

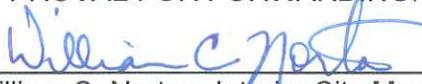
# City of Calistoga

## Staff Report

**TO:** Honorable Mayor and City Council  
**FROM:** Bill Mushallo, Administrative Services Director  
**DATE:** November 3, 2010  
**SUBJECT:** Discussion regarding Fiscal Year End 2009/2010 Transient Occupancy Tax Revenue Results

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APPROVAL FOR FORWARDING:

  
 William C. Norton, Interim City Manager

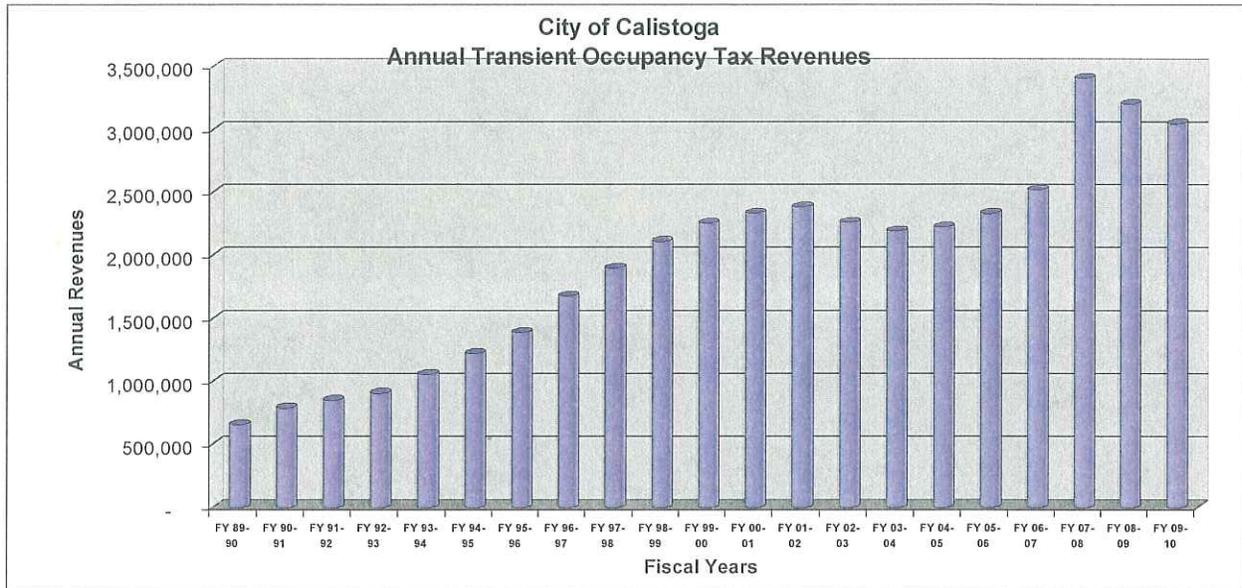
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 2 **ISSUE:** Year end Transient Occupancy Tax revenue update.  
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4 **RECOMMENDATION:** To review and provide feedback regarding the update.  
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6 **BACKGROUND:** City staff presented a final 2009/10 and a draft 2010/11 budget to the City  
 7 Council in June, 2010. At that time, the proposed budgets were discussed and updated  
 8 revenue projections were reviewed. At that time, Transient Occupancy Tax (TOT) results were  
 9 known for the first ten months of fiscal year 2009/10. TOT revenue was projected to end the  
 10 fiscal year at approximately \$2,970,000 dollars or down 7% from revenues received during  
 11 2008/09.  
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13 **DISCUSSION:** Since the budget update that was presented to the City Council in June, TOT  
 14 revenue results have come in for the months of May and June, 2010. Results for those months  
 15 were better than what was anticipated. It was projected that those months would be flat from the  
 16 same months a year ago, but they came in higher. May TOT revenue was up \$20,800 or 7%  
 17 over May of the prior fiscal year and June was \$35,500 or 12% higher than June of 2009. This  
 18 represents a revenue increase of \$56,300 over what was anticipated back in June. Total  
 19 revenue for fiscal year 2009/10 came in at \$3,044,000 dollars or 5% less than 2008/09 amounts  
 20 received. The chart on the next page illustrates how TOT revenues have changed over the past  
 21 several fiscal years.  
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As mentioned above, Total TOT revenues for 2009/10 were \$3,044,000 dollars. This amount represents a \$155,000 dollar (-5%) decrease from amounts received in 2008/09. 2007/08 was the peak TOT year at just over \$3.4 million. 2009/10 results are \$358,000 or 10.5% less than what was received in 2007/08. The chart below summarizes the TOT results by month. As you can see, revenues during the first eight months of half of fiscal year 2009/10 were down significantly from 2008/09. During March – June revenues rebounded and posted increases over the same periods last fiscal year. Overall revenues were down 5% from FY 2008/09.

Revenues	FY 07-08	FY 08-09	FY 09-10	% Change (09-10vs 08-09)
July	320,979	354,754	309,042	-13%
August	373,455	420,039	332,157	-21%
September	379,601	370,275	339,398	-8%
October	374,037	376,974	340,739	-10%
November	246,742	227,816	212,781	-7%
December	172,657	151,621	149,623	-1%
January	127,599	146,230	131,104	-10%
February	177,840	158,338	153,927	-3%
March	246,418	190,826	209,149	+10%
April	261,720	230,708	237,468	+3%
May	349,954	286,820	307,647	+7%
June	371,878	286,356	321,885	+12%
<b>Total</b>	<b>3,402,880</b>	<b>3,200,759</b>	<b>3,044,922</b>	<b>-5%</b>

33 Revenues by operator category are shown in the chart below. As you can see, B&Bs saw the  
 34 biggest percentage drop in revenues, down 11% year over year. Inns & Motels were off 7%  
 35 while revenues received by Hotels & Resorts were down 4%.  
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Revenues	FY 07-08	FY 08-09	FY 09-10	% Change (09-10vs 08-09)
Bed & Breakfasts	226,143	197,547	176,374	-11%
Inns & Motels	504,711	401,161	371,636	-7%
Hotels & Resorts	2,672,026	2,602,051	2,496,911	-4%
<b>Total</b>	<b>3,402,880</b>	<b>3,200,759</b>	<b>3,044,921</b>	<b>-5%</b>

38 In January, 2008 the City began tracking average monthly occupancy rates. The chart below  
 39 shows a comparison for each month since the information became available. Occupancy was  
 40 down during the first half of 2009/10 similar to revenues. During the second half of the year  
 41 occupancy was up but not as much as overall revenues.  
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Occupancy	FY 07-08	FY 08-09	FY 09-10	% Change
July	N/A	65.4%	58.2%	-11%
August	N/A	69.6%	62.0%	-11%
September	N/A	66.1%	62.1%	-6%
October	N/A	66.3%	61.7%	-7%
November	N/A	49.0%	47.4%	-3%
December	N/A	33.3%	35.5%	+7%
January	32.3%	35.3%	32.3%	-8%
February	43.6%	42.9%	39.7%	-7%
March	54.9%	43.8%	46.8%	+7%
April	55.1%	51.6%	50.1%	-3%
May	63.8%	53.5%	54.0%	+1%
June	72.2%	56.9%	59.6%	+5%

44 In January, 2008 we also began tracking average room rates. As you can see in the chart on  
 45 the next page, during the first seven months of the fiscal year average room rates were down  
 46 from a year earlier. During the last five months of 2009/10, room rates rebounded and were up  
 47 from the same period during 2008/09.  
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Room Rates	FY 07-08	FY 08-09	FY 09-10	% Change
July	N/A	210	206	-2%
August	N/A	234	208	-11%
September	N/A	224	219	-2%
October	N/A	220	214	-3%
November	N/A	186	180	-3%
December	N/A	176	163	-7%
January	154	161	157	-2%
February	170	159	166	+4%
March	174	169	173	+2%
April	191	180	190	+6%
May	213	208	221	+6%
June	207	202	216	+7%

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We have begun comparing TOT revenues from other Napa Valley and Sonoma County destinations during this down economy. A list of comparable Cities along with their TOT results for last fiscal year are as follows:

	FY 07-08	FY 08-09	FY 09-10	% Change (09-10 vs 08-09)
Calistoga	3,402,880	3,200,759	3,044,922	-5%
Yountville	3,387,000	3,150,000	3,348,758	+6%
St Helena	1,537,236	1,307,366	1,192,769	-9%
Healdsburg	1,861,555	1,735,637	1,595,358	-8%
Sonoma	2,615,474	2,220,692	1,979,183	-11%

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As you can see from the chart above, Calistoga's revenue is down approximately 5% year over year. Yountville posted a gain of 6% due mainly to a full year of reporting in 2009/10 for a new lodging facility. If those revenues were excluded Yountville's year over year change would be similar to Calistoga. Other comparable cities reported TOT results down between 8% and 11% year over year.

The trends in revenues, occupancy rates and average room rates have all been positive over the past several months. We have also seen the trends continue into the early months of fiscal year 2010/11. July revenues are up 13% over last year and August revenues are 8% higher than fiscal year 2009/10 results. September is also looking promising and we are hopeful that this trend will continue over the next several months.

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73 We will be coming back to the City Council in the near future with a Fall Financial Update. At  
74 that time we will be evaluating all General Fund revenues (including TOT) and expenditures for  
75 the first three months of fiscal year 2009/10 and recommending any necessary budget  
76 adjustments. In December we will begin our mid-year budget review process. We will have six  
77 months of actual results for 2010/11 and will update the current year budget at that time. We  
78 will also be putting together preliminary budget estimates for 2011/12. It is anticipated that we  
79 will be bringing that mid-year update to the Council for review in February.

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81 We are cautiously optimistic that we have seen the bottom of this unprecedented and very  
82 difficult economic cycle. Trends over the past several months have shown improved TOT  
83 revenues and sales tax revenues have also begun to stabilize. The next several months will tell  
84 the story as to whether these trends will continue or if we will face additional revenue  
85 challenges. Expenditure challenges will be significant during the upcoming months but overall  
86 this news is a slight ray of hope in an otherwise gloomy fiscal environment.