



**CITY COUNCIL  
STAFF MEMO**

**TO:** Mayor and City Council  
**DATE:** August 4, 2009  
**FROM:** John W. Donlevy, Jr., City Manager  
**SUBJECT:** Fiscal Sustainability Review- A Look at the Winters Economy

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**RECOMMENDATION:**

That the City Council receive a report and overview of fiscal issues as they relate to the City of Winters.

**BACKGROUND:**

In 2004, the City of Winters advanced a thorough review of issues pertaining to the long term fiscal sustainability of the community. This analysis included a review of the financial needs of the City to meet the basic service levels contained within the City's General Plan, as well as meeting some of the basic needs of the City organization to sustain itself.

Much of the initial discussions on "fiscal sustainability" surrounded the controversies of the proposed residential subdivisions which were proposed. The consensus following the 2004 review was that the City needed to focus its efforts on combining residential with commercial and industrial development to generate a "jobs/housing" balance to avoid reliance on any one type of development or revenue stream.

The idea is to nurture our overall economy to allow for sources of recurring revenues from a solid property and sales tax base. Permit revenue is seen as less stable versus other sources which create stability.

The need for jobs was viewed as a critical path to maintaining and enhancing the quality of life within the community. The recognition that "people do business by where they work, not where they live" was viewed as true and relevant. Winters has few jobs which allow people to afford housing and to "live and work" within the community. The correlation is people who work out of town are less active in the community, are away from their families and children and do not volunteer or contribute to the overall good of Winters.

Staff has prepared a three part review of the current State of the City's Fiscal Sustainability. This will be broken into three parts:

1. Session 1: A look at the Winters Economy
2. Session 2: Key hurdles toward Fiscal Sustainability.
3. Session 3: Options and Solutions to Consider

This will be the first session, "A look at the Winters Economy".

## **DISCUSSION:**

The City of Winters "economy" provides the sources of tax revenue which helps "sustain" the services provided to our residents and businesses. Through this report and a presentation from the Staff, we will cover the following topics:

1. Review of the Revenues of the General Fund which provides the dollars for most public services from public safety to recreation and park maintenance.
2. Property Tax and Assessed Valuation
3. Sales Tax
4. Development Fee Revenues
5. Spending Trends of Residents
6. Employment

The goal of this presentation will be to help establish a foundation of knowledge of key factors driving the Winters economy.

### **Revenues of the General Fund:**

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### **Property Tax and Assessed Valuation:**

The City of Winters Assessed Valuation is based on the total taxable assessed value of each parcel of property located in the City of Winters. In 2008, the assessed valuation of the City of Winters was \$282,985,853. The passage of Proposition 13 set the property tax rate at 1.0 %, which must be shared by all the taxing agencies in which the property resides. The City of Winters receives...

### **Sales Tax**

Sales tax is charged on all tangible, real property sold in California. The City of Winters receives 1.0% of each dollar of sales tax collected in the City. This means for every dollar of sales tax collected, the City receives one penny. In 2008, the City of Winters received \$309,974 in sales tax revenue. Of that amount, approximately 80 percent was

produced by only 15 businesses.

- The top 5 businesses produced 59.02% of the sales tax collected in 2008.
- The top 10 businesses produced 73.38 % of the sales tax collected in 2008.
- The top 15 businesses produced 80.25% of the sales tax collected in 2008.

Categorically, sales tax in Winters can be broken into six areas: gas/transportation/auto, restaurants/entertainment, building/construction, food/drugs and other.

- 40% of sales tax in 2008 came from the gas/transportation/auto sector.
- 29% of sales tax in 2008 came from the restaurant/entertainment sector.
- 14% of sales tax in 2008 came from the food/drugs sector.
- 9% of sales tax in 2008 came from building/construction.
- 6% came from general consumer goods.
- 2% came from other goods.

Per capita, Winters ranks 450 in the state for sales tax; in terms of total sales tax produced, Winters is ranked 477. Similar types of communities, such as Willows, Williams, Colfax, and Colusa produce significantly more sales tax. Only Galt and Suisun City have similar numbers in terms of per capita sales tax, and only Suisun City produces less than Winters.

### **Spending Trends of Residents:**

- Comparison Goods \$129 per capita versus \$2,436 County and \$3,577 State.
- Eating and Drinking \$1036 versus \$865 County and \$1086 State
- Building and Hardware- \$149 City versus \$755 County and \$737 State.

Leakage for Winters is significant. Comparatively and based on State and County averages, the City is losing local sales as follows:

- Convenience Stores- \$7.4m which equals \$74k sales tax loss.
- Comparison Goods- \$32m which equals \$320k sales tax loss.
- Food- \$2m a \$20k sales tax loss

For comparison goods, the City loses almost 95% of comparable sales, 68% of convenience and 24% of food.

### **Employment:**

Winters employment is representative of the land uses which exist in the community. One of the key issues to consider is that Winters is the highest per capita income in Yolo County. 66% of Winters residents work in professional/production jobs and a

surprising 9% work in farming/agricultural jobs.

In an analysis of the workforce, 76% work outside of Winters and 39% of those work outside Yolo County. The Winters workforce is the youngest in Yolo County and the five county Sacramento region.

Winters residents are commuters. Based on traffic counts, the vast majority of Winters workers leave town before 7:30 a.m. and return after 6:30 p.m.

Only 24% of Winters residents work in Winters. The majority of those employed in Winters work for the Winters Joint Unified School District. Mariani Nut Company employs the second largest group of Winters residents, followed by Buckhorn, Pavestone, City of Winters, JDS Builders and Double M Trucking, respectively.