



**Town of Paradise
Council Agenda Summary
Date: September 12, 2017**

Agenda Item: 6__

Originated by: Gina S. Will, Administrative Services Director/Town Treasurer
Approved by: Lauren Gill, Town Manager
Subject: 2016/17 and 2017/18 Operating and Capital Budget Status Update

Council Action Requested:

1. Review and file the financial information provided by staff concerning the 2016/17 and 2017/18 operating and capital budgets, and
2. Approve staff recommended budget adjustments, and
3. Approve a resolution of the Town Council of the Town of Paradise updating and amending the Town of Paradise Capital Improvement Plan for the 2017-2018 fiscal year, and
4. Approve resolution of the Town Council of the Town of Paradise, California, approving job descriptions and revising the personnel structure for certain Town of Paradise positions for the fiscal year 2017-2018.

Alternative:

Direct staff to make alternative budget adjustments, or decline to approve the resolutions.

Background:

The 2016/17 operating and capital budgets were adopted June 20, 2016, currently about 98% of all related transactions have been recorded. Transactions will continue to be recorded as final invoices for products and services come in and as receipts for revenues earned continue to come in through about the end of September 2017.

The 2017/18 operating and capital budgets were recently adopted June 27, 2017. Currently about one month of transactions have been recorded. The General Fund was adopted with a balanced budget, which staff will closely monitor. Other budget highlights include:

- ✓ The use of Measure C funds to maintain services and replace equipment
- ✓ Personnel considerations including replacement of the Police Chief and the renewed CAL FIRE agreement
- ✓ Infrastructure investment through 15 capital improvement projects
- ✓ Efficiency and sustainability improvements with added general fund cash flow reserves, a \$25,000 OPEB contribution, and improved gas tax funding

The weaknesses, which staff will both monitor and attempt to remedy, include Animal Control Services sustainability, rising CalPERs pension contributions, general fund cash flow reserves less than 10%, and the expiration of Measure C in 2020/21.

Discussion:

A budget performance report was ran and analyzed on all key funds. A few changes and developments have been identified which are described more completely below:

General Fund (1010):

- The Town recently received the final true up payment from the County of secured and unsecured property taxes. As a result of the total receipts for 2016/17 and anticipation of similar trends for 2017/18, staff recommends the following 2017/18 budget adjustments:

Property Tax Type	2016/17 Estimated Actual	2016/17 Actual	2017/18 Adopted Budget	2017/18 Proposed Amended Budget	2017/18 Proposed Budget Adjustment
Secured	4,535,132	4,528,621	4,693,862	4,687,123	(6,739)
Unsecured	243,053	241,278	245,483	243,691	(1,792)
Prior Years	7,000	6,368	7,000	7,000	0
Supplemental	51,500	66,507	52,530	66,507	13,977
Total	4,836,685	4,837,042	4,998,875	5,004,321	5,446

- Transfer taxes continue to show improvement with the final payment received for 2016/17. Estimated actual for 2016/17 was \$82,751, and the actual received was \$88,125. Staff recommends increasing the 2017/18 budget \$5,642 to \$92,531.
- The final true-up invoice was processed for the CAL FIRE personnel contract for the 2016/17 fiscal year. While providing excellent fire suppression and medical aid services to the community, CAL FIRE provided savings over and above the requested contract savings of \$140,000 by an additional \$133,568. \$8,880 of this is savings will go to Measure C funds, and the remaining \$124,688 will add to the general fund cash flow reserves for 2016/17. This will help replenish the

\$175,306 that was temporarily removed from reserves to help fund a replacement fire engine until the surplus engine is sold.

- Police Department
 - Police operations salaries have finalized for 2016/17 a bit different than expected. Salaries came in \$8,818 more than estimated actual, but overtime came in \$13,984 less than estimate actual. No adjustment is currently recommended for 2017/18 as there are vacant positions still pending. Adjustments will be brought forward at the appropriate time.
 - Public safety communications salaries finalized \$14,074 less than expected. Again, no adjustment for 2017/18 is currently recommended.
- Older cars and many years of deferred maintenance on an aged fleet, plus an expensive fire engine accident repair has caused the fleet management budget to come in higher than expected. The Town spent \$18,829 more than estimated on repairs and maintenance supplies and \$10,511 more than estimated on repair and maintenance services. Staff is not recommending an adjustment currently on the 2017/18 budget as there is a proposal pending which could help mitigate some of these higher expenses.

Measure C is allowing the Town to replace its two front line engines and 15 of its police vehicles. Staff is currently working through an opportunity with an outside vendor to replace some of its non-public safety vehicles in an economical manner. Staff will bring forward a detailed explanation and proposal for Council's consideration next month.

Measure C:

On July 25, 2017, the quarterly Measure C Citizens Oversight Committee meeting was held in which the 4th quarter 2016/17 report was approved. At the time of budget adoption, estimated actual revenues were \$1,272,923. With only one additional true-up receipt pending for the 2016/17 fiscal year, estimated revenues are \$1,335,000. Staff will bring back an updated financial plan and any necessary budget adjustments for 2017/18 once final receipts and expenses are recorded for 2016/17.

Building Safety & Wastewater Services (2030):

Building permits have finalized \$23,916 more than estimated actual showing continued development within the community. In addition, salaries came in \$13,237 less than expected. This balances the fund and adds about \$3,533 to reserves bringing reserves to about \$442,919. This reserve is important to maintain for an eventual economic downturn and in order to replace equipment. A budget adjustment for 2017/18 related to personnel is described in detail in the personnel section below.

Animal Control Services (2070):

Unfortunately, no significant change in financial position is occurring for the 2016/17 fiscal year. Estimates are coming in materially as expected. As expected, 2017/18 is the final year of available donations for helping to maintain services. This means, that by the end of the fiscal year, another funding source will be required to maintain the current level of services. This division continues to struggle to fill an Animal Control Officer Position and an Animal Shelter Assistant position.

Gas Tax/Streets Fund (2120):

Estimates received from the California Local Government Finance Almanac for 2016/17 were overstated. Following are the actual receipts for 2016/17 and the estimates for 2017/18. Staff will further investigate and scrutinize the 2017/18 estimates before recommending a budget adjustment for 2017/18.

Gas Tax Type	2016/17 Estimated Actual	2016/17 Actual	2017/18 Budget
Section 2106	100,249	107,207	99,029
Section 2107	236,626	186,774	234,022
Section 2107.5	6,000	6,000	6,000
Section 2105	157,976	147,317	155,945
Section 2103	70,474	69,977	115,797
Totals	571,325	517,275	610,793

With some staff turnover in the division and a workers compensation situation in 2016/17, salaries finalized with savings of \$21,194. There continues to be salary savings in 2017/18 from an extended workers compensation situation. Staff proposes to use part of that savings as fully described in the personnel section below.

In total, for 2016/17, the fund will use reserves of about \$178,330 leaving a reserve of about \$92,856. With funding from SB 1, the fund will receive additional revenues to complete projects and maintain services. It is currently expected that the fund will be adding back about \$63,064 in reserves in 2017/18. Staff will be carefully watching and guarding those reserves going forward.

Business and Housing Funds:

On July 13, 2017, staff was notified of an award of a \$1 million HOME grant. As the award was uncertain at the time of budget adoption, funds were not budgeted. Now that funding is certain, staff recommends establishing a budget for fiscal year 2017/18. It is

estimated that about half the funds will be used during 2017/18. The funds are expected to be split between first time homebuyer projects and rehabilitation projects. In addition, with the focus back on home projects, less is expected to be used of Community Development Block Grant (CDBG). Following is the recommended amended budgets for these Business and Housing Funds:

	Fund Balance 7/1/17	Projected Revenues	Projected Expenses	Transfers Out	Fund Balance 6/30/18
2316 CDBG	0	21,241	(21,241)	0	0
2317 CDBG	0	0	0	0	0
2616 Home Grant	0	500,000	(440,365)	(59,635)	0

Capital Improvement Plan Revision:

On April 28, 2017 the Governor signed Senate Bill (SB) 1 (Beall, Chapter 5, Statutes of 2017), which is known as the Road Repair and Accountability Act of 2017. To address basic road maintenance, rehabilitation and critical safety needs on both the state highway and local streets and road system, SB 1: increases per gallon fuel excise taxes; increases diesel fuel sales taxes and vehicle registration fees; and provides for inflationary adjustments to tax rates in future years. Beginning November 1, 2017, the State Controller (Controller) will deposit various portions of this new funding into the newly created Road Maintenance and Rehabilitation Account (RMRA). A percentage of this new RMRA funding will be apportioned by formula to eligible cities and counties pursuant to Streets and Highways Code (SHC) Section 2032(h) for basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads system. SB 1 emphasizes the importance of accountability and transparency in the delivery of California’s transportation programs. Therefore, in order to be eligible for RMRA funding, statute requires cities and counties to provide basic annual RMRA project reporting to the California Transportation Commission (Commission).

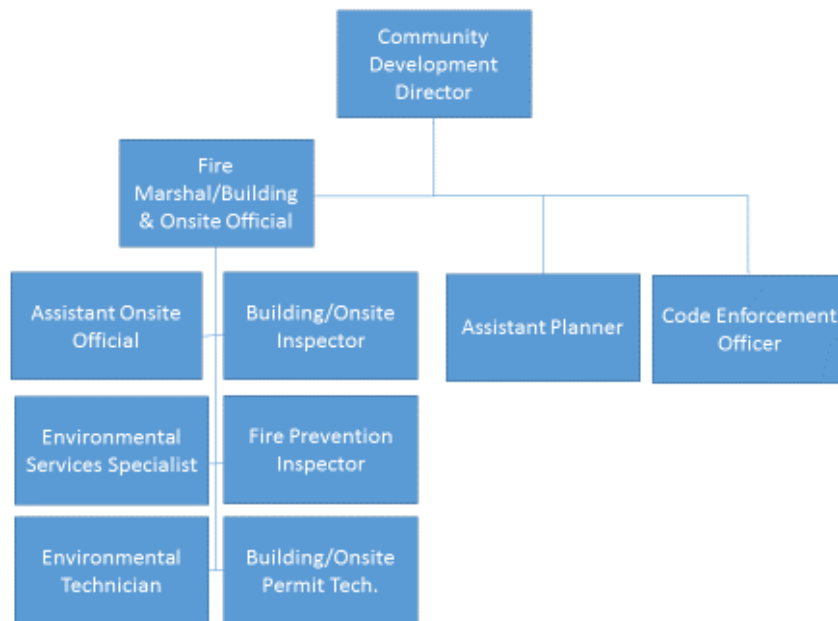
The Town of Paradise is expected to receive additional funding from the RMRA Account during fiscal years 2017/18 and 2018/19 in the amounts of \$178,000 and \$474,000, respectively. On August 31, 2017, the Town of Paradise received notice that the California Transportation Commission staff was recommending the inclusion of the Paradise Gap Closure Complex under the SB-1 Active Transportation Program Augmentation awards. This is a \$3.78M grant to fund new drainage, sidewalks and bike lanes along Elliott Road from Skyway to Almond, Birch Street from Skyway to Black Olive, Fir Street from Skyway to Black Olive, Foster Road from Pearson to Birch and Black Olive Drive from Pearson to Fir. This award, heading to CTC for formal approval in late October 2017, represents the perfect opportunity to address the substandard roadway conditions within the project area. The use of new RMRA funds for this project

is recommended, as reflected in the revised Capital Improvement Plan 9385, which is attached. The project is also in full coordination with the Almond St. Multi-Modal Improvements, a similar \$4M investment in the area and a PG&E-led Underground Utility District that encompasses both projects. Combined, this will represent the largest investment into the Town's infrastructure in over two decades – hitting numerous goals and objectives of SB-1, ATP and downtown revitalization. To facilitate this effort, the Town proposes combining FY 2017/18 and 2018/19 RMRA funds to be expended between FY 2018/19 and 2019/20, as construction schedule allows.

Council is asked to approve this CIP update to remain in compliance with the most current SB-1 guidelines, which requires advanced planning of expenditures of new RMRA funds.

Personnel Adjustments:

The Town recently received the resignation of its Fire Marshal/Building & Onsite Sanitary Official. As this is such a specialized position, there is concern about being able to replace the position as it is currently structured. Further, in the current structure, the position manages many functions and the organization has become dependent on this position for smooth operations. Management and staff met several times to discuss possible restructuring options for the position and the impacted divisions. The following chart shows the current organization structure of the Community Development Department.



It is recommended that the department be equalized and flattened in order to better spread division responsibilities and encourage operating efficiencies. The following chart shows the recommended revised structure.



Staff recommends lessening some responsibilities and returning to a Fire Marshal/Building Official for the replacement position. The position would be responsible for supervising the two inspector positions instead of currently six positions. The salary pay plan for this position is proposed to decrease by 2.5%. Until the position is filled, the current Fire Marshal/Building & Onsite Official has agreed to return on a limited temporary basis in order to do inspections a few hours a week. Staff recommends that Town Council approve this arrangement. Taking all of these facts into consideration, the reclassification of the position will save the Building Safety and Wastewater fund approximately \$34,000 in the 2017/18 fiscal year and approximately \$23,200 in 2018/19.

Also, staff recommends, reclassifying the Assistant Planner to Community Development Manager/Assistant Planner and adding to that position the supervision of the counter personnel. This position can help facilitate cross training between the divisions and help create consistency and efficiencies. It is proposed that the salary pay plan for this revised position be increased about 20%. The employee will receive an increase of more than 5% and have subsequent step increases in future years. The total additional cost for this reclassification for the 2017/18 fiscal year is about \$8,500 with 38% borne by the general fund, 54% borne by building safety & wastewater services and 8% borne by gas tax/streets. The following 2018/19 fiscal year, the increase is expected to be about \$13,400 with the same allocation between funds.

In addition, staff recommends, reclassifying the Assistant Onsite Official to Onsite Official. Onsite septic knowledge is a specialized field and it is unlikely the Town would find an individual with extensive septic experience (as well as Fire Marshal and Building Official experience). So, in order for the program to remain successful and to have some consistency within the division, it is proposed to elevate this position to that of Onsite Official with a 20% increase to that salary pay plan. As this position, will not have supervisory responsibilities, the salary pay plan has been resized and is less than that of the most recent Onsite Official. The employee will receive an increase of more than 5% and have subsequent step increases in future years. This will increase costs in the Building Safety and Wastewater fund approximately \$6,200 and increase costs in 2018/19 by about \$11,400.

Over all funds, this restructuring will save about \$19,400 this 2017/18 fiscal year and will cost approximately \$1,500 more in the 2018/19 fiscal year. Staff recommends Town Council's approval of this restructuring and resulting budget adjustments for 2017/18. Attached for Council's review are the revised job descriptions and salary pay plans.

The final proposed personnel change requests approval for a temporary Public Workers Maintenance Worker I. A Public Works Maintenance Worker II has been out on extended workers compensation which has left the division shorthanded. The shortage is expected to continue into winter, so staff is requesting approval to hire a temporary worker for about 23 weeks from mid October 2017 to the end of March 2018 to facilitate public works projects moving forward. To date this fiscal year, the division has achieved salary savings of about \$8,781 through this absence. Another 6.5 weeks of absence, which is likely, will fully fund the 23 weeks of the temporary worker.

Fiscal Impact:

The before described budget transactions and adjustments increases the general fund cash flow reserve for 2016/17 to about \$1.16 million or 9.5% of total financial uses, and for 2017/18 to about \$1.18 million or about 9.4% of total financial uses. The fiscal impact is summarized below:

	2016/17 Estimated Actual	2016/17 Revised Estimated Actual	2017/18 Adopted Budget	2017/18 Proposed Budget
Resources				
General Fund	11,095,321	11,101,052	11,442,119	11,453,207
Measure C	1,272,923	1,335,000	1,272,923	1,335,000
Total Resources	12,368,244	12,436,052	12,715,042	12,788,207
Financial Uses				
General Fund	10,991,146	10,876,558	11,442,119	11,445,349
Measure C	1,343,907	1,335,027	1,172,776	1,172,776
Total Uses	12,335,053	12,211,585	12,614,895	12,618,125

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Net Income				
General Fund	104,175	224,494	0	7,858
Measure C	(70,984)	(27)	100,147	162,224
Total Net Income	33,191	224,467	100,147	170,082
Designated Reserves				
Nonspendable (RDA & Other)	1,964,939	1,964,939	1,951,631	1,951,631
Assigned - Abatements	20,000	20,000	20,000	20,000
Unassigned – Cash Flow	938,717	1,163,211	1,174,537	1,184,377
Designated Reserves – Measure C				
Assigned – Final Year	283,274	283,274	283,274	283,274
Assigned – Vehicle Payments	150,149	150,149	150,149	150,149
Assigned Fixed Reserves			188,000	188,000
Unassigned - Contingencies	141,684	212,641	124,788	186,865