

1 City of Calistoga

2 Staff Report

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4 **TO:** Honorable Mayor and City Council
5 **FROM:** Gloria Leon, Administrative Services Director
6 Dylan Feik, City Manager
7 **DATE:** June 5, 2018
8 **SUBJECT:** Public Hearing for Proposed Fiscal Year 2018-19 Budget

9 APPROVAL FOR FORWARDING:

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Dylan Feik, City Manager

13 **ISSUE:** To hold a public hearing, receive public comment and to provide direction
14 regarding the Fiscal Year 2018-19 budget proposal.

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16 **RECOMMENDATION:** To review and provide feedback and direction regarding the Fiscal
17 Year 2018-19 budget proposal.

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19 **BACKGROUND:** Each year, the City’s annual budget process begins in February when a
20 Mid-Year Financial Update is presented to the Council. Following approval of budget
21 adjustments this begins the development of the Fiscal Year 2018-19 Proposed Budget.

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23 The City Council holds a goal setting session and budget workshops to craft and review
24 the proposed finances of the City. The Council workshop was held on May 10 to review all
25 of the proposed departmental, capital, enterprise and special fund budgets. At this
26 workshop the City Council received presentations on each of the department budgets and
27 allowed public comment. The City Council then gave informal direction to City staff which
28 is incorporated into the budget.

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30 The attached budget proposal reflects City Council direction to date.

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32 The purpose of the public hearing is to receive public comment on the proposed budget
33 prior to final adoption. After the hearing is closed, the Council will provide final direction to
34 City staff on the preparations of the budget. The formal adoption of the budget will be
35 presented on June 19, 2018.

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37 **DISCUSSION:** City finances have continuously improved following the Recession. The
38 City’s General Fund Balance has increased to over 78% of Expenditures and recently
39 adopted water and wastewater fees will provide funding necessary to sustain the

40 enterprise funds into the future. Beginning in fiscal year 2019-20, the City anticipates
41 occupancy and commencement of operations for the Silver Rose property which will
42 generate significant revenue to the general, water and wastewater funds. In addition, the
43 City recently refinanced outstanding water and wastewater debt to reduce long-term debt
44 obligations by \$1.1M. Similarly, between May 2017 and May 2018, the City contributed
45 \$2.8M towards unfunded pension liabilities which result in long-term savings of over \$8.4M
46 to Calistoga residents. The City's continuous and focused efforts to improve its financial
47 position remains strong and is only expected to improve. The City will emphasize meeting
48 established Council Goals related to reserves including –

- 49
- 50 • Maintain General Fund reserves at a minimum of 50% of budgeted expenditures
- 51 • Increase the Water and Wastewater Fund reserves to a minimum of 20% within two
- 52 fiscal years and increase the CIP and Equipment Replacement Fund reserves to
- 53 meet anticipated needs over the next three years
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55 As the City strategizes for appropriating fiscal resources into the future, the City Council
56 has expressed that deferred maintenance and public infrastructure are key priorities. This
57 proposed budget includes continuous spending on capital infrastructure including roads,
58 water infrastructure and wastewater system repair to replace aged utilities which have
59 reached/surpassed useful life. More about the Capital Improvement Project list will be
60 addressed later in this report.

61

62 New private growth and development will also play a critical role in the City's future. The
63 City is anticipating several private development projects will initiate or complete
64 construction in Fiscal Year 2018-19 which will result in the collection of development
65 impact fees. These projects include the Craftsman Inn expansion project, Rivers-Marie
66 Winery, Solage expansion, Silver Rose Single Family Residential Subdivision and two (2)
67 single family residence homes. It is anticipated these projects will bring forth the following
68 in impact fees:

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70	Water Capital Fund	\$ 358,743
71	Wastewater Capital Fund	\$ 923,448
72	Cultural/Recreation Fund	\$ 85,697
73	Transportation Fund	\$ 98,188
74	Fire Fund	\$ 69,540
75	Police Fund	\$ 47,903
76	Affordable Housing	\$ 50,183
77	City Administration Fund	\$ 35,089
78	Grand Total	\$1,668,791
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81 See the attached table in Attachment 1 to this staff report that shows detailed development
82 impact fees from various projects that are anticipated in Fiscal Year 2018-19.

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84 This proposed budget not only maintains the excellent levels of customer services
85 experienced in years past but will increase service in years to come as discussed below.

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General Fund

The City Council adopted goals and objectives for Fiscal Year 2018-19 which calls at a minimum for a 50% reserve in its General Fund by Fiscal year 2018-19 (or \$5,018,525). Based on staff recommendations the City will end Fiscal Year 2018-19 with a fund balance of \$5,545,090 which is 55.3% general fund expenditures. The budget includes a transfer of \$20,000 to the water operations fund to cover the low-income assistance program. In addition, new budget items/initiatives are shown below.

- **Capital Projects & Debt Reserve Funds Created and Funded.** During the recent utility rate study, residents expressed the City should set aside “rainy day funds” for future capital needs. In April 2018, the City established three (3) Capital Project & Debt Reserve Funds for this purpose. City Council will appropriate funds annually as part of the budget process. Forthcoming projects to be funded include
 - Dumpster Relocation Project (behind Fire Station)
 - Sharpsteen Plaza – Design & Engineering
 - Silverado Trail Gateway – Engineering and Construction
 - Emergency Siren Installation – Construction
- **Additional Employee.** The Police Department is recommending a full-time code enforcement officer. The additional cost is approximately \$106,815.
- **Financial Reviews.** The City will perform a Transient Occupancy Tax (TOT) Audit of hotel operators to ensure compliance with the municipal code, as well as a Building Permit Fee Review.
- **Recreation Programs.** *At the Council Budget Workshop on May 10th, Council requested staff bring a proposal to waive all recreation program fees which may be considered for approval. Staff will have a prepared item at the final budget meeting on Tuesday, June 19th for Council consideration which includes costs associated with improving recreation program offerings and waiving 100% of program fees.*
- **Senior Civil Engineer Position.** This position has remained vacant and is currently being filled. The new staff position will assist with the timely execution of capital projects.
- **Pavement Maintenance.** The City will continue spending significantly to improve roads and sidewalks. The budget amount is \$1.8M.
- **Community Support.** The City continues to increase funding for programs which benefit youth, immigrants, seniors and members of the community. The amount for this year is \$125,000, a 14% increase over the prior year.
- **Community Survey.** The City will perform a community survey to gauge resident satisfaction and dissatisfaction with overall City services in the community.

Water Operations

The Water Operations Enterprise Revenue Fund is anticipating an ending balance of approximately \$727,097 as of June 30, 2018. Staff is recommending a transfer of \$248,898 to the Water Capital Fund to offset capital improvement projects. Based on

131 activity during the fiscal year, it is anticipated that the water fund balance will end with a
132 surplus balance of \$1,085,725 by June 30, 2019, when compared to \$727,097 prior year.
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134 **Water Capital**

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136 The Water Capital Fund is expected to end Fiscal Year 2017-18 with a surplus balance of
137 \$1,014,190. The City anticipates water connection fees in the amount of \$358,743 for
138 Fiscal Year 2018-19. Measure A will provide funds of \$100,000 and a HazMit Grant will
139 provide \$1,537,231. Staff is recommending a transfer of \$248,898 from the Water
140 Operations Fund to offset capital improvement projects. The Fiscal Year 2018-19 budget
141 shows an ending balance of \$0.00.
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143 Projects in the amount of \$3,124,641 recommended by the Public Works Department for
144 the Fiscal Year 2018-19 include the Water Valve Replacements, Repair of Feige Tank,
145 Automatic Meter Read Program, Water Main Replacement, Cross Connection Survey,
146 Conn Creek Bridge Meter, NBA Meter (Silverado Trail), THM Removal, Generator and
147 Transfer Switch, Pope Street Generator Electric Upgrade and the Bypass Structure. The
148 Bypass Structure project will be funded through Measure A funds. The repair of Feige
149 Tank and the Generator projects will be funded through a HazMit Grant.
150

151 At its goal setting meeting in March 2018 the City Council's objective is to increase the
152 Water Fund reserves at a minimum of 20% and increase the CIP and Equipment
153 replacement Fund reserves to meet anticipated needs over the next three fiscal years. At
154 the minimum 20% in reserves would mean a fund balance of \$577,312 the combination of
155 ending fund balances for the Water Operations Fund and the Water Capital Fund at Fiscal
156 Year 2018-19 is a balance of \$1,085,725, therefore meeting the 20% objective. The 20%
157 objective has been met since Fiscal Year 2013-14.
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159 **Wastewater Operations**

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161 The Wastewater Operations Fund is expected to end Fiscal Year 2017-18 with a surplus
162 balance of approximately \$1,017,229. Staff is recommending a transfer \$131,348 to the
163 Wastewater Capital Fund to offset capital improvement projects. Based on activity during
164 the fiscal year, it is anticipated that the wastewater fund balance will end with a surplus
165 balance of \$542,189 by June 30, 2019, when compared to \$1,017,229 in the prior year.
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167 **Wastewater Capital**

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169 The Wastewater Capital Fund is expected to end Fiscal Year 2017-18 with a surplus
170 balance of \$972,704. The City anticipates wastewater connection fees in the amount of
171 \$923,448 for Fiscal Year 2018-19. The Wastewater Operations Fund will transfer
172 \$131,348 to the Wastewater Capital Fund to cover capital projects. The Wastewater
173 Capital Fund is expected to end Fiscal Year 2018-19 with a balance of \$0.00.
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175 Projects in the amount of \$2,215,000 have been recommended by the Public Works
176 Department. They include Sewer Lateral Replacement, Inflow and Infiltration

177 Improvements, Sewer Main Replacements, Palisades Lift Station Repairs, Geothermal
178 Water Meters, Recycled Water Pump and Installation, Grit Removal Aeration Basin, Grit
179 Removal at Headworks, Generator Upgrade, Riverside Ponds River Restoration and
180 Wastewater Upgrades for CDO Compliance. A HazMit grant will provide \$175,000 for the
181 Riverside Ponds River Restoration project.

182
183 At its goal setting meeting in March 2018 the City Council's objective is to increase the
184 Wastewater Fund reserves at a minimum of 20% and increase the CIP and Equipment
185 Replacement Fund reserves to meet anticipated needs over the next three fiscal years. At
186 the minimum 20% in reserves would mean a fund balance of \$487,173; the combination of
187 ending fund balances for the Wastewater Operations Fund and the Wastewater Capital
188 Fund at Fiscal Year 2018-19 is a balance of \$542,189, therefore meeting the 20%
189 objective in reserves. The 20% objective has been met since Fiscal Year 2012-13.

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191 **Special Revenue Funds**

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193 These are separate funds which segregate revenues and expenditures restricted for
194 specific purposes such as a specific grant program, restrictions by City Council
195 ordinances, special property assessments or just the need for separate budgeting and
196 accounting of revenues for a specific purpose. The City will end the Fiscal Year 2018-19
197 with a combined fund balance of \$8,531,483 an increase of \$187,427 from Fiscal Year
198 2017-18. Most of the revenue sources for these funds will remain in the funds until
199 projects are earmarked.

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201 **Equipment Replacement Fund**

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

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208 City staff is recommending the renewal of subscriptions for Citzenserve, Auto Cad, Anti-
209 Virus software, and icompass. Staff is also recommending replacement of several
210 computers, replacement of police radio equipment, additional replacement signs, new
211 vacuum trailer, skidsteer planer, replacement of a forklift and pumps. In anticipation for
212 future financial system upgrades, the City is also setting aside \$190,000 in extra cash for
213 future needs including new finance system software and upgrades to the police dispatch
214 center. The General Fund will transfer \$221,065 to this fund for equipment and
215 maintenance of the Rims system for the Police department. This fund will have a fund
216 balance of \$798,036 at the end of Fiscal Year 2018-19 for unanticipated expenditures and
217 reserves.

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219 At its goal setting meeting in March 2018 the City Council's objective is to increase the
220 Equipment Replacement Fund reserves to meet anticipated needs over the next three
221 fiscal years. At the minimum 20% in reserves would mean a fund balance of \$89,433; the

222 ending fund balance for the Equipment Replacement Fund is \$798,036; therefore meeting
 223 the 20% reserve.

224
 225 **Capital Projects**

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 227 The Proposed Budget includes \$9,857,552 in capital projects and \$480,775 in equipment
 228 and information technology projects. Three of the largest projects the public works is
 229 recommending is \$2,000,000 be used for pavement maintenance; \$1,507,231 Feige Tank
 230 Design to be matched with City connection fee revenue in the amount of \$502,410; and
 231 \$1,129,750 for Grant Street Stormwater Improvements Project Phase II.

232
 233 **Balance Summary for Fiscal Year 2018-19**

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 235 Attachment 2 to this staff report shows a detailed revenue and expenditure analysis for
 236 each of the major funds. The following summary table shows the list of the major funds
 237 and anticipated fund balance at the end of June 2019.

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 239 The following table shows in summary the Fiscal Year 2018-19 ending fund balances for
 240 each of the major funds of the City:

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	General Fund	Water Fund	Water Capital	WWTP Fund	WWTP Capital
Revenues	11,616,408	4,004,467	358,743	2,824,747	923,448
Expenditures	10,037,050	3,422,004	-	3,095,867	-
Net Surplus/Deficit	1,579,358	582,463	358,743	(271,120)	923,448
Other Sources	1,301,247	564	1,637,231	-	187,500
Capital Projects Expenses	(3,689,750)	-	(3,124,641)	-	(2,215,000)
Equipment Purchases	-	(50,865)	-	(65,865)	-
Debt Payments	(373,902)	(444,636)	(134,421)	(666,707)	-
Transfers In	197,458	20,000	248,898	-	131,348
Transfers Out	(411,065)	(248,898)	-	(131,348)	-
Advance to WWTP	-	-	-	-	-
Add non-cash Depreciation	-	500,000	-	660,000	-
Total Net Chg FY 18-19	(1,396,654)	358,628	(1,014,190)	(475,040)	(972,704)
Beg Fund Balance 07/01/18	6,942,144	727,097	1,014,190	1,017,229	972,704
End Fund Balance 06/30/19	5,545,490	1,085,725	-	542,189	-

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243

244 **Conclusion**

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246 The City's financial outlook for Fiscal Year 2018-19 is incredibly strong after years of
247 concerted efforts to reducing long-term debt obligations and identifying resources to fund
248 public infrastructure. The Proposed Budget meets and/or exceeds all of the City Council's
249 established goals and policies related to finance and addresses key Council initiatives
250 related to infrastructure, programs and community support.

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252 **Next Steps**

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254 The calendar of events for the remainder of the budget process is as follows:

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256 City Council Adoption of the Fiscal Year 2018-19 Budget: June 19, 2018: 6:00 PM

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258 **ATTACHMENTS**

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1. Development Impact Fees Anticipated Fiscal Year 2018-19

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2. Draft Fiscal Year 2018-19 Budget Proposal

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3. Major Capital Projects Budget

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4. Equipment and Information Technology Projects

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5. Debt Schedule

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6. City Council Goals and Objectives