



Council Agenda Report

From: Thomas Fruthey, City Manager

Subject: Introduction to the Proposed FY 2018-19 and 2019-20 Biennial Budget

Date: June 5, 2018

There are four scheduled public sessions for addressing the budget this cycle:

May 1 (completed)—Revenue forecast and baseline expenditures for operations and for previously considered capital projects for the City’s General Fund (i.e., the fund that accounts for all revenues and expenditures not legally restricted as to use).

May 15 (completed)—Revenue forecast and baseline expenditures for operations and for previously considered capital projects for the City’s three enterprise funds (i.e., funds that account for the City’s quasi-business activities, in which revenues and expenditures are legally restricted to specific purposes: the Water Fund, Sewer Fund, and Airport Fund).

June 5—For all funds, consideration of all proposals over and above the baseline budget: all capital projects not already funded (including those not considered by the Council in previous actions), supplemental operating proposals, underfunded liabilities, and economic stimulus measures.

June 19—Formal adoption of the biennial budget for all funds, including appropriation of revenues and expenditures, approval of the authorized positions, adoption of the Gann Limit, etc.

The materials attached to this cover memo, all for the June 5 session, are presented in two agenda reports. The first report is from Ryan Cornell, the City’s Finance Manager, and covers the capital projects and service level options/supplementals. The second report addresses the City’s underfunded liabilities and the proposed economic stimulus and investment measures. Each of these types of expenditures—ongoing services and capital projects; underfunded liabilities; and economic stimulus/investment—have revenue sources best used to address them.

The following paragraphs explain the conceptual reasons for assigning certain types of revenue sources to each of the three types of expenditure.

Operating proposals and normal capital projects—This category includes the City’s ongoing services as well as those capital projects that support these ongoing services (such as water wells, airport runways, and playgrounds). These projects and services are appropriately paid for from ongoing revenues, both taxes and fees for services.

Underfunded liabilities—Prior to the passage of Proposition 13 in 1978, cities in California established their property tax rates each year in order to generate the revenues needed to pay for the services (including operating budget and capital projects) that each City Council decided to provide. During this time, many cities had been very conservative in setting their property tax rates, such that certain future costs, even those that could be anticipated (e.g., major street reconstruction, future bridge projects) were often not provided for.

After the passage of Proposition 13 (as well as some other State-wide measures), the ability of cities to raise their property tax rates or to levy additional taxes was voided. Thus, those cities that had a property tax rate that was less than that needed to sustain the infrastructure and level of services being offered over the long term were locked into a situation where, over that long term, revenues were going to be less than needed expenditures.

Paso Robles is one of the California locked into the low property tax situation. As a result, Councils since 1978 have had the choice of either drastically cutting services or continuing to having certain long-term responsibilities remain underfunded. The City's primary underfunded liabilities are: 1) streets and bridges; 2) City buildings and related facilities; and 3) employee pensions.

All three primary underfunded liabilities are City responsibilities best paid for by taxes. Given Proposition 13, Proposition 218, and other restrictions, the City can generate the needed taxes only with the approval of the voters. To obtain the approval of the voters, the City would need to place a measure on the ballot of a general election.

Stimulus and investment measures—The Great Recession virtually halted residential housing construction in Paso Robles. As a result, there is a pent-up demand for housing. Because of the excess of housing demand over supply, the price of housing has inflated. The City's economy also did not continue to mature during the Recession, in order to achieve the full desired diversity. As a result, the City has a large number of service jobs, in both agriculture and hospitality, but not the full range of jobs (including head-of-household jobs) necessary to provide employment opportunities for all. A full range of jobs would provide more fulfilling jobs (and career growth potential) for some, would upgrade the nature and scope of services offered in the community, and would enable more residents to afford the type of quality housing they desire.

In a mixed economy such as that existing in the United States, it often takes the combined actions of the private sector and the public sector in order to fix these types of problems. Cities can use a variety of stimulus measures to kick-start actions in the private sector.

When cities do this, they are making an investment in the community. They anticipate that such a one-time investment will be paid back over time. Thus, such investments are usually made from what are known as “one-time” revenues. One-time revenues should not be used for ongoing, year-after-year, expenditure needs (such as ongoing services).

The last memo in this packet addresses measures that can address both the City's underfunded liabilities and a set of stimulus/investment measures for Council consideration.



Council Agenda Report

From: Ryan Cornell, Finance Manager

Subject: FY 2018-19 and 2019-20 Capital Expenditures and Service Level Options

Date: June 5, 2018

Facts

1. The Fiscal Year (FY) 2016-17 and 2017-18 Operating and Capital Budget (Budget) for all funds was approved by City Council on June 21, 2016. An update to the FY 2017-18 Budget was approved by City Council on June 20, 2017.
2. The City is required to adopt an Operating and Capital Budget for the FY 2018-19 no later than June 30, 2018.
3. On February 17, 2018, the City Council held a Visioning and Goal-Setting Workshop that provided Councilmembers, the public, and staff a variety of opportunities to provide input and to fully participate in the development of the vision and goals for the City.
4. On March 6, 2018, City Council held a follow-up discussion of the workshop outcomes, in order to obtain additional public input and finalize City goals and strategic initiatives.
5. This budget update report focuses solely recommended service level options and capital outlay expenditures for all City funds. It allows City Council the opportunity to ask for additional information and provide direction.
6. Due to the complexity of the City's financial statements and budgets, staff felt it was important to segregate different aspects of the budget into smaller components to better explain its operations and individual challenges. As a result, staff presented General Fund Budget Update to City Council on May 7, 2018 and the Enterprise Fund Budget Update on May 15, 2018.
7. The final FY 2018-19 and 2019-20 Budget document, based on Council direction at each of the prior meetings, will be scheduled for Council consideration, approval, and adoption at the June 19, 2018 Council meeting. It will contain all projected revenues, appropriations, and transfers, and shall be implemented by the City Manager per Council policies and direction.

Analysis and Conclusions

The City's Biennial Budget provides funding for all City services, infrastructure investments, and activities performed during the year. Specifically, this report focuses on the recommended capital expenditures and service level options of the City.

CAPITAL EXPENDITURES

The Capital Improvement Program (CIP) is a capital investment plan that supports the quality of life in the City of Paso Robles by providing for the design, construction, and renovation of major capital projects that benefit a broad segment of the community. The Program is designed to protect, preserve, and enhance the City's infrastructure, extend useful life of public facilities, and improve and enhance the delivery of City services.

CIP projects typically include:

- Improvement that are debt-financed or financed by a Federal, State and/or Local grant
- Acquisition of land
- Construction of new buildings, parks, improvements or facilities including engineering, design, and other pre-construction costs

- Capital outlay exceeding \$25,000 or costs that are anticipated to be completed over multiple fiscal years
- Major equipment or furnishings required for new buildings

Preparation of the CIP is a coordinated process that includes working with City staff and commissions to compile and prioritize a list of discretionary projects, develop associated cost estimates and identify potential funding sources.

A number of criteria and/or considerations are applied in determining the appropriateness of each CIP project, including:

- Consistency with the City's General Plan, Water and Wastewater Master Plans, and/or applicable adopted and established City policies;
- Benefit to the broader public good and positive benefit to cost ratio;
- Potential impact upon City operating expenditures;
- The need to meet Federal, State or other legal mandates and requirements;
- The need to mitigate an identified health or safety problem;
- Consideration of geographic equity in providing improvements and facilities throughout the City and;
- The need to balance project design, management, and inspection with available CIP and City staffing.

Project costs are escalated (where appropriate) to indicate the impact of inflation on construction costs in future years, based upon a CPI rate of inflation (unless more specific information was available). Cost escalation ensures that adequate funding is identified at the time the project is approved.

CIP projects are funded and financed through a variety of general purpose (unrestricted), grant and special purpose revenue sources. These include: Impact Fees, Intergovernmental and Grant Revenues (i.e. General Fund, Community Development Block Grants, State Gas Tax, Road Maintenance and Rehabilitation (SB1), Sewer Fees, Water Fees, Regional State Highway Account (RSHA), Urban State Highway Account (USHA), Highway Bridge Program (HBP Funds), etc.)

Project detail of recommended projects, grouped by funding source, but not in a priority order, for FY 2018-19 and 2019-20 is as follows:

General Fund

Wayfinding Signage

Tourism is an important part of the local economy, and having visitors be able to easily find their way around the City is very important to the quality of their experience. With that said, in early 2017, City Council authorized Pierre Rademaker Design to guide the City's visitor wayfinding signage effort.

Depending on the decision made by City Council on June 5, 2018, the next segment of the program would be the purchase and installation of said signage. The project is proposed to be performed in FY 2018-19 and be funded by the General Fund at a cost of \$120,000. This is the total cost to purchase and install the signage. Should Travel Paso agree to pay a portion of these cost or should City Council provide different direction to staff, the impact to the General Fund could change.

Park Patio Shade Structures

Due to summer temperatures, the use of Uptown Family and Centennial Parks make the patio, amphitheater and play equipment unusable during the day. Specifically, this project includes a shade sail above the amphitheater and shade umbrellas at Uptown Family Park and patio shade umbrellas at Centennial Park. The project entails concrete demolition, excavation, and the installation of steel posts, concrete footings, and shade structures. Enhancing the use of these spaces will enable the City to generate additional revenue and expand recreational activities. The total cost of this General Fund project is estimated to be \$116,400 with \$50,000 of the costs being funded through fundraising efforts and constructed in FY 2018-19.

Centennial Building Roof Repairs

The flat roofs on both the administration and gymnasium buildings are beginning to deteriorate. Although leaks have been repaired temporarily, coating and sealing the roof is appropriate. In doing so, it can extend the usable life for an additional five to seven years. Additionally, the clay tile roofs on all buildings need repair and replacement. The recoating of the administration and gymnasium building are estimated to cost \$75,000 with the clay tile repair and replacement costing \$185,000 and is recommended to be paid through General Fund reserves and repaired in FY 2018-19.

City Hall Stucco Repairs

In May 2016, a section of City Hall required emergency safety repairs. An additional section of stucco is beginning to crack and presents a hazard that needs to be corrected. Total cost of repair is estimated to be \$65,000 and to be funded through General Fund reserves in FY 2018-19.

Municipal Pool Repairs

Despite the improvements made in 2016, which mainly addressed ADA rehabilitation, the complex has deteriorated coping and floors. Specifically, near the therapy pool locker room, shower and restrooms. Staff is recommended \$65,000 be invested in the pool as it currently presents a safety risk. The replacement of the outdoor pool coping is estimated to be \$50,000. The cost of rehabilitating the indoor pool locker room, shower and restroom floors is estimated to be \$15,000. In both instances, it would be appropriate for the General Fund reserves to absorb the cost of this repair in FY 2018-19.

Downtown Parking Lot Repairs

As indicated in City Council adopted goals adopted on March 6, 2018, it is the City's priority to support a thriving downtown area. As such, parking near the downtown corridor continues to be an issue the City will be addressing in the next two years. Staff is recommending a Parking Lot Repair Program which will rehabilitated the parking lots on Spring Street near 13th Street at a cost of \$280,000 in FY 2018-19, funded by the General Fund.

9-1-1 System Upgrades

Public safety is in need of replacement of the current base radio station and repeaters. Originally installed in 2001, the current system will no longer be serviceable due to its age. Due to the complexity of this project, it is anticipated it would span over three fiscal years at a total cost of \$2.65 million; \$200,000 in FY 2018-19, \$500,000 in FY 2019-20 and \$1.95 million in FY 2020-21. Because this is a public safety project, all costs would be funded by General Fund reserves.

Drainage Modifications on 19th Street at Oak Street

This project will design and fund repairs to a deteriorating drainage system at the intersection of 19th Street and Oak Street. Historically, this intersection has been plagued with flooding due to antiquated drainpipes. The project would include either removing or abandoning the existing damaged pipes, re-grading the intersection to include cross gutter, which will efficiently divert storm water flow toward the Spring Street storm drain system. The purpose of the project is to improve roadway, decrease and eliminate localized flooding to adjacent homes, and minimize long-term maintenance requirements for clogged pipes. The total cost of the project is \$310,000 and funded with General Fund reserves in FY 2019-20

Melody Basin

The Melody Basin rehabilitation project includes re-grading the southeasterly slope and flattening the basin bottom. The project would remove the existing concrete swale and construct a new meandering low-flow earthen swale, which will promote increased water quality. The existing poor quality soil within the basin would need to be supplemented to promote desirable vegetative growth and increased groundwater infiltration. Approximately, 2-acres of area would need to be restored with select landscape materials and soils to promote water quality treatment and groundwater infiltration. Some of the soil would need to be exported as a result of this project. The area would be vegetated with native and drought tolerant plants. The purpose of the project is to enhance the poor conditions of the basin and boost aesthetics, its ability to improve storm water quality, and promote groundwater infiltration. Improving the visual quality of the basin will draw greater visibility by adjacent homeowners, thus reducing the likelihood of vandalism and crime. The project design allows for Prop 1 Storm water Grant opportunities. The estimated project costs is \$200,000 and be funded by the General Fund in FY 2019-20.

13th Street Pedestrian Improvements

The intersections of Pine Street at 13th Street and Park Street at 13th Street have been topics of concern and discussion with regards to pedestrian access and safety. The goals of the project include better integrate the north and south sides of 13th Street with design features including push button flashing pedestrian signs and painted crosswalks at Pine Street and Park Street. Additionally, some improvements will be made on the streetscape that will tie 13th Street more clearly into the downtown as seen on 12th Street. On December 5, 2017, City Council approved the design phase of this project to be conducted. Appropriations are being requested in the amount of \$1,267,800 in fiscal year 2018-19 for the construction phase of the project with \$119,640 of CDBG funds already appropriated in FY 2017-18.

Creston Road

The focus of this street project (Creston Road between South River Road and Niblick Road) is intended to make Creston Road a safer and easier for schoolchildren and adults to walk or ride their bike. As such, the project is intended to improve conditions for transit, motorists and businesses as well as beautifying the corridor with streetscape enhancements and coordinate circulation and access with existing and future land uses and projects. The design premise for the corridor is to provide improvements that would fit within the existing curb-to-curb width. Existing curbs and sidewalks would remain and only install missing curbs, gutters and sidewalks. Additionally, some curb ramps are outdated and would be reconstructed to meet current ADA requirements. Approximately 40-45 curb ramps will be reconstructed with 10-20 new curb ramps being installed. The project also calls for approximately 60,000 square feet of new sidewalks and about 9,000 linear feet of new curbs and gutters. The road resurfacing component would be approximately 700,000 square feet. The costs of preparing the preliminary design and the associated costs for the community outreach were funded with a Caltrans Grant. The estimated construction costs of \$8.0 million will be funded \$4.0 million with an ATP Grant, with the remaining \$4.0 million match funded with the General Funds Supplemental Sales Tax. Money is being appropriated as a place holder and will come back to City Council for approval prior to construction.

Dry Creek Road Resurfacing, Realignment, Water and Sewer Lines

In June 2017, the City Council authorized the City Manager to enter into an agreement for the preparation of construction documents for the installation of sewer, water, and reclaimed water pipelines within Dry Creek Road from Airport to the east of Estrella Warbirds Museum. In total, during the FY 2017-18 Budget Update Report, City Council appropriated over \$5.0 million towards these efforts. With the results of the design and construction bid documents near completion, the next phase of the project is construction. It is anticipated that General Fund Supplemental Sales Tax will contribute \$250,000 in FY 2018-19 and \$5.7 million in FY 2019-20. Additional funding for the project would come from water and sewer connection fee revenues and a SLOCOG grant.

Street Pavement Overlay

As intended by the Supplemental Sales Tax measure, the City annually performs pavement maintenance on public streets to the extent that funds are available. Streets are selected based on pavement condition, location and the type of maintenance application. The street projects that require pavement overlay are segregated than the street projects which require maintenance applications such as slurry seals and chips seals. Streets with the same type of maintenance application are grouped together in a pavement maintenance project. This helps to reduce the cost of the project and confines the project's impact to a smaller area of the neighborhood. Streets are also selected based on the PCI. The PCI is determined by field inspection of the actual pavement condition. New streets start at 100 and, as streets age, the rating drops.

The following streets are some of the streets expected to receive pavement overlay during the 2018-19 and 2019-20 fiscal years at a cost, on average, of \$6.3 million per year and funded through both the General Fund's Supplemental Sales Tax and State Grants, when available:

- Union Road (near Barney Swartz Park)
- 13th Street and Niblick Road Bridge Deck Resurfacing
- 10th Street: Vine Street to Spring Street
- 6th Street: Spring Street to Pine Street
- Park Street: 6th Street to 9th Street
- 9th Street: Pine Street to Park Street

Transportation Facilities Program

The Circulation Element of the General Plan includes facilities necessary to provide safe and efficient vehicular access throughout the City. In order to meet the transportation demands of new development through General Plan buildout in 2025, the City updated the list to include various roadway improvements including rights of way, signalization, widening of roads, paving, and bridges as shown in the Needs List presented in the City' Development Impact Fee Justification Study. Five projects indicated on the Needs List have been identified in the next two-year Capital Improvement Forecast and includes: Union Road and Highway 46 Overcrossing, Union Road at Golden Hill Roundabout, Huer Huero Creek Bridge and Roundabout, Paso Robles Street at 101 Off-ramp Roundabout, and South Vine Street Bridge and Road Alignment.

Union Road at Highway 46 East Overcrossing: project approval and environmental document and design estimated to be completed in FY 2018-19 with construction in five to six years away (FY 2023-24 to FY 2024-25). There is a remote chance that the City can secure a grant for \$25 million towards construction of the project.

Union Road at Golden Hill Road Roundabout: project approval and environmental document, design and right-of-way costs beginning in FY 2018-19 with construction beginning in FY 2020-21.

Huer Huero Creek Bridge and Roundabout: project approval and environmental document, design and all soft costs beginning in FY 2019-20 with construction beginning in FY 2021-22.

South Vine Street Bridge and Road Alignment: project approval and environmental document, design and all soft costs beginning in FY 2019-20 and construction in FY 2022-23. This design is 80% complete and assumes no right-of-way costs to be incurred.

Paso Robles Street at 101 Off-ramp Roundabout: project approval and environmental document, design and all soft costs beginning in FY 2019-20 and construction in FY 2021-22.

Niblick Road Signal Synchronization

In effort to improve traffic flow and minimize congestion, staff is recommending modifications to the traffic signals on Niblick Road. Specifically, the project entails traffic signals automatically changing timing in response to different travel volumes and patterns at different times of day. The project is anticipated to be in FY 2018-19 and be funded by General Fund Supplemental Sales Tax in the amount of \$300,000.

Buena Vista at River Oaks Pedestrian Improvements

The General Plan's Circulation Element provides access to all modes of travel. With that said, with the development and expansion of San Antonio Winery, which includes wine tasting, retail and residential and all are within walking distance to the Aryes and La Quinta Hotels, it is a priority to provide better accessible path to those destinations across Buena Vista Drive. Funding for this project comes from the remaining funds of the Borkey Area Specific Plan in the amount of \$266,700

Water Fund

21st Street Reservoir

Design of the construction of a new (replacement) four million gallon reservoir is currently being conducted. This project includes the removal of the existing reservoir on 21st Street and construction of a new reservoir. This reservoir provides emergency, fire and operational storage for the west-side of the City. Estimated cost of the project is \$9.1 million and is to be financed through an issuance of debt and by the Water Fund.

Emergency Bank Stabilization

The Salinas River is deviating from its normal course causing the City's Thunderbird wellfield to be vulnerable and to lose an important part of the City's water supply. This project is to purchase the materials and equipment needed to route the river back to its normal course. Estimated cost of the project is \$250,000 and to be funded through Water Fund reserves. Because of the importance of said project, staff is recommending this project to be funded in FY 2018-19.

Golden Hill Reservoir Recoating

Major repairs are needed for the reservoirs located near Golden Hill. Specifically, Tank #2 has recently been emptied for maintenance inspection and as a result, many rust areas have been identified and needs interior recoating. Tank #2 investigation is pending and is anticipated to need additional coating as well. Estimated Cost: \$350,000 to be funded through Water Fund reserves.

Well Feasibility Study

Depending on the results of the feasibility study, this project will either replace the Dry Creek and Sherwood Wells or drill a new well at Meadowlark. Estimated Cost for the study is \$350,000 to be conducted in FY 2018-19. Construction costs can be upwards of \$1.6 million, and better costs estimates will be known after study is completed. Construction is anticipated to begin in FY 2020-21 to FY 2021-22.

Waste Water Fund

Recycled Water Distribution

With the completion of the Tertiary Treatment Facility, distributing the recycled water is the next phase of the recycled water program. Specifically, a purple pipe distribution system, including elevated reservoir, to deliver recycled water to east Paso Robles for irrigation. Total cost is estimated to be \$16.9 million and be funded 100% through the issuance of debt with the State Revolving Fund. Staff is also anticipating a grant from the State which will lower the loaned amount. It is anticipated that the City will begin to sell recycled water and bring in an additional \$1.0 million to \$4.0 million in charges when fully operational.

Wastewater Master Plan & Rate Study

The last time the City performed a Wastewater Rate and Revenue Analysis was in November 2011; based on that rate study, the Council approved a program of annual rate increases from July 1, 2012 through July 1, 2016. Wastewater rates need to reviewed and analyzed in order to meet the ongoing debt service requirements from the new construction at the treatment plant as well as to properly fund the distribution of recycled water. With that said, an update to the Wastewater Collection System Master Plan (a capital improvement plan) at a cost of \$150,000 will be conducted in FY 2018-19, and then a Wastewater Rate Study at a cost of \$100,000 in FY 2019-20. These plans will be critical to the future viability of the wastewater system.

Sewer Rehabilitation Projects

Video inspection reports have identified that numerous sections of sewer main require rehabilitation. Listed in the City's Wastewater Master Plan, the following locations are proposed to be rehabilitated FY 2018-19: 32nd Street (between Spring Street and Park Street) and Alemnandra Court (Almendra Court to Arciero Way) at a total cost of \$720,000. These projects will reduce infiltration, root intrusion, and maintenance requirements, as well as probability of failure and will be funded through a combination of Sewer Funds and Sewer Connection Fee revenues.

Aeration Control System

This project includes the instrumentation and control system software changes to enable ammonia-based aeration control and improve dissolved oxygen and solids wasting control at the Wastewater Treatment Plant. Project will further improve effluent quality and energy efficiency and reduce plant life-cycle cost. Total cost of the project is \$300,000 to be funded through Sewer Fund revenues.

Airport Fund

New Hangar Development

This project would include the design and construction of new hangar pads with related water and sewer utilities plus taxiways at 4300 Cloud Way. Budget appropriation in the Airport Fund would include design in the first year in the amount of \$62,000 and construction in the second year in the amount of \$200,000.

Apron and Helipad Project

With the assistance of the Federal Aviation Administration through an FAA Grant, the project will construct a new apron and helipad. If a grant is secured, the FAA would fund approximately 85% of the total costs of the project which is estimated to be \$1.65 million with the City's Airport Fund funding its portion of the local match with Airport reserves. Due to the size and complexity of this project, as well as working through the FAA system, staff is anticipating this project to begin in FY 2019-20.

SERVICE LEVEL OPTIONS

Previous budget updated reports presented to City Council have only included expenditures of existing baseline services. A series of enhancements or options for Council consideration are presented below. The enhancements were developed to assist the City in better meeting City Council goals. A large number of additional possible options were developed but are not recommended by staff, as they were considered less vital given the limited resources available. The Council may also request that additional or modified options be analyzed and brought back at its second public hearing on the budget, scheduled for June 19, 2018. The City has been fiscally responsible, ensuring fiscal stability by living within our means and minimizing expenditures where possible. As such, none of the service level options recommended places the City in a situation contrary to that value.

Detail of recommended service level options, in order of fund and department, for FY 2018-19 and 2019-20 is as follows:

General Fund

LaserFiche Records Management System

	<u>FY 18-19</u>	<u>FY 19-20</u>
<u>LaserFiche Records Management System</u>	\$94,000	\$31,500

The records retention policy requires all scanned records to be preserved in an archival format. LaserFiche provides an archival records management system that could be used by all departments and the public to maintain, organize, and share digital records. One-time costs for the software and hardware is estimated to be \$109,000 with on-going costs including maintenance support and set-aside funding for system replacement to total \$16,500.

School Resources Officer

<u>School Resources Officer</u>	\$64,600	\$75,800
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The City of Paso Robles and the Paso Robles Joint School District (PRJUSD) formed a partnership in 1998 to establish a School Resource Officer (SRO) program on local school campuses. At that time, the Police Department assigned a police officer to the High School Campus. PRJUSD agreed to pay half the salary for this position and the City agreed to supply the officer, police vehicle and all safety equipment.

This partnership continued for 15 years, during which time the number of SRO positions fluctuated between one to three full or part-time positions. This partnership was valuable in that it increased police presence on campus, provided better communication/information sharing regarding juvenile crime, and provided a quicker police response. In 2013, the City and PRJUSD could no longer fund a SRO position due to financial constraints. The Paso Robles Police Department and PRJUSD now wish to re-establish this valuable position by sharing the cost as described above for an initial three-year term.

Downtown Parking Program

<u>Downtown Parking Program</u>	\$226,700	\$91,000
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The City of Paso Robles is currently engaged in a needs assessment to analyze a timed parking program for downtown. Should the City Council approve such a program, there will be a need to have dedicated staff to administer the program and conduct daily education and enforcement to ensure the program's success. The addition of a full-time Community Services Officer assigned to this program will be necessary facilitate the needs of the program. Additionally, the Department would need to invest one-time cost towards a License Plate Reader Program and related ticketing infrastructure.

Fire Marshal

<u>Fire Marshal</u>	\$44,700	\$48,500
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On October 3, 2017, City Council approved a new classification for Fire Prevention Specialist as part of the department restructuring plan, to implement the fire prevention programs, and to oversee the engine company inspection program. In February 20, 2018, City Council approved the reclassification of this position to that of a Fire Marshal in the Professional Manager II classification. Unfortunately, recent recruitment efforts to obtain a Fire Marshall were unsuccessful. The reclassification of the position to a Safety Professional Manager III will allow the City to attract a candidate with sufficient technical expertise required of the program.

General Fund – continuedFY 18-19FY 19-20

<u>Traffic Signal Technician</u>	\$75,000	\$23,000
The City maintains 1,820 streetlights, 33 signalized intersections, and 6 lighted crosswalks. Technician work for these assets has traditionally been contracted out at a cost of approximately \$115,000 dollars per year (excluding materials). A rapid response time for correcting malfunctions or damage is critical to maintaining safety and service for City motorists. Getting a contractor to consistently respond to the required 2-hour maximum response time has been a significant challenge. Having staff regularly maintain signalized intersections and community lighting will reduce the frequency of outages. Staff will be able to rapidly respond to emergencies, greatly reducing the duration of signal outages and thereby improving overall level of safety and service. Costs are high in the first year to purchase a bucket truck vehicle but are also offset, in part, by the reduction in contractual services need.		

<u>Part-time Library Staff Assistant</u>	\$18,000	\$18,600
Over the last two years, the Paso Robles City Library has developed and begun implementing its 5-year strategic plan. As a result, the library has augmented services, introduced new technology and re-prioritized areas of focus. The library also has been successful in meeting the changing nature of information by increasing programming by over 30% with an increase in participation of 14% and rising. In addition, the library has worked to better position itself within the community as a convener of ideas and resources, attempting to increase awareness through limited outreach opportunities. In moving forward, the library looks to improve access and awareness of its services and resources by positioning staff to best respond to library user needs. The addition of part-time Staff Assistant will improve outreach efforts and prioritize service goals to align with the feedback provided by members of our community.		

<u>Overnight Security Patrol – Barney Schwartz Park</u>	\$9,700	\$9,700
Residents and visitors use Barney Schwartz Park every day of the year. Although the park opened with a budget for overnight security, this service was discontinued over 10 years ago. Frequent vandalism and other undesirable activity accompanied by consistent police response to calls for service necessitates re-establishing overnight security. The service level proposal would provide a private, licensed and bonded outside company to patrol the facilities two times per night (1st shift: 10p-12a and 2nd shift: early morning).		

<u>Preventative Maintenance Program</u>	\$52,500	\$2,500
The City just completed a \$2.3 million project in upgrades to City's heating, ventilation and air-conditioning (HVAC), controls and lighting systems at five City facilities. It is critical to maintain this investment over the long-term. A structured preventative maintenance inventory, audit and software program will conserve these critical assets, increase life expectancy of the assets, and eliminate premature replacement of machinery and equipment. It is anticipated that the program would consist of one-time costs of \$50,000 with \$2,500 technical support and system replacement costs thereafter.		

<u>Assistant Planner</u>	\$111,800	\$118,200
Due to the increasing permitting activity resulting from Specific Plans, downtown tourism and hotel development, the workload of planning staff has been insufficient. This service level request would add one entry-level planner to the Community Development team.		

General Fund – continuedFY 18-19FY 19-20

<u>Accela LMS Optimization</u>	\$40,000	\$ -
On September 20, 2016, the City Council authorized a contract to purchase and install a new Land Management System (LMS). The previous LMS software was outdated and did not provide workflow automation, the ability to extract information efficiently, time track or communicate among Departments. The new Accela LMS system was implemented in March 2018. However, the system will need additional changes to the workflows, record types and reports along with additional staff training in order to maximize system efficiency. This one-time request would fund the company to come back on-site and work with staff to fix and improve efficiency items that were not identified during the original installation phase.		
<u>Community Development Intern</u>	\$11,100	\$11,300
The Community Development Department recommends an addition of a student intern to perform a variety of administrative work including inspections, in-house plan check, traffic data collection, respond to ongoing requests for information related to City utilities, tract and other engineering data, and other entry level tasks. It is intended that this intern position would support department operations as a whole and rotate between each division as needed.		
<u>Part-time Administrative Staff Assistant</u>	\$18,000	\$18,600
The Planning and Engineering divisions currently share one full-time Administrative Assistant. As permit levels increase, additional Administrative support will be required to maintain acceptable levels of customer service.		
<u>Filing Scanning</u>	\$35,000	\$35,000
The records retention schedule identified most planning files as permanent records. Rather than storing these permanent records in the copy and storage room, staff recommends outsourcing the scanning of these documents in order reduce physical space needed to retain these files. It is anticipated the project would take two fiscal years to complete, with all future planning documents to be scanned by current personnel.		
<u>Short-term Rental Monitoring Contract</u>	\$22,000	\$22,000
Short-Term Vacation Rentals require constant monitoring in order to maximum TOT collection compliance. This monitoring can be contracted out to firms that specialize in monitoring on-line booking sites and minimize the impacts on current City personnel. The cost of the contract could be recovered by increase TOT collections and have a net zero impact to the General Fund, however, presented above is the worst-case scenario.		
<u>Traffic Engineering</u>	\$45,000	\$45,000
The City Engineer oversees private development, traffic engineering, and right-of-way encroachments. The City receives a number of traffic engineering requests from the Public, School District, City Staff, and the Police Department throughout the year. These traffic-engineering requests consist of stop sign and crosswalk evaluations, speed humps, traffic calming, no parking zones, speed limits, and other traffic control requests. The City Engineer can perform these analyses, however, the amount of requests is outpacing the time the City Engineer has to perform the evaluations. When an evaluation is warranted, the City Engineer must prepare a Council Report to appropriate funding for the analysis or use other departments funding to pay for the report. Therefore, staff is requesting funding for on-call services to perform traffic-engineering studies on an as-needed basis.		

General Fund – continued	<u>FY 18-19</u>	<u>FY 19-20</u>
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<u>City Engineering Inspector</u>	\$120,800	\$127,700
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Council recently asked staff to look into doing some capital project inspection work in-house, as a means of holding down contract inspection costs on Capital Projects. In order to fill the gap, Capital Project engineering staff are conducting some inspections and has caused a slow delivery of other projects. Recently, City Council approved the use of contract inspection for encroachment permit and grading/utility work. The City Engineer requested permission to use contract inspection because the Building Department could no longer provide this service because of increased building activity. Contract inspection is more expensive than in-house inspection services because of travel time, overhead, and profit included in the consultants fees, and presents time challenges for Staff who manage multiple inspection consultants and their individual processes. Therefore, the Capital Project and City Engineers analyzed the advantages and costs of hiring an in-house inspector. The analysis indicates that it is cost beneficial and that the City can increase inspection productivity by doing a large portion of the inspection work with an in-house staff inspector. Regardless, some inspection work will still need to be completed by contract for specialized inspections or very large projects (e.g., bridges and structure projects). The total amount of the cost of this added position is intended to be paid by developers and included as part of the City's capital project cost amounts. In essence, the position would net zero to the General Fund.

Sewer Fund

<u>Wastewater Treatment Plant Personnel</u>	\$99,700	\$343,200
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Three additional positions are necessary to operate and maintain the new Tertiary Treatment Facilities at the Wastewater Treatment Plant. Proper staffing is necessary comply with regulatory requirements for production of recycled water. The implementation of these staff positions include hiring of a Treatment Plant Operator (Technician II) and Laboratory Technician (Technician II) beginning in January 2019 (one-half of FY 2018-19) and Maintenance Specialist III beginning in July 2019 (FY 2019-20).

Landscape and Lighting District Fund

<u>Maintenance Specialists</u>	\$85,800	\$91,100
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The Paso Robles Landscape & Lighting Maintenance District is comprised of more than 4,000 assessable parcels organized in 14 different Zones and Sub Areas. Two separate landscape contractors maintain the District and prior to 2013, a full-time City Park Maintenance staff person was assigned to monitor and inspect contract work. Because of the complexity of this service, it has become even more critical considering water restrictions as well as aging landscape improvements. This recommended proposal would reestablish the maintenance personnel and be funded solely from the assessments of the Landscape and Lighting District.

Fiscal Impact

There is no fiscal impact, as this report is for presentation and discussion purposes only. It is anticipated that the City Council will formally adopt the FY 2018-19 and 2019-20 Operating and Capital Project Budget on June 19, 2018.

Recommendations

Receive and file this report and provide and desired direction on the preparation of the FY 2018-19 and 2019-20 Budget.

Attachments

Summary Schedule of Proposed Capital Expenditures and Service Level Options



Council Agenda Report

From: Thomas Frutchey, City Manager

Subject: Budget: Underfunded Liabilities and Economic Investment/Stimulus

Date: June 5, 2018

Facts

1. This two-year budget has three areas of focus: 1) capital projects and service level options that are over and above the baseline budget; 2) underfunded liabilities, and 3) local stimulus measures.
2. The baseline budget, as well as potential new capital projects and service level options (the first of these three areas of focus), are considered in the prior agenda report, from Ryan Cornell.
3. This report addresses the second and third areas of focus: underfunded liabilities, and local stimulus measures.

Underfunded Liabilities

Prior to the passage of Proposition 13 in 1978, cities in California established their property tax rates each year in order to generate the revenues needed to pay for the services (including operating budget and capital projects) that each City Council decided to provide. During this time, many cities had been very conservative in setting their property tax rates, such that certain future costs, even those that could be anticipated (e.g., major street reconstruction, future bridge projects) were often not provided for.

After the passage of Proposition 13 (as well as some other statewide measures), the ability of cities to raise their property tax rates or to levy additional taxes was voided. Thus, those cities that had a property tax rate that was less than that needed to sustain the infrastructure and level of services being offered over the long term were locked into a situation where, over that long term, revenues were going to be less than needed expenditures.

Paso Robles is one of the California cities locked into the low property tax situation. As a result, Councils since 1978 have had the choice of either drastically cutting services or continuing to having certain long-term responsibilities remain underfunded, asking the voters to tax themselves more to reduce the underfunding, or some mix of these four strategies. The City's primary underfunded liabilities are: 1) streets and bridges; 2) City buildings and related facilities; and 3) employee pensions.

Streets and bridges. In 2012, the citizens of Paso Robles passed a ½-cent Supplemental Sales Tax, from which we receive about \$4,750,000 in annual revenue (up to half of which may be paid for by visitors) into the General Fund. The measure is set to expire in 2024. The commitment to the voters in 2012 was that we would spend at least that much each year on street maintenance and repair (although not necessarily the specific dollars received from the measure, since the proceeds are being placed into the General Fund), plus maintain the expenditure of our other sources of revenue, such as gas taxes. We expect to continue receiving approximately \$500,000 in annual gas tax revenue, and \$500,000 in annual SB1 revenue, if the voters do not overturn SB1 this November, as well as some grants that are already in place and/or expected. Thus, in total, we have as much as \$6.3 million on average able to be committed to road maintenance and repair.

In September 2016, the City Council authorized staff to update and evaluate the City's Street Pavement Condition Index (PCI) for every street in the City. The goal was to use information from the PCI to develop the new Street Maintenance and Repair Expenditure Plan.

PEI Engineering inspected and performed QC on all road segments in the City. This inspection included visual assessments, a review of prior construction and repairs records, and boring of certain sections. The results of the study showed the overall current PCI on City streets is 54 (out of a total possible 100). The study also projected that if the City maintains the current level of funding, at \$6.3 million per year, the PCI will drop 13 points in the next ten years, to a PCI of 41.

The City would need to spend \$25 million on average each year for the next ten years, in order to raise the Citywide PMI to 84, which is the level that would be achieved if the City were making needed repairs at the appropriate time, in order to minimize long-term costs. Thus, the City has an unfunded liability of \$183 million for street repair and maintenance, over the next 10 years. If the voters repeal SB1, the unfunded liability rises to \$192 million.

The City also owns a number of large and small bridges. Although the PCI includes the costs of maintaining the road surfaces on all of these bridges, it does not address the costs of maintaining, repairing, and replacing the structural elements of the bridges, as they age and reach the end of their useful lives. The City does not have a current estimate of the replacement costs of these structures.

City buildings and related facilities. The City also owns a number of major facilities, such as the Library/City Hall complex, the Public Safety complex, the Centennial Park complex, Fire Station 1, the Sewage Treatment Plant main building, the Water Treatment Plant main building, the Airport Terminal, etc. The City has not established a depreciation reserve for maintaining, repairing, and replacing any of these structures. The latest valuation prepared to CJPIA, our insurance pool, estimates the replacement cost of these structures at approximately \$200 million. Given the remaining life for each building or facility, and the projected repair and replacement costs, the City should be setting aside at least \$5 million each year for building and facility maintenance, repairs, and rehabilitation expected to be required over the next 30 years. Some \$3 of this would be the responsibility of the General Fund.

Employee pensions. The City has contracted with CalPERS to invest the contributions from the City and its employees for employee pensions. Due to changes in State law since the City initiated its contract with CalPERS, the City is virtually precluded from withdrawing from CalPERS, in the absence of the City going bankrupt. As a result primarily of retirees living longer, an increase in the number of retirees for every current employee, and a reduction in the performance of the CalPERS portfolio, when compared to projected performance, CalPERS has revised the contributions required from the City in order to ensure the City's future liabilities are funded. The City's liabilities are currently funded at approximately 84%, and the City's unfunded liability is \$42 million (from all funds, not just the General Fund).

None of the three areas of unfunded or underfunded liabilities is coming due during the budget period. However, if the City is not making reasonable progress to reduce these liabilities, it is mortgaging the City's future. Moreover, given the magnitude of the liabilities, reasonable progress to reduce these liabilities cannot be made within current revenues, without severely cutting existing basic services. To make reasonable progress in reducing these liabilities over the next two decades, would require a minimum investment of \$18 million per year. This is approximately half the City's General Fund budget.

All three primary underfunded liabilities are City responsibilities best paid for by taxes. Given Proposition 13, Proposition 218, and other restrictions, the City can generate the needed taxes only with the approval of the voters. To obtain the approval of the voters, the City would need to place a measure on the ballot of a general election. The City is currently asking a random sample of voters if they would

support such a measure in November 2018. The results of the poll will be presented to the Council on June 19, along with recommendations.

Stimulus and Investment Measures

The Great Recession virtually halted residential housing construction in Paso Robles. As a result, there is a pent-up demand for housing. Because of the excess of housing demand over supply, the price of housing has inflated. The City's economy also did not continue to mature during the Great Recession, in order to achieve the full desired diversity. As a result, the City has a large number of service jobs, in both agriculture and hospitality, but not the full range of jobs (including head-of-household jobs) necessary to provide employment opportunities for all. A full range of jobs would provide more fulfilling jobs (and career growth potential) for some, would upgrade the nature and scope of services offered in the community, and would enable more residents to afford the type of quality housing they desire.

In a mixed economy such as that existing in the United States, it often takes the combined actions of the private sector and the public sector in order to fix these types of problems. Cities can use a variety of stimulus measures to kick-start actions in the private sector.

When cities do this, they are making an investment in the community. They anticipate that such a one-time investment will be paid back over time. Such investments are generally best made from what are known as "one-time" revenues. (One-time revenues should not be used for ongoing, year-after-year, expenditure needs, such as ongoing services).

There are a number of stimulus efforts that the City could initiate during the two years of this budget cycle, including:

Housing—Placing more of the City's invested reserves in local banks, to stimulate local loans.

Jobs—Initiating and strengthening apprenticeship and pre-apprenticeship programs, in collaboration with local employers, unions, Cuesta College, and PRJUSD.

Visitor attraction, primarily midweek and during the shoulder season—Almost 1,900 new hotel rooms are in the queue. Occupancy rates are already in the low 50% during off season and mid-week. The Mid-State Fair/Events Center is considering the development of a conference center on the Fairgrounds property. The City has assisted with the feasibility study and could continue to work with the Events Center as the project progresses. Mike Bradley, CEO of the Events Center has scheduled this matter for his Board's consideration at its June 20 meeting. This matter could also be considered for Council consideration at its June 19 meeting.

Business attraction—Initiating outreach efforts to attract businesses to fill gaps in our economy, in collaboration with the Chamber of Commerce, the Hispanic Business Alliance, Cal Poly, Cuesta College, and the other cities in the County.

Business start-ups—Starting a co-working space, in collaboration with the Chamber, Cal Poly's Center for Innovation and Entrepreneurship, and others. Over time, this could be expanded to include a business incubator and business accelerator.

Airport Enterprise Zone—The Airport can provide rapid shipping for business, as well as passenger travel for charters and corporate jets. To significantly expand this sector will require City investments in assets and business attraction.

CYA Boys Correctional Facility—The State is surplusing 175+ acres of this site, about 20 acres of which will be transferred to CAL FIRE. The acquisition cost identified by the state for the remaining 150+ acres is \$4.7 million. The City has been in active negotiations to acquire the site and lease out

space for almost one year. It may also be more advantageous over the long term, to consider the Airport and the Boys School as one integrated master development project.

Downtown Modernization—At some point in the near future, the Downtown will need to be re-imagined, to appeal to future generations and changing tastes. Millennials, and subsequent generations, will do less shopping in the downtown, as they seek experiences with which there can be a shopping component. It may make more sense to get ahead of the curve, as well as the efforts of other cities, to keep the Downtown fully attractive to changing tastes. This effort needs to be in collaboration with Main Street, the Chamber of Commerce, and Travel Paso.

The City does have the possibility of significant amounts of one-time revenues, based primarily on the already approved solar farm at the Airport and another one that is a possibility for the CYA facility, if and when the City acquires it.

Based on Council interest, specific proposals can be brought back for Council consideration on June 19.

Recommendation

Direct the City Manager to bring back specific proposals for addressing 1). underfunded liabilities and 2). desired stimulus efforts on June 19, 2018.

CITY OF PASO ROBLES

SUMMARY SCHEDULE OF PROPOSED CAPITAL EXPENDITURES & SERVICE LEVEL OPTIONS

General Fund

For Fiscal Year 2018-19 and 2019-20

	FY 2018-19			FY 2019-20
		Capital & Service Level Options	Funding Recommendations	
	Current Revenues	Reserves	Current Revenues	Reserves
<u>Capital Expenditures</u>				
SST Funded Street Projects	5,007,000		5,085,000	
Wayfinding Signage	120,000			
Park Patio Shade Structures	66,400			
Centennial Building Roof Repairs		260,000		
City Hall Stucco Repair		65,000		
Municipal Pool Repairs		65,000		
DT Parking Lot (13th/Spring)	280,000			
9-1-1- System Upgrade		200,000		500,000
Drainage Improvements (19th/Oak)			310,000	
Melody Basin			200,000	
Subtotal	5,473,400	590,000	5,595,000	500,000
Operating Revenues over Operating & Capital Expenses	788,250		880,450	
<u>Service Level Options (Net Expense)</u>				
Laserfiche Records Management	94,000		31,500	
School Resource Officer	64,600		75,800	
DT Parking Program	76,700	150,000 *	91,000	
Fire Marshal Upgrade	44,700		48,500	
Traffic Signal Technician	-	75,000 *	23,000	
PT Library Staff Assistant	18,000		18,600	
Overnight Security BSP	9,700		9,700	
Preventative Maintenance Program	52,500		2,500	
Assistant Planner	111,800		118,200	
Accela Optimization	40,000		-	
CDD Intern	11,100		11,300	
PT CDD Staff Assistant	18,000		18,600	
Document Scanning Contract	35,000		35,000	
Short-term Rental Monitoring	22,000		22,000	
Traffic Engineering Consultant	45,000		45,000	
CDD Engineering Inspector	-		-	
Subtotal	643,100	225,000	550,700	-
Total Revenues over Total Expenditures	145,150		329,750	
One-Time Reduction of Reserves		815,000		500,000

* - Reserves would be drawn down from replacement funds and not the General Fund.