



**Town of Paradise
Council Agenda Summary
Date: May 10, 2016**

Agenda Item: 6a

Originated by: Gina S. Will, Finance Director/Town Treasurer

Subject: 2015/16 Operating and Capital Budget Status Update and 2016/17 Operating and Capital Budget Planning

Council Action Requested:

Review and file the financial information provided by staff concerning:

1. Estimated actual projections for fiscal year 2015/16
2. Measure C Citizen Oversight Committee recent meeting
3. Budget planning process for fiscal year 2016/17

Alternatives:

Refer the matter back to staff for further development and consideration.

Background:

The 2015/16 operating and capital budget was adopted June 29, 2015, so at this point, the Town has nearly 75% of all related transactions recorded. The mid-year budget report provided to Council in February 2016 indicated that most budget projections were in-line with original estimates and that the budgets remain balanced.

The process for adopting the 2016-17 operating and capital budget has also started. Departments are completing budget requests and prioritizing operating expenditures. Revenue and expenditure estimates are being discussed and researched. Staff has begun meeting with the Measure C Citizen Oversight Committee to discuss possible uses of Measure C funds for 2016/17. Further, management is negotiating with all employee groups now so that appropriate salary and benefit numbers can be included in the 2016/17 adopted budget.

Discussion:

2015/16 Operating and Capital Budget Update

General Fund (1010):

Analysis of the attached budget performance report shows that the general fund will end the 2015/16 fiscal year with about a \$100,000 addition to the cash flow unassigned reserve. Unlike the prior fiscal year, the Town did not receive sizable unexpected one-

time revenues. The addition is a result of some increases to estimated revenues, but mostly a result of lower expenditures. Following are the more material differences in the general fund budget now as compared to mid-year:

- Franchise fees will come in about \$17,500 more than expected. Specifically, PG&E's annual franchise fees included a 7% increase.
- The Town expected to complete a retaining wall improvement project at Town Hall. Staff will not have the time nor resources to complete the project for the \$10,000 budgeted by the end of the fiscal year.
- The timing of the two Lieutenant retirements will increase the police administration budget by about \$25,000 due to accelerated accrual payoffs.
- The police operations budget will be about \$35,000 less than at mid-year because of continued position vacancies.
- The police communications budget will be about \$30,000 less than at mid-year because of a delayed hiring and a medical leave.
- The fire suppression budget will be about \$15,000 less than at mid-year because of lower gasoline prices for the engines and less needed repair and maintenance services.

Building Safety and Wastewater Services (2030):

As development continues to rebound in the community, it appears that building and onsite revenues for 2015/16 will be about \$45,000 more than expected. Further, some expenses, as a result of increased development and staffing changes, will also be about \$10,000 more than expected. Overall, this means that revenues will exceed expenditures by about \$45,000. For the 2016/17 budget, staff will be evaluating the sustainability of this trend and when equipment or enhanced staffing should be recommended.

Animal Control Services (2070):

Revenues and expenditures for 2015/16 look to be principally as what was expected at mid-year. This means that even with the almost \$12,000 financial support from PASH and with the \$31,000 support from Measure C funding, the Town will still need to transfer about \$14,000 from the animal control donation fund to balance the fund for the year. The Town continues to work with local veterinarians and is looking at adding the option for licensing dogs on-line to encourage dog licensing. Increased dog licenses would help offset the costs of providing the services.

Gas Tax/Street Maintenance (2120):

As shared with Council at mid-year, staff is carefully monitoring State Legislation and is hopeful that additional funding will be coming from the State to help maintain local roadways. With decreased gas prices, the funding that was already insufficient to run a proper street maintenance program, has further deteriorated. Revenues are not expected to be any lower than what was estimated at mid-year; however, expenses are expected to be about \$20,000 higher. The Town has spent another \$5,000 more in street sweeping in order to mitigate and help prevent clogged drains from the heavier than usual rains. The Town also spent \$15,000 on a downtown property that can be developed into parking or used for the Town’s transit needs. The funds reserves will be about \$155,000 less than the prior year.

Measure C Citizen Oversight Committee

At a recent meeting on April 26, 2016, staff shared with the Measure C committee the most recent adjustments made by Town Council to the Measure C budget and all the important expenditures that will be funded by Measure C during 2015/16. Measure C has been the key to allowing the Town to move cautiously forward and maintain services this fiscal year.

For 2015/16, revenues are expected to come in at around \$1.17 million. The \$200,000 budgeted for the Pearson road and drainage improvement project is being postponed until July 2016, so will run into the 2016/17 fiscal year. All other expenditures for 2015/16 will remain at about mid-year budget levels, so going into the 2016/17 fiscal year there will be about \$201,000 of Measure C contingency/reserve funds.

After a presentation by departments, staff shared with the Measure C committee a preliminary plan (which is presented below) for the 2016/17 fiscal year. The committee supported the plan in theory with the understanding that modifications to the preliminary plan may be needed as the Town progresses through the budget process. Staff meets with the committee again on May 24, 2016.

Animal Control		Totals
Fund increased hours for Animal Control Officer	\$30,240	
Advanced training for Animal Control Officer	1,500	
Leadership course for Animal Control Supervisor	1,000	
Animal control system (Chameleon) Training	1,000	
Plastic raised beds for dogs and cats	2,700	
Metal dog bowls	200	
Protective cover for washing machines	1,500	
Air conditioner unit	400	
Online dog licensing	10,000	
Infrastructure – concrete repair	8,000	\$57,540

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Fire Department		
Maintain current staffing levels for CAL FIRE contract	\$150,000	
Type 1 Fire Engine – Yr 2 of 6	86,632	
Equipment replacement fund contribution	50,000	
Matching funds for SCBA replacements	3,500	
Blower for engine 82	1,500	
Tool bracket fabrication for engine 82	2,000	\$293,632
Police Department		
Sergeant Detective (Includes salary and benefits)	\$161,687	
Purchase three police cars with future funding	100,000	
Body cameras and hardware – Yr 2 of 5	5,917	
Officer Training	15,000	
K-9 Program training, food and veterinary costs	10,000	
Lieutenant Transition Plan	15,000	
Sponsor 1 trainee through police academy	17,000	
Sawmill Peak communication study	3,000	
2 nd Phase of Siding Replacement	40,000	\$367,604
Public Works		
2016 road rehabilitation (asphalt overlay and striping) of many main roads	\$500,000	
Road and drainage improvements on Pearson Road (2015/16 carry forward)	200,000	700,000
Grand Total		\$1,418,776

This preliminary Measure C plan, if adopted, would use about \$50,000 of the 2015/16 contingency/reserve funds leaving about \$150,000.

2016/17 Operating and Capital Budget Planning

Staff attended a NCCSIF board meeting on April 28, 2016 where it was confirmed that due to increased experience and claims the last five years, the workers compensation premium will increase 42% for 2016/17 and the liability policy will increase 20%. This translates to increased costs Town-wide of about \$100,000 for next fiscal year. While increased claims are not a direct result of staff vacancies and lower staffing levels, it can be argued that there is at least a strong correlation between the two.

As Town Council is aware, with very few exceptions, employees have not received any kind of cost of living salary increase since July 2007. To further exacerbate employee

take home compensation, health insurance premium contributions are now capped for all employee groups. For most groups, increases in health premiums since 2011 have been borne 100% by employees. Finally, employees at the Town of Paradise are generally paid less than their counterparts at other agencies in Butte County. While the Town of Paradise offers many unquantifiable characteristics, all these other factors are adding up and making it more and more difficult to attract and retain quality employees.

Management is in negotiations with all employee groups currently, and is expecting to reach a settlement that is helpful to employees as well as sustainable for the Town. As it is abundantly clear that Measure C cannot and will not be used for salary and benefits, staff is continuing looking at the staffing structure to find the perfect and sustainable fit for the organization. In light of two recently announced retirements of long standing administrative employees, management is thoroughly looking at some possible restructuring to both save funds and to enhance citizen service. Staff will report back to Town Council once this plan is more thoroughly developed.

Conclusion:

In conclusion, about \$100,000 more monies than expected will drop to unassigned cash flow reserves by the end of the 2015/16 fiscal year. This is helpful in light of increased expenses for the 2016/17 fiscal year and the mounting pressures to attract and retain quality employees. Staff will develop and recommend a 2016/17 operating and capital budget that is both responsible and sustainable, but may need to suggest the use of a minimal amount of reserves to make that possible.