

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Gloria Leon, Administrative Services Director
Dylan Feik, City Manager
DATE: June 19, 2018
SUBJECT: Adoption of the City of Calistoga Fiscal Year 2018-19 Budget

APPROVAL FOR FORWARDING:

[Handwritten signature of Dylan Feik]

Dylan Feik, City Manager

ISSUE: To present the Fiscal year 2018-19 budget.

RECOMMENDATION: Adopt the attached resolution for the City of Calistoga Fiscal Year 2018-19 Operating and Capital Budget.

BACKGROUND: The attached budget proposal reflects City Council direction to date and requires formal adoption of the Fiscal Year 2018-19 Budget.

Staff will provide a brief presentation of the impact and costs associated with providing free recreation programs to the community which are estimated to be an additional \$200k. Staff will provide an overview and recommendation for Council consideration which includes the following -

- Waives all recreation fee revenue for Fiscal Year 2018-19. This will result in reduced revenues of \$88,000
• Includes one new FTE (Recreation Coordinator) impact of \$80,785
• \$38,613 in additional funds to reclassify Recreation Manager position to a Recreation Director position

DISCUSSION: City finances have continuously improved following the Recession. The City's General Fund Balance has increased to over 78% of Expenditures and recently adopted water and wastewater fees will provide funding necessary to sustain the enterprise funds into the future. Beginning in fiscal year 2019-20, the City anticipates occupancy and commencement of operations for the Silver Rose property which will generate significant revenue to the general, water and wastewater funds. In addition, the City recently refinanced outstanding water and wastewater debt to reduce long-term debt obligations by \$1.1M.

40 Similarly, between May 2017 and May 2018, the City contributed \$2.8M towards unfunded  
41 pension liabilities which result in long-term savings of over \$8.4M to Calistoga residents.  
42 The City's continuous and focused efforts to improve its financial position remains strong  
43 and is only expected to improve. The City will emphasize meeting established Council Goals  
44 related to reserves including –

- 45
- 46 • Maintain General Fund reserves at a minimum of 50% of budgeted expenditures
- 47 • Increase the Water and Wastewater Fund reserves to a minimum of 20% within two
- 48 fiscal years and increase the CIP and Equipment Replacement Fund reserves to
- 49 meet anticipated needs over the next three years
- 50

51 As the City strategizes for appropriating fiscal resources into the future, the City Council has  
52 expressed that deferred maintenance and public infrastructure are key priorities. This  
53 budget includes continuous spending on capital infrastructure including roads, water  
54 infrastructure and wastewater system repair to replace aged utilities which have  
55 reached/surpassed useful life. More about the Capital Improvement Project list will be  
56 addressed later in this report.

57

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

64		
65	Water Capital Fund	\$ 358,743
66	Wastewater Capital Fund	\$ 923,448
67	Cultural/Recreation Fund	\$ 85,697
68	Transportation Fund	\$ 98,188
69	Fire Fund	\$ 69,540
70	Police Fund	\$ 47,903
71	Affordable Housing	\$ 50,183
72	City Administration Fund	\$ 35,089
73	Grand Total	\$1,668,791
74		

75 See the attached table in Attachment 1 to this staff report that shows detailed development  
76 impact fees from various projects that are anticipated in Fiscal Year 2018-19.

77

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

80

81 **General Fund**

82

83 The City Council adopted goals and objectives for Fiscal Year 2018-19 which calls at a  
84 minimum for a 50% reserve in its General Fund by Fiscal year 2018-19 (or \$5,094,471).  
85 Based on staff recommendations the City will end Fiscal Year 2018-19 with a fund balance

86 of \$5,551,492 which is 54.5% general fund expenditures. The budget includes a transfer of  
87 \$20,000 to the water operations fund to cover the low-income assistance program. In  
88 addition, new budget items/initiatives are shown below.  
89

- 90 • **Capital Projects & Debt Reserve Funds Created and Funded.** During the recent  
91 utility rate study, residents expressed the City should set aside “rainy day funds” for  
92 future capital needs. In April 2018, the City established three (3) Capital Project &  
93 Debt Reserve Funds for this purpose. City Council will appropriate funds annually as  
94 part of the budget process. Forthcoming projects to be funded include  
95 ○ Dumpster Relocation Project (behind Fire Station)  
96 ○ Sharpsteen Plaza – Design & Engineering  
97 ○ Silverado Trail Gateway – Engineering and Construction  
98 ○ Emergency Siren Installation – Construction
- 99 • **Additional Employee.** The Police Department is recommending a full-time code  
100 enforcement officer. The additional cost is approximately \$106,815.
- 101 • **Additional Employee.** The Recreation Department is recommending a full-time  
102 recreation coordinator. The additional cost is approximately \$80,785.
- 103 • **Reclassification Employee.** Reclassify Recreation Manager to Recreation Director.  
104 The additional cost is approximately \$38,613.
- 105 • **Financial Reviews.** The City will perform a Transient Occupancy Tax (TOT) Audit  
106 of hotel operators to ensure compliance with the municipal code, as well as a Building  
107 Permit Fee Review.
- 108 • **Recreation Programs.** The final budget proposal includes 100% recreation program  
109 fee waiver for all residents estimated to reduce revenues by \$88,000. In addition, the  
110 budget includes \$119,398 in increased expenses to add one additional FTE  
111 (Recreation Coordinator) and reclassify the Recreation Manager position to a Director  
112 position.
- 113 • **Senior Civil Engineer Position.** This position has remained vacant and is currently  
114 being filled. The new staff position will assist with the timely execution of capital  
115 projects.
- 116 • **Pavement Maintenance.** The City will continue spending significantly to improve  
117 roads and sidewalks. The budget amount is \$1.8M.
- 118 • **Community Support.** The City continues to increase funding for programs which  
119 benefit youth, immigrants, seniors and members of the community. The amount for  
120 this year is \$125,000, a 14% increase over the prior year.
- 121 • **Community Survey.** The City will perform a community survey to gauge resident  
122 satisfaction and dissatisfaction with overall City services in the community.  
123

## 124 Water Operations

125  
126 The Water Operations Enterprise Revenue Fund is anticipating an ending balance of  
127 approximately \$727,097 as of June 30, 2018. Staff is recommending a transfer of \$248,898  
128 to the Water Capital Fund to offset capital improvement projects. Based on activity during  
129 the fiscal year, it is anticipated that the water fund balance will end with a surplus balance of  
130 \$1,050,864 by June 30, 2019, when compared to \$727,097 prior year.  
131

132 **Water Capital**

133  
134 The Water Capital Fund is expected to end Fiscal Year 2017-18 with a surplus balance of  
135 \$980,440. The City anticipates water connection fees in the amount of \$358,743 for Fiscal  
136 Year 2018-19. Measure A will provide funds of \$100,000 and a HazMit Grant will provide  
137 \$1,537,231. Staff is recommending a transfer of \$248,898 from the Water Operations Fund  
138 to offset capital improvement projects. The Fiscal Year 2018-19 budget shows an ending  
139 balance of \$0.00.

140  
141 Projects in the amount of \$3,124,641 recommended by the Public Works Department for the  
142 Fiscal Year 2018-19 include the Water Valve Replacements, Repair of Feige Tank,  
143 Automatic Meter Read Program, Water Main Replacement, Cross Connection Survey, Conn  
144 Creek Bridge Meter, NBA Meter (Silverado Trail), THM Removal, Generator and Transfer  
145 Switch, Pope Street Generator Electric Upgrade and the Bypass Structure. The Bypass  
146 Structure project will be funded through Measure A funds. The repair of Feige Tank and the  
147 Generator projects will be funded through a HazMit Grant.

148  
149 At its goal setting meeting in March 2018 the City Council's objective is to increase the Water  
150 Fund reserves at a minimum of 20% and increase the CIP and Equipment replacement Fund  
151 reserves to meet anticipated needs over the next three fiscal years. At the minimum 20% in  
152 reserves would mean a fund balance of \$577,497 the combination of ending fund balances  
153 for the Water Operations Fund and the Water Capital Fund at Fiscal Year 2018-19 is a  
154 balance of \$1,050,864, therefore meeting the 20% objective. The 20% objective has been  
155 met since Fiscal Year 2013-14.

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157 **Wastewater Operations**

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159 The Wastewater Operations Fund is expected to end Fiscal Year 2017-18 with a surplus  
160 balance of approximately \$1,017,229. Staff is recommending a transfer \$131,348 to the  
161 Wastewater Capital Fund to offset capital improvement projects. Based on activity during  
162 the fiscal year, it is anticipated that the wastewater fund balance will end with a surplus  
163 balance of \$541,263 by June 30, 2019, when compared to \$1,017,229 in the prior year.

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165 **Wastewater Capital**

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167 The Wastewater Capital Fund is expected to end Fiscal Year 2017-18 with a surplus balance  
168 of \$1,152,704. The City anticipates wastewater connection fees in the amount of \$923,448  
169 for Fiscal Year 2018-19. The Wastewater Operations Fund will transfer \$131,348 to the  
170 Wastewater Capital Fund to cover capital projects. The Wastewater Capital Fund is  
171 expected to end Fiscal Year 2018-19 with a balance of \$0.00.

172  
173 Projects in the amount of \$2,395,000 have been recommended by the Public Works  
174 Department. They include Sewer Lateral Replacement, Inflow and Infiltration  
175 Improvements, Sewer Main Replacements, Palisades Lift Station Repairs, Geothermal  
176 Water Meters, Recycled Water Pump and Installation, Grit Removal Aeration Basin, Grit  
177 Removal at Headworks, Generator Upgrade, Riverside Ponds River Restoration and

178 Wastewater Upgrades for CDO Compliance. A HazMit grant will provide \$187,500 for the  
179 Riverside Ponds River Restoration project.  
180

181 At its goal setting meeting in March 2018 the City Council's objective is to increase the  
182 Wastewater Fund reserves at a minimum of 20% and increase the CIP and Equipment  
183 Replacement Fund reserves to meet anticipated needs over the next three fiscal years. At  
184 the minimum 20% in reserves would mean a fund balance of \$487,359; the combination of  
185 ending fund balances for the Wastewater Operations Fund and the Wastewater Capital Fund  
186 at Fiscal Year 2018-19 is a balance of \$541,263, therefore meeting the 20% objective in  
187 reserves. The 20% objective has been met since Fiscal Year 2012-13.  
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### 189 **Special Revenue Funds**

191 These are separate funds which segregate revenues and expenditures restricted for specific  
192 purposes such as a specific grant program, restrictions by City Council ordinances, special  
193 property assessments or just the need for separate budgeting and accounting of revenues  
194 for a specific purpose. The City will end the Fiscal Year 2018-19 with a combined fund  
195 balance of \$8,530,105 an increase of \$186,105 from Fiscal Year 2017-18. Most of the  
196 revenue sources for these funds will remain in the funds until projects are earmarked.  
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### 198 **Equipment Replacement Fund**

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

205 City staff is recommending the renewal of subscriptions for Citzenserve, Auto Cad, Anti-  
206 Virus software, and icompass. Staff is also recommending replacement of several  
207 computers, replacement of police radio equipment, additional replacement signs, new  
208 vacuum trailer, skidsteer planer, replacement of a forklift and pumps. In anticipation for future  
209 financial system upgrades, the City is also setting aside \$190,000 in extra cash for future  
210 needs including new finance system software and upgrades to the police dispatch center.  
211 The General Fund will transfer \$221,065 to this fund for equipment and maintenance of the  
212 Rims system for the Police department. This fund will have a fund balance of \$798,036 at  
213 the end of Fiscal Year 2018-19 for unanticipated expenditures and reserves.  
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215 At its goal setting meeting in March 2018 the City Council's objective is to increase the  
216 Equipment Replacement Fund reserves to meet anticipated needs over the next three fiscal  
217 years. At the minimum 20% in reserves would mean a fund balance of \$89,433; the ending  
218 fund balance for the Equipment Replacement Fund is \$798,036; therefore meeting the 20%  
219 reserve.  
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**Capital Projects**

The Proposed Budget includes \$9,837,552 in capital projects and \$480,775 in equipment and information technology projects. Three of the largest projects the public works is recommending is \$1,800,000 be used for pavement maintenance; \$1,507,231 Feige Tank Design to be matched with City connection fee revenue in the amount of \$502,410; and \$1,129,750 for Grant Street Stormwater Improvements Project Phase II.

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

Attachment 2 to this staff report shows a detailed revenue and expenditure analysis for each of the major funds.

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

	General Fund	Water Fund	Water Capital	WWTP Fund	WWTP Capital
Revenues	11,536,408	4,004,467	358,743	2,824,747	923,448
Expenditures	10,188,941	3,423,115	-	3,096,793	-
<b>Net Surplus/Deficit</b>	<b>1,347,467</b>	<b>581,352</b>	<b>358,743</b>	<b>(272,046)</b>	<b>923,448</b>
Other Sources	1,301,247	564	1,637,231	-	187,500
Capital Projects Expenses	(3,489,750)	-	(3,124,641)	-	(2,395,000)
Equipment Purchases	-	(50,865)	-	(65,865)	-
Debt Payments	(373,902)	(444,636)	(134,421)	(666,707)	-
Transfers In	168,684	20,000	282,648	-	131,348
Transfers Out	(411,065)	(282,648)	-	(131,348)	-
Advance to WWTP	-	-	-	-	-
Add non-cash Depreciation	-	500,000	-	660,000	-
<b>Total Net Chg FY 18-19</b>	<b>(1,457,319)</b>	<b>323,767</b>	<b>(980,440)</b>	<b>(475,966)</b>	<b>(1,152,704)</b>
Beg Fund Balance 07/01/18	7,208,811	727,097	980,440	1,017,229	1,152,704
Capital Reserve Fund	200,000	-	-	-	-
<b>End Fund Balance 06/30/19</b>	<b>5,551,492</b>	<b>1,050,864</b>	<b>-</b>	<b>541,263</b>	<b>-</b>

244 **Conclusion**

245

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 Fiscal Year 2018-19 Budget meets and/or exceeds all of the City  
249 Council's established goals and policies related to finance and addresses key Council  
250 initiatives related to infrastructure, programs and community support.

251

252 **ATTACHMENTS**

253

- 254 1. Resolution to adopt the Fiscal Year 2018-19 Budget  
255 2. Proposed Fiscal Year 2018-19 Budget  
256 3. Development Impact Fees Anticipated Fiscal Year 2018-19  
257 4. Major Capital Projects Budget  
258 5. Equipment and Information Technology Projects  
259 6. Debt Schedule  
260 7. Code Enforcement Job Description  
261 8. Salary Schedule Code Enforcement Officer  
262 9. Salary Schedule Recreation Coordinator  
263 10. Salary Schedule Recreation Director

**RESOLUTION 2018-XXX**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, ADOPTING THE OPERATING AND CAPITAL BUDGETS FOR ALL FUNDS FOR FISCAL YEAR 2018-19**

1       **WHEREAS**, the Calistoga Municipal Code requires the City Manager to prepare and  
2 submit an Annual Budget to the City Council for its approval; and  
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4       **WHEREAS**, it is good management practice to have comprehensive Operating and  
5 Capital Improvement Budgets to implement the various policies, programs and projects of the  
6 City Council, and the City Council has established a policy to review, adopt, and provide  
7 multiple updates to Fiscal Year (FY) Budgets; and  
8

9       **WHEREAS**, the City Council reviewed preliminary FY 2018-19 revenue, expenditure  
10 and capital budgets at one City Council workshop on May 10, 2018 and provided direction;  
11 and  
12

13       **WHEREAS**, the City Council held a public hearing on the proposed budget on June 5,  
14 2018 and received public comment and provided direction on the Fiscal Year 2018-19  
15 Operating and Capital Budgets.  
16

17       **NOW, THEREFORE BE IT RESOLVED** that the City Council of the City of Calistoga  
18 does hereby adopt Operating and Capital Budgets for all funds **except** the Economic Vitality  
19 (Program No. 01- 4176) for Fiscal Year 2018-19 as set forth in Exhibit A attached hereto.  
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21       **NOW THEREFORE BE IT FURTHER RESOLVED** that,

- 22       1. Funds are appropriated from various accounts for total expenditures by Department  
23 as summarized in Exhibit A, attached hereto.
- 24       2. Transfers between funds are authorized and reserve amounts are established as  
25 shown in Exhibit A, attached hereto.
- 26       3. The City Manager is authorized to approve budget changes between accounts  
27 within each Department and that any budget changes in the total budget of the  
28 Department, Capital Project or Fund requires City Council approval.
- 29       4. One full-time code enforcement officer with the Police Department is established  
30 with a Range of 25, Annual Salary \$63,754 to \$77,494 under the Calistoga Police  
31 Officers Association.
- 32       5. One full-time recreation coordinator position within the Recreation Department is  
33 established with a Range of 12, Annual Salary \$46,442 to \$56,450 under the  
34 Calistoga Public Employees Association.
- 35       6. Reclassification of the Parks and Recreation Manager to a Parks and Recreation  
36 Director with a Range of 51-55, Annual Salary \$120,218 to \$161,104 under the  
37 Non-Represented Group.



39           **PASSED, APPROVED, AND ADOPTED** by the City Council of the City of Calistoga at  
40 a regular meeting held this **19th day of June**, by the following vote:

41

42           **AYES:**

43           **NOES:**

44           **ABSTAIN:**

45           **ABSENT:**

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**CHRIS CANNING, Mayor**

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**ATTEST:**

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**KATHY FLAMSON, City Clerk**

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