Atascadero City Council
Staff Report – Administrative Services Department

Mid-Year and Mid-Cycle Budget Revisions

RECOMMENDATIONS:

Council:

2. Adopt Draft Resolution B approving a Proposition 1B Local Streets and Roads Funding Proposal and accepting Proposition 1B funding from the State of California Department of Finance to be used on eligible transportation projects within the City of Atascadero.
3. Approve staff budget actions taken and adopt the fiscal policies as described in this staff report.

REPORT-IN-BRIEF:

Economists are all in agreement that the state is in a period of economic downturn. The predictions of how deep and how long this fiscal dip will last vary widely. Staff believes, based on well respected research and key economic indicators that the City may continue to experience a troublesome economy for the next several years at least. Analysts indicate that the State economy will slowly begin to regain strength toward the end of the next year, and Atascadero, with its location and unique economy of its own, tends to lag slightly behind current trends.

The Council’s effective foresight in adopting sound policy has enabled the City to maintain stability through these difficult times. For the last ten years, the Council has held tight to the fiscal strategic plan that provides for downswings in revenues by putting money aside in good times and then using some of that money during cyclical periods of economic slowdowns. This policy allows for stable operations and continuity in service to the community, and ensures long-term financial sustainability to the organization. Atascadero has been able to maintain status quo while the State and some neighboring cities are immediately facing severe cuts. As agencies experience these periodic cutbacks, the importance of rainy-day policies becomes more evident. Similar polices have been adopted in cities across the State and Governor Schwarzenegger has recently recommended such a policy at the State level to help solve some of California’s budget concerns.

During the current fiscal year, the City’s expenses were budgeted in excess of the City’s revenues, so some of the money saved up from previous boom years has been used to supplement operations. This is known as deficit spending, and it is a planned and integral part of the City’s fiscal policy. Ups and downs in the economy have consistently appeared
throughout the City’s history, and deficit spending of the reserves is meant to be an effective short-term tool for sustainability in the tight years and is done in conjunction with a long-term financial plan. However, deficit spending is akin to withdrawing money from a personal savings account. Although the City has done a good job in funding the reserve account, if used excessively, that account will eventually run out.

As of this moment, the City is in a good financial position. The General Fund essentially has $11 million in the bank, well more than needed to cover the budget deficit for this year and next. Although budgets are tight and there isn’t enough money to complete all of the projects the community desires, overall services are being provided, road repair progress is being made, and City fiscal obligations are being fulfilled. Unfortunately, the City won’t be in a positive financial position indefinitely. The combination of the economic downturn and other financial trends will cause the City to be on a negative fiscal trajectory.

Staff currently projects that cash flow reserves will have to be tapped in the second year of the next two-year budget cycle, or 2010-2011 and that General Fund Reserves will completely run dry two years after that. Just as you wouldn’t wait to apply for a personal loan until your bank account ran to zero, the City should not wait to make positive changes until its account runs to zero. Positive changes to the bottom line don’t necessarily have to be drastic. They often come in the form of day-to-day policy decisions that can have lasting effects, whether it is about not implementing new programs or approving economic development of some sort. The daily decisions that are made on Tuesday nights form, to a great degree, the basis of the City’s bottom line.

DISCUSSION:

In the face of any economic downturn and negative financial trajectory, there are a number of questions that need to be asked and answered.
“What is the current status of revenues and expenses?”
“How much is there in reserves?”
“How long can the City last?”
“Is this downturn cyclical or permanent?”
“What has been done?”
“What can Council do now?”

It is important that everyone understand the answers to these questions, to make both the policy decisions and the day to day decisions that affect our financial future.

What is the Current Status of Revenues and Expenses?

Revenues
Recent changes at the State have shifted revenues from State sources to property taxes. Forty percent, or $7.6 million, of General Fund revenues now come from property related taxes, leaving the City heavily reliant on the
ups and downs of property tax revenues. Sales tax was projected to come in at 21%, or almost $4 million of the $19 million General Fund pie, while development should bring $1.7 million, or 10%.

News has not been favorable for these key General Fund revenues. Preliminary estimates of General Fund revenues predict a shortfall compared to budgeted figures of $970,000, or 5% of budgeted revenues. The variance is not simply a reduction across the board, but is due to multiple concurrent economic issues. Staff has analyzed each of these in great depth to fully understand the complexities and to more effectively project the future revenues and trends.

<table>
<thead>
<tr>
<th>Positive / (Negative) Variance from Budget</th>
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</thead>
<tbody>
<tr>
<td>Supplemental &amp; Property Transfer Tax</td>
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<tr>
<td>Sales Tax</td>
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<td>FEMA Administration</td>
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<td>Development Revenues</td>
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<td>Mutual Aid</td>
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<td>Interest Revenues</td>
</tr>
<tr>
<td><strong>Total Projected Revenue Shortfall</strong></td>
</tr>
</tbody>
</table>

Property Tax Revenues

($200,000) net decrease in revenues for fiscal year 2007-2008
($450,000) net decrease in revenues for fiscal year 2008-2009

The State, in efforts to balance their own budget, swapped out Motor Vehicle in Lieu (MVLF) revenues for Property Tax revenues. Although this was a dollar for dollar swap decreasing MVLF and increasing Property Tax revenues, the swap has had lasting effects on General Fund revenues. The swapped revenues now move up and down with the trends in Property Tax revenues, rather than with the more stable MVLF revenues. Additionally, Property Taxes now represent a greater percentage of the total General Fund revenues, causing the City to be all the more reliant on Property Taxes. This also enlarges the cash flow gap as a greater portion of revenue is received into the City twice annually, once in December and once in April, rather than monthly with the MVLF receipts.

The good news is the real estate boom of recent years gave a boost to the City’s property tax base. Property Tax revenues are earned on the base assessed value of properties. Property tax can increase only a small percentage each year, so properties that were purchased many years ago have undervalued assessments. As these properties change ownership, their values can be reset to current market rates, increasing the City’s tax base. Analysis of the City’s base shows that 75% of the City’s properties are potentially undervalued because they were purchased prior to the big price inflations of 2005. Essentially, this means that 75% of the Property Tax base is stable and likely to increase and the other 25% of the base is

**Property Taxes by Age of Purchase**

- **Before 1980**: 17% - **2007 - Now**: 9%
- **1980s**: 9% - **2005 - 2006**: 16%
- **1990s**: 20% - **2003 - 2004**: 14%
- **2000 - 2002**: 15%
possibly overinflated and has the potential to decrease. Even with aggressive reassessments to lower values, history has shown that because so much of the pie is subject only to potential increase, that an overall decrease in the property tax base is unlikely. Instead, staff expects to continue to see a slowing of the growth in this large revenue source.

Although Current Secured and MVLF revenues totaling $7.7 are coming in as projected for fiscal year 2007-2008, there is a small component of property taxes that is more volatile. Supplemental Taxes and Property Transfer Taxes are directly related to the transfer of property and are thus highly sensitive to changes in the real estate market. A slow real estate market translates to significantly fewer sales and substantially less Supplemental Tax Revenues and Property Transfer Tax. Supplemental taxes are predicted to be down 58% from the previous year causing a $142,000 shortfall from budgeted revenues, and Property Transfer Taxes are down 31% from the previous year, adding an additional $50,000 to the shortfall.

**Sales Tax Revenues**

($450,000) net decrease in revenues for fiscal year 2007-2008
($850,000) net decrease in revenues for fiscal year 2008-2009

Sales Tax Revenues, which are roughly one-fifth of the General Fund Revenues, are down across the State, but Atascadero was particularly hard hit because its Sales Tax Base is not broad. In other words, a large portion of Sales Tax Revenue comes from a few retailers in sectors that have been hit hard. Since calendar year 2001, the City’s top two sales tax revenue producing industries have been Building/Construction and Autos/Transportation. Lack of consumer confidence, the soft housing market, and ever increasing fuel and energy rates have caused reductions in these two sectors. Fourth quarter 2007 adjusted Sales Tax Revenues were down 9.3%.

The deflation in the real estate industry has influenced the Building and Construction industry. It is one of the hardest hit sectors of the economy, dropping 11.6% from 4th quarter 2006 to 4th quarter 2007. Uncertain of future values, consumers are reluctant to invest much toward building and construction projects. Additionally, the sub-prime mortgage crisis has affected the market for home equity loans and refinancing loans, further reducing the potential for home renovation projects. Restored growth in this industry is expected to come slowly.

The Energy Information Administration said on March 31, 2008, the average U.S. retail price for gasoline set a new record of $3.29 a gallon, up 3% from the prior week level and a 58% rise from a year ago. These high fuel prices have led consumers to seek more-fuel efficient autos, leading to weakening sales in SUVs and trucks. Ford Motor Company nationwide truck and SUV sales dropped 16 percent during March 2008 versus March 2007, and Ford’s nationwide
sales on all products fell 12% during 2007. Our community is unfortunately not immune to this decline in sales activity. Atascadero Ford recently announced that it will be closing its doors. From its high point, this is a loss of $320,000 in Sales Tax Revenues annually. This will have a significant effect on the City’s already lagging Sales Tax Revenues. The combination of the downturn in Building & Construction sales revenues, along with the closure of the Ford dealership have forced us to revise our sales tax projections downward by $450,000 in 07-08 and $851,800 in 08-09.

*Development Revenues*

($750,000) net decrease in revenues for fiscal year 2007-2008  
($380,000) net decrease in revenues for fiscal year 2008-2009

Development Revenues have decreased significantly during this fiscal year and last. Development Revenues are a mirror that reflects the current real estate market. While staff expected the drop in activity, it came in much sharper than anticipated. There are significant projects in process that staff anticipated would be completed by the end of the year; however only 16 single family residence (SFR) permits have been paid and issued in the current fiscal year, compared to 267 in fiscal year 2005-2006. Although, only 16 SFR permits have been pulled this year, there is in fact, a large number of permits that have been through the plan check process and are ready to be paid and picked up. With the economy like it is, developers and home owners are reluctant to pick them up. The length of time the housing market takes to rebound varies from cycle to cycle, and is highly dependent on the financial health of the developers. Based on estimates from a variety of sources, staff anticipates that development will again begin to pick up in 2010.

In the near term, it is expected that Development Revenues will come in $765,000 lower than anticipated for fiscal year 2007-2008; however in 2008-2009, the graph above appears to show that Development Revenues will bounce back to 2006-2007 levels. This is somewhat misleading, as a significant portion of the Development Revenues predicted to come are from two one-time sources. Staff is projecting that the Del Rio EIR fees will be received in 2008-2009. Unfortunately, this large revenue will be mostly offset by a large EIR consultant fee and associated legal fees. In addition to the EIR revenue, staff is projecting that the City will receive
approximately $150,000 in Plan Check Fee Revenues. These Revenues are related to permits for which the City has already expended the funds to plan check the permit, however because the developer has not pulled the permit, the City has not been paid. Although still in the preliminary stage, staff is looking at a plan where permits that are expired or about to expire may be extended. It is anticipated that as part of the proposal to Council, there will be some component whereby developers would have to reimburse the City for the outstanding plan check fees prior to receiving an extension.

**Mutual Aid**

($300,000) decrease in revenues for fiscal year 2007-2008  
$150,000 decrease to expenditures for fiscal year 2007-2008

The Atascadero Fire Department (AFD) has a contract with the Forestry Service that is the source of most of the revenues in this category. Because of an unusual fire season in this area of the State, the Fire Department was not able to provide the expected level of service to the Forestry Service, causing a shortfall of projected revenues of $300,000 and an offsetting expenditure savings of $150,000. Since the 2007 Fire season was atypical, a similar event is not expected to occur again in fiscal year 2008-2009. The $900,000 of revenues and the $509,890 in expenses budgeted for fiscal year 2008-2009 is expected to be fully realized.

**Historic City Hall FEMA and OES Administration Revenues**

$560,000 net increase in revenues for fiscal year 2007-2008

The City received Administrative funding related to the Project Worksheet (PW) authorized by the Federal Emergency Management Agency (FEMA) on the Historic City Hall project. On large projects such as City Hall, FEMA grants 2% to the applicant agency, and the Office of Emergency Services (OES) grants 10% to the applicant agency, for administration of the grant funds. These funds are issued soon after FEMA’s approval of the PW.

**Expenditures**

With some minor exceptions, General Fund expenditures are coming in as expected. The City is a service organization. In the current fiscal year (2007-2008), 67% of the General Fund budget is dedicated to employee costs, while 30% is dedicated to operating expense. The remaining 3% is dedicated to special projects, capital purchases and debt service.

The City has entered into Memorandums of Understanding (MOUs) to establish employee benefits with the Fire Union through fiscal year 2009-2010 and all other unions through fiscal year 2008-2009. After fiscal year 2009 for most unions, and fiscal year 2010 for the Fire Union, labor cost negotiations reopen. There will be constant pressure to keep salaries and benefits competitive with market rates in the local area. Keeping up with these costs will be a challenge in the upcoming years in light of the information available today.

Operating costs, which are expected to come in at about $5.7 million, consist of all the ongoing day to day costs other than employee costs. They include items from postage to contract services; water bills to recruitment costs; and insurance to vehicle replacement costs. While the City staff has control over some line items such as office expenses, other costs are subject to contract, the weather, or other elements that City staff has little control over. Historically, these costs increase by about 3%, or a little less than $200,000, a year.

When staff realized that the economic downturn was steeper and more severe than originally expected, budget savings measures were implemented throughout the City. Staff projects that employee services will end the year $200,000 below the adjusted budget. The combination of
selectively not filling vacant positions in the short-term and the judicious use of overtime saved
$115,000 of the amount, and lower than expected mutual aid labor costs saved the remaining
$85,000.

Staff also expects operating expenses to come in $500,000 under the adjusted budget. Some
of the savings in this category are closely linked to drops in activity levels and include $135,000
reduction in the Community Development budget and $45,000 reduction in the Mutual Aid and
Code Enforcement budget. Other operational savings will come from the Colony Park
Community Center ($80,000) and from the City Manager’s office ($130,000). The remainder is
being realized from a general tightening of the belt throughout the City.

There are expenses that have arisen that were not included in the original adopted budget but
will require additional appropriations. Included are such costs as legal fees, labor contracts,
police overtime, and city clerk activity. Thankfully, the costs of these expenses will be offset by
the above described savings. The savings total approximately $700,000, and the changes
requested add up to only $508,000. This leaves the City’s expenses with a positive variance of
$200,000 as compared to the originally adopted expenditure amount.

**How Much Is There in Reserves?**

In its foresight, Council prudently adopted the financial policy to put away enough money in the
good times to carry the City through the bad times. The question is how much was actually put
away and how were the funds to be used?

At the beginning of the fiscal year, the City
had $2.2 million of undesignated reserves
which are funds that have not been
earmarked for any specific purpose and are
available for Council discretionary spending.
The City also had an additional $1.5 million
set aside just for downturns such as the one
the City is facing. These two reserve
accounts were intended to be used first in an
economic downturn. There are really little
adverse consequences to using these
reserves other than the need to replenish
them in time for the next downturn.

Prior to the implementation of the Road
Program, the City also put away $0.4 million to go toward future road programs. It has been left
on the books with the intent that this would be opportunity money. If an opportunity came up
that needed a match or money from the City, this money could be used. In the face of an
economic downturn, staff would recommend using these funds after the Undesignated and
Designated for Economic Uncertainties had been depleted. The cost of using these funds is
that they would be unavailable if an opportunity arose where the City could leverage them.

The City had $1.0 million set aside in an account called Designated for Due from Other Funds. This
represents amounts that the General Fund had loaned to other funds and therefore wasn’t
available for general expenditures. Typically, the loan arises because the other fund has a large
capital project that is grant funded. This means that the City must expend the funds and

<table>
<thead>
<tr>
<th>General Fund Reserves</th>
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<tbody>
<tr>
<td>General Fund - undesignated</td>
<td>2,170,183</td>
</tr>
<tr>
<td>Designated for economic uncertainties</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Designated for road projects</td>
<td>445,000</td>
</tr>
<tr>
<td>Designated for due from other funds</td>
<td>960,279</td>
</tr>
<tr>
<td>Designated for cash flow</td>
<td>4,500,000</td>
</tr>
<tr>
<td>Reserved for advances to other funds</td>
<td>1,375,175</td>
</tr>
<tr>
<td>Reserved for encumbrances &amp; prepaids</td>
<td>31,225</td>
</tr>
<tr>
<td>Designated for library</td>
<td>52,650</td>
</tr>
<tr>
<td></td>
<td>$ 11,034,512</td>
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</table>
request reimbursement once the funds are expended. There is usually a several month lag between when the City must pay out the funds and when the City receives the funds. The General Fund steps in during this lag and loans funds to keep the project moving. In general, the amount in the Reserve for Due to Other Funds varies greatly from year to year based on the number of large grant programs that the City has going. In an economic downturn, the City could use these funds, by having another fund such as the Wastewater Fund loan these amounts. However, there is an opportunity cost if the new loaning fund (the Wastewater Fund in this case) no longer has enough funds to do its own projects or operations.

The City has $4.5 million set aside for cash flows. This is the amount of cash flow the City needs to get from the beginning of the fiscal year in July through December when the City finally receives its first Property Tax payment of the year. In a severe economic downturn, the City can use these reserves. Once the City uses these reserves to cover operations, the City would have to borrow funds in the spring of each year and pay them back once it receives its property tax in the winter. The City does have options for borrowing these funds such as participating in a TRAN (Tax Revenue Anticipation Note) or borrowing from other funds within the City. There is, however, a cost to borrowing funds: interest expense, issuance costs and lost opportunity costs are costs that the City will incur with borrowing these funds.

Reserved for Advances to Other Funds makes up $1.4 million of the available General Fund Reserves. This is the amount that the General Fund has loaned to the Redevelopment Agency on a long term basis. In a financial crisis, the City could use the reserves to fund City operations. This would mean that the General Fund would lose a lucrative source of interest revenue and the Redevelopment Agency could potentially have to cut projects in order to pay off this debt. In addition to this, the Redevelopment Agency would have to find another source for its revolving debt of approximately $500,000.

As important as it is to understand the General Fund Reserves and the ramifications and costs of dipping into each of the reserve accounts, it is just as important to understand which other accounts there might be within the City that are legally accessible to the General Fund in order to meet its operational needs. There are two other sources of potential funds that could be considered. The first is the CCCSIF workers compensation fund balance and the other is the internal service account replacement funds.

As of January of this year, there is currently an estimated surplus of $.8 million in the City’s CCCSIF Workers Compensation Fund. Once a year, the City may be either required to make a deposit to the fund if the City’s balance is negative, or may be given the opportunity to request a refund if the balance is positive. In accordance with the City’s conservative fiscal policy, the City has not requested a refund of the balance when given the opportunity. Similar to the City’s fiscal policy, this allowed the surplus in the fund to be used to cover years where changes in the workers compensation claims caused large deficits in the fund. This practice has smoothed out the City’s workers compensation costs.

<table>
<thead>
<tr>
<th>Estimated Internal Service Replacement Funds</th>
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<tbody>
<tr>
<td>Building Replacement Funds</td>
<td>$ 2.7 million</td>
</tr>
<tr>
<td>Technology Replacement Funds</td>
<td>0.8 million</td>
</tr>
<tr>
<td>Vehicles &amp; Equipment Replacement Funds</td>
<td>1.9 million</td>
</tr>
<tr>
<td><strong>$ 5.4 million</strong></td>
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</tbody>
</table>
The City also has amounts set aside for replacement of vehicles, equipment, buildings and technology. The City has the legal right to transfer these funds back to the General Fund; however, it is not necessarily prudent to do so. These are akin to a college savings account for a child. Every year, money is put into the savings account so the child can attend college once he graduates from high school. A parent may suspend annual contributions in fiscally hard times and may also dip into the college funds, using them for house payments or other items if the need becomes critical. Once the fund is dipped into, it becomes doubly burdensome as the family tries to both replace what they withdrew, and also tries to maintain their annual funding level in order to have enough for the child to go to college at age 18. Similarly, the City puts away amounts annually so that as vehicles, computers, software and buildings become old and no longer function, the City has funds to replace them. These funds are legally available to transfer back to the General Fund; however, it does not change the time frame that roofs will have to be replaced or software will no longer be supportable.

How Long Can the City Last?

Now that it is known how much the City has in reserves and other available funds, the question becomes, “How long can the City last?” There are no definitive answers that one can give to that question, as this involves predicting the future and the only known when predicting the future is that the prediction will be wrong. What staff can do is project out the future revenues and expenses based on best estimate of what changes will occur in the future and what decisions will be made as that future unfolds. Just by projecting out the future and disclosing the information, we in fact hope to, and have the ability to, change that future.

Based on current projections, it appears that the City will have used up its Undesignated Reserves, its Reserves for Economic Uncertainties and its Road Program Reserves by June of 2010. The City will have to borrow funds in 2010-2011 and into the future to meet its cash flow needs, but will still be in the black overall. Without alterations to our current course, staff projects that by 2013-2014, General Fund reserves will have completely dried up and budgeted expenses will still outweigh budgeted revenues.

<table>
<thead>
<tr>
<th>6 Year Projection</th>
<th>Revenues, Expenses and Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Estimated</td>
</tr>
<tr>
<td>Revenues</td>
<td>$18,991,391 $18,069,000 $18,559,220 $18,445,950 $19,109,780 $20,077,670 $21,024,760</td>
</tr>
<tr>
<td>Expenses</td>
<td>(18,591,145) (19,370,510) (20,537,720) (20,918,610) (21,262,740) (21,685,310) (22,105,940)</td>
</tr>
<tr>
<td>Net Income</td>
<td>400,246 (1,301,510) (1,978,500) (2,472,660) (2,152,960) (1,607,640) (1,081,180)</td>
</tr>
<tr>
<td>Fund Balance at Beginning of Year</td>
<td>10,634,266 11,034,512 9,733,002 7,754,502 5,281,842 3,128,882 1,521,242</td>
</tr>
<tr>
<td>Fund Balance at End of Year</td>
<td>$11,034,512 $9,733,002 $7,754,502 $5,281,842 $3,128,882 $1,521,242 $440,062</td>
</tr>
</tbody>
</table>

Composition of Fund Balance at Year End

| General Fund - undesignated | $2,201,408 $899,888 | $ - $ - $ - $ - $ - |
| Designated for economic uncertainties | 1,500,000 1,500,000 | 421,398 - - - - |
| Designated for road projects | 445,000 445,000 445,000 | - - - - - |
| Designated for due from other funds | 960,279 960,279 960,279 | - - - - - |
| Designated for cash flow | 4,500,000 4,500,000 4,500,000 | 3,854,017 1,701,057 93,417 |
| Reserve for advances to other funds | 1,375,175 1,375,175 1,375,175 | 1,375,175 1,375,175 387,412 |
| Designated for library | 52,650 52,650 52,650 | 52,650 52,650 52,650 |
| $11,034,512 $9,733,002 $7,754,502 | $5,281,842 $3,128,882 $1,521,242 | $440,062 |

Staff has made key assumptions in order to project revenues and expenses into the future:
• Current secured property taxes are projected assuming the growth using the following percentages:

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>PROPERTY TAX ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>Assumes 4% growth in Current Secured revenues and MVLF. Assumes continued sharp fall off of supplemental and property transfer taxes</td>
</tr>
<tr>
<td>2009-2010</td>
<td>Assumes 2% growth in Current Secured revenues and MVLF. Assumes increase in supplemental and property transfer taxes</td>
</tr>
<tr>
<td>2010-2011</td>
<td>Assumes 3% growth in Current Secured revenues and MVLF. Assumes strong increase in supplemental and property transfer taxes</td>
</tr>
<tr>
<td>2011-2012</td>
<td>Assumes 4% growth in Current Secured revenues and MVLF. Assumes strong increase in supplemental and property transfer taxes</td>
</tr>
<tr>
<td>2012-2013</td>
<td>Assumes 5% growth in Current Secured revenues and MVLF. Assumes increase in supplemental and property transfer taxes</td>
</tr>
</tbody>
</table>

• Sales Tax is projected assuming the following underlying general percentage increases in future years:

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>SALES TAX ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>Generally flat with a slight upward trend toward the end of the fiscal year. This base was then adjusted downward for the loss of the Ford dealership, Obispo Pacific and a projected slight continued decrease in Building &amp; Construction. The base was adjusted upward for the addition of Royer Marine and a potential future outlet at Mission Oaks in late 2008/early 2009.</td>
</tr>
<tr>
<td>2009-2010</td>
<td>Generally an increase of 4%, with an adjustment downward (20% of Home Depot revenue) in 4th qtr 2009 for the opening of a Lowes in Paso Robles. An addition to the base was made for a potential tenant in the current Rite Aid building and an increase was included for the remaining quarters of the Mission Oaks addition</td>
</tr>
<tr>
<td>2010-2011</td>
<td>Generally an increase of 4%, with an adjustment downward in the 3rd qtr of 2010 for Lowes opening, and adjustment upward in early 2011 for development of commercial pads at the Home Depot Center</td>
</tr>
<tr>
<td>2011-2012</td>
<td>Generally an increase of 4% with an adjustment upward for 2 quarters for the commercial pad at the Home Depot Center.</td>
</tr>
<tr>
<td>2012-2013</td>
<td>Generally an increase of 4%</td>
</tr>
</tbody>
</table>

• Any future sales tax revenues for the Colony square project are not included in the assumptions, however development revenues for construction of the project are included.
• Development revenue is assumed to be slow through 2009-2010 and will pick up in 2010-2011 with continued increases through 2012-2013.
• Estimated fees and related expenses for the EIR and Specific Plan at the Del Rio intersection are included in the projection; however other development fees related to permitting, sales tax, and property tax are not accounted for.
• Development revenues, development expenses, property taxes and any other potential revenues and expenses related to Eagle Ranch are not included in the assumptions.
• TOT Revenue from the Holiday Inn Express, opening this year, is included and it is assumed that one additional hotel will open within three years.
• Wage increases after the expiration of the current labor MOUs have not been included in projected expenses.
• Minor budget cutbacks implemented in the future are included
• Potential layoffs or program eliminations have not been included in the projection
• Funding for new programs has not been included in the projection
• Funding for NPDES Phase II annual City expenses is assumed at $100,000 a year starting in 2009-2010
• Discretionary capital and special projects funded from the General Fund are projected at minimum amounts from 2009-2010 through 2012-2013

Many assumptions are made to project future occurrences. What is obvious today is that there is over $11 million between now and crisis. The Council’s fiscally conservative policy has bought some time to make the changes necessary to avoid a financial crisis. The time then buys more options to change the financial future. Every policy decision that Council makes and day to day decision that staff makes has the potential to change the financial projection for either the better or the worse.

Is This Downturn Cyclical or Permanent?

The graph to the right depicts the strategic policy the Council adopted many years ago. In a typical cyclical economy, the straight expense line would evenly dissect the ups and downs of the revenue curve, as shown in the top graph. However, a permanent downturn would be more accurately represented in the lower graph. This graph demonstrates that the portion of the curve below the expense line (representing the deficit years) is greater in size than the portion of the curve above the expense line (representing the boom years). This would not be a sustainable situation in the long run.

This begs the question: Which graph more closely represents the City’s status? As there is no clear answer to how long the City can last, there is no simple answer to “Is this downturn cyclical or permanent?” Staff believes that there is a combination of long-term, short-term, and unknown factors at work.

It is clear that the slowing of Property Tax growth and the drastic decreases in Supplemental Property Taxes and Property Transfer Tax are cyclical trends. These revenues trend with the California boom or bust real estate market and history has shown that California real estate may rise and fall, but that there will continue to be a strong upward trend. There is no reason to believe that this historical pattern is going to change with this downturn. The question of property tax becomes, how long will the real estate market be slow and when will the City see the bounce back? Each economist has their own opinions about when the real estate market will rebound, but the general consensus seems to be sometime in late 2009. The Central Coast tends to lag about 6 months to year behind the rest of the State, so staff is predicting a slow turn around sometime in 2010. Although the real estate market may begin to turn around in 2010, it may still be a
number of years before Atascadero sees the boom years that were experienced in 1989-1991 or in 2005-2007.

Development has both a cyclical component and a permanent component. Certainly the most visible portion of development revenue trends is the cyclical portion. As the real estate market slows, developers are understandably reluctant to develop properties that will not sell in the slow market. Thus revenues from building permits, plan checking and other development fees slow to a halt. As the real estate market recovers, and properties once again begin to sell, developers will again want to develop properties realizing a profit from the real estate boom. The less visible component of development revenues has to do with the long-term development of a community which is more akin to a bell curve. As a City heads closer and closer to build out, there is less and less land that is available for development and as the City eventually reaches build out, development will slow to just rehabilitation / re-use projects. The means that although the City may never see the level of development that it has in recent years with the development of tracts such as Dove Creek, Las Lomas, Apple Valley, De Anza, North El Camino, etc., the City will continue to experience upswings and downswings in development activity with a general downward trend. Ignoring the effect of what is being developed, the net effect of swings in development revenues should be $0, having no impact on the City’s ability to provide other services to the community. Council has set the development fees so that the cost of providing the services (building inspections, plan checks, zone changes, etc..) equals the amount of fees charged to the developer/homeowner; however, there is an inherent timing difference between when the revenues are received and when the City must provide the services.

The downward trend for Sales Tax is more difficult to analyze and has the most potential for change. There are certainly cyclical factors at work such as the downturn in building and construction materials sales; however, there may be a more permanent factor as well. Losses of the top 25 sales tax generators such as Atascadero Ford, Obispo Pacific and Central Coast Mitsubishi cause a significant loss of City revenues that may not return. Compounding the loss of revenues from the closure of large retail outlets in the City are internet sales and retail outlets in neighboring cities, which continue to draw revenues out of Atascadero. The City’s sales tax consultants have advised that if a Lowe’s opens in Paso Robles, similar outlets in Atascadero should expect a decrease of 20% or more. All of these items taken in combination lead staff to believe that perhaps this downturn in the Sales Tax Revenue is not just cyclical in nature, but is instead of a more permanent nature, as Atascadero’s place in the local economy is redefined.
What Has Been Done?

The conservative fiscal policy has prepared the City for a few years of economic downturn. The City is okay for now, successfully paying its bills and fulfilling financial obligations. While these are signs of effective financial management, they are unfortunately also signs that, without closer observation, can lull a person into false security. While the City is financially sound now, it is important that adjustments be made now in order to maintain financial stability. There are in effect two methods for changing the financial outlook of the City. Either revenues can be raised or expenditures can be reduced. Staff has taken the following steps, working on both sides of this equation:

- **Reduce Operating Expenses**
  Staff has reviewed each and every operating expense line item within the budget and has made cuts. Although no department’s budget has been formally slashed, each department now has new lower “target expenditure amounts” for both 2007-2008 and 2008-2009. These savings will be achieved through a variety of methods such as deferring purchases, watering less, raising thermostats, and minor decreases in service levels.

- **Education and Communication**
  Staff has just begun a program where important financial information is disseminated to employees through budget memos, meetings, e-mails and other means of communication. It is expected that Finance staff will meet with each department’s employees sometime before the end of May to discuss the financial outlook, what it means and the areas in which employees can help.

  Staff will continue to provide both the Council and the public with information regarding the City’s financial outlook through both the audit and budget process. In addition, as with the recent Sales Tax numbers, staff will inform Council and the public about changes to the financial outlook, as staff becomes aware of the changes.

- **Fees**
  It is anticipated that staff will be bringing a fee update to Council in June. The fee update will include regular CPI increases, along with adjustments to selected fees so that fees remain in line with Council’s fee policies.

- **Economic Development**
  Council has taken the first steps toward a comprehensive Economic Development Strategy. It is hoped that this policy which will be formed by the community’s vision of Atascadero will help shape Atascadero’s economic future. Additionally, staff continues to aggressively pursue retail development for existing centers, new hotels, and support of Colony Square.

- **Identification of Potential Program Cuts and Service Level Reductions**
  Staff is in the process of identifying potential program cuts and service level reductions in the event that these become necessary. Staff is working with the operating departments to determine potential areas of service level reductions, the impact on the community of such reductions and the potential savings from each reduction. These options will have a direct effect on the community and as such, must be carefully
evaluated prior to implementation. If the economy and the City’s financial picture does not begin to turn around within the next year or two, staff will investigate these strategies more closely and will bring reduction recommendations to Council prior to implementation.

- **Analyze Fund Balance in CCCSIF Workers Comp Account**
  Staff is analyzing the pros and cons of withdrawing the CCCSIF Workers Compensation Fund “surplus” in 2008-2009 and transferring it to the City’s General Fund. Staff will bring a recommendation to Council as part of next year’s mid-year budget report.

- **Funding of Annual Replacement Reserves**
  Staff has looked at annual funding of the replacement reserves. Currently, the City puts enough away annually in replacement reserves to fully fund the replacement of vehicles and technology equipment when they reach obsolescence. The City also puts away a significant portion of the amount needed to replace buildings and puts away about $50,000 a year toward equipment replacement. Staff is looking at the long-term ramifications of suspending the equipment reserve and the building replacement reserve. Staff has instituted a policy of holding off on the 2008-2009 replacement transfers until the mid-year budget adjustments and/or audit are brought to Council in January.

- **Funding of Annual Roads Contribution**
  The City annually transfers $250,000 of General funds to major road repair projects. This annual transfer was set up to help the Road Program when there was “excess revenue” in the General Fund. The original intent was to eliminate this transfer in periods of economic downturns; however, it is clear that roads continue to be a priority of the Council and the community. Staff has begun looking at both the long-term and short-term ramifications of suspending this annual contribution. It is expected that staff will bring back recommendations as part of the 2009-2011 budget process.

- **Hiring Chill**
  The City Manager has instituted a “hiring chill”. This is not a hiring freeze that stops all hiring, but a softer form that requires management evaluation for each position that becomes empty due to attrition. The hiring manager, before re-filling that position, would take a hard look at the position and its contribution to determine if that position is absolutely necessary in the short run. This saves labor costs in the near term without the negative and persistent affects of layoffs or hiring freezes. However, it does in effect reduce service levels since the employee is no longer available to provide the service to the public.

- **Operations Monitoring**
  The most important step staff has taken is increased monitoring. This allows staff to regularly update the Council and continuously make necessary adjustments. The staff has implemented a policy whereby each department or division reviews their revenues and expenses on a monthly basis to ensure that targets are being met and adjustments are taking place. More importantly, the entire financial outlook is being reviewed and adjusted on an ongoing basis so that changes will be caught early and communicated allowing for adjustments in the financial strategy accordingly.
What Can Council Do Now?
Staff is closely monitoring the situation and as seen above, has accomplished much toward improving the City’s financial condition. Staff has some key recommendations for the Council at this time. Most of these are generalized recommendations that the Council can consider today and use as a basis of a new way of thinking about the future.

- **Budget Adjustments**
  Staff recommends that Council adopt the budget adjustments as proposed in the attachment to this staff report. For the most part, these adjustments to the budget are necessary to reflect current revenue and expenditures activities.

- **Endorsement of Staff Actions Taken**
  Staff recommends that Council support the actions taken by staff to adjust the financial outlook of the City.

- **Revenue Enhancement**
  Staff recommends that Council aggressively pursue revenue enhancement options. The City has some great opportunities on the horizon for economic development including Colony Square, Holiday Inn Express and some form of development at the Del Rio intersection. The decisions that the Council makes now will affect our revenues in the future. If the City’s long-term financial outlook does not improve in the next year or two, only then would staff recommend that the finance committee again look at other more unpleasant potential revenue enhancement strategies such as increased taxes.

- **No New or Expanded Programs**
  Staff recommends that Council institute a policy of no new or expanded programs. Such programs should be deferred until the City is in a better economic climate and no longer budgets at a deficit. It is painfully evident that Atascadero has limited financial resources. Every project or program that receives appropriations essentially displaces funding for a handful of other projects or programs, or worse, puts the City in a more severe deficit situation. Limiting the City’s financial commitments to what has already been obligated will help the City to ease through this time of economic challenge.

- **Maintain Regular Daily Operations**
  Staff recommends that Council upholds the current adopted budget obligations. While the City’s fiscal situation requires constant monitoring and re-evaluation, drastic modifications are not currently necessary. As discussed earlier, the City has sufficient funding to fulfill the current budgeted obligations. The assumptions that staff has made to project the General Fund balance for the next six years will no doubt change as the future is realized. This is where the constant monitoring and re-evaluation come in. The more that the City is able to enhance revenues and hold expenses steady, the better the future years become. The key point is to have an understanding of the City’s fiscal status and how to mold it to become what the community needs.

**SUMMARY:**

The Council has done an exceptional job in setting strategic fiscal policy that has put $11 million in the City’s General Fund reserves to face current and future economic challenges. After analysis of the data available, staff is confident in the City’s ability to fulfill current financial
obligations and maintain the programs and service levels in the adopted budget. However, staff predicts that if the City stays on its current charted course of revenues and expenditures, it will begin to have severe financial difficulties by fiscal year 2013. Staff has enacted proactive measures to reduce expenditures and increase revenues where possible, closing the deficit gap. Council can further ward off impeding fiscal crisis by enacting policy to pursue revenue enhancement and disallow any new or expanded programs and service levels. The future brings challenges, no doubt, but, working together, the Council, the staff and the public can explore and utilize the many options and tools available to find the solutions that will yield a community we can all be proud of.

FISCAL IMPACT:

$970,000 net decrease in General Fund revenues and $368,540 net increase in General Fund expenditures for fiscal year 2007-2008
$1,680,000 net decrease in General Fund revenues and $452,780 net increase in General Fund expenditures for fiscal year 2008-2009
$446,790 increase in revenues for other funds and $103,120 increase in expenditures for other funds for fiscal year 2007-2008
$545,000 increase in revenues for other funds and $575,730 increase in expenditures for other funds for fiscal year 2008-2009

ALTERNATIVES:

Council has the option to add or delete any budget item. This will decrease or increase the remaining reserve balance at June 30, 2008 and June 30, 2009 by the amount adjusted. Council could also choose to allocate the Proposition 1B funds to an alternate project, however this action would produce a funding shortfall in the 2006/2007 Road Rehabilitation Project. Finally Council can choose to change, add or delete any of the fiscal policies suggested by staff.

ATTACHMENTS:

Description of Proposed Budget Adjustments
Draft Resolution B  Approving Proposition 1B Local Streets and Roads Funding Proposal and accepting Proposition 1B funding from the State of California Department of Finance to be used on eligible transportation projects within the City of Atascadero
Description of Proposed Budget Adjustments

Salaries and Benefits
$135,630 for fiscal year 2007-2008 of General Funds; $4,120 in other funds
$158,100 for fiscal year 2008-2009 of General Funds; $2,960 in other funds
The City pays salary and benefit rates based on the Memorandums of Understanding (MOUs) with the different bargaining groups. At the time the budget was adopted on June 12, 2007, the MOUs for fiscal years 2007-2008 and 2008-2009 had not yet been approved and finalized. Staff completed budget estimates for labor costs based on the preliminary MOUs. The MOUs were adopted at a rate that was different than was anticipated in June 2007, creating the budget variance. The original labor budget for the General Fund was adopted at almost $13.2 million. The adoption of the MOUs after the passage of the budget added an additional $135,000 to that labor figure. The City has experienced some savings due to vacancies and reduced activity levels, but will need to increase the budget for the MOU adjustment.

Police Staff Overtime
$85,000 for fiscal year 2007-2008 of General Funds
Police staff overtime has exceeded the budgeted amount by $85,000. Atascadero Police Department has a terrific recruit program that generates career interest in individuals new to law enforcement. The program assists in training the recruits to potentially fill police officer vacancies. While this program has been very successful, the Police Department must bear the labor costs, including those costs for overtime. Additionally, other overtime costs are incurred as officers and police staff are spending more time keeping peace at public meetings and keeping our streets safe.

Legal
$226,310 for fiscal year 2007-2008 of General Funds
$200,000 for fiscal year 2008-2009 of General Funds; $20,000 in other funds
Legal fees have increased this year and are expected to increase next year as well. The position of the City Attorney has been in transition during 2007-2008. For a period of time, the activities of the City Attorney position were accomplished by two interim city attorneys. Because the interim attorneys were only filling in the position temporarily until Council appointed a permanent attorney, many of the City’s long term projects were postponed. This created an exceptionally large backlog of complex projects to examine when the current attorney took his position. Additionally, the contract with Burke, Williams & Sorensen, LLP is more costly than the contract with the prior attorney at Kronick, Moskovitz, Tiedemann & Girard.

City Clerk Operations
$11,600 for fiscal year 2007-2008 of General Funds
$11,600 for fiscal year 2008-2009 of General Funds
Operating costs for the City Clerk’s office have gone up with the increase in Council activity. Council has requested expanded public noticing for several controversial projects increasing printing, mailing and advertising costs. In addition Council meetings have typically run longer than in the past increasing costs for secretarial services. The City Clerk is expecting similar activity next fiscal year.
Description of Proposed Budget Adjustments

**Human Services Grant**
No adjustment recommended.
Recently, Council requested that staff research the City’s capacity to extend larger grants for Human Services program recipients. Every project or program that receives budget appropriations essentially displaces funding for a handful of other projects or programs. The City is already in the position of adopting deficit budgets and using cash reserves to cover regular operating costs. Therefore, staff recommends that Council institute a policy to defer the initiation of expanded or new projects until after the City is in a better economic climate and no longer budgets at a deficit or uses reserves. By adopting this policy, Council members can contribute to the community their legacy of a more financially stable government.

**Insurance**
$138,080 for fiscal year 2008-2009 of General Funds
$27,770 for fiscal year 2008-2009 for all other funds
The City is a member of the California Joint Powers Insurance Authority (CJPIA). CJPIA is a self-insurance group whereby its 114 member-agencies pool to share general liability insurance risk. CJPIA arranges and administers programs for the pooling of self-insured losses and the purchase of excess insurance or reinsurance. The costs for liability insurance is on the rise and compounding that, several multi-million dollar claims were recently paid out of the pool in which the City shares. As a result, the City has a $663,300 retroactive balance to be paid into the pool. Because the retroactive balances are so high for most member agencies, CJPIA has spread the payment of these balances across eight years. Beginning in fiscal year 2008-2009, the City’s annual retroactive payment is $121,650. The City also participates in CJPIA’s worker’s compensation group. A savings is projected for the worker’s compensation side; however, this was already taken into account with the proposed labor budget adjustments.

**Medium Technical Rescue Apparatus**
($75,000) for fiscal year 2008-2009 of General Funds
The adopted budget included $75,000 to purchase a medium technical rescue apparatus and equipment cache for the Fire Department. This is highly specialized equipment the Fire Department would use during incidents in which the complexity and technicality exceeds the abilities of front line apparatus. Resources for this purchase were to be provided by Mutual Aid Revenues. Because of the issues previously cited, Mutual Aid Revenues are down significantly compared to budget, so this purchase will be postponed until the resources to purchase the equipment become available.

**Historic City Hall FEMA Appeal**
$50,000 for fiscal year 2007-2008 of General Funds
Additional funding is necessary to provide for the costs of preparing the first level appeal to FEMA regarding the Historic City Hall restoration project. As directed by Council, the City requested funding from FEMA for repair of the San Simeon Earthquake related damages to the Historic City Hall. FEMA approved some of the repairs, but there were extensive repairs for which FEMA did not authorize funding. The Federal program allows the City to prepare a formal appeal. The City hired a consultant for expert help in preparing the appeal and had additional investigative reports prepared by the project architect and the soils consultant. The City has already received $562,000 in administrative revenues this fiscal year from FEMA and OES to reimburse the City for costs relating to administering the FEMA process for the Historic City Hall PW.
Description of Proposed Budget Adjustments

Corporate Yard Building Interior Improvements
$95,000 for fiscal year 2007-2008 from General Government Facilities Fees Fund
On December 13, 2005, the City Council authorized the City Manager to execute agreements to construct a new building to house the Public Works Maintenance Operations staff on the grounds of the Wastewater Treatment Plant. This new facility consists of a 20,000 square foot maintenance building that will include office space, a break room, a locker room, a vehicle maintenance shop, storage rooms and covered parking. The exterior construction has been completed. Only the interior framing and finish work remain to be completed. Unfortunately, the interior framing and finish work were left out of the project plans and as a result, were not included in the bid costs. An additional appropriation of $95,000 out of the General Government Facilities Fees Fund will complete the interior construction to move-in condition. The General Government Facilities Fund will borrow the $95,000 from the General Fund and will repay the General Fund out of future revenues.

Park Easement Appraisals
$4,000 for fiscal year 2007-2008 from Parkland Facilities Fees Fund
Funding is needed for appraisal and other costs associated with investigating the acquisition of property easements for Stadium Park.

Routes to School
$21,300 for fiscal year 2008-2009 in Local Transportation Funds to be taken from the Road Rehabilitation Project
The City received a grant from the State of California, CalTrans, in the amount of $426,000. The City’s match is 10%, half of which will be funded by the Atascadero Unified School District. The grant will provide an eight-foot wide multi-purpose trail along the north side of San Gabriel road from State Route 41 to San Gabriel Elementary School. This project will include a flashing cross walk from the multi-purpose trail to the school on the south. San Gabriel Elementary School will supply a crossing guard to assist children crossing before and after school. The project will continue to add pedestrian access to rural Atascadero.

Storm Water Management Program and Regional Water Control Board Basin Plan
$10,000 for fiscal year 2007-2008
$20,000 for fiscal year 2008-2009
The Regional Water Quality Board (Regional Board) is requiring the City of Atascadero and all agencies over 10,000 in population to produce a Storm Water Management Program (SWMP) as part of the Federal Clean Water Act. The Regional Board is also amending the Septic System Basin Plan. This budget adjustment will allow funding to hire consultants to study the options to produce a SWMP and assist the City in gaining approval of the Program. The funding will also be used to hire consultants and studies as may be necessary to gain approval of a Basin Plan that is acceptable to the City of Atascadero.

San Luis Obispo Council of Governments (SLOCOG)
In the 2008 Transportation and Funding Cycle, the SLOCOG Board has awarded the City of Atascadero the following funding. These funds are from State and Federal sources and these projects will have no impact on the General Fund.

1. Northbound US 101 Auxiliary Lanes from Rosario Avenue to San Anselmo Road.
   $120,000 for fiscal year 2008-2009
Description of Proposed Budget Adjustments

This funding will be used to begin the planning and environmental process to install auxiliary lanes in US101 at the above location. This will allow vehicles entering US101 more time to merge into traffic and merge off US101 at San Anselmo Road.

2. Downtown Atascadero Streetscape Phase III
   $375,000 for fiscal year 2007-2008
   This funding will be used in Downtown Atascadero to continue the successful Streetscape Program.

3. Curbaril Interchange Park and Ride
   $50,000 for fiscal year 2008-2009
   This funding will be used to enlarge the existing Park and Ride facility located on San Luis Avenue next to the Curbaril Interchange. The project will be done with the assistance of CalTrans, who will handle all permitting and right-of-way work required.

Proposition 1B Adjustments
$446,790 increase in budgeted revenues for fiscal year 2007-2008
On November 7, 2006, California voters approved Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, providing $19.925 billion in bond funds for transportation uses, including $2 billion for cities and counties to use for the maintenance and improvement of local transportation facilities. AB 196 specifies that $550 million be allocated to cities. The allocation is determined by population, and the City’s allocation for 2007-2008 is $446,790.22. At the December 11, 2007 meeting, Council decided to use these funds for the 2006/2007 Road Rehabilitation Project, freeing LTF funds for the Santa Cruz Road Slope Stabilization Project. State procedures were not in place for claiming these funds at the time of the decision. The actions proposed tonight will formally allocate the Proposition 1B funds in accordance with State guidelines to the 2006/2007 Road Rehabilitation Project. The action does not increase the project budget for the 2006/2007 Road Rehabilitation Project which includes the rehabilitation of San Jacinto Road and Del Rio Road.

General Fund Revenue Adjustments
($ 820,000) net decrease in budgeted revenues for fiscal year 2007-2008
($ 1,680,000) net decrease in budgeted revenues for fiscal year 2008-2009
It is expected that General Fund Revenues will come in $970,000 short of projections, for fiscal year 2007-2008, however a reduction of $150,000 in mutual aid expenses offsets this reduction for a net General Fund reduction of $820,000. A $1,680,000 reduction is proposed for the projected 2008-2009 revenue shortfall. It is prudent for education and communication purposes to adjust down the revenue projections as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>$(200,000)</td>
<td>$(450,000)</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>(450,000)</td>
<td>(850,000)</td>
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<tr>
<td>FEMA Administration</td>
<td>560,000</td>
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<tr>
<td>Development Revenues</td>
<td>(750,000)</td>
<td>(380,000)</td>
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<tr>
<td>Mutual Aid</td>
<td>(150,000)</td>
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<tr>
<td>Interest Revenues</td>
<td>170,000</td>
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</tr>
<tr>
<td>Total Projected Revenue Shortfall</td>
<td>$(820,000)</td>
<td>$(1,680,000)</td>
</tr>
</tbody>
</table>
DRAFT RESOLUTION A

A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF ATASCADERO
AMENDING 2007-2008 AND 2008-2009 FISCAL YEAR BUDGETS

WHEREAS, the City Council adopted Resolution 2007-049 setting for the budget for fiscal years 2007-2008 and 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>Section</th>
<th>2007-2008 Increase / (Decrease)</th>
<th>2008-2009 Increase / (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue Budget Adjustments</td>
<td>Expenditure Budget Adjustments</td>
</tr>
<tr>
<td>General Fund</td>
<td>$ (970,000)</td>
<td>$ 368,540</td>
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<tr>
<td>Capital Projects</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Local Transportation Fund</td>
<td>446,790</td>
<td>-</td>
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<tr>
<td>Building Maintenance</td>
<td>-</td>
<td>220</td>
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<tr>
<td>Technology</td>
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<tr>
<td>Streets</td>
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<td>470</td>
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<tr>
<td>Wastewater</td>
<td>-</td>
<td>350</td>
</tr>
<tr>
<td>Transit</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Parkland Facilities Fees Fund</td>
<td>-</td>
<td>4,000</td>
</tr>
<tr>
<td>General Government Facilities Fees Fund</td>
<td>-</td>
<td>95,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$ (523,210)</td>
<td>$ 471,660</td>
</tr>
</tbody>
</table>
SECTION 2. These changes are effective immediately upon adoption of this resolution.

On motion by Council Member _______________________ and seconded by Council Member ________________________, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:

NOES:

ABSENT:

ADOPTED:

CITY OF ATASCADERO

By: _______________________________

Mayor, Mike Brennler

ATTEST:

_______________________________
Marcia McClure Torgerson, City Clerk

APPROVED AS TO FORM:

_______________________________
Brian Pierik, City Attorney
DRAFT RESOLUTION B

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ATASCADERO TO APPROVE A PROPOSITION 1B LOCAL STREETS AND ROADS FUNDING PROPOSAL AND ACCEPT PROPOSITION 1B FUNDING FROM THE STATE OF CALIFORNIA DEPARTMENT OF FINANCE TO BE USED ON ELIGIBLE TRANSPORTATION PROJECTS WITHIN THE CITY OF ATASCADERO

WHEREAS, Proposition 1B provided $19.925 billion in funds for a variety of transportation priorities, including $2 billion for cities and counties to fund the maintenance and improvement of local transportation facilities; and,

WHEREAS, the 2007 Budget Act and Chapter 181, Statues of 2007 (SB 88) appropriate a total of $950 million of these Proposition 1B funds in 2007-2008, and Chapter 314, Statues of 2007 (AB 196) specifies that $550 million be allocated to cities and $400 million be allocated to counties; and,

WHEREAS, as part of the 2007-2008 appropriation, the City of Atascadero expects to receive $446,790.22 in Proposition 1B funding from the California Department of Finance, the allocation of which is based on city and county population; and,

WHEREAS, the City Council of the City of Atascadero approves the Proposition 1B Local Streets and Roads Funding Proposal, which includes the 2006/2007 Roads Program, a project that is eligible for Proposition 1B funding; and

WHEREAS, the 2006/2007 Roads Program is a project from the Capital Improvement Plan that was adopted by City Council on June 12, 2007 as part of the 2007-2008 and 2008-2009 Budget; and

WHEREAS, the City of Atascadero must spend Proposition 1B funds before June 30, 2011 or risk losing the funds.

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

SECTION 1. The City of Atascadero will accept Proposition 1B funding from the State of California Department of Finance to be used for the 2006/2007 Roads Program.
On motion by Council Member _______________________ and seconded by Council Member _______________________, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES: 

NOES: 

ABSENT: 

ADOPTED: 

CITY OF ATASCADERO

By: _______________________________

Mayor, Mike Brennler

ATTEST: 

_________________________________

Marcia McClure Torgerson, City Clerk

APPROVED AS TO FORM: 

_________________________________

Brian Pierik, City Attorney