



**Town of Paradise  
Council Agenda Summary  
Date: March 12, 2019**

**Agenda Item:**

**Originated by:** Gina S. Will, Administrative Services Director/Town Treasurer  
**Approved by:** Lauren Gill, Town Manager  
**Subject:** 2018/19 Operating and Capital Budget Status Update and Mid-Year Financial Review

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**Council Action Requested:**

1. Review and approve the 2018/19 mid-year budget report and budget adjustments; and
2. Approve purchase of three Police Ford Interceptors from Measure C reserves; and
3. Approve termination of 2018/19 TRAN credit line; and
4. Approve reclassification of 2 Public Workers Maintenance Worker I to Maintenance Worker II; and
5. Authorize Town Manager to enter into an agreement for services for a Classification and Total Compensation Study with the Option of Organizational Structure Review; and
6. Approving recommended changes and Waiving the first reading of Town Ordinance No. 578 and read by title only; and introducing Town of Paradise Ordinance No. 578 An Ordinance relating to purchasing supplies and services. (ROLL CALL VOTE); and
7. Provide direction to staff for scheduling a Town Council goal setting workshop to discuss 2019/20 budget priorities.

**Alternatives:**

Decline to approve any or a specific item recommended and provide alternative direction to staff.

**Background:**

The Town adopted the 2018/19 operating and capital budgets on June 26, 2018 with a budget theme of “stay the course”. At that time, it was hopeful the community would extend the 0.50% transaction and use tax (Measure V) on the November 6, 2018 ballot to maintain and enhance services. Instead, on November 8, 2018, the Camp Fire roared through the Town of Paradise killing 85 and destroying over 9,600 homes and businesses to become the most destructive wildfire in State history. Effectively in one day, the fire hurled the Town into uncharted waters and destroyed the financial stability it had worked so hard over ten years to rebuild.

Now, four months later, the disaster is far from over, but the Town is starting to form an outline for financial recovery. There are three main elements to the plan, which are moving forward simultaneously.

1. Plans to fund continuity of government
2. Plans to fund restoration of facilities and infrastructure
3. Plans to fund opportunities for resiliency and improvements

This mid-year budget and financial report provides a review of budgeted accounts, including personnel expenditures and the Town’s financial position. However, it should be noted, that these estimates are rough at best with extensive assumptions used in many areas. Given this unprecedented situation, there is no historical data from which to draw. It is also the start of the next year budget cycle. The 2019/20 budget will be developed expeditiously in order to meet the June 30, 2019 deadline for adoption. It is expected that many rounds of budget adjustments will be necessary as more information and details are learned about the Town’s new financial reality.

**Discussion:**

**2018/19 Operating and Capital Budget Update**

**Fund 1010 – General Fund**

Staff analyzed a General Fund Budget Performance Report and spoke to many local, State and Federal agencies in order to estimate the impact to Town revenues and expenses and to identify needed budget adjustments. A copy of this report is attached for review. The following information was derived from this analysis and highlights of the recommended adjustments are summarized below:

**General Fund Revenues**

	2017/18 Estimated Actual	2018/19 Amended Budget	2018/19 Proposed Budget	2018/19 Proposed Budget Adjustments
Measure C	1,368,621	1,382,307	551,675	(830,632)
Non Department	11,306,348	11,577,202	9,645,203	(1,932,000)
Finance	20,340	20,100	10,058	(10,042)
Police	69,427	66,052	81,607	15,555
Fire	203,169	84,876	29,000	(55,876)
Planning	99,031	54,805	23,396	(31,409)
Waste Management	38,316	42,445	17,437	(25,008)
Engineering	32,026	68,831	32,105	(36,726)
Community Park	2,920	2,500	2,500	0
<b>Totals</b>	<b>13,140,199</b>	<b>13,299,118</b>	<b>10,392,981</b>	<b>(2,906,138)</b>

- Property Taxes: The Town was expecting property tax growth of about 3.8% in 2018/19, but with roughly 90% of properties destroyed, current and future revenues will

be dramatically reduced. Property owners will pay a prorated property tax bill in 2018/19. They will pay for full values up through November 8<sup>th</sup> and then reduced values the remainder of the year. The County assessor has assumed standing structures and the land at pre-fire values. In other jurisdictions, those values have been retained into the rebuild; however, the County assessor will re-evaluate property values each year. Assuming 300 to 400 structures are rebuilt each year, it will take 20 to 30 years for the Town to regain property tax values.

The Town expects to receive property tax backfill from the State of lost revenues this fiscal year and two more fiscal years. This State support has been granted to other jurisdictions in the past, so it is likely to be granted to Butte County and the Town. This will keep the Town whole for secured and unsecured property taxes, but is likely to leave a whole in RDA tax increment residual balances and supplemental taxes. The backfill is expected to be received by the end of the fiscal year.

The following chart further summarizes property tax expectations and recommended budget adjustments for this 2018/19 budget year:

Property Taxes	2017/18 Estimated Actual	2018/19 Amended Budget	2018/19 Proposed Budget	2018/19 Budget Adjustments
Secured	\$4,716,372	\$4,905,026	\$4,905,026	\$0
Unsecured	233,304	235,637	249,183	13,546
RDA Residual	19,544	13,781	0	(13,781)
Supplemental	69,865	71,262	60,000	(11,262)
Homeowners Apportionment	65,294	65,294	65,294	0
<b>Totals</b>	<b>\$5,104,379</b>	<b>\$5,291,000</b>	<b>\$5,279,503</b>	<b>(\$11,497)</b>

- Motor Vehicle in Lieu (MVIL): MVIL is the second largest revenue source for the Town’s General Fund. As MVIL is paid by the County and as a function of property tax values, the Town expects to be made whole through property tax backfill for this and the next two fiscal years.
- Sales Tax: Even with a new system of allocating and remitting sales taxes, the State system pays sales taxes about three months in arrears. The Town has received an advance of November 2018 sales taxes, but no true up of that month post fire. Through review of standing businesses and discussions with HDL, the Town’s is estimating a reduction of revenues in the amount of \$1.15 million, from \$1.93 million to about \$778,000.
- Franchise Fees: The Town received one full quarter of franchise fees and a prorated second quarter. Revenues are expected to be reduced from about \$1.0 million to about \$410,000.

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- Transient Occupancy Taxes (TOT): As above, the Town received one full quarter and a second prorated quarter of TOT. One of the four main hotels remains standing, but is not expected to reopen until sometime over the summer. The budget should be reduced from \$242,000 to about \$114,000.
- Police Services: PG&E had asked the Town to provide some additional security for their workers prior to their recorded bankruptcy. This resulted in reimbursements of about \$31,000 that offset expected lost revenues from other services. Overall, about \$15,500 more revenue is expected from police services.
- Fire Services: Fire seasons the last several years have been especially demanding for the State of California. When possible, the Town lent resources to the State which resulted in rental income. A recent history of income amounts is shown below:
  - 2017/18 \$187,836
  - 2016/17 \$71,229
  - 2015/16 \$89,635
  - 2014/15 \$174,163
  - 2013/14 \$24,601

\$75,000 was originally budgeted for 2018/19, and as of this report, \$21,879 has been received. Given the unknown for this fire season and the need for the fire department to focus on maintaining basic operations and services, it is expected that fire service revenues will be reduced about \$56,000.

- Planning and Engineering Services: Going forward, the Town's and citizens' focus will be on rebuilding destroyed structures, many of the special services related to planning and engineering are expected to be reduced \$31,000 and \$36,000 respectively.

## Measure C

*“a temporary sales tax increase of 0.50% that automatically expires in six years, and that establishes a citizen oversight committee to ensure that funds are used to **preserve public services** such as police protection, fire suppression, street maintenance, animal control and other services for the Town of Paradise”*

Measure C, the 0.50% transaction and use tax approved by the voters in November 2014, took effect April 1, 2015. The Town is now in its fourth of six years of this Measure. In November 2018, voters approved a 10-year extension of the measure. The Camp Fire has required a complete course change and revision of the Measure C financial plan. It is expected that the greatly reduced and remaining Measure C funds will need to be used primarily to fund the obligations already established. There is no longer funding for capital improvement or special projects. Some continued support will be provided to police, fire and animal control.

Staff also recommends moving forward with the purchase of three police cars this fiscal year. It is recommended that reserve funds rather than financing be the method of purchase. This

will bring the total purchased to 12 rather than the goal of 15, but will allow the Town to eliminate Patrol vehicles with over 100,000 miles from the daily driver police fleet. The three 2019 Ford Police Interceptors that Council previously approved and that being held at a local dealer, uses the same body, drive train and primary components as the other Ford interceptors purchased. The next model has a completely different drive train making tools, training and parts more difficult to maintain if this purchase is postponed.

Following is the recommended budget adjustments for this fiscal year:

	<u>2018/19</u> <u>Amended</u> <u>Budget</u>	<u>2018/19</u> <u>Proposed</u> <u>Budget</u>	<u>2018/19</u> <u>Budget</u> <u>Adjustments</u>
<b>Police Department</b>			
2 <sup>nd</sup> Investigator	172,070	85,609	(86,461)
Police Cadets (1)	27,924	27,924	0
Police Cars	100,000	218,215	118,215
Body Cameras	5,917	5,917	0
Enhanced Training	15,000	15,000	0
K-9 Program	10,005	10,005	0
	330,916	362,670	31,754
<b>Animal Control</b>			
Concrete Repairs	6,200	6,200	0
Rendering Setup & Maintenance	13,227	13,227	0
Additional Support to Maintain Services	168,806	158,599	(10,207)
	188,233	178,026	
<b>Fire Department</b>			
CAL FIRE Contract	250,000	120,000	(130,000)
Fire Engines 81 & 82	167,183	167,183	0
Electrical Panel & Transfer Switch	8,250	8,250	0
	425,433	295,433	(130,000)
<b>Public Works</b>			
Ponderosa SR2S	36,000	0	(36,000)
Fleet Bay and Lift	21,357	21,357	0
	57,357	21,357	(36,000)
 Subtotal	 1,001,939	 857,486	 (144,453)

Following is a summary of the preliminary revised Measure C financial plan. A complete detailed plan is included with these agenda materials. With the expected reduced revenues, there are not expected to be any Measure C reserves available to carry into Measure V. The Town may need to dedicate portions of Measure V revenues in order to move forward with currently postponed capital improvement projects.

Projected Revenues	\$5,059,137
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Commitments for:	Police	\$1,587,004	
	Fire	1,743,013	
	Animal Control	666,352	
	Public Works	1,062,768	
	Reserves	0	(5,059,137)
<b>Net Remaining</b>			<b>\$0</b>

Staff most recently met with the Measure C Citizen Oversight Committee on February 26, 2019 where approval was received for the 2<sup>nd</sup> Quarter 2018/19 Measure C quarterly report. In addition, these recommended budget adjustments and preliminary revised financial plan were discussed. There was consensus that these plans are logical and continue to meet the intended use and requirements for Measure C funds.

### General Fund Expenditures

	2017/18 Estimated Actual	2018/19 Amended Budget	2018/19 Proposed Budget	2018/19 Budget Adjustments
Measure C	\$1,140,659	\$1,001,939	\$857,486	(\$144,453)
Non Department	1,333,762	1,087,054	1,053,787	(33,267)
Administration	1,607,715	1,699,871	1,711,712	11,841
Police	4,196,298	4,496,396	4,091,534	(404,862)
Fire	3,946,792	4,115,870	3,275,977	(839,893)
Community Develop.	210,842	214,466	213,795	(671)
Public Works	330,157	319,886	315,157	(4,729)
<b>Totals</b>	<b>\$12,766,225</b>	<b>\$12,935,482</b>	<b>\$11,519,448</b>	<b>\$(1,416,034)</b>

#### Non Department:

As the financial impact from the fire is immediate, and as financial assistance and recovery is a complicated lengthy process, staff is looking for opportunities for savings. The Town was provided a cash advance against the FEMA public assistance program and a cash advance against the insurance claim. As a result, the Town's cash flow this fiscal year is sufficient to sustain operations without opening up the \$1 million TRAN line of credit previously approved by Town Council. Staff approached US Bank who is willing to terminate the line of credit and waive all fees and interest with Council concurrence. The approval saves the Town over \$29,000 in interest and fees.

In addition, staff recommends postponing budgeted contributions to the OPEB (GASB 45) Trust this fiscal year until the Town is further along in its financial recovery and plan. This

will save \$17,500 in the general fund and \$5,000 in the building safety and wastewater fund.

Administration:

Collectively **administrative divisions are anticipated to increase \$11,841**. There are two primary contributing factors. First, given the expectation that normal special services will not be provided, the town will receive about \$22,500 less from the technology replacement surcharge that is transferred to the information technology program to support those operations. This is offset by a savings to the November 2018 election costs of about \$10,000. A summary of all recommended adjustments is summarized as follows:

✓ Town Council	(295.00)
✓ Town Clerk	(10,035)
✓ Town Manager	9
✓ Central Services	(2,399)
✓ Information Technology	23,071
✓ HR and Risk Management	(55)
✓ Legal Services	0
✓ Finance	392
✓ Rental Properties	(1,346)
✓ Emergency Operation Center	2,499

Police Department

- Police Administration: Staff proposes to postpone filing the second lieutenant vacancy for now until more is known about the financial recovery plan timeline and transitioning operational needs of the police department. For the same reasons, staff has terminated the lease purchase arrangement for the fiscal year, postponing the purchase of some equipment and avoiding debt service requirements. The expected savings from these efforts is **over \$120,000**.
- Police Operations: The department is in the process of understanding its dynamic and evolving operational staffing needs in light of the disaster. The department had lost a couple of officers prior to the fire, and has been given indications that more officers may be leaving before the end of the fiscal year. Some assumptions about the timing of these vacancies are included in the **estimate of \$175,000** in salary and benefit savings.

As Council is aware, Paradise police officers (and staff in general) are paid less than neighboring jurisdictions. That coupled with the housing crisis in Butte County makes it more important than ever to compensate employees appropriately in order to retain their services. As such, the Town recommends hiring a consultant to assist the Town in developing an appropriate compensation package and personnel structure. More information on this study is detailed later in this report.

Finally, it is our current understanding that the Town’s insurance policy will cover the added compensation expense under a special “extra expense” provision that covers extra expenses that the Town would not have incurred had the disaster not occurred.

- Public Safety Communications: This division is also expecting additional vacancies before the end of the fiscal year that should result in **savings of about \$109,000**. The dispatch operation function is currently housed with the Butte County Sheriff due to complications with the computer system and connectivity. Once moved back to Paradise, dispatch can be performed in either location depending on the needs of the department.

Fire Department

Fire Administration: Staff recommends a **budget decrease of \$4,812** mainly from savings in utilities from not operating calls for service out of station 82.

Fire Suppression: **Savings of about \$830,000** is expected from temporary adjustments to the CAL FIRE staffing levels. Currently, calls are being run out of Station 81 and Station 35 with four personnel. The normal model is for calls to be run out of three stations with six personnel. The Town and CAL FIRE are also discussing whether a portion of the contract can be absorbed by the State of California for a period of time while the Town is developing its financial recovery plan.

Volunteer Program: The disaster and resulting displacement has reduced the volunteer fire program to two individuals. This should result in **savings of about \$4,300**.

Community Development and Public Works

The recommended adjustments for Community Development and Public Works in total is insignificant with increases and decreases to accommodate changing operating costs. The totals for each division are shown below.

✓ Planning	558
✓ Waste Management	(1,229)
✓ Engineering	953
✓ Paradise Community Park	(656)
✓ Public Facilities	0
✓ Fleet Management	(5,026)

**Fiscal Impact:**

The Camp Fire has had immediate and lasting impacts to the General Fund of the Town of Paradise. The Town will be forced to use about \$821,000 of its cash flow reserves in order to maintain operations this fiscal year. Reality is that the Town needs every one of its remaining strong and dedicated employees to help the Town and community rebuild. Further, there is simply not enough time to make adjustments necessary to balance this budget without crippling the organization and rendering it ineffective. Following is a summary of the impacts to the bottom line and reserves.

	2017/18 Estimated Actual	2018/19 Amended Budget	2018/19 Proposed Budget	2018/19 Budget Adjustments
Measure C Revenues	\$1,368,621	\$1,382,307	\$551,675	\$(830,632)
Measure C Expenses	1,140,659	1,001,939	857,486	(144,453)
Measure C Net Income	\$227,962	\$380,368	\$(305,811)	\$(686,179)
GF Revenues	\$11,771,578	\$11,916,811	\$9,841,306	\$(2,075,506)
GF Expenses	11,625,566	11,933,543	10,661,962	(1,271,581)
GF Net Income	\$146,012	\$(16,732)	\$(820,657)	\$(803,925)
Measure C Fund Balance	\$900,760	\$1,281,128	\$594,949	
GF Fund Balance	2,864,236	2,847,504	2,026,847	
Total Fund Balance	\$3,764,996	\$4,128,632	\$2,621,796	
Designated Reserves – Measure C				
Police Vehicle Payments	174,637	177,454	20,637	
Fixed Reserve	203,711	407,422	407,422	
Contingencies	522,412	696,252	166,890	
Designated Reserves				
Nonspendable	1,351,510	1,311,643	1,311,643	
Property Abatements	20,000	20,000	20,000	
Cash Flow	1,492,726	1,515,861	695,205	

**Fund 2030 – Building Safety and Wastewater Services**

	2017/18 Estimated Actual	2018/19 Amended Budget	2018/19 Proposed Budget	2018/19 Budget Adjustments
Revenues	1,062,352	968,853	918,730	(50,123)
Expenses	939,009	1,017,919	1,230,666	212,747
Net Income	123,343	(49,066)	(311,936)	(262,870)
Ending Fund Balance	606,583	557,517	294,647	

**Revenues:**

For obvious reasons, certain services of Building Safety and Wastewater will not achieve budget expectations where others will exceed budget. The rebuild is in a stage of infancy and with nurturing can mature and grow in strength. In the meantime, revenues are expected to be about \$50,000 less than budget. Accounts that are expected to be especially impacted are

onsite repairs to maintain existing systems, onsite escrow clearance to records and annual fire code inspections.

Of concern, not this fiscal year, but subsequent years, is the ability to collect for annual onsite permits. Currently that regulatory fee to monitor, test and evaluate the septic systems of Town are billed through the annual property tax roll. If assessed values for properties drop below a certain level, the property tax roll for that property is eliminated with the Town’s ability to bill. Manually hand billing those properties will be labor intensive and collections will be difficult. Currently annual onsite permits generate \$395,000 per year.

**Expenses:**

The salary and benefit savings achieved by the continued vacancy of the Building Official/Fire Marshal will quickly be eclipsed by the proposed ramp up of the community development staffing contract expected by the beginning of April 2019. This proposed contract will be covered in detail in a separate agenda summary. Hazard mitigation grant funding could fund portions of this agreement for three years; however, award of these monies would not occur this fiscal year. Staff is also exploring options to fund part of this contract through the “extra expense” provision of the insurance contract. Again, it is not likely to see this funding this fiscal year. The net total of the proposed adjustments is an increase of about \$213,000.

**Fiscal Impact:**

About \$312,000 of reserves is expected to be used this fiscal year in order to prepare the division for increased service requirements related to the rebuild. This leaves about \$295,000 in reserves. It will be important for the Town to update the fee schedule, and find that careful balance between passing on the added expense of providing the service with keeping the fees affordable to encourage development.

**Fund 2070 – Animal Control Services**

	2017/18 Estimated Actual	2018/19 Amended Budget	2018/19 Proposed Budget	2018/19 Budget Adjustments
Revenues	197,900	362,470	343,264	(19,206)
Expenses	198,107	362,470	343,057	(19,413)
Net Income	(207)	0	207	207
Ending Fund Balance	(207)	(207)	0	

**Revenues:**

As with many other divisions, the Camp Fire has changed the priorities and services performed by Animal Control Services. Revenue reductions are expected in many areas including fines and citations and dog licenses. Also, the transfer from Measure C will be about \$10,000 less than expected due to reduced Measure C revenues. In order to balance the

fund, about \$20,000 of Animal Control donations will need to be used. This will leave about \$27,000 in the Animal Control donations fund.

The Measure N \$12 annual parcel assessment is also billed on the property tax roll. If property values drop below a certain level, than billing on the property tax roll is compromised and collecting the roughly \$132,000 to support Animal Control Services will be challenging.

**Expenses:**

Salary savings from the part time shelter assistant vacancy and savings from expected postponement of some training will provide total saving of about \$19,000.

**Fiscal Impact:**

As has been discussed for many years, Measure N the \$12 per parcel per year fee provides \$132,000 of funding per year. It is not enough to fund an approximate \$340,000 operation. Now with reduced funding from Measure C, another long-term funding source is needed to maintain current service levels.

**Fund 2090 – Camp Fire 2018**

	2017/18 Estimated Actual	2018/19 Amended Budget	2018/19 Proposed Budget	2018/19 Budget Adjustments
Revenues	0	0	6,500,000	6,500,000
Expenses	0	0	2,138,664	2,138,664
Net Income	0	0	4,361,336	4,361,336
Ending Fund Balance	0	0	4,361,336	4,361,336

**Revenues:**

Fund 2090 was established to track all the revenue and expenses related to the Camp Fire disaster of 2018. To date, the Town has received \$1.5 million from the insurance company as an advance against its claim for damages. The Town has also received \$5 million from the State of California as an advance against the public assistance FEMA/Cal OES disaster recovery program.

**Expenses:**

To date the Town has spent about \$1.1 million on Camp Fire Disaster related activities like emergency response costs, tree removal, culvert repairs and restoration and repairs to facilities. By the end of the fiscal year, it is expected that the Town will have incurred costs of about \$2.1 million. Most of these expenses are eligible for reimbursement under the insurance claim or through FEMA/Cal OES public assistance. It should be noted that there are deductibles that apply to insurance and matching requirements for public assistance. Currently under public

assistance, FEMA will pay 90% of eligible emergency response and debris removal costs. The State will pay 75% of the remaining amount leaving 2.5% as a match. The Town is seeking 100% coverage through legislative requests.

**Fiscal Impact:**

Staff will seek to maintain an ending fund balance in this fund by seeking additional advances from insurance and the State as additional expenses are incurred.

**Fund 2120 – State Gas Tax (Street Maintenance)**

	2017/18 Estimated Actual	2018/19 Amended Budget	2018/19 Proposed Budget	2018/19 Budget Adjustments
Revenues	1,152,979	1,480,319	1,349,009	(131,310)
Expenses	1,125,971	1,235,103	1,157,239	(77,864)
Net Income	27,008	245,216	191,770	(53,446)
Ending Fund Balance	117,997	363,213	309,767	

**Revenues:**

Based on the analysis of the revised projections released by the League of California Cities, the Town will receive less than expected in Highway Users Gas Tax funding this fiscal year. In addition, work not completed prior to the fire on most capital improvement projects are being postponed until debris is cleared and there is more time to dedicate to those efforts. This means that the fund will not receive its budgeted reimbursements. All together, the fund is expected to receive \$131,000 less in revenue.

According to Michael Coleman of the League of California Cities, gas tax funding in the short term is protected by State law. Appropriations based on population will not be adjusted until the 2020 census data is released sometime in 2021. The League is advocating on behalf of the Town to maintain funding levels after this time. It is understood that even with a reduced residential population; the Town will have a lot of use on its roads during the rebuild and will require funding to keep roads maintained.

**Expenses:**

First, staff is seeking approval to move two Public Works Maintenance Workers I to the Maintenance Worker II classification based on them obtaining Class B licenses and other qualifications. The savings from a vacant position, which is about to be filled, more than offsets the increased costs. There is also expected to be savings in repair and maintenance accounts as staff has been busy assisting with emergency response efforts. In total, savings of about \$78,000 is expected.

**Fiscal Impact:**

The fund will add about \$53,000 less to its reserves than expected due to reduced revenues. A certain amount of reserves is being built up in order to have matching funds for future capital improvement projects. The fund should end the fiscal year with reserves of about \$310,000.

**Personnel Classification and Total Compensation Study  
 with Optional Organizational Structure Review**

At the time of budget adoption, the Town had an authorized head count of 75 employees. Since July 1, 2018, there have been 19 terminations and 6 hires. 12 of those terminations occurred after the fire. That is a net decrease of 17% of the workforce. The Town is aware that several more employees are considering other alternatives and expects to receive official notice before the end of the fiscal year. This is an alarming rate and if it continues will render the organization ineffective and unable to perform all the important functions necessary to rebuild the community.

Since 2009, Town staff has been reduced from 114 positions to the current 72. Since 2009, the Town has substantially fewer employees; however, levels of service have increased in many areas. As such, duties and responsibilities that were previously shared with multiple positions have been combined and re-allocated. The devastating Camp Fire has added exponentially to the already heavy workloads. Staff are now juggling Camp Fire special projects with their normal duties.

In an effort to attract and retain qualified municipal employees, the Town of Paradise (at the direction of Town Council) sought a request for qualifications (RFQ) from experienced firms to provide a Comprehensive Classification Study, and Total Compensation Survey, as well as an option for an Organizational Structure Review.

At the time of RFQ issuance, the Town had 72 authorized positions, and 45 active classifications. It is undocumented when the last town-wide study was completed. There have been numerous minor changes and reorganizations to the plan over time. Over the last several years, Human Resources has internally reviewed and adjusted individual positions and created new classifications as needed. The Town's employees are divided into five bargaining groups as follows:

<b>Employee Type</b>	<b>Number of Active Classifications</b>	<b>Approved Headcount</b>
Management	5	5
Police Mgt & Mid-Mgt	2	3
Confidential & Mid-Mgt	11	11
Police Officers Association	4	27
General Employees Unit	17	21
Part-time, no group, no benefits	4	5
<b>ALL GROUPS TOTAL</b>	<b>45</b>	<b>72</b>

In accordance with the Town of Paradise's procedure relating to special professional services, on Thursday, February 14, 2019, a Request for Qualification (RFQ) was sent to five firms specializing in the requested services. The firms were identified by requesting recommendations on the Employee Relations ListServ from other cities in the League of California Cities. The RFQ requested that each firm provide scope of services, timeline, qualifications and cost in their proposal. The deadline to provide the information was 4:00pm on Thursday, February 28, 2019. Only two agencies replied, one with a proposal and the second stated they were unable to meet the RFQ deadline.

The general scope of services include classification study activities such as initial document reviews and meetings with staff as needed, distribution of job related questionnaires, analysis and data review. The classification study deliverables include a final classification plan that requires updating job descriptions/classification specifications as needed. The service will also include compensation study activities, including identifying comparator agencies, benchmarking not only using titles, but also duties and responsibilities, benchmarking benefit packages, as well compensation data. Analysis on internal relationship and alignment of positions. Finally, a salary structure recommendation that reflect the market survey analysis as well as internal relationships, implementation recommendations, and a final report that also includes a presentation to Town Council.

Additionally, there is an option in the request for qualifications for an Organizational Structure Review that would compare the Town's organizational structure against comparable organizations, taking into consideration the Town's disaster recovery and rebuilding situation and propose options and recommendations with a Final report presented to Town Council.

The one firm to submit a proposal was from Koff & Associates, based in Berkeley, CA. While we were hoping for more proposals, we were pleased to receive it from the top recommended firm from the recent survey response. The proposal was thorough. The timeline quote is approximately 4 months to complete the Classification Study and the Compensation Study and approximately 4 months to complete the optional Organizational Study. Staff will work to do whatever is possible to expedite the project.

The maximum project cost for the Classification and Compensation Study is \$58,424. The maximum cost for the optional Organizational Structure Study is \$19,296. Staff recommends that the Town Manager be authorized to enter into this agreement for services. The cost will be paid from the Camp Fire 2018 (Fund 2090) and will be claimed under the "extra expense" provision on the insurance policy. If accepted, the cost of the study will be reimbursed.

### **General Fund Financial Projections**

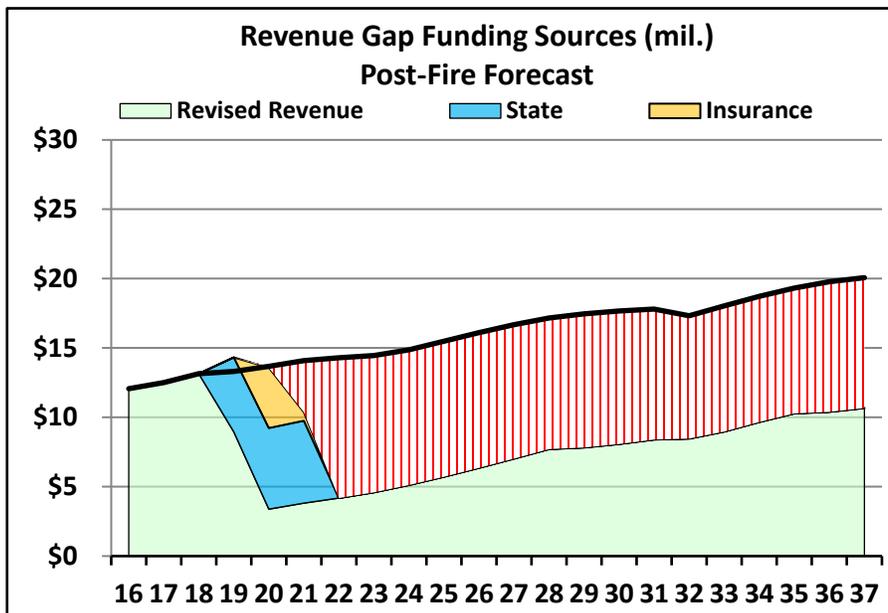
Part of the Town's future financial picture are starting to emerge, but there are still many unknowns. The first priority is to understand the immediate future. Staff has prepared a rough estimate of the 2019/20 budget. Key elements and highlights of that estimate are indicated below:

- ❖ Assumes property taxes included MVIL are backfilled from the State, 59% of the budget remains whole
- ❖ Assumes that most other major revenues (sales tax, Measure C, Franchise Fees, TOT) drop substantially
- ❖ Assumes attrition of five police officers and 2<sup>nd</sup> police lieutenant remains vacant
- ❖ Assumes CAL FIRE contract remains reduced by 1/3.
- ❖ Revenues are estimated at \$9.2 million and expenses at 11 million
- ❖ Assumes expenses will exceed revenues by \$1.8 million

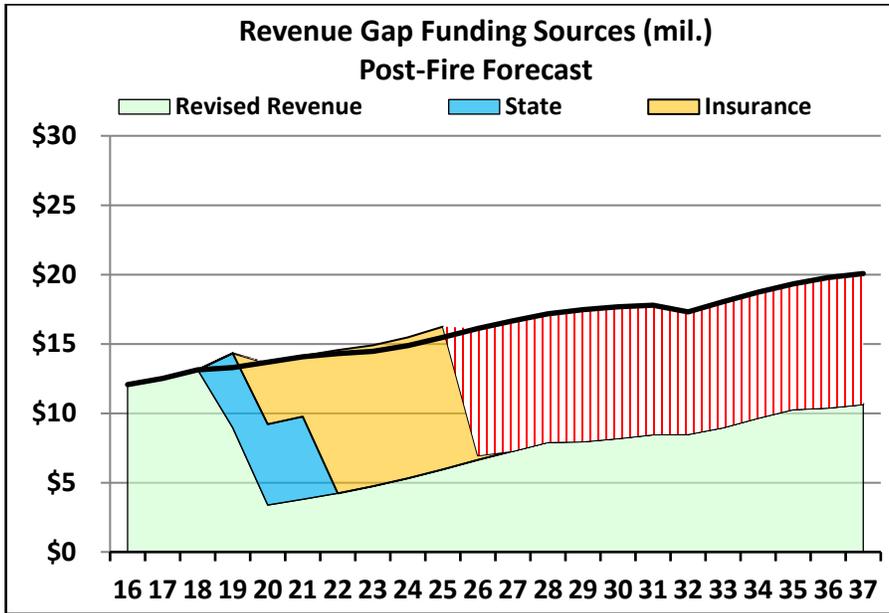
The Town has applied for a FEMA catastrophic disaster loan of \$5 million. Funds from this loan can be used for operations including personnel costs. The funds cannot be used for debt service. The loan can be forgiven in five years after demonstrating that revenues are still reduced. At the time of forgiveness, the loan will be considered revenue and the General Fund can be balanced.

Robert Leland of Management Partners worked with staff and donated a financial projection tool to begin modeling the financial loss and recovery from the Camp Fire. This model has been used by Stockton and other cities managing financial crisis.

The big question and missing piece to the Town’s financial outlook is how much of a settlement the Town will receive on its lost tax revenue claim from insurance. Assuming the Town receives property tax backfill for three years from the State, and a lost tax revenue settlement of \$5 million from insurance, the gap in funding for the general fund is \$156 million over 18 years.



To continue a \$50 million dollar settlement would result in a gap of \$111 million. Obviously, the bigger the settlement the smaller the funding gap.



**Financial Recovery Plan**

There are three tracks to financial recovery occurring simultaneously they are:

Continuity of Government	Restoration	Opportunities
Insurance Claim for Lost Tax Revenue and Extra Expense	Insurance <ul style="list-style-type: none"> <li>Restore and Repair Facilities</li> <li>Repair or Replace Equipment &amp; Vehicles</li> <li>Restore and Repair Infrastructure</li> </ul>	Hazard Mitigation Programs <ul style="list-style-type: none"> <li>Build Fire Station at Pentz &amp; Pearson</li> <li>Early Warning System</li> <li>Improved Culverts</li> <li>Road Improvements</li> </ul>
FEMA Catastrophic Disaster Loan (forgivable after 5 years)	FEMA Public Assistance <ul style="list-style-type: none"> <li>Picks up where insurance leaves off</li> <li>Debris and Tree Removal</li> <li>Restore Roads</li> </ul>	Sewer
Legislative Requests <ul style="list-style-type: none"> <li>Property, sales and gas tax backfills – (3 Year property tax backfill likely)</li> <li>Absorb CAL FIRE contract</li> </ul>		

### **Amend Purchasing Supplies and Services (Ordinance 341)**

The Camp Fire has increased and will continue to increase the frequency of procurement activities as staff replaces items destroyed and assists with rebuilding the community. It has come to staff's attention that the procurement policy has not been updated for over 18 years. As such, the limits within the policy create inefficiencies and needless extra expense. Currently, a formal bid is required for any items or services \$5,000 or more in value. The formal bid requires a notice in the newspaper, staff time to create formal bid documents, and formal action by Town Council. Further, it is not in the formal policy, but a practice that items or services between \$500 and \$5,000 go through an informal bid process. Procurement is based on securing at least three bids and awarding to the lowest bidder.

Federal procurement guidelines set the thresholds much higher. Their "micro-purchase" procedure is for procurement less than \$10,000. Their "small purchase" procedures or informal bid process are for procurement between \$10,000 and \$250,000. Procurement exceeding \$250,000 must use a formal bid process.

Staff recommends increasing the Town's procurement limits, but to well within the federally approved guidelines. The recommendation is for an informal bid process for procurement between \$1,000 and \$25,000. A formal bid process is recommended for items above \$25,000.

Attached for Council's consideration is ordinance 341 which highlights recommended changes to sections 2.45.080 and 2.45.090.

### **2019/20 Budget Adoption Timeline**

In light of the disruption of normal business and ongoing efforts for recovery, the 2019/20 budget will need to be completed expeditiously. Following is a rough schedule for 2019/20 Budget Adoption:

1. March 2019 – Town Council goal setting workshop
2. Early April 2019 – Budget Discussions with Finance Committee
3. Early April 2019 – Budget Packages to Departments
4. April and May – Town Council and Measure C Citizens Oversight Committee Budget Updates
5. Late May 2019 – Budget Discussions with Finance Committee
6. Early to mid June 2019 – Preliminary Budget Provide to Town Council for Review
7. Late June 2019 – Adoption of 2019/20 Budget

### **Conclusion:**

The Camp Fire of November 2018 is devastating to the Town's financial stability. All the progress made in financial sustainability was lost in a matter of days. There is a road to financial recovery; however, it will be challenging with many obstacles and curves expected. There is also tremendous opportunity to make Paradise stronger and more resilient. Staff will

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keep Town Council and the community updated as more the financial recovery plan is formalized and as progress is made.