



Staff Report

Agenda Item: **FISCAL YEAR 2009-2010 SWIMMING POOL AND SALES TAX BUDGET OPTIONS** – Discussion and consideration of swimming pool budget options and sales tax percentage options for the FY 2009-2010 budget.

Staff Contact: Kathy Bainbridge, Clerk/Interim Finance Director
Janet Perry, Assistant Town Manager

Meeting Date: March 10, 2009

Background: Town Manager Mabery feels the best way to capture the ideas that were discussed during Strategic Planning and solicit public input on the many alternatives that will be before the Council this budget season is to put together a staff recommended Trial Budget for FY 2010. The proposal would reflect a combination of expense reductions and revenue increases in order to accommodate our expected \$600,000 General Fund shortfall. We are working to provide a Trial Budget for the March 24th Council meeting. Our intent is to make several public presentations of the Trial Budget prior to May 15, 2009, at which time we would be asking the Town Council to start making decisions with regard to the FY 2010 budget. The FY 2010 budget would be scheduled for preliminary adoption at the June 23, 2009 Council meeting.

Unfortunately, there are a few decisions that will need to be made well in advance of those timelines if they are to be implemented in time to impact the FY 2010 budget. Two issues immediately rise to the surface ... one is a cost cutting measure, and the other a revenue enhancement measure.

Transaction Privilege (Sales) Tax Rate: Currently, the Town of Clarkdale has a transaction privilege tax of 2.25% with an additional 1% collected on construction related activities. This is commonly referred to as Sales Tax. As provided in the table below, the Town budgeted \$392,625 for FY 2008-2009 Sales Tax Collections based on the current 2.25% tax rate. Our projections are that our collections this year will be down considerably from that amount, and that we will see further reductions next year. In fact, we will be budgeting for a 15% reduction from last year's budgeted amount for the 2010 Fiscal Year.

There is a set process that the Town Council must go through to modify the Sales Tax Rate. The ultimate action is the adoption of an ordinance that sets the new rates. Once the new rates are adopted, it takes approximately 3 months before the Town starts receiving revenues under the new rate. With that in mind, if the Council wants to consider an increase in the sales tax rate that would be applicable beginning in July, the new tax rate would need to be adopted in April.

Tax Rate	FY 2009 Budget	FY 2010 Projected Budget (with 15% reduction reflected)	Collection Increase/ Decrease for FY10 Compared to FY09 Budget	FY10 Increase/ Decrease from 2.25% Rate
2.25%	\$392,625	\$333,731	\$ (58,894)	
2.50%		\$370,813	\$ (21,813)	\$ 37,081
2.75%		\$407,894	\$ 39,263	\$ 74,163
3.00%		\$444,975	\$ 78,525	\$ 111,244

The table shows comparison projected revenues based upon tax rates of 2.25%, 2.50%, 2.75% and 3.0% tax rates.

As you can see, if the Town of Clarkdale keeps a retail sales tax of 2.25%, the projected decrease in sales tax collection for FY10 would be \$58,894 due to the 15% projected reduction in collections.

In order to realize sales tax revenues above those projected in FY 2009 (the current fiscal year), the Town would need to raise the retail sales tax to 2.75%. At that point, we project additional revenues of \$39,263. A 3.0% sales tax rate for FY10 is projected to raise additional revenues above the FY 2008-2009 budgeted amount by \$78,525.

The final column in the table shows the increase in collections at the different tax rates, compared to a 2.25% tax rate (i.e., based on our projections, if the Council set the tax rate in FY 2010 at 3.0%, they would raise \$111,244 more than if they had a rate of 2.25%).

If the Council takes action to adjust the Sales Tax Rate at the March 24, 2009 Council meeting, the revenues received as a result of the new rates would be received by the Town beginning at the end of June, and we would see the full impact of the rate increase in the FY2010 budget year.

Swimming Pool Operations – The Clarkdale Swimming Pool operates each year from Memorial Day Weekend at the end of May until approximately the 1st of August. There are certain fixed costs that are associated with the pool on a year round basis, however, the majority of our costs are incurred from 3 weeks before the opening until about 2 weeks after the closing. The total costs associated with that time frame are approximately \$51,000 and we generate approximately \$9,000 in revenues during the same period, for a total cost of approximately \$42,000. This is one of the largest, single discretionary expenses in the General Fund.

In preparation for the Council's January 30, 2009 Strategic Planning Session, the staff analyzed several options with regard to the swimming pool. The greatest savings occurs by simply shutting the pool for the entire season. As mentioned above, that saves approximately \$42,000.

We also looked at the following options:

	<u>Approximate Savings</u>
Open for the full season, reduce staffing and use some volunteers	\$14,000
Open for full season, Closed on Fridays, reduce staffing & use volunteers	\$16,000
Open for only one month	\$22,000

We know that passions run high in the community regarding the swimming pool. When closing the pool was discussed as an option during last year's budget sessions, several citizens began circulating petitions expressing their desire to keep the pool operating. Staff has contacted some of those citizens since our Strategic Planning Session to let them know that this option will have to be seriously considered in light of the seriousness of the FY 2010 budget situation. There are some efforts underway by those citizens to develop a list of volunteers to staff the pool, however, to date we only have 5 names, and none of those are able to commit to a schedule at the pool that would significantly reduce operating costs. There does seem to be a realistic understanding by most people of the serious nature of the budget for next year, and how that might impact the pool's operations. Data studied from last year indicates an average daily attendance at the pool of about 40 people, which is 1% of the Town's 4,000 population.

In order to adequately prepare and know whether we need to advertise for pool staff, we will be asking for a final decision from the Town Council regarding the operations of the pool this year at the March 24th Special Council meeting.

Recommendation: Staff recommends that the Council direct the staff to prepare an Ordinance that would increase the Sales Tax to 3.00% (with construction related sales to 4.0%), and an agenda item for a final decision regarding the closure of the Clarkdale Municipal Swimming Pool for the 2009 Swim Season, for consideration at the March 24, 2009 Council meeting.