



**Town of Paradise
Council Agenda Summary
Date: September 11, 2018**

Agenda Item: 6a

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

Council Action Requested:

1. Consider and file the information presented; and
2. Approve a resolution of the Town Council, amending the salary pay plan for Town of Paradise employees for the fiscal year 2018-19; and
3. Approve recommended budget adjustments; or

Alternatives:

1. Deny salary pay plan adjustment and direct staff to address the vacant position in another way; and
2. Deny budget adjustments and direct staff to maintain original adopted budget.

Background:

The 2017/18 Operating and Capital Budgets were adopted June 27, 2017. Staff kept Council informed of circumstances or situations that significantly impacted the budget through periodic budget updates and a comprehensive mid-year financial update. Currently, the last of the transactions for the 2017/18 fiscal year are being recorded and the annual financial statement audit has started.

The 2018/19 priority-setting meeting held on February 27, 2018 started the budget process for adopting the Operating and Capital Budgets for 2018/19. The 2018/19 budget was adopted June 26, 2018 and about two months of transactions have currently been recorded.

Discussion:

General Fund - 1010

Nearly all of the transactions for the 2017/18 fiscal year have been recorded, and staff estimates that there will be a change in net position of about \$90,000 (exclusive of Measure C). As always, Council approves a conservative budget and there are

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sufficient expenditure controls in place to keep departments from exceeding their budgets. Following are the material changes to the most recent estimates.

Property taxes

The Town has received the final property tax payments for the 2017/18 fiscal year. Thus, staff requests the following budget adjustments for 2018/19.

	2017/18 Amended Budget	2017/18 Estimated Actual	2018/19 Adopted Budget	2018/19 Proposed Adjustment
Secured & Residual	\$4,739,480	\$4,735,916	\$4,934,804	(\$15,997)
Unsecured	243,691	233,304	246,128	(10,491)
Prior Secured & Unsecured	5,500	8,692	5,500	500
Supplemental	62,954	69,865	64,214	7,048
Homeowners Apportionment	65,294	65,294	65,294	0
Totals	\$5,116,919	\$5,113,071	\$5,315,940	(\$18,940)

Sales Tax

There is still one receipt of sales tax pending for the 2017/18 fiscal year. Staff currently recommends no adjustment for the 2018/19 fiscal year.

Transient Occupancy Tax

Final receipts received for the 2017/18 fiscal year resulted in \$15,564 more than expected with total receipts of \$240,589. Thus, staff recommends increasing the 2018/19 budget by \$15,542.

Town Legal Services

At the time the 2018/19 preliminary budget was finalized, the contract to extend the services of the Town Attorney had not yet been finalized. It is recommended to increase the 2018/19 legal budget by \$11,820 to cover the terms of the approved agreement.

Town Hall Facilities

The Town Hall air conditioning/heating unit failed at the end of the fiscal year resulting in an unexpected expenditure of \$6,436. Other savings within the central service program offset that added expenditure. No adjustment is currently recommended for the 2018/19 fiscal year.

Police Department

The police administration budget is estimated to end the 2017/18 fiscal year with savings of about \$41,000. About \$20,000 is specifically related to the Chief vacancy and a result of salary and recruitment incentive savings. About \$5,000 savings from drug and alcohol screening tests. \$7,500 savings from a radio infrastructure maintenance project.

Police operations will be over budget by about \$13,000. CalPERS retirement contributions were higher than expected. In addition, the cost of fuel has increased, and sexual assault exams were more than anticipated.

Despite increased costs for retiree health and accrual bank payoffs, the communications budget will reflect savings of about \$30,000. This is mostly from salary and benefit savings from continuing vacancies.

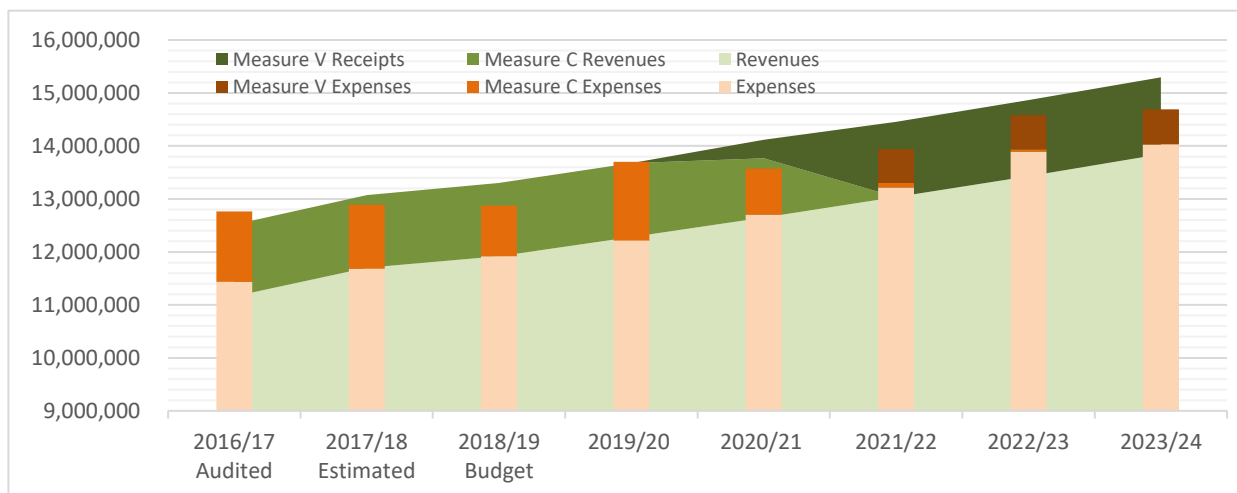
Currently there is additional savings in the 2018/19 budget from the continued vacancy of the Police Chief position. Staff will bring forward appropriate budget adjustment recommendations as plans for the replacement are finalized.

Measure C

As Town Council is aware, Measure C has been instrumental in sustaining services for the Town of Paradise since going into effect in April 2015. It has maintained CAL FIRE staffing levels, brought police staffing back to workable capacity, replaced long deferred public safety vehicles and equipment, supported animal control operations and leveraged grant monies to improve road conditions throughout town.

Now, half way through the temporary six-year tax measure, projections indicate that, without an extension of the tax measure or some other revenue source, expenses will exceed revenues and that cuts will be necessary to balance budgets once Measure C revenues have all been used.

The following graph illustrates how a sales tax extension would improve the financial projection over the same five years. Measure V would pick up where Measure C expires. The Town would have funding to maintain current service levels, funding to address deferred replacements and maintenance, and perhaps a little funding to enhance service or address roads. The five-year projection, with Measure V, shows that between \$300,000 and \$600,000 would be available each year for equipment replacements, enhancements and roads.



As Council is also aware, the remaining Measure C funds have been fully committed and planned. Therefore, until approval of the tax extension is determined, staff will make every effort to only fine tune commitment amounts and timing. As such, some of the projects committed for the 2017/18 fiscal year have ran into the 2018/19 year so the following adjustments are recommended to update estimates and apportion funding between years.

	2017/18 Amended Budget	2017/18 Estimated Actual	2018/19 Adopted Budget	2018/19 Proposed Adjustment
Fire Electrical Panel & Transfer Switch	20,000	102	0	8,250
Animal Control Rendering Setup & Maintenance	13,700	251	0	13,227
Animal Control Epoxy/Concrete Repairs	12,127	5,990	0	6,200
Construct Fleet Bay & Lift	126,158	104,801	0	21,357

An updated financial plan is attached for Town Council’s review. It shows that \$1.34 million in Measure C reserves will be available after Measure C expiration to maintain some minimal ongoing expenses for 2 years after Measure C expires. It should be noted, that even with these reserves, the Town will begin cutbacks if come November the Measure V sales tax extension is not passed.

Building Safety and Wastewater Fund – 2030

With a steady flow of development and the continued vacancy of the Building Official/Fire Marshal, the Building Safety and Wastewater Fund will have a positive change in fund balance of about \$115,000 for 2017/18 once all final transactions have been posted. Revenues are above budget about \$88,000. Plan check fees and building permits accounting for about \$70,000 of the increase. Also, with the full implementation of the Fire Prevention Inspector, fire inspections will exceed budget by about \$8,200.

	2013/14 audited	2014/15 audited	2015/16 audited	2016/17 audited	2017/18 estimated actual
Plan check fees	76,949	67,321	78,964	75,250	110,602
Building permits	189,638	243,733	215,313	236,262	299,048

There is expected to be expenditure savings of about \$16,000 in 2017/18. About \$9,000 of that is from the Building Official/Fire Marshal vacancy. At the time of the 2018/19 budget adoption, it was expected that this position would be filled. At present, the position is still not filled, but being managed by having the former Fire Marshal/Building & Onsite Official work part-time on evenings and weekends. It is recommended that this position be updated in position control and be added back to the salary pay plan. The revised salary pay plan is attached for review. It is likely that this arrangement will continue until the first of the year, so the recommended budget adjustment is a savings of \$17,877 for 2018/19.

Animal Control Services Fund – 2070

There is not expected to be any material changes from budget estimates for the 2017/18 fiscal year for Animal Control Services. The last of the animal control donation funds will be transferred to help balance the fund in the amount of about \$16,000. A little salary savings from the vacant position was offset by overtime costs. With one vacant position the entire year, the Animal Control function cost about \$300,000 with 35% funded by Measure C.

The Town is slowly rebuilding this function to a sustainable level. The final vacant position was recently filled. The 2018/19 budget is about \$362,000 with 47% funding by Measure C. Currently no budget adjustments are recommended.

Gas Tax/Street Maintenance Fund – 2120

The Gas Tax fund will end the 2017/18 fiscal year with about a \$27,000 change to its net position. The fund received about \$55,000 less revenues than expected. About \$41,000 less than expected from grant reimbursements for salaries. There was salary and benefit savings for about \$30,000, and repair and maintenance service savings of about \$25,000 to offset the reduced revenues. The division is depending on SB1, the road repair and accountability act of 2017, to maintain operations and provide some matching funds for future capital improvement projects.

The division currently has one staffing vacancy. Staff will wait to bring forward budget adjustments for the 2018/19 year until that position is filled and a trend for receipts can be determined.

Fiscal Impact:

The Town is most certainly at a crossroad financially. The Town is in a holding pattern until November 2018 to see whether the community will extend the 0.50% sales tax in order to maintain service levels. The SB1 repeal is also on the ballot in November which if approved would affect the Town's ability to maintain roads. In the meantime, the Town will stay its current course and maintain budgets.

Following is the estimated impact to the financial position of the funds with the recommended budget adjustments.

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General Fund – 1010	2017/18 Estimated Actual	2018/19 Proposed Budget
Revenues	\$11,713,372	\$11,916,811
Measure C Revenues	1,368,621	1,382,307
Total Revenues	\$13,081,993	\$13,299,118
Expenses	\$11,619,741	\$11,932,029
Measure C Expenses	1,140,958	1,001,939
Total Expenses	\$12,760,699	\$12,933,968
Unassigned – cash flow reserve	\$1,456,882	\$1,481,531
Measure C Service Extension Reserves	\$723,007	\$1,103,375

Building Safety & Wastewater – 2030	2017/18 Estimated Actual	2018/19 Proposed Budget
Revenues	\$1,059,972	\$968,853
Expenses	944,190	1,017,919
Net Change	\$115,782	(\$49,066)
Ending Fund Balance	\$599,022	\$549,956

Animal Control Services - 2070	2017/18 Estimated Actual	2018/19 Proposed Budget
Revenues	\$197,900	\$362,470
Expenses	197,900	362,470
Net Change	\$0	\$0
Ending Fund Balance	\$0	\$0

Gas Tax/Street Maintenance - 2120	2017/18 Estimated Actual	2018/19 Proposed Budget
Revenues	\$1,152,979	\$1,480,319
Expenses	1,126,132	1,235,103
Net Change	\$26,847	\$245,216
Ending Fund Balance	\$117,836	\$363,052