



**Town of Paradise
Council Agenda Summary
Date: October 13, 2015**

Agenda Item: 7__

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

Subject: 2014/15 Estimated Actual and 2015/16 Operating and Capital
Budget Status Update

Council Action Requested:

Review the report presented and approve the following budget adjustments; or,

Alternatives:

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

Background:

The 2014/15 general ledger recently closed and final transactions were posted in September 2015. General fund transactions are recorded on a modified accrual basis, if a revenue or expenditure was measurable or committed as of June 30, 2015, it is recorded for that fiscal year even if the cash transaction doesn't occur until the next fiscal year. Independent auditors are now in the process of auditing the Town's 2014/15 transactions. In 2014/15 the Town received some one-time monies that have helped rebuild reserves, but that cannot be counted on to sustain ongoing operating expenses.

Led by Town Council, Town management and staff have sacrificed and worked tirelessly to right the Town's financial ship. After six years of depleted reserves, delayed asset replacement and deferred maintenance, the community responded by passing a six year 0.50% transaction and use tax (Measure C) which took effect April 1, 2015. A conservative \$850,000 for the first year was included in the 2015/16 budget. The appropriate use of those monies was vetted through the Community Oversight Committee and approved by the Town Council and includes among others, replacement of three police cars, purchase of a new fire engine, and investment toward a street revitalization project. The 2015/16 operating and capital budget was adopted June 29, 2015.

Each month staff has analyzed financial transactions recorded to date and additional information received to identify the potential impact to the 2015/16 budget. At least quarterly, but more often if needed, a report will be brought forward to Town Council updating them on the status of the budget and recommending appropriate budget adjustments.

Discussion:

Fund 1010 – General Fund

Staff ran and analyzed a General Fund Budget Performance Report to date for the 2014/15 fiscal year and 2015/16 budget in order to review trends or significant swings in revenues and expenses. A copy of this report is attached for review. The following information was derived from this analysis and is summarized below:

Revenues

	2014/15 Adopted Budget	2014/15 Estimated Actual	2014/15 Final (Pre-audited)	2015/16 Adopted Budget
Measure C	\$0	\$200,000	\$291,666	\$850,000
Non Department	9,788,221	10,144,986	10,229,215	10,292,784
Finance	2,100	11,729	13,454	20,100
Police	79,780	74,629	125,505	73,221
Fire	29,657	85,042	182,925	83,465
Planning	50,340	47,634	50,325	56,479
Waste Management	46,926	50,620	60,640	50,373
Engineering	37,000	41,177	42,263	39,500
Community Park	2,500	2,580	2,670	2,500
Totals	\$10,036,524	\$10,658,397	\$10,998,663	\$11,468,422

➤ Measure C: The 0.50% transaction and use tax approved by the voters in November 2014, took effect April 1, 2015. The Town conservatively estimated \$200,000 in revenues for the first quarter of its implementation. Staff is happy to report that final reporting was received in September 2015 and the Town realized \$291,666 for the April – June 2015 quarter. Analysis of several years of sales tax data shows, that from highest to lowest, following is the order of quarterly sales tax receipts:

- October – December
- January - March
- April - June
- July - September

With this understanding and applying the equivalent amount to each quarter, the Town should receive over \$1.1 million for 2015/16. However, with so little history available on actual Measure C receipts and to remain conservative, staff recommends reducing this estimate by 10% to \$998,429. Thus, **staff recommends a budget adjustment of \$148,429 for 2015/16.**

- Property Taxes: At the end of July 2015, the final property tax receipts came in for the 2014/15 fiscal year. Overall property taxes are about \$16,085 more than budgeted. A total of \$4.51 million was received which is 3.94% more than 2013/14. As approximately 25% of Town properties were devalued under Proposition 8 rules, the Town has a few more years to receive growth higher than 2% on secured property taxes. In addition, the housing market has improved and supplemental property taxes are increasing. The only area of property tax decrease is the unsecured rolls which show a 2.4% decrease. As a result of these final receipts and a study of these trends, staff recommends the following adjustments to the 2015/16 budget:
 - **Increase secured property taxes \$9,176**
 - **Decrease unsecured property taxes \$9,841**
 - **Increase supplemental property taxes \$7,121**
- Motor Vehicle in Lieu (MVIL): 2014/15 MVIL finalized with \$235,697 additional monies than originally expected for a total of \$2.29 million. In 2014/15 the State audited the County calculations back to 2008/09 and found some formula calculation errors with these additional monies owed to the Town. Most of this then is one-time monies that aren't expected to continue. What is expected to continue, as well as the anticipated annual growth has already been factored into the 2015/16 budget for a total of \$2.20 million; therefore, a budget adjustment is not recommended.
- Sales Tax: With the final sales tax receipts for 2014/15 posted, sales tax receipts increased 2.7% for the fiscal year; a total of \$1.8 million received. However, sales tax receipts on an adjusted basis using HDL's data shows 0% growth for the year. A 4th quarter to 4th quarter comparison reflects a 4% decrease in sales tax receipts mainly due to reduced gasoline prices. In light of the latest receipts, staff will carefully monitor receipts for the first quarter of 2015/16 but currently makes no recommendation for an adjustment.
- Franchise Fees: 2014/15 franchise fees grew 2.3% compared to the prior year and about \$13,784 more than originally budgeted for a total of \$855,689. Based on final quarter receipts, **staff recommends increasing the 2015/16 budget by \$4,577**, to \$870,256, a 1.7% estimated growth.
- Transient Occupancy Taxes (TOT): With the final quarter receipts posted for 2014/15, TOT shows growth of 7.2% and a total of \$198,618 collected. However, one hotel has one quarter of additional interest charges for failure to file the quarterly return timely which skews the overall percentage growth. After studying the final collections and trends, staff has no recommended budget adjustment for 2015/16.
- State Mandated Claims Reimbursements: With the improved State economy, the State released almost \$87,000 worth of outstanding mandated claim reimbursements at the very end of June 2015. \$41,863 toward administrative service claims and \$45,123 toward police claims. Unfortunately, none toward

animal control service claims. The Town is still owed \$218,810 according to the most recent report acquired from the State Controller's Office. In addition, in August and September 2015, the State released \$20,754 in interest payments on these outstanding claims. Staff hasn't been notified of any other pending releases and already budgeted for some of the monies received, so to remain conservative, **staff recommends increasing the 2015/16 budget only by amounts exceeding the amounts budgeted or \$5,707.**

- CalPERS Medicare Retiree Drug Subsidy: Since 2007/08 the Town has received about a \$24,000 a year refund from CalPERS from a retiree drug subsidy. The refund is usually released at the very end of the fiscal year, so when it was not received for 2014/15, staff contacted CalPERS and found out that the savings is now built into the annual premium. As the Town will no longer receive the refund, **staff recommends decreasing the 2015/16 budget by \$24,000.**
- Miscellaneous General Revenue: The Town received two unusual miscellaneous revenues in 2014/15. First the Town received \$12,646 from Office Depot for the settlement of a class action lawsuit. Also, a \$21,956 reimbursement was received for fees related to the Carousel Motel receivership for which the related additional expenditures are accounted for on the expenditure side.
- Fire Equipment Rental: The 2014/15 fire season was especially demanding again for the State of California. When possible the Town lent resources to the State which resulted in rental income. A little over \$174,000 in rental income was received in 2014/15. This was significantly more than the annual average; a recent history of which is shown below:

▪ 2014/15	\$174,163
▪ 2013/14	\$24,601
▪ 2012/13	\$94,085
▪ 2011/12	\$5,609
▪ 2010/11	\$0

\$75,000 has been budgeted for 2015/16 of which, \$13,552 has been received to date.

To summarize, the Town received \$962,139 more in 2014/15 income than it originally budgeted. However, \$291,666 is from the passage of Measure C and \$456,299 is from various one time sources. Thus only 22% of these receipts were from the additional growth of normal operating revenue sources. These additional receipts were very helpful in rebuilding some spendable reserves, but not for funding and sustaining long term operations.

Expenses:

	2014/15 Adopted Budget	2014/15 Estimated Actual	2014/15 Final (Pre-audited)	2015/16 Adopted Budget
Measure C	\$0	\$10,392	\$8,392	\$831,251
Non Department	938,434	928,753	929,836	967,726
Administration	1,701,335	1,726,950	1,755,969	1,545,301
Police	3,743,663	3,628,740	3,586,350	4,084,261
Fire	3,449,039	3,472,225	3,463,198	3,639,083
Community Develop.	168,565	151,565	164,317	159,329
Public Works	35,488	44,262	38,174	220,479
Totals	\$10,036,524	\$9,962,887	\$9,946,236	\$11,447,430

Measure C:

Real, validated numbers are solidifying related to Measure C budgeted expenses for 2015/16 as many of the bid processes and financing have been completed. A Measure C Citizen’s Oversight Committee quarterly meeting has been scheduled for October 27, 2015, where staff will update the committee and seek recommendations for possible adjustments. In the meantime, following is an update for Town Council’s benefit.

- Administrative Fees: The State Board of Equalization has been netting out their administrative fees from the receipt remittance. The estimate revenues discussed above includes the administrative fee; therefore, staff will recommend removing the separate line item budget of \$8,500 for fees.
- Police Department:
 - *Sergeant Detective* – The budget assumed this position would be filled as of September 1st, but the process has taken longer than expected and is now scheduled to be filled October 19th. As a result, this position will cost \$97,814 instead of \$128,778 during 2015/16.
 - *Three Police Cars* – The bids for the new police vehicles and equipment came in at \$125,597 as compared to the expected \$150,000. This means that the lease purchase payments are also less. Assuming the Town uses \$100,000 a year for six years and purchases another three cars a year for four more years, the Town may end up with left over funding to either purchase another car or some other equipment at the end of the six years.
 - *Officer and Car Body Cameras & Hardware* – The Town is purchasing 35 video cameras, 25 car kits, 2 download and charging stations and appropriate hardware to support the equipment. Most will be purchased through lease purchase and some through outright purchase. The total cost was expected at \$40,000; the actual cost will be \$36,306. The budgeted expenditure for 2015/16 was \$16,584; the actual expenditure

will be \$14,034.

- *LiveScan Machine* - \$12,000 has been budgeted for replacement. Staff is still researching options. It appears at this time that there is a potential for savings.
- *Building Siding* – An emergency was declared by Town Council in September 2015 in order to expedite the repairs needed to prepare the building for a wet winter. Bids have come in higher than anticipated and the most economical option (with contingencies) will exceed the approved \$21,000 budget by about \$24,000.
- *Officer Training* – Of the \$15,000 budgeted for officer training, \$9,252.64 has already been encumbered to date. The department is eager to refresh their skills in a variety of disciplines to prepare them for situations they can encounter while protecting the community.
- *K-9 Program* – To date, \$2,546 of the \$10,000 budgeted on program expenses has been spent. The department has recently acquired a new dog and ongoing training and maintenance is needed, so all of these funds will be used.

➤ *Animal Control:*

- *Animal Control Officer* – The Town anticipated having a 36 hour Animal Control Officer in place at the beginning of the fiscal year and budgeted \$35,000 of Measure C in support of these added hours. There is a candidate in the final stages of the hiring process and is expected to start mid October 2015. As such, the Town will have some savings and use about \$24,792 instead.
- *New Officer Training* – Once the new officer has started, it is still expected that \$3,000 will be used for training.
- *Pressure Washer/Sanitation Unit* - Further research of units that will last and appropriately clean the shelter will cost about \$5,000 instead of the \$3,000 budgeted. This includes setup and training.

➤ *Fire Department:*

- *CAL FIRE Contract Maintenance* - \$3,066,490 has been budgeted for the CAL FIRE personnel contract. Of this, \$150,000 will be paid from Measure C funds and the rest from normal general fund revenues. This is still less than the contracted amount and will require that CAL FIRE come up with \$96,884 in savings. \$150,000 is 4.89% of total budgeted for personnel, so that percentage will be used in allocating the costs when invoices are received from CAL FIRE. The first invoice for the fiscal year is not expected until the end of October 2015.

- *Exhaust Evacuation System* – The bid process is complete and the exhaust system is being installed. The final cost is \$20,511 slightly more than the \$20,500 budgeted.
- *4 Self Contained Breathing Apparatus* - \$25,000 is still planned to be used on 4 SCBA's.
- *Type 1 Fire Engine* – In August 2015, the Town Council approved the purchase of a Pierce Enforcer Pumper Fire Engine. The engine is being constructed and will be delivered to the Town in April or May 2016. The final cost is \$487,550 as compared to the expected cost of \$400,000. The annual lease purchase payment for six years is \$86,632 as compared to the \$75,000 budgeted for 2015/16.

➤ Public Works:

- *Pearson Road Improvements* – It is expected that \$200,000 will be used to leverage grant funds for road and drainage improvements between Pentz and Clark sometime this fiscal year.

Measure C Updated

	<u>2015/16 Adopted Budget</u>	<u>2015/16 Estimated Actual</u>	<u>Difference</u>
Police Department			
Sergeant Detective	\$128,778	\$97,814	(\$30,964)
Police Cars	100,000	100,000	0
Body Cameras	16,584	14,034	(2,550)
LiveScan Machine	12,000	12,000	0
Station Siding	21,000	45,000	24,000
Officer Training	15,000	15,000	0
K-9 Program	10,000	10,000	0
	<hr/>	<hr/>	<hr/>
	\$303,362	\$293,848	(\$9,514)
Animal Control			
Increased Officer Hours	\$35,000	\$24,792	(\$10,208)
Officer Training	3,000	3,000	0
Pressure Washer	3,000	5,000	2,000
	<hr/>	<hr/>	<hr/>
	\$41,000	\$32,792	(\$8,208)
Fire Department			
CAL FIRE Contract	\$150,000	\$150,000	0
Exhaust System	20,500	20,511	11
4 SCBAs	25,000	25,000	0
Fire Engine	75,000	86,632	11,632
	<hr/>	<hr/>	<hr/>
	\$270,500	\$282,143	\$11,643
Public Works			
Road Improvements	\$200,000	\$200,000	\$200,000

Subtotal	\$814,862	\$808,783	(\$6,079)
BOE Fees	\$8,500	0	(\$8,500)
Unassigned Reserve	\$26,638	\$189,646	\$163,008
Totals	\$850,000	\$998,429	\$148,429

Administration:

- Legal: In 2014/15 the Town spent an additional \$19,828 in legal expenses in order to facilitate a receivership of the Carousel Motel. However, as indicated above, these expenses were fully reimbursed.
- Fleet Management: As should be expected of an aged fleet, repairs of fire engines, police cars and public works vehicles added up for the 2014/15 fiscal year. Also, an unexpected retirement caused a three month vacancy which was cured in August 2015. Public Works, Police and Fire staff went above and beyond by working together to keep the fleet operating during the mechanic vacancy. An additional \$9,500 worth of repairs had to be outsourced in order to keep the fleet moving. Overall, with the salary savings, accrual payouts and additional outside repairs, the division ended up spending about \$10,293 more than expected.

Police Department

- Police Operations: The Police Department continues to struggle with filling open and budgeted positions within police operations. For a short time, at the end of last fiscal year, all positions were filled; however, the division is back up to three vacancies. A replacement is needed from a retirement, the AB 109 position is vacant, and a vacancy was created to promote an officer to the Measure C funded Detective Sergeant position. Currently, there is a trainee in background, but few other qualified applications have been received. Competition for trainees across the State is so high, that the local police academy is expecting their next class of trainees to be fully sponsored by local agencies. The Town is hoping to sponsor at least three trainees in the next academy. The cost of a full sponsorship is about \$15,000. Staff will approach the Measure C Oversight Committee about possible funding, but there is also salary savings that can be considered. Overall, police operations ended the 2014/15 fiscal year \$24,423 less than expected and that is after spending \$16,198 more in overtime. Staff will prepare a complete personnel budget overview for the 2015/16 budget for the mid-year review.
- Public Safety Communications: As of the end of the 2014/15 fiscal year, all the division's budgeted positions were and remain filled. Strong management of the overtime budget and division's operating expenses resulted in overall division budget savings of \$16,303.

Fire Department

Overall, the fire department achieved unexpected savings of \$14,941 in 2014/15. \$2,151 on the fire administrative budget, \$7,306 on retiree premium costs and \$5,684 less in equipment purchased. On the personnel contract, CAL FIRE met the Town's budgeted request to shave \$200,000 off of personnel costs for 2014/15. As a reminder, \$150,000 of the personnel contract will be funded by Measure C in 2015/16.

Community Development – Planning

Somehow, during the budget process for 2015/16, staff budgeted personnel costs related to Planning, but neglected to budget operating expenses for 2014/15 and 2015/16. As a result, compared to estimated actual at the time of budget, it looks like the division exceeded the 2014/15 budget by \$12,486. Compared to the original adopted budget; however, the division actually spent less than budget. **Staff recommends adding \$9,211 to the 2015/16 budget** to cover the cost of Planning operating expenses including \$6,531 for Accela software maintenance.

Public Works – Engineering

The public works engineering budgeted concluded 2014/15, \$5,528 less than expected. It was expected that additional expenditures for staff time related to encroachment permits would be recorded, but less was actually required.

Fiscal Impact:

Overall in 2014/15 the Town accumulated \$90,288 in expenditure savings which further added to the Town's ending fund balance and reserves. The recommended revenue and expenditure budget adjustments for 2015/16 results in a decrease in revenues of \$7,260 and an increase in expenditures of \$9,211. As few actual transactions have been recorded for the 2015/16 fiscal year and since staff is confident that there will be at least some salary savings during the fiscal year, Staff does not yet recommend cutting the \$14,228 in deficit spending these adjustments create. The Town remains conservative in its budget approach, so it is likely that that the deficit will be cured through the natural progression of the budget. If the deficit still exists at mid-year, staff will identify the appropriate adjustments.

Following shows the progress the Town is making in rebuilding its General Fund Reserves:

	2013/14 Audited	2014/15 Estimated Actual	2015/16 Proposed Budget
Revenues	\$10,055,695	\$10,706,997	\$10,611,162
Measure C Revenues		291,666	998,429
Expenses	(9,484,697)	(9,937,844)	(10,625,390)
Measure C Expenses		(8,392)	(808,783)
Net Income	\$570,998	\$1,052,427	\$175,418
Ending Fund Balance	\$1,886,001	\$2,938,428	\$3,113,846
Designated Reserves			
Nonspendable (RDA/Other)	2,015,945	2,008,233	1,983,233
Assigned to Measure C	0	283,274	472,920
Unassigned	(129,944)	646,921	657,693

Fund 2030 – Building Safety and Wastewater Services

	2014/15 Adopted Budget	2014/15 Estimated Actual	2014/15 Final (Pre-audited)	2015/16 Adopted Budget
Revenues	\$739,528	\$896,374	\$935,539	\$787,722
Expenses	756,696	740,274	738,488	824,484
Net Income	(\$17,168)	\$156,100	\$197,051	(\$36,762)
Ending Fund Balance	\$176,907	\$350,175	\$391,126	\$354,364

Revenues:

By the close of the 2014/15 fiscal year, an additional \$39,165 in revenues was earned over which was estimated. Building permits were up an additional \$11,733 with a total of \$243,733 earned. The Town hasn't seen this level of building permits since 2007/08. The division was also able to collect an additional \$5,000 in building related code enforcement violations for a total of \$40,564. \$7,787 more in onsite repair permits was issued. Overall development revenues continue to rebound and show that there is building growth in the community. The 2015/16 revenues were budgeted very conservatively. In light of the final numbers and healthy permit and plan check numbers already being reported for 2015/16, **staff recommends increasing building permits by \$17,000 and plan check fees by \$8,000.**

Expenses:

Another \$1,786 in expenditure savings was scraped together at the end of the 2014/15 fiscal year. The 2015/16 budget includes some expenditures that had been cut from the

last several budgets like staff training, an additional four hours of staff time, computer replacement and a \$5,000 contribution to the retiree health trust. No budget adjustment for 2015/16 is currently recommended.

Fiscal Impact:

The fund will end the fiscal year with a good healthy reserve which is important to maintain for equipment replacement purposes and to prepare for the inevitable next economic downturn. The division is currently managing the increased workload demand by more fully utilizing technology to improve efficiency.

Fund 2070 – Animal Control Services

	2014/15 Adopted Budget	2014/15 Estimated Actual	2014/15 Final (Pre-audited)	2015/16 Adopted Budget
Revenues	\$197,882	\$195,212	\$198,000	\$205,275
Expenses	197,882	191,088	192,907	210,903
Net Income	\$0	\$4,124	\$5,093	(\$5,628)
Ending Fund Balance	\$1,504	\$5,628	\$6,597	\$969

Revenues:

Revenues for 2014/15 concluded principally as expected with some growth in code enforcement citation receipts related to unlicensed, unleashed and dangerous dogs. Dog license receipts were up \$1,000 compared to the prior year. PASH provided nearly \$10,000 for funding various shelter expenses for the care and comfort of the animals.

Expenses:

Expenses for 2014/15 also concluded about as expected. The second animal control officer position was vacant most of the year creating salary savings, but the other budgeted expenses were spent as expected. As discussed above, the 36 animal control officer position will finally be filled this month. A full personnel cost analysis will be included with the mid-year report.

Fiscal Impact:

With the salary savings and modest revenue growth, the fund did not require a transfer from the animal control donation fund to balance in 2014/15. As of June 30, 2015 there is \$60,580 remaining in the donation fund. It is expected with the hire of another animal control officer, the division can be more proactive in licensing dogs which will increase

revenues to sustain the services provided to the community. In the meantime, \$15,817 is currently the budgeted transfer from the donation fund for the 2015/16 fiscal year.

Fund 2120 – State Gas Tax (Street Maintenance)

	2014/15 Adopted Budget	2014/15 Estimated Actual	2014/15 Final (Pre-audited)	2015/16 Adopted Budget
Revenues	\$1,128,818	\$1,168,056	\$1,163,803	\$1,024,198
Expenses	1,248,666	1,132,441	1,145,169	1,218,191
Net Income	(\$119,848)	\$35,615	\$18,634	(\$193,993)
Ending Fund Balance	\$383,784	\$539,247	\$522,266	\$328,273

Revenues:

The fund ended up receiving about \$4,253 less in revenues than expected. It received more from CIP projects to reimburse the wages of the Public Works Director and staff, but a little less in gas tax receipts. The gas tax revenue projection for 2015/16 and used in the Town’s budget, shows a 23.8% reduction in revenues due to lower gas prices and other factors. At this time, no revised numbers have been released. Deteriorating roads and lack of funding is not unique to Paradise. In September 2015, the Governor announced a proposal to provide additional funding for road maintenance. Latest estimates show that if this proposal is funded it could bring an additional \$400,000 in revenue per year for ten years to the Town. Staff will be anxiously monitoring this proposal.

Expenses:

Expenses came in about \$12,728 more than estimated at 2014/15 year end, but still less than budgeted. As pointed out in the General Fund analysis, it was expected that about \$5,000 more would come in from encroachment permits to offset the wages of the Construction Inspector. Also, more progress was made on some CIP projects which used \$6,391 more in gas tax funds as the match.

No expenditure adjustment is currently recommended for the 2015/16 budget. Some additional monies were purposely budgeted to step up the street maintenance efforts of the division particularly in repair and maintenance supplies and services. Also, gas tax monies are being used to leverage and move forward with some of the remarkable granted CIP projects which will better Town roads and improve traffic safety.

Fiscal Impact:

The fund is currently maintaining appropriate reserves; however, staff is monitoring the trend of decreasing revenues. These reserves are needed to maintain existing staffing and service levels. They are also a critical funding source for leveraging grants.

Conclusion:

In conclusion, the Town is making progress towards its financial stability. All funds are being carefully monitored and only sustainable expenses are being put back into budgets. Further, the Town is being good stewards of Measure C monies and is investing those funds as expected by the community in items that sustain and enhance the services provided to the community.