

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Gloria Leon, Administrative Services Director
 Dylan Feik, City Manager
DATE: February 20, 2018
SUBJECT: Fiscal Year 2017-18 Mid-Year Review and Budget Adjustments

APPROVAL FOR FORWARDING:

Dylan Feik, City Manager

1
 2 **ISSUE:** To receive a mid-year financial update regarding the Fiscal Year 2017-18
 3 Budget and to adopt budget adjustments.
 4

5 **RECOMMENDATION:** Receive Mid-Year Fiscal Year 2017-18 Budget Report and Adopt
 6 Resolution Approving Operating and Capital Improvement Budget Adjustments for Fiscal
 7 Year 2017-18.
 8

9 **BACKGROUND:**

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 11 On June 20, 2017, the Fiscal Year 2017-18 budget was adopted by the City Council.
 12 Over the last six months there were several unanticipated demands on the budget that
 13 require budget adjustments. These adjustments are addressed in this staff report with
 14 the benefit of having mid-year actual revenues and expenditures through December 31,
 15 2017. Based upon these mid-year figures, staff is able to present forecasts of revenues
 16 and expenditures for the remainder of the fiscal year (June 30, 2018).
 17

18 The Fiscal Year 2017-18 budget continues to reflect the continuation of the same level of
 19 service as the prior year.
 20

21 **DISCUSSION:**

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 23 **General Fund Balance**
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25 The City's General fund ended June 2017 with a fund balance of \$8,455,573 as
 26 compared to \$8,342,624 in June 2016. Of the \$8.5 million, \$979,065 is non-spendable,
 27 and the remaining \$7,476,508 is unassigned and available for spending in Fiscal Year
 28 2017-18 at the City Council's discretion; however, it is subject to Council-established
 29 policies for reserve funds.

30 Based on the ending balance of \$8,455,573 at June 30, 2017 and proposed mid-year
 31 budget revenue adjustments the ending fund balance for June 30, 2018 is projected to be
 32 \$5,723,246, as follows:

33

General Fund Sources and Uses

	Adopted Budget FY 17-18	Budget Adjustments FY 17-18	Revised Budget FY 17-18
Beginning Fund Balance			\$ 8,455,573
Operating Revenues	11,215,837	(307,710)	10,908,127
Operating Expenditures	9,542,307	32,295	9,574,602
Net Operating Surplus	<u>1,673,530</u>	<u>(340,005)</u>	<u>1,333,525</u>
Other Revenue Sources	1,348,443	30,000	1,378,443
Capital Imp Projects	4,638,443	55,165	4,693,608
Transfers In and Out	(502,840)	(190,259)	(693,099)
Net Fund Deficit	<u>(2,119,310)</u>	<u>(555,429)</u>	<u>(2,674,739)</u>
Ending fund balance projected			<u><u>\$ 5,780,834</u></u>

34
 35 The \$307,710 decrease in operating revenues is due mainly to the loss of transient
 36 occupancy tax (TOT) revenues normally collected during the month of October. The
 37 Tubbs Fire and resulting evacuation order caused a reduction in transient occupancy tax
 38 revenue collected for the month. October 2017 TOT collections were \$345,000 less than
 39 the same month in 2016. Fortunately the City does purchase business interruption
 40 insurance for general revenues and has filed a claim. The City anticipates receiving a
 41 future insurance payment equal to 97.5% of projected revenues for the month of October.
 42 It is unknown at this time when these funds will be received, therefore they have not been
 43 projected in the mid-year budget before you.

44
 45 Increases in expenditures of \$32,295 is due to additional funding for contract services,
 46 community promotions including a \$50,000 donation to the Calistoga Firefighter's
 47 Association for Tubbs Fire victims and the hiring of three additional full-time firefighters.
 48 Most expenditures were previously adopted by the City Council at meetings prior to
 49 today.

50
 51 Adjustments are being recommended for transfers out of the general fund to other funds
 52 for capital projects. \$72,077 for the Berry Street Project because they are ineligible costs

53 under the grant proceeds; \$50,000 to the affordable housing fund and \$68,182 to be
54 returned to the Cultural/Recreational Fund since the Little League Restroom project came
55 under budget. Both the funds for the housing project and restroom had been previously
56 approved by the City Council. One of the reasons for the large net deficit of (\$2,674,739)
57 is because the City Council approved deferred capital improvements in the amount of
58 \$4,638,443 at June 30, 2017.

59
60 This would mean all reserves as a percentage of operating expenditures for the General
61 Fund would be approximately 60.5% at June 30, 2018, thereby maintaining the City
62 Council goal of 50% by Fiscal Year 2018-19 in reserves.

63
64 **Enterprise Fund Balances**

65
66 The Water and Wastewater Funds had \$1,930,013 and \$2,175,390 respectively in cash
67 and cash equivalent balances at June 30, 2017. There was significant one-time receipts;
68 Water contributions were \$1,720,217 and Wastewater contributions were \$2,972,222 for
69 Fiscal Year 2016-17.

70
71 The Water Fund, combined with the Water Capital Improvement Project Fund, ended
72 June 30, 2017 with a working capital balance of \$2,364,003.

73
74 The ending working capital balance for the Water Fund and Water Capital Fund
75 combined at June 30, 2018 is projected at \$1,370,180 as compared to \$1,054,334, as
76 was originally adopted in the budget for June 2018. The increase in working capital is due
77 to reductions in capital projects.

78
79 Staff is recommending mid-year expenditure adjustments of \$37,500. The mid-year
80 expenditures include contract services and materials and supplies.

81
82 Staff has reviewed the water capital projects that were adopted in June 2017 and are
83 recommending a decrease in projects in the amount of (\$93,630). Staff recommends the
84 reduction of \$20,000 for the automatic reader program,; \$75,000 for the Riverlea
85 Pathway Water Line Relocation, \$100,000 for the Kimball Instream Flow Study and an
86 increase of \$370 for the NBA Valve Boxes, and an increase of \$101,000 for water line
87 improvements along Myrtle Street related to the Francis House construction project
88 (Dwyer) which was approved February 6.

89
90 The Wastewater Fund combined with the Wastewater Capital Improvement Project Fund,
91 ended June 30, 2017 with a working capital balance of \$2,990,999.

92
93 Staff is recommending mid-year expenditure adjustment of (\$20,000) in operations for
94 Fiscal Year 2017-18. The mid-year expenditures include adjustments for contract
95 services, electricity and materials and supplies.

96
97 Staff is also recommending a reduction adjustment of (\$305,000) for elimination of
98 Wastewater Capital Projects that were to be funded by one-time connection fees. Staff
99 recommends reduction of \$40,000 to the Sewer System Assessment Project; \$65,000
100 reduction to Inflow and Infiltration Project; and \$200,000 reduction to the Grit Removal
101 Aeration Basin Project.

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103 **Special Revenue Fund Balances**

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105 The City ended Fiscal Year 2016-17 with a combined fund balance of \$3.7 million which
106 can be used only for certain specific future purposes. Staff is recommending adjustments
107 of \$970,849 in revenues for the MTC Grant Fund and \$1,044,800 in expenditures for the
108 MTC Grant Fund. These adjustments are needed for the Berry Street Project. Staff is
109 projecting a fund balance of \$4.1 million at mid-year for the Special Revenue Funds at
110 June 30, 2018.

111
112 **Equipment Fund Balance**

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114 The total net position for this fund on June 30, 2017 was \$936,830; of which, \$536,318 is
115 unrestricted. Staff is recommending minor budget adjustments in total of (\$12,698) for
116 field equipment, contract services and copier lease payments. Based on these
117 adjustments the projected working capital fund balance at June 30, 2018 is anticipated to
118 be \$713,441 unrestricted.

119
120 **Balance Summary for Fiscal Year 2017-18**

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122 The following summary table shows the list of the major funds and anticipated fund
123 balance at the end of June 2018 with adoption of the recommended budget adjustments
124 and other information obtained from the past six months. The City's financial condition
125 remains strong in the General Fund but a significant reduction in transient occupancy tax
126 resulting from the Tubbs Fire. In addition, Water and Wastewater operating funds are still
127 dependent on one-time impact fees until newly adopted utility rates begin generating
128 more operating income for the enterprise funds.

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 142 The following table shows the revised mid-year budget anticipated reserves for Fiscal
 143 Year 2017-18.
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FY 17-18	General Fund	Water Operations	Water Capital	WWTP Operations	WWTP Capital
Revenues	10,908,127	2,511,611	93,374	2,469,574	156,714
Expenditures	9,574,602	3,165,293	-	3,138,810	-
Net Surplus/Deficit	1,333,525	(653,682)	93,374	(669,236)	156,714
Other Sources	1,378,443	-	1,823,514	-	50,000
Equipment	-	68,835	-	195,635	-
Capital Projects Expenses	4,693,608	-	2,058,685	-	960,000
Debt Payment	-	494,500	135,009	703,147	-
Transfers In/Out	(693,099)	313,199	(313,199)	400,000	(407,500)
Add non-cash Depreciation	-	500,000	-	660,000	-
Total Net Chg Fy 17-18	(2,674,739)	(403,818)	(590,005)	(508,018)	(1,160,786)
Beg Fund Balance 07/01/17	8,455,573	819,040	1,544,964	1,105,463	1,885,536
End Fund Balance 06/30/18	5,780,834	415,222	954,959	597,445	724,750
Reserves % Operating Exp	60.4%				

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 146
 147 **Conclusion**
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149 After taking into account October wildfires, the City's financial condition for Fiscal Year
 150 2017-18 remains stable and strong. The loss of transient occupancy tax during the month
 151 of October means less general fund revenues available for citywide needs currently. but
 152 the City will receive insurance proceeds in the future. In addition City staff is working with
 153 FEMA and the City's insurance team to file appropriate and timely claims for all services
 154 provided as a result of the Tubbs Fire.

155
 156 In summary, the City continues improving its financial condition and soon the City will see
 157 the financial condition of the enterprise funds improve. There remains a critical need to
 158 fund infrastructure improvements, future pension obligations and enhance reserves in the
 159 General, Water and Wastewater Funds.

160
 161 **Budget Adjustments**

162 Attachment 1 includes the proposed Budget Adjustment resolution which details the
 163 needed mid-year adjustments.
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165	<u>ATTACHMENTS</u>
166	1. Draft Resolution of Budget Adjustments
167	2. General Fund Sources and Uses
168	3. Water Fund Sources and Uses
169	4. Water Fund Capital Improvement Projects
170	5. Wastewater Fund Sources and Uses
171	6. Wastewater Fund Capital Improvement Projects
172	7. Special Revenue Funds Sources and Uses Summary
173	8. Equipment Replacement Fund Sources and Uses Summary
174	9. Major Capital Projects Summary
175	10. Equipment and Information Technology Projects Summary
176	11. Non-Represented Employee Salary Schedule FY 2017-18
177	12. Calistoga Police Officers Association Salary Schedule FY 2017-18
178	13. Calistoga Professional Firefighters Association Salary Schedule FY 2017-18
179	14. Calistoga Public Employees Association Salary Schedule FY 2017-18
180	15. Non-Represented Part-Time Employees Salary Schedule FY 2017-18
181	16. Mid-Year 2017-18 Operating & Capital Improvement Budgets

RESOLUTION NO. 2018-XXX

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA,
COUNTY OF NAPA, STATE OF CALIFORNIA, APPROVING MID-YEAR
ADJUSTMENTS TO THE CITY'S OPERATING AND CAPITAL IMPROVEMENT
BUDGET FOR FISCAL YEAR 2017-18**

WHEREAS, the City Council of the City of Calistoga adopted an Operating Budget and Capital Improvement Program for Fiscal Year 2017-18 on June 20, 2017; and

WHEREAS, the City Manager has proposed the budget adjustments as described in the City Council report dated February 20, 2018 for Fiscal Year 2017-18 based on the determination by the Department Directors that these adjustments are essential to the City's operations; and

WHEREAS, the City Council has reviewed the proposed budget adjustments on February 20, 2018 for the period of July 1, 2017 through June 30, 2018 and does hereby find the recommendation to be necessary and in the City's best interest.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Calistoga hereby approves the budget adjustments to the City of Calistoga Operating and Capital Improvement Budget for Fiscal Year 2017-18 as set forth in Exhibit A attached hereto.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Calistoga at a regular meeting held this **20th day of February, 2018**, by the following vote:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

CHRIS CANNING, Mayor

ATTEST:

KATHY FLAMSON, City Clerk

The City of Calistoga Operating Budget for Fiscal Year 2017-18
 Mid-Year Budget Adjustments 063018

Exhibit A

Were approved by City Council at a prior meeting.

Account #			Fund	Description	Adjustment Amount
fund	dept	object			
01	3201		General Fund	Property Taxes	(40,000)
01	3203		General Fund	Sales Tax	(16,000)
01	3204		General Fund	Transient Occupancy Tax	400,000
01	3212		General Fund	Building Permit	(50,000)
01	3229		General Fund	Parking Fines	(1,500)
01	3232		General Fund	Vehicle In Lieu	(31,626)
01	3244		General Fund	Planning Services	140,000
01	3254		General Fund	FEMA Reimbursement	(85,164)
01	3256		General Fund	Police Services	(8,000)
01	3299		General Fund	Transfer in - Cultural Funds - Little League	100,000
01	3299		General Fund	Transfer in - Cultural Funds - Pioneer Park Lot Playgro	(30,000)
01	4107		General Fund	Enrichment Grant Awards	(28,500)
01	4107	4467	General Fund	Christmas Bazaar	1,500
01	4107	4482	General Fund	Ca Art Guild	6,000
01	4107	4485	General Fund	Community Learning	4,000
01	4107	4491	General Fund	Community Gardens	5,000
01	4107	4496	General Fund	Soroptimists International	2,000
01	4107	4551	General Fund	Hearts and Hands	10,000
01	4107	4553	General Fund	Tubbs Fire	50,000
01	4113	4402	General Fund	City Attorney	(35,000)
01	4114	4301	General Fund	City Manager - Salaries	7,815
01	4114	4402	General Fund	City Manager - Contract Services	9,000
01	4114	4410	General Fund	City Manager - Advertising	(4,000)
01	4115	4401	General Fund	Planning - Materials	3,169
01	4115	4402	General Fund	Planning -Contract Services	2,475
01	4115	4301	General Fund	Police - Salaries	(20,000)
01	4116	4302	General Fund	Police - Overtime	20,000
01	4116	4309	General Fund	Police - Special Pay	20,000
01	4116	4310	General Fund	Police - PERS	40,000
01	4116	4311	General Fund	Police - Medical	(20,000)
01	4116	4402	General Fund	Police - Contract Services	(20,000)
01	4117	4301	General Fund	Fire Dept - Salaries	72,238
01	4117	4303	General Fund	Fire Dept - FICA/Medicare	5,201
01	4117	4310	General Fund	Fire Dept - PERS	18,388
01	4117	4312	General Fund	Fire Dept - Workers Comp	3,896
01	4121	4402	General Fund	PW Admin- Contract	(12,445)
01	4125	4402	General Fund	Building - Contract	(86,780)
01	4127	4401	General Fund	PW Bldg - Materials	8,000
01	4127	4402	General Fund	PW Bldg - contract	(9,325)
01	4133	4401	General Fund	Elections- Materials	(200)
01	4133	4402	General Fund	Elections - Contract Services	(1,000)
01	4133	4410	General Fund	Elections - Advertising	(300)

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Account #			Fund	Description	Adjustment Amount
01	4133	4650	General Fund	Elections - Training and Meetings	(500)
01	4152	4402	General Fund	Recreation - Contract	(10,000)
01	4153	4401	General Fund	Rec - Educ - Materials	(6,000)
01	4153	4402	General Fund	Rec - Educ - Contract	(5,000)
01	4153	4410	General Fund	Rec - Educ - Advertising	(5,000)
01	4154	4402	General Fund	Rec - Seniors - Contract	(10,000)
01	4156	4402	General Fund	Rec - Aquatics - Contract	5,000
01	4156	4410	General Fund	Rec - Aquatics - Advertising	(2,000)
01	4174	4402	General Fund	Library Services - Contract Services	6,991
01	4176	4402	General Fund	Economic Development - Contract	44,174
01	4176	4410	General Fund	Economic Development - Advertising	3,498
01	4700	4799	General Fund	Transfers Out-one time sales to housing fund	50,000
01	4700	4799	General Fund	Transfers Out- TDA Fund Berry St Project	72,077
01	5503	4915	General Fund	CIP- Monhoff Improvements	8,165
01	5559	4915	General Fund	CIP- Little League Restroom	(100,000)
01	5560	4915	General Fund	CIP - Pioneer Bridge	25,000
01	5561		General Fund	CIP - Tubbs Fire	50,000
01	5562	4915	General Fund	CIP - Railroad Track	(10,000)
01	5563	4915	General Fund	CIP- Pioneer Park	(25,000)
01	5564	4915	General Fund	CIP- Vine Trail	(7,500)
01	5565	4915	General Fund	CIP - Oak Hill Mine	7,500
01	5564	4915	General Fund	CIP- Vine Trail	(8,000)
01	5565	4915	General Fund	CIP - Oak Hill Mine	8,000
01	5566	4915	General Fund	CIP- Pioneer Park Lot Playground Equipment	30,000
				Total for General Fund	550,247
02	4131	4401	Water Enterprise	Distribution - Materials	4,000
02	4131	4402	Water Enterprise	Distribution - Contract	13,500
02	4132	4401	Water Enterprise	Treatment - Materials	20,000
				Total for Water Operations Fund	37,500
03	4141	4402	WWTP	Collection - Contract	(16,000)
03	4142	4401	WWTP	Treatment - Materials	16,000
03	4142	4403	WWTP	Treatment - Utilities	(20,000)
				Total for Wastewater Operations Fund	(20,000)
11	3100		Asset Forfeiture	Asset Forfeiture	5,000
				Total for Asset Forfeiture Fund	5,000

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Account #			Fund	Description	Adjustment Amount
12	3230		Water CIP	Other Grants HazMit	75,000
12	5476		Water CIP	Automatic Reader Program	(20,000)
12	5490	4915	Water CIP	Replacement of Valves	101,000
12	5517		Water CIP	Riverlea Pathway Water Line Relocation	(75,000)
12	5553		Water CIP	Riase NBA Valve Boxes	370
12	5554		Water CIP	Kimball Instream Flow Study	(100,000)
				Total for Water CIP Fund	(18,630)
13	5437	4915	WWTP CIP	Sewer Assessment and Master	(40,000)
13	5483	4915	WWTP CIP	Inflow and Infiltration	(65,000)
13	5558	4915	WWTP CIP	Grit Removal	(200,000)
				Total for Wastewater CIP Fund	(305,000)
15	3299		Eq Replacement	Transfers In from Police Grants (cameras)	7,943
15	3299		Eq Replacement	Transfers In from Police Grants (radios)	22,000
15	4970	4432	Eq Replacement	Lease payments	(6,000)
15	4975	4401	Eq Replacement	Materials and Supplies	1,000
15	4970	4821	Eq Replacement	Misc Field Equipment	(6,698)
15	4975	4822	Eq Replacement	Misc Office Equipment	500
15	4975	4823	Eq Replacement	Computer Equipment	(1,500)
				Total for Equipment Repl Fund	17,245
21	3251		Gas Tax Fund	Interest Earnings	75
21	3289		Gas Tax Fund	Other Revenues	(2,031)
21	4700	4799	Gas Tax Fund	Transfers Out	3,446
				Total for Gas Tax Fund	1,490
25	3225		MTC	Grants - Bicycle Education	2,000
25	3225		MTC	Grants -Pedestrian	(44,982)
25	3230		MTC	Grants - Berry Street Bridge	(927,867)
25	3299		MTC	Transfer in from General Fund - Berry St Bridge	(72,077)
25	3299		MTC	Transfer in from Cultural/Recreational - Logvy	(1,818)
25	4994	4905	MTC	Bicycle Education	(2,000)
25	5518	4905	MTC	Berry Street	1,000,000
25	5530	4915	MTC	Sidewalk Replacement	46,800
				Total for MTC Fund	56

The City of Calistoga Operating Budget for Fiscal Year 2017-18
 Mid-Year Budget Adjustments 063018

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Account #			Fund	Description	Adjustment Amount
41	4700	4799	Police Grants	Transfers out equipment fund (radios)	22,000
41	4700	4799	Police Grants	Transfers out equipment fund (cameras)	7,943
				Total for Police Grants Fund	29,943
77	4700	4799	Cultural/Recreational	Transfer to General Fund - Little League Restroom	(68,182)
77	4700	4799	Cultural/Recreational	Transfer to General Fund - Pioneer Park Lot Playground	(30,000)
77	4700	4799	Cultural/Recreational	Transfer to MTC Grants - Logvy Park	1,818
				Total for Cultural/Recreational Fund	(96,364)
78	3251		Affordable Housing	Interest Earnings	(25,050)
78	3278		Affordable Housing	Napa Valley Grant	(45,500)
78	3289		Affordable Housing	Other Revenues	(91)
78	3299		Affordable Housing	Transfer in from General Fund	(50,000)
78	3940		Affordable Housing	Proceeds of Long Term Loan	(69,216)
78	4615	4402	Affordable Housing	Housing Programs	45,500
78	4615	4402	Affordable Housing	Housing Programs	50,000
				Total for Affordable Housing Fund	(94,357)