

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

CITY OF CALISTOGA MUNICIPAL SERVICE REVIEW

**Final Report
May 2008**

Prepared by:

Baracco and Associates
40 Eureka Street
Sutter Creek, California 95685

LAFCO of Napa County
1700 Second Street, Suite 268
Napa, California 94559

Committed to serving the citizens and government agencies of its jurisdiction by encouraging the preservation of agricultural lands and open-space and coordinating the efficient delivery of municipal services.

Brad Wagenknecht, Chair, County Member
Brian J. Kelly, Vice-Chair, Public Member
Bill Dodd, Commissioner, County Member
Jack Gingles, Commissioner, City Member
Juliana Inman, Commissioner, City Member
Cindy Coffey, Alternate Commissioner, City Member
Mark Luce, Alternate Commissioner, County Member
Gregory Rodeno, Alternate Commissioner, Public Member

Keene Simonds, Executive Officer
Jackie Gong, Commission Counsel
Kathy Mabry, Commission Secretary



This page has been left intentionally blank.

TABLE OF CONTENTS

Section	Page
I. Introduction.....	4
A. Local Agency Formation Commissions.....	4
B. Municipal Service Reviews.....	4
C. Municipal Service Review of the City of Calistoga.....	4
II. Overview.....	5
A. Setting.....	5
B. Growth and Development.....	5
C. General Plan Policies.....	6
III. Adopted Boundaries.....	7
A. Incorporated Boundary.....	7
B. Sphere of Influence.....	7
IV. Growth and Population Projections.....	7
V. Governance.....	8
A. Advisory Boards, Commissions, and Committees.....	8
VI. Administration.....	9
VII. Municipal Services.....	11
A. Municipal Services Provided Directly.....	11
B. Municipal Services Provided by Contract or JPA.....	15
VIII. Financial.....	15
A. Budget Process.....	15
B. Budget Organization.....	16
C. 2007-2008 Budget.....	16
IX. Written Determinations.....	18
A. Infrastructure Needs and Deficiencies.....	18
B. Growth and Population Projections.....	19
C. Financing Constraints and Opportunities.....	19
D. Cost Avoidance Opportunities.....	20
E. Opportunities for Rate Restructuring.....	20
F. Opportunities for Shared Resources.....	21
G. Government Structure Options.....	21
H. Evaluation of Management Efficiencies.....	21
I. Local Accountability and Governance.....	22
X. References and Resources.....	23
XI. Attachments.....	
Map: Calistoga General Plan Planning Area.....	A
Map: Calistoga Jurisdiction and Sphere of Influence.....	B
Map: Abandoned Proposals	C

This page has been left intentionally blank.

I. INTRODUCTION

A. Local Agency Formation Commissions

Local Agency Formation Commissions (LAFCOs) were established in 1963 and are responsible for administering California Government Code §56000 et seq., which is now known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. LAFCOs are delegated regulatory and planning responsibilities to coordinate the orderly formation and development of local governmental agencies and services, preserve agricultural and open-space resources, and discourage urban sprawl. Duties include regulating governmental boundary changes through annexations or detachments, approving or disapproving city incorporations, and forming, consolidating, or dissolving special districts. LAFCOs are also responsible for conducting studies to inform and direct regional planning activities and objectives. LAFCOs are located in all 58 counties in California.

B. Municipal Service Reviews

Beginning January 1, 2001, LAFCOs are required to review and update each local agency's sphere of influence ("sphere") by January 1, 2008 and every five years thereafter as needed.¹ As a prerequisite to sphere reviews, LAFCOs must prepare municipal service reviews to determine the adequacy and range of governmental services that are being provided within their respective jurisdictions. The intent of the municipal service review is to evaluate the adequacy, efficiency, and effectiveness of services in relationship to local needs and circumstances. The municipal service review process culminates with LAFCO making determinations on a range of service and organizational issues and may lead the agency to take other actions under its authority.

C. Municipal Service Review of the City of Calistoga

In accordance with California Government Code §56430, this report represents LAFCO of Napa County's municipal service review of the City of Calistoga. The report has been prepared by Baracco and Associates under the direction of the Executive Officer. The purpose of this report is two-fold: 1) evaluate the current level and range of services provided by Calistoga and 2) inform a subsequent sphere review of the City. Accordingly, the geographic area of the municipal service review includes all lands located within the planning area identified in the Calistoga General Plan, which is depicted in Attachment A.²

¹ California Government Code §56076 defines a sphere as "a plan for the probable physical boundary and service area of a local agency, as defined by the commission."

² Calistoga is the primary municipal service provider within its planning area. Five other countywide local agencies also provide services in the planning area: County Service Area No. 4; Napa County Flood Control and Water Conservation District; Napa County Mosquito Abatement District; Napa County Regional Park and Open Space District; and the Napa County Resource Conservation District. The majority of the services provided by these agencies have been comprehensively reviewed by LAFCO as part of earlier municipal service reviews. Services provided by the Napa County Regional Park and Open Space District, which was formed in 2006, will be reviewed in the near future.

II. OVERVIEW

Calistoga was initially settled in 1845 and incorporated as a general-law city in 1886. It provides a full range of municipal services either directly or by contract with other governmental agencies or private companies. Calistoga is currently staffed by 63 full-time equivalent employees and has an estimated resident population of 5,302.³

A. Setting

Calistoga is located at the north end of the Napa Valley approximately 27 miles northwest of the City of Napa. Calistoga is bisected by the Napa River and bounded to the east and west by the Howell Mountain and Mayacamas Mountain ridges, respectively. In addition to the dramatic visual setting provided by the adjacent mountain ridges, local geology provides Calistoga with unique geothermal resources, which underlies its celebrated hot-springs. Calistoga is also surrounded by rich volcanic and alluvial soils providing for the production of premium wine grapes.

B. Growth and Development

Beginning with Dr. Edward Turner Bale, the first wave of settlers began arriving at the north end of the Napa Valley in the early 1840s. In the 1860s, Samuel Brannon opened the Calistoga Hot Springs Resort, which served as the community's initial tourist attraction. Brannon also began subdividing blocks of land leading to the creation of a business district along Lincoln Avenue. It was during this time that the first churches and fraternal societies were established, the first newspaper was founded, and the first school was started in the community. The community's gradual development eventually culminated in its incorporation as the City of Calistoga in 1886.

Calistoga has experienced modest growth and development since its incorporation. In 1930, the United States Census estimated Calistoga's population at 1,000. Calistoga's population continued to grow modestly over the next four decades reaching 1,882 by 1970. It was between 1970 and 1980 when Calistoga experienced its most significant period of growth as its population more than doubled to 3,879 following the construction of several mobile home parks. Calistoga's growth rate, however, slowed in the 1980s and 1990s due to capacity constraints associated with the water and sewer systems.

In 2005, after completing several infrastructure improvements to the water and sewer systems, Calistoga adopted an ordinance to control the annual rate of residential and non-residential growth in the City. The "Growth Management System" restricts population growth to no more than a 1.35% annual average increase and correlates non-residential growth to available water supplies at 8.0 acre feet per year. Calistoga administers this system by annually determining the available number of "allocations" for residential and non-residential projects. Allocations are subject to an application process and formally awarded by the City Council in November. In 2008, the City Council awarded allocations for 31 residential units that are expected to accommodate a population increase of 89.⁴

³ Population estimate provided by the California Department of Finance, January 1, 2007.

⁴ The City Council also awarded non-residential allocations to two redevelopment projects, which includes the renovation and expansion of the 80-unit Calistoga Village Inn and Spa.

C. General Plan Policies

Calistoga's General Plan was comprehensively updated in 2003 and codifies land use policies for the City through 2020. The "General Plan" includes a total of 12 elements. This includes the seven mandatory elements required under California Government Code §65302 – land use, circulation, housing, open space, conservation, noise, and safety – along with five additional elements – community identity, infrastructure, public services, geothermal, and economic development. Significantly, although it designates a planning area that is measurably larger than Calistoga's incorporated boundary, the General Plan includes a policy discouraging the annexation of adjacent unincorporated lands.

The General Plan establishes standards with respect to the timing, delivery, and adequacy of public services in Calistoga. These standards help to define the level of service in the community and provide the public with a tool to measure the success of Calistoga in meeting its service objectives. The General Plan emphasizes infill development by calling for less development along the perimeter of the City as compared to the 1990 General Plan. The General Plan includes a policy statement that "Calistoga's identity as a small town is based on its physical appearance, including eclectic small buildings set on walkable streets and the surrounding natural environment."⁵ Other key land use and infrastructure policies included in the General Plan are summarized below.

- Commercial development in Calistoga shall be focused in the downtown area;
- Calistoga shall encourage infill development over peripheral development;
- Tourism activities shall be regulated to minimize adverse impacts to other segments of the economy and the resident population;
- Calistoga shall collaborate with the County of Napa and LAFCO to protect existing land uses from development inappropriate for rural areas;
- New commercial and industrial development shall occur at a rate that maintains a healthy jobs to housing balance in conformance with Calistoga's Growth Management System;
- Extension of water service beyond the current service area shall be prohibited; and
- New development will be suspended if and when 95% of the water and or sewer system capacities have been reached.

⁵ Calistoga General Plan, Community Identity Element; page CI-18

III. ADOPTED BOUNDARIES

A. Incorporated Boundary

Calistoga's incorporated boundary comprises approximately 1,663 acres, or 2.60 square miles. The Commission has approved a total of nine jurisdictional changes involving Calistoga since 1963. All nine approved jurisdictional changes involve annexations. However, only two of the nine approved annexations were actually completed. The last completed annexation was approved by the Commission in 1972 and involved the annexation of nine parcels totaling 17 acres located along Myrtdale Road north of Greenwood Avenue.

Approved Jurisdictional Changes involving the City of Calistoga

<u>Proposal Name</u>	<u>Action</u>	<u>Approval Date</u>
Myrtdale Road/Greenwood Avenue	Annexation	March 8, 1967*
Kimball Dam	Annexation	March 8, 1967*
Fiege Canyon Reservoir	Annexation	March 8, 1967*
Kortum Canyon Road	Annexation	March 8, 1967*
Silverado Trail No. 1	Annexation	January 12, 1972
Myrtdale Road/Greenwood Avenue (Resubmital)	Annexation	September 11, 1972
Kimball Dam (Resubmital)	Annexation	September 11, 1972*
Fiege Canyon Reservoir (Resubmital)	Annexation	November 8, 1972*
Calistoga Airport Lands	Annexation	September 11, 1972*

* Proposals were abandoned prior to recordation for unknown reasons. Map depicting the affected areas included in the last three proposals is provided in Attachment C.

B. Sphere of Influence

Calistoga's sphere includes approximately 1,669 acres, or 2.61 square miles. The sphere was established by the Commission in 1973 and is generally contiguous with Calistoga's incorporated boundary with the exception of including one unincorporated parcel located along Washington Street immediately south of the City. This parcel is approximately 5.2 acres and is owned and used by Calistoga as part of its municipal sewer system.⁶ There have been no amendments to Calistoga's sphere since its establishment in 1973.

IV. GROWTH AND POPULATION PROJECTIONS

The Association of Bay Area Governments (ABAG) publishes population, household, job, labor force, and income projections for the nine-county San Francisco Bay Region. ABAG incorporates these projections in allocating housing need assignments to cities and counties in the Bay Area as determined by the California Department of Housing and Community Development. ABAG recently issued *Projections 2007*, which includes a range of growth-related estimates for Calistoga through 2035. ABAG projections for Calistoga relating to population, households, and jobs are listed below.

⁶ It was previously believed that the affected parcel was annexed to Calistoga as part of the "Calistoga Airport Lands" proposal approved by the Commission in 1972. However, in preparing this report, it was determined that the annexation proposal was abandoned for unknown reasons and never recorded with the State of California's Board of Equalization.

ABAG Growth and Population Projections: City of Calistoga

(Source: *Projections 2007*)

	2005	2010	2015	2020	2025	2030	2035
Population	5,200	5,280	5,300	5,400	5,300	5,400	5,400
Households	2,080	2,110	2,140	2,170	2,190	2,210	2,220
Total Jobs	2,770	2,810	2,070	3,250	3,440	3,540	3,650

On June 29, 2007, ABAG released its draft regional housing need allocation (RHNA) for the 2007-2014 planning period. Based on this draft, Calistoga will be responsible for accommodating a total of 94 new housing units as part of its next seven-year housing element, which must be updated by June 2009. If developed, this amount would represent a four percent increase to Calistoga's existing number of housing units.⁷

V. GOVERNANCE

Calistoga operates under the council-manager system of government. Calistoga is governed by a five-member City Council that includes a directly elected mayor. Elections are conducted by general vote; the mayor serves a two-year term while the four council members serve staggered four-year terms. Council duties include adopting a biennial budget and municipal ordinances along with approving General Plan amendments, zoning changes, parcel maps, and subdivision maps. The Council also approves growth management allocations, appoints committee members, and hires the city manager.

Calistoga City Council meetings are conducted on the first and third Tuesdays of each month beginning at 7:00 P.M. at the Calistoga Community Center, located at 1307 Washington Street. Meetings are open to the public and are also broadcast on local public access television. Agendas and minutes are posted at City Hall, 1232 Washington Street, and are available on the Calistoga website: www.ci.calistoga.ca.us.

A. Advisory Boards, Commissions, and Committees

The Calistoga City Council has established local advisory bodies to assist the City in its decision-making processes. Specific responsibilities for each advisory body are established by their respective ordinance or resolution. Calistoga's five active advisory bodies are summarized below.

Planning Commission

The Planning Commission consists of five members appointed by the Mayor with City Council concurrence. The Commission meets twice monthly and is responsible for approving design reviews, conditional use permits, and variances. The Commission also makes recommendations to the City Council on General Plan amendments, zoning changes, and tentative parcel and subdivision maps.

⁷ Calistoga currently has 2,340 housing units within its incorporated boundary. Final RHNA allocations are scheduled to be adopted in June 2008.

Community Resources Commission

The Community Resources Commission consists of seven members appointed by the Mayor with City Council concurrence. The Commission meets monthly and is responsible for overseeing a variety of community recreational and cultural programs, such as organizing youth and senior activities.

Bicycle Advisory Committee

The Bicycle Advisory Committee consists of three members appointed by the Mayor with City Council concurrence. The Committee meets quarterly and advises the Planning Commission and City Council on bicycle transit matters in the City.

Building-Fire Code Board of Appeals

The Building-Fire Code Board of Appeals consists of five members appointed by the Mayor with City Council concurrence. The Board meets as needed and considers appeals made to the City Council involving building code complaints or discrepancies.

Design Advisory Panel

The Design Advisory Panel consists of five members appointed by the Mayor with City Council concurrence. The Panel meets as needed and provides input on design issues to applicants prior to the review by the Planning Commission and City Council.

VI. ADMINISTRATION

The administration of Calistoga is the principal responsibility of the City Manager, who is appointed to oversee and implement policies on behalf of the City Council. The City Manager serves at-will and oversees Calistoga's seven municipal departments: 1) Administration; 2) Administrative Services; 3) Fire; 4) Planning and Building; 5) Police; 6) Public Works, and 7) Community Resources.⁸ An overview of each municipal department is provided below.

Administration

Administration includes the City Manager and City Clerk. Key duties for the City Manager include implementing policy direction from the City Council and directing staff resources. The City Manager also serves as the Personnel Director and the Director of Emergency Services. The City Clerk is responsible for preparing agendas and minutes, providing public notices, conducting general municipal and special elections, and maintaining official records. Administration also includes an Administrative Analyst/Deputy Clerk.

⁸ Calistoga contracts with the law firm of McDonough Holland & Allen for legal services.

Administrative Services

Administrative Services is responsible for the budget and financial project activities well as account management (payroll, accounts payable, accounts receivable). Administrative Services also provides treasury, tax collection, water and wastewater billing, risk management, computer network systems, and grant administration services. The Department is managed by the Administrative Services Director/Treasurer and includes an Administrative Services Coordinator, a Senior Account Clerk, and an Account Clerk.

Fire Department

The Fire Department is responsible for providing fire protection and emergency medical services in Calistoga as well as within certain surrounding unincorporated areas pursuant to separate agreements with the Counties of Napa and Sonoma. The total coverage area for the Department to provide services is 56 square miles. The Department is managed by the Fire Chief and includes three fulltime firefighters and approximately 18 part-time paid call firefighters.

Police Department

The Police Department is responsible for providing law enforcement services in Calistoga. The Department is managed by the Police Chief and includes two Sergeants, eight sworn officers, five dispatchers, and two field technicians. The Department is also responsible for providing emergency preparedness services and includes one employee devoted to these efforts.

Planning and Building Department

The Planning and Building Department is responsible for providing land use planning, building, and code enforcement services in Calistoga. Key duties include implementing the policies of the General Plan, issuing building permits, conducting inspections, and reviewing project applications. Outside consulting building permit plan check services are employed by the Department. The Department is managed by the Planning and Building Director and includes a Senior Planner, Associate Planner, Building Inspector, and an Administrative Secretary.

Public Works Department

The Public Works Department manages all public facilities and infrastructure in Calistoga. This includes maintaining streets, storm drains, parks, and the water and sewer systems. The Department is managed by the Public Works Director/City Engineer and includes a Senior Civil Engineer, Administrative Analyst, Administrative Secretary, Maintenance Superintendent, and Water and Sewer Plant Superintendents. The Department also includes nine maintenance technicians and five plant operators.

Community Resources Department

Beginning in January 2008, Calistoga consolidated its recreation programs and special events into the new Community Resources Department. The Department is responsible for developing and managing aquatics, recreational, community, and leisure service programs in Calistoga. The Department is managed by the Community Resources Director and supported by one Community Resource Superintendent, one Community Resource Technician, and several seasonal program aides. Additional staff will be hired this year when Calistoga opens its new community pool facility.

VII. MUNICIPAL SERVICES

Calistoga provides a full range of municipal services either directly or through contracts or joint power authorities with other governmental agencies or private companies. Municipal services provided directly by Calistoga include law enforcement, fire protection and emergency medical, water, sewer, streets, planning, and community recreation. Municipal services provided by Calistoga through contracts or joint-power authorities with other agencies or companies include garbage collection, specialized engineering services, building inspection and plan check services, and other specialized services as needed. An overview of all municipal services provided by Calistoga follows.

A. Municipal Services Provided Directly

Law Enforcement Services

The Calistoga Police Department (CPD) is responsible for providing law enforcement services within the City. CPD also responds to incidents in surrounding unincorporated areas based on separate mutual aid agreements with the California Highway Patrol and County of Napa. Patrol units are set up to include two officers for both the day shift and swing shift, and one officer for the graveyard shift. Five patrol vehicles are operational at any given time and each is equipped with multi-frequency radio and video. One 'radar trailer' is utilized on selected streets to emphasize posted speed limits. Patrol vehicles are replaced at a rate of one per year.

CPD is currently staffed by 11 sworn officers. This provides Calistoga with a relatively high ratio of sworn officers for every 1,000 residents of 2.07. The current average response time is less than two minutes from dispatch to arrival, which is well within Calistoga's operating standard of five minutes. CPD's current budget is \$2.123 million. This amount accounts for 31% of Calistoga's total operating budget for the fiscal year and represents a capita expense of \$400.

Fire Protection and Emergency Medical Services

The Calistoga Fire Department (CFD) is responsible for providing fire protection and emergency medical services in the City. CFD is also under contract with the Counties of Napa and Sonoma. These contracts commit CFD to providing fire protection and emergency medical services to an approximate 56 square mile unincorporated area that extends north to Lake County and west into Sonoma County.

CFD is currently staffed by three fulltime firefighters and 18 part-time paid call firefighters. CFD recently implemented a new staffing plan that provides for three response teams, each consisting of one full time firefighter combined with ten part-time paid call firefighters. The teams rotate and volunteers are compensated 'standby' pay while on their rotation shift.⁹ The average response times from dispatch to arrival are less than two minutes for the day shift, and less than three minutes for the night shift, which satisfies its adopted response time of five minutes.¹⁰ CFD's current budget is \$0.733 million. This amount accounts for 11% of Calistoga's total General Fund budget for the fiscal year and represents a capita expense of \$138.

* An expanded review of Calistoga's fire protection and emergency medical services was prepared as part of LAFCO's *Comprehensive Study of Fire Protection Services* (2006). The study is available at the LAFCO office or website: <http://napa.lafco.ca.gov>.

Water Services

Calistoga's Public Works Department is responsible for providing water services in the City and to several unincorporated properties located within planning area of the City General Plan. Calistoga's water supplies are drawn from two sources, Kimball Reservoir and the State Water Project (SWP). Kimball Reservoir, which is located north of the City, receives diversions from Kimball Creek and has an estimated holding capacity of 392 acre-feet. Water from Kimball Reservoir is treated at the adjacent Kimball Water Treatment Plant, which has a daily capacity of 3.7 acre-feet. Water from the SWP is secured through a contract with the Napa County Flood Control and Water Conservation District and currently allocates Calistoga an annual entitlement of 1,625 acre-feet. Calistoga contracts with the City of Napa to treat and deliver its SWP entitlement through an interconnection between the two agencies' transmission lines. Capacity constraints with Calistoga's transmission line, however, limit the daily amount of deliveries from Napa to no more than 2.7 acre-feet. Calistoga's total treated water storage capacity in the City is 3.1 acre-feet.

Calistoga currently provides water service to 2,035 connections. Of this amount, 75 connections are located outside Calistoga. Total water demand in 2007 was 767 acre-feet, which represents an average daily amount of 2.1 acre-feet.

⁹ CFD anticipates adding two new pieces of apparatus in 2008, a Water Tender Fire Engine (\$330,000) and a Multi-Function Fire Engine (\$450,000).

¹⁰ In 2007, CFD responded to approximately 800 calls, 80% of which related to emergency medical services. Approximately 250 of the 800 calls were for incidents occurring outside Calistoga.

In 2007-2008, Calistoga's budgeted operating cost for its water enterprise is \$2.02 million. This amount represents an approximate per connection expense of \$993.

City of Calistoga: Water System Capacities and Demands (Approximations)

	Acre-Feet	Gallons
Annual Available Water Supply	1,378 ⁽¹⁾	449.0 million
Available Daily Water Treatment Capacity	3.7 ⁽²⁾	1.2 million
Available Treated Water Storage Capacity	3.1 ⁽²⁾	1.0 million
2007 Total Water Demand	767	249.9 million
2007 Average Daily Water Demand	2.1	0.7 million

⁽¹⁾ Estimate based on the projected holding capacity of Kimball Reservoir (392 acre-feet) and current annual capacity of Calistoga's transmission line (986 acre-feet) connecting to the City of Napa for SWP deliveries.

⁽²⁾ Estimates reflect only the available treatment and storage capacities in Calistoga.

* An expanded review of Calistoga's water services was prepared as part of LAFCO's *Comprehensive Water Service Study* (2004). The study is available at the LAFCO office or website: <http://napa.lafco.ca.gov>.

Sewer Services

Calistoga's Public Works Department is responsible for providing sewer services in the City. Calistoga's sewer system collects and provides tertiary treatment of wastewater before it is discharged into the Napa River during the wet season (October 1st through May 15th) or distributed for recycled water use or conveyed into storage ponds. Calistoga's sewer treatment plant has a permitted dry-weather daily capacity of 0.84 million gallons, or 2.6 acre-feet.

Calistoga currently provides sewer service to approximately 1,265 connections.¹¹ All sewer connections are located in Calistoga. Calistoga's current average dry-weather sewer demand is approximately 0.54 million gallons, or 1.7 acre-feet, and can be adequately accommodated by the City.

In 2007-2008, Calistoga's budgeted operating cost for its sewer enterprise is \$2.56 million. This amount represents an approximate per connection expense of \$2,024.

City of Calistoga: Sewer System Flow Capacities and Demands (Approximates)

	Acre-Feet	Gallons
Permitted Daily Dry-Weather Flow Capacity	2.6	0.84 million
Average Daily Dry-Weather Flow Demand	1.7	0.54 million
Average Daily Flow Demand (Dry and Wet)	2.7	0.90 million

* An expanded review of Calistoga's sewer services was prepared as part of LAFCO's *Comprehensive Study of Sanitation and Wastewater Treatment Providers* (2005). The study is available at the LAFCO office or website: <http://napa.lafco.ca.gov>.

¹¹ Approximately 84% of Calistoga's sewer connections are for residential uses.

Street Services

Calistoga's Public Works Department is responsible for providing minor street repair (potholes and patching, curb and gutter maintenance) and street sign replacement services in the City. Larger construction projects, such as overlays, handicapped curb cuts, and striping, are contracted out to private companies. Current funding for street related expenses is drawn from the General Fund (\$305,550) and Calistoga's proportional share of gas tax revenues (\$132,100). The budgeted General Fund portion represents 4% of Calistoga's total operating budget for the fiscal year and represents a capita expense of \$58.

The Metropolitan Transportation Commission (MTC) recently issued an update to its annual report on the condition of the Bay Area's transportation system. The report includes evaluating and ranking current street conditions for all local agencies in the nine county Bay Area. The most recent update computing 2005 pavement conditions using special equipment measuring road vibrations ranked Calistoga as "fair." Overall, Calistoga's finished 95 among the 107 agencies evaluated by MTC in the Bay Area.

Planning Services

Calistoga's Planning and Building Department is responsible for providing development review, building inspection, and code enforcement services in the City. This includes the review of all proposed improvement and development projects, such as General Plan amendments, zoning requests, use permits, and parcel and subdivision maps. As part of its process, the Department coordinates an interdepartmental review to determine if the project will impact existing services in Calistoga including confirming the availability of water and sewer services. The Department's current budget is \$0.719 million. This amount accounts for 10% of Calistoga's total operating budget for the fiscal year and represents a capita expense of \$135.

Community Services

Calistoga's Community Resources Department provides a variety of community-related services offering recreational opportunities for youth (summer camp, teen center), adults (yoga, jujitsu, aerobics, golf, tennis, pilates), and seniors (golf, computers, day trips). Current emphasis is preparing to open the new community swimming pool and developing comprehensive recreation and leisure service programs. The Department's current budget is \$0.576 million. This amount accounts for 8% of Calistoga's total operating budget for the fiscal year and represents a capita cost of \$64.

B. Municipal Services Provided by Contract or through a Joint Power Authorities

Garbage Collection Services

Garbage collection in Calistoga is provided on a weekly basis by Upper Valley Disposal Service, Inc. (UVDS). UVDS is a private company under contract with the Upper Valley Waste Management Agency, a joint-powers authority that represents Calistoga, St. Helena, Yountville, and the County. UVDS' contract runs through 2025 and specifies that it is the exclusive contractor for the collection of garbage and rubbish in Calistoga. Current monthly charges for roadside garbage collection are \$20.85, \$41.70, and \$62.55 for 35, 65, 95-gallon toters, respectively. All customers also receive 96-gallon recycling and yard toters at no additional charge. These charges are consistent with the rates assigned to customers in St. Helena and Yountville.

Specialized Engineering Services

Calistoga contracts with private firms to provide specialized engineering services in the City. These services include construction inspections, water and sewer system improvements, and general architectural and engineering services.

Building Inspection and Plan Check Services

Calistoga contracts with qualified private firms to provide plan check services for most development. The City also contracts to provide supplemental or specialized building inspection services.

Other Specialized Services

Calistoga contracts with a variety of private firms to provide specialized audit, financial, legal, planning, information/communication systems, and other services for the City. This is a typical and cost effective method of cities to contract for these types of periodic and specialized services instead of providing the services with city staff.

VIII. FINANCIAL

A. Budget Process

Calistoga practices a two-year budget process. The rationale in utilizing a two-year budget is to better anticipate and consider short-term trends in expenses and revenues. The adoption of the budget is preceded by a process in which each department submits a two year schedule of requests for appropriations to the City Manager. The City Manager uses these requests as the foundation in preparing a budget for consideration by the City Council. The budget is adopted at a noticed public hearing and is continually monitored to consider whether revisions are appropriate.

B. Budget Organization

Calistoga's budget is divided into three units: 1) General Fund; 2) Enterprise Funds; and 3) Special Funds. General Fund revenues are primarily drawn from taxes and support discretionary governmental services. Enterprise Fund revenues are collected from user fees and charges. Special Fund revenues are generated from a variety of sources, including impact fees and governmental subventions, and are used to fund specific programs.

C. 2007-2008 Budget

Calistoga's adopted revised budget for 2007-2008 anticipates total revenues and expenditures at \$26.7 million and \$30.7 million, respectively. Budgeted and accumulated reserves are expected to cover the anticipated shortfall. Projected totals within Calistoga's three budget units are summarized below.

General Fund

Calistoga's adopted revised budget for 2007-2008 anticipates balanced General Fund revenues and expenses at \$15.35 million. Calistoga's General Fund comprises five categories: 1) operating; 2) debt proceeds; 3) grant improvements; 4) special projects; and 5) capital projects. An outline of revenues and expenses within these five categories follows.

General Fund	07-08 Revenues	07-08 Expenses
Operating	\$7,313,955	\$6,884,450
Debt Proceeds	\$3,857,050	-
Grant Improvements	\$1,911,200	-
Special Projects	-	\$318,100
Capital Projects [1]	\$2,276,445	\$8,156,100
Total	\$15,358,650	\$15,358,650

[1] Includes net transfers from other funds (\$1,930,524) and use of General Fund reserves (\$345,921) primarily for capital improvement projects.

General Fund operating revenues and expenses are key indicators in assessing the fiscal health and the solvency of an agency. Nearly half of Calistoga's projected General Fund operating revenues in 2007-2008 are expected to be drawn from its transient occupancy tax (47%). Other key General Fund operating revenues are expected to be drawn from property (20%) and sale (10%) taxes. Primary General Fund operating expenses in 2007-2008 include law enforcement (31%), administrative support services (22%), public works (16%), and fire protection (11%).

Enterprise Funds

Enterprise Funds account for Calistoga's municipal operations that are intended to be self-funding through the collection of user fees and charges. Enterprise Funds in Calistoga include water and sewer services.

Calistoga projects total revenues and expenses for its water enterprise fund in 2007-2008 at \$8.46 million and \$9.41 million, respectively. The majority of these budgeted revenues and expenses are associated with approximately \$6.8 million in planned improvements to the water system, which will be primarily funded through various subventions.¹² Anticipated water service operating revenues and expenses in 2007-2008 are budgeted at \$2.27 million and \$2.02 million, respectively. These amounts reflect an expected operating surplus of \$0.25 million. Calistoga projects total revenues and expenses for its sewer enterprise fund at \$3.33 million and \$4.38 million. Approximately \$1.7 million of these funds are associated with planned improvements to the sewer system.¹³ Anticipated sewer service operating revenues and costs in 2007-2008 are budgeted at \$1.91 million and \$2.56 million, respectively. These amounts reflect an expected operating shortfall of \$0.65 million.

Special Funds

Special Funds account for non-discretionary monies that may be used by Calistoga for specific purposes. Calistoga has established 23 special revenue funds, most of which derive their monies from specific sources, such as governmental subventions and developer fees, state transportation funds, fees for services, and transfers from other funds. In 2007-2008, Calistoga has budgeted \$1.84 million and \$1.56 million in revenues and expenses within these 23 affected funds.

D. Expenditure and Revenue Trends

The California State Controller’s Office (SCO) publishes annual expenditure and revenue information for all counties, cities, and special districts in California. Information reported by SCO is drawn from reports submitted by the local agencies and generally published two years after the end of the affected fiscal year. Key expenditure and revenue information for Calistoga over the last three reported fiscal years follows.

Recent Expenditures and Revenues for the City of Calistoga
 (Source: SCO’s *Cities Annual Report 2002-2003 through 2004-2005*)

Fiscal Year	Total Expenses¹	Total Revenues²	Operating Net
2002-2003	\$14,908,374	\$10,436,149	(\$4,472,225) ³
2003-2004	\$10,174,452	\$10,464,041	\$289,589
2004-2005	\$9,451,431	\$9,985,623	\$534,192

¹ Includes operating and capital outlays

² Includes general (non-dedicated) and functional (dedicated) revenues

¹² Calistoga’s Water System Capital Improvement Program budgets a total of \$6.8 million in 2007-2008. Planned improvements include \$4.6 million for the Mt. Washington Water Tank (1.0 million gallons), \$1.1 million in upgrades to the water treatment plant, \$525,000 for the Dwyer Road Pump Station, and \$691,000 to replace old water mains. Financing for these improvements is expected to be drawn from Calistoga’s Water Capital Fund, USDA Loans and Grants, Proposition 50 Water Security Grant, and Measure A (1998 Napa County Flood Protection and Water Supply).

¹³ Calistoga Wastewater System Capital Improvement Program budgets a total of \$1.7 million in 2007-2008. Planned improvements include making inflow and infiltration improvements and developing a wastewater system assessment and master plan. Financing for these improvements are expected to be drawn from Calistoga Wastewater Capital Fund which is funded from connection charges and financing proceeds.

- ³ Calistoga reports that the deficit amount in FY 2002-2003 was due to the timing of debt proceeds to fund the sewer treatment plant improvements and was resolved in subsequent years.

Principal General Revenue Sources for the City of Calistoga

(Source: SCO's *Cities Annual Report 2002-2003 through 2004-2005*)

Fiscal Year	Property Tax	Sales Tax	Transient Tax
2002-2003	\$699,386	\$684,232	\$2,311,823
2003-2004	\$735,185	\$631,570	\$2,161,628
2004-2005	\$701,215	\$387,446	\$2,257,440

IX. WRITTEN DETERMINATIONS

In anticipation of reviewing Calistoga's sphere, and based on the information included in this report, the following written determinations make statements involving the service factors the Commission must consider as part of a municipal service review.¹⁴

A. Infrastructure Needs and Deficiencies

- 1) The City of Calistoga has been diligent in developing plans to accommodate the service needs of current and future constituents. Calistoga regularly reviews and updates to its service plans to help ensure that infrastructure needs and deficiencies are addressed in a timely manner.
- 2) Calistoga has sufficient water supply, storage, and treatment capacities to meet current service demands. Calistoga has recently undertaken construction of a new storage facility and expansion to its treatment plant. Completion of these projects will help solidify Calistoga's ability to meet future water system demands under normal conditions within the timeframe of this review.
- 3) Calistoga has experienced an approximate nine percent decrease in water usage over the last five years. This decrease can be attributed to recent infrastructure improvements curtailing losses, concerted efforts to promote conservation practices, and modifications in uses by a prominent commercial customer.

In 2002, Calistoga's overall water usage was 843 acre-feet. In 2007, Calistoga's overall water usage was 767 acre-feet.

- 4) A considerable portion of Calistoga's water supplies are drawn from the State Water Project. A recent federal ruling aimed at protecting smelt in the Sacramento-San Joaquin Delta restricts the amount of water the State of California can deliver to local contractors. This ruling highlights an important external constraint on all local agencies that rely on imported water supplies in meeting system demands.

¹⁴ The service factors addressed in this report reflect the requirements of California Government Code §56430(a) as of December 31, 2007. (This section was amended effective January 1, 2008 to revise the number of service factors the Commission must address as part of its municipal service review requirement from nine to six.)

- 5) There are significant discrepancies existing between the average daily wastewater flows within Calistoga's sewer system between dry-weather and wet-weather periods. These discrepancies suggest improvements are needed to the collection system to address suspected deficiencies involving excessive storm and groundwater intrusion.

In 2007, Calistoga's average day dry-weather and wet-weather wastewater flows are approximately 0.54 and 0.90 million gallons, respectively.

- 6) Calistoga recently received a score of "fair" for pavement conditions within the City from the Metropolitan Transportation Commission. This score indicates that pavement in Calistoga is generally worn and in need of rehabilitation.
- 7) Calistoga has made a significant investment over the last several years in funding various capital improvements and reflects a concerted effort by the City to enhance the level and range of its municipal services.

B. Growth and Population Projections

- 1) Calistoga has been proactive in adopting policies to control the amount of new growth and development in the City. These efforts include a policy discouraging annexations of unincorporated lands.
- 2) Calistoga's Growth Management System is an innovative approach in controlling growth and development in the City by creating a market for residential and non-residential allocations. This system helps Calistoga preserve its desired rural character while providing an incentive for applicants to submit quality proposals.
- 3) The Association of Bay Area Governments estimates a modest population growth of 100 for Calistoga over the next 10 years, which represents an annual increase of less than 0.2%. This estimate, which is less than Calistoga's average annual rate of population growth of 0.6% over the last 10 years, reflects a regional assumption that growth in the Bay Area will increasingly migrate towards existing urban areas.
- 4) County of Napa's land use policies for unincorporated lands located within the Planning Area of the Calistoga General Plan are restrictive and limit opportunities for new growth and development adjacent to the City.

C. Financing Constraints and Opportunities

- 1) Approximately half of Calistoga's annual operating revenue is generated from its transient-occupancy tax. Although this source has proven reliable, the dependency on one revenue stream over which Calistoga has no direct control represents a constraint for budgeting purposes.
- 2) Calistoga's recent and anticipated annual share of transient-occupancy tax revenues is markedly higher than the majority of neighboring communities in Napa County as measured on a per capita basis.

In 2007-2008, Calistoga anticipates collecting approximately \$645 per capita in transient-occupancy tax revenues. Comparatively, the Cities of American Canyon, Napa, and St. Helena anticipate per capita transient-occupancy tax revenues in 2007-2008 at \$19, \$97, and \$245, respectively. The Town of Yountville anticipates the largest per capita receipt of transient-occupancy tax revenues at \$1,003.

- 3) The limited amount of planned new growth and development in Calistoga presents a long-term financing constraint for the City in providing water and sewer services due the diseconomies of scale associated with having confined customer bases.

D. Cost Avoidance Opportunities

- 1) Calistoga benefits from participating in a number of cost-sharing programs with other local governmental agencies. These programs promote the benefits of regional partnerships and provide significant cost-savings in providing key governmental services, such as affordable housing, garbage collection, and public transit.
- 2) Calistoga maintains and annually reviews a capital improvement plan to coordinate the financing and construction of needed infrastructure and facility improvements. This process enables Calistoga to maximize its operational efficiencies while avoiding unnecessary expenditures associated with deferring improvements.
- 3) Calistoga's two-year budget process includes several checks and procedures during the fiscal year to help allocate available funding with appropriate levels of service.

E. Opportunities for Rate Restructuring

- 1) Calistoga's rates and fees for municipal services are established by ordinance or resolution. The ordinances or resolutions are based on staff recommendations and adopted by the City Council. This administrative process provides an opportunity for public input and strengthens the ability of Calistoga to allocate costs with the desired levels of service of its constituents.
- 2) Calistoga has been proactive in establishing a number of impact fees relating to new development. These fees help ensure that Calistoga is practicing an appropriate level of cost-recovery as it relates to serving new development in a manner that is equitable to existing constituents.
- 3) Calistoga's current funding deficit for the operation of its sewer system suggests rates need to be reviewed to ensure an appropriate level of cost-recovery.

F. Opportunities for Shared Resources

- 1) Calistoga participates in joint-power arrangements with the Upper Valley Waste Management Agency, the Napa County Transportation and Planning Agency, and the Napa County Flood Control and Water Conservation District. These arrangements help maximize local resources among participating agencies in providing garbage collection, public transportation, and flood control services within their respective jurisdictions.

G. Government Structure Options

- 1) Calistoga provides effective services through its council-manager form of government, and utilizes other governmental advising bodies, community organizations, and the general public to help inform its decision-making process.
- 2) Calistoga has established water service to several properties located outside its incorporated boundary. LAFCO and Calistoga must work together to ensure new and extended services provided by the City outside its jurisdiction is consistent with the provisions of California Government Code Section 56133.

California Government Code §56133 was enacted in 1994 and requires cities and special districts to receive written approval from LAFCO prior to providing new and extended services by contract or agreement outside their jurisdictions.

- 3) LAFCO approved several small annexations to Calistoga in the early 1970s that were not subsequently recorded with the State of California. LAFCO should work with Calistoga and the State in identifying why these proposals were not recorded and take the necessary actions to complete the proceedings as originally approved.

H. Evaluation of Management Efficiencies

- 1) Calistoga adopts its budget at public meetings in which members of the public are allowed to comment with regard to expenditures and service programs. The budget process enhances the accountability of elected officials and provides a clear directive towards staff with regard to prioritizing local resources.
- 2) Calistoga has been diligent in the development of policies and service plans that address the existing and future needs of the community. These efforts provide effective performance measures and demonstrate a commitment by Calistoga to hold itself accountable to the public.
- 3) Calistoga has an established a policy to maintain reserves equal to approximately 30% of its annual operating costs. This policy reflects prudent fiscal management by helping to protect against unanticipated expenditures or shortfalls in revenues.

I. Local Accountability and Governance

- 1) Calistoga City Council meetings are held twice a month and are open to the public. Regularly scheduled meetings provide an opportunity for residents to ask questions of elected representatives and help ensure service information is effectively communicated to the public.

X. REFERENCES AND SOURCES

Agency Contacts

James McCann, City Manager
Su Sneddon, City Clerk
Charlene Gallina, Planning and Building Director
Ken MacNab, Senior Planner

Documents and Materials

1. City of Calistoga General Plan Update (October 2003)
2. City of Calistoga, Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2006.
3. City of Calistoga, Adopted General Fund Operating and Capital Improvement Budgets for Fiscal Years 2006-07, 2007-08 and 2008-09
4. City of Calistoga, Adopted Water and Wastewater Enterprise Funds Operating and Capital Improvement Budgets for Fiscal Years 2006-07 and 2007-08
5. City of Calistoga, Adopted Special Revenue Funds Operating and Capital Improvement Budget for Fiscal Years 2006-07 and 2007-08
6. Local Agency Formation Commission of Napa County, Comprehensive Water Service Study: Final Report (October 2004)
7. Local Agency Formation Commission of Napa County, Sanitation and Wastewater Treatment Municipal Service Review: Public Review Draft (September 2005)
8. Local Agency Formation Commission of Napa County, Staff Report, Sanitation and Wastewater Treatment Municipal Service Review, Written Determinations (August 7, 2006)
9. Local Agency Formation Commission of Napa County, Comprehensive Study of Fire Protection Services, Phase One: Final Report (December 2006)
10. Local Agency Formation Commission of Napa County, Staff Report, Comprehensive Study of Fire Protection Services, Written Determinations (February 5, 2007)
11. Association of Bay Area Governments, Projections 2007 (December 2006)
12. City of Calistoga, Staff Report, Resolution Awarding the 2008 Growth Management System Allocations (November 6, 2007)

Websites Accessed

1. City of Calistoga, <http://ci.calistoga.ca.us>
2. Metropolitan Transportation Commission, Bay Area Transportation: State of the System, 2006 (May 2007):
http://www.mtc.ca.gov/library/state_of_the_system/2006/State_of_the_System-06.pdf
3. State of California, State Controller's Office, Cities Annual Report
2004-2005: <http://www.sco.ca.gov/ard/local/locprep/cities/reports/0405cities.pdf>
2003-2004: <http://www.sco.ca.gov/ard/local/locprep/cities/reports/0304cities.pdf>
2002-2003: <http://www.sco.ca.gov/ard/local/locprep/cities/reports/0203cities.pdf>

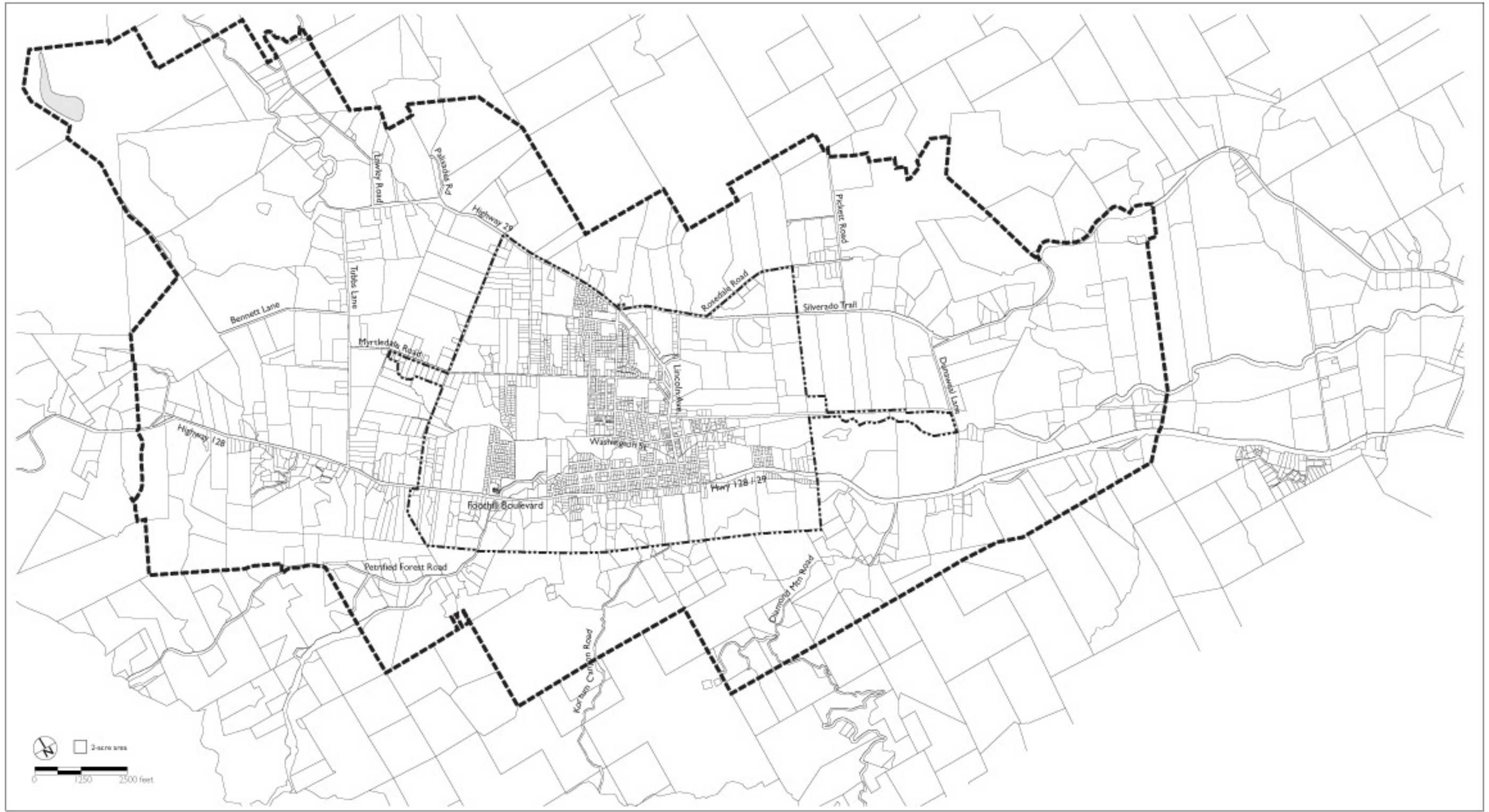
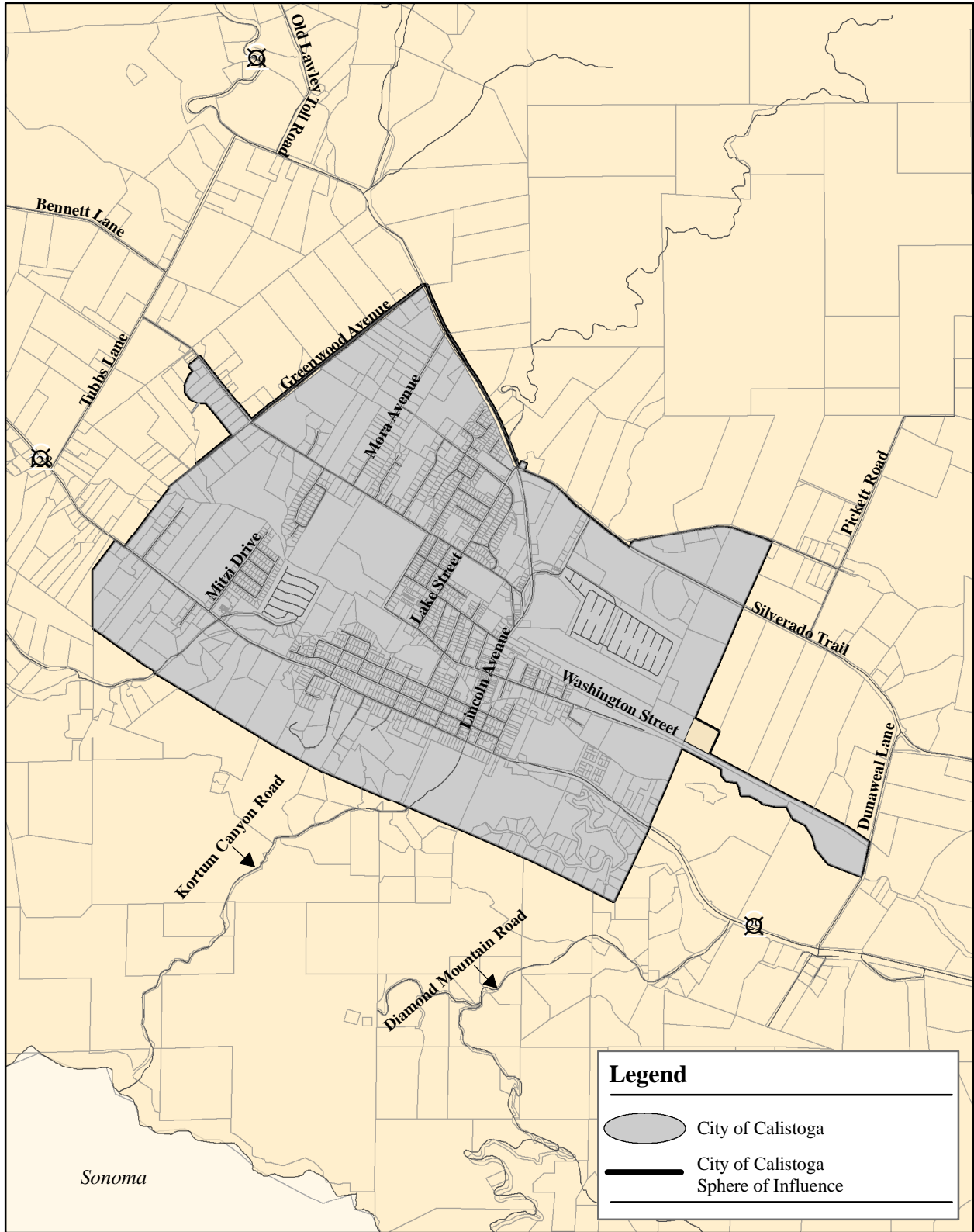


FIGURE INTRO-2



CITY LIMITS AND PLANNING AREA

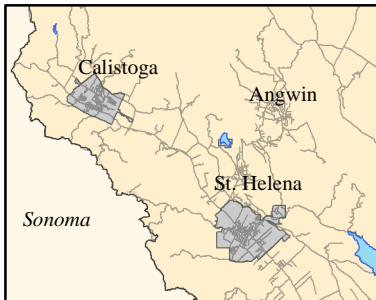
- Planning Area Boundary
- City Limits

City of Calistoga



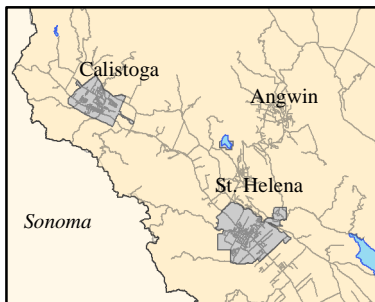
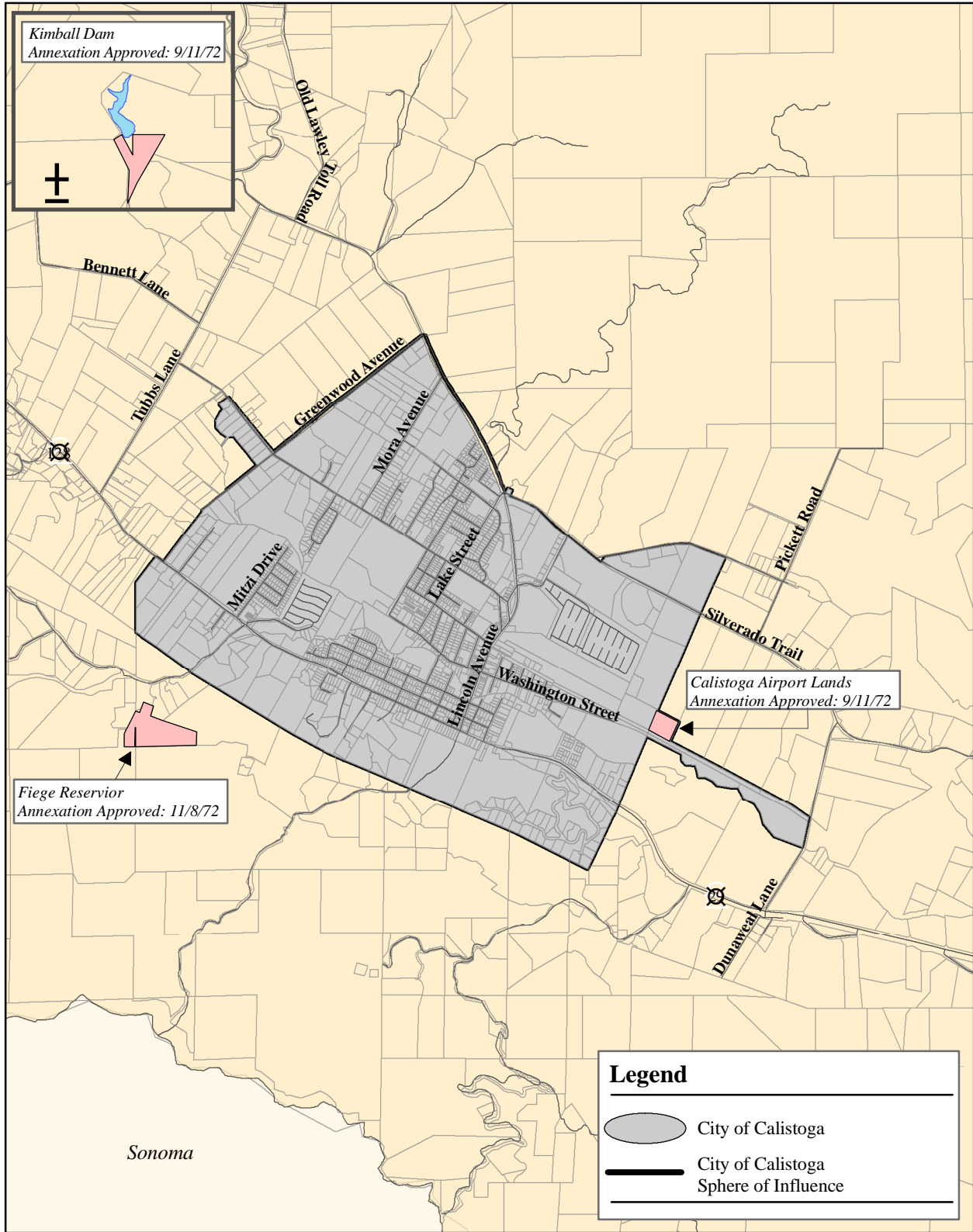
Legend

-  City of Calistoga
-  City of Calistoga Sphere of Influence



*Not to Scale
March 14, 2008
Prepared by KS*


LAFCO of Napa County
 1700 Second Street, Suite 268
 Napa, California 94559
 (707) 259-8645
<http://napa.lafco.ca.gov>



Not to Scale
April 28, 2008
Prepared by KS


LAFCO of Napa County
1700 Second Street, Suite 268
Napa, California 94559
(707) 259-8645
<http://napa.lafco.ca.gov>