



**Town of Paradise
Council Agenda Summary
Date: February 11, 2020**

Agenda Item:

Originated by: Gina S. Will, Administrative Services Director/Town Treasurer
Approved by: Lauren Gill, Town Manager
Subject: 2019/20 Operating and Capital Budget Status Update and Mid-Year Financial Review

Council Action Requested:

1. Review and approve the 2019/20 mid-year budget report and budget adjustments; and
2. Approve recommended personnel changes; and
3. Approve job classification descriptions for Capital Projects Manager and Surveyor; and
4. Approve updated salary pay plan with revised position control authorized positions, and
5. Conditionally approve North Valley Community Foundation grant for Grants Administrator position accepting first year funding and conditionally accepting second and third year funding if the Town has enough funding available to cover the match requirement, and
6. Authorize the Town Manager and Town Attorney to enter into an agreement with Community Housing Improvement Program (CHIP) that protects the Town's interest in the insurance proceeds for the Paradise Community Village rebuild.

Alternatives:

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

Background:

It is a best practice of the Town of Paradise to adopt the Capital and Operating Budget for the next fiscal year prior to, June 30th, the end of the fiscal year. However, the Camp Fire of November 2018, and the financial impacts that were caused, required additional time to compile a meaningful budget by the normal deadline. The 2019/20 Budget was adopted August 13, 2019 with a theme of being patient, positive and persistent.

Now, fifteen months after the Camp Fire the Town has made tremendous progress with an incredibly patient, positive and persistent staff. The Town's personnel, finances and budget is still very dynamic. This financial update attempts to estimate the Town's financial position at the end of the 2019/20 fiscal year in order to begin preparations for the next budget cycle. This budget is filled with the best estimates and assumptions currently available. The Town's

finances continue to evolve quickly, so many more budget and financial updates should be expected.

Discussion:

Personnel Update

Following is the status of the recruitment for authorized vacant positions:

Public Works Director/Town Engineer	Filled & Started
Senior Mechanic	Filled & Started
Maintenance Worker II	Filled start date 2/24/20
Police Sergeant (2)	1 Filled; 1 in Background
Police Officers (3)	1 Filled; 1 in Academy; 1 to Recruit
Associate Planner	Recruitment closed; interviews scheduled
Housing Program Technician	Recruitment closed; interviews scheduled
Management Analyst	Recruitment closed; interviews scheduled
Procurement Officer	Recruitment closed; interviews scheduled
Administrative Assistant (Police)	Internal recruitment underway
Property & Evidence Technician	Internal recruitment underway
Disaster Recovery Director	Interim in place; recruitment underway
Grant Administrator	Recruitment underway

In addition, in order attract and retain qualified personnel to support operations and recovery efforts, the following personnel changes are recommended for approval:

1. Increase Administrative Assistant (Police) hours from 36 to 40
2. Increase Property and Evidence Technician hours from 36 to 40
3. Decrease hours of Senior Mechanic from 40 to 36
4. Approve classification description and authorize hourly/part time Surveyor position
5. In lieu of an Associate Engineer, approve classification description and authorize Capital Projects Manager

The updated Salary Pay Plan with authorized positions and budgeted full-time equivalency is attached for review and approval.

North Valley Community Foundation – Butte Strong Fund Grant

The North Valley Community Foundation and Butte Strong Fund has generously awarded another grant to the Town of Paradise in the amount of \$226,883. The purpose of the grant is to fund a Grants Administrator Position. The grant stipulates full funding for the first year and half funding for the second and third year. A Grants Administrator will be used to pursue other grants as well as administer the often labor-intensive reporting requirements of the grants.

Not knowing the timing of the PG&E settlement or the full extent of the Town’s financial condition, staff recommends a conditional acceptance of the grant. Accept the first year of funding, but the second and third year only if the Town is able to fund the 50% match. North Valley Community Foundation and the Butte Strong Fund is vested in community recovery. It is believed that if the Town is unable to fund the 50% match, the foundation could be approached for additional funding.

2019/20 Operating and Capital Budget Update

Fund 1010 – General Fund

Staff analyzed a General Fund Budget Performance Report and spoke to departments and agencies in order to estimate 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:

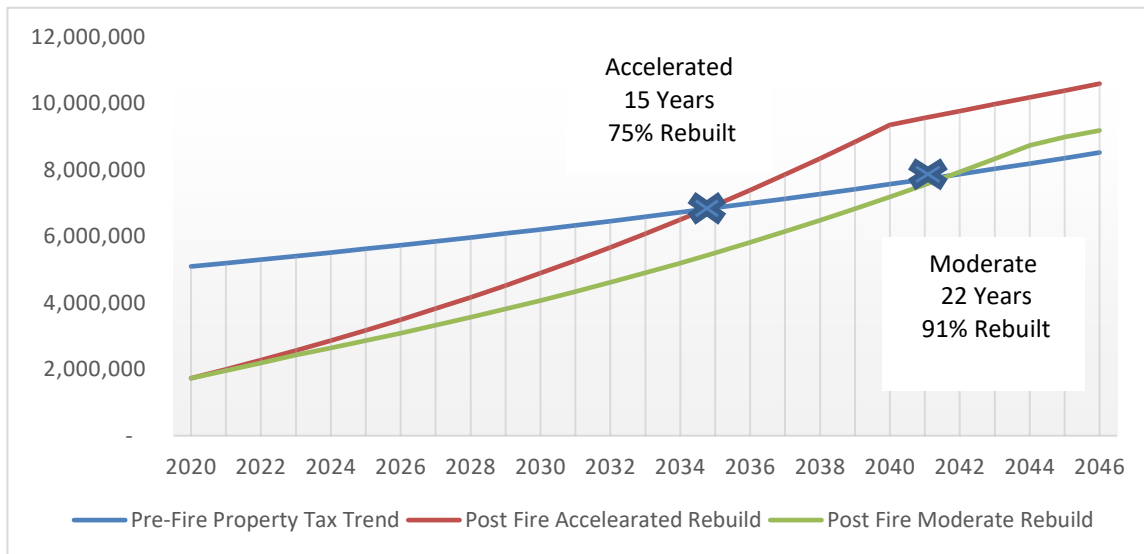
General Fund Revenues

	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Proposed Budget Adjustments
Measure C	1,382,632	750,000	750,000	0
Non Department	10,649,673	12,104,550	11,744,763	(359,787)
Finance	8,918	0	220	220
Police	101,944	49,076	41,330	(7,746)
Fire	39,899	302,059	291,031	(11,028)
Planning	56,400	55,770	101,950	46,180
Waste Management	21,754	8,294	10,657	2,363
Engineering	61,598	133,283	165,648	32,365
Community Park	2,333	2,500	2,500	0
Totals	12,325,152	13,405,532	13,108,099	(297,433)

- Property Taxes: The State of California has committed to backfilling Camp Fire lost property taxes for three years. 2019/20 is the second of the three years. The Town is expected to receive \$1.73 million in secured property taxes for land and remaining structures. It will receive about \$3.36 million from the State this year as backfill.

Without a crystal ball, it is very difficult to predict how many years it will take the Town to get back to pre-fire secured property tax levels. However, Staff can provide a range of possible outcomes. Assuming, the rebuild is accelerated with 500 structures rebuilt per year and about half of the structures are built by new owners, it is estimated to take 15 years and about 75% rebuild to achieve the pre-fire trend. With a more moderate rebuild, an average 400 structures per year and a quarter by new owners, it is

estimated to take 22 years and 91% rebuilt to achieve the pre-fire trend. Following is a chart to illustrate those possible outcomes.



Secured and unsecured property taxes are backfilled, but the other categories of property tax are not. The following chart summarizes property tax expectations and recommended budget adjustments for this 2019/20 budget year:

Property Taxes	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Budget Adjustments
Secured	\$4,955,483	\$5,064,469	\$5,095,000	\$30,531
Unsecured	254,740	100,000	135,000	35,000
RDA Residual	25,919	0	2,682	2,682
Supplemental	65,766	40,000	40,000	0
Homeowners Apportionment	64,553	55,000	23,676	(31,324)
Totals	\$5,366,461	\$5,259,469	\$5,296,358	\$36,889

- 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 will be made whole through property tax backfill for three fiscal years. This is the second of the three years. Last year the Town received \$2.46 million. The current budget is \$2.49 million, but the current expectation is \$2.65 million. A budget increase of \$67,547 is recommended.
- Sales Tax: Even with a new system of allocating and remitting sales taxes, the State system pays sales taxes about three months in arrears. Forecasting sales taxes are further complicated by the State’s system of continuing to due advances and true ups.

At the end of 2018/19 the State had advanced the Town too much which left a hole to true-up the current year. Those numbers have been sorted out and the Town had sales tax receipts of \$955,139 last year. The first quarter is complete, but the second quarter is still in progress. Sales taxes are not being backfilled by the State. The current budget is \$475,483, but staff recommends increasing the budget to \$600,000. Following is a recap of the sales taxes receipts the last few years by quarter:

Quarter ended	2016/17	2017/18	2018/19	2019/20
09/30 – 1st	456,419	473,283	541,661	177,928
12/31 – 2 nd	469,546	497,021	233,937	54,889 (to date)
03/31 – 3 rd	433,289	402,550	68,662	
06/30 – 4th	477,875	529,075	110,879	
Totals	1,837,129	1,901,930	955,139	

- Franchise Fees: The Town has received two quarters of franchise fees for the fiscal year. With five months of full receipts last year total revenues were \$545,209. This year revenues are expected to be about \$157,500. The current budget is \$144,865.
- Transient Occupancy Taxes (TOT): A couple hotels have made progress toward reopening. The Town has not yet received any receipts, so it is recommended to drop the budget from \$80,000 to \$40,000. Last year receipts were \$114,452.
- Lost Revenue Insurance Proceeds: The Town is expected to use \$2.42 million of the \$5 million of lost revenue insurance proceeds for this year. The original expectation was to use \$2.87 million. Last fiscal year the Town used about \$435,000. This provides \$2.15 million to maintain operations next fiscal year.
- Planning Services: Planning activities and services are increasing especially related to temporary use Permits, site plan reviews, and design review applications. It is estimated that about \$46,000 more in service fees will be collected to bring the total to about \$102,000. This is compared to activities of about \$56,000 last year.
- Engineering Services: Engineering service requests are also exceeding original expectations. Receipts are expected to be about \$165,600 a budget increase of \$32,365. The additional service requests are in lot merger and drain plan reviews. This is compared to last year engineering service receipts of \$61,598.

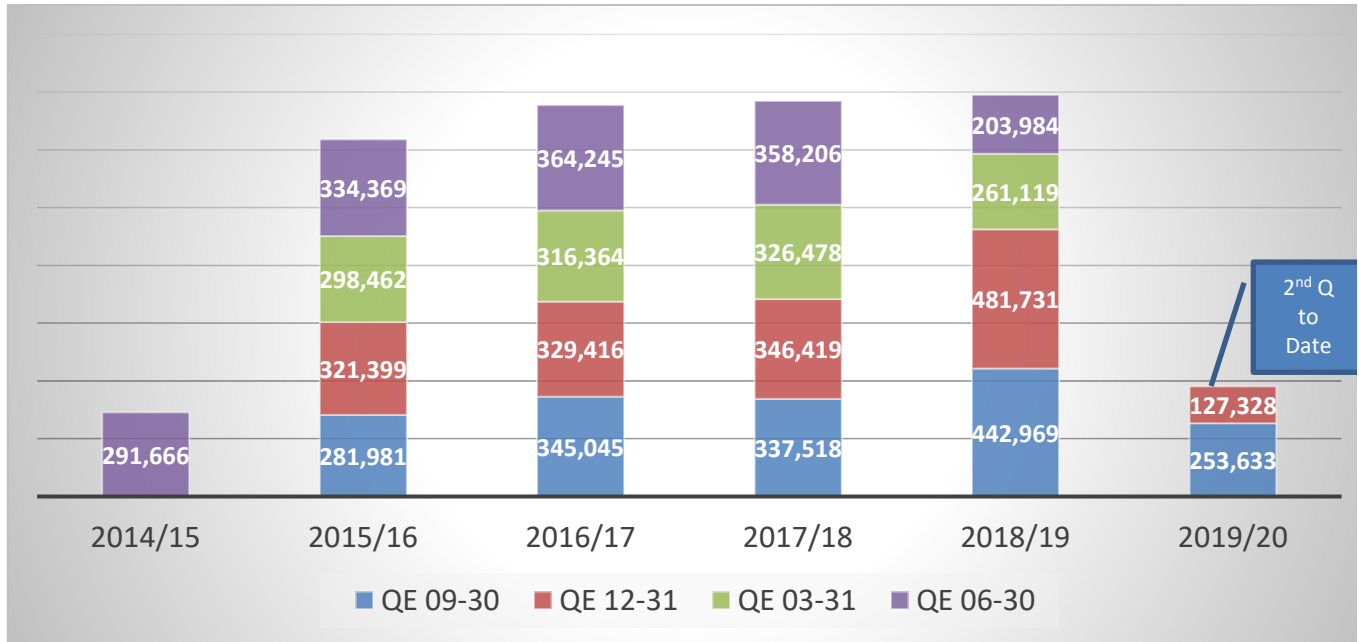
Measure C

*“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 fifth of six years of this Measure. In November

2018, voters approved a 10-year extension of the measure. The Camp Fire has required revision of the Measure C financial plan.

Initially revenues did not drop as fast as expected as revenues were likely boosted by vehicle replacements and online purchases. Now revenues are starting to drop, but a clear trend is not yet available. Following is an accounting of Measure C revenues since inception:



Measure C is continuing to fund ongoing support for Police, Fire and Animal Control but in some cases to a lesser extent. Police personnel, except for the sponsorship of trainees through the academy, is funded by the general fund police budget. The Town originally expected to sponsor 2 cadets through the academy, but it will end up sponsoring about 2.5. Also, with the acquisition of a new K9 officer, there are some onetime costs to cover. Following is the recommended budget adjustments for this fiscal year:

	<u>2019/20</u> <u>Amended</u> <u>Budget</u>	<u>2019/20</u> <u>Proposed</u> <u>Budget</u>	<u>2019/20</u> <u>Budget</u> <u>Adjustments</u>
Police Department			
Police Cadets (2.5)	67,710	80,889	13,179
Police Cars	87,067	87,067	0
Body Cameras	5,917	5,917	0
K-9 Program	10,005	16,805	6,800
	<u>170,699</u>	<u>190,678</u>	<u>19,979</u>
Animal Control			
Support to Maintain Services	247,142	232,330	(14,812)
	<u>247,142</u>	<u>232,330</u>	<u>(14,812)</u>
Fire Department			

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CAL FIRE Contract	250,000	250,000	0
Fire Engines 81 & 82	167,183	167,183	0
	<u>417,183</u>	<u>417,183</u>	<u>0</u>
Total	835,024	840,191	5,167

Following is a summary of the preliminary revised Measure C financial plan. A complete detailed plan is included with these agenda materials. It is recommended that the Town maintain the current estimated contingency reserve until a more complete revenue trend emerges for the remainder of Measure C and the start of Measure V. The Town is applying for many grants that have matching requirements, and the permanent work of road and culvert repairs through public assistance have matching requirements. There is also need of monies for the capital improvement projects that have currently been postponed.

Projected Revenues		\$6,953,872
Commitments for:	Police	\$1,802,505
	Fire	2,215,184
	Animal Control	800,046
	Public Works	1,187,154
	Reserves	948,983
		(6,953,872)
Net Remaining		\$0

Staff met with the Measure C Citizen Oversight Committee on January 28, 2020 where approval was received for the 2nd Quarter 2019/20 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

	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Budget Adjustments
Measure C	\$991,650	\$835,024	\$840,191	\$5,167
Non Department	1,049,908	1,069,134	1,441,816	372,682
Administration	1,640,680	1,999,126	1,871,277	(127,849)
Police	4,304,982	4,808,119	4,586,333	(221,786)
Fire	3,505,519	4,265,032	4,265,036	4
Community Develop.	192,374	187,050	186,186	(864)
Public Works	283,262	387,387	357,463	(29,924)

Totals	11,968,375	13,550,872	13,548,302	(2,570)
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Non Department:

As approved by the Town Council, the Town purchased a building at 5631 Black Olive next to the Police Department, and near Fire Station 81 and Fleet Maintenance Shop. This provides the Town with the opportunity to someday consolidate most services in one central location. Additional plans will be brought forward as funding for development of the building is identified. Also, with increased activities and services being provided throughout the Town government, there are additional banking and transaction charges. The recommended increased budget of \$372,682 is a result of both these activities.

Administration:

Collectively **administrative divisions are anticipated to decrease \$127,849**. Most of these divisions are support functions, so as cost allocations are recalculated based on support usage, these numbers are adjusted. As an example, the Town Manager’s office has been more involved with general governance and recovery, and less involved with Business and Housing functions. Also, these numbers reflect refined estimates for the timing of the hiring of administrative positions. Finally, the Town has kept overhead costs down especially for the replacement of information technology infrastructure and staffing. There are enough monies collected to move forward with infrastructure replacement and software efficiencies. These funds are currently offsetting the cost of information technology expenses.

✓ Town Council	(1,605)
✓ Town Clerk	(1,509)
✓ Town Manager	82,596
✓ Central Services	(9,524)
✓ Information Technology	(200,000)
✓ HR and Risk Management	852
✓ Legal Services	(10)
✓ Finance	1,351

Police Department

- Police Administration: The vacancy of the administrative assistant and the postponement of the public safety radio replacement is expected to **create savings of about \$43,423** in police administration.
- Police Operations: The department has made great progress in recruiting and hiring committed and qualified officers. With one officer coming back this month, one officer set to graduate from the academy in June, there is one officer vacancy remaining. Further, Council authorized hiring a fifth sergeant to provide additional supervision and support administration. The Town promoted one officer to sergeant and there is an external candidate in background for the final sergeant position. Of the 11 authorized officer

positions, the Town is estimated to recognize 8.0 full time equivalent officers for the year. Of the 5 authorized sergeants, the Town is estimated to recognize 3.9 full time equivalent sergeants. Some assumptions about the timing of these vacancies are included in the **estimate of \$169,000** in salary, benefit and training savings.

- Public Safety Communications: Changed assumptions about how the department will move employees around to fill vacancies and support operations is creating estimated **savings in public safety communications of about \$9,400**.

Fire Department

- Fire Administration: Staff recommends a **budget increase of about \$6,800**. The department is preparing an educational flyer and mailer on defensible space. Also, the department was granted some funds to replace appliances at station 81. The receipt is accounted for under fire department revenues.
- Fire Suppression: **Savings of about \$6,800** is expected on the suppression side. A good portion of that adjustment is from the expected postponement of the public safety radio project.

Public Works

- Engineering: The former Public Works Director/Town Engineer has returned. The proposal of possibly hiring a separate Public Works Director and Town Engineer has been replaced, under returned leadership, with a plan to hire a Capital Projects Manager to support the Director. The job classification is attached for Council's review and approval. Assuming approval, recruitment will begin later this spring once more is known about the timing of funding for road repairs.

Also, Engineering recommends converting our long-standing contract surveyor to a part time hourly employee. There is minimal financial impact involved in this conversion as the same hourly rates will apply. The job classification is attached for Council's review and approval.

Staff estimates savings of about \$18,000. Increased cost estimates for outside engineering support is offset by decreased estimates for salary and benefits.

- Paradise Community Park and Public Facilities: Staff estimates **savings of about \$5,200 and \$3,000** for Paradise Community Park and Public Facilities respectively. This is mainly from revised estimates for utilities and supplies.

Fiscal Impact:

The Camp Fire has had immediate and long-lasting impacts to the General Fund of the Town of Paradise. The Town is maintaining cash flow reserves and operations through State property tax backfills and lost revenue insurance proceeds. The Town Council authorized the

use of reserves for the purchase of the building on Black Olive. Following is a summary of the impacts of recommended budget adjustments discussed above:

	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Budget Adjustments
Measure C Revenues	1,382,632	750,000	750,000	0
Measure C Expenses	991,650	835,024	840,191	5,167
Measure C Net Income	390,982	(85,024)	(90,191)	(5,167)
GF Revenues	10,942,520	12,655,532	12,358,099	(297,433)
GF Expenses	10,976,725	12,715,848	12,708,111	(7,737)
GF Net Income	(34,205)	(60,316)	(350,012)	(289,696)
Measure C Fund Balance	1,291,742	1,206,718	1,201,551	
GF Fund Balance	2,830,030	2,769,714	2,480,018	
Total Fund Balance	4,121,772	3,976,432	3,681,569	
Designated Reserves – Measure C				
Police Vehicle Payments	20,637	20,637	20,637	
Contingencies	1,271,105	1,186,081	1,180,914	
Designated Reserves				
Nonspendable	1,255,934	1,255,934	1,255,934	
Property Abatements	20,000	20,000	20,000	
Cash Flow	1,554,096	1,493,780	1,204,084	

Fund 2030 – Building Safety and Wastewater Services

	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Budget Adjustments
Revenues	1,564,131	2,940,095	4,925,163	1,985,068
Expenses	1,038,922	3,054,887	3,868,371	813,484
Net Income	525,208	(114,792)	1,056,792	1,171,584
Ending Fund Balance	1,131,791	1,016,999	2,188,583	

Revenues:

Fifteen months after the Camp Fire there is exciting energy and momentum behind rebuilding the community. As of the last update, there are 768 building permit applications received, 529 building permits issued and 40 homes with certificate of occupancy issued. The community has used nearly all the \$1 million grant from North Valley Community Foundation. The grant

pays half of the building permit fees for a family who lost a primary residence in the fire up to \$3,500. The Town will start using the \$475,000 from Golden State Finance Authority for the same purpose, and it has applied for a grant extension with North Valley Community Foundation.

There is sufficient evidence to support increasing the budget for plan check fees, building permits, onsite repairs, and fire code enforcement inspections among others.

Expenses:

Because of the increased development activities, it is necessary to increase the budget for the 4Leaf contract who support the efforts. Other increased costs reflect the refined cost allocations for other divisions and functions that support the increased development activities. Staff is working hard to manage the contract and the expectations of the community.

Fiscal Impact:

Through careful management and containment of overhead expenses, reserves are estimated to grow to about \$2.19 million. However, given how quickly development interest could change, it is important to maintain enough reserves to withstand current contracted obligations. Further, the Town has additional facilities and equipment to maintain long term after current grant monies are fully used.

Fund 2070 – Animal Control Services

	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Budget Adjustments
Revenues	351,977	416,658	399,000	(17,658)
Expenses	351,771	416,658	399,000	(17,658)
Net Income	207	0	0	0
Ending Fund Balance	0	0	0	

Revenues:

As with many other divisions, the Camp Fire has changed the priorities and services performed by Animal Control Services. Only minor revenue reductions are estimated in service fees as compared to the original budget. Most of the reduced revenues reflect less transfers in needed from Measure C and donations to balance the fund.

Expenses:

The Animal Control division has found stability in staffing. There has been no turnover in staffing since before the Camp Fire. Recommended expenditure reductions are from overtime

savings, less supply and contract needs, training, and an adjustment to central service cost allocations.

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 \$400,000 operation. Measure C will contribute \$232,000 to maintain operations.

Fund 2090 – Camp Fire 2018

	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Budget Adjustments
Revenues	3,579,477	3,162,011	3,568,865	406,854
Expenses	3,728,296	3,398,372	3,918,865	620,493
Net Income	(148,819)	(236,361)	(350,000)	(213,639)
Ending Fund Balance	(148,819)	(385,180)	(498,819)	

Revenues:

Fund 2090 was established to track all the revenues and expenses related to the Camp Fire disaster of 2018. The Town tracks and calculates expenses that are eligible for insurance, FEMA public assistance (PA), grant monies or donations. It then recognizes the equivalent revenue from advances from the appropriate sources. This fiscal year, the Town is expected to recognize revenues of \$1.16 million from FEMA PA, \$2.14 million from insurance, and \$267,000 from North Valley Community Foundation grants or other donations.

Expenses:

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. Donations are currently covering the difference.

Fiscal Impact:

The negative ending fund balance is for the preparation of the complicated and extensive hazard mitigation grants prepared by Ernst and Young. Once grants are awarded, the administrative costs of preparing the applications can be absorbed into the project. There may be some costs borne by the Town if not awarded but given the magnitude and potential assistance these grants could provide to the community; it is a reasonable investment.

Fund 2120 – State Gas Tax (Street Maintenance)

	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Budget Adjustments
Revenues	1,447,220	1,435,212	1,436,532	1,320
Expenses	1,167,830	1,443,462	1,288,583	(154,879)
Net Income	279,390	(8,250)	147,949	156,199
Ending Fund Balance	397,387	389,137	545,336	

Revenues:

Based on the analysis of the revised projections released by the League of California Cities, the Town will receive less in some Highway Users Gas Tax funding but more in others. The expected net result is basically no change in expected revenues

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:

There is expected to be expenditure savings of about \$155,000. Most of the savings is from delayed hiring of vacant positions and from the reallocation of public works staff time for their work on the building resource center. There is also expected to be utility, supply and central service cost allocation savings.

Fiscal Impact:

The fund will add about \$156,000 more to reserves than expected due to reduced expenditures. These reserves will be used as matching funds for future capital improvement projects. The fund should end the fiscal year with reserves of about \$545,000.

Fund 2160 – Business & Housing

	2018/19 Estimated Actual	2019/20 Amended Budget	2019/20 Proposed Budget	2019/20 Budget Adjustments
Revenues	255,739	824,613	93,313	(731,300)

Expenses	168,590	764,949	193,691	(571,258)
Net Income	87,149	59,664	(100,378)	(160,042)
Ending Fund Balance	139,519	199,183	39,141	

Revenues:

Most of housing loan payoffs have already been processed following the Camp Fire. Also, new housing loans are not occurring as quickly as we expected. Either families do not qualify for the programs, or they have not yet decided to rebuild. Finally, the large \$23.5 million Cal Home disaster assistant grant has not yet been awarded. They award may be postponed another couple of months, so associated activity will not likely occur this fiscal year. All this combined, results in reduced expected revenues of about \$731,000.

Expenses:

Expenses, namely staffing and contract support, is recalculated and reallocated based on the activities that will be completed in Business and Housing during the fiscal year. Expenses should be reduced about \$571,000.

Fiscal Impact:

These adjustments will allow the Business and Housing division to end the fiscal year with reserves of about \$39,000. There is about \$2.4 million in available program monies from loan payoffs that staff will be using the next couple years to support business development and home rebuilding. Staff believes this year is just a lull in activity as the community moves into the next phase of recovery.

Paradise Community Village

The Town of Paradise loaned \$5 million in 2012 of Home Grant monies to Community Housing Improvement Program (CHIP) for the construction of Paradise Community Village (PCV). PCV was a multi-family development which housed low and moderate income families in Paradise. PCV was destroyed in the Camp Fire.

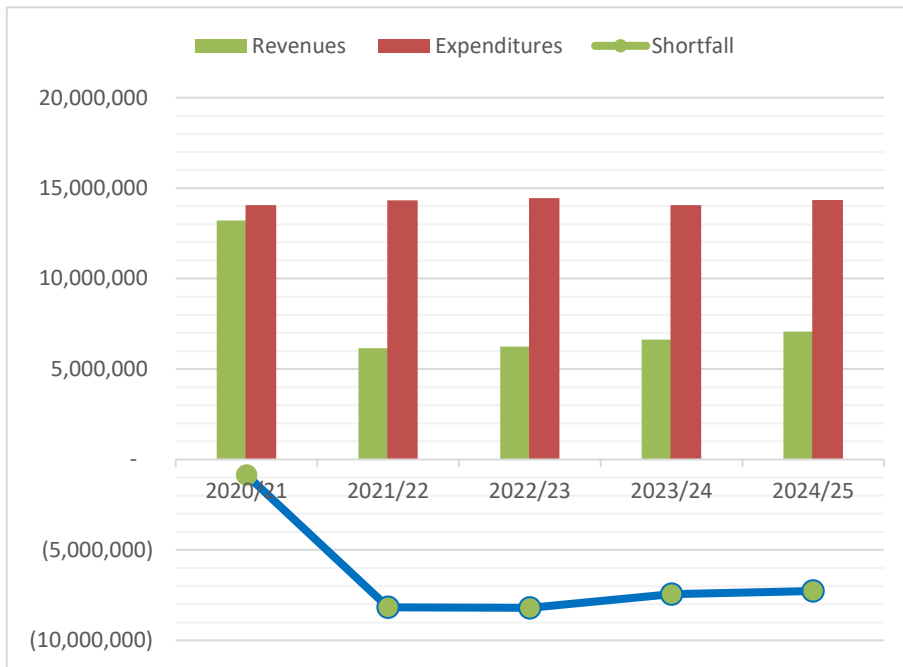
There are three other agencies who have provided funding and who have vested interest in PCV. The obligations total \$8.05 million. The initial insurance proceeds, before rebuild, total \$5.69 million. Once PCV is rebuilt, the insurance proceeds can be as much as \$8.93 million.

The Town Attorney and Administrative Services Director have been working on an arrangement with CHIP and other interested parties where the insurance proceeds are deposited into a bank account to begin earning interest. There are still details to be worked out, but the account would require all parties to agree to any disbursements. Staff is requesting that the Town Manager and the Town Attorney be authorized to enter into an appropriate agreement that protects the Town’s interest once the details are worked out.

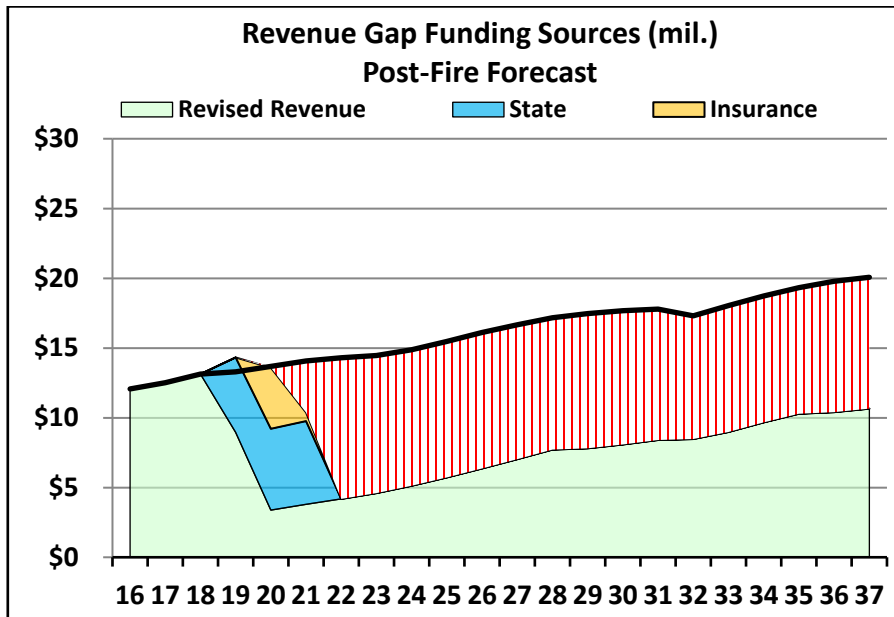
CHIP has submitted plans for the rebuilding of PCV. Permits should be issued soon, and then rebuilding can begin. Construction is expected to take about 2.5 years.

General Fund Financial Projections

Staff completed its first detailed five-year projection since the Camp Fire. The point of the exercise was to provide information to Town Council and justification for State Legislators of additional support the Town will need if the PG&E settlement is not received in a timely fashion. The Town's general fund is nearly 100% funded next year through the final committed property tax backfill from the State and the remaining amount of lost revenue insurance proceeds. In the four proceeding years, the Town will be short funding of about between \$8.2 million to \$7.2 million each year. The shortfall is expected to lessen each year. Following is a graph showing the estimated shortfall in funding for the next five years:



Given the number and dynamic variables involved in creating a long-range financial projection for the Town, Robert Leland of Management Partners original financial projection model is still relevant. It assumed 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. That is in line with staff's recent estimate of property tax restoration between 15 to 22 years.



2020/21 Budget Adoption Timeline

Following is a rough schedule for 2020/21 Budget Adoption:

1. February 18, 2020 – Town Council goal setting workshop
2. Early March 2020 – Budget Discussions with Finance Committee
3. Early March 2020 – Budget Packages to Departments
4. April and May – Town Council and Measure C Citizens Oversight Committee Budget Updates
5. Early May 2020 – Budget Discussions with Finance Committee
6. Early to mid-June 2020 – Preliminary Budget Provide to Town Council for Review
7. Late June 2020 – Adoption of 2020/21 Budget

Conclusion:

In the fifteen months since the Camp Fire, the Town has made tremendous progress in understanding its new financial position and creating a plan for financial recovery. There is still some unknowns and staff continues to learn more every day. Staff remains positive, persistent, and patient as we navigate through these uncharted waters. We are committed to keeping Town Council and the community informed of each new opportunity to further recovery.