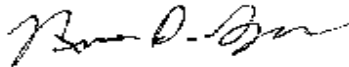


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Richard Spitler, City Manager
 Gloria Leon, Administrative Services Director
DATE: June 18, 2013
SUBJECT: Adoption of the City of Calistoga Fiscal Year 2013-14 Budget

APPROVAL FOR FORWARDING:



Richard Spitler, City Manager

ISSUE: To present the City of Calistoga Fiscal Year 2013-14 Budget for adoption

RECOMMENDATION: Adopt the attached resolution to adopt the City of Calistoga Fiscal Year 2013-14 Operating and Capital Budget.

BACKGROUND:

In June 2012 the Fiscal Year 2012-13 Budget was presented to and adopted by the City Council. In February 2013 a Mid-Year Financial Update was presented to the Council. At that time several budget adjustments were brought forward and adopted. The analysis from those financials has served as a starting point for development of the FY 2013-14 Budget.

The City Council held one budget workshop on May 23, 2013 to review all of the proposed departmental, capital, enterprise and special fund budgets. On June 11, 2013 a public hearing was held to receive formal public testimony on the proposed draft budget. At this hearing an overview of the Fiscal Year 2013-14 budget was presented and public input was received. After the hearing the Council gave staff its final direction on the preparation of the final budget. The Council item for this evening is to present and formally adopt the budget recommendation.

2 The attached draft budget reflects City Council direction to date. The proposed budget as
3 presented has been balanced with one-time development impact fees received in March
4 2012 and with anticipated impact fees in the new fiscal year.

5
6 **DISCUSSION:**

7
8 The proposed \$13.5 million budget covers all fund categories (General Fund, and Water,
9 Wastewater, Enterprise, Special and Capital Improvement Funds). Of this, \$7.4 million is
10 for the General Fund budget. It shows a proposed General Fund reserve of \$2 million at
11 the end of the FY 2013-14 Fiscal Year. This is after \$1.4 million was added to the reserve
12 from Fiscal Year 2012-2013. This is a budget reserve of 27.3%.

13
14 As we move forward into the new fiscal year it is important to remember that the City's
15 budgets will, once again, be very tight. The proposed Fiscal Year 2013-14 budget contains
16 cuts in expenditures (operational and capital projects) over what was initially requested by
17 most of the departments, as necessary to reach a balanced budget. However, several
18 Capital Improvement Projects (CIP's) are recommended for funding. The reason is that
19 most of the projects fall into the deferred maintenance category. The City simply did not
20 have adequate funding in prior years to address them. With the potential for payment of
21 one-time development impact fees, it is anticipated that there will be adequate funds to
22 allow these projects to proceed.

23
24 Based on Council direction several adjustments to the Fiscal Year 2012-13 budget will be
25 made since the City received \$2,000,000 from the Silver Rose project for impact fees in
26 March 2013. A separate resolution is being brought forward for approval of those budget
27 adjustments. The \$2,000,000 in impact fees will be allocated as follows:

28

29	Quality of Life Fund	\$152,628
30	Public Safety Fund	\$152,627
31	Wastewater Capital Fund	\$1,694,745

32

33 Quality of Life and Public Safety impact fees for a total of \$305,255 will be used to pay
34 general fund annual debt. This allows the same amount of funds to be available for other
35 General Fund uses. The \$1,694,745 allocated to the Wastewater Capital Fund will allow
36 the City to pay annual debt in this fund, thereby relieving the General Fund from having to
37 pay the debt. Also, there is need to have funds to initiate much-needed infrastructure
38 improvements at the wastewater treatment plant.

39
40 This proposed budget continues to maintain the existing level of service and reliability to
41 the community through our infrastructure systems and facilities. However, as previously
42 indicated, there are many facilities that are not receiving maintenance and replacement as

43 they should. There are no anticipated layoffs of staff. The City currently is in negotiations
44 with Safety, Miscellaneous and the Unrepresented group. City staff will be coming back at
45 a later date with possible agreements to be adopted by the Council. The budget includes
46 an anticipated modest salary increase for the groups and will be further refined once
47 negotiations are completed.

48
49 The City is anticipating several projects to initiate construction or advance pay
50 development impact fees (i.e., Enchanted Resorts). These projects include Indian
51 Springs, Arden Winery, Calistoga Family Apartments and Enchanted Resorts. It is
52 anticipated these projects will bring forth the following in impact fees:

53
54

55	Water Capital Fund	\$1,547,487
56	Wastewater Capital Fund	\$ 369,202
57	Public Safety Fund	\$ 473,336
58	Housing Trust Fund	\$ 334,002
59	Traffic Fund	\$ 4,051

60

61 See the attached Tables in Attachment 3 that show detailed development impact fees from
62 various projects that are anticipated in FY 13-14 and FY 14-15.

63
64 **General Fund**

65
66 The City Council adopted goals and objectives for Fiscal Year 2013-14 which calls for a
67 25% reserve in its General Fund by year's end. Based on staff recommendations the City
68 will end Fiscal Year 2013-14 with a fund balance of \$2,009,674 which is in excess of the
69 25% objective. Staff will be setting aside in a separate fund \$50,000 for the Public
70 Employee Retirement System (PERS) rate increases and \$50,000 for future Retiree
71 Benefits. Staff is also recommending \$105,000 be set aside for unanticipated general
72 liability claims. Based on the commitments the funding for PERS rates, future retiree
73 benefits and General liability Claims the general fund balance will be reduced to
74 \$1,904,674 which is 25.8% of total operating expenditures.

75
76 In a separate resolution Council will be asked to approve the adjustment of the anticipated
77 transfer out of the general fund to the wastewater enterprise fund for FY 2012-13. This is
78 because the general fund transfer has proved to be unnecessary since the wastewater
79 capital fund received impact fees from the Silver Rose developer.

80
81 The Police Operations contract services include \$4,000 for animal control services. This is
82 a tentative figure, as negotiations are underway for contracting this service to a local non-
83 profit organization.

84 It should be noted that while the General Fund reserve is increasing, it is largely due to
85 one-time development fee payments. This has made funds available for community
86 projects. However, the one-time development fees together, with the highly uncertain
87 demands for capital improvement projects and other emergencies, means that a cautious
88 spending approach should be taken over the next fiscal year.

89

90 **Water Operations**

91

92 The Water Operations Enterprise Revenue Fund is anticipating an ending deficit working
93 capital balance of \$30,797 as of June 30, 2013. The General Fund will transfer \$30,797 to
94 the Water Fund. Based on activity during the fiscal year, it is anticipated that the water
95 fund balance will end with a working capital balance of \$270,405 by June 30, 2014. The
96 Water Capital Improvement Fund will transfer \$659,291 to the Water Operations fund to
97 cover the debt service payments for the fiscal year.

98

99 The City of Napa has increased the charge to treat and wheel water to Calistoga for the
100 next three years. For FY 2012-13 to 2013-14 it will increase by \$87,716; from FY 2013-14
101 to 2014-15 by \$101,565 and from FY 2014-15 to FY 2015-16 by \$227,442.

102

103 As the Council is aware City staff with the assistance of a consultant will complete a
104 comprehensive review of the adopted Water and Wastewater rate studies to determine
105 how to address the shortage of revenue, to include a possible rate increase by January 1,
106 2014.

107

108 **Water Capital**

109

110 The Water Capital Fund is expected to end fiscal year 2012-13 with a deficit working
111 capital of \$69,523. The General Fund will transfer \$69,523 to the Water Capital Fund. The
112 Water Capital Fund is expected to end fiscal year 2013-14 with a surplus balance of
113 \$374,009 which will be used to cover any unexpected capital improvements. The City
114 anticipates water connection fees from the Enchanted Resorts, Indian Springs, Brian
115 Arden and Calistoga Family Apartments in the amount of \$1,547,487. Measure A will
116 provide funds of \$302,000.

117

118 Projects in the amount of \$668,000 to be undertaken for the FY 2013-14 include the
119 Pipeline Myrtle/Grant/Kimball, NBA Pump Station, Water Sampling Stations, Water Valve
120 Replacement, Bypass Structure, GIS survey and Riverlea Pathway Water Line Relocation.
121 The Pipeline Myrtle/Grant/Kimball and the Bypass Structure will be funded through
122 Measure A funds.

123

124 The Water Capital fund will also cover debt service payments in the amount of \$807,928
125 for Fiscal Year 2013-14.

126

127 **Wastewater Operations**

128

129 The Wastewater Operations Fund is expected to end fiscal year 2012-13 with a deficit
130 balance of approximately \$70,756. The Wastewater Capital Improvement fund will transfer
131 \$70,756 to cover the deficit balance. As discussed in prior water and wastewater rate
132 workshops, expenditures to run the treatment plant have continued to outpace revenues.
133 Though rates were increased they have not been sufficient to keep up with expenditures.
134 The FY 2013-14 budget shows an ending working capital balance of \$191,237. The
135 Wastewater Capital Improvement Fund will transfer \$695,583 to the Wastewater
136 Operations fund to cover the debt service payments for the fiscal year.

137

138 As the Council is aware City staff with the assistance of a consultant will complete a
139 comprehensive review of the adopted Water and Wastewater rate studies to determine
140 how to address the shortage of revenue, to include a possible rate increase by January 1,
141 2014.

142

143 **Wastewater Capital**

144

145 The Wastewater Capital Fund is expected to end fiscal year 2013-14 with a surplus
146 balance of \$563,996 which will be used to cover any unexpected capital improvements.
147 The City anticipates wastewater connection fees from the Enchanted Resorts, Indian
148 Springs, Arden Winery and Calistoga Family Apartments in the amount of \$369,202. In
149 fiscal year 2012-13 the City received \$1,694,745 in wastewater connection fees from the
150 Silver Rose project.

151

152 Projects in the amount of \$750,000 will be undertaken by the Public Works Department.
153 They include GIS survey, Pine Street Lift Station, Sewer Lateral Replacement, additional
154 alarms at the treatment plant, Filter area spiral stairway, effluent disposal study, new
155 effluent storage pond, Palisades Lift Station Coating and an upgrade to the High School
156 reclaimed water system.

157

158 **Special Revenue Funds**

159

160 These are separate funds which segregate revenues and expenditures restricted for
161 specific purposes such as a specific grant program, restrictions by City Council
162 ordinances, special property assessments or just the need for separate budgeting and
163 accounting of revenues for a specific purpose. The City will end the fiscal year 2013-14
164 with a combined fund balance of \$1,525,793 an increase of \$408,267 from fiscal year

165 2012-13. Due to the anticipated impact fees from development the Public Safety Fund will
166 receive \$473,336 and the Housing Trust \$314,002. Most of the revenue sources for these
167 two funds will remain in the funds until projects are earmarked. The Community
168 Development Fund will use \$52,000 for the sidewalk replacement project, \$49,000 for a
169 development impact fee study and \$66,200 will be used for several housing programs.
170 This will bring the fund balance to \$142,410 in fiscal year 2013-14 from \$276,490 in fiscal
171 year 2012-13.

172

173 **Equipment Replacement Fund**

174

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

179

180 City staff is recommending the purchase of a vehicle for the police department to replace
181 one of the older vehicles that is no longer in service. Staff is also recommending the
182 replacement of a server and accessories, computers and anti-virus software for a total of
183 \$50,307. The Public Safety Fund will contribute \$37,000 for the purchase of the vehicle
184 and \$10,000 for defibrillators. The General Fund will transfer \$200,000 to this fund for
185 debt service payments and for the replacement of equipment. This fund will have a fund
186 balance of \$237,487 at the end of fiscal year 2013-14 for unanticipated expenditures and
187 reserves.

188

189 **Capital Projects**

190

191 Departments were asked to provide input on what they saw as needed projects to
192 undertake in Fiscal Year 2013-14. You will find in the attachments what those requests
193 were. Staff further refined the list and is recommending \$2,292,613 in capital projects and
194 \$474,847 in equipment and information technology projects be approved for FY 2013-14.
195 These projects will only be undertaken if one time impact fees are actually received.

196

197 **Community Funding Requests**

198

199 After the public hearing was closed the City Council gave direction to staff to incorporate
200 the following projects and services into the budget using \$62,333 in General Fund dollars:

201

202 \$20,000 to the Calistoga Family Center for Senior Assistance Services.

203

204 \$3,333 to the Napa Community Foundation for the One Napa Valley Initiative.

205

206 \$10,000 maximum towards one half the cost of repairs and improvements to the tennis
207 courts.

208
209 \$14,000 for free pool passes for children.

210
211 \$5,000 towards a pool pre-season provided there is \$4,000 in pass sales.

212
213 \$10,000 towards a pool post-season provided there is \$4,000 in pass sales.

214
215 **Conclusion:**

216
217 This proposed budget continues to maintain the existing level of service and reliability to
218 the community through our infrastructure systems and facilities. However, there are many
219 facilities that are not receiving maintenance and replacement as they should.

220
221 Again, one should remember that while the General Fund reserve is increasing, it is largely
222 as a result of one-time development impact fee payments. The one-time nature of these
223 fees, together with the highly uncertain demands for capital improvement projects and
224 other emergencies, means that a cautious spending approach should be taken over the
225 next fiscal year.

226
227
228
229 **ATTACHMENTS**

- 230
231 1. Resolution to adopt the FY 2013-14 Budget
232 2. Proposed City of Calistoga FY 2013-14 Budget
233 3. Development Impact Fees Anticipated FY 13-14 & 14-15
234 4. Major Capital Projects Budget
235 5. Equipment and Information Technology Projects
236 6. Debt Schedule