

## **Town Manager's Budget Message**

**Date: June 3, 2007**

**TO: Mayor Steve Culleton and Members of the Town Council FROM:  
Charles L. Rough, Jr., Town Manager** 

**SUBJECT: SUBMITTAL OF THE PROPOSED FISCAL YEAR  
2007/08 BUDGET**

### **Introduction**

The proposed Fiscal Year 2007/08 Budget is respectfully submitted for your review and consideration.

Despite the looming state budget crisis, this represents the second year that I can report to you that there does not appear at this writing to be any state planned assault on local government revenues. Of course, this is largely due to the successful passage of Proposition 1A.

This protection for local government revenues has allowed our own Town organization over the last year, (and including in this new proposed fiscal year budget) to begin in a very slow, methodical, determined manner to rebuild, restore and yes, actually in some very measurable ways to advance our Town organization - which will in the final analysis reap big benefits for our community.

However, our attempt to rebuild, to restore, as well as to advance this municipal services organization will in all probability take several more years to achieve, if not longer. Climbing out of a deep financial hole such as the one our Town experienced over the four-year period of sustained state cutbacks left the organization a mere skeleton of itself, both in terms of staffing, resources, and programs; and this means that any recovery will not happen overnight.

Our primary reason for having to take this more incremental approach is financial, and of course, this leads to a series of real, as well as possible, challenges that we face this next fiscal year (and perhaps beyond). They are summarized as follows:

- The impact of the continuing housing slowdown and rising gas prices on our local economy, and a projected flattening in property tax and sales tax revenues to the general fund, as well as building permit fee related income to the Development Services Enterprise Fund

## Town Manager's Budget Message

-2

- The rate of revenue growth to the general fund is inadequate to meet the needs and service demands on the expense side (especially as it relates to public safety and the general fund having to take on more cost responsibility from the Gas Tax Fund)
- The continuing Gas Tax Fund deficit, both actual and projected
- The cost impact from the second year of our current contracts with employees
- The lack of adequate funding for streets and roads reconstruction and resurfacing;  
and the increasing difficulty in finding adequate local matching funds for federal or state transportation/streets-related grants that might benefit our community
- The need for additional funding to sustain a full-service, adequately staffed Onsite Waste Management Services Division (which in the final analysis saves residents and businesses huge costs by maintaining a well respected and managed onsite management system)
- The need to establish a permanent replacement for Fire Station #3
- Further delays relative to the development of the approved Skyway Plaza Shopping Center
- The need to initiate the multi-year revision of our 1994 General Plan

While there is no current state planned assault on local government revenues, the state has since 1994 taken at least \$ 3.8 million of our Town's property tax revenues through what is commonly referred to as the ERAF property tax shift in order to pay for Proposition 98 educational funding mandates. This arbitrary take away each year from the state has only further exacerbated the tenuous financial situation that our Town has faced since incorporation. Certainly these lost revenues would have made the difference in terms of our past, as well as present financial situation - especially with respect to funding for public safety and streets-related improvements. In addition, over \$ 2.244 million in state transportation funds that were meant for Paradise, and which would have been spent exclusively on streets and roads improvements, were also arbitrarily appropriated by the state to apply towards their continual state budget deficit problems.

This last year, despite our many challenges (some new, some continual), we did make considerable progress on a number of fronts.

**From an organizational perspective,** we significantly reorganized the Town Manager's Department, successfully transitioned from the retirement of former Fire Chief Jim Broshears to the appointment of Acting Fire Chief Mark Haunschild and a new

## Town Manager's Budget Message

-3

management team for the fire department, hired a number of new employees who added considerable skill, talent and expertise throughout the organization, completed approval of contracts with all employee groups, hired our new Onsite Sanitary Official and Building Official, approved 2 over-hires (police officer & dispatcher) in the police department to expedite hiring and training of the positions, retained the contracted services of our former fire chief to serve as our EOC Coordinator, successfully implemented the police cadet training/sponsorship program, added another firefighter position, ordered the production of a new fire engine, computerized the agenda preparation and distribution process, completed the physical transfer of the Emergency Operations Center to Town Hall, and implemented a number of technological upgrades to both the Emergency Operations Center and Town Council Chambers, completed the implementation of the new finance and accounting software program (exclusive of Human Resources), awarded the contract for the purchase and installation of the municipal permitting software, and approved the upgrade of the Town's Geographical Information System (GIS), and opening Town Hall on Fridays for a limited number of hours.

**From a facilities improvements perspective,** we completed the mold remediation project at the police department, improved the air conditioning/cooling system in the computer server room at Town Hall, completed (at staff level) the analysis and evaluation of options concerning the replacement of Fire Station #3 which will be presented to Council at your budget review session, completed the technical upgrades to the Council Chambers/EOC Center, and with the help of volunteers (including the Mayor and Vice-Mayor) completed the conversion and remodel of the Town Hall conference room into needed administrative offices, and a smaller meeting room.

**From a financial perspective,** we established direct billing of our onsite wastewater annual operating permit fee through the County property tax collection process to ensure that we are receiving maximum collections for this fee-based service and to reduce any potential for bad debts, issued pension obligation bonds to reduce the Town's unfunded liability through PERS, revised the Master Fee Schedule to better align it with actual costs of providing specialized fee-based services, increased the franchise fee through the new solid waste franchising process to correspond with increased franchise enforcement and compliance monitoring, continued the General Fund's payments to the Development Services Fund to pay back the loans it took from the Development Services Fund during the period of state cutbacks; and the Paradise Redevelopment Agency paid back the third advance loan it had received from the General Fund netting the General Fund an additional \$ 6,500 in interest earnings.

## Town Manager's Budget Message

-4

**From a policies, programs and projects perspective,** we completed the first new refuse franchising process in 10 years resulting in a franchise agreement with a new hauler that provides a much broader range of services for our residents and businesses, including curbside recycling and waste diversion, initiated the Municipal Services Review study through Quad-Knopf, that will be essential for future annexations, adopted the goals and objectives for the Southeast Paradise Area Specific Plan; approved a prorated shared financing agreement for the Specific Plan's process, studies, etc., with Sierra Preservation Partners, approved the retention of a consultant for the formation of Mello-Roos CSD's to be paid by the respective development, adopted elements to the Housing Element of the 1994 General Plan and received state certification of the Housing Element, adopted a revised policy for military leave benefits, approved a Town Council/Youth Council mentoring program, completed and dedicated the new Paradise Community Park, approved a City flag design after conducting a community flag design contest, and approved rules, regulations and rental rates for the park, approved and awarded the contract for the Pearson Road Downtown Street and Streetscaping Project (north side), and authorized the Town Manager to form a Town Community Civic Center Planning Task Force.

The proposed FY 2007/08 Budget reflects the overall goals of the Town Council as determined during the Council's annual goal setting held earlier this year, as well as attempts to take into account many of the issues identified by individual council members during that same session. Equally as important, the proposed budget, through its programs and projects, continues to carry forward with the overriding direction that the Town has been pursuing for the last 10+ years.

The proposed budget also continues to deal with the reality of the significant transition taking place in our organization as a result of the baby boomer generation retirements, which include but are not limited to different generational attitudes towards work and longevity with an employer, the need to establish a strong second level of management and supervision throughout every department to ensure a smooth orderly transition (and inherited historical perspective) into the future, and the need to bolster training, retention and upward mobility opportunities within the organization.

Besides merit increases where applicable, the final cost-of-living adjustment under the current contracts with our employees takes place July 1, 2007. As the Council will recall, the employees are entitled to a COL increase at 5% or below depending on the CPI. Based on our calculations we are estimating that the COL adjustment will be 3%.

## **Town Manager's Budget Message**

-5

Our proposed budget recommends that this next year we begin what will be a multi-year general plan revision process spread over several years. The actual cost of this first phase is estimated to be \$ 78,000. It will be completely funded by General Plan fees that we have collected to date (so that the general fund is not impacted this next fiscal year). However, we are also proposing a slightly different, more cost effective approach to our overall general plan revision process, which we initially introduced during your goals setting session and that we will more fully explain during your budget review session.

The proposed budget includes the recommended establishment of an Assistant Public Works Director position. This proposed position is intended to provide our Public Works Director/Town Engineer with the strong secondary level of management, administration and oversight that he lacks and needs to adequately oversee both the engineering, streets (and parks) maintenance divisions. Furthermore, all facility service contracts (i.e. telephone, janitorial heating/air conditioning, security alarm, etc.) and general maintenance and repair responsibilities will be consolidated under the management and supervision of this position.

In terms of new employees, this proposed budget includes the addition of a CDD planning technician position (effective October 1, 2007) that is critical as we begin our general plan revision process and to allow our planners more of a focus on advance planning, one additional police officer (already approved as an over hire), one field community service officer (effective April 1, 2008), one additional part-time office assistant for the fire department, a part-time office assistant for dog licensing (funded by the Animal Control & Shelter Enterprise Fund), 2 part-time fire prevention inspectors in the fire department (grant funded), a full-time housing coordinator position (funded by CDBG & HOME), and one additional full-time Public Works Maintenance I position. In recognition of the important day-to-day operations management role that the Assistant Town Manager is now performing, the budget also includes the establishment of a salary range for the Assistant Town Manager position situated between the Town Manager and Police/Fire Chief positions.

As the Town Council is aware, the Town maintained the high school resource officer program six months beyond the end of the grant funding in order to provide the program through the end of the school year. The PUSD has submitted another grant application to reinstate the partially grant-funded high school resource officer program starting next year, and PUSD has even included in the same grant application a community service officer to serve in a similar capacity at the intermediate and elementary schools level. However, until we know if the grant application will be approved (sometime in late summer), we have elected not to include anything relative to the two school resource officer programs in the budget.

## **Town Manager's Budget Message**

-6

This next fiscal year will also see the delivery of the fire engine replacement that we ordered this fiscal year, and the replacement of six police patrol officer assigned vehicles (funded on a lease purchase basis through the State COPS grant).

In terms of our Town capital improvement projects slated for this next fiscal year, we face another year of highly beneficial projects for our community. These include the Pearson Road Downtown street and streetscaping improvements on the north side that will run from Black Olive to Skyway, the Skyway/Wagstaff signalization, and an overlay for Clark Road, from Wagstaff to Forest Service Road. However, it should be noted that irrespective of redevelopment, the Town is scraping the bottom of the barrel in terms of finding available funds for streets and road projects.

Furthermore, it should be noted that this proposed budget contains no funding for the replacement of Fire Station #3 at this time. The comparative analysis of the various options will be part of our presentation during your budget review session. Your decision following that presentation will dictate the phased manner in which we ultimately achieve a permanent fire station facility, and generate the funding necessary for each phase. (Please note: the Town Council during the June 20 Budget session supported the staff's recommendation to construct in a phased approach a new fire station adjacent to the Cal-Fire fire station on Forest Drive that includes an eventual road connection through to Skyway).

Finally, some comments about several additional items that are either deferred until we get further into the new budget year, and were treated as off-budget until we better know the actual costs involved.

As I indicated at the goal setting session, I had planned to propose the establishment of a 28-32 hour per week purchasing coordinator that would work out of the finance department. This position, which has been a long time goal of mine, would assist with my objective to centralize the purchasing process throughout the organization, take advantage of more purchasing consortiums and pools than we currently utilize to secure better pricing on a whole range of goods, materials, technology, and equipment, and coordinate with accounts payable and our departments to ensure that we are taking full and complete advantage of all vendor discounts that are available to us by paying within a certain time bills are due. While I believe that this position would over time pay for itself through the greater efficiencies and cost savings it would generate, I am deferring any proposal to establish the position until we are able to get a sense of our financial situation by mid-year. In the meantime, I plan on implementing some internal procedures to ensure some further improvements in our purchasing process.

## **Town Manager's Budget Message**

-7-

The other item has to do with the planning, assessment and evaluation effort for the new Town Community Civic Center that will get under way full steam with the community task force that I've formed after I return from vacation. I've purposely refrained from identifying any cost in the proposed budget, because at this point I don't have a good idea how much of the expertise needed to get us to our first preliminary report to the Council by December, 2007 will be contributed. I do know that a great deal of the effort associated with basic research and needs assessments will be done with existing staff as well as community volunteered resources.

### **Current Fiscal Year 2006/07 Budget Overview**

We anticipate that the **total current Fiscal Year 2006/07 Budget** expenditures will amount to \$ 18,237,954 (not including RDA), which is \$ 3,335,479 less than what was projected in this current year's budget.

The Town went into this current fiscal year estimating a \$ 318,972 general fund operational deficit by this June 30, 2007 (reduced to \$ 237,514 when applying the previous year's positive ending balance carryover). However, the good news is that we estimate that the general fund will conclude the current fiscal year with a \$ 89,421 positive ending balance. The first year savings from the public financing of our pension obligation liability through PERS played a central role in this positive outcome.

We anticipate that total general fund revenues (before transfers in) for the current budget year 06/07 will amount to \$ 9,602,620, which is \$ 447,247 more than the previous year.

Total general fund expenditures (before transfers out) are expected to amount to \$ 9,787,897 which represents an increase of \$ 748,676 over the previous year.

### **Fiscal Year 2007/08 Budget Overview**

#### ***Total Budget:***

The total proposed budget for Fiscal Year 2007/08 is \$ 19,360,354 (excluding RDA). The total proposed budget includes \$ 3,493,767 in non-RDA Town capital improvement projects.

It is estimated that by June 30, 2008 the total Town budget's overall positive ending balance will amount to \$ 3,461,543.

## **Town Manager's Budget Message**

**-8**

### ***Personnel:***

Total Town of Paradise personnel (wages and benefits) costs in all funds for the proposed FY 07/08 Budget, excluding redevelopment, amounts to \$ 10,203,175, or 64.7% of the Town's total operating budget (excluding appropriations for capital improvement projects. Last year's percentage of total budget was 63%.

Personnel costs in the general fund amount to \$ 8,286,627, which represents 81.2% of all personnel costs in Town funds (excluding redevelopment). Personnel costs account for 78.4% of all projected general fund expenditures in this proposed budget, and is significantly lower than previous year's primarily due to the savings achieved through the pension obligation bonds (which reduces significantly in FY 08/09).

The proposed budget reflects an increase in the total number of full time equivalent personnel from 97 in 06/07 to 102 in 07/08. Besides the additional personnel noted earlier in this budget message, we are adding 2 hours per week for each of the two part-time financial services clerks in Finance (from 28 to 30 hrs/wk) and 4 hours per week (from 24 to 28 hrs/wk) for the Administrative Assistant HI in Human Resources.

Approximately, 77.10, or 76.3% of all full-time equivalent employees in the Town are funded through the general fund. Public safety, which numbers 65.9 of the full-time equivalent employees funded through the general fund accounts for 82 % of the general fund's total personnel costs. The most significant growth in additional new employees in recent years has taken place in the police department.

### ***FY 2007/08 General Fund Revenues:***

Actual general fund revenues for FY 2007/08 are conservatively estimated at \$ 9,910,043 (before transfers in), which represents a 3% increase in revenues over the previous year, and reflects those anticipated impacts that we project from the housing slowdown. For example, we are only projecting 4% growth in property tax revenues (down from 6-7% averages in recent years) which is the level of growth we experienced prior to the rapid escalation in housing prices. We are also estimating, based on projections from HDL, our sales tax auditors, a leveling off in sales tax growth during this slow period. Motor vehicle fees continue to show steady, incremental growth from one year to another. However, TOT tax revenues have definitely hit a ceiling in terms of growth potential with the current number of rooms (and quality rooms for tourists) available for lodging in town. Franchise fee income continues to show steady growth.

## Town Manager's Budget Message

-9

We have been very conservative in our estimate of the impact that will accrue to the Town from an additional 2% franchise fee from the new refuse hauler. Transfers in to the general fund account for additional income of \$ 477,827 which brings the total projected general fund revenues/income for 07/08 to \$ 10,387,870.

### *FY2007/08 General Fund Expenditures:*

The general fund expenditures for FY 2007/08 are \$ 10,640,519 (including transfers out). Besides operational expenses, general fund expenditures include another repayment to the Development Services Fund for the internal loans that the Development Fund provided the Town during our period of state cutbacks. The general fund also takes on more of our engineering personnel costs in order to reduce the Gas Tax Fund deficit, and absorbs more of the cost of the fire marshal position in our efforts to reduce the personnel costs in the Development Services Fund. The general fund also incurs the first year of the lease payment on the new fire engine. In addition, the general fund carries the majority of the annual financed costs associated with our computer hardware, finance and accounting and municipal services permitting software upgrades that we've purchased in the last several years.

Despite the flattening of the gross TOT revenues over the last several years, we are recommending slight increases over the previous year in the TOT allocation to the Paradise Chamber of Commerce's Tourist/Visitors Bureau, the Gold Nugget Museum and the Paradise Performing Arts Center. In the case of the Chamber's Tourist/Visitors /site, our proposed increase of \$ 4,187 was included as our contribution towards their Highway 70 tourism billboard. (Please Note: The Town Council at their budget session appropriated an additional \$ 1,400 in TOT funds to the Chamber's billboard on Hwy 70).

This proposed general fund budget includes a projected \$ 252,650 operational deficit, and a projected, positive ending fund balance of \$ 1,115,178 (including reserves). We believe that this operational deficit is manageable particularly in light of our conservative revenue estimates. However, just as we have done during the last several years in the form of periodic budget review sessions, we'll closely monitor how we are trending in terms of revenues (and control of expenses) in October, and again at the mid-year point of the fiscal year. Despite the projected deficit we are incrementally restoring our general fund reserve to an acceptable level. It is our goal to rebuild our reserves to 15% of the total general fund (the level recommended by our auditors) in order to adequately respond to unanticipated downturns in our local economy and tax base, emergencies, or to be able to adequately fund the pay-out of accumulated vacation, sick leave, etc, when an employee leaves or retires. The value and wisdom of maintaining such a level of

## Town Manager's Budget Message

-10

reserves was brought home to us during the four years of state cutbacks. If it hadn't been for those reserves we would have faced much more dire consequences in terms of personnel, programs and services.

### Major Enterprise Funds

#### *Development Services Fund:*

Over this last year we have seen a significant reduction in the number of building permits for single family residential and residential additions/remodels, which we believe reflects the slowing down of the housing market, the tightening of the finance market, and increased costs of building materials. The uncertainty over gas prices also plays a big role in this slowdown.

In fact, we believe that the overall volume of building permitting activity will be 15-20% less than the current fiscal year, and even commercial building permitting activity which has been our salvation this last year is expected to drop by 25-30% this next year.

With respect to the slowdown, we have held off the hiring of an in-house plan checker and curtailed the need for very much outside plan checking because of the plan checking skills and experience of our new Building Official (who caught us up on plan checking in short order after coming on board). We have also reduced some of the personnel allocations assigned to this fund, and shifted the 40% of the fire marshal's salary and wages that were allocated to this fund back to the general fund. Also, as a result of the last Master Fee Schedule revision, this fund's fees have been increased an average 10-12%.

The Building Division, which receives a great deal of praise from the building community, is also in the process of implementing a number of streamlined, over-the-counter permit processes, as well as reviewing for future proposals to Council various incentives that would encourage a more "greens" approach to building in Paradise.

Due to the slowdown, it is projected that this Fund will complete this next fiscal year with a \$ 58,912 positive fund balance - the lowest fund balance in a number of years. However, it should also be noted that the Development Services Fund is still due for the remaining balances (\$ 374,000) on the loans it provided the general fund.

## **Town Manager's Budget Message**

**-11**

### ***Onsite Waste Management Fund:***

Despite the regular ongoing septic inspection, evaluation and pumping activities, we believe the housing slowdown will have some impact on our Onsite Enterprise Fund. Also, our annual operating permit fee income which is now collected through the property taxes will be leveling off to its regular \$ 150-158,000 range after several years of concerted, successful efforts to collect from septic owners that had not paid for multiple years. Therefore overall revenues, even with the recent Master Fee Schedule increases, are not sufficient to fund an important regulatory and oversight program operation that protects our environment, residents and businesses. In fact, we project a positive ending fund balance of only \$ 6,688.

Therefore, because revenues are not adequate for the type of oversight and monitoring we do and for the additional measures (in terms of groundwater monitoring, etc.) that we should be performing; and because the annual operating permit fee of \$ 14.40 hasn't been changed since it was adopted in 1995 despite increased costs of operation; we will be coming back to the Council early in the fiscal year with a proposal to consider an increase to the \$ 14.40 per year annual operating permit fee for septic owners in our community.

### ***Animal Control Fund:***

In recent years, we have experienced a continuing reduction in dog licensing income. We also are aware that while a number of dog owners have their dogs vaccinated, they do not get their dogs licensed through the town.

Our major proposed change affecting this Fund for the next year is to address this problem. First, we are proposing to shift the responsibility for the dog licensing program and its management from finance to our animal control and shelter operations (licenses could still be purchased in finance), hire a part-time animal licensing clerk that would work out of the shelter and in closer coordination with the enforcement arm of our animal control staff; review our current licensing period options for dog owners, and arrange with 3-4 vets initially to make available dog licensing on site for their "dog" owner/clients when they bring their dogs in to be vaccinated. The participating vets would be allowed to collect an administrative fee. We believe this two-fold approach would result in more dogs being licensed as well as an increase in dog licensing income to this fund.

The fund also includes some one-time purchases of software and a field laptop to assist in setting up this program with the vets and to enhance our animal control enforcement operations.

## **Town Manager's Budget Message**

-12

### **Redevelopment & Revitalization**

This current year was a major year of accomplishment for our relatively new agency with the construction, completion and dedication of Paradise Community Park. The completion and opening of this new park in our Downtown demonstrated in a very tangible manner to our community the huge difference that a redevelopment funded revitalization project can make in turning around an area that was physically blighted and neglected. This park has already breathed new life and vitality into our Downtown, and we haven't even scratched the surface in terms of the revitalization projects that will ultimately take place in the Downtown.

This last year saw the Agency make great strides in its outreach to the business community, the recruitment of more participating businesses in our various business assistance programs (many of which are now in the pipeline), the recruitment of a business outside our community, the potential commercial development of our Agency-owned property located at Black Olive and Birch, our developing a more cooperative, close working partnership with the Chamber, and our support for the new Paradise Downtown Merchants Association.

This next fiscal year, in all probability, the Agency will be financing the Agency's first actual bond issue, which will retire the debt we owe on our first two tax allocation notes, as well as provide some additional money for our proposed non-housing programs and projects, and for housing programs and projects.

The major non-housing projects this next fiscal year will be the Skyway/Foster Streetscape project scheduled for this summer, the Jefford's exterior facade renovation project also scheduled for this summer, a private commercial development at the Black Olive/Birch St property, and the groundwater monitoring on the potential site for our Downtown clustered wastewater septic system.

Also, this next year we anticipate more commercial facade renovations, some additional business expansions, recruitments, revocations and start-ups, not to mention increasing numbers of replacements of non-conforming signs and portable signs.

In addition, the Agency and the RDA Citizens Advisory Committee will be developing with consultant assistance a master street, streetscape, traffic calming and infrastructure design plan for the Downtown that will serve as our template for our future Downtown improvement projects. This should correspond nicely with the BCAG funded lower Skyway study that they will be doing in terms of traffic and traffic calming analysis.

## **Town Manager's Budget Message**

-13

An agreement between the Town and the Paradise Community Village is in the process of being currently developed for your consideration, in which the \$ 300,000 in RDA housing funds that the Agency pledged in the FY 2006/07 budget can be turned over to Paradise Community Village to help them defray their housing-related expenses associated with the Youth for Change/CHIP affordable housing project that we have supported from its inception.

### **Concluding Comments**

During this administration, the Town has secured two major sources of new funds and revenues to enable this Town to support a number of programs, projects and projects that it ordinarily could not afford to fund under its limited financial resources.

The first is the result of our aggressive pursuit of federal and state grants to support a myriad of housing, public safety, transportation, and other programs and projects (which to date is in excess of \$35 million). These grants, sometimes with a local match requirement, have enabled us to provide a variety of programs and services, as well as accomplish various projects that otherwise would have been impossible to achieve within our existing fiscal constraints. In some cases, they have relieved the general fund of certain personnel or equipment costs over a short or long period of time (ex. housing assistance and rehab programs, vehicle abatement, school resource officer program, traffic safety officer, fire prevention inspection, police vehicle purchases, etc.). However, for the most part these grants, and their prescribed uses are very restricted.

The second major infusion of new revenues and movies to our Town is redevelopment. Redevelopment represents a gain in excess of \$ 200 million+ in direct revenues (i.e. property tax increment) to the Town over its 45-year life, and indirectly over the long term millions more in additional property and sales tax revenues, and building permit and development fees. Besides carrying out its primary mission of eliminating economic and physical blight, redevelopment, through the allocation of Town personnel involved in redevelopment, has helped free up more of the general fund to be expended towards public safety, and this next year - to support engineering operations (at a time when the Gas Tax Fund is struggling financially).

Over its life, redevelopment will also take the burden of needed infrastructure improvements in the Redevelopment Project Area off the financial shoulders of the Town, and allow the town to focus its very limited capital improvement funding on the infrastructure needs existing elsewhere in our community.

## Town Manager's Budget Message

-14

However, even with redevelopment taking on most of the funding responsibility for the needed infrastructure improvements in the RDA Project Area, there is just not enough locally generated gas tax or street-related funding, or available federal and state transportation funding (in the short or long term) to adequately address our Town's significantly deteriorating streets and roads conditions (or to address the need for more pedestrian sidewalks). It is estimated that only 16.6 street miles out of the 100 public street miles that the Town is responsible for maintaining, are in very good or excellent condition (meaning that they need no maintenance at this time). Another estimated 50 public street miles are rated in good condition but require a range of variety of maintenance efforts. For example, a 20 foot roadway, in reasonable shape (not requiring full reconstruction) will cost approximately \$ 250,000 per street mile to install a <sup>3</sup>/<sub>4</sub> leveling course, a 2 inch overlay, re-stripe with thermoplastic pavement markings and reflective markers, and install shoulder backing. The balance of our public street miles are in bad or very poor condition. Many of these street miles require complete reconstruction, which is even more costly in terms of cost per mile.

By no means is this a situation unique to Paradise but one that is indicative of the trend towards the conditions of highways, streets and roads throughout this state quickly reaching "third world" status. However, if we are looking to Sacramento for a solution we're wasting our time. The recently voter approved "infrastructure" package was not only widely viewed before the election as being a "drop in the bucket" towards meeting the state's deferred and unmet needs for improved highways, streets and roads, but the amount of money that Paradise will get under Proposition 1B is supposedly \$ 840,000. We will receive an initial \$ 400,000 during 07/08 but the balance will be spread out over a number of years which has a negligible effect when trying to accumulate the huge sums of money necessary for a streets-related improvement project.

The Pavement Management Study which is included in this proposed budget will precisely measure and quantify how far behind we are in terms of our own street and roads maintenance effort, and will undoubtedly drive the message home loud and clear about the millions of dollars that Paradise needs in order to adequately restore and/or rebuild many of the poorly structured streets and roads that we inherited from the county. Our own "guesstimate" is \$ 100 million. The unfortunate result of the study is that it will lay out the problem in very real, definable terms, but it won't contain any magic bullet solution.

## Town Manager's Budget Message

-15

The other major funding challenge besides streets and roads is public safety. While public safety takes the lion's share of the general fund, and is historically the single largest expenditure in the Town budget, there is still not enough revenue generated to really afford the levels of current staffing, or to provide the levels of staffing, resources, facilities or equipment needed in both the police and fire departments to adequately serve a community of our size. In fact, the property taxes that the Town receives, pays for only 47% of the police and fire department budgets.

Public safety operations by their very nature of being 24/7 operations are personnel cost intensive. A single, entry-level police patrol position costs on average \$ 76,500 per year in salary and benefits. A single, entry-level firefighter costs on average \$ 75,000 annually.

There is a long overdue need, from a standards, safety and fire response perspective in the fire department to establish 3-person engine crews rather than to continue to rely on 2-person engine crews. With 3-person engine crews there is no delay in arriving on the scene of a fire incident, and immediately, as well as safely, initiating appropriate suppression and (and if the need calls for it) rescue procedures associated with entering a burning structure. When our current 2-person engine crews arrive on a scene they cannot from both an operational and safety perspective enter a structure until additional fire units, or fire volunteers have arrived to assist them. This has the potential of causing unnecessary delays as well as posing serious risk to life and property if other fire engine units are committed elsewhere, and/or there are not adequate numbers of fire volunteers available for that particular incident. While our fire department has to date an excellent record in terms of fire response, and saving significant amounts of property from fire loss per year, this band-aid approach that we have been forced to use is not the approach we should be employing for a community of our size (i.e. population, property assets and geographic size), or that faces the uniquely serious fire danger that we live with each fire season on the Ridge. However, going to 3-person engine crews would require hiring 8-9 additional firefighters.

In addition, our Town faces an expensive proposition in terms of the replacement of Fire Station #3. While the alternative of building a permanent fire station facility adjacent to the Cal-Fire station on Forest Service Road is viewed by Town Council and our Fire Department as the preferred, more cost-effective course, and will provide in the long run better access to that part of our community, as well as provide significantly more room for operations, it will still be expensive. It is estimated that the cost for both facility

## Town Manager's Budget Message

-16

(living quarters, engine bays, etc.) and road connection improvements will be roughly \$2.5 million. This cost would be somewhat offset by the sale of the current Fire Station #3 property, however, the balance of the cost for replacing Fire Station #3 will have to be borne primarily from a general fund that is already struggling to make ends meet, as well as burdened with huge costs associated with providing public safety for our community. Finally, for the continued safety of our community, we are going to need to initiate an aggressive fire break maintenance program to protect and preserve the grant-funded fire breaks we have already established, as well as to initiate a vegetative fuel reduction program along the Memorial Trailway.

Likewise, the police department needs at least 3 more sworn officers and a second field community service officer to assist in investigations, traffic enforcement, prisoner transport, and gang prevention, etc., not to mention having sufficient sworn personnel on board during retirements, employee turnover, injuries, vacations and illnesses. Currently, gang activity in Chico is increasing. It is vitally important for the continued quality of our community that we establish in the near future a gang prevention unit in the police department to ensure that such activity in the valley does not either get imported or established in Paradise.

The no-tax alternative to most, if not all of these challenges, was the development of the Skyway Plaza Shopping Center, and the increased tax base that would result for the Town.

While the shopping center was never viewed as the panacea for all of our infrastructure or public safety needs, it was viewed as increasing general fund revenues to such a level that we could have shifted more of our public works streets maintenance costs from the Gas Tax Fund back to the General Fund (such as it was pre-1994), and freed-up the limited gas tax funding that we receive for actual streets and roads improvements. Similarly, the increased general fund revenues from the shopping center was also viewed as providing police and fire with the funding necessary to meet most, if not all, of their additional staffing, resource, facility and equipment needs.

However, the delays to the development of the shopping center due to the lawsuit by Save Our Gateway, and the loss of the additional general fund revenues that we would have been collecting by this point in time brings these funding challenges and needs to the forefront where a decision by our policy makers needs to be made - one way or the other.

## **Town Manager's Budget Message**

**-17**

Even if the proposed shopping center does eventually get approved by the Town, we are not realistically looking at a shopping center fully constructed and operational for another two years. Then, there is always the possibility that the proposed shopping center might get further enveloped in legal challenges that further delay the project. In other words, under present circumstances, unfortunately, we can't rely on the proposed shopping center as the means by which secure the additional funding we need to address streets and roads, or public safety needs in Paradise.

Therefore, it means that we have a duty and obligation (to our community) to bring this issue of inadequate funding for police and fire protection, and decent, drivable streets and roads to our citizens, and to find out what their opinion or preferences are on these important issues.

In other words, it would be helpful for us to know what level of public safety protection and streets and roads improvements our citizens would prefer; and furthermore, if they would be willing to pay through a  $\frac{1}{4}$  or  $\frac{1}{2}$  percent sales tax increase (county-wide or in Paradise only) for this additional police and fire protection, or improved street and roads, or both. At the very least, our citizens-especially prospective voters - should be professionally surveyed as to their thoughts and opinions on this issue.

Now, I am personally opposed to the idea of additional taxation, both as a taxpayer and public servant, especially for public agencies (federal, state or local) that have perpetuated bloated, empire-building bureaucracies, conducted themselves in an irresponsible and wasteful manner in their spending of taxpayer dollars, and possess a record of failing to carry out the promises that they made with respect to voter approved ballot propositions or tax measures. However, I also believe that taxation is necessary by government when all other responsible means to secure necessary funding have been attempted, or there are simply not sufficient funds to sustain a community, state or nations' basic quality of life.

In our case, we have proven to be a highly responsible, proactive, productive, effective and responsive Town government that above all else has kept its promises. We certainly have never been, nor seek to be a bloated, empire-building bureaucracy. In fact, among cities of our size, we have one of the lowest ratios of public employees to population (per capita) served in Northern California. In other words, we are a lean organization and have no plans to change that approach to municipal governance. In fact, we have a well documented record of accomplishing with fewer employees what it takes greater numbers of employees in other jurisdictions to achieve.

## Town Manager's Budget Message

-18

We have responsibly managed the Town fiscally in order to maintain its continued fiscal solvency and financial stability, especially during major financial setbacks such as the four years of state cutbacks that we experienced. Most importantly, we have kept our promises to the voters on several, recent voter-approved ballot measures - whether it was on redevelopment, the increase in the TOT bed tax, or the animal control/shelter parcel tax.

We are certainly not alone. Many other local government jurisdictions in Butte County face the same problem - the need for a funding source that will allow them to address inadequate public safety staffing levels and equipment, as well as deteriorating streets and roads.

Therefore, as part of an exploratory effort only, I intend to hold a meeting with the county and other cities in Butte County to discuss the possibility of a countywide  $\frac{1}{2}$  percent sales tax, with  $\frac{1}{4}$  percent going towards streets and roads, and the other  $\frac{1}{4}$  percent allocated for public safety. However, even if strong county-wide support among the political leadership, public safety, public works, and business organizations, etc., is lacking, at the very least our citizens should be given an opportunity to let us know what type of community they want in terms of future public safety protection, and streets and roads improvements. We clearly intend to make it well known to our community during this discussion the specific streets and road improvements that would be funded by the proceeds of a proposed the sales tax increase. Likewise, we would highly publicize the additional public safety staffing and resources that would be funded through its portion of the sales tax increase proceeds.

We will strive to complete our exploratory research, analysis and evaluation (of the pros and cons) for Town Council review, discussion, and consideration well before the deadline for placing a ballot measure on the February, 2008 primary. It is imperative that we know one way or another from the voters on this issue by February at the latest, so that we can plan for whatever outcome in the 08/09 Budget-which promises to be a tough year unless things pick-up and turn around. At the very least a tax measure will allow the citizens of our communities to tell us what they are willing, or not willing to support, and what level of public safety protection or maintenance and care of our public roads they prefer.

## **Town Manager's Budget Message**

### *Special Acknowledgements:*

**-19**

A budget is not just a series of numbers, nor just an exercise in number -crunching. It is a documented program and plan that if done right is also a statement of our prevailing community values, and tells a coherent story of issues, challenges and priorities.

With the help of a great many people including our progressive-minded Town Council and our outstanding departments and their employees, we've produced such a document in the form of this proposed budget.

I wish to thank all of our department and division heads, and their respective staffs for their cooperation and collaborative spirit throughout this process.

More specifically, I want to thank our budget team (Dennis Ivey, Sherry Bruno, Rod Davenport, Denise Farrell, and Shelley Hernandez) for their tireless effort in producing a budget the earliest it has ever been produced in over 20 years+. The many long hours that you devoted to this project is deeply appreciated and recognized by me.