

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council

FROM: James C. McCann, City Manager and
Bill Mushallo, Administrative Services Director

DATE: June 29, 2009

SUBJECT: Consideration of a Resolution adopting the final Fiscal Year 2008/2009 and the revised 2009/2010 City General Fund Operations and Maintenance Budgets

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ISSUE: Consideration of a Resolution adopting the final Fiscal Year 2008/2009 and the revised 2009/2010 City General Fund Operations and Maintenance Budgets.

RECOMMENDATION: To discuss and adopt a Resolution regarding the updated budget projections.

BACKGROUND: City staff originally presented draft Fiscal Year 2008/09 and 2009/10 Budgets to the City Council in June, 2008. At that time, the proposed budgets were discussed and feedback was received. Staff was directed to integrate the recommendations into the budget proposals.

In September of 2008 the revised FY 2008/09 and FY 2009/10 Budgets were formally adopted by the City Council. The budgets were adjusted to reflect City Council input, adjustments in projected revenues, reductions related to the delay in the development of the Terrano Project, and operational costs associated with the City Pool.

In January of 2009 the General Fund FY 2008/09 Budget was updated to reflect reductions in revenues resulting from the effects of the national recession, along with operational cost reductions. Revenues were reduced \$338,000 and expenditures were reduced by \$160,000. Department heads were also instructed to submit additional expenditure reductions in order for the City to maintain a balanced budget. Ending fund balance at June 30, 2009 was projected (in the January update) to be \$1.8 million or 24% of Operating Expenditures. No adjustments to the FY 2009/10 projected budget were done at that time. It was noted that the adjustments to the current year budget would carry forward to FY 2009/10 and that the continuing recession, along with potential state actions, could also effect the FY 2009/10 Budget.

DISCUSSION: Since the January, 2009 budget update the local and regional economies have continued to struggle as the recessionary conditions have continued and worsened. Consumer confidence had deteriorated earlier this calendar year but rebounded in April due to optimism related to strong equity markets and falling interest rates. Manufacturing markets and the housing market have also been very weak but

34 are beginning to show signs of stabilizing. Unfortunately, economic weakness over the
35 past few months has negatively affected Transient Occupancy Tax, the City's major
36 revenue source. Transient Occupancy Tax (TOT) results for February, March and April
37 were 11%, 22% and 12% less than the same periods in the prior fiscal year. May's
38 results, while not yet available in total, appear to be down around 11% from amounts
39 received during the prior fiscal year. Current year to date TOT revenues are down
40 approximately 3% from 2007/08 year to date amounts.
41

42 Total General Fund operating revenues for Fiscal Year 2008/09 are estimated to end
43 the fiscal year at approximately \$7.0 million. This is approximately \$0.4 million lower
44 than what was anticipated at mid-year. (In January actual revenues were approximately
45 \$130,000 or 4% above the same six months in the prior fiscal year. We anticipated a
46 flat revenue picture for the remainder of FY 2008/09). This shortfall is primarily due to
47 several factors. First, lower TOT revenues are anticipated due to the continued slow
48 economy. Second, construction related revenues continue to fall below earlier
49 projections. Third, fines and vehicle license fees are coming in below estimates.
50 Finally, recreation and aquatic fees are lower than anticipated due to a later pool
51 opening than planned along with less than anticipated revenues received for general
52 recreation programs.
53

54 Fiscal Year 2009/10 revenues are projected to be approximately 3% higher than
55 forecasted 2008/09 amounts. Property tax valuations have grown dramatically over the
56 past several years and that trend is not expected to continue, however, it is anticipated
57 that assessed valuations will grow slightly during FY 2009/10. Sales taxes will be lower
58 due to multiple one-time FY 2008/09 items not recurring in FY 2009/10. Several one-
59 time sales tax payments were received during FY 2008/09 and the spike in fuel prices is
60 not anticipated to recur during FY 2009/10. Transient Occupancy Tax revenue is
61 projected to stabilize within the next couple of months and should increase slightly next
62 fiscal year. Based on development projects currently in the pipeline, licenses and
63 permits revenue is projected to grow significantly in FY 2009/10.
64

65 It should be noted that the current FY 2009/10 revenue projections do not contain any
66 provisions for potential state take-aways instituted as a part of California's budget
67 deliberations. It is estimated that Calistoga's exposure could be as much as \$300,000
68 in lost revenues as a result of those budget negotiations. It is anticipated that mid-year
69 budget adjustments would be necessary to address any significant state actions.
70

71 Staff has been working on updating expenditure estimates over the past several weeks.
72 The current fiscal year operating expenditures have been reduced by approximately
73 \$300,000 vs. what was projected in January in conjunction with the mid year update.
74 FY 2009/10 operating expenditures have been cut by nearly \$800,000 vs. what was
75 originally adopted last September. In order to achieve those savings, vacant positions
76 have not been filled, overtime and part time salaries have been reduced, contract

77 services have been greatly reduced or eliminated, travel and training budgets are being
 78 held to minimum levels, and General Fund CIP contributions are being deferred. Total
 79 FY 2009/10 operating expenditures will be held virtually flat vs. FY 2008/09. Below is a
 80 summary of the updated General Fund Operating Budgets for FY 2008/09 and FY
 81 2009/10:
 82
 83

Operating Budget Summary

	Final FY 08-09	Revised FY 09-10	% From Pr Yr
Operating Revenues			
Property Tax	1,572,000	1,601,500	2%
Sales Tax	841,000	764,000	-9%
Transient Occupancy Tax	3,309,463	3,359,558	2%
Other Taxes	290,500	318,000	9%
Licenses and Permits	83,000	184,000	122%
Fines, Forfeitures and Penalties	46,600	46,600	0%
Interest and Use of Property	52,000	55,000	6%
Revenues From Other Agencies	71,500	76,500	7%
Grants – Operations	5,000	5,000	0%
Charges for Services	702,300	747,900	6%
Other Revenues	20,000	50,000	150%
Total Operating Revenues	6,993,363	7,208,058	3%
Operating Expenditures			
Support Services	1,477,354	1,404,268	-5%
City Council & City Clerk	210,680	155,310	-26%
Fire Services	784,803	768,392	-2%
Planning & Building	721,369	681,625	-6%
Police Services	2,198,628	2,226,001	1%
Public Works	1,053,890	1,147,550	9%
Community Resources	709,924	784,355	10%
Total Operating Expenditures	7,156,648	7,167,501	0%
Net Operating Surplus/ (Deficit)	(163,285)	40,557	-123%

86 The FY 2009/10 budget reductions included above will put a strain on staff and the
87 systems in place to provide services to the public. There will be less contract budget
88 resources available to provide maintenance services in the Public Works Department.
89 The Fire Department, having recently taken over responsibility for the Emergency
90 Services Division, has no personnel funding allocated to the program and will have to
91 reallocate fire resources accordingly. The Planning and Building Department will not
92 have contract services funds available for special projects that arise during the year,
93 other than services provided in conjunction with developer deposit agreements. The
94 Community Resources Department will be challenged to run their programs with
95 reduced overtime and part time wages funding. Support Services Departments have
96 pared back all travel and contract expenditures to minimal levels. The Police
97 Department will be challenged to continue providing excellent services next fiscal year
98 with reduced overtime and part time wages budgets.

99
100 Capital and Special Project Budgets will continue to be funded next fiscal year but
101 General Fund contributions will be minimal. General Fund funding is being allocated to
102 several projects including critical Facilities Improvements, Soils Remediation, the
103 Bicycle Transportation Plan, ADA (Americans with Disabilities Act) Improvements, the
104 Urban Design Plan, and Community Enhancement and Beautification.

105
106 Several other significant projects will also move forward next fiscal year. They include:

- 107 • Fire House Seismic Renovation and Rehabilitation;
- 108 • Housing Element Update;
- 109 • Urban Design Plan completion and implementation;
- 110 • Environmental Sustainability Initiatives;
- 111 • Support of the Calistoga Chamber of Commerce;
- 112 • Recreation Facility construction and improvements;
- 113 • User and Impact Fee updates.

114
115 It is estimated that the City will maintain ample reserves at the end of fiscal years
116 2008/09 and 2009/10. At the end of the current year total reserves should approximate
117 \$1.6 million or 23% of expenditures. At June 30, 2010 it is projected that reserves will
118 be about \$1.5 million or 21% of expenditures. Reserves are maintained for
119 emergencies, liability claims, and general contingencies.

120
121 Unfortunately we have identified several risks as we move forward into the 2009/10
122 fiscal year. They include:

- 123 • Potential state take-aways;
- 124 • Continued economic uncertainty;
- 125 • Rising local and regional unemployment.

126
127 We have also identified multiple opportunities going forward. Some of these
128 opportunities include:

- 129 • New businesses interested in coming to town;
- 130 • Cost recovery policies;
- 131 • Future development opportunities;
- 132 • Insurance cost revamping.

133
134 Next steps in our budgeting process include:

- 135 • Close out Fiscal Year 2008/09;
- 136 • Provide a fall revenue update in Sept/Oct;
- 137 • Prepare a Mid-year Budget Update of FY 2009/10 (all funds) and
- 138 projection for FY 2010/11 in Jan/Feb;
- 139 • Bring forward a Spring Revenue Update in April/May;
- 140 • Prepare a long term forecasting model that will integrate into the
- 141 budgeting process.

142
143 The above mentioned budgets have been prepared using realistic, fair revenue
144 assumptions. Expenditures have been projected conservatively and reasonably reflect
145 what should occur over the next fiscal year. Departments have done a good job making
146 multiple budget reductions while maintaining current levels of services. The bottom line
147 is that core services will be maintained while providing adequate reserves for
148 contingencies.

149
150 **ATTACHMENTS:**

- 151 1. Spring Budget Update Sources and Uses Report
- 152 2. Draft Budget Resolution

**General Fund
Sources and Uses
FY 08-09 and 09-10 Budgets**

	Final FY 08-09	Revised FY 09-10	% From Pr Yr
Operating Revenues			
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Revenues From Other Agencies	71,500	76,500	7%
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Public Works	1,053,890	1,147,550	9%
Community Resources	709,924	784,355	10%
Total Operating Expenditures	7,156,648	7,167,501	0%
Net Operating Surplus/ (Deficit)	(163,285)	40,557	-125%

**General Fund
Sources and Uses
FY 08-09 and 09-10 Budgets**

	Final FY 08-09	Revised FY 09-10	% From Pr Yr
Other Sources			
Debt Proceeds	1,498,814	2,622,613	75%
Grants - Improvements	799,058	702,500	-12%
Other Uses			
Special Projects			
Capital Improvement Projects	373,000	111,000	-70%
Streets	60,187	-	
Parks	-	-	
Buildings	3,362,668	3,715,713	
Other	18,574	88,600	
Total Capital Projects	3,441,429	3,804,313	11%
Transfers From or (To) Other Funds			
Public Safety Fund	-	176,800	
Gas Tax Fund	84,171	95,000	
Equipment Fund			
Police Grants Fund	18,312	65,000	
Recreation Donations	12,000	12,000	
Landscape Maintenance Funds	4,750		
Mobile Home Park Programs Fund	10,468	10,500	
Quality of Life Fund	-	190,000	
Community Pool Fund	1,588,450		
CDBG Fund	70,000	-	
Abandoned Vehicle Fund	4,350	4,600	
Water Operations fund			
Wastewater Operations fund			
Water Operations fund (Residential Credits)			
Debt Service Fund	(169,050)	(173,050)	
Net All Transfers	1,623,451	380,850	-77%
Net Fund Surplus or (Deficit)			
	(56,391)	(168,793)	199%
Beginning Fund Balance			
	1,710,635	1,654,244	-3%
Ending Fund Balance			
	1,654,244	1,485,451	-10%

**General Fund
Sources and Uses
FY 08-09 and 09-10 Budgets**

Final FY 08-09	Revised FY 09-10	% From Pr Yr
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Fund Balance Allocation to Reserves			
Emergencies	715,665	716,750	0%
General Contingency	833,579	663,701	-20%
General Liability Claims	105,000	105,000	0%
Total Reserves	1,654,244	1,485,451	-10%
Undesignated Fund Balance	-	-	
Total Ending Fund Balance	1,654,244	1,485,451	-10%
All Reserves As A Percent of Operating Expenditures	23%	21%	
Total Fund Balance As A Percent of Operating Expenditures	23%	21%	

RESOLUTION 2009-_____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA,
COUNTY OF NAPA, STATE OF CALIFORNIA, AMENDING THE GENERAL
FUND OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR FISCAL
YEAR 2008/2009 AND UPDATING THE OPERATING AND CAPITAL
IMPROVEMENT BUDGET FOR FISCAL YEAR 2009/20010**

1 **WHEREAS**, the Calistoga Municipal Code requires the City Manager to prepare
2 and submit an Annual Budget to the City Council for its approval; and
3

4 **WHEREAS**, it is good management practice to have comprehensive Operating
5 and Capital Improvement Budgets to implement the various policies, programs and
6 projects of the City Council, and the City Council has established a policy to review and
7 adopt rolling multiple Fiscal Year (FY) Budgets; and
8

9 **WHEREAS**, the City Council updated the operating and capital budgets for fiscal
10 year 2008/09 and adopted the Operating and Capital Budgets for 2009/10 on
11 September 2, 2008; and
12

13 **WHEREAS**, the City Council on January 22, 2009 reviewed and adopted
14 revisions to the FY 2008/09 Budget; and
15

16 **WHEREAS**, the City Council reviewed preliminary updated FY 2008/2010
17 revenue projections at the City Council Meeting on May 19, 2009 and provided
18 direction; and
19

20 **WHEREAS**, the State Budget has a significant structural deficit and adoption has
21 been delayed by the Legislature and the Governor being unable to agree on a budget
22 plan; and legislative solutions could, as in the past, have an impact on the City's budget;
23 and
24

25 **NOW, THEREFORE BE IT RESOLVED** that the City Council of the City of
26 Calistoga does hereby amend the Operating and Capital Improvement General Fund
27 Budget for Fiscal Years 2008/2009 and 2009/2010.
28

29 **NOW THEREFORE BE IT FURTHER RESOLVED** that,

- 30 1. Funds are appropriated from various funds for total expenditures by
31 Department and Capital Projects for Fiscal Years 2008/2009 and 2009/2010
32 as summarized in Exhibit A, attached hereto;
- 33 2. Transfers between funds are authorized and reserve amounts are established
34 as shown in Exhibit A, attached hereto;

- 35 3. The City Manager is authorized to approve budget changes between
36 accounts within each Department and that any budget changes in the total
37 budget of the Department, Capital Project or Fund requires City Council
38 approval;
- 39 4. The Fiscal Year 2008/2009 Budget is amended as a Final Budget as
40 summarized in Exhibit A, attached hereto, and that any unreserved and
41 undesignated funds remaining on June 30, 2009 are hereby designated as
42 reserved for appropriation in future Fiscal Years.
43

44 **PASSED, APPROVED, AND ADOPTED** by the City Council of the City of
45 Calistoga at a regular meeting held this **29th day of June 2009** by the following vote:
46
47

48
49 **AYES:**

50 **NOES:**

51 **ABSTAIN/ABSENT:**
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55
56

57 _____
JACK GINGLES, Mayor

58 **ATTEST:**
59

60 _____
61 **SUSAN SNEDDON, City Clerk**