



Honorable Mayor and Town Council:

Please accept the proposed 2018-19 budget for consideration and approval. It is alarming that a few years ago the Town was in a major deficit position at the beginning of the budget year. It is not by accident that we are now in better shape financially---it is through design, hard work, and difficult decisions. Our goal was to improve our financial condition and our track record over the past five years shows we have stuck to a prudent financial plan and we continue to make slow, measured progress on many fronts. Our budget projections show that we are not yet out of the woods but if we continue to take small, strategic steps forward, we will keep moving towards a safer, more financially stable community.

As with all measured goals, we are constantly reviewing, analyzing and adjusting the course where necessary. We will take a glance back at the last five years and also project ahead to show what additional steps are needed to continue moving in the right direction and to keep from slipping backward. Our bottom line proves that progress toward the goal can be made by doing the right thing---time after time, step after step in a measured, methodical fashion.

### ***A glance back***

Throughout the past several years, Council and staff has poured over Town budgets and strategized on how best to make ends meet while providing vital life/property saving operations on a 24/7 basis. Council has made some tough decisions that allowed our Town government to continue to function and improve. Basically, the Council has implemented financial goals that can be summed up as follows:

1. Continue to live within our means
2. Provide a high level of professional service to the community
3. Follow sound financial practices to ensure financial freedom now and in the future



In 2014, the Citizens of Paradise passed Measure C, a sales tax measure that focused on maintaining and improving police, fire, roads and animal control and also appointed a nine member Oversight Committee to ensure that the funds were spent according to the ballot measure. In cooperation with the Committee, the Council made wise investments in public safety, with a keen eye toward improving our financial standing. As mentioned in the last five budget messages to the Town Council, and also during mid-year budget reports, the Town still needs to use Measure C funds to maintain the current level of public safety and road investment. Although all of the pieces of the financial puzzle are not yet in place, Town staff, with the Council's careful guidance and direction, strives to provide excellent services to the community, while at the same time, trying to right the financial ship.

In that vein, the Town Council, the Measure C Committee, and all Town employees accepted the challenge to create a safer community and keep its promise to the voters. A six year financial plan was created for Measure C funds and at this four-year juncture, every penny of Measure C funds is accounted for as follows:

<b><u>Fiscal Year 2015/16</u></b>	<b><u>Fiscal Year 2016/17</u></b>	<b><u>Fiscal Year 2017/18</u></b>	<b><i>(Recommended)</i></b> <b><u>Fiscal Year 2018/19</u></b>
New Investigation Sgt at PD Sponsor 2 Police Academy Cadets 3 Police cars (Ford Interceptors) Police Body Cameras Police K9 Program Enhanced Police Officer Training LiveScan Machine for Police Dept. Police Dept. siding and repairs Maintain Cal Fire Contract New Fire Engine Firefighter breathing apparatus Exhaust extraction unit for Fire Increased Hours for AC Officer Sanitation Unit for Animal Shelter Pedestrian Safety Crossings Pearson Rd. Overlay/Drainage	Increased hours for AC Officer Training for Animal Control Officer Animal Control System Training Supplies for animals at the Shelter 4 Animal Isolation Units Online Dog Licensing setup Maintain Cal Fire Contract New Fire Engine Funds toward fire breathing apparatus 2 <sup>nd</sup> Detective for Police Department 3 new Police Vehicles Body Cameras (Year 2 of 5) Police Officer Training K9 Program training, food, vet costs Sponsor 2 Police Academy Cadets Patrol Cameras with durable cases PD Men's Locker room floor repair 2 <sup>nd</sup> Phase of PD Siding replacement 2016 Road rehabilitation project	Funds for 2 Animal Control Officers Training for AC Officers Computer for AC Supervisor Online dog licensing maintenance Rendering setup and maintenance Concrete Repair at Animal Shelter Maintain Cal Fire Contract 3 new Police Vehicles Body Cameras (yr 3 of 5) Police Officer Training K9 Program, food, vet. costs Police Dept. Roof replacement Sponsor 2 Police Academy Cadets Maxwell Dr. Safe Routes to School Bille Rd. Overlay Fern to Oliver 10% Fixed Reserve 3 new Police Vehicles Body Cameras (yr 3 of 5) Police Officer Training K9 Program, food, vet. costs	Sergeant/detective position at PD Additional hours for Animal Control Maintain Calfire Contract K9 Program Support Police Department Training Sponsor Police Cadet 3 new police vehicles Emergency/prudent reserve

### ***Looking forward***

Long-term financial and strategic planning is critical for cities. Communities are designed to provide for both our present safety and well-being and for the safety and well-being of future generations. City leaders must make difficult decisions that set its community up for success. Unfortunately, many cities have failed to execute forward thinking strategies and are struggling to maintain even the most basic services. The Town of Paradise has always been financially lean but has used its resources prudently and planned wisely. Our projections show that we are able to do great things with the half-percent sales tax funds provided by Measure C, but without that essential boost, we will need to make cuts. The 2017-18 mid-year projections show in more detail how Town services will be impacted. Town staff can neither ignore nor delay in warning the Council and the Community about the need to address revenue shortfalls.

In November, Paradise voters will be asked to approve an extension of Measure C. It is ultimately up to the voters to decide on what level of fire service and police response that they want to support. The business of running a Town with a 24/7 emergency services operation is not easy and deserves careful consideration. There are questions that we have to consider as a community---What level of safety services do we want for Paradise? How can we improve the condition of our roads? How do we want our community to look to visitors, residents and potential business investors? Our citizens deserve the right to weigh in on important decisions that impact the community. The community voted to support Measure C and the community will be asked again to weigh in on extending it for ten years which is not a long time in terms of city planning. Out track record with Measure C, and the good it has done for public safety and road improvements speaks for itself. We can all be proud of our commitment to protecting our community and keeping Paradise beautiful.

### ***The task at hand***

We are now focusing on strategically rebuilding the organization, which will require us to continue to monitor operations and expenses to ensure we are optimizing our resources. As a part of that focus, the Town Council asked staff to perform a financial health management exercise prepared by the League of California Cities. At the conclusion of the exercise we were left with clear direction on ways to improve our financial situation. Although there were areas where the Town is performing well, the following list highlights steps toward a more stable financial future:

- Continue to cure recurring general fund operating deficits
- Continue to build General Fund unassigned reserves to 10% or about \$1.1 Million
- Increase cash and short-term investments
- Reduce fixed and personnel costs to 80% of budget
- Discontinue deferring asset maintenance and replacement
- Fund pension benefits and other post employment benefits

For most agencies, a budget is a year-long work plan, committing people and resources to fulfill a dynamic and challenging mission. It is important for a government agency to adopt a budget that includes a prudent contingency fund or reserve to cover pre-planning, training and readiness for unforeseen emergencies. We are now starting to build a small reserve that will provide us with the necessary cash flow to cover our monthly expenses and to handle unforeseen emergencies. The following list accounts for the services that we provide to the citizens of Paradise:

- police protection, education and enforcement;
- fire protection, prevention, and medical assistance;
- building development and planning services required to bring about development projects that provide goods and services to the community;
- engineering services dedicated to leveraging local funds and bringing new money into the community to build and maintain our streets for the public's safety and welfare;
- a high level of public works/street maintenance services;
- animal control services for the safety and protection of domestic animals, rabies control, and animal shelter;
- coordination with Butte County Association of Governments to provide transit services within the Town and throughout the region.
- Administration of a housing rehabilitation program that provides assistance to first-time home buyers through the Community Development Block Grant Program, while supporting local non-profit agencies,
- information, communication and direct citizen involvement to the democratic process.

In addition to the daily workload listed above, the staff is dedicated to working with the Council, other agencies, businesses and residents to continue to move toward community-wide financial stability. This entails looking for ways to cooperate with partners in the community—businesses, non-profits, other government agencies and districts to make improvements that benefit our Town. We will continue to look for ways to promote economic development; seek ways to improve the aesthetics of our Town for the betterment of our community; continue to work to get the Animal Control/Shelter self-sustaining; continue to look for grants to provide safe streets, walking/bike paths; and, most importantly, address the lack of wastewater infrastructure specifically in the downtown and commercial areas.

### ***Fiscal Outlook for the 2018-19***

The residents of the Town of Paradise stepped up at a critical time and passed a .50% sales tax, which will end in three more years. This generous act of goodwill and forethought prevented a dangerous financial backslide for the Town—especially in areas of police and fire services. It will also allow us to apply for more grant funding to improve our roads and pedestrian walkways/bikeways. Measure C funds continue to have a critical stabilizing effect on our general fund budget. The best thing about a local sales tax is that it stays local. One hundred percent of the funds stay in our community to support our public safety and infrastructure.

In looking to economic indicators to gauge the overall health of the economy, a Western States' (smaller communities) Consumer Price Index reported a 3.5% increase from May 2017 to May 2018.

## **General Fund Revenues**

Upon reviewing the County Assessor's projected property tax estimates, we have concluded a 3.9% increase in overall property tax revenues. Early estimates from the State Board of Equalization on our sales and use tax estimates cause us to project a 1.5% general growth pattern. Our estimate of \$1.38 million for Measure C funds is still being used as a projection for the next fiscal year. Modifications will be made throughout the year as updates become available. TOT is estimated to increase 1% and Motor Vehicle in-lieu tax will increase by 3%. The total General Fund revenue is \$13,302,516, an increase of 1.8% (this includes Measure C.)

## **General Fund Expenditures**

CalPERS required contributions related to unfunded liability (GASB 68), continue to strain resources. \$206,542 of the required 2018/19 increases is attributed to the General Fund. A large portion of the General Fund expenditures are personnel; personnel expenditure estimates increase 6% in the General Fund (6.5% for all funds).

## **Other Funds**

Most other funds are doing well. The Town is expected to have set aside a little over \$52,000 for future asset replacement and repairs. It also expects that the GASB 45 trust for other post employment benefits will have grown to \$248,000. Building Safety and Wastewater is stable with healthy reserves to weather the next economic downturn. The last of the Transit reserve balances are being used to leverage grants and complete capital improvement projects. The Gas Tax/Street Maintenance Fund is balanced, but is vulnerable to the potential repeal of SB-1 (road repair and accountability act). Animal Control is improving, but only with the investment of Measure C.

## ***The bottom line***

The bottom line is that the 2018-19 budget picture is purposefully built to "stay the course." The objective is to not move backward in services provided to the community or to detour from progress made to stabilize financial health.

## ***Gratitude and Appreciation***

Our Town Treasurer, Gina Will, is a master at budget preparation/presentations and the Town is blessed to have her on the team. A special thank you goes out to Dina Volenski, Town Clerk, for putting the budget together and getting it out on time. As a Manager, I am very proud of all of the Town's employees for staying focused on their jobs of keeping us safe. Thank you to the Measure C Committee for working with us to build trust and ensure a safer community. Most importantly, thank you to the courageous, selfless acts of the Town Council who make many difficult decisions that shape this community--especially during times of political and financial uncertainty.

Lauren Gill, Town Manager