



**Town of Paradise
Council Agenda Summary
Date: October 9, 2018**

Agenda Item: 6b

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:

Consider and file the information presented concerning Town finances.

Background:

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 three months of transactions have currently been recorded.

Discussion:

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. Measure V will be on the November 2018 ballot which if approved, will extend the 0.50% transaction and use tax for ten years after Measure C expires.

The Town is already postponing important projects until after the election to see what level of funding will be available for next year. For example, the backup batteries for the Town's public safety radio system are failing. To properly install and replace each special battery at each location will cost about \$35,000. Thus, the Town's public safety radio system is vulnerable should an emergency occur with an extended power outage. Further, there is no funding for the AB109 officer starting next fiscal year. This position was funded for a couple years by grant monies, and the grant monies will run

out this fiscal year. The AB109 officer has been helpful in addressing the issues brought into the community because of prisoner early release.

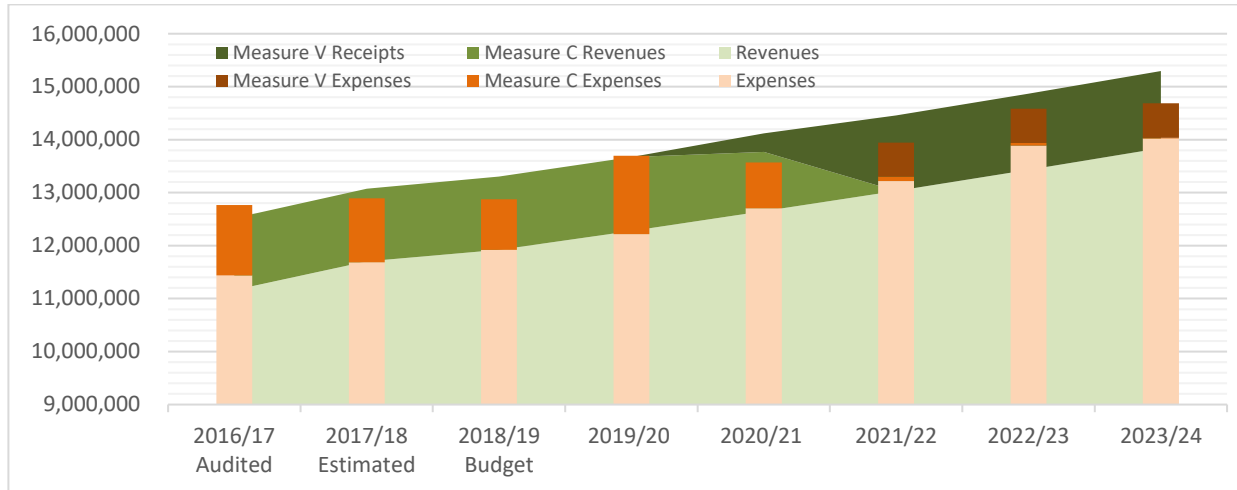
Projections indicate that even with the Measure C reserves the Town set aside, cuts will be needed starting next fiscal year to maintain a balanced budget. The Town will set aside Measure C reserves of \$1.34 million by the end of 2020/21. This will provide funding in 2021/22 and 2022/23 of \$667,847 each year. By 2023/24, the Town will have a deficit of almost \$1 million dollars. It is important to note, that these numbers are merely to maintain existing service levels. Also, there will not be funding for equipment replacement, facility repairs, or road maintenance/grant matching.

The following chart illustrates the projected cuts required to maintain a balanced budget in each of the projection years. Though different cuts may be selected, the point is that services will be impacted. Cuts cannot come from administration as those functions and divisions are typically one-person functions (HR, IT, Fleet, Legal, Payroll etc.).

	2019/20 Projected	2020/21 Projected	2021/22 Projected	2022/23 Projected	2023/24 Projected
Maintain CAL FIRE Contract		\$55,973	\$83,948	\$161,913	\$344,404
2 nd Investigation Position				171,905	171,905
Police Officer					108,074
AB 109 Officer	93,258	93,258	93,258	93,258	93,258
Sponsor Police Cadet			27,924	27,924	27,924
K9 Program			10,005	10,005	10,005
Enhanced Police Training			15,000	15,000	15,000
Animal Control Staffing & Operations			50,000	75,000	160,000
Total Projected Cuts	\$93,258	\$149,231	\$280,135	\$555,005	\$930,570

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.

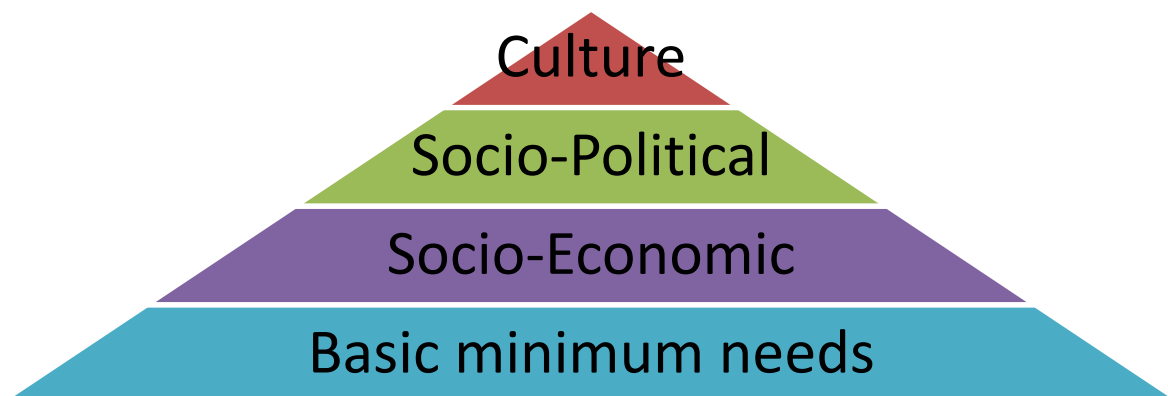
Operating and Capital Budget Update
 October 9, 2018



The Town has made economic development a cornerstone of its priorities. While the Town cannot force a business into the community, it can encourage community interest through providing a healthy customer base. To provide a healthy customer base; the Town must provide public safety services to maintain safe neighborhoods; basic infrastructure to maintain safe passage; and appropriate regulations to maintain safe building practices and reduce blight.

- ✓ Measure C to maintain public safety services
- ✓ \$22.5 million in capital improvement projects 2015/16 – 2020/21
- ✓ Lowest development fees in Butte County
- ✓ Code enforcement program
- ✓ Business friendly regulations

Maslow’s hierarchy of needs can be applied to economic development. Without appropriate funding, the foundation of a healthy community is compromised.



Fiscal Impact:

Operating and Capital Budget Update
October 9, 2018

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.