

City of Calistoga Budget



**Fiscal Year
2013-14**

**Operating & Capital
Improvement Budgets**

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June 18, 2013

Honorable Mayor and Council Members:

I am pleased to present the City of Calistoga's Proposed Budget for Fiscal Year 2013-14 for your consideration. It has been balanced with realistic conservative projections of revenues and expenditures. The budget maintains General Fund reserves of 27.3% as of June 30, 2014. The Water, Wastewater and Special Funds budgets are also included in this document.

Budget Process

The City practices an ongoing budget process, which calls for multiple reviews and updates periodically during the fiscal year. A fall financial update is prepared and presented to the City Council in October. In February a mid-year financial update is presented; and, in the spring, an additional update is given. Economic projections, revenue and expenditure updates, and recommended budget changes are proposed and reviewed in conjunction with the financial updates.

In 2013, the Council adopted short-term goals and key priority projects during a strategic planning session. Staff has incorporated this policy direction into the FY 2013-14 Budget.

The City has broad responsibilities to maintain the health and welfare of the community and has adopted a mission statement which establishes policies to implement these responsibilities. In order to accomplish these policies the City has entered into formal and informal agreements with various government agencies, non-profit and community organizations and private companies. These agreements form strategic partnerships that allow the City to implement programs and deliver services.

Budget Summary

Staff has long approached budgeting with strong emphasis on realistic projections of revenue and operating expenses to insure that the adopted budgets are conservative and will allow for adjustments during the year for change in services or an unforeseen expense or revenue loss. In addition, it is

important that the City's financial condition is accurately presented and that this financial position remains sound. We will continue these practices with this budget and projections.

The General Fund Budget for FY 2013-14 can be summarized as follows:

- Revenues are estimated conservatively taking into account economic conditions and known actions that will affect revenues. Revenues will increase by 9.2%.
- Operating expenditures reflect an increase of \$886,481 (13.7%) from the prior year's mid-year revised budget.
- FY 2013-14 is projected to end with fund balance and reserves of \$2.0M or 27.3% of the Operating expenditures.

The FY 2013-14 budget reflects a continuation of the same level of services provided currently. For the most part there is no projected expansion of services with the exception being Animal Control Services. The Capital Improvement projects include funding water and wastewater operations and new projects that have been previously discussed with the City Council. .

Economic conditions

The City's major revenues are Transient Occupancy Tax (46%), Property Tax (19%) and Sales Tax (10.8%), which provides in total 75.8% of the General Fund operating revenues. The Transient Occupancy and Sales Taxes are primarily driven by tourism and are fairly sensitive to economic conditions. The economy has been more stable and we have seen growth in tourism and associated revenues. The City's economic development program includes support of three luxury resort projects which should bring significant investment in the community over the next five years. The City and Chamber of Commerce are monitoring the indicators very closely to identify trends and opportunities. That said, the projections for the Transient Occupancy Tax revenue reflect a three percent increase over the prior fiscal year. Sales Tax revenues for FY 2013-14 are anticipated to grow approximately .2% based on information from HDL, sales tax consultants.

Property Tax revenues are based on assessed valuation of property. With development of the resort projects property valuation should rise, although it is not anticipated to be suddenly. As the City entered 2013, sale prices started to rise and there is high demand because of low interest rates and few homes on the market.

The assessor uses the 2012 information to set market values on recent sales for the 2013-14 tax roll. Based on several factors the projections for Property Tax have been estimated to increase by .4% from the prior fiscal year.

Other major General Fund revenues are fees for services, which should be set to recover the direct and indirect cost to provide services to users. The revenue estimates from building permits and other development related fees have been increased significantly due to anticipated new development. Also included in this budget is a special project to review and update the fees for services and development impact fees on new or expanded development.

The State Budget

The State has shown a sudden positive increase in revenues due to the improved economy and changes to the tax code. This will not have any direct impact on Calistoga.

In 2006, Proposition 1a was passed which realigned property and sales tax allocations and provided a major level of protection of Local Government property tax revenues from the State. It is not anticipated that the State will implement any measures that would have an impact on Local Governments and Calistoga. However, the budget proposals by the Governor, Legislative Analyst and Legislative committees are working through the State Budget process.

General Fund Revenues

Total revenues next fiscal year are projected to approximate \$8.3 million (excludes transfers in). This amount is up slightly from the prior fiscal year. Property taxes are projected to remain flat from the prior year as we see the effects of Proposition 8. Sales taxes are expected to be flat as well. Transient Occupancy Tax is projected to be 3.0% more than the prior year again due to increase in tourism. Interest earnings are projected to be down 9.5% due to fewer funds available to invest and interest rates being so low. Charges for services are projected to be up \$322,795 due to new development. Fines, forfeitures and penalties will be down \$14,000 which is 36.4% less than FY 2012-13.

General Fund Operating Expenditures

Operating expenditures are projected to be up \$886,481 from fiscal year 2012-13 mid-year revised amounts due to Planning and Building services expected to increase due to inspection services for new development

Special Projects

The budget includes one special project that is not part of ongoing operations and would tend to distort the operating budgets of the Departments. The one special project is as follows:

- Services Fee Updates – to update the fees currently being charged for Planning and Building services

Capital Improvement Projects

The budget includes \$380,540 in capital Improvement projects for fiscal year 2013-14. They include \$215,000 for streets; \$30,000 for parks; \$75,540 for buildings and \$60,000 for soils remediation at the public works corporation yard.

Selected Programs

The budget for next fiscal year continues to include funding for some efforts and special projects identified by staff and the Council:

- Soils Remediation (\$60,000)
- American Disabilities Act Compliance Curb Ramp Project to be funded from Local Transportation Street Funds (\$28,000)
- Access Facility and Sidewalk Improvements (\$52,000)
- Chamber Marketing and Promotion Contract (\$300,000)
- Planning and Building Department service update fee study (\$49,000)
- Completion of the Pool Project (\$21,500)
- Tennis Court Improvements with City paying ½ the expenditure up to a maximum (\$10,000)

General Fund Reserves

The Council has set an objective to have the General Fund reserve to be at least 25% of Operating Expenditures for fiscal year 2013-14. For the following year the objective is to have 30% operating reserves in the General Fund.

It is important to maintain reserves as we progress out of the current economic situation.

Water Enterprise Fund Overview

The Water Operations Enterprise Revenue Fund is anticipating an ending deficit working balance of approximately \$30,797 as of June 30, 2013. The general fund will transfer \$30,797 to cover the deficit. Based on activity during the 2013-14 fiscal year, it is anticipated that the fund balance will have a working capital balance of \$270,405 by June 30, 2014. The water capital fund will transfer \$659,291 to the water operations fund for debt service payments.

The Water Capital Fund is expected to end fiscal year 2012-13 with a deficit working capital balance of \$69,523. The general fund will transfer \$69,523 to cover the deficit. With the anticipation of new development the capital fund will end the fiscal year with a working capital balance of \$374,009. Projects to be undertaken for the 2013-14 include the NBA Pump Station design to increase water delivery reliability, Bypass structure, and the pipeline Myrtledale Grant/Kimball Main. Development impact fees will bring in \$1,547,487 should all

proposed projects take place. Measure A will provide funding in the amount of \$302,000.

Wastewater Enterprise Fund Overview

The Wastewater Operations Fund is expected to end fiscal year 2012-13 with a deficit balance of approximately \$70,756. The Wastewater Capital Fund will transfer \$70,756 to cover the deficit balance. As discussed many times during the water and wastewater rate study, expenditures to run the treatment plant have continued to outpace revenues. Though rates were increased they have not been sufficient to keep up with expenditures. The FY 2013-14 budget shows an ending working capital balance of approximately \$191,237. The Wastewater Capital Fund will transfer out \$695,583 to the Wastewater Fund to cover debt service payments for the fiscal year.

The Wastewater Capital Improvements Fund is expected to end fiscal year 2012-13 with a fund balance of \$1,640,377 due to the Silver Rose development fee payment in March 2013. The ending fund balance in FY 2013-14 is anticipated to be \$563,996. Projects in the amount of \$750,000 will be undertaken by the Public Works Department. They include GIS survey, Pine Street Lift Station, Sewer lateral replacement, new effluent storage pond, Palisades Lift Station and an upgrade to the High School reclaimed water system.

City staff with the assistance of a consultant will complete a comprehensive review of the adopted Water and Wastewater rate studies to determine why the various assumptions in the rate studies have not generated the working capital projected.

Special Revenue Funds Overview

Total Special Revenue Funds had a beginning balance of approximately \$1.1 million as of July 1, 2012. Based on activity during the fiscal year, it is anticipated that the fund balance will remain the same at \$1.1 million by June 30, 2013 and increase by \$408,267 by June 30, 2014 for a fund balance of \$1,525,793 for all funds. All of the 24 special revenue funds will either have a fund balance or a zero fund balance for Fiscal Year 2013-14.

The Community Development Fund will fund the sidewalk replacement capital project for an amount of \$52,000; low income housing programs in the amount of \$66,200 and it will transfer \$49,000 to the general fund for a development impact fee study. Risks associated with next year's budget include the possibility of a State take away of gas tax or Police grants funding along with less than anticipated impact fees.

The Metropolitan Transportation Commission will provide \$343,000 for Berry Street bridge replacement and ADA Curb ramp improvements.

With the anticipation of new development Quality of Life and Public Safety impact fees will provide the annual debt service on the 2007 financing of building the pool, improvements at Logvy Park, the Fire Station and Monhoff recreation Building for Fiscal Year 2013-14.

Equipment Replacement Fund

This fund is to account for all operating and maintenance costs related to the City's computer network, workstation system, maintenance of vehicles, as well as fixed and maintenance costs related to information technology that benefit all other City funds and programs.

The Fiscal Year 2013-14 budget includes the purchase of a vehicle for the police department to replace one of the older vehicles that is requiring quite a bit of maintenance. The budget also includes the replacement of a server and accessories, computers and anti-virus software. The Public Safety Fund will contribute \$37,000 for the purchase of the vehicle and \$10,000 for defibrillators. The General Fund will transfer \$200,000 to this fund for debt service payments and for the replacement of equipment. This fund will have a fund balance of \$237,487 at the end of fiscal year 2013-14 for unanticipated expenditures and reserves.

Development Impact Fees

An important revenue source for the Fiscal Year 2013-14 budget is the \$2.7 million in development impact fees that are expected from new developments. This coupled with \$2 million from the previous fiscal year will greatly enhance the City's ability to fund much-needed capital projects and to pay debt for prior capital improvements.

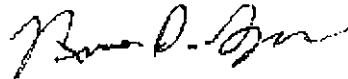
Conclusion

The City's Fiscal Year 2013-14 budget continues to present realistic projections of income and costs and more readily available information regarding our budgeting decisions and financial resources. We are maintaining our level of service in our core service areas after significant budget reductions in previous fiscal years. We continue our strong practice of maintaining adequate reserves to guard against unforeseen circumstances and to provide flexibility to the Council for unanticipated budget needs and opportunities.

There are, however, significant risks associated with the FY 2013-14 budget. They include unforeseen economic deterioration and moderate dependence on new development to bring impact fees to fund capital projects and to pay capital debt. These risks will be closely monitored during the fiscal year and periodic updates will be brought back to the City Council for consideration.

I would like to thank the City Council for providing focused overall policy direction and leadership throughout the budget development process and the Calistoga community for giving us timely feedback during the budget preparation process.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Spitler". The signature is written in a cursive, flowing style.

Richard Spitler
City Manager

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MISSION STATEMENT

To set policy and direction through a process of trust and transparency that reflects the goals of the community and ensures their safety and well being.

We are dedicated to serving the needs and desires of our citizens by:

- Maintaining and enhancing economic viability.
- Offering excellent professional services to all customers.
- Establishing, improving and maintaining City infrastructure.
- Creating an environmentally sustainable community.
- Maintaining the small-town, rural character of Calistoga.
- Expanding and improving recreational services and facilities.

City Council

Chris Canning, Mayor

Michael Dunsford, Vice Mayor

Gary Kraus, Councilmember

Jim Barnes, Councilmember

Irais Lopez-Ortega, Councilmember

City Management Staff

Richard Spitler, City Manager/City Clerk

Michelle Marchetta Kenyon, City Attorney

Steve Campbell, Fire Chief

Mitchell Celaya, Police Chief

Michael Kirn, Public Works Director

Gloria Leon, Administrative Services Director/City Treasurer

Lynn Goldberg, Planning & Building Director

Olivia Lemen, Recreation Manager

Amanda Davis, Deputy City Clerk

INTRODUCTION

BUDGET PROCESS

The City of Calistoga normally creates a budget for a one year fiscal period, which begins on July 1st and ends on June 30th. A local government budget is a plan to match existing resources with the needs of the community. The functions of local government stem from three levels of policy direction; federal, state and local. Local government has the responsibility to provide basic public services such as maintaining streets and roadways, providing traffic management systems, maintaining parks, providing community services, and ensuring public safety.

The budget and this document is the collaboration in which the community through its elected leaders, commission members, public hearings and the advice of City staff decide upon the services it shall receive from its government under the constraint of resources available to it through taxes, fees, and transfers from the federal, state, and county governments. This document reflects the priorities of residents in the community while balancing revenues and expenditures over the long term.

The budget process starts in February with the City Council setting workshop dates for Council goals. During the month of March several study session workshops are held where the council hears the stated priorities of the community and its elected leaders and determine the goals for the upcoming fiscal year. During this month department managers prepare their budgets and are then submitted to the finance director. Concurrently, the Finance Department projects revenues for the same period. Department meetings are then held with the City Manager and budgets are reviewed and adjustments are made to keep the budget in balance.

The proposed budgets are then submitted to the City Council which then holds several work sessions in which the priorities are further defined. A public hearing during the month of June on the proposed budget is submitted by City staff. The City Council will then adjust department budgets to reflect the community's priorities taking into consideration the resources available to meet those objectives. After all adjustments are made, the City Council passes a resolution at a June Council Meeting adopting a budget which reflects estimated revenues and appropriations of monies to be spent, which in turn gives each of the City's departments the authority to spend money based on the adopted budget.

After the adoption of the budget, throughout the year scheduled reviews of the budget progress are presented to the Council. In February of the fiscal year, there is a mid-year review in which revenues and expenditures are reviewed and adjustments are made if necessary. Should the budget require any adjustments a City Council Resolution must be adopted.

INTRODUCTION

USING THIS DOCUMENT

Introduction

Provides a description of the budget development process and the citywide organization chart.

City Manager's Budget Message

Overview of the budget including a summary of critical economic issues. City Council directed core services and basic operations for FY 2013-14.

City Council Goals, Objectives & Priority Projects

Overview of the City Council goals, objectives and priority projects for the community and financial stability of the City.

Budget summary

Comprehensive review of revenues and expenditures for all funds, as well as fund balances.

Revenue Estimates

General Fund revenue overview, description of revenue assumptions and methodology used to develop revenue estimates, revenue summary by category and historical trends.

Personnel and Staffing

Summary of funded personnel and staffing as well as a list of full-time personnel by position.

Department Sections

Presents summary information on the City's operating departments:

City Council	Public Safety
City Manager's Office	Public Works
Finance Department	Community Resources
Planning and Building	

Department-wide summary information includes strategic goals and accomplishments, organizational charts as well as, expenditures over five fiscal years.

Enterprise Funds

The Enterprise funds consist of Water and Wastewater. The water distribution program maintains all of the City's water mains, carries out replacement projects when necessary and installs new water mains when required. Water meter reading is

INTRODUCTION

performed by this program as well reading over 3,000 water meters. The water treatment program operates and maintains the Kimball Water Treatment Facility, the Feige Canyon Water Tank and the North Bay Aqueduct pump station to ensure that safe potable water is delivered to the City's residents.

The sewer collection program maintains four sewer lift stations in the City and all of the City's existing sewer mains and reclaimed water mains, 329 sewer manholes, making repairs and replacements when necessary and installing new sewer mains and reclaimed water mains when required. The wastewater treatment program operates and maintains the Calistoga Wastewater Treatment Facility and disposal system.

Special Funds

Overview of each of the City's Special Funds, including fund descriptions, revenues and expenditures. Special funds account for revenues and expenditures that are restricted by law or set aside for a special purpose.

Equipment Replacement Fund

Overview of the operating and maintenance costs related to the City's computer network, workstation system, purchase and maintenance of vehicles, as well as fixed and maintenance costs related to information technology that benefit all other City funds and programs.

Capital Improvement Program Budget

The Capital Improvement Program (CIP) budget details the acquisition, construction or rehabilitation of major capital facilities and infrastructure. The CIP budget is used to account for the receipt and disbursement of funds for specific CIP projects. For several projects, revenue resources and expenditures may extend over several years.

Responsibility for Preparation

The finance department, a division of the City Manager's office is responsible for coordinating all revenue estimates contained in the budget. Estimates are reached by analyzing revenue history; national and local economic trends, development patterns in the local economy, and projections by outside consultants. Revenue projections used in the annual budget are based on conservative assumptions to ensure the City has adequate financial resources to meet the obligations and complete all programs approved by the City Council within the course of the fiscal year.

The finance department also coordinates the development of all expenditure budgets with respective departments, publishes the Budget books and prepares the staff reports.

INTRODUCTION

Budget Adoption

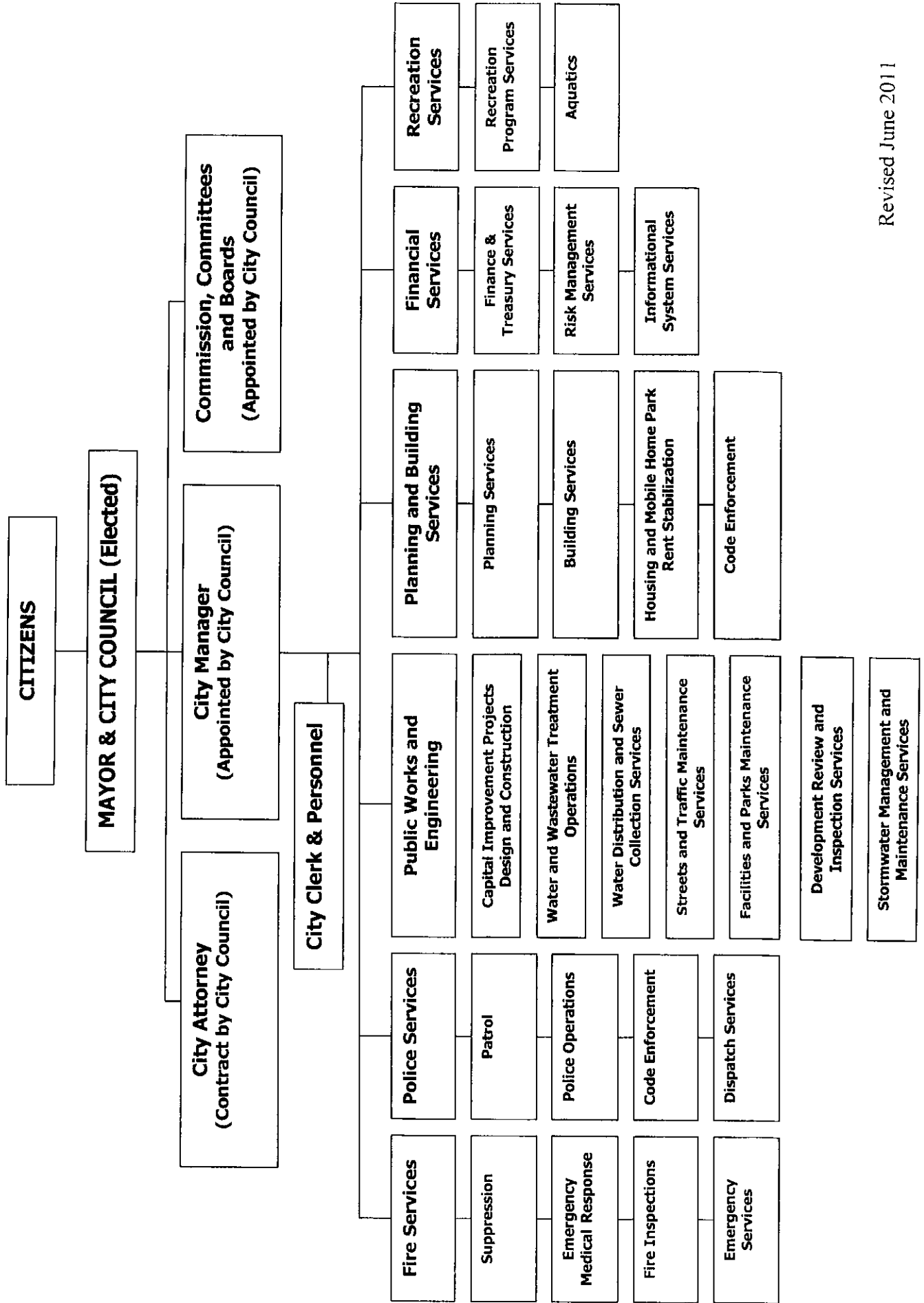
Copies of the preliminary budget are made available to the general public in May. After providing opportunities for public review and discussion at workshops and City Council meetings, the budget is adopted by the City Council prior to June 30 at either a special or regular City Council meeting. After adoption the budget may be amended by the City manager if an amendment does not exceed existing appropriations in any separate fund.

If during the year a department finds that more money is needed to be spent on a program that was originally adopted by Council or there are new funded or unfunded needs to be met there is a process for amending the budget. The department must present to City Council the reason for requesting the budget adjustment. If Council finds it appropriate to adjust the budget a resolution must be adopted before a department can spend money amounting to more than the original appropriation.

Organizational Chart

Additional information about the services provided by the City is included in each department chapter in this document. Information about the City services can also be found on the City's website (www.ci.calistoga.ca.us).

CITY OF CALISTOGA ORGANIZATIONAL CHART



Revised June 2011

City Council Goals, Objectives & Priority Projects**Fiscal Year 2013-14****Goal 1: Maintain and enhance the economic vitality of the community and the financial stability of the City.**Objectives

1. Encourage, manage and advance key private development and renovation projects to stimulate economic vitality and avoid stagnation.
2. Promote the qualities of Calistoga that are attractive to residents and visitors.
3. Ensure that development impact and in-lieu fees are defensible and responsive to economic realities, and are commensurate with the impact of new development on the community.
4. Develop and adopt a long-term General Fund revenue, expenditure and capital improvement projects forecast.
5. Adopt a fiscal year budget with conservative assumptions that increases General Fund reserves to 25% and by Fiscal Year 2014-15 to 30% and maintain them at adequate levels.
6. Increase the Water and Wastewater Fund reserves to a minimum of 20% within three fiscal years and increase the CIP and Equipment Replacement Fund reserves to meet anticipated needs over the next three fiscal years.
7. Maintain City operating costs at the lowest feasible level.

Priority Projects

1. Increase the General Fund reserve to a minimum of 25% of total operating funds (approximately \$1.6 million) and to 30% by Fiscal Year 2014-15.
2. Update development impact and in-lieu fees.
3. Explore establishing a program to encourage façade and other aesthetic improvements to Lincoln Avenue businesses.
4. Consider extending the economic development measures provided by CMC Chapter 17.12 that expire in February 2014.
5. Review opportunities to refinance major city debt to lower interest rates.
6. Revise water and wastewater rates to bring the Water and Wastewater Funds into balance and achieve a 20% fund reserve within three fiscal years.

Goal 2: Offer excellent professional services to all customers.Objectives

1. Provide a high standard in the delivery of emergency and general municipal services.
2. Streamline and simplify processes.
3. Promote communication and transparency.

City Council Goals, Objectives & Priority Projects**Fiscal Year 2013-14****Goal 2: (cont.)**

4. Maintain focus on existing key assignments and priorities. Evaluate available time and resource demands before committing to or assigning new tasks. Evaluate and adjust staffing levels to reflect increased demands.
5. Address the animal control services provided by the City and explore formalized outside service provision.
6. Enhance community disaster preparation.

Priority Projects

1. Research and implement various opportunities for outside service agencies or private companies to provide routine city functions in order to free City staff for higher-level activities and special projects, and reduce the need for additional employees.
2. Adopt a City file archive system, prepare a schedule for each department and implement system.
3. Resurrect a Calistoga Disaster Council to bring local businesses and service providers into the City's emergency response program and continue to train key City staff on their duties and responsibilities during emergencies.

Goal 3: Establish, improve and maintain City infrastructure.Objectives

1. Maintain the high level of service and reliability of the city's infrastructure systems and facilities.
2. Upgrade and maintain the long-term reliability of the city's water supply.
3. Provide for long term maintenance and repair of City sidewalks.
4. Support efforts to fund bridge and street maintenance and repair.
5. Educate Calistoga citizens about the condition and cost of maintaining and repairing city streets and bridges.
6. Improve the safety and functioning of the city's primary intersections.
7. Improve all forms of transportation, including active transportation, such as walking and cycling.

Priority Projects

1. Coordinate with Caltrans on replacing the Lincoln Avenue and Berry Street bridges in a manner that minimizes disruption to the community and is aesthetically-pleasing.

City Council Goals, Objectives & Priority Projects**Fiscal Year 2013-14****Goal 3: (cont.)**

2. Work with Caltrans and NCPTA on a roundabout design that improves safety at the Silverado Trail/Lincoln Avenue intersection, while meeting the access needs of nearby residents and businesses.
3. Initiate the preparation of conceptual plans for the Foothill Boulevard/Lincoln Avenue and Foothill Boulevard/Petrified Forest Road intersections.
4. Continue the sidewalk trip hazard repair program, including the notification of utility companies and property owners of trip hazards that require sidewalk replacement where they cannot be repaired. Offer to share replacement costs.
5. Complete design work for improvements to Kimball Reservoir that are necessary to meet state standards and maintain its functionality, including replacement of the intake tower and drain valves, and the installation of required gauges as necessary to implement the Interim Bypass Plan.
6. Complete the water master study.
7. Begin data collection for a citywide sewer model.
8. Replace the Grant Street storm drain culvert.
9. Provide routine maintenance and cleaning of downtown sidewalks from May through October.
10. As part of the development impact fee study, expand the traffic signal mitigation fee to a citywide transportation fee to include all transportation facilities and improvements.
11. Facilitate replacement of the lower Washington Street sewer trunk line.

Goal 4: Create an environmentally-sustainable community.Objectives

1. Implement "green" environmental sustainability policies and initiatives.
2. Reduce greenhouse gas emissions.
3. Improve and enhance walkways and bicycle trails.

Priority Projects

1. Adopt a local climate protection plan.
2. Work on the design, environmental documentation and construction of the Calistoga segment of the Napa Valley Vine Trail to expand the active transportation network.
3. Submit a Bicycle Friendly Community application to the League of American Bicyclists.

City Council Goals, Objectives & Priority Projects**Fiscal Year 2013-14****Goal 5: Maintain the small-town rural character of Calistoga.**Objectives

1. Promote Calistoga as a walking- and cycling-friendly city.
2. Educate our youth on crime prevention and substance abuse awareness.
3. Seek to enhance the City's code enforcement program to address neighborhood property maintenance.

Priority Projects

1. Review the Calistoga Bicycle Plan and other documents for projects that will promote bicycling and walking at minimal cost to the City.
2. Work with local schools on youth gang and substance abuse issues and support the crime intervention activities of the Boys and Girls Club.
3. Review the City's code enforcement regulations and enforcement policies to address neighborhood property maintenance.

Goal 6: Expand and improve recreational facilities.Objectives

1. Provide diverse and affordable recreational programs, including senior fitness. Collaborate with other agencies and groups to achieve this objective.
2. Work with the County to improve the Calistoga Library.
3. Support local efforts to improve Pioneer and Logvy Parks.
4. Identify additional areas for the development of recreational facilities, including picnicking facilities.

Priority Projects

1. Support efforts to establish a new Boys and Girls Club facility in Calistoga.
2. Update the Logvy Park Master Plan to reflect current and projected needs. Collaborate with other agencies and groups to achieve this objective.
3. Work with citizen efforts to install bocce courts at Logvy Park and improve the gazebo at Pioneer Park.
4. Work with Napa Valley Vine Trail and Napa County Regional Park and Open Space District to provide facilities at or near the Oat Hill Mine Trail trailhead, particularly public parking and restrooms for trail users.

Goal 7: Address the community's housing needs.Objectives

1. Maintain the existing housing stock in good condition.
2. Expand housing opportunities, including workforce housing.

City Council Goals, Objectives & Priority Projects

Fiscal Year 2013-14

Goal 7: (cont.)

3. Protect and promote special needs housing for such groups as seniors, the disabled and farmworkers.

Priority Projects

1. Study the viability of mobile home parks as an affordable housing option and develop means to keep them affordable to residents.
2. Update the Housing Element of the General Plan to incorporate the city's regional fair share of housing need for the next planning cycle, update demographic and housing data, and identify additional housing programs.
3. Identify feasible sites and funding that could be used to land bank properties for needed housing development, including workforce housing.
4. Support the "Rebuilding Calistoga" housing rehabilitation efforts by Calistoga Affordable Housing.

**Budget Summary
All Funds Summary**

	General Fund	Water Fund	Water Capital	WWTP Fund	WWTP Capital	Equip Replc	Special Revenue
Revenues	8,279,276	2,373,091	1,547,487	2,325,106	369,202	342,861	1,564,229
Expenditures	7,374,918	2,638,484	-	2,573,879	-	259,000	622,037
Net Surplus/Deficit	904,358	(265,393)	1,547,487	(248,773)	369,202	83,861	942,192
Other Sources	211,500	113,798	302,450	-	-	47,000	
Special Projects Expenses	(49,100)	-	-	-	-	-	-
Capital Projects Expenses	(380,540)	-	(668,000)	-	(750,000)	-	-
Equipment Purchases		(38,000)		(201,990)		(121,800)	
Debt Payments	(29,188)	(659,291)	(148,637)	(695,583)		(156,729)	(342,643)
Transfers In	277,570	659,291	-	695,583	-	200,000	446,643
Transfers Out	(304,000)	-	(659,291)		(695,583)	-	(637,925)
Add non-cash Depreciation	-	460,000		642,000	-	135,000	-
Total Net Chg FY 13-14	630,600	270,405	374,009	191,237	(1,076,381)	187,332	408,267
Beg Fund Balance 07/01/13	1,379,074	-	-	-	1,640,377	50,155	1,117,526
End Fund Balance 06/30/14	2,009,674	270,405	374,009	191,237	563,996	237,487	1,525,793

Total City-Wide Fund Balances 06/30/13	4,187,132
Total City-Wide Fund Balances 06/30/14	5,172,601

Revenue and Resource Estimates**General Fund****Introduction**

The City utilizes several techniques to forecast recurring revenues. These techniques allow for multiple variables to be considered in the development of the forecasts, including institutional forecasts; the expert opinion of the City's sales and property tax consultant HdL Coren & Cone; various national, state and local economic indicators; and established formulas that measure relationships between revenue categories and growth within the City.

The financial forecast is a planning tool to assist staff in identifying important trends and anticipate the longer-term consequences of budget decisions. The ability to model cost and revenue trends beyond the next budget year helps the City to make proactive budget decisions early in an economic cycle.

The forecast is not a plan, but a model based on cost and revenue assumptions which are updated regularly as new information becomes available. Future cost projections based on known costs are relatively reliable. Revenue forecasts on the other hand, are based on assumptions related to future economic conditions which come with uncertainty.

City staff uses a variety of tools, including trend analysis, judgmental forecasting and expert opinion. Trend data includes historical fiscal performance and historical and projected data modified for known past, current and the future. In the end, forecasts are based on judgment that incorporates information provided through various methods; known and potential legislative and political impacts; and national, state and local conditions expected to affect local revenue sources.

With the anticipation of several resorts and an apartment complex the City's total General Fund revenues for FY 2013-14 are projected to increase by \$698,290 or 9.2% (excluding transfers in) from current estimates for FY 2012-13. The three main sources of revenue for the City which include Transient Occupancy Tax, Property Tax and Sales tax will increase modestly. The City will see the biggest increase in Licenses and Permits and Charges for Services as new development comes on board.

Revenue and Resource Estimates

General Fund

Summary of General Fund Resources

Table 1 summarizes and compares actual General Fund resources realized in FY 2011-12, an estimate of FY 2012-13 resources and projected FY 2013-14 revenues. The emphasis of this table is to provide a comparison between the FY 2012-13 revenues and resource estimate and FY 2013-14's projection.

Table 1 Resources BY Category	FY 2011-12	FY 2012-13	Fy 2013-14	Increase/(Decrease)	
	Actual	Estimate	Adopted	\$	%
Property Tax	1,635,425	1,619,620	1,626,178	6,558	0.4%
Sales Tax	903,027	920,000	922,257	2,257	0.2%
Transient Occupancy Tax	3,768,443	3,829,500	3,944,385	114,885	3.0%
Other Taxes	323,873	310,182	311,882	1,700	0.5%
Licenses and Permits	69,708	63,100	342,750	279,650	443.2%
Fines, Forfeitures & Penalties	55,990	38,500	24,500	(14,000)	-36.4%
Use of Money and Property	21,708	21,600	19,545	(2,055)	-9.5%
Funds from Other Agencies & Grants	89,509	65,000	65,000	-	0.0%
Charges for Services	695,639	686,484	1,009,279	322,795	47.0%
Other Revenue	113,269	27,000	13,500	(13,500)	-50.0%
Total Revenues by Category	7,676,591	7,580,986	8,279,276	698,290	9.2%
Other Transfers In	287,027	336,471	277,570	(58,901)	-17.5%
Total General Fund Resources	7,963,618	7,917,457	8,556,846	639,389	8.1%

In FY 2013-14, it is anticipated that General Fund operating revenues will increase 9.2% compared to FY 2012-13 estimates, while total General Fund resources (including transfers-in) will increase by 8.0%. The increase is due primarily to the anticipated increase in permits and permit valuations, plan check and building inspections, Calistoga Family Apartments, Indian Springs and Brian Arden Winery. Property Tax and sales tax are expected to remain flat. Other revenue are one time revenues and for FY 13-14 we are projecting less.

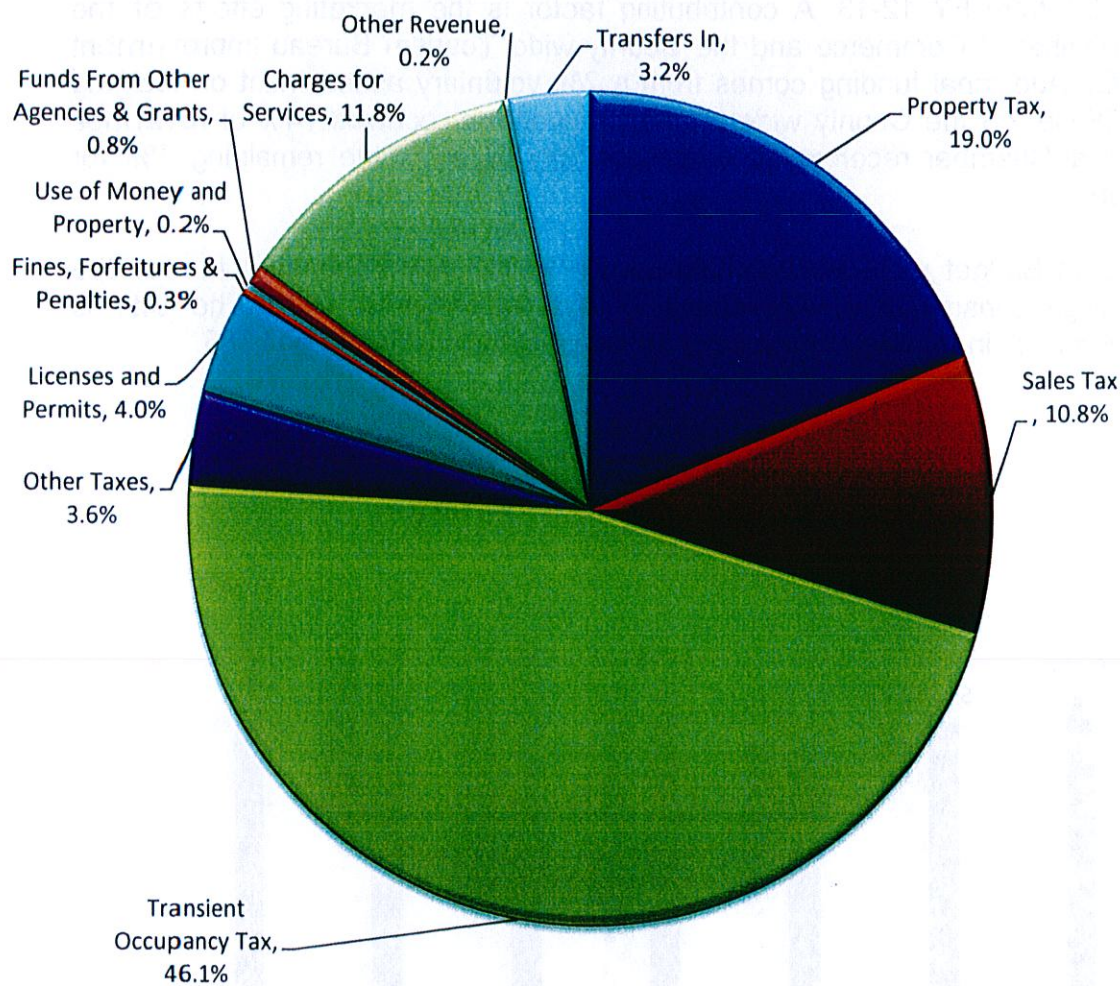
Table 2 summarizes and compares actual General Fund resources realized in FY 2011-12, the adopted FY 2012-13 Budget, and projected FY 2013-14 resources. The emphasis of this table is to provide a comparison between the FY 2012-13 revenue and resource budget and FY 2013-14's projection.

Table 2 Resources BY Category	FY 2011-12	FY 2012-13	Fy 2013-14	Increase/(Decrease)	
	Actual	Budget	Adopted	\$	%
Property Tax	1,635,425	1,547,369	1,626,178	78,809	5.1%
Sales Tax	903,027	920,000	922,257	2,257	0.2%
Transient Occupancy Tax	3,768,443	3,829,500	3,944,385	114,885	3.0%
Other Taxes	323,873	310,182	311,882	1,700	0.5%
Licenses and Permits	69,708	62,100	342,750	280,650	451.9%
Fines, Forfeitures & Penalties	55,990	46,000	24,500	(21,500)	-46.7%
Use of Money and Property	21,708	13,100	19,545	6,445	49.2%
Funds from Other Agencies & Grants	89,509	65,000	65,000	-	0.0%
Charges for Services	695,639	555,680	1,009,279	453,599	81.6%
Other Revenue	113,269	10,000	13,500	3,500	35.0%
Total Revenues by Category	7,676,591	7,358,931	8,279,276	920,345	12.5%
Other Transfers In	287,027	236,600	277,570	40,970	17.3%
Total General Fund Resources	7,963,618	7,595,531	8,556,846	961,315	12.7%

Revenue and Resource Estimates
General Fund

General Fund resources are anticipated to increase from the FY 2012-13 budget by \$639,389 or 8.1%, due primarily to the anticipated increase in permits and permit valuations, plan check and building inspections, Calistoga Family Apartments, Indian Springs and Brian Arden Winery.

The following chart illustrates the composition of the City's General Fund resources projected for FY 2013-14 at **\$8,556,846**.



Revenue Profiles

The following section provides a profile of the City's major General Fund (operating budget) revenue categories.

The revenue profiles provide background information on each revenue category. Trend information, including a 7-year graph, is also provided as well as a discussion of the future outlook for each category.

Revenue and Resource Estimates

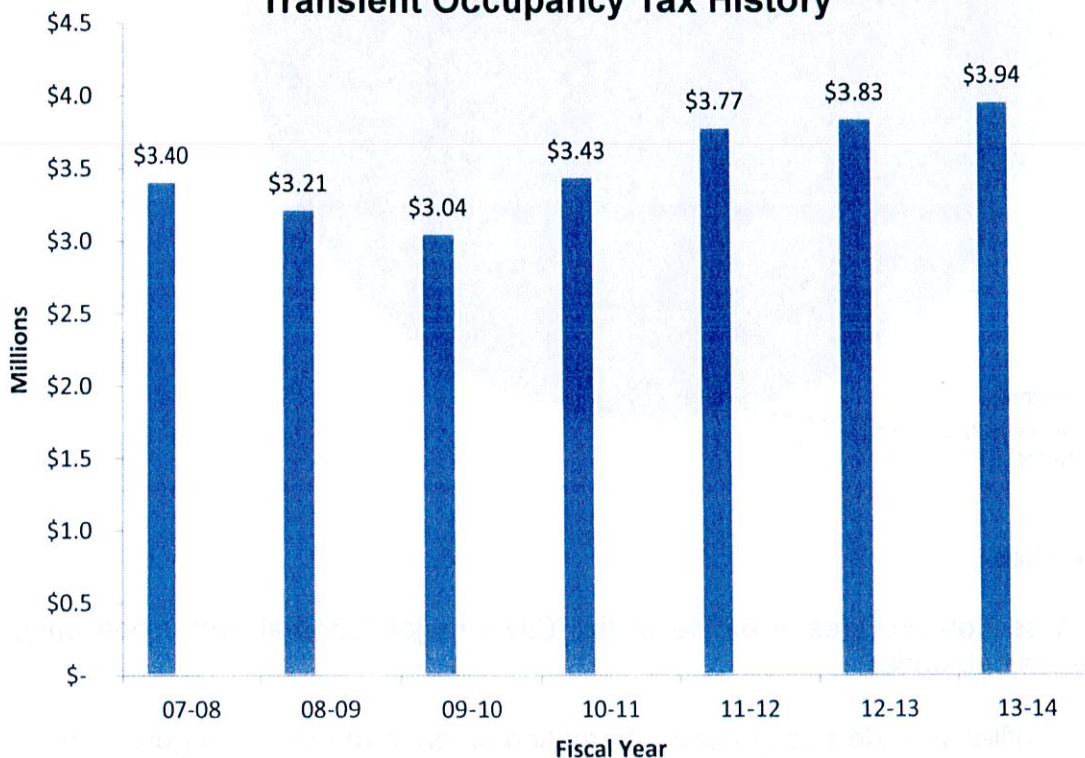
Transient Occupancy Tax

Transient Occupancy Tax is a 12% tax applied to the cost of lodging stays. Factors influencing transient occupancy tax revenues include business and leisure travel, local business activity and room rate increases. Transient taxes are the largest revenue for the General Fund and accounts for 46.1% of all projected General Fund resources next year.

Transient Occupancy Tax has rebounded strongly from the recessionary bottom in FY 2008-09 and FY 2009-10. It is estimated for FY 13-14 the transient occupancy tax will increase by 3% from FY 12-13. A contributing factor is the marketing efforts of the Calistoga Chamber of Commerce and the County-wide Tourism Bureau Improvement District (TBID). Additional funding comes from a 2% voluntary assessment on lodging revenues. Of the 2% the County wide marketing program receives 74% of revenues while the local Chamber receives 25% and the City receives the remaining 1% for administration.

The FY 2013-14 Budget projects continued growth in transient occupancy tax for the City of Calistoga consistent with increases in local business activity. The City is projecting 3% growth in transient occupancy tax which translates to \$3,944,385.

Transient Occupancy Tax History



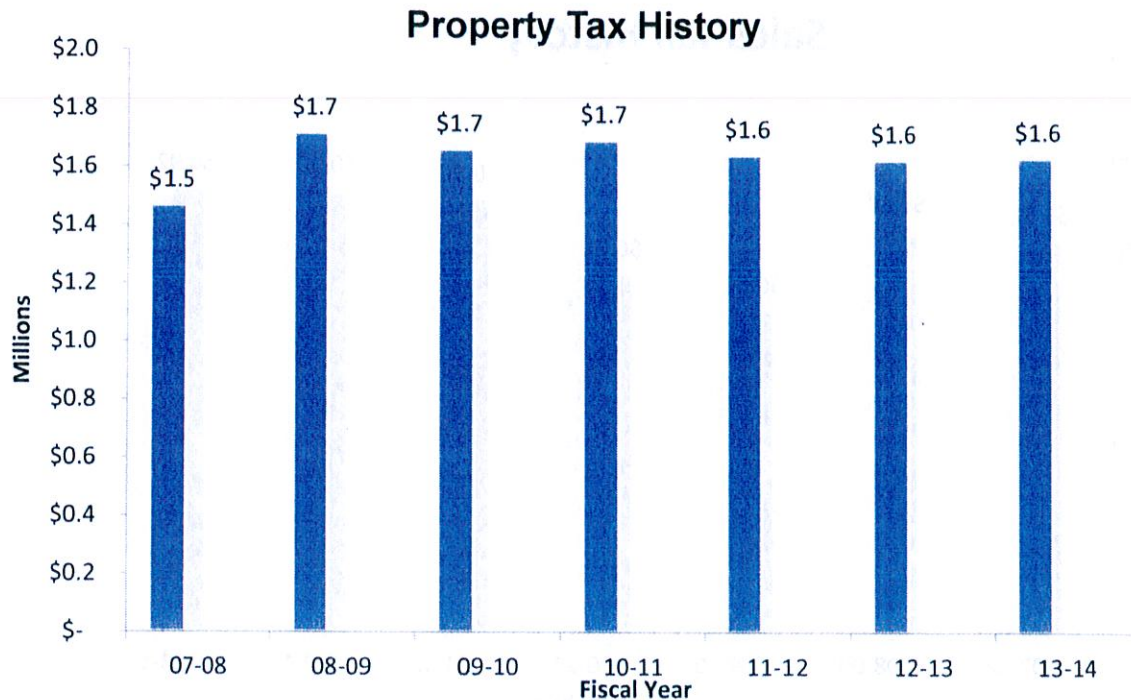
Revenue and Resource Estimates

Property Tax

Property tax is an ad valorem tax imposed on real property, such as land, buildings and tangible personal property. Property tax revenue is collected by the County and allocated according to state law among cities, counties, school districts and special districts. Calistoga property owners pay a basic tax equal to 1% of the assessed value on real property. As part of the State Budget Act of 2004, the legislature reduced motor vehicle license fee (VLF) revenue allocations to cities, replacing this funding with additional property tax allocations that change proportionately with the City's annual assessed valuation (property tax in-lieu of VLF revenue). In total (including in-lieu of VLF revenue), the City receives approximately 20¢ of every dollar collected of property tax collected with larger shares going to local schools, community colleges and Napa County. Property tax accounts for 19% of all General Fund resources projected next year.

Home sales have begun to rebound in many parts of the State. The increased sales are due to less distressed homes on the market, low mortgage rates and affordable prices are proving attractive for buyers and finally convincing them to reenter the market.

The City works with a property tax consultant in projecting property tax revenue, an estimate made with five factors in mind: property turnover rate, pricing and appeals exposure, new construction activity, Proposition 8 administrative reductions and Proposition 13's annual inflation adjustment. After considering these factors, the City has projected Calistoga's property tax revenue will increase by .4% in FY 2013-14.



Revenue and Resource Estimates

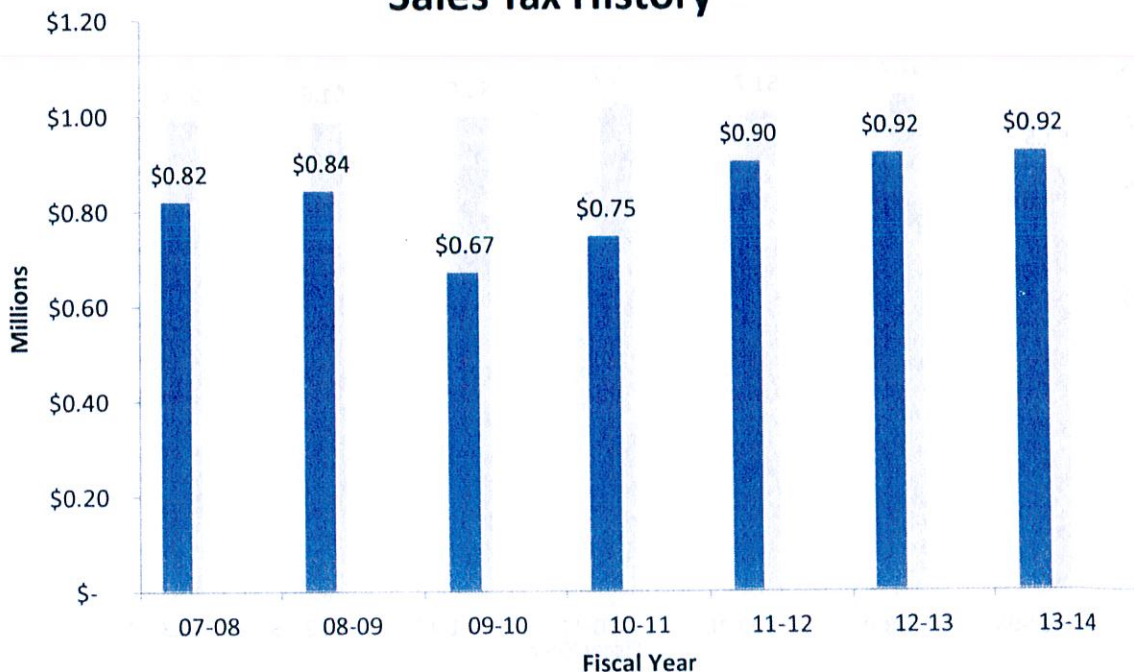
Sales Tax

California sales tax is imposed on the total retail price of any tangible personal property (excluding a variety of state mandated exemptions), while use tax is imposed on the purchaser for eligible transactions when sales tax has not been collected. The sales and use tax rate in Napa County is currently 8% of which Calistoga receives 1% from the California Board of Equalization for transactions occurring within the City. Sales tax makes up 10.8% of next year's overall General Fund resources.

Sales tax revenues have increased in the last year as consumers and businesses have regained confidence since the end of the recession. Gross taxable sales in the City of Calistoga were up 20.9% in calendar year 2012 compared to 2011.

The City works closely with the sales tax consultant, HDL, Coren & Cone, in projecting sales tax revenue. Based on HdL's analysis of the trend in year-to-date tax receipts and an examination of local business data, the consultant anticipates the City will receive sales tax revenue of \$922,257 this year. For FY 13-14 revenues are anticipated to stay flat from FY 12-13.

Sales Tax History



Revenue and Resource Estimates

Other Taxes

For the City of Calistoga other taxes include Franchise taxes, manufacturing taxes and business license taxes.

Franchise tax revenue consists of a tax on electric, gas, cable television and refuse. The state sets electric and gas tax rates that equal 1% of gross annual revenues, refuse revenue is 6% of annual gross revenues and 5% of gross cable television annual revenues from within the City of Calistoga.

Manufacturing tax revenues consists of a tax on manufacturing and/or wholesaling of mineral water, geothermal water products and byproducts, and for marketing, selling and distributing thereof. The City of Calistoga Municipal Code 5.04.255 set the tax rate at one dollar and twenty cents per thousand dollars of the monthly gross receipts.

Business License tax revenues consist of a tax required from any person who is doing business within the City as defined in the Municipal Code. On January 1, 2013, Senate Bill 1186 became effective of the California Government Code. It imposed a one dollar (\$1) state-mandated fee on any applicant for a local business license. Of the \$1.00 the City retains .70¢ and the .30¢ is forwarded to the State. These fees will be deposited in the Disability Access and Education Revolving Fund.

Other taxes remain stable and consistent over the long-term. Other taxes are impacted by changes in gas and electric pricing and number of businesses. For FY 13-14 other taxes are estimated at \$311,882 which is flat from FY 12-13 at \$310,182.

Other Taxes History



Revenue and Resource Estimates

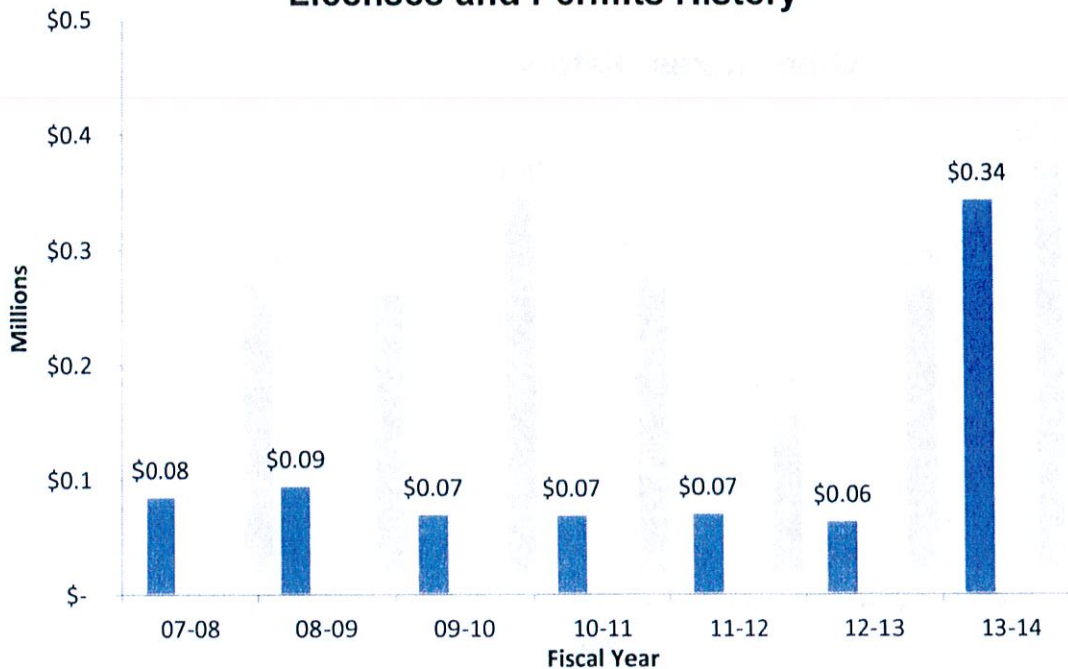
Licenses and Permits

Licenses and Permits mainly represent fees collected for inspection and licensing for construction of new residential, commercial and industrial sites. Licenses and Permits account for 4.0% of the General Fund resources next year.

Licenses and Permits dipped significantly in FY 09-10, FY 10-11, FY 11-12 and FY 12-13 due to the recession.

It is estimated for FY 13-14, licenses and permits will increase 443% from FY 12-13 primarily due to anticipated development projects; Calistoga Family Apartments, Indian Springs, Brian Arden Winery. The FY 13-14 Budget projects revenues at \$342,750.

Licenses and Permits History



Revenue and Resource Estimates

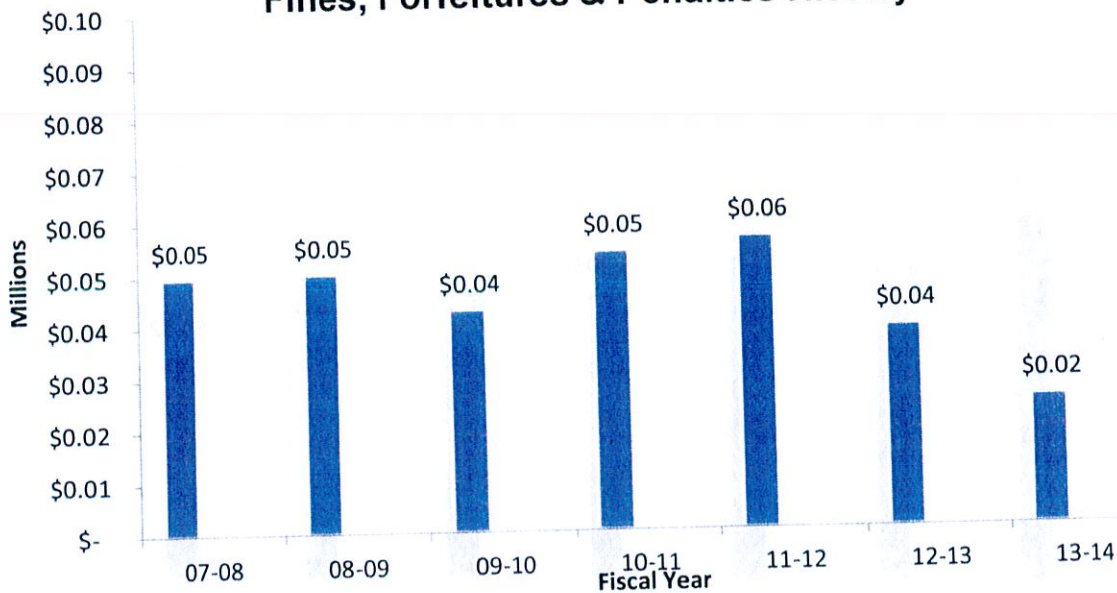
Fines, Forfeitures and Penalties

Fines, forfeitures and penalties are fees collected through vehicles, fines, misdemeanors, local parking fines and delinquent penalties on unpaid fees. Vehicle fines and misdemeanor revenue is collected by the County. Fines, forfeitures and penalties account for .3% of all General Fund resources projected next year.

Fines, forfeitures and penalties go up and down depending on consumer habits. Vehicle code fines for FY 12-13 are estimated to be 7% more than FY 11-12. Misdemeanor fines for FY 12-13 are estimated to be 41% less than FY 11-12. Delinquent Penalties are estimated to be 75% less than FY 11-12.

The City has projected Calistoga's fines, forfeitures and penalties will decrease by 36% in FY 2013-14 to \$24,500.

Fines, Forfeitures & Penalties History



Revenue and Resource Estimates

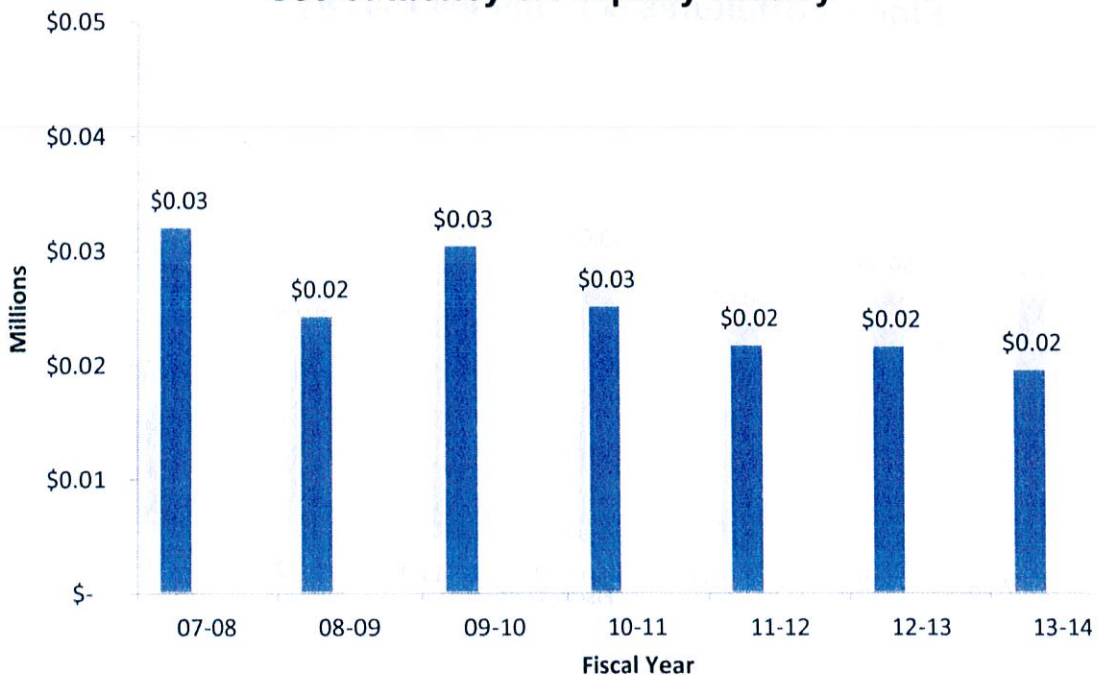
Use of Money and Property

Use of money and property represents earnings on the General Fund's investments (mainly fund balances) and any funds received from City owned facility rentals. The City keeps any excess funds in the Local Agency Investment Fund (LAIF). LAIF is a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts. The program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office investment staff at no additional cost to the taxpayer. As of March 13, 2013 LAIF's average monthly yield was .285. City owned facilities are rented out to the community for special events throughout the year. In addition the City rents a facility to EMS Management LLC for ambulance services.

Use of money and property account for .2% of the General Fund resources projected next year. Use of money and property fluctuates from year to year as excess funds for the City fluctuate as well.

Based on current yields and historical yields of LAIF the City is projecting \$19,545 for FY 13-14 for the use of money and property.

Use of Money & Property History



Revenue and Resource Estimates

Funds from Other Agencies & Grants

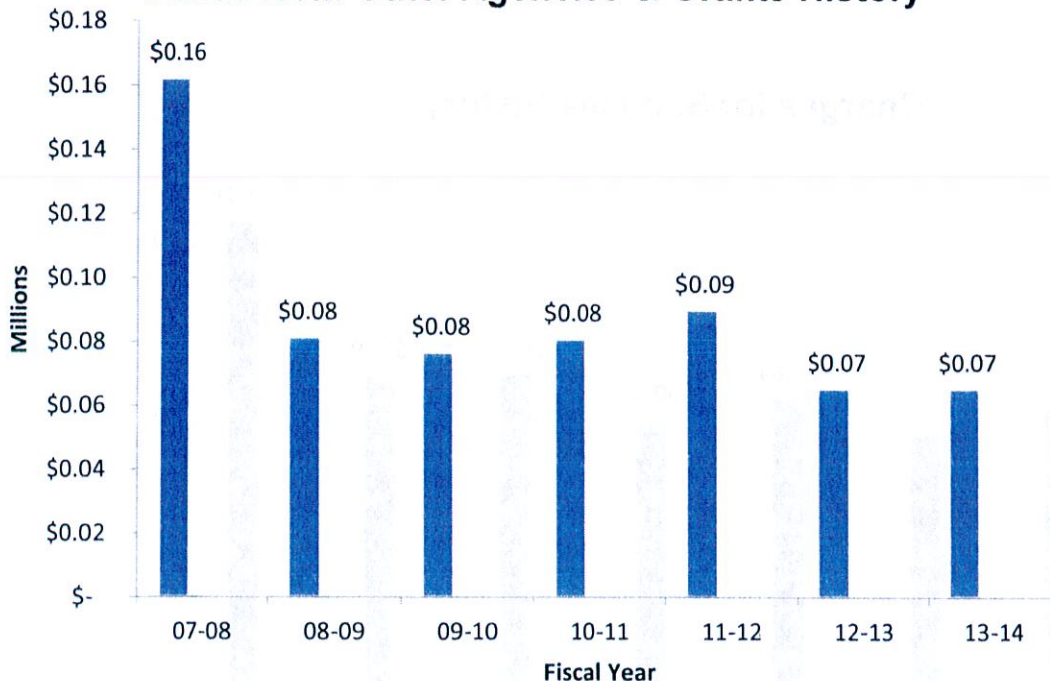
Funds from other agencies and grants category consists of funding from the State’s Public Safety Augmentation Fund, Motor Vehicle in-lieu fees, homeowner property tax exemptions and State grants for FY 13-14

Motor vehicle license fee (VLF) made up a significant portion of the City's overall revenues until 2004 when Governor Schwarzenegger reduced the vehicle license fee rate, replacing this revenue with increased City and County allocations of property tax. With the adoption of the State of California’s FY 2011-12 Budget, the City will no longer be receiving the same level of VLF revenues. The City's VLF revenue has decreased from nearly \$229,000 in FY 2003-04 to the FY 2013-14 estimate of \$4,000.

The state grants the City has been receiving have been used for recycling projects.

Funds from other agencies and grants have decreased over the long-term. For FY 13-14 funds from the State Public Safety Augmentation to be received are \$50,000; 4,000 from Motor Vehicle in-lie fees; \$6,000 from Homeowner Property Tax Exemptions and State Grants of \$5,000 for a total estimated at \$65,000 which is flat from FY 12-13 at \$65,000.

Funds from Other Agencies & Grants History



Revenue and Resource Estimates

Charges for Services

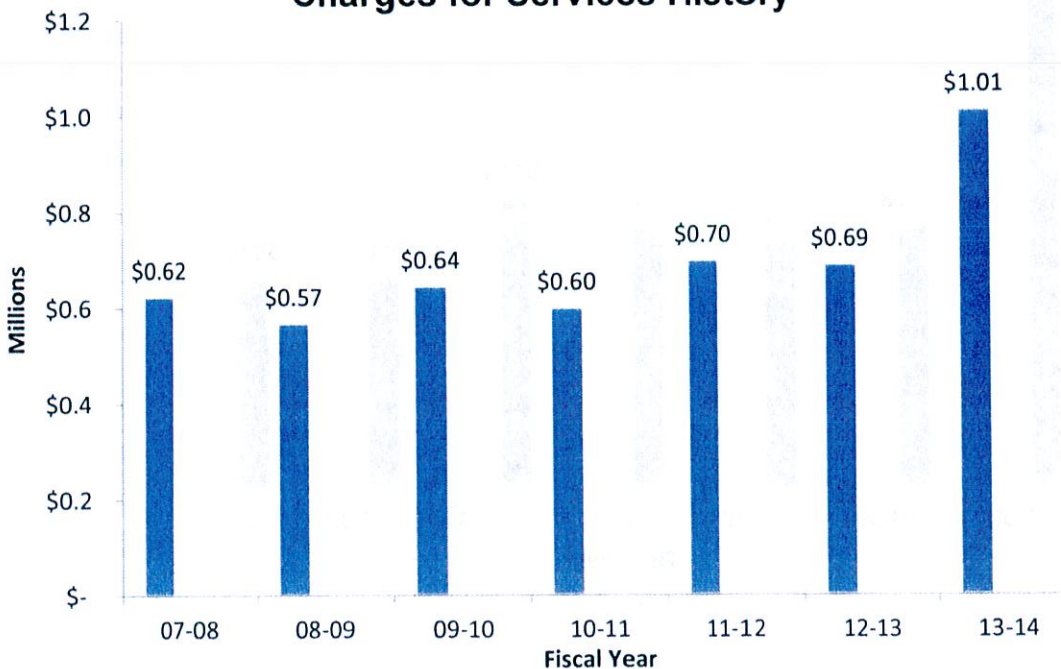
Charges for services revenue category consists primarily of fees for police services, fire services, planning services, public works services, community services recreational and community activities, plan check fees, reimbursement for services and central service overhead fees. Charges for Services account for 11.8% of the General Fund resources next year.

Charges for services revenue has fluctuated from fiscal year to year primarily due to little or no growth in development and Community Service’s program offerings.

Revenue estimates are based on the projected number of classes, number of participants and fee charges and staff’s estimate regarding the demand for classes and programs. There has been strong demand for swimming classes in the City and these program revenues have demonstrated continuing growth in recent years.

It is estimated for FY 13-14, charges for services will increase 47% from FY 12-13 primarily due to continued interest in recreational activities and anticipated development projects; Calistoga Family Apartments, Indian Springs and Brian Arden Winery. The FY 13-14 Budget projects revenues at \$1,009,279.

Charges for Services History

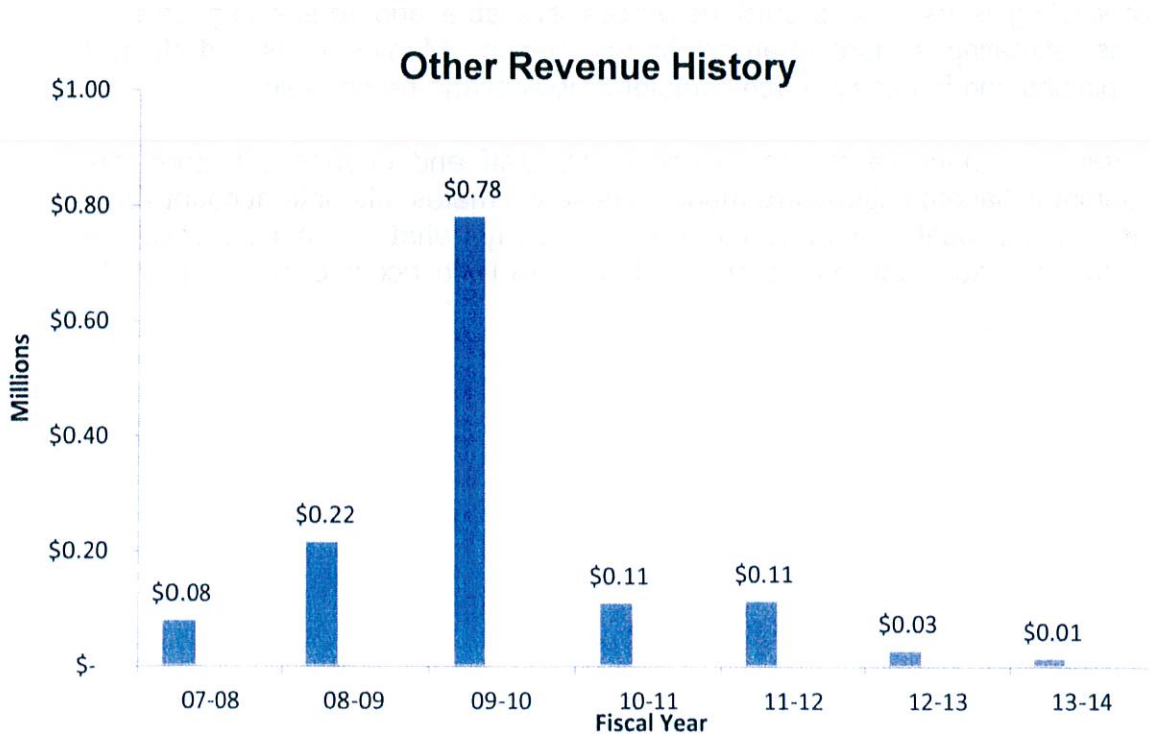


Revenue and Resource Estimates
Other Revenue

Other revenue category fees collected are fees for public records requests, Cal Card incentives for timely payments, police and fire reimbursements for Lexipol (policy manuals) and reimbursements from PARSAC, the City's risk management carrier for liability, property, fraud, automobile and workers compensation premiums. The other revenue category accounts for .2% of all General Fund resources projected next year.

The chart below shows in FY 2009-10 other revenues as \$780,949. The reason for the increase in revenues was due to the retention being held for the swimming pool construction which eventually ended in a settlement with the construction company.

Revenue estimates are based on trend analysis. The City has projected that Calistoga's other revenue will decrease by 50% in FY 2013-14. Other revenues will include reimbursements from Cal Card, Lexipol policy for fire and police, and PARSAC insurance premiums for a total of \$13,500.



Revenue and Resource Estimates**Transfers In**

Transfers in include overhead and operating reimbursements, as well as one-time transfers which include fund and project close-outs.

The amount of general City support costs is based on costs attributable to development services. Direct costs of developed related services and all development services revenue are budgeted in special funds. The portion of the fee revenues attributable to overhead support costs are shown as a transfer to the General Fund to reimburse the City of general overhead support. In FY 2013-14, the overhead reimbursement transfer is estimated at \$277,570.

For FY 2013-14 the Gas tax fund will contribute \$95,000 for street operations; Police grant fund \$75,322 for front-line police operations; Recreation fund \$5,000 to offset the longer pool season; mobile home park fund \$8,985 for staff time spent on inspections; Public Safety Impact Fund \$38,540 for Police Facility Improvements; Community Development \$49,000 for development impact fee study; CDBG grant \$1,123 for staff time; and Abandoned Vehicle fund \$4,600 for police operations.

For FY 2013-14, the difference between ongoing revenues and ongoing expenditures is a surplus of approximately \$904,358 before transfers or capital projects.

Conclusion

Revenue forecasting is used to predict resources available and forecasting can be problematic as estimating is more of an art than a science. Many experts and studies offer varied opinions and forecasts, each completely logical and reasonable.

Patterns or trends in prior years are examined by staff and economic factors are considered before initial projections are made. These estimates take into account what has happened to our local economy, the state economy, what our current revenue experiences are, and as much as possible, what is likely to occur over the next 12 months.