


City of Calistoga

Staff Report

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TO: Honorable Mayor and City Council
FROM: James C. McCann
DATE: September 2, 2008
SUBJECT: 2008/2010 Fiscal Year's General Fund Budget

APPROVAL FOR FORWARDING:


James C. McCann, City Manager

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2 **ISSUE:** Consideration of a Resolution adopting the Fiscal Year (FY) 2008/10 Operating
3 and Capital Improvement Budgets for the General Fund.
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6 **RECOMMENDATION:** Adopt Resolution.
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8 **BACKGROUND:** Staff presented a comprehensive overview and preliminary budgets
9 for the FY 08/10 General Fund Draft Operating and Capital Improvement Budget at the
10 June 23, 2008, meeting. The intent of the presentation in June was to review elements
11 of the budget, refresh the Council on budgeting concepts and ideas, and introduce
12 current trends and operating recommendations. The June 23rd Council discussion
13 followed from the Council's adoption of Priority Projects, approximately one month
14 before, wherein Council emphasized the desire to focus upon major, ongoing projects,
15 and to be cognizant of the existing economic challenges confronting local government.
16 A copy of the June 23rd staff report and minute excerpts, along with a copy of the
17 adopted Council Priority Projects, are attached.
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19 The City Council confirmed the basic philosophy and approach, which has been
20 pursued in recent years regarding budgeting: conservative estimates of revenue
21 production and realistic projections of operating expenditures. Council also affirmed the
22 desire to assign substantial funds to General and Emergency Reserves. It is clear
23 through the adopted Priority Projects that completing capital projects and making
24 substantial progress in new projects is highly desired during this two-year budget cycle.
25 Additionally, Council expressed their recognition that sufficient resources must be
26 available to staff to accomplish the substantial assignments which exist. Finally, the
27 Council indicated that budgeting must be done cognizant of the potential effect upon our
28 local government of the ongoing State budget crisis.
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30 During the discussion in June, Councilmembers offered additional points (refer to the
31 attached minute excerpts). Councilmember Kraus suggested that budget estimates

32 include a "Plan B" reflecting the potential effects the State budget may have on City
33 funds and that the projection for revenue to be received from the Terrano project may
34 be too aggressive given the economic conditions and the ongoing difficulty the project is
35 having securing financing. Councilmember Kraus also reiterated his strong desire to
36 initiate the Strategic Planning process during this fiscal year as well as suggesting that
37 further explanation and detail regarding the function of each department relative to the
38 budget would be helpful to outline the various tasks, responsibilities and assignments of
39 the different departments. Attached are narratives from each Department to further
40 describe the budgets of each department.

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42 **DISCUSSION:** Staff has made a number of modifications to the Draft FY 08/10 Budget,
43 reflecting the direction and discussion from the June meeting as well as to update our
44 estimation for expenditures and revenues. We have removed the projected revenue
45 anticipated from the Terrano project as had been suggested following discussion with
46 the project sponsor (the project will not be available for occupancy in the FY 08/09 and
47 is anticipated to be open only late in the 09/10 budget cycle). We have also adjusted
48 revenue projections relative to sales tax, property tax, and transient occupancy tax to
49 reflect the delay in the Terrano project as well as to reflect (positively) continuing trends
50 with other properties, notably the Solage Resort. Attached is a summary of the
51 changes that have been made from the Draft Budget presented to you in June with
52 comments on the reasons for the changes. In addition, the programming, operations
53 and maintenance changes with the addition of the Community Pool, Recreation facilities
54 at Logvy Park, Planning and Building offices, and the rehabilitation of the Fire Station
55 are discussed further below.

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57 **State Budget Impact**

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59 With respect to the effects of the State budget crisis, the proposed budget does not
60 reflect line item reductions. The League of California Cities has urged cities to consider
61 the potential impacts, but recommends against setting aside such monies in a specific
62 account and has requested local government to express strongly the need for the State
63 to resolve its fiscal needs within its own available funds rather than seizing local monies
64 to balance ongoing expenses. Our June report outlined what was understood to be a
65 potential (worst case) scenario from the State as it was being discussed at the time.
66 That scenario suggested that, if all options were seized by the State, that approximately
67 \$480,000 of City revenue might be taken one time and a portion on-going. The current
68 discussion and thinking at the State level, as conveyed by our League of California
69 Cities representatives, is that substantial seizing of local revenues, particularly those
70 enjoyed by Calistoga, will likely not occur. Still, some effects on the State budget
71 solution may be experienced by Calistoga. This impact is anticipated to be relatively

72 minor (between \$50,000 - \$100,000) and could be absorbed in our budget through
73 existing reserves. We will continue to monitor the activities at the State and will bring
74 forward recommendations for adjustments as may be necessary.

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76 Recommended Budget changes

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78 The June report to Council indicated that no new positions or new programs were being
79 recommended during the two-year budget cycle, with the exception of the preliminary
80 estimates of part time positions for the Community Pool. We did note that additional
81 staffing resources will obviously be needed to support the community pool and that we
82 would be bringing forward suggestions in that regard. The Public Works and
83 Community Resources Departments have spent considerable time exploring options for
84 pool programming, operating and maintenance alternatives. These alternatives will
85 require considerably greater detail and discussion with the Community Pool Advisory
86 Committee as well as further discussion with the City Council. Still, for general
87 budgeting purposes, we have developed a preliminary program and operating
88 maintenance summary outline, which is attached.

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90 The estimated cost for programming, operating, and maintenance of the pool in FY 09-
91 10 is \$350,000 (this is the net cost estimate considering revenue generation of
92 approximately \$70,000). The estimated amount for the start up in late FY 08-09 is
93 \$243,300. These costs are anticipated to be high in the first two years as we initiate the
94 community pool and explore the demands for programming, operating and maintenance
95 needs. We have consciously budgeted high to ensure adequate staffing for both safety
96 and operating ease. The Community Resources programming relies on seasonal, part-
97 time staff while the maintenance will be borne by Public Works staff.

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99 The Public Works Department has had great difficulty meeting its operating and
100 maintenance needs with existing staff and will surely need additional personnel to
101 adequately support the pool facility as well as the other improvements being made to
102 Logvy Park and other facilities in this two-year budget. Consequently, it is
103 recommended that we add a Plant Operator and a Maintenance Technician to address
104 existing demands as well as those expected with the completion of our new recreation
105 facilities. The addition of the Plant Operator will greatly address existing staff demands
106 in the Water and Waste Water treatment arenas.

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108 We have received strong direction from the Regional Water Quality Control Board and
109 the Department of Health Services that our staffing levels should be increased in order
110 to allow adequate resources to better perform the various processes which these
111 regulators require. An additional Plant Operator will allow this to occur and will also

112 provide a staff member with sufficient skill and training to operate and manage the
113 pumps, filters, and chemical needs of the community pool. Approximately 30% of the
114 new Operator's time will be devoted to the pool and the remaining portion will be
115 assigned to Water and Wastewater Treatment.

116
117 With respect to the recommended Maintenance Technician, the Public Works
118 Department will clearly have additional demands placed upon it for regular maintenance
119 needs by virtue of the opening the Community Pool, the addition of the parking lot and
120 landscaping, as well as the completion of the Veteran's Memorial at Logvy Park. Also,
121 the recreation building and grounds adjacent to the pool at Logvy Park to support art
122 programming and youth and recreation programming will be coming on line in the FY
123 09/10 budget, in addition to the expansion of the Fire Station and the availability of
124 additional public restrooms at that facility. All of these, together with existing demands,
125 clearly require additional resources. It is planned to assign the Maintenance Technician
126 30% to the Pool Facility, 30% to Park Maintenance and 40% to Building Maintenance.

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128 As is noted above, the initial years of operating the pool will provide an opportunity to
129 evaluate costs and look at alternatives for programming, operating, and maintenance.
130 We will evaluate these options, including the assignment of staff and potential contract
131 opportunities. Attached is a more detailed summary of the above changes to the
132 Community Resources and Public Works Department budgets from the Draft budget
133 that was discussed in June and the recommendations discussed above.

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135 As noted in the June report, the proposed budget continues to include funding for a
136 number of efforts and special projects identified by staff and the Council, including
137 funding for:

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- 140 • Green Initiatives (\$25,000),
 - 141 • Strategic Planning (\$25,000),
 - 142 • Community Beautification, relative to the Urban Design Plan recommendations
143 (\$100,000),
 - 144 • Community Enrichment Grant Program (\$25,000),
 - 145 • Police Department LEEDS Computer System (\$150,000),
 - 146 • Chamber Marketing and Promotion Contract (\$292,000),
 - 147 • Citywide Tree Trimming (\$45,000),
 - 148 • City Sidewalk Improvement Program (\$25,000),
 - 149 • Planning and Building Department office needs (\$300,000),
 - 150 • Review of services and development impact fees (\$50,000) and a number of
151 Planning Department zoning studies (\$40,000).

152 With the adjustments discussed in this report as well as the concepts outlined in the
153 June report, the recommended two-year budget results in operating revenues of \$7.7
154 million in FY 08/09 and operating expenditures of \$7.6 million during the same period,
155 resulting in a net surplus of approximately \$100,000. We have established reserves of
156 \$1.8 million, which reflects a 24% reserve as a percentage of operating expenditures for
157 the FY 08/09. The projected operating revenues for FY 09/10 are \$8.2 million with
158 operating expenditures projected at \$7.9 million, resulting in a surplus of approximately
159 \$300,000. Again, we assign funds to reserves of approximately \$1.9 million or 23%
160 reserve of operating expenditures.

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162 **CONCLUSION:** The amendment of the FY08/09 budget and the proposed FY 09/10
163 budget reflects the direction and philosophy expressed by the Council to fund on-going
164 services and to improve and expand important facilities while realistically identifying
165 revenues, funding sources and expenditures. The recommended budget continues
166 strong funding of reserves and provides budget to accomplish the Priority Projects
167 identified by the Council earlier this year. The revised FY08/10 budget also addresses
168 the Council questions and direction offered during the introductory discussion at the
169 June 23rd meeting.

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171 I appreciate the clear direction and suggestions from Council and applaud the staff for
172 their effort in responding to this direction and for outlining the needs in the budget
173 documents.

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175 Please note that this packet does not include the detailed budget sheets we provided in
176 the June budget binders; should you need another copy of that document please
177 contact the City Clerk.

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180 **ATTACHMENTS:**

- 181 1. Draft Resolution
 - 182 2. June 23rd Staff report and draft minutes
 - 183 3. Adopted City Council Priority Projects
 - 184 4. Summary of Changes from Draft Budget to Recommended Budget with updated
185 summaries of revenues and expenditures
 - 186 5. Summary of proposed (preliminary) Community Pool programming, operations,
187 and maintenance concept
 - 188 6. Department Budget Narratives
- 189