Section A

Budget Message
Operating and Capital Budget Message for Fiscal Years 2009 - 2011

To the Atascadero City Council:

Although this has proven to be an incredibly difficult budget, I believe the document being submitted to you is a balanced plan that maintains the City’s core services. I am pleased to submit to you the 2009-2011 Operating and Capital Budget for the City of Atascadero. I am recommending that you adopt the Draft Resolution adopting budgets for the 2009-2010 and 2010-2011 fiscal years and delegate to the City Manager the authority to implement same.

DISCUSSION:

The Budget Philosophy

The 2009-2011 Operating and Capital Budget is the result of significant team work involving the Council, the Commissions, the Community, and the Staff. Several meetings before the City Council have taken place over the last five months in preparation for this budget. Developing an effective budget that attempts to maintain the City’s core services during these strained economic times is a difficult task, but I am confident that the plan before you is a lean, smart plan that makes the best of the City’s limited resources for the next two-year cycle. The preparation of this budget has been different than in years prior due to the extreme fiscal conditions facing the City. The current economic crisis has had a negative effect not only on Atascadero, but across the nation and world. Cyclical swings up and down in the economy are common, but the severity of this downturn has been difficult to manage. Since the last major downswing in the 1990’s, the Council has implemented a fiscal strategy that is summed up in the chart at the right. This depicts economic funding cycles that raise and lower with regional, state, national and even world market issues. The
straight line depicts the Atascadero organization. The goal has been to monitor, anticipate and plan for changes in the economy and then use this information to create a framework within which the City operates. In other words, to keep city operations stable, in good years the City has put money into savings and in tough times the City has drawn on that savings. The Council commitment to this strategy has indeed created stable operations, continuity in service to the community, and long-term financial sustainability of the organization. Revenue indicators pointed to a downturn two years ago, so reserves were used for the last budget cycle to maintain service levels as outlined in the Policy. However, the current drop in the economy has been more severe than the policy could reasonably accommodate. The 2009-2011 Budget calls for use of $1 million in reserves in each of the two budget years. While the City has been judicious with its expenditure growth over the years, the drop in revenues has been so drastic that serious operational and staffing cuts have been made in order to maintain fiscal sustainability. These cuts have been difficult on the organization, and will have some impact on the community, although the core missions of the organization remain intact, and have been fully funded. I wish to reiterate that the cuts taken in this budget are significant and will have an impact on the organization for some time. While services from the public’s perspective will be somewhat impacted, our ability to tackle new projects or initiatives has been greatly diminished.

Accomplishments

Although we have had to work with limited resources in the constraints of a tightening economy, the City has been successful at moving forward on a number of Council and community goals. During this past budget cycle, efforts were focused on achieving the six 2007-2009 Council Strategic Initiatives. Despite our limited resources, I am proud of the organization for what we were able to accomplish. We made some great investments in the community. Specifically, the goals were:

- Enhance the City’s Economic Base
- Continue the Emphasis on Road Maintenance
- Repair the Historic City Hall Building
- Continue to Enhance Public Safety
- Campaign Finance Reform
- Create a Natural Resources Program

Enhance the City’s Economic Base. While the bulk of the City’s revenue sources are outside of our sphere of control, the City has been doing what is possible to improve economic vitality. The support that the Board of the Redevelopment Agency has shown toward the Colony Square project demonstrates the keen interest in keeping this project moving. Colony Square has been identified as one of the key components to a revitalization of retail in Downtown. Wal Mart has continued their interest in the Del Rio area. They have submitted plans and are working toward an Environmental Impact Report. The potential development could host numerous other retail outlets once Wal Mart is established. The Office of Economic Development has been created and is helping existing and potential business owners to succeed and is improving both retail and employment options to the community. The Office is aggressively marketing the community, recruiting business, and is working daily to make the development process easier. The City has hired Applied Development Economics to prepare an economic strategy for the
Continue the Emphasis on Road Maintenance. Road maintenance has been a top priority of the community for several years. Staff has evaluated the condition of the City-maintained roads and has prioritized maintenance on the basis of the existing condition, traffic volume, the cost-benefit ratio, and the availability of funding. The Council has initiated several programs including the Atascadero Road Program, the Local Paving Program, the Cold Mix Program, the Road Loan Program and most recently, the Adopt-a-Road Program, to assist in improving Atascadero’s road system. In the 2007-2009 budget cycle, maintenance has been performed on Traffic Way, Del Rio, Atascadero Avenue, West Front, Mountain View Drive, El Verano Avenue, San Jacinto, and Santa Cruz. The Lewis Avenue Bridge was completed and a traffic light was installed at the intersection of Highway 41 and San Gabriel. Significant work has been completed on the Downtown Streetscape project to both improve roads, and to enhance the overall look of Downtown.

Repair the Historic City Hall Building. Staff has been working closely with FEMA, OES, and the City’s Architects and Engineers to get the beautiful Historic City Hall Building restored to its pre-earthquake condition. After submitting the Damage Assessment and Repair Plan to FEMA, it is evident that FEMA is willing to assist the City in repairing the building; however, the extent of the damage and the funding assistance continue to be negotiated. The City has submitted both First and Second Appeals in response to FEMA’s findings, and staff is awaiting the FEMA response to the Second Appeal. The City’s Architects continue to move forward with this vital project, ensuring that all elements are carefully considered and will be repaired safely, efficiently, and with the historic fabric of the building in mind. This is a beautiful but technically complicated building so extreme care is vital. The Architects believe that the project will be completed in 2012.

Continue to Enhance Public Safety. Policies have been put in place to ensure that the City attracts and retains high quality public safety employees. Employees in both the Police Department and the Fire Department have been actively pursuing grants to enhance their capabilities to protect the public. The Police Department has successfully obtained grants for enforcement of laws related to alcoholic beverage control, driving under the influence, traffic violations, and seat belt safety. Additionally, the Department has received grants for police supplies such as guns, ammunition, technology, and bullet proof vests. The Fire Department has also been successful in the receipt of grants for the Chipping Program and health and safety programs for the Department personnel. The Department was able to obtain a number of private donations to further public safety. In June of 2008, the City’s new Platform Ladder Truck was put in service. This new apparatus will expand fire protection services for tall buildings and other hard-to-access sites. The City’s Public Safety sector has continued its alliances with partner agencies and surrounding cities. Comprehensive training continues to be important to both departments.

Campaign Finance Reform. Several public trust workshops were held, and a Campaign Reform Ordinance was passed. A candidate forum and a “Last Word” forum were held to discuss the issue and improve the quality of the campaign.

Create a Natural Resources Program. The City is sensitive of the local native resources. Between the native tree replanting program and native tree seedling giveaway, it is estimated that over 1,000 native trees have been planted. The seedling giveaway is an ongoing program that encourages native tree growth in the community. A contract biologist and arborist have been retained to monitor environmentally sensitive development projects and to assist in code enforcement cases. To address the subject of greenhouse gases, Atascadero has joined ICLEI. ICLEI is an international association of government organizations that have made a commitment to sustainable development and reduction of
The Association provides technical consulting, training, and information services to build capacity, share knowledge, and support local government in the implementation of sustainable development at the local level. All of these components of the Natural Resources Program will combine to enhance the environment for those who live and work here as well as attract tourists to the area.

**The Budget Process**

The City has a comprehensive approach to budget development. The City has developed a Comprehensive Financial Plan, a Financial Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis, and the Financial Reserve Policy. This information is used as a foundation for the Council in their policy-making role. The City Council then conducts an annual assessment of the organization and prior goals in a Strategic Planning Workshop, where the product is a new set of goals and priorities for the coming year or years. The Community has the ability to share their thoughts about the City’s goals at the goal-setting session and at a regularly scheduled council meeting.

The City’s Executive Management Team and Operating Departments analyze the Council’s goals and priorities, and develop action plans to provide for their implementation. These action plans, combined with the Council’s Strategic Plan, the Comprehensive Financial Plan, the Financial (SWOT) Analysis, and the Financial Reserve Policy, become the guidelines and outline for the City’s operating and capital budgets. Departments are asked to prepare and submit financial plans that continue successful programs, improve deficiencies identified by Council, and implement the Council’s goals and priorities. During the preparation of this budget, an employee budget team met weekly for several months discussing budget proposals in detail and coming up with several ways to cut hundreds of thousands of dollars from the budget.

The Administrative Services Department, using the City’s financial policies, develops revenue estimates, budget goals and reserve programs. They assimilate the department financial plans into one cohesive document in which the entire organization works to implement the Council’s vision in harmony. In the final preparation, key members of every operating department come together in a cooperative fashion and work with the Director of Administrative Services to ensure the Council’s priorities are implemented, as well as the most essential City functions. This “team effort” assists the operating departments to understand the roles and responsibilities of other departments, and to find joint solutions to the dilemma of providing a high level of municipal service with limited revenues. This budget that is now submitted to Council has Council direction as its foundation and is supported by all departments.

**Key Priorities Driving Development of the 2009-11 Budget**

The 2009-2011 budget is designed to implement the Council’s top priorities. This year, the Council is intently focused on three major goals. These are:

**Grow the City’s Economy and Pursue Economic Development.** Expand the commercial tax base by retaining existing business, attracting new business, encouraging tourism, improving the permitting process, and actively promoting the community. Specifically, actions will include:
- Atascadero Local Stimulus Program
- Retain and promote existing businesses
- Attract new businesses to the community
• Encourage tourism development
• Make the development process friendlier
• Be proactive in growing the City’s economy

Enhance Public Safety. Continue to make Atascadero safer. Specifically, actions will include:
• Maintain and invest in the necessary tools for response
• Continue training to ensure staff is prepared to respond
• Deploy special enforcement swiftly and efficiently in areas where there is community concern
• Investigate alternatives for service delivery and opportunities for revenue
• Enhance technology and its use for more public safety effectiveness and efficiency
• Improve disaster/emergency preparedness
• Continue to maintain morale and retain existing staff

Stabilize the City’s Finances. Implement strategies toward the furtherance of a sound fiscal condition that is so critical to the City’s mission of fostering an outstanding quality of life. By utilizing the following steps, the organization can be well positioned to maintain services and assets necessary for a high quality of life. Specific actions include:
• Enhance the revenue base
• Manage infrastructure and reserves consistent with the City’s Financial Strategy
• Reduce expenditures
• Strategize and communicate
• Look for opportunities

Trends Impacting the 2009-11 Budget

The global and local economies have a definite impact on the City’s finances. The bottom of the real estate market fell out, affecting the values of properties, and thus property taxes. At the beginning of calendar year 2009, State unemployment reached 10.1%, the highest rate in 25 years. Unemployment and weakness in the housing and consumer sectors have caused devastating effects on the City’s revenues. Although economists are continuously updating their estimates, at this point, it appears that the downward spiral in the overall economy is finally flattening out. Data indicates that while there may not be substantial continued erosion of revenues, there also may not be any significant improvements until fiscal year 2012-2013.

The condition of the State budget will no doubt have some type of negative fiscal impact on the City. The City Council’s recent passage of the resolution opposing proposals by the State to borrow and/or take additional local funding is an important message to California legislators about the severe impact State grabs have on the local economy. The Governor has recently indicated that if the May 19th Budget Propositions do not pass, he will push to borrow property tax funds from cities. This potentially amounts to a State loan of approximately $700,000 for Atascadero. According to State law, this money must be paid back within three years with interest. Staff recommends that this three year loan be taken out of reserves and the 2009-2011 budget be kept as is. Following best management practices, staff will continue to monitor the State’s situation and will keep the Council informed at such time as the City shall be negatively affected.
The trend toward a greener environment is also gaining momentum. The United States Environmental Protection Agency, the California Air Resources Board, the Central Coast Regional Water Quality Control Board, and the California Department of Fish and Game, among other agencies, continue to regulate many of the activities of the City. Programs such as the Regional Water Board Septic System Basin Plan (Basin Plan), the Storm Water Management Plan (SWMP), Groundwater Monitoring, the National Pollutant Discharge Elimination System (NPDES), and various reporting and compliance requirements necessitate that the City change operations, add new layers of local regulations, change out equipment, and create new programs. The focus of these agencies is to ensure that future generations have a great world to live in, which is a terrific goal, but it does come at a price. With the global and local economies suffering, meeting the new green regulations is even more challenging than ever before.

**General Fund Revenues**

Most traditional government services, such as police services, fire services and parks maintenance services, are paid for out of the General Fund. Almost every one of the General Fund Revenue sources is declining. Property Tax, Sales Tax, and Development Revenue have long been the City’s three highest revenues sources. Unfortunately, all of these sectors are suffering in the current market. Revenues that had been previously growing almost every year since 1993 peaked in fiscal year 2006-2007 and are now trending downward.

For the first time in the City’s history, staff is projecting a negative growth rate in Property Tax Revenues for 2009-2010. Property Taxes are then expected to remain relatively flat for 2010-2011. Considering that Property Tax revenues comprise 45% of the General Fund, this is a critical issue. Sales Tax has been trending negative for several years. It has dropped a stunning 24% since fiscal year 2005-2006. This is an annual revenue loss of over $1 million. Development Revenue in prior years had been the third largest revenue source. This source is closely tied to the condition of the economy, and such, has dropped 57% from fiscal year 2006-2007 to 2009-2010. This is a large decrease, and staff does not expect that a rebound until fiscal year 2012-2013. Overall, staff is projecting a double-digit (13%) decrease in 2009-2010 General Fund revenues as compared to fiscal year 2006-2007. This, in combination with an average of 3% per year increase in the cost of doing business, leaves the City 22% worse off in just three years. Total General Fund revenues for 2009-2010 are anticipated to be $16.6 million and are expected to increase only slightly to $16.9 million in 2010-2011.

**General Fund Expenses**

The draft department budgets came in reflecting General Fund expenses of $20.5 million for fiscal year 2009-2010. With expected revenues of $16.6 million, a gap of approximately $4 million existed. The gap was reduced by $2.3 million through various operational, special project, capital project, and program cuts. Consistent with the Financial Strategy, $1 million in reserves each year will also be used. Operating services and supplies and projects were carved up as leanly as possible. Any additional decreases to the departmental budgets would have impaired the organization’s ability to continue to deliver its core missions. Although great effort had been made to avoid decreasing employee services, it eventually became necessary because historically, 73% of the General Fund expenditures have been dedicated to the labor. Fifteen staff positions were laid off, seven of which were already vacant. Three of the affected staff members were rehired in other capacities. The labor cost savings were effective in closing the remaining General Fund gap. Based on the information currently available, staff anticipates moving through the next two-year cycle without changes to the existing staffing levels.

After the extensive cuts, the budgeted General Fund expenses ended up at $17.6 million and $17.9 million in fiscal years 2009-2010 and 2010-2011, respectively. The largest expenditure for the General Fund is employee services, making up 74% of the budget, which is normal for a service organization. Public Safety represents 56% of the total budget.
Other Funds
This two-year budget comprises expenditures for all other funds totaling $15.8 million and $23.7 million, for 2009-2010 and 2010-2011 respectively. This includes over $4.2 million in road, bridge, and drainage improvement projects. Also incorporated in this is $3 million for Downtown Streetscape Improvements, $21.7 for facilities, parks and miscellaneous projects, $1.8 million in Wastewater System capital improvements, and the replacement of 7 vehicles, 42 computers, and 4 printers.

Changes to Funding and Services Levels in the 2009-2011 Budget

In order to close the budget gap, cuts of $2.3 million in operations and project costs and $0.7 million in labor-related costs were made out of an already lean budget of $20.5 million. Unfortunately, as previously mentioned, this will have an effect on the community. Staff weighed each cut against the benefits provided, and is doing everything possible to further the Council’s goals and maintain the City’s core missions with the least impact on the citizens of Atascadero. The following items are some of the money-saving operational cuts made:

Layoffs. Fifteen staff positions were laid off, seven of which were already vacated. Included in those were four from Community Development, one from Public Works, two from Community Services, one from the Fire Department, three from the Police Department, one from the Technology Department, and three from the City Manager’s Office. Impacts across the organization will be felt as staff reorganizes to cover work load and maintain services. Again, while core services will be mostly protected, certain daily functions such as coverage at the City Hall front counter, human resources services, etc will be impacted. We will also be constrained in our ability to quickly tackle new projects.

Other labor cost reductions. All labor organizations in the City agreed to no new salary increases. Atascadero Professional Firefighters L3600 deferred their scheduled 4% salary increase and has also volunteered to forgo compensation for Stand-By pay. This amounts to a savings of about $100,000. Additionally, the Executive Management Team has agreed to a salary decrease of 3%, which amounts to $45,000 annually. All of these labor cost savings were able to reduce the level of layoffs necessary.

Suspend annual funding of reserves for building replacement, City Hall operations, and equipment. This is money set aside for the replacement and major repair of City buildings, operations of City Hall at the historic building, and equipment. Although there is not an immediate community impact, this will drastically reduce available funding for major repairs to City buildings, funding levels for operations at the Historic City Hall, and replacement of necessary equipment until better economic times. Staff recommends funding this reserve again once the economy improves.

Suspend funding of annual general fund contribution to road repairs and local paving projects. As part of the Atascadero Road Program, the General Fund contributes $250,000 annually toward major road repair projects and $50,000 toward the Local Road Paving Program. Both of these contributions have been suspended. Another $125,000 from the Traffic Congestion Relief fund was used for road projects. The Traffic Congestion Relief Fund is now supporting Streets Department Operations. These changes substantially lower the amount available to repair roads for the next two years and will effectively lower the overall condition of the City’s roads.

Reduce strategic planning, citywide training, and committees. This eliminates the use of a facilitator or other contractors to assist with the strategic planning process. It also reduces funding for citywide training and committees.
Reduce Citywide services and supplies by 5%. Each department reduced non-labor operating budgets by 5%. This included reductions such as paper, toner, and other office supplies, cleaning products, landscaping, janitorial costs, contract services, bottled water, utilities, non-essential training, travel expenses, and small equipment replacement. This effectively lowers service levels for services outside of the Council goals and the City’s core missions.

Reduce contract services. Included are reductions to City Hall janitorial, legal costs, arborist, and biologist. Staff will need to fill in the gaps left by these reductions, so associated service levels may need to be lowered as staff is already at maximum capacity.

Reduce Chamber and tourism expenses. The contributions that the City makes to the Chamber of Commerce and toward tourism are based on revenues received. As the associated revenues decrease with the economy, so too do the City’s contributions. Although this does not change the City’s contract commitment toward these programs, there will be a reduction in the amount available to market Atascadero.

Reduction in program costs. The Colony Park Community Center and Chipping program costs have been reduced. The Community Center is a new building with new equipment. While its budget can be reduced this cycle without much effect on the community, at some point, it will be necessary to increase this budget to care for and maintain its assets. The Fire Department has been effective at maintaining the Chipping Program below the budgeted amounts. Staff believes that most goals of the Chipping Program can be accomplished successfully at this lower level of funding.

Implement cost effective zoo animal food program. The Zoo has a new strategy for buying animal food in bulk and then adding different components to tailor to the needs of each species. This is an effective program, reducing costs while maintaining high quality meals for the Zoo animals.

Defer vehicle costs. Included here are both delayed vehicle purchases for this budget cycle and the postponement of contributions to long-term vehicle replacement. The vehicles are all necessary equipment to carry out the Council’s goals and City’s core missions. This does not avoid the expense, but defers the purchase of vehicles in the short-term, and defers replacement funding for those vehicles with 20- to 30-year lives.

Reduce capital expenditures. Although historically only a small portion of the City’s General Fund budget has been directed toward capital expenditures, the City has been able to purchase various pieces of equipment and other items that made staff more efficient, replaced necessary worn out equipment or furthered one of the Council’s goals. The funding level for capital expenditures has been reduced, effectively deferring the replacement of needed furniture, equipment, and other capital items.

Summary

While this has been an incredibly difficult and painful budget year, I am confident that the plan before you is lean, smart, and will make the best of the City’s resources for the next two-year cycle. The formation of this two-year budget has been a challenging one, given the severe downturn in the economy. It has involved many difficult decisions, reductions, compromises, and concessions. The key focus has been the furtherance of Council’s goals and the maintenance of the City’s core missions. The budget provides the organization with the direction and tools necessary to maintain a consistent level of City services and continue the internal transformation needed to take advantage of our strengths and improve on our weaknesses.
I would like to thank the departments and department directors for their work on this year’s budget. Atascadero continues to have a solid foundation; this is due in large part to a common understanding of our financial policies all through the organization, and it is the department managers that carry the information throughout the organization. This two-year document makes strategic investments in our future, maintains services to follow the community’s growth, and anticipates financial uncertainties. The operating departments came together under the guidance of Rachelle Rickard and made choices that were difficult, as they put the good of the organization over the interests of specific departments. I am proud of the teamwork and positive attitude our staff continues to demonstrate.

Wade G. McKinney
City Manager
BUDGET AUTHORITY

The City Council is responsible for adopting an annual budget; however, the budget is an estimate at a given point in time. It is often necessary to make adjustments and fine-tune line items throughout the year. Various levels of budgetary control have been established in order to maintain the budget’s integrity and allow staff to function efficiently throughout the year. The following levels (from lowest to highest) of budgetary control have been established:

Department / Division Level

Department Heads or their designees have the authority to move budget money from one line item to another within the Operations portion of each division or department budget. They do not have the authority to move money from one division to another.

City Manager / Designee Level

The City Manager or his designee has the authority to transfer between any expenditure accounts within a fund. Although Council has given the City Manager authority to move money between accounts, any transfer between capital outlay accounts that exceeds $25,000 is typically brought to Council for approval.

In addition to transfers, Council has also given the City Manager or his designee authority to increase both revenue estimates and appropriations within a fund when there is at least a one-to-one correlation. Examples of this would include receiving and expending grants or donations, mutual aid assignments and reimbursements, new recreation programs that recover at least 100% of the new costs, increased fee-based activity, and other miscellaneous “bottom-line” neutral activities that may occur throughout the year. It does not give him the authority to change the “bottom line” in any one fund, nor does it allow him to increase revenues and appropriations for items that are not directly correlated to one another. In other words, he may not increase the sales tax estimate in order to hire a new police officer. If the City, however, receives a grant to hire a new police officer, he may increase grant revenues and police Employee Services.

City Council

The level at which Council adopts the budget is the fund level, and expenditures for any fund may not exceed total appropriations for that fund.

The City Council has final authority over the budget and may make any budget amendments necessary during the year. A mid-cycle budget report will be brought before Council in June 2010. General adjustments to revenue projections and expenditures are typically made at these times. Other Council budget adjustments may arise during the year, and are put before Council on an individual basis.

BUDGET CARRYOVERS

All appropriations lapse at the end of each fiscal year to the extent that they have not been expended, with the exception of any unexpended appropriations for incomplete capital outlay or special project items.
RESOLUTION NO. 2009-065
RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF ATASCADERO
ADOPTING BUDGETS FOR THE 2009-2010 AND 2010-2011
FISCAL YEARS AND DELEGATING TO THE CITY MANAGER
AUTHORITY TO IMPLEMENT SAME

WHEREAS, the 2009-2010 and 2010-2011 fiscal budgets of the City of Atascadero have been submitted to this Council and have now been considered and are in final form and substance satisfactory to this Council.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Atascadero:

SECTION 1. The fiscal budgets for the City of Atascadero for the fiscal years 2009-2010 and 2010-2011, attached herewith, setting forth the budget totals and hereby incorporated by reference, are hereby adopted in the form on file with the City Clerk.

SECTION 2. All encumbrances as of June 30 of each fiscal year, as represented by outstanding purchase orders, and approved capital projects in process, are hereby authorized to be carried forward into the next fiscal year budget.

SECTION 3. The City Manager is hereby authorized to take all necessary actions to implement the provisions of said budgets as adopted on this date, including adjustments to the budgets for unanticipated expenditures offset by revenues and any other adjustments approved by Council prior to the adoption of this resolution.

SECTION 4. All General Fund balances as of June 30 each year will be appropriated into the Reserves.

PASSED AND ADOPTED at a regular meeting of the City Council held on the 9th day of June, 2009.
On motion by Council Member O’Malley and seconded by Council Member Clay, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES: Council Members Clay, Fonzi, Kelley, O’Malley and Mayor Béraud

NOES: None

ABSENT: None

ADOPTED: June 9, 2009

ATTEST:

Marcia McClure Torgerson, C.M.C., City Clerk

CITY OF ATASCADERO

By, Ellen Béraud, Mayor

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney
RESOLUTION NO. 2009-066  
RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF ATASCADERO  
AMENDING FISCAL YEAR 2008-2009 BUDGET

WHEREAS, the City Council adopted Resolution 2007-049 setting for the budget for fiscal year 2008-2009; and,

WHEREAS, the City Council hereby wishes to amend said budget.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Atascadero

SECTION 1. The appropriation amounts are amended as follows:

<table>
<thead>
<tr>
<th>Amended Appropriation</th>
<th>Total</th>
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<tbody>
<tr>
<td>Community Facilities District 2005-1 Fund</td>
<td>$308,200</td>
</tr>
</tbody>
</table>

SECTION 2. These changes are effective immediately upon adoption of this resolution.

PASSED AND ADOPTED at a regular meeting of the City Council held on the 9th day of June, 2009.
On motion by Council Member O’Malley and seconded by Council Member Clay, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES: Council Members Clay, Fonzi, Kelley, O’Malley and Mayor Béraud

NOES: None

ABSENT: None

ADOPTED: June 9, 2009

ATTEST:

Marcia McClure Torgerson, C.M.C., City Clerk

CITY OF ATASCADERO

By: Ellen Béraud, Mayor

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney
In 1979 the California voters approved Proposition 4, also known as the Gann Limit (Limit), which added Article XIIIIB to the State Constitution. The provisions of this article placed limits on the amount of revenues that can be spent by a government agency in any fiscal year. The Appropriation Limit is based on actual appropriations during the base year, which are increased each year using specified population and inflationary growth factors.

The original legislation implementing the provisions of Article XIIIIB became effective January 1, 1981. In accordance with that legislation, the governing body of each government jurisdiction must, by resolution, establish its annual Appropriations Limit for the coming year at a regularly scheduled meeting or noticed special meeting.

The original Article XIIIIB and its implementing legislation, Chapter 1205/80, were modified by Proposition 111 and SB 88 (Chapter 60/90) by a vote of the state citizens in June of 1990. Proposition 111 provided the following new adjustment formulas in order to make the Limit more responsive to local growth issues, among other things:

- The provision of a choice in methodologies for determining the annual population growth factor between (1) City population growth, or (2) County population growth.
- The provision of a choice in methodologies for determining the annual inflation factor between (1) growth in California per capita income, or (2) growth in non-residential assessed valuation due to the new construction within the City of Atascadero.
- Regulations allowing the exclusion of “qualified capital outlay” expenditures from the calculation of the Limit.
- The provision of a process for not requiring tax refunds if a city falls sufficiently below the Limit in the next fiscal year. The revised language provides two years beyond the second year to refund any remaining excess during which jurisdictions may seek to obtain a successful override vote.

Article XIIIIB specifies that the Appropriation Limit restricts the amount of revenue that can be appropriated. Not all revenues are restricted by the Limit, only those that are referred to as “proceeds of taxes”. The majority of the major General Fund revenue sources (Property Tax, Sales Tax) are classified as proceeds of taxes and are, therefore, subject to the Limit. Each revenue source is reviewed annually for classification as subject to, or exempt from, this Limit.

In addition, proceeds of taxes may be spent on several types of appropriations that do not count against the Limit. The law allows a city to spend tax proceeds on voter-approved debt, costs of complying with court orders and federal mandates, with certain restrictions, and expenditures for qualified capital outlay. Appropriations for these excludable categories do not count against the Limit.

The Council must adopt the Gann Limit in accordance with Proposition 111, and must vote to approve one of two population growth factors and one of two annual inflation factors.

**Population Factor**

The choice offered for the annual population growth factor is the greater of the growth in City or County population. The population figures for the City are provided prior to May 1 each year by the State Department of Finance. They are 0.76% for the City of Atascadero and 1.01% for the County of San Luis Obispo for 2009-2010. Based on these growth rates, the City Council approved the 2009-2010 Appropriations Limit using the County’s population growth factor.
GANN LIMIT

Inflation Factor
The choice offered for the annual inflation factor is the greater of (1) the growth in California per capita income, or (2) the growth in non-residential assessed valuation due to the new construction within the City. The State Department of Finance provides the City with the California per capita Income figure, which is 0.62% this year. The growth in non-residential assessed valuation has been calculated and provided by the County of San Luis Obispo at 18.4115% for this year. Based on these figures, the City Council approved the 2009-2010 Appropriation Limit using the growth in non-residential assessed valuation figure in determining the annual Limit.

The new Limit based on the formula set forth in Proposition 111 is calculated as follows:

A. Prior Year Spending Limit $17,285,548
B. Population Factor (County) 1.0101
C. Inflation Factor (Assessed Value) 1.1841
D. Adjustment Factor (B * C) 1.1961
E. Total Adjustment (A*(D-1)) $3,389,696
F. Current Year Limit (A + E) $20,675,244
RESOLUTION
RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF ATASCADERO
ADOPTING THE FISCAL YEAR 2009-2010
ANNUAL SPENDING LIMIT

WHEREAS, Proposition 111 revises the methodology used to calculate the Annual Spending Limit; and

WHEREAS, the City of Atascadero must select the most appropriate criteria to be used in calculating the annual limit.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Atascadero

SECTION 1. That the City of Atascadero elects to use the following criteria for fiscal year 2009-2010 in establishing its new Annual Spending Limit:

County Population and
Growth in Non-Residential Assessed Valuation

SECTION 2. That the annual spending limit for 2009-2010 is calculated as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Percentage Change</th>
<th>New Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>19.61%</td>
<td>$20,675,244</td>
</tr>
</tbody>
</table>

SECTION 3. Any judicial action or challenge must be commenced within 45 days of the effective date of this resolution;

SECTION 4. Documentation used in determining the Annual Spending Limit is available to the public in the Administrative Services Department, 6907 El Camino Real, Atascadero, California.

PASSED AND ADOPTED at a regular meeting of the City Council held on the 9th day of June, 2009.
On motion by Council Member O’Malley and seconded by Council Member Clay, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES: Council Members Clay, Fonzi, Kelley, O’Malley and Mayor Béraud

NOES: None

ABSENT: None

ADOPTED: June 9, 2009

ATTEST: CITY OF ATASCADERO

Marcia McClure Torgerson, C.M.C., City Clerk

By: Ellen Béraud, Mayor

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney