

## BUDGET SUMMARY

### Fiscal Year 2011/2012

The purpose of this document is to provide a brief summary of the City's Fiscal Year 2011/12 annual budget. The goal of City staff, like many other agencies, is how to best define and provide the "core services" for the community. This continues to be a challenge during these difficult economic times.

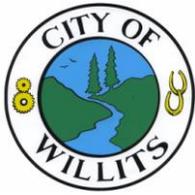
### THE GENERAL FUND

The General Fund revenue sources are outlined below. A major impact on the General Fund this year is the loss of \$100,000 in State funding for the COPs program. Sales Tax, the largest revenue source for the General Fund, is beginning to show improvement. Gasoline sales are the number one sales tax producer, so as gas prices increase so do revenues. However, experts tell us that it may take several more years to come back to the level we reached in fiscal year 2007/08.

General Fund Revenues	Total	% of Total
Sales & Use Tax	\$1,367,798	35%
Overhead Allocations	748,094	19%
Motor Vehicle License Fees	430,000	11%
Property Tax	366,036	9%
Room Occupancy Tax	216,785	6%
Franchise Fees	209,000	5%
Business Licenses	175,300	5%
Other Revenue Sources	369,147	10%
<b>Total General Fund Revenues</b>	<b>\$3,882,160</b>	

The General Fund is the primary revenue source for activities such as City administration, police protection, planning and building, parks and recreation, and public works. State budget cuts have resulted in the potential for increased costs in the Police budget of \$44,000 in booking fees. The amount shown as "Inter-fund Transfers" is the cost to close out the Kid's Club project. This is the final State grant-funded project to be closed into the General Fund. All recreation grant receivables have now been collected.

General Fund Expenditures	Total	% of Total
Police Protection & Public Safety	\$2,370,850	57%
City Administration	943,354	23%
Public Works & Engineering	274,617	7%
Planning, Building, Code Enforcement	264,140	6%
Parks and Recreation	134,013	3%
Inter-fund Transfers	83,260	2%
Other Expenditures	64,488	2%
<b>Total General Fund Expenditures</b>	<b>\$4,134,721</b>	



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Based on this year's budgeted Revenues and Expenditures, the General Fund will see a decrease in Working Capital of \$252,561 and is expected to end the year with approximately \$1,249,840 in reserves.

### TRANSPORTATION FUNDS

The Traffic Safety, Street Maintenance, and Storm Drain Maintenance Funds (200 and 201) pay for the personnel, materials and supplies needed for the day-to-day maintenance of the City's streets and storm drains. Activities such as pot-hole patching, curb rebuilding, curb painting, street signs, street sweeping, storm drain clearing, and storm drain repairs are supported by these funds. Gas Taxes received from the State are the primary source of revenue.

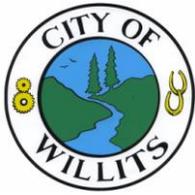
<b>Gas Tax Revenues</b>	<b>Total</b>
Section 2103 (Replaces Traffic Congestion Relief)	\$56,531
Section 2105 - 2107.5	89,402
<b>Sub Total - Gas Tax Revenues</b>	<b>\$145,933</b>
Street Sweeping - Cal Trans	13,300
Other Revenue	8,673
<b>Total Revenues</b>	<b>\$167,906</b>

Expenditures in the Gas Tax funds are summarized below:

<b>Expenditures by Type</b>	
Traffic Safety	\$16,847
Street Administration	81,792
Street Maintenance	245,723
Storm Drain Maintenance	44,855
<b>Total Expenditures</b>	<b>\$389,217</b>

In the current fiscal year there exists a deficit of approximately \$221,300. Gas Tax revenue is not sufficient to cover street maintenance expenses. The problem will continue to escalate as costs for labor, materials and supplies increase while revenues remain at or below the current level. Gas Tax is collected on a per-gallon basis, so revenues do not increase with price. Historically the General Fund has been used to balance the deficit, but as noted above the General Fund is also facing a deficit. The FY 2011/12 Budget takes corrective action to close this gap by allocating a limited amount of revenues in the half-cent sales tax fund to these expenditures. Without this support, the General Fund will face serious challenges in the future.

In Fiscal Year 2010/11 the City completed two major reconstruction projects, West Commercial Street and the Van Lane/North Street storm drain project. Prop 1B funds and ARRA funds from CalTrans were used to pay for these projects.



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Fiscal Year 2011/2012

**SALES TAX TRANSPORTATION FUND**

The City receives an additional half-cent sales tax to fund the maintenance, repair, replacement, construction, and reconstruction of the City’s streets and roads. We are estimating revenues of about \$750,000 this year. Budgeted expenditures are as follows:

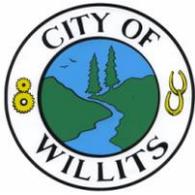
<b>Sales Tax Transportation Fund Expenditures</b>	
Salaries and Benefits [Engineering]	\$41,218
Services and Supplies	140,406
Other Charges	32,085
Capital and Fixed Assets	870,000
Transfers	187,117
<b>Total</b>	<b>\$1,270,826</b>

The FY 2011/12 budget includes the reconstruction of the Railroad Avenue Bridge. The total project is expected to cost approximately \$925,000. We have received funding through CalTrans in the amount of \$638,700. The Redevelopment Agency and Water Fund will contribute about \$115,000 to extend the water line. The remaining costs will be paid by the half-cent sales tax and are included in “Transfers” above. Other projects proposed in this fund include reconstruction of storm drains on Redwood Avenue, paving of Wood Street, rehabilitation of Central Street, and materials and supplies for maintenance of the City’s streets.

**REDEVELOPMENT AGENCY**

This budget is based on the assumption the RDA will continue to receive property tax increment in Fiscal Year 2011/12. We are estimating revenues of \$882,000, primarily from property taxes, with no grant revenue anticipated. Uncertainty continues regarding the fate of redevelopment in the State of California. That, together with the fact that the Willits RDA is scheduled to “sunset” in 2014, suggests that it is an appropriate time to begin preparing for “Life after Redevelopment.” As indicated below, allocated staff positions have been greatly reduced.

<b>Redevelopment Agency Expenditures</b>	<b>Current Year</b>	<b>Prior Year</b>
Salaries and Benefits	\$109,069	\$259,805
Services and Supplies	189,880	162,440
Other Charges	463,043	498,570
Transfers	110,000	30,000
Contingencies	50,000	76,850
<b>Total</b>	<b>\$921,991</b>	<b>\$1,027,665</b>



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### LOW & MODERATE INCOME HOUSING FUND

Two projects totaling \$275,200 are planned using Low & Moderate Income Housing funds; rehab and maintenance at Holly Heights and Redwood Meadows Senior Housing. In addition, \$50,000 is budgeted for the REDI Home Energy Link Program.

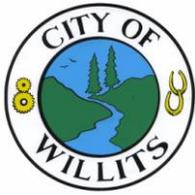
### AIRPORT ENTERPRISE FUND

Operating the Willits Airport, Ells Field, continues to be a challenge for City staff. Negotiations recently failed with an independent contractor interested in managing the airport. The FY 2011/12 budget provides additional City staff support from a new Building Technician, but outside independent management will continue to be pursued. The grant revenues indicated in the chart below are project-specific on a reimbursement basis.

Airport Revenues	
Rental of Buildings and Grounds	\$52,520
Fuel Sales	10,300
Other Operating Revenues	10,470
<b>Sub Total Operating Revenues</b>	<b>\$73,290</b>
State Grants	4,671
Federal Grants	187,625
<b>Total Revenues</b>	<b>\$265,586</b>

The Airport Fund is predicted to have an operating deficit of approximately \$30,000 in FY 2011/12. The General Fund is the only fund available to fill this gap.

Airport Expenditures	
Salaries and Benefits	\$30,966
Services and Supplies	24,875
Other Expenses	42,600
Sub Total Operating Expenses	98,441
Grant-Funded Rehab Projects	197,500
<b>Total Expenses</b>	<b>\$295,941</b>



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#### SEWER ENTERPRISE FUND

Construction of the City's new waste water treatment plant is underway and is expected to be completed in early 2012. Costs related to this project are carried in the Special Project Fund 430. This \$23 million project is the largest public works project in Willits' history. We were very fortunate to receive a bid from Overaa Construction that was well below the engineer's estimate. Funding for this project is being provided by the USDA Rural Development through a combination of grants and loans at very favorable interest rates.

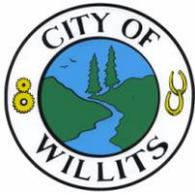
Sewer user fees were set by the Prop 218 process in 2008. Rates increased by 9.6% this year. This increase was necessary in order for the City to meet its debt service obligation to the USDA.

Sewer Enterprise Revenues	
Sewer User Fees	\$2,365,411
Septage Receiving	155,000
Sewer Hook-up Fees	33,520
Other Revenues	21,000
<b>Total Sewer Enterprise Revenues</b>	<b>\$2,574,931</b>

A new department was added to the Sewer Enterprise Fund this year, Septage Receiving. This department is responsible for providing a NPDES compliant point of receipt for waste water trucked in from the City's outlying areas. This department is also responsible for regulating septage haulers and reporting to state and regional authorities. Money is provided in this budget for the engineering and design of a new receiving station.

In 2011 the City Council adopted its Sanitary Sewer Management Plan which was developed by the City's Engineering Department staff. In order to implement this plan a state of the art TV truck was purchased to allow the Sewer Maintenance Department crew to view the condition of the sewer collection system. In addition to the TV truck the City will be purchasing a new vacuum truck to clear and maintain the lines within the collection system. By reducing inflow and infiltration in the collection system we can reduce the amount of water entering the treatment plant, thereby reducing the cost of treating waste water.

Sewer Enterprise Expenditures	
Administration	\$346,188
Maintenance	445,298
Operations	732,209
Engineering	84,093
Septage Receiving	64,869
Debt Service	1,154,443
Other Expenses	75,000
<b>Total Expenditures</b>	<b>\$2,902,100</b>



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#### WATER ENTERPRISE FUND

Water User Charges increased by 5% this year which is still below the rates proposed in the 2008 Prop 218 process. This increase was necessary to provide sufficient working capital and to maintain a positive cash flow as presented in a recent loan application to the CA Department of Public Health. If approved, this loan could provide critical funding needed for improvements to the City's water treatment and distribution system.

Water Enterprise Revenues	
Water User Fees	\$2,635,868
Water Hook-up Fees	11,250
Other Revenues	22,750
<b>Total Revenues</b>	<b>\$2,669,868</b>

City staff has been working with consultants and engineers to develop plans and specifications for upgrades to the water treatment plant. Application has been submitted to the CA Department of Public Health for funding of these improvements which will assist with our efforts to supply our community with a safe and reliable source of water. This budget includes funding for the continuance of the meter replacement program and the lining of the water tank at Berry Hill. A portion of the Capital Reserve Fund will be utilized for the water line extension work on the Railroad Avenue Bridge project.

Water Enterprise Expenditures	
Administration	\$376,594
Maintenance	343,185
Operations	730,340
Engineering	82,025
Debt Service	573,030
Transfers	35,087
Other Expenses	15,000
<b>Total Expenditures</b>	<b>\$2,155,260</b>

In closing, City staff continues to demonstrate its willingness and ability to face the challenges presented by the current economy. By focusing on "core services" and exploring ways to enhance our resources and keep expenditures in check we believe that we will be able to guide our community successfully through this recession. Any questions regarding the annual budget can be directed to the City Finance Department at (707) 459-7123. Copies of the full budget are available upon request.