



Winters City Council Meeting  
City Council Chambers  
318 First Street  
Thursday, December 10, 2009

*Members of the City Council*

*Michael Martin, Mayor  
Woody Fridae, Mayor Pro Tempore  
Harold Anderson  
Cecilia Aguiar-Curry  
Tom Stone*

*John W. Donlevy, Jr., City Manager  
John Wallace, City Attorney  
Nanci Mills, City Clerk*

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**6:30 p.m.**  
**SPECIAL MEETING OF THE CITY COUNCIL**  
**AGENDA**

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PLEASE NOTE – The numerical order of items on this agenda is for convenience of reference. Items may be taken out of order upon request of the Mayor or Councilmembers. Public comments time may be limited and speakers will be asked to state their name.

Roll Call

Pledge of Allegiance

Approval of Agenda

COUNCIL/STAFF COMMENTS

PUBLIC COMMENTS

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## DISCUSSION ITEMS

1. Budget and Fiscal Sustainability Workshop
    - A. Fiscal Sustainability Presentation
    - B. Prioritization of Service and Program Reductions
    - C. Consideration of Tax Increases
    - D. Consideration of Current Project continuance
    - E. Economic Development Programs
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## ADJOURNMENT

I declare under penalty of perjury that the foregoing agenda for the December 10, 2009, regular meeting of the Winters City Council was personally delivered to each Councilmember's mail boxes in City Hall and posted on the outside public bulletin board at City Hall, 318 First Street on December 2, 2009, and made available to the public during normal business hours.

*Tracy Jensen, Admin. Asst. for Nanci Mills*  
Nanci G. Mills, City Clerk

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Date: December 10, 2009  
To: Mayor and City Council  
From: John W. Donlevy, Jr., City Manager   
Subject: Budget and Fiscal Sustainability Workshop

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**Recommendation:**

That the City Council:

1. Receive a Presentation regarding budget issues and the fiscal sustainability of the City of Winters.
2. Provide a prioritization of program and service reductions as listed on Table 1;
3. Provide direction to the City Attorney on interest in pursuing a local revenue tax measure to fund City services for the June 1 Consolidated Election.
4. Provide direction on the potential delay or elimination of scheduled projects;
5. Provide direction to Staff on the proposed Economic Development options included in this report.

**Discussion:**

This is the third report and a workshop in the series on developing an overall fiscal strategy for the City of Winters. Staff has included copies of previous reports and presentations with this report. This report will help facilitate the discussion on developing an overall strategy to begin addressing some serious budget and financial issues, along with gaining direction from the City Council regarding the issue of tax measures for the upcoming election. Finally, the Staff has included a discussion of options to generate economic development to help generate jobs and additional City revenues.

Key elements of the session and workshop will include:

1. Report presentation and accompanying options for the City Council to consider

2. A prioritization of service and program reductions by the City Council. This will include the use of Table 1 of this report. Staff is requesting that the Councilmembers provide their priorities for service reductions for the current and future fiscal years. Staff is requesting \$500,000 in cuts in this session.
3. A key option is that the City Council consider taxes to increase revenues for City services. Staff asks that direction be provided to the City Attorney as to whether to pursue revenue measures for the upcoming consolidated election.
4. The City is on the brink of implementing two marquee projects, the revitalization of Putah Creek and the Downtown Improvement Phase II. Both will require and create additional maintenance and service requirements which would be contrary to practice if the City begins a reduction of services. Staff is asking for direction on whether to proceed with these projects.
5. Economic Development represents a strategic alternative to cuts in services and programs. This report includes a number of alternatives for the consideration of the City Council.

A key objective is that the workshop allow the City Council to provide direction on how the City Budget can be balanced.

## **Fiscal Sustainability:**

Over the past 8 years, the City of Winters has worked to implement a variety of fiscal policies to benefit the long term financial health of the City and organization. This has included rather stringent budget and reserve strategies, the development of a fiscal forecasting model and budgets that have been balanced based on prudent estimates of both revenues and expenditures.

Since 2004, the City has studied "fiscal sustainability" within the face of prospective development and a now dramatic economic downturn. In recent months, the City has experienced significant reductions in tax and fee revenues, which are expected to continue for the next 3-5 fiscal years. Recovery, based on even the most optimistic trends, will take a number of years for existing properties and businesses to attain their previous tax revenue amounts.

Fee revenue is considerably down and will only increase when the economy and the building climate recovers. The City has reached a point where the City Council must consider cost reduction or revenue options to address immediate needs.

The City of Winters has typically operated within its means. Budgets are balanced and reserves are kept to maintain both security and cash flow to operate the City without operational indebtedness.

## **Potential Threats to Revenues 2010-2011**

The current Legislative Analyst Office (LAO) estimate is that the State of California faces a yearly deficit into the future of approximately \$20 billion dollars. The State has already “borrowed” funds from the City’s General Fund in the amount of \$111,000 in the current 2009-2010 year, as well as attempting to take funding from our Redevelopment Agency (a lawsuit has been filed in opposition to this action, but has not been heard to date).

Potential targets for 2010-2011 as the State struggles with its budget include:

- HUTA (Highway User Tax, also known as gas tax) This amounts to about \$130,000 for the City of Winters, and for our community; it funds one of our public works employees , street signs and minor street maintenance. If this revenue is threatened, funding would have to be provided by the general fund to prevent staffing reductions.
- Triple Flip amounts. Under Prop 1A, the State enacted the triple flip, whereby the state keeps 1/4 of 1 percent of the sales tax that should be remitted to the City and uses it to repay the deficit bonds issued by the state, and reimburses the city with “Property tax in Lieu of Sales Tax”. There has been speculation that the state will stop remitting the Property Tax in Lieu of Sales Tax, for an impact of approximately \$80,000.
- “COPS” funding. Currently the City of Winters receives \$100,000 per year to assist in funding our police department. With the current budget, the funding is now coming from VLF, that is, the amount remaining after the State takes the administrative costs from the account. This amount is always a prime target for the State, generally, the California Police Chief Association and the Police Officer Associations are very proactive about this funding and it has survived past attempts to cut this amount from the State Budget. With the significant amount that the State has as a shortfall, this amount may again be a target. These funds provide the amount needed to employ one full time police officer position.
- An additional source of funding for the state is an increased ERAF from the current \$172,500 to \$345,000 per year.
- Prop 42 transportation funding could be “borrowed” by the State again. This has happened in the past and would prevent the funding being combined with other funds to provide street rehabilitation throughout the City until such time as the State repays the money.
- Redevelopment Tax Increment could again be the target of the State, although there currently is a lawsuit that questions the constitutionality of the shift of Redevelopment Tax Increment to the State for expenditure, it has not yet been argued in court. Currently, \$781,448 is required for 2009-2010 and \$160,731 for 2010-2011 under the State budget. There is a possibility that if the lawsuit fails, additional funding could be required by the State.

In addition to the potential actions by the State of California, the City faces the possibility of reduced revenues in the follow areas:

- Decrease in property tax due to the continued foreclosure crisis and stagnant economy. While the recession is easing, there is still the potential of a reduction of 5% in property tax revenues due to foreclosure and sale of property at values less than current assessed values. The projected reduction in revenue is \$85,000.

## **Need for a Fiscal Strategy:**

In 2006, the City of Winters reached a financial pinnacle of stability. The City had total Unallocated/Unreserved Fund balance of \$805,848 above policy driven reserve requirements. Due to a lack of development and economic expansion, much of these reserves have been eroded to fund existing programs within the City.

The financial forecasts for the City show significant deficits for the foreseeable fiscal future.

	<b>Budgeted 2009-2010</b>	<b>forecast 2010-2011</b>	<b>forecast 2011-2012</b>	<b>forecast 2012-2013</b>	<b>forecast 2013-2014</b>	<b>forecast 2014-2015</b>
Projected Revenues	\$ 3,008,767	\$ 3,336,433	\$ 3,623,854	\$ 4,025,825	\$ 4,445,575	\$ 4,665,915
Projected Expenditures	3,370,701	3,775,535	4,258,721	4,769,542	4,885,814	5,198,074
Expenditures)	\$ (361,935)	\$ (439,102)	\$ (634,867)	\$ (743,717)	\$ (440,240)	\$ (532,159)

<b>Calculation of Reserve Balances</b>						
	<b>Budgeted 2009-2010</b>	<b>forecast 2010-2011</b>	<b>forecast 2011-2012</b>	<b>forecast 2012-2013</b>	<b>forecast 2013-2014</b>	<b>forecast 2014-2015</b>
Estimated Fund Balance						
Prior Year	\$ 2,329,049	\$ 1,967,114	\$ 1,528,012	\$ 893,145	\$ 149,428	\$ (290,812)
Less Reduction due to Deficit	(361,935)	(439,102)	(634,867)	(743,717)	(440,240)	(532,159)
Available Balance	\$ 1,967,114	\$ 1,528,012	\$ 893,145	\$ 149,428	\$ (290,812)	\$ (822,971)
Required Cash Reserve	1,685,351	1,887,768	2,129,361	2,384,771	2,442,907	2,599,037
Fund Balance After Cash						
Reserve	\$ 281,764	\$ (359,756)	\$ (1,236,215)	\$ (2,235,343)	\$ (2,733,719)	#####
Required Per Policy	582,262	491,779	382,003	223,286	37,357	(72,703)
Deficit Fund Balance	\$ (300,499)	\$ (851,534)	\$ (1,618,218)	\$ (2,458,630)	\$ (2,771,076)	#####

Beginning in June, 2008, the national economy has seen one of the worst recessions in decades. The combination of the depressed national economy, the collapse of the real estate and financial markets, along with the many budget issues with the State of California have caused good financial planning for the City of Winters to be challenged at a maximum level. The problems are not caused by over spending or bad financial decisions, they are fueled by traditionally recurring revenues seeing sharp reductions and take aways from the State.

Since August, 2009, the City has received tax estimates for both Property and Sales tax revenues. Property taxes are expected to see a 4.9% reduction (\$85,000) and sales taxes an 18% reduction (\$66,700). The threat of continued fiscal deterioration can be accounted as follows:

<b>Category/Revenue</b>	<b>Anticipated FY 2010-11 Reduction</b>
Structural deficit- FY 2009-10	\$340,000
Property Tax Reduction (4.8%)	\$85,000
Sales Tax	\$67,000
HUTA Take	\$135,000
COPS Elimination	\$100,000
Property Tax Reduction (Same as 2009-10)	\$85,000
Permit Fee Reduction from current	\$70,000
<b>Total</b>	<b>\$882,000</b>

In October, 2009, the City Council approved certain re-organizations to the Departments of Financial Management, Recreation and Community Development to consolidate some positions and eliminate others. The City offered retirement incentives which were accepted by two employees. The total projected cost savings will amount to \$99,289 in FY 2009-10 and will amount to \$150,188 in FY 2010-11.

The difference between cuts and re-organization and revenues still leaves an almost \$732,000 deficit for the upcoming fiscal year which needs to be resolved.

The need for the City Council to provide definitive direction to Staff on priorities to address the fiscal situation has reached a critical stage.

### **Fiscal Strategies:**

The City can approach the current fiscal situation with a push toward economic development, service reductions, tax increases or a combination of each. Actions need to be definitive, as current expenditures are fixed and will require the further expenditure of reserves if they do not come to fruition during the time period.

### **Service/Project Reductions:**

A first alternative for the City Council to consider is service reductions. While this choice is controversial and has a significant impact on the community, these reductions represent the potential to begin a process of establishing a smaller base of service costs and a longer span for some revenues to begin re-establishing.

The most non-essential expenditures are attached as Table 1. It is recommended that the City Council consider these and provide direction to Staff on the appropriate reductions.

### **City Organization:**

The City of Winters is a very austere organization. With a total of 29 employees, most "Departments" are staffed with individuals focusing on an entire array of activities. "Divisions" are typically one individual representing a municipal function such as building inspection, water, park maintenance or recreation. The Community Development Director, for example, is one position with oversight of current and advanced planning, development and environmental review.

Most Department Heads and management staff wear multiple "hats". Examples include:

- City Manager/Redevelopment Director/Public Works Director
- Director of Administrative Services/City Clerk/Risk Mgmt/IT/HR/Recreation
- Director of Financial Management (Budget, Accounting, Payroll)
- Environmental Services Manager (Water, Sewer, Parks, Public Works, Nature/Environmental related projects)

These are single individuals performing tasks typically divided amongst multiple persons in any other municipal organization. Size and volume of work is not necessarily a factor, since State Reporting requirements and function management are not limited necessarily to scale.

Public Safety in Winters is at minimal staffing levels. Of 21 police shifts during any week, 18 shifts are typically staffed by a single officer working alone. Fire Services are staffed by four (4) paid personnel Monday thru Friday 8-4 and volunteers seven days per week.

The "non essential" services included in Table 1 are those which are not considered core functions of the City or are not mandatory for a city to provide.

### **Contract Public Safety Not Considered an Option**

In a review of service reductions, the one obvious consideration is looking toward contracting police services with Yolo County Sheriff. This has not been considered an option for cost reductions based on the following:

- Personnel Costs for the Police Department are \$1.4 million for 10 sworn officers and 2 administrative support. Total Police costs, including capital equipment is \$1.9 million.
- Yolo Sheriff Deputies are paid 13% higher and carry a significantly better benefits program than Winters Police. Salary and Benefits at 13% higher would equal \$1.6

million. With a County overhead rate charge of 35% (same as the Animal Control Contract), total costs would be \$2.1 million or almost \$200,000 (10%) more than the existing costs.

The service impacts would also be considerable and are not recommended. Having the City's key public safety based 45 minutes away in Woodland would be detrimental during shift change and would represent a significant decrease in services to Winters residents. The Yolo Sheriff is also in the throes of significant budget cuts and service reductions.

### **Project Reductions:**

The City Council may also wish to consider the delay or elimination of current projects which will ultimately add service costs to the City budget. These include:

- **Putah Creek Projects:** The North Bank Improvements and Creek Restoration Project will create an incredible "park" adjacent to the Downtown. While there would be significant amenity and environmental benefits, these projects will create the largest park in the City which will incur additional maintenance and upkeep costs. The North Bank project is funded with \$1.4 million in grant funding and the stream restoration projects with almost \$1 million in grant funds.
- **Downtown Improvements Phase II:** Funded with \$500,000 in grant funds, the project will add additional maintenance costs to the downtown while other park costs are being reduced. Water, electricity and plant maintenance are also added costs which would impact the General Fund.

While eliminating these projects would result in millions of dollars in current and future opportunity costs lost, the ability to not add maintenance costs would benefit the long term fiscal sustainability. However, this would come with an additional risk. Because these projects are in process and have already been funded through several different grant-making agencies, discontinuing the projects could preclude the City from receiving grants and other related sources of funding in the future.

### **Tax and Fee Increases:**

The City Council may also wish to consider seeking approval for tax increases to maintain services levels. Residences are currently charged \$82.50 annually for the Landscape and Lighting District and \$120 in Municipal Services Tax for public safety services.

The current deficit estimates show a minimum need of \$732,000. The City has approximately 1,900 units within the City which would require a revenue generation of an additional \$385 per unit annually.

This would require a Proposition 218 vote which could occur in June, 2010 because three council positions are up for election.

## **Economic Development:**

The City is currently in a position to implement a variety of strategies to position the City for added economic development to generate both tax revenues and jobs. These options include:

1. ***Aggressively recruit and solicit development*** of job creating businesses in developable areas. This would require the following:
  - a. Reduce impact and building fees to make Winters more competitive as compared to neighboring cities.
  - b. Establishment of a "fast track" development processing system to allow businesses to quickly break ground and open properties for desired industries.
  - c. Actively market the Winters Community as a favorable business atmosphere, ready to accept emerging industries and technologies.
  - d. Create a development contract, much like a grant contract, which provides incentives to developers based on the number of jobs created and the amount of sales and property tax generated.

The current interest and demand from some developers is encouraging. Any development would provide fee and permit revenue initially and invariable increase the tax base of the community.

The City may wish to begin working with area commercial brokerages and land owners to provide incentives for locating business and industry. The idea of establishing a "finders fee" for brokers who bring development and jobs could prove highly beneficial. These incentives, combined with a "fast track" approval process could position the City to receive additional development as the economy begins to improve.

2. ***Encourage and promote freeway serving development*** on Grant Ave. at the I505. This would primarily include co-brand development (food establishments paired with fuel/convenience) and hotels/lodging.
  - a. In order to proceed with this, the process would include the following:
    - i. Architectural planning process to update the City of Winters Design Guidelines for Grant Ave.

- ii. Roadway/Public Infrastructure planning to combine the Grant Ave. Access Study and the Safe Streets Project through a Caltrans facilitated process.
- iii. Begin a process of actively working with property owners to define zoning within the Gateway Master Plan area, then actively working to seek development.

**Fiscal Benefits:**

The City has been approached and is actively working with developers interested in proceeding with projects for two (2) co-brand projects and a mid-line hotel at Grant/1505. The estimated tax benefits of such projects are as follows:

<i>Project</i>	<i>Estimated Property Tax</i>	<i>Estimated Sales/TOT Tax</i>	<i>Total Revenue</i>
Co-Brand (1)	\$87,500 (\$5m Project)		\$87,500
Service Station		\$65,000	\$65,000
Food		\$25,000 (\$2.5m an Sales)	\$25,000
Co-Brand (2)	\$87,500 (\$5m Project)	\$25,000 (\$2.5m an Sales)	\$87,500
Service Station		\$65,000	\$65,000
Food		\$25,000 (\$2.5m an Sales)	\$25,000
Hotel	\$140,000 (\$8m Project)	\$200,000 (\$2m an sales)	\$340,000
<b>Totals</b>	<b>\$315,000</b>	<b>\$380,000</b>	<b>\$695,000</b>

These projects also bring jobs. The typical fast food restaurant generates 35-40 jobs per location. The typical hotel will generate 15-20 jobs and a service station 5. Total estimate on jobs is between 100 and 120 jobs for three projects.

Development of freeway serving commercial need not preclude a plan for the Grant Avenue corridor. The properties adjacent to Interstate 505 lend themselves to these types of business, but careful planning and visioning by City staff, Planning Commission, City Council and property owners could still result in a vibrant corridor that provides a variety of businesses and services that complement the downtown, leaving the freeway serving businesses to serve the freeway traffic.

- 3. ***Impact Fee Review of AB 1600 Major Projects Fees*** to reduce the overall costs of development in Winters to become more attractive to developers. This would include:
  - a. ***Removal of projects*** within the fee program which have been recently developed by the CDA and City partnerships. This will include the public safety center and the pool which will eliminate almost \$10m in costs from the impact fee program.

- b. **Zoning of impact fees** will include locating improvements and creating a higher level of nexus on the detailed improvements. This will be done to reduce the burden on developers to support fees in areas not within the scope of their development projects. This will ultimately drive down the overall impact fees and require developers to build the improvements within their own projects, which is typically required in each of our development agreements.

### **Fiscal Benefits:**

Making projects more affordable to build in Winters will ultimately position the City to see development faster. The City has approved almost 700 residential units and not a single one of them has been constructed. Residential builders will evaluate affordability of moving forward when the housing market begins to rebound and it will come down to a cost basis for developing.

For industrial and commercial developers, the square foot cost will ultimately determine whether to move forward or not. Commercial development will also follow residential, hence positioning the City for residential development will also benefit the progress of commercial projects.

4. **Flood Overlay Area-** Amended program to include:
  - a. Establish a financing/assessment district in lieu of a fee program.
  - b. Re-analysis of the fee program based on previous cost estimates.

The fees within the Flood Overlay area are onerous and establish costs which make the fee higher than the cost of the land. The establishment of a financing district in lieu of the fees will allow development to proceed under the guise of a future assessment district which will be recorded with the development. When the flood project is constructed (ultimately through a financed project), the district will be established and assessed for the costs.

The re-analysis of the costs of the program will occur to reflect dropping construction costs.

### **Conclusion:**

The importance of maintaining fiscal stability in municipal government is one of the most critical responsibilities of a City Council and administration. The responsibility as a fiduciary of the public "trust" means making decisions, no matter how difficult, to protect both the present and the future security of the community.

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**City of Winters**  
**Budget and Fiscal Sustainability Workshop**

**Services and Programs- Table 1**

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## Service and Programs Table 1

Priority		Revenues	Expenditures	Savings	Impacts
	Closing Community Center	\$16,000	\$85,030	\$69,030	<ul style="list-style-type: none"> <li>• Public Use</li> <li>• Senior Nutrition</li> <li>• Theatre</li> <li>• Winters School District</li> </ul>
	Closing the Swimming Pool	\$16,900	\$57,562	\$40,662	<ul style="list-style-type: none"> <li>• Swim Team/HS Swim Program</li> <li>• Masters Swim Program</li> </ul>
	Eliminate Recreation Programs	\$17,800	\$70,151	\$52,351	<ul style="list-style-type: none"> <li>• Winters Youth</li> <li>• Rec Swim</li> <li>• Youth Basketball</li> <li>• Summer Park Programs</li> <li>• Public Park Use</li> <li>• Rec classes</li> </ul>
	Eliminate Planning Comm Stipend		\$3,700	\$3,700	<ul style="list-style-type: none"> <li>• Planning Commission</li> </ul>
	Environmental Programs Staffing		\$15,000	\$15,000	<ul style="list-style-type: none"> <li>• City participation in the Yolo County Climate Change Compact</li> <li>• EARTH Day</li> </ul>
	Water Resources Agency JPA				<ul style="list-style-type: none"> <li>• Non Participation in County Water Issues</li> </ul>
	City Library Contribution		\$25,000	\$25,000	<ul style="list-style-type: none"> <li>• Hours of Operation Reduction</li> </ul>
	Elimination of Council Stipend		\$5,631	\$5,631	<ul style="list-style-type: none"> <li>• City Council</li> </ul>
	Elimination of Council Training & Travel		\$7,299	\$7,299	<ul style="list-style-type: none"> <li>• Participation in State and Regional Associations</li> </ul>
	Reduction in Streetlights and Park Maintenance		\$110,000	\$110,000	<ul style="list-style-type: none"> <li>• Decreased lighting</li> <li>• No park utilization</li> <li>• Shift of costs to youth groups</li> <li>• 50% Street Lighting= \$32,000</li> </ul>
	City Council Discretionary Fund		\$10,000	\$10,000	<ul style="list-style-type: none"> <li>• Youth Day</li> <li>• Community Dinner</li> <li>• Community Festivals</li> </ul>
	Elimination of the Comm Dev Dept	\$205,577	\$307,290	\$101,713	<ul style="list-style-type: none"> <li>• Reduced Planning and Building Activities</li> </ul>
	Elimination of Building Inspector Dept		\$61,135	\$61,135	<ul style="list-style-type: none"> <li>• Reduced public services</li> </ul>
	Continue Wage Freeze for employees		\$100,000	\$100,000	<ul style="list-style-type: none"> <li>• City Employees</li> </ul>

**City of Winters**  
**Budget and Fiscal Sustainability Workshop**

**Report 1- A Look at the Winters Economy**



**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:**

Shelly

### **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.

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**City of Winters**  
**Budget and Fiscal Sustainability Workshop**

**Presentation**

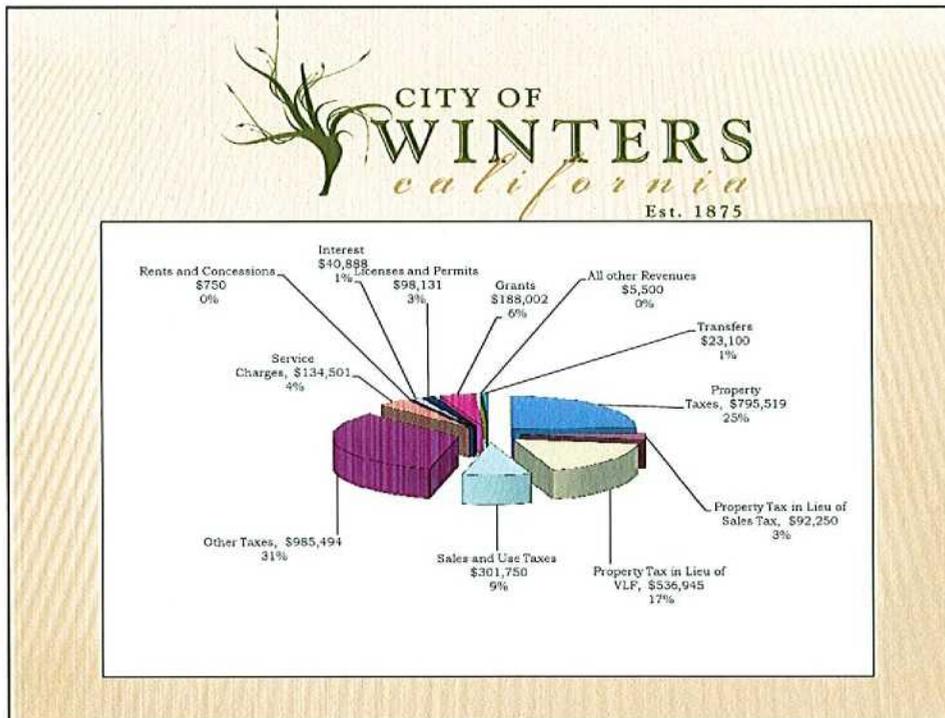
**- A Look at the Winters Economy**



CITY OF  
**WINTERS**  
*california*  
Est. 1875

August 4, 2009

**FISCAL SUSTAINABILITY**





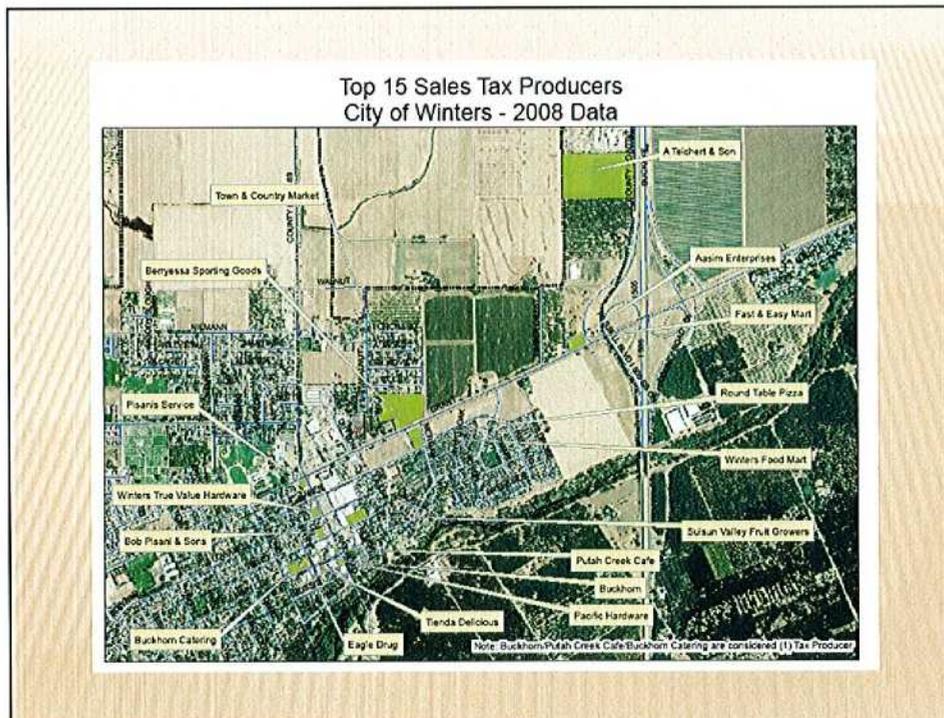
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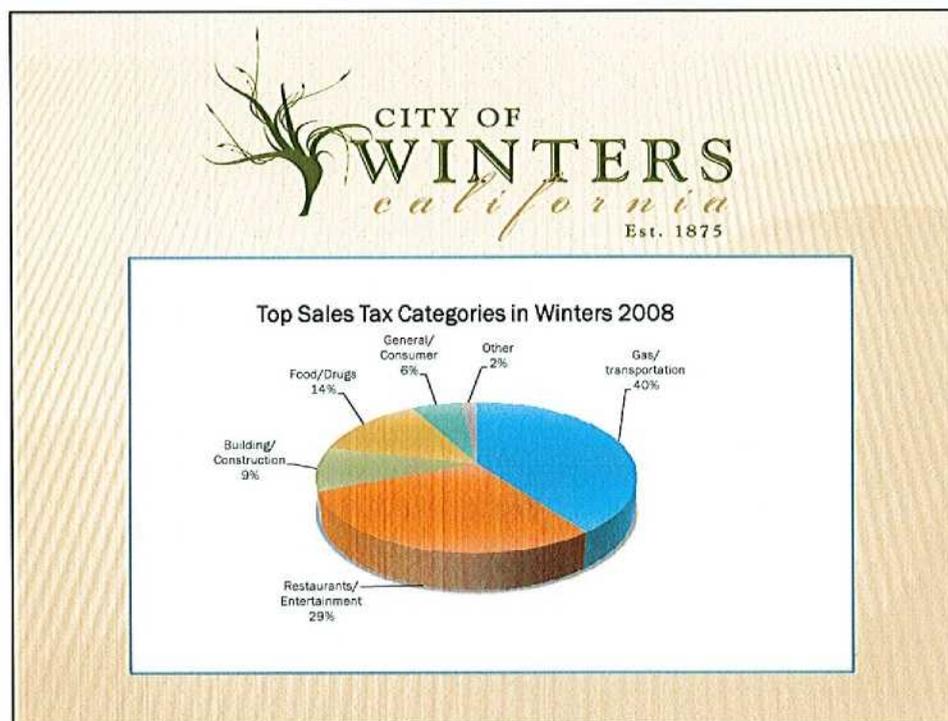
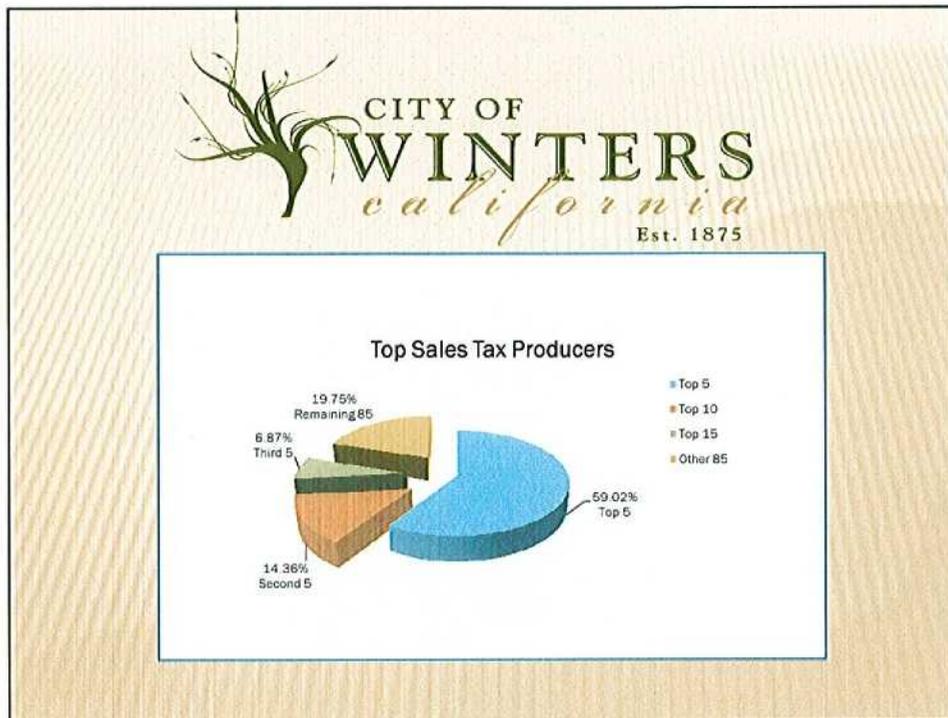
**Top 15 Sales Tax Producers in 2008**  
Total sales tax in 2008 in the City of Winters was \$306,974.  
Approximately \$240,000 was produced by the top 15 businesses.

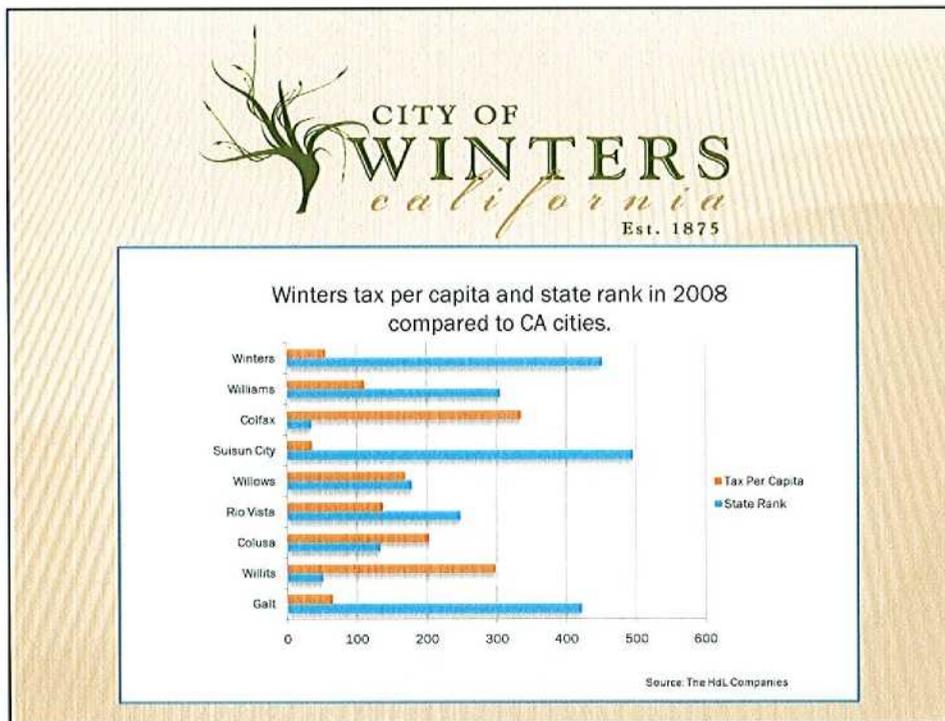
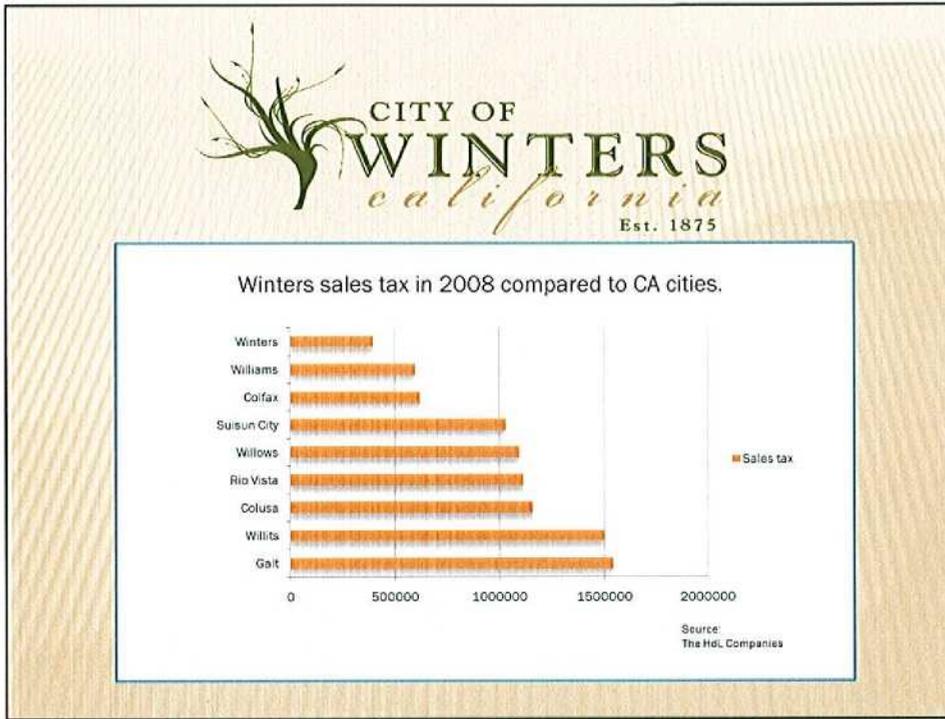
Aasim Enterprises	
A Teichert & Son	
Berryessa Sporting Goods	
Buckhorn	
Town & Country Market	Top five account for 59.02% of total sales tax in 2008
Bob Pisan & Sons	
Pacific Hardware	
Pisanis Service	
Round Table Pizza	
Winters True Value Hardware Store	Top 10 account for 73.38% of total sales tax in 2008
Eagle Drug	
Fast & Easy Mart	
Susan Valley Fruit Growers	
Tienda Deliciosa	
Winters Food Mart	Top 15 account for 80.25% of total sales tax in 2008

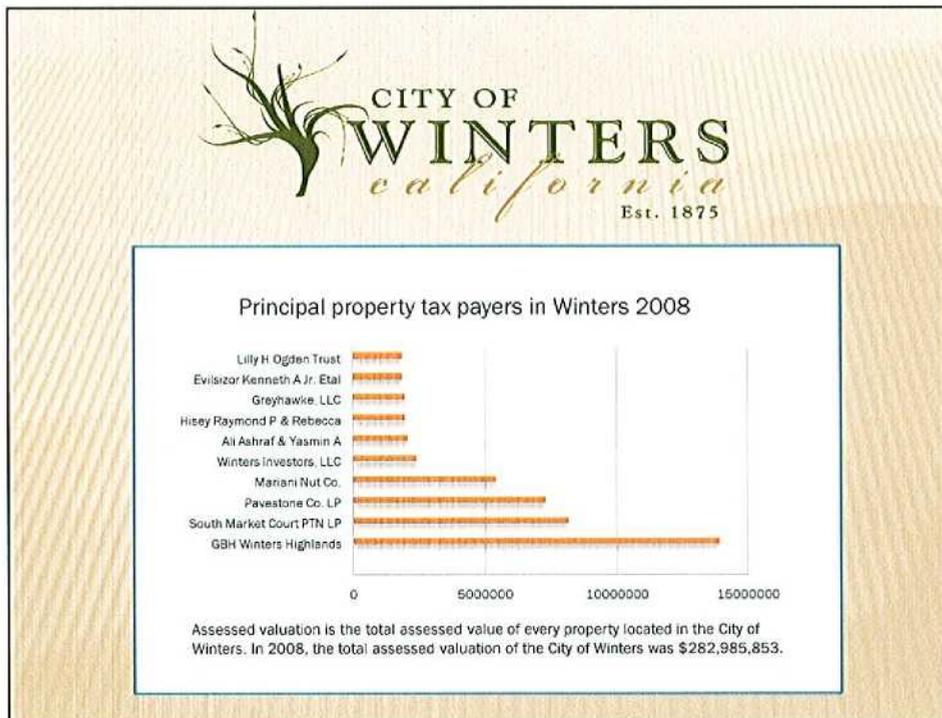
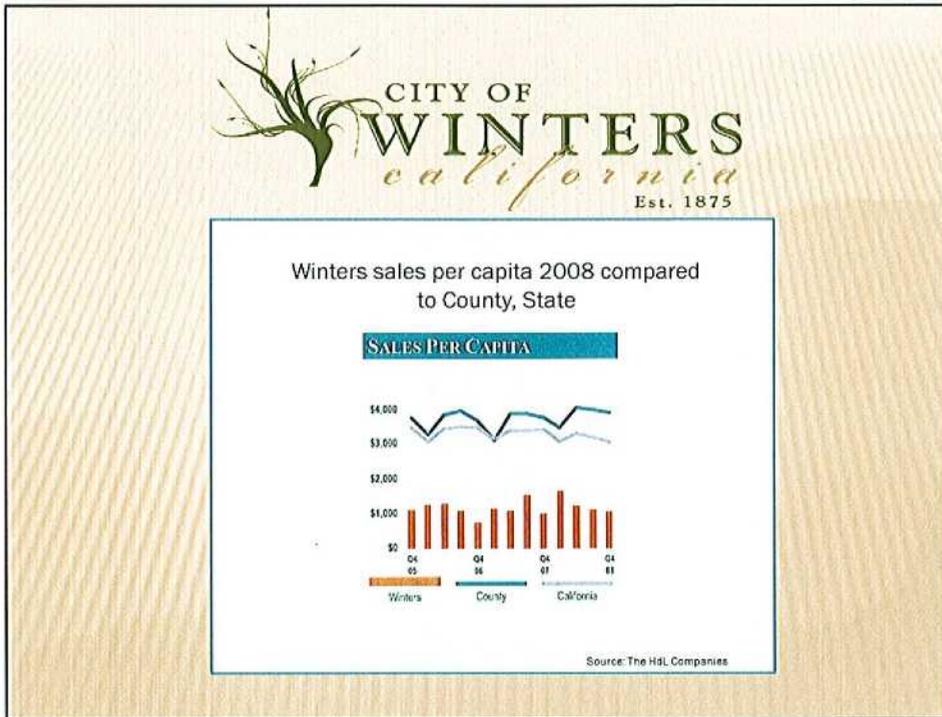
Sales tax is charged on all tangible personal property sold in California. The City of Winters receives a 1% allocation of sales tax. This means for every dollar of sales tax collected in Winters, the City receives one penny. Some items are exempt from sales tax, including food sold for home consumption and preparation; gas, electricity and water; prescription medicines; seeds, plants and fertilizers used to raise food for human consumption, and some food items sold "To Go" in restaurants.

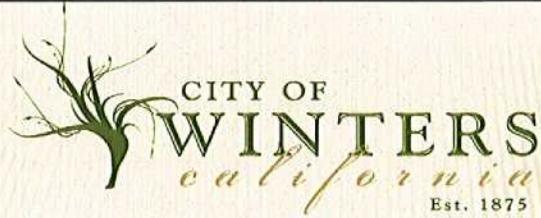
Source: The Hdl Companies



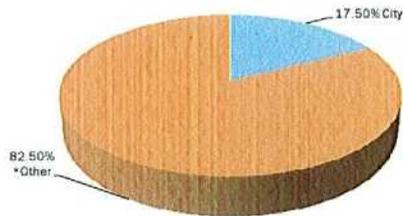








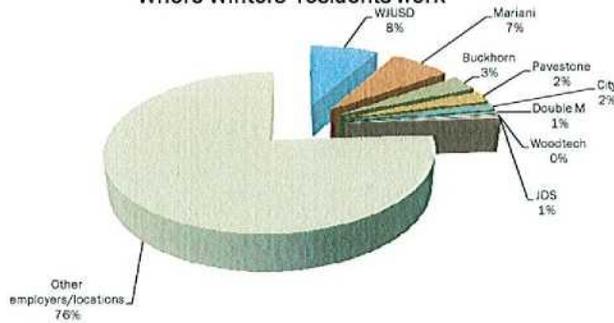
Share of property tax to City of Winters

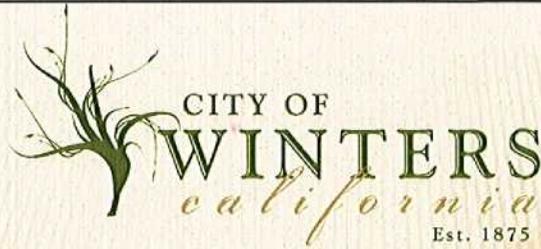


\*In addition to the City of Winters, property tax goes to Yolo County, the Winters Cemetery District, Solano Community College, Winters Joint Unified School District, Sacramento-Yolo Mosquito Vector District and Yolo County Flood Control.



Where Winters residents work

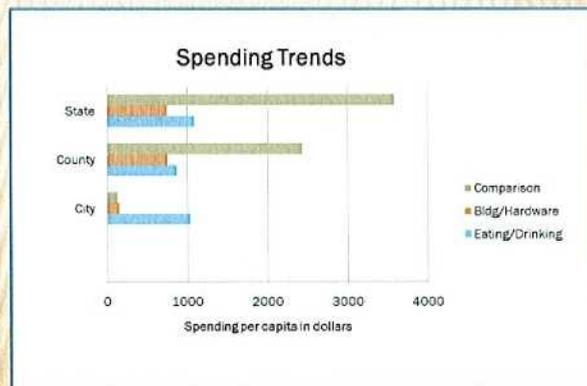
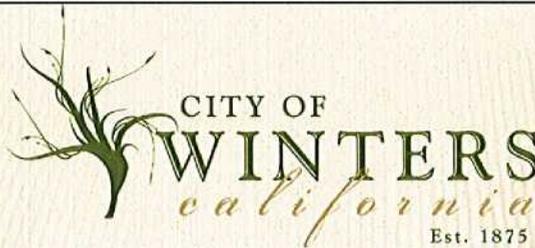


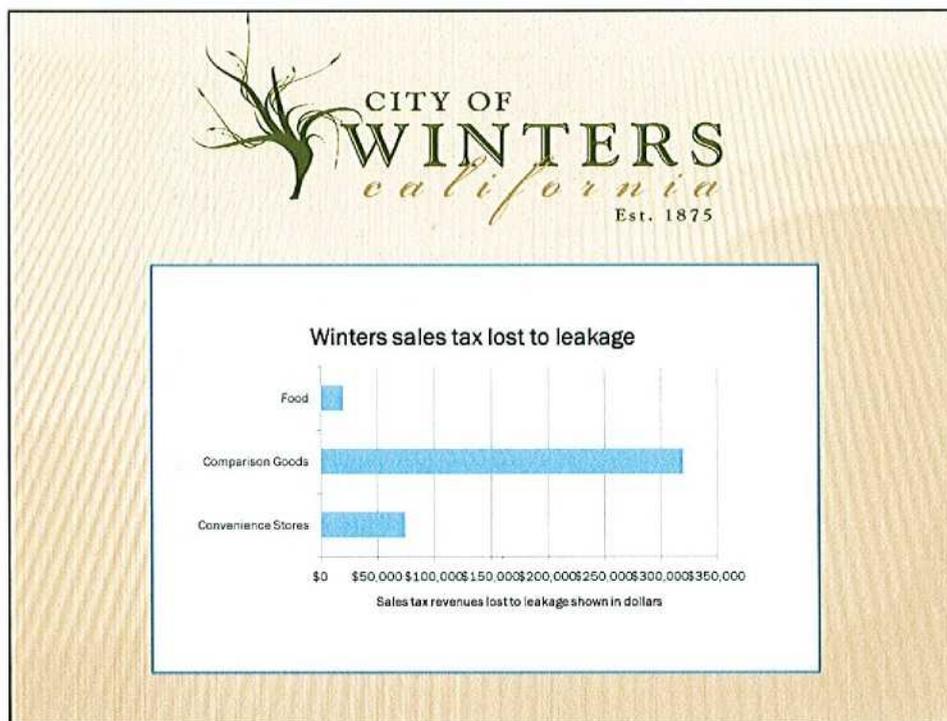
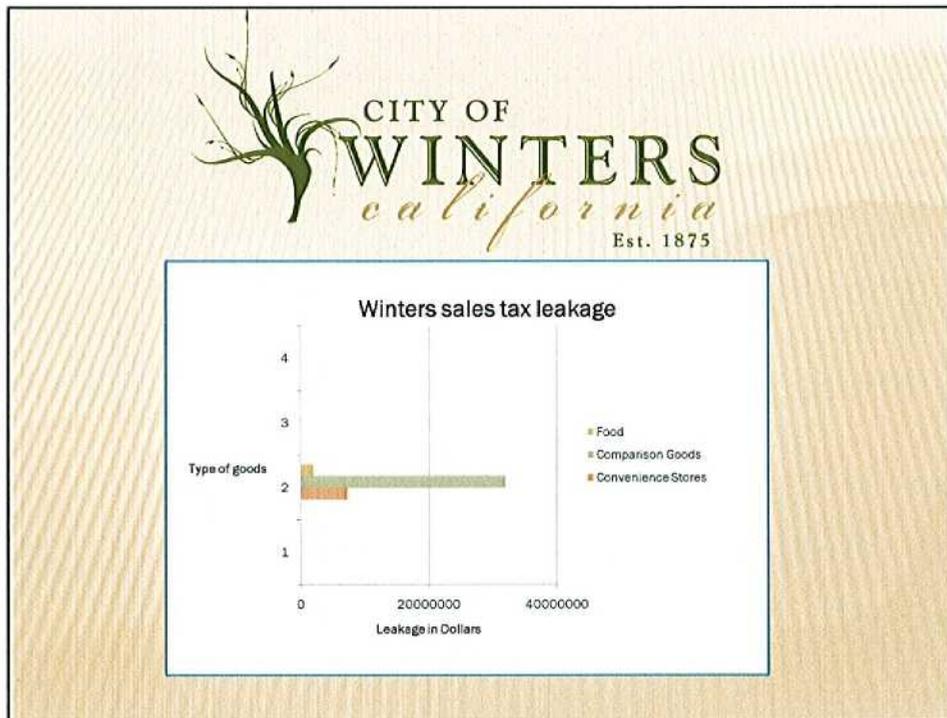


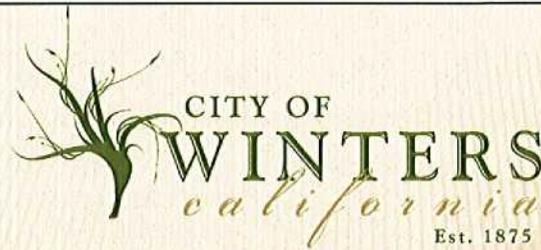
Projections as discussed March 7, 2005

	projected 2009-2010	projected 2010-2011	projected 2011-2012	projected 2012-2013	projected 2013-2014
Revenues without Development	2,355,248	2,398,700	2,442,830	2,487,656	2,533,193
Expenditures with General Plan Compliance	4,559,093	4,639,385	5,095,580	5,143,895	5,232,753
	(1,415,382)	(1,414,948)	(1,787,224)	(1,747,730)	(1,745,131)

- Slowest Growth Rate Explored
  - 50 market units per year
  - 8 affordable units per year
- General Plan Compliance beginning 2006-2007



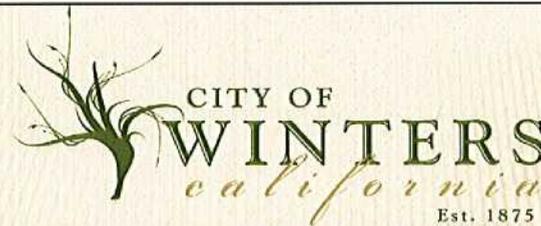




Projections included in 2009-2010 Budget

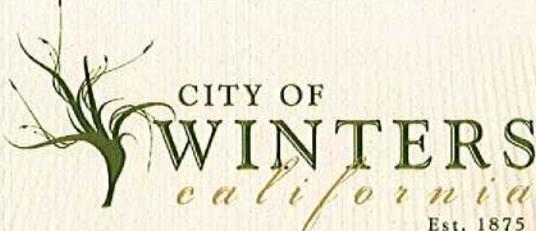
	Budgeted 2009-2010	forecast 2010-2011	forecast 2011-2012	forecast 2012-2013	forecast 2013-2014	forecast 2014-2015	forecast 2015-2016	forecast 2016-2017	forecast 2017-2018	forecast 2018-2019
Projected Revenues	\$ 3,008,767	\$ 3,336,433	\$ 3,623,854	\$ 4,025,825	\$ 4,445,575	\$ 4,665,915	\$ 4,919,817	\$ 4,990,629	\$ 5,153,488	\$ 5,299,549
Projected Expenditures	3,370,701	3,775,535	4,258,721	4,769,542	4,885,814	5,198,074	5,551,164	5,747,105	5,954,680	7,044,083
Expenditures)	\$ (361,935)	\$ (439,102)	\$ (634,867)	\$ (743,717)	\$ (440,240)	\$ (532,159)	\$ (631,347)	\$ (756,476)	\$ (801,193)	\$ (1,744,534)

These projections are more optimistic than those prepared 5 years ago.



Why the difference?

- Reduced expenditures due to no general plan compliance with regards to:
  - Police Staffing (We haven't hired the additional police officers included in the projections in 2005)
  - Fire Services (We haven't developed a city fire department at this time)
  - Parks (we haven't added any additional parks since 2005)
- Increased Revenues from:
  - Housing price bubble (Assessed value of homes sold during last 4 years increased at a higher rate than in 2005 projections)
  - Increase sales tax revenues mostly due to the substantial increase in gasoline prices in 2007 and 2008.



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Difference between Good Budget Years and Tough Budget Years

Building permits for new construction provide 2 revenues, first it provides the revenue to the general fund to support building department expenditures through the issuance of the building permit and collection of building permit fees (a one time revenue source) and second it provides an ongoing revenue source in property taxes from the increased assessed value of the property that was improved. Below is a chart showing the number of building permits issued since July 1, 2002.

2002-03	issued	34
2003-04	issued	60
2004-05	issued	20
2005-06	issued	2
2006-07	issued	1
2007-08	issued	1
2008-09	issued	0
2009-10	projected	3



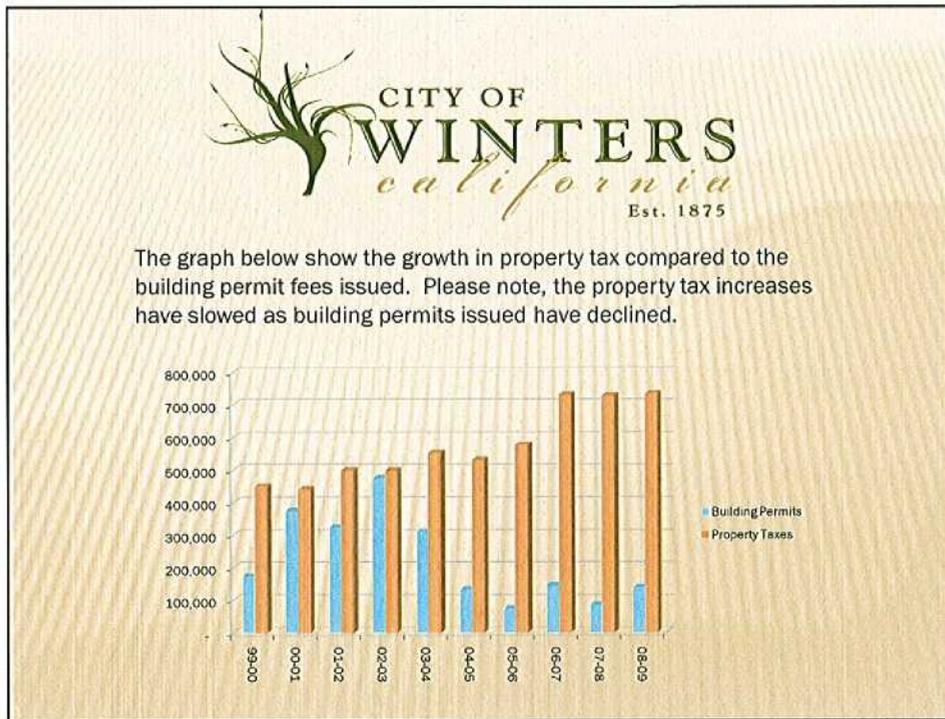
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Difference between Good Budget Years and Tough Budget Years

In good budget years, we have some amount of development going on and we have an above normal increase in assessed valuation of real property. Although we haven't had in real building since 2004-2005, the incredible increase in market value of real property occurred so that as homes were sold within the city, we experienced tremendous growth in assessed value and therefore property tax within the last several years. Below is a chart showing property tax growth since July 1, 2002 (this does not include the newly adopted "loan" to the State of California).

Property Tax

Fiscal Year	Property Tax	Increase (Decrease)
02/03 Actual	\$ 498,128	-0.20%
03/04 Actual	\$ 553,104	11.04%
04/05 Actual	\$ 530,507	-4.09%
05/06 Actual	\$ 576,772	8.72%
06/07 Actual	\$ 731,220	26.78%
07/08 Actual	\$ 728,428	-0.38%
08/09 Estimate	\$ 734,193	0.79%
09/10 Budget	\$ 734,486	0.04%



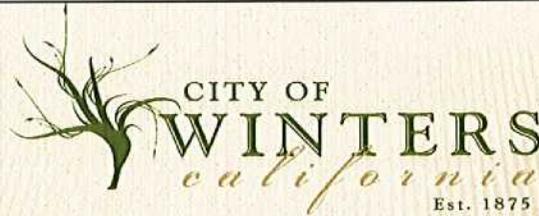
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Difference between Good Budget Years and Tough Budget Years

In good budget years, the State of California develops a budget that does not require the Cities, and Counties to provide additional funding to run state programs.

In good budget years, new businesses are starting up and adding to the employment and sales tax base of the city.

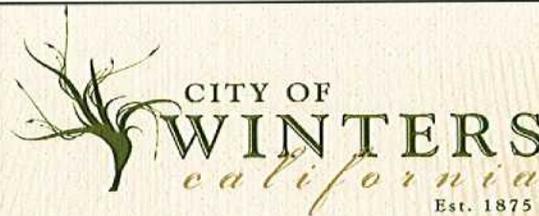
In good budget years, funds investing in savings accounts, local agency investment funds and other investments have a rate of return higher than 2%



Difference between Good Budget Years and Tough Budget Years

In tough budget years we face the following problems:

- a. little to no development, which means a few if any building permits and therefore no increase in assessed value of the property within the city beyond the maximum allowed under proposition 13.
- b. a "popping" of the housing bubble, in which a high amount of homes are in foreclosure and selling for less than the current owner's purchase price, therefore reducing the assessed value of those properties.
- c. the State of California "borrows" local property tax, local gas taxes, and redevelopment tax increment.
- d. businesses are closing down instead of starting up, therefore reducing employment and sales taxes.
- e. decreased spending and depressed gas prices reduce an already low level of sales tax received by the city.
- d. any other issue that causes revenues to increase by an amount less than the cost of provided services to our residents.



Difference between Good Budget Years and Tough Budget Years

We are currently in a tough budget year, we have made many adjustments to the budget and have been as realistic as possible about the projections included in the budget. We have voluntarily frozen our wages, we have reduced our O&M budgets, we have become even more frugal than in the past and still our revenues are not keeping up with the expenditures required to provide the level of services to our residents.

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**City of Winters**  
**Budget and Fiscal Sustainability Workshop**

**Report 2- Key Hurdles**



CITY COUNCIL  
STAFF REPORT

TO: Honorable Mayor and Councilmembers  
DATE: October 6, 2009  
FROM: John W. Donlevy, Jr., City Manager  
SUBJECT: Fiscal Sustainability Review Session 2: Key hurdles

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**RECOMMENDATION:**

That the City Council receive Session 2 of the Fiscal Sustainability Review from the City Staff and provide appropriate comments and direction.

**BACKGROUND:**

In August, 2009, the City Staff began a review of key issues and concerns regarding the fiscal sustainability of the City of Winters. This includes a three (3) session presentation on many of the key issues which are impacting the economics of the City of Winters.

This presentation will include a review of many of the current hurdles facing the City is achieving economic success.

**DISCUSSION:**

This report is meant to provide a critical and analytical review of the economics of the City of Winters. The discussion is to identify many of the factors which are stalling the fiscal and economic sustainability of the community. While many of the statements can be construed as "negative", they are presented to allow a more empirical review of those things which are barriers to the economic survival of the community.

The City of Winters faces a number of key hurdles toward gaining an economy which allows for sustainability. These include:

1. No current economic base from which to build.
2. Proximity of businesses to economic corridors.
3. Undeveloped, Undevelopable and Costly to develop Land
4. Low revenue generation from existing businesses

### Current Economic Base:

The current economic base for the City provides a number of hurdles for fiscal sustainability. These include the following:

1. Lack of businesses and job base to support economic expansion and internal fiscal growth.
2. Inadequate population base to support the retail economic models desired by major businesses.
3. Absence of a business to business climate to support internal business growth.

### Business:

From an economic standpoint, Winters has changed dramatically during its history. A once bustling business climate in the 1950's and early 1960's devolved into a shell of its former self during the 1970's, 80's and 90's. The Downtown has served as the economic core of the City, yet has not kept up with modernization of retail and business trends. The Winters business community once include multiple car dealers, grocery and department stores and generally served as the main servicing point for the surrounding farming community. The Downtown once served as the hub of economic activity for business transactions. The combination of the loss of the railroad line and the emergence of the neighboring communities of Vacaville, Woodland and Davis significantly shrank the economic climate of the City.

Since the 1960's and with the exception of the emergence of the Mariani Nut Company, there has been minimal economic or industrial growth in Winters. Job development has been minimal, especially in the range of positions which are able to support a household. The reality is that the footprint of Downtown is the same as it was 120 years ago!

A key cause for much of the non development has been the proximity of business to key economic corridors. The rise of Winters was initially tied to the fact that the railroad proceeded through the center of town. The literal presence of the railroad and its stop, created the hub of activity needed for persons to gather in Winters. A key road was Road 89 which served as a key traffic corridor for vehicles travelling north. Not unlike the Pixar movie "CARS" where the town of Radiator Springs was bypassed, the loss of the railroad and the construction of I505 has taken its toll on Downtown Winters. Once the thoroughfare, Downtown is now hidden and must be "found".

The traffic patterns of Winters also is a prohibiting factor for economic advancement. On average, there are approximately 10,000 car trips each day on Grant Ave. both easterly and westerly. On an

average day, only 1,600 of those cars turn from Grant Ave on to Railroad Ave into Downtown. This indicates that 84% of the traffic on the City's main corridor are not visiting the core economic area of the City.

The key economic corridor for Winters has clearly shifted to the I505 and Grant Ave. The Downtown still serves as the heart of Winters, but in order to advance both fiscally and economically, the focus must become these key transited areas.

#### Population:

In the 1991 General Plan, the economic analysis pointed toward the importance of generating a population base which would allow local servicing businesses to succeed. At the time, the estimated population need was a minimum of 15,000 residents to support the models dictated by the typical retail business model for density and service area. Thus, the current and even predicted size of Winters, 12,500 will not support or justify a typical retailer relocating to the City. As stated in the previous fiscal sustainability report, 95% of our residents spending for comparison goods is done outside of Winters because retail does not exist within the City.

The City also seriously lacks a daytime population base from which to support local businesses. From an economic standpoint, retail experts will support that "people shop by where they work, not by where they live". In Winters, the overall lack of daytime job population is lacking to the point that most businesses close by 5:00 p.m.. Demographically, 80% of the working population of the City are commuters. Peak commute times show that most persons leave the City before 7:30 a.m. and return after 6:00 p.m. each work day.

The result is dramatic and a double hit on the Winters economic community. Not only is the population too small to support retail, but the daytime population is even smaller due to the lack of jobs and industry. Most residents cannot even support the local businesses because they are closed before they arrive back into town from work.

#### Business to Business:

The American economy is driven on the basis of "business to business" commerce. Business-to-business (B2B) describes commerce transactions between businesses, such as between a manufacturer and a wholesaler, or between a wholesaler and a retailer. Typically, this means having industry or production sharing products within the economy. In an economic analysis benefiting your economy, it means importing more revenue than is exported. This is reflected in a deficit of revenue coming into the Winters economy whereby our residents and businesses are spending more outside than is brought into the economy.

In the Winters economy, the only real production to manufacturing (B2B) is the agricultural production (mostly nuts) with the Mariani Nut Company. The few businesses which exist within

Winters have external B2B which does not create jobs or internal revenues within the City.

The need to establish B2B is critical to the overall economy. It is what generates jobs and multiple levels of transactions for many products. The best example is a car manufacturer who purchases glass, tires, metal and parts from multiple suppliers. Other businesses which support each other can be seen in auto repair, with garages such as Pisani and Biasi purchasing products from Napa Auto Supply. In Winters, most transactions are single transactions, the sale of a food product or a bottle of wine.

The lack of businesses in Winters is a serious issue and hurdle to the overall sustainability of the City. From jobs to business tax revenue generation, the need to locate businesses which circulate products (B2B) is a critical component to the long term success of the community from an economic standpoint.

The absence of a revolving economy makes Winters a challenge for any business to justify locating within the community if it is reliant on B2B. Successful economic development will result once the City of Winters is capable of establishing a business culture whereby local businesses are not reliant on marketing outside of the community.

#### **Undeveloped, Undevelopable and Costly to Develop Land:**

The need to establish a jobs based is mostly hampered by the sheer lack of businesses within the City. The City has simply not developed!

Job development opportunities which exist in Winters are as follows:

- **North Industrial Area:** In total, the City has approximately 80 acres of industrially zoned property along 505 to the north of Grant Ave. Of this land, only 10 acres of the property is developed with Pavestone, Teichert and the former Woodtech property.
- **Gateway Master Plan:** This includes approximately 46 acres of property which are designated for light industrial development. There is a “master plan” for the site which includes an additional 7 acres of freeway serving commercial. The plan has been adopted, but the land has not been re-zoned.
- **Planned Commercial Re zoning:** The City has less than 20 acres zoned along Grant Avenue which the General Plan designates as “Planned Commercial”. None of this acreage has been developed.

In fact, very little of the City land designated for job and industrial production has developed. The last property to be developed was the Woodtech property along County Road 90 which was completed in 2002. This produced fewer than 20 jobs and closed in 2006.

There are a variety of reasons why there has been no industrial job growth in Winters. Key reasons include:

- The 1992 General Plan designated all of the industrially zoned property into a “Flood Overlay Area” which was prohibited from development until a comprehensive flood solution was developed and a fee program established to fund such. The project and fee program were finally completed in 2008. This is the key reason for no development in this area.
- The Gateway Master Plan area has been held from development by the property owners for a variety of reasons.
- There are no utilities to service these areas and the combination of the Flood Overlay Area and property owner inaction have caused the area to stay undeveloped. This is the second key reason for lack of development.

Undevelopable and Costly to Develop Land:

When considering where to develop, key considerations are location, price of land and the costs per acre to implement the project. The “Flood Area” designation and the General Plan prohibition against development have factored negatively into the lack of development for the Winters industrial area.

The industrially zoned properties in Winters are also cost prohibitive to develop. In the 2004 update of the City’s impact fee program, the comparable fees for the industrially zoned properties were as follows:

<u>Location</u>	<u>Cost Per Acre</u>	<u>Cost with Flood Fee</u>
Winters	\$112,570	\$184,570
Vaca Valley Industrial Park	\$101,625	
Vacaville Business Park	\$101,080	
Solano Business Park	\$77,418	
Farifield Business Park	\$74,920	
Dixon	\$71,595	
Napa Gateway	\$60,186	

The cost to develop in Winters is almost 83% higher than the Vaca Valley location and almost 200% higher than the lowest comparison. In a recent survey of the land costs in the industrial area, the development costs are 6.8 times the cost of land values at \$27,000 per acre.

The extension of utilities to the I505 will clearly create a more positive climate for development, however the cost of development is prohibitive at this time.

### Revenue Generation from Existing Businesses

The amount of revenue generated from existing businesses is a key factor in the overall fiscal sustainability of the City. Some key facts regarding the revenue generation throughout Winters:

- In the 4 quarters ending in June, one Grant Ave. business produced more sales tax revenue than the ENTIRE Downtown, including the 3 Buckhorn businesses.
- 18 Grant Ave. businesses produced approximately \$230,000 in sales tax, as compared to \$106,000 for 32 Downtown businesses.
- Of the top 10 revenue generating businesses, 8 are located on Grant Avenue. 12 of the top 20 are also located on Grant Ave.

### **SUMMARY:**

The foregoing analysis has been presented as a highly critical and empirical analysis of the current economic and development capability of the City. It has been provided to help form a basis for a number of forthcoming recommendation in the third session of the fiscal and economic sustainability review of the City.

Session 3 will be an opportunity to focus on alternatives and recommendations to help improve the current issues raised in the first two sessions.

**FISCAL IMPACT:** None by this action.

## Fiscal Sustainability Hurdles

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**CITY OF WINTERS**  
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EST. 1975

Projections included in 2009-2010 Budget

	Budgeted 2009-2010	forecast 2010-2011	forecast 2011-2012	forecast 2012-2013	forecast 2013-2014	forecast 2014-2015	forecast 2015-2016	forecast 2016-2017
Projected Revenue	\$ 3,006,707	\$ 3,336,433	\$ 3,763,854	\$ 4,025,525	\$ 4,445,575	\$ 4,965,935	\$ 4,938,817	\$ 4,990,429
Projected Expenditures	3,370,701	3,775,535	4,224,701	4,769,542	4,885,814	5,396,074	5,551,184	5,747,132
Deficit/ Surplus	\$ -363,994	\$ -439,102	\$ -460,847	\$ -743,717	\$ -440,239	\$ -430,139	\$ -612,367	\$ -756,703

These projections are more optimistic than those prepared 5 years ago.

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### City Services are Important

- Life Safety
- Property Values
- Community
- Recreation
- Safety

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### Weaknesses

- Current Business Base
  - Same footprint as 100 years ago
  - Fewer businesses
  - Less traffic
- Population
  - 15,000 recommended in 1991 GP Economic Study
  - 12,500 Adopted
- Business to Business

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### Fiscal Things to Consider

- 1% of Business Activity earned in Sales Tax
- 10% of Hotel rate.
- 17.5% of 1% assessed property value

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### Winters Fun Facts

- Largest Business Property Value \$4m
- Downtown Assessed Value less than \$7m
- Last Commercial Structure- 1994 (Round Table/Subway)- AV= \$2m

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### Location is important

- 1 Grant Ave business produced more Sales Tax than entire Downtown combined
- 18 Grant Ave business produced twice as much sales tax as 32 Downtown
- 8 of top 10 revenue generators are on Grant Ave.

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### Issues to Reconcile

- Economic Corridor
  - Shift from Rd 89 and the railroad to I505
  - Current Traffic Patterns
  - Grant Ave as key economic corridor
  - Railroad Ave.
- Undeveloped, Undevelopable and Costly to develop land.

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### Key Development Zones

- North Industrial Area
- Gateway Master Plan
- Grant Ave. Corridor

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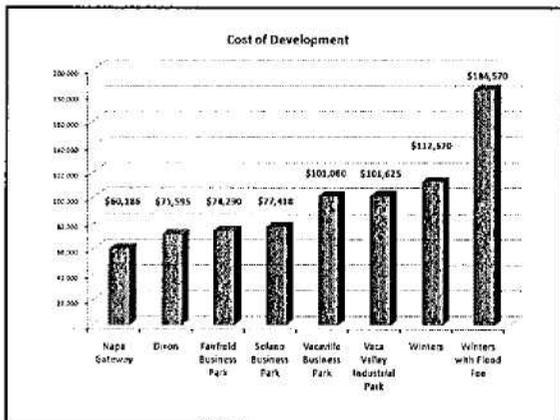
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