

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Richard Spitler, City Manager
Gloria Leon, Administrative Services Director
DATE: June 12, 2012
SUBJECT: Public Hearing on the draft City of Calistoga Fiscal Year 2012/13 Budget

APPROVAL FOR FORWARDING:



Richard Spitler, City Manager

ISSUE: To receive public testimony on the draft city of Calistoga Fiscal Year 2012/13 Budget

RECOMMENDATION: To receive public testimony and to provide direction regarding the draft city of Calistoga Fiscal Year 2012/13 Draft Budget

BACKGROUND:

The city of Calistoga has struggled the past three years from the effects of the Recession. Leading into and during the 2011-12 Fiscal Year the City Council took several actions to reduce expenditures:

1. Eliminated funding for 14 positions, including 4 layoffs
2. Reduced city staff salaries by 12-15% (including higher contributions for health care)
3. Reduced budget expenditures for supplies, materials and equipment
4. Implemented a reduced PERS retirement benefit for future safety and non-safety employees and required all employees to pay their PERS contribution
5. Prevailed or settled on numerous claims and lawsuits to the City's financial benefit

The result of these actions has been that the depletion of the General Fund reserve has stopped and it is slowly being replenished.

City staff has also spent considerable time on processing applications for new development projects, particularly Silver Rose Resort and Enchanted Resorts resort

25 projects. These have the potential to generate significant revenues in the near future. The
26 Silver Rose Resort was approved by the Council in May; however, it appears that it may
27 be subject to a referendum. It is also expected that the Enchanted Resorts project will also
28 experience a protracted approval process. Because of this situation no significant financial
29 resources from project development is assumed in preparing this budget. This means no
30 significant development impact fees, tax revenues or water and wastewater revenue
31 increases are included in the proposed budget revenues.

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33 There are no proposed staff layoffs in this budget and salaries are frozen, except for merit
34 increases and longevity bonuses in accordance with existing MOU's.

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36 The City Council held one budget workshop on May 24, 2012 to review all of the proposed
37 departmental, capital, enterprise and special fund budgets. At this workshop the Council
38 received presentations from each department head and then public comment. The Council
39 then gave informal direction to staff.

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41 The attached draft budget reflects City Council direction to date. As the City Council has
42 been previously informed, the financial situation in the City remains tight. The City should
43 continue to minimize capital spending and diligently attempt to conserve cash over the
44 next twelve months.

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46 The purpose of the subject public hearing is to receive formal public testimony on the
47 proposed draft budget. After the hearing is closed, the Council is to give staff its final
48 direction on the preparation of the budget. The formal adoption of the budget is set for
49 June 19, 2012.

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51 **DISCUSSION:**

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53 The proposed \$14.8 million budget covers all fund categories (General Fund, and Water,
54 Wastewater, Enterprise, Special and Capital Improvement Funds). Of this, \$6.3 million is
55 for the General Fund budget. It shows a proposed General Fund reserve of \$1.2 million at
56 the end of the FY 2012/13 Fiscal Year. This is after \$586,147 was added to the reserve
57 from Fiscal Year 2011-2012. This is a budget reserve of 18.7%.

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59 **General Fund:**

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61 On April 3, 2012 the City Council approved goals and objectives to guide the budget
62 process. One goal is that the City will make every effort to increase General Fund reserves
63 each year for a three year time period to bring it back to 25% of total operating expenses
64 which is approximately \$1.6 million. For Fiscal Year 2012-13 the contribution will be at
65 least \$183,000. We are recommending a fiscal year budget with conservative revenue

66 assumptions and with the enhanced general fund reserve funds to cover the deficit
67 balances for the wastewater funds.

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69 The Economic Vitality Fund has been reduced by \$50,000. This applies to the Chamber of
70 Commerce Visitors Bureau. They would receive \$252,000 instead of \$302,000. They have
71 requested that in our contract with them next year that they be eligible for getting the
72 \$50,000 back if the City's budget assumption of 3.5% growth in TOT proves to be too
73 conservative. This will provide further incentive for them to promote Calistoga. This will be
74 addressed in a formal contract proposal to be brought before the Council at a future date.

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76 Wastewater Fund:

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78 For Fiscal Year 2012-13 staff is projecting deficit balances of \$92,820 for the Wastewater
79 fund and \$37,612 for Wastewater Capital Improvements. This deficit will be covered from
80 the General Fund reserves.

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82 We also will be requesting a budget adjustment for Fiscal Year 2011-2012 in the amount of
83 \$131,605 to be transferred from the General Fund to the Wastewater fund to cover an
84 anticipated deficit balance at year's end.

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86 Water Fund:

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88 The Water Operations Fund is anticipating an ending Fiscal Year 2012-13 fund balance of
89 \$65,492. The Water Operations fund will transfer \$37,023 to the Water Capital
90 Improvement Fund to cover the deficit fund balance.

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92 City staff, with the assistance of a consultant, will also complete a comprehensive review
93 of the adopted water and wastewater rate studies during the first quarter of the fiscal year
94 to determine why the various assumptions in the rate studies have not generated the
95 working capital projected. This may result in the need to increase water and wastewater
96 rates.

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98 Conclusion:

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100 This proposed budget continues to maintain the existing level of service and reliability to
101 the community through our infrastructure systems and facilities. However, there are many
102 facilities that are not receiving maintenance and replacement as they should. The main
103 capital improvement project continues to be the construction of the 1.5 million gallon water
104 storage tank at Mt. Washington. The City will also continue its phased program to fix
105 sidewalks that need repair.

106

107 **ATTACHMENTS**

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109 Draft City of Calistoga FY 2012/13 Budget

110 Chamber of Commerce Proposal June 5, 2012

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