment returns. This resulted in dramatic increases in pension costs. To ensure financial stability, the City Council will discuss and consider a funding mechanism to address future post-employment liabilities in September 2018.

Other Changes in Excess of \$100,000

The second largest change in the 2018-19 expenditure budget is the reduction of \$621,000 in Capital investment (CIP). CIP covers the construction and maintenance of major projects and facilities. Unlike the operating budget, CIP spending may vary dramatically from year to year because it depends on the scope and nature of the project. For 2018-19, the reduction is attributed to the winding down of the Town Hall Improvement project, a \$17.5 million project.

Supplies & Maintenance Services increased by \$190,000 to account for a one-time security system upgrade, Façade improvements, and other minor repairs (\$111,000).

RESERVES AND FUTURE CHALLENGES

The 2018-19 Budget anticipates the General Fund Reserves to total \$24.8 million at June 30, 2019. This includes the Council's continuous commitment to set aside 100 percent of the operating expenditure budget into Budget Stabilization reserves. After parsing out the total reserves of \$24.8 million into various rainy day funds, the Town still has \$8.3 million available.

Similar to other cities in California, the Town is facing increased pension and other post retirement costs. The other post retirement costs include accrued leave payout and retiree medical coverage. The City Council remains vigilant and expressed interest in setting aside the \$8.3 million available General Fund reserve to combat future increases in these retirement costs.

“ After parsing out the total reserves of \$24.8 million into various rainy day funds, the Town still has \$8.3 million available ”

The City Council has also identified the importance of the local businesses to the stability of the Town's finances. As sales tax distribution changes as a result of increased online purchases and potential redistribution of sales tax methodology in the November 2018 ballot, Town engagement and partnership with local businesses is vital to our financial stability. One of the goals in 2018-19 is to better partner with local businesses through workgroups and individual meetings.