



Town of Yountville

"The Heart of the Napa Valley"

June 16, 2009

Honorable Mayor and Council Members:

On behalf of the Town's Management Team, I am pleased to present for your review and consideration the Proposed Town of Yountville Budget for FY2009/10. Our budget document provides a detailed summary of all planned Town activities and programs for the upcoming year. The budget document outlines the Town's organizational operating structure provides program descriptions and highlights the City's financial conditions and Town Council adopted budget related priorities and issues. This budget document serves as a communication tool, a financial plan, outlines the Town's financial related policies and serves as the foundation of the annual work plan for the Town.

Balancing Objectives

Our proposed budget attempts to balance the desires and priorities established by the Town Council along with the desires and interests of our residents, business community and visitors and with the mandate that the Town needs to operate within its financial means. As such, development of this budget is challenging as we attempt to maintain our high level of customer service, parks and recreation programming, parks and facility maintenance, road and pathway maintenance presently in place with the reality of making some difficult choices with less available overall revenue.

This budget incorporates a number of key Town Council priorities including no use of the General Fund Reserve, increase in OPEB internal payroll rate to 5%, implementation of a new 1% PERS Reserve internal payroll rate to help balance future pension cost increases. In addition, this budget reflects an agreement with the Yountville Employee Association for a no-cost-of-living- adjustment (COLA) for employees this year and the implementation of significant management cost containment on retiree medical benefit eligibility. We are appreciative of the efforts by our employees to work with us to implement these considerations.

Budget Challenges

Preparation of this year's budget presented a significant challenge due to the unstable state of the economy which is then further compounded by the State of California's financial condition. While Yountville has fared better than most locales during the global financial crisis which is the country's worst recession in the last fifty years, the local economy in the first six (6) months of 2009 has contracted in the ten percent (10%) range. This contraction is even more noticeable as the Town set all time records for TOT and sales tax receipts in 2008. Staff has reviewed economic forecasts which do not project a recovery into next year. Therefore staff is projecting a slight decline in TOT and sales tax

receipts for this budget year resulting in a decrease of revenue in the \$200,000 range. Overall, the Town's long term fiscal management and condition remains viable and the Town with some adjustments, and a focus on expenditure control and increased cost recovery, is reasonably well positioned to weather a short term economic downturn without significant and long-term service level impacts.

Even more concerning is the State of California's economic situation which has the Governor proposing yet another "borrowing" of revenues that belong to local government to use to deliver local services. The State budget is in disarray with a record deficit and no real plan by the Governor or the legislature to resolve the State's systemic problems. The State is likely to not adopt its budget until well into summer and has indicated they are likely to take eight percent (8%) of our local property tax, VLF funding, and eliminate COPS grant funding and Proposition 42 Transportation funding to help the State resolve their financial mismanagement. This situation represents the immediate loss of approximately \$240,000 in revenue used by the Town for law enforcement services, transportation infrastructure projects, and other General Fund projects.

The general financial state of the Town remains stable, although the Town must defer a number of capital projects to ensure that the Town lives within its means. In addition, the Town will not initiate or expand service levels or programs unless a specific funding source is provided for the new initiative.

The Town has a significant \$825,000 General Fund Reserve and unallocated reserve of \$880,000. The Town Council has the option to consider accessing these reserves if they wish to fund additional capital projects or programs not funded in the proposed budget.

Economic Condition of the Town

While the Town is not immune to the general economic malaise affecting the United States, there are a number of positive economic signs which will help to improve the overall financial condition of the Town in the near future. This economic optimism is in part due to Yountville's unique tourism niche and location in the Napa Valley and continued visitor interest. New projects under construction or approved which will create increased property tax, TOT receipts, and sales tax include:

Bardessono Inn and Restaurant (62 room high end hotel and restaurant open for only a few months to date)

Bottega Restaurant (opened for 6 months)

Coffee Caboose (coffee shop at Railway Inn due to open shortly).

Bouchon Restaurant (patio seating project)

Yountville Deli (remodel of Deli and patio space at Ranch Market)

Hotel Luca and Restaurant (20 room, 4 apartment and 92 seat Italian Restaurant under construction and due to open Winter 2009)

Yountville Inn (32 room expansion, spa facility and 25 units of workforce housing under construction)

Vita Restaurant (approved project for now empty Restaurant building)

Aloysius Inn (approved project for 20 room luxury hotel associated with the French Laundry)

Sorrento Project (mixed use retail development, wine tasting; approved project and site demo work underway)

CONCLUSION

The total General Fund budget, including all departments and transfers is \$5,182,777 and represents a reduction in revenue of \$250,910 and an increase in expenses of \$121,677. The General Fund revenues exceed operating budget expenses before transfers, but is not presently balanced, with a proposed budget deficit of \$89,004. The proposed budget does not allow for the prior level of funding for capital and infrastructure projects, transfer to other funds or continued subsidy of enterprise operating funds. The proposed budget would be balanced and have a nominal excess if it was not for the State "borrowing" of \$240,000 of our funding sources.

In spite of the continuing economic uncertainty surrounding Yountville, the Town remains relatively well positioned to react to the downturn in the economy and the continued budget uncertainty at the State level. ***The anticipated reduction in available revenue of approximately \$450,000 funding is significant and represents approximately a 10% overall reduction in revenue from last year.*** This reduction will require the Town to make a significant shift from its traditional approach to the budget process. The Town will not have the same level of funding available for capital and infrastructure projects as it has enjoyed in the recent past. The level of excess funding above what is required to maintain our current level of service for core operating expenses no longer exists. The loss of \$100,000 in COPS grant funding represents approximately 20% of the funding for the sheriff's law enforcement contract. The Town's General Fund revenue stream is sufficient to fund this loss, but a continued taking by the State will require a restructuring of our long term budget approach and the level of General Fund subsidy provided to certain operating programs and to the Water and Sewer Enterprise Funds.

The Town must continue to exercise good fiscal restraint, monitor revenue projections and take quick action should there be any modifications to our revenue projections or other adverse action imposed on local government by the State. The FY2009/10 Annual Operating Budget and Capital Budget proposes a continuation of a conservative approach to address the Town's priority needs, a continued focus on providing our core Town services, to strive to meet the high level of service expected by Town residents and business community, and implementation of only a modest level of capital projects due to the reduction in revenues. Town staff looks forward to working with the Town Council and community to prioritize those projects.

The proposed budget document uses the same format as introduced last year with the addition of informational charts related to Town Council Goals and Objectives, Town Staffing levels, Service Delivery Matrix and an overview of revenue by key sources and expenditures by key service delivery areas.

The budget does include some modification with the elimination of several inactive special revenue funds, and the renaming of a few departments to better describe the function they provide to the Town's citizens and surrounding community.

As always, Town staff will be on the alert for better ways to use our existing resources or change the manner of service delivery, restructuring, partnership opportunities, and evaluating new ways of doing what we do in the delivery of municipal services.

I would like to thank the Town Council for providing overall policy direction and leadership provided throughout the budget development process. I would like to acknowledge all of the Town's employees for their participation and involvement in the development of our proposed budget. In particular our new Finance Director Kathleen Bradbury who dove head first into budget reconciliation and development, the Management Team and Town staff who have worked diligently on the preparation of the budget including:

Kathleen Bradbury, Finance Director

Bob Tiernan, Planning & Building Director

Kenneth Leary, Community Services Director (retired)

Myke Praul, Public Works Director (retired)

Paul Klassen, Coastland Engineering

Barney Larue, PW Supervisor

Don Moore, WWTP Supervisor

Michelle Dahme, Town Clerk

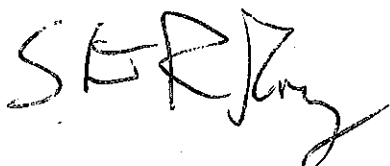
Julie Baldia, Administrative Services Supervisor

Lisa Tyler, Community Facilities Supervisor

Celia Dodds, Accounting Technician

Kristine Berg, Administrative Account Clerk

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "S. R. Rogers". The signature is stylized and written in a cursive-like font.

Steven R. Rogers

COMMUNITY

The Town of Yountville (pop 3,297), is located in the heart of the beautiful Napa Valley wine country and enjoys a "small-town" lifestyle and the sophisticated ambiance of premium restaurants, hotels and inns, spas, theater, museum, and a 9-hole public golf course. Yountville is also home to the Veterans Home of California, a community of and for veterans.

Napa Valley is located approximately 60 miles from San Francisco Bay, and accessible to Sacramento, and the Sonoma Coast.

The Town of Yountville is fiscally sound and benefits from strong locally derived revenues that enable the Town to undertake a variety of important community development projects. The dedicated Town staff embraces a team approach and a management philosophy that supports the professional growth of employees within the organization.

The Town of Yountville, renowned for its world-class restaurants and award winning chefs, has earned the unofficial title of 'Culinary Capital of the Napa Valley'. From French, Italian, Pacific Rim, Bistro and California Cuisine to down-home comfort food, an array of fine dining and unmatched ambiance are yours to discover in Yountville. Located within walking distance of the Town's well appointed hotels, are small luxury inns, premium wineries, activities and shopping.

In 1999 the area around Yountville was approved an American Vitacultural Area (AVA), a unique area for growing grapes. Its boundaries were primarily established by those of the other existing or proposed AVA's in the large Napa Valley AVA-Oak Knoll district on the south, Oakville on the north, Stags Leap district on the east, and Mount Veeder on the west. The Town of Yountville takes its name from George C. Yount (its founding father), who had a large land grant in the Napa Valley and who was the first to plant grapes there. The Yountville AVA is warmer than the Carneros AVA, but cooler than areas to the west and north of it. The area encompasses about 8,260 acres with not quite half of that planted to vineyards. Chardonnay is the dominant of varietals, especially in vineyards to the south where it's coolest. Merlot and Cabernet Franc do well here, as does Cabernet Sauvignon in the AVA's northern portion.

Visitors will enjoy the small town atmosphere, renowned first-class restaurants, luxury hotels and inns, premium wineries and shopping.

TOWN OF YOUNTVILLE STATISTICS

TOWN DEMOGRAPHICS

Population (State Department of Finance 1/1/2009): 3,263

Total Housing Units (2002): 1,144

Yearly Average Temperature: 59.62 degrees Fahrenheit

Average Annual Precipitation: 24.6 inches

Elevation: 97 feet

EDUCATION:

1 Elementary School

PUBLIC SAFETY SERVICES

Law Enforcement Services - Napa County Sheriff's Department

Fire & Emergency Medical Services – Napa County/CalFire