

City of Calistoga

Staff Report

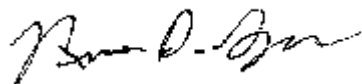
TO: Honorable Mayor and City Council

FROM: Richard Spitler, City Manager
Gloria Leon, Administrative Services Director

DATE: June 19, 2012

SUBJECT: Adoption of the City of Calistoga Fiscal Year 2012/13 Budget

APPROVAL FOR FORWARDING:



Richard Spitler, City Manager

ISSUE: To present the City of Calistoga Fiscal Year 2012/13 Budget for adoption

RECOMMENDATION: Adopt the attached resolution to adopt the City of Calistoga Fiscal Year 2012/13 Operating and Capital 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 the employee 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.

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

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

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

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40 On June 12, 2012 a public hearing was held to receive formal public testimony on the
41 proposed draft budget. At this hearing an overview of the Fiscal Year 2012-13 budget was
42 presented and public input was received. After the hearing the Council gave staff its final
43 direction on the preparation of the final budget. The Council item for this evening is to
44 present and formally adopt the budget recommendation.

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46 **DISCUSSION:**

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48 The proposed \$14.8 million budget covers all fund categories (General Fund, and Water,
49 Wastewater, Enterprise, Special and Capital Improvement Funds). Of this, \$6.3 million is
50 for the General Fund budget. It shows a proposed General Fund reserve of \$1.1 million at
51 the end of the FY 2012/13 Fiscal Year. This is after \$586,147 was added to the reserve
52 from Fiscal Year 2011-2012. This is a budget reserve of 17.4%.

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54 **General Fund:**

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56 On April 3, 2012 the City Council approved goals and objectives to guide the budget
57 process. One goal is that the City will make every effort to increase General Fund reserves
58 each year for a three year time period to bring it back to 25% of total operating expenses
59 which is approximately \$1.6 million. For Fiscal Year 2012-13 the contribution will be at
60 least \$183,000. We are recommending a fiscal year budget with conservative revenue
61 assumptions and with the enhanced general fund reserve funds to cover the deficit
62 balances for the water and wastewater funds.

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64 The Economic Vitality Fund has been reduced by \$50,000. This applies to the Chamber of
65 Commerce Visitors Bureau. They would receive \$252,000 instead of \$302,000. They have
66 requested that in our contract with them next year that they be eligible for getting the
67 \$50,000 back if the City's budget assumption of 3.5% growth in TOT proves to be too
68 conservative. This will provide further incentive for them to promote Calistoga. This will be
69 addressed in a formal contract proposal to be brought before the Council as a separate
70 agenda item.

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72 Wastewater Fund:

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74 For Fiscal Year 2012-13 staff is projecting deficit balances of \$92,820 for the Wastewater
75 fund and \$33,612 for Wastewater Capital Improvements. This deficit will be covered from
76 the General Fund reserves.

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78 Water Fund:

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80 At the June 12th public hearing staff informed the Council and the public that the Water
81 Operations Fund was anticipating an ending fund balance at June 30, 2013 of \$65,492.
82 However, after further review, it was determined that the proposed budget did not include
83 the new debt service payments for the USDA loan that partially funds the water tank
84 construction project. Annual payments for FY 12-13 are projected at \$149,050. Including
85 this debt in the budget means the Water Operations Fund could end the Fiscal Year 2012-
86 13 with fund balance of negative \$46,535. Accordingly, the General Fund will transfer from
87 its reserves to the Water Operations Fund \$46,535 to cover the deficit water fund
88 operations balance. The General Fund will also transfer \$37,023 to the Water Capital
89 Improvement Fund to cover that anticipated deficit fund balance.

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

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97 Conclusion:

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99 This proposed budget continues to maintain the existing level of service and reliability to
100 the community through our infrastructure systems and facilities. However, there are many
101 facilities that are not receiving maintenance and replacement as they should. The main
102 capital improvement project continues to be the construction of the 1.5 million gallon water
103 storage tank at Mt. Washington.

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105 As the City Council has been previously informed, the financial situation in the City
106 remains fragile. The City should continue to minimize capital spending and diligently
107 attempt to conserve cash over the next twelve months.

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109 **ATTACHMENTS**

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111 1. Resolution to adopt the FY 2012/13 Budget
112 2. Proposed City of Calistoga FY 2012/13 Budget
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RESOLUTION 2012-___

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, ADOPTING THE OPERATING AND CAPITAL BUDGETS FOR ALL FUNDS FOR FISCAL YEAR 2012/2013

WHEREAS, the Calistoga Municipal Code requires the City Manager to prepare and submit an Annual Budget to the City Council for its approval; and

WHEREAS, it is good management practice to have comprehensive Operating and Capital Improvement Budgets to implement the various policies, programs and projects of the City Council, and the City Council has established a policy to review, adopt, and provide multiple updates to Fiscal Year (FY) Budgets; and

WHEREAS, the City Council reviewed preliminary FY 2012/2013 revenue, expenditure and capital budgets at one City Council workshop on May 24, 2012 and provided direction; and

WHEREAS, the City Council held a public hearing on the proposed budget on June 12, 2012 and received public comment and provided direction; and

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Calistoga does hereby adopt Operating and Capital Budgets for all funds for Fiscal Year 2012/2013 as set forth in Exhibit A attached hereto.

NOW THEREFORE BE IT FURTHER RESOLVED that,

1. Funds are appropriated from various accounts for total expenditures by Department as summarized in Exhibit A, attached hereto.
2. Transfers between funds are authorized and reserve amounts are established as shown in Exhibit A, attached hereto.
3. The City Manager is authorized to approve budget changes between accounts within each Department and that any budget changes in the total budget of the Department, Capital Project or Fund requires City Council approval.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Calistoga at a regular meeting held this **19th day of June**, by the following vote:

AYES:

NOES:

ABSTAIN/ABSENT:

JACK GINGLES, Mayor

ATTEST:

AMANDA DAVIS, Deputy City Clerk