


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council

FROM: Bill Norton, Interim City Manager and 
Bill Mushallo, Administrative Services Director

DATE: August 17, 2010

SUBJECT: Presentation of the Fiscal Year 2010/2011 Budgets for Enterprise Funds, Capital Improvement Program Projects, and the Equipment Replacement Fund

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2 **ISSUE:** To hear a presentation of and provide direction regarding the draft 2010/11 Budgets for
3 Enterprise Funds, Capital Improvement Program projects, and the Equipment Replacement
4 Fund.

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6 **RECOMMENDATION:** To discuss, provide direction and adopt a resolution regarding the
7 2010/11 above mentioned Budgets.

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9 **BACKGROUND:** Revenues and expenditures have been analyzed for the City's Enterprise
10 Funds, Capital Improvement Program projects, and the Equipment Replacement Fund.
11 2009/10 has been finalized except for revenue and expenditure adjustments and accruals and
12 projected ending fund balances have been calculated. These fund balances become the
13 starting point for budgeting activity for Fiscal Year 2010/11. 2010/11 revenues and
14 expenditures have been estimated for those funds and the following principles have been used
15 in developing the assumptions:

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- Use conservative revenue projections
 - Include estimates for revenues generated from the proposed water and wastewater rate increases
 - Maintain adequate reserves whenever possible
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22 **ANALYSIS:** The Water Operations Enterprise Revenue Fund had a beginning balance of
23 approximately \$0.1 million as of July 1, 2009. Based on activity during the fiscal year, it is
24 anticipated that the fund balance will increase slightly to about \$0.2 million by June 30, 2010.
25 The main reason for this increase is that the Public Works Department has done a good job
26 reducing expenditures during the year. There were position vacancies that helped to reduce
27 salaries and benefits costs. Other operating expenditures were also reduced as purchases
28 were made only for critical items. The Water Operations Enterprise Fund balance is projected
29 to end the fiscal year 2010/11 with a balance of approximately \$0.1 million. Since many
30 expenditures were procrastinated during the past year, the proposed 2010/11 budget will begin
31 to catch up on some of the items deferred. Revenues from the proposed rate increases will not

32 be as much as previously expected because the rate process was delayed and implementation
33 of the new rates, if approved, will not take effect until November.

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35 The Water Capital Fund is expected to end fiscal year 2009/10 with a slight deficit. This is
36 primarily because connection fees came in less than originally expected. The fund is projected
37 to have a balance of approximately \$2.2 million at the end of 2010/11. This is due to the
38 planned receipt of loan proceeds during the year for construction of the Mt. Washington Water
39 Tank. While \$3.75 million will be received, only \$1.2 million of expenditures on the tank are
40 planned during fiscal year 2010/11. The remainder will be spent the following year.

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42 The Wastewater Operations Fund is expected to end fiscal year 2009/10 with a deficit balance
43 of approximately (\$0.6) million. As discussed many times during the water and wastewater rate
44 study, expenditures to run the treatment plant have continued to out pace revenues. This is one
45 of the reasons updated rates are desperately needed. The 2010/11 budget shows an ending
46 deficit fund balance of approximately (\$1.0) million. While the proposed rates will begin to
47 reduce the annual deficit the impact during 2010/11 will not be as significant as projected due,
48 once again, to the delay in implementation of the updated rates. Since expenditures during
49 2009/10 were kept only to the purchase of critical items. 2010/11 amounts have been budgeted
50 based on our best estimate of what will be needed to operate the utility. If these costs don't
51 materialize the ending fund balance deficit could be less than anticipated.

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53 The Wastewater Capital Improvements Fund is expected to end fiscal year 2009/10 with a slight
54 deficit balance. This is also due to the fact that connection fees came in less than anticipated.
55 The ending fund balance in 2010/11 should be similar to what is projected during 2009/10.

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57 The capital projects funded in the upcoming year include completion of the Fire House seismic
58 Renovation and Rehabilitation, punch list items on the Community Pool, and funding for bus
59 shelters, bicycle transportation plan implementation items, and soils remediation. Total capital
60 funding for fiscal year 2010/11 is approximately \$1.6 million.

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62 The Equipment Replacement Fund charges to other funds will remain the same year over year.
63 Approximately \$245,000 will be charged to pay for equipment maintenance and replacement
64 costs, computer system costs, and lease payments. A new lease for the recently purchased
65 CAD/RMS system is included in the 2010/11 budget. It is possible that a new lease will be
66 considered to fund critically needed equipment including a street sweeper, a recreation van, a
67 police vehicle and SCBA bottles for the Fire Department. As this lease proposal is finalized it
68 will be brought back to Council for consideration and, if approved, a budget adjustment will be
69 made.

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71 **Attachments**

- 72 1. Summary of Enterprise Fund Budgets
- 73 2. General Fun Capital Projects Summary Schedule
- 74 3. Equipment Replacement Fund Charges and Expenditures
- 75 4. Draft Resolution