

CITY OF FOLSOM

50 Natoma Street
Folsom, California 95630



Martha Clark Lofgren
City Manager
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June 8, 2004

Honorable Mayor and Members of the Folsom City Council:

I am pleased to submit the Final Budget for Fiscal Year (FY) 2004-05 for your review and adoption. The final FY 2004-05 budget is \$151.9 million. The major components are: \$49.7 million for General Fund expenditures, \$38.9 million for Enterprise Fund operations, \$25.7 million for Special Revenue Funds, \$10.2 million for Debt Service and Tax Funds, and \$21.2 million for Capital Improvement Program expenditures.

The key themes for this year's recommended budget are fiscal stability, maintenance of first-quality services and programs for a growing population, and protection of the City's capital investments in parks, buildings, streets and other infrastructure. As the City Council is aware, the Governor's revised budget proposes a reduction of nearly \$2 million in revenue over the next two-year period (i.e., fiscal years 2004-05 and 2005-06). While we are able to continue support for current programs and service levels that must increase as our population increases, we are not proposing new programs that will require on-going General Fund support.

While I am not recommending new programs for this next fiscal year, Folsom should be pleased that we are not in the position of many cities throughout California. Folsom is not required to reduce any service levels in order to achieve a balanced budget. As detailed below, we are maintaining a high ratio of officers per thousand resident, we are adding equipment for both police and fire, we are adding park maintenance funding and are continuing funding for parks renovation, building renovation, and street maintenance. We also are establishing for the first time a fund devoted to trails maintenance to ensure that our twenty-mile trail system remains the beautiful natural amenity that attracts residents, businesses and tourism to our fine city.

The State's budget situation remains precarious, and there is no assurance that local funds will not be raided further as the legislature reviews the Governor's proposed budget. To ensure that Folsom remains stable during these uncertain times, and in accordance with the City Council's newly adopted financial policies, the City's undesignated fund balance in the General Fund has been increased to 15 percent of proposed appropriations. Thus, the General Fund Reserve will increase from \$6.9 million to \$7.2 million. Also consistent with the City's financial policies, the FY 2004-05 budget provides for an additional budgeted contingency in the General Fund equal to 1 percent of proposed appropriations.

We are fortunate that our continued strong commercial and residential growth allows us to remain fiscally strong and adhere to the policies that will ensure long-term fiscal health. Although our five-year financial forecast shows healthy growth in the foreseeable future, as the City approaches build-out (anticipated in 2009-2010), our property and sales tax revenues will stabilize. Folsom may find itself in the same position as neighboring cities that are experiencing service level reductions as they find it difficult to grow. As we get closer to build-out, the City Council must carefully weigh the cost of new programs against estimates of future available revenue. We must continue to examine our cost of doing business and seek efficiencies wherever possible.

The 2004-05 Budget clearly aligns expenditures to key strategic priorities. For the first time, each department's budget section includes the strategic priorities that will be accomplished during the fiscal year. Each budget section also identifies long-term strategic plan issues that have been identified by the City Council and City staff in strategic planning work sessions.

I will now outline the high points of the FY 2004-05 strategic priorities.

FY 2004-05 Service Plan – Key Strategic Priorities

Public Safety. The City's public safety commitment remains a top priority for FY 2004-05. Overall, public safety expenditures total 54 percent of the General Fund budget, which is slightly higher than last year's expenditures. This budget provides for a ratio of 1.3 police officers per thousand population, which is above the FY 2003-04 ratio of 1.1 officers per thousand population. This increase in police services has been accomplished with the assistance of Congressman Doug Ose, who helped the City receive a Community Oriented Policing (COPS) grant for the hiring of ten police officers. Six officers have been hired, and four additional positions are at the end of the recruitment process. As a condition of the grant, the City must assume a greater share of funding each year for the next three years. The City will absorb 100 percent of the cost of the ten officers after that time. The Finance Director already has anticipated these costs and they are included in our five-year financial forecast.

The City Council also recently approved market rate salary adjustments to maintain our highly qualified fire safety staff. This year's budget also contains \$340,000 for purchase of seven replacement vehicles including a new ambulance to enhance service delivery, five replacement sedans for Police, and one replacement vehicle for Fire. The FY 2004-05 budget for the Fire Department also includes \$100,000 for the replacement of obsolete and aging mobile communications equipment.

Funding for fleet replacement for Police and Fire will become more of a challenge as we approach build-out. I have asked the Police Chief and Fire Chief to work with the Finance Director to create a fleet replacement and funding schedule to meet future needs.

Although Folsom's crime rates remain low, continued growth and the arrival of light rail will bring new safety challenges to our community. The Police Department is formulating a new program for special enforcement that will proactively address areas where criminal activity may increase. The State's decision to take away \$1 million of Folsom's revenue precludes me from

recommending funding a special enforcement program at the outset of the fiscal year. However, as we evaluate our revenues at the mid-year point, I hope to be able to return to you with recommendations for funding such a program.

Fire safety services will also be carefully evaluated over the upcoming fiscal year. The fire service delivery plan recommends relocation of Fire Station 38 (located at Oak Avenue and Blue Ravine Road). Pending state legislation may also require or recommend the addition of significant staffing to maintain levels of four firefighters per engine. I intend to involve personnel at all levels of the fire department to evaluate, prioritize and recommend strategies to the City Council for meeting these significant future funding needs.

Transportation and Traffic. The budget includes the addition of one engineering position to work on key transportation projects that will facilitate traffic flow. This position is funded from Gas Tax revenues. Several key projects will continue over the next fiscal year to alleviate traffic congestion.

Folsom Dam Road Closure: The City continues to address the impact of the closing of Folsom Dam Road to public traffic. The traffic impacts associated with the closure have caused significant traffic congestion and delays, impacted businesses and residents, and affected emergency services. The proposed budget includes funding in several areas in an effort to continue to analyze and implement short-term improvements and long-term solutions. Funds are included in the FY 2004-05 budget for the evaluation of an intelligent transportation system, which will allow real time signal control from a separate operations center. We also have set aside funds for intersection operational improvements to help improve traffic flow at congested locations throughout the City. The City will also continue to work on securing the funding that Congress has made available for the new bridge below the dam. Finally, the City continues to work with the U.S. Bureau of Reclamation and the Department of the Interior on a security plan that will allow for limited use of the Dam Road until the new bridge can be built.

Traffic Noise Mitigation: This budget year will see construction of two high priority noise mitigation projects in keeping with the recommendations of the Traffic Noise Citizens Advisory Group. The first project that will be underway this summer is the application of rubberized asphalt to reduce tire noise along Folsom-Auburn Road between the Dam Road and old Oak Avenue. The second project also involves the use of rubberized asphalt to reduce tire noise on East Natoma Street between Blue Ravine and the Dam Road. This project will be a cooperative effort between the City and the developer of the La Collina del Lago development.

Light Rail: Rail transit service between Folsom and downtown Sacramento will be available to Folsom residents beginning in the last quarter of this budget year. The budget includes a set aside of \$550,000 from the City's Transportation Development Act apportionment to pay for this service. City bus operations will be modified to provide feeder service to the new Light Rail line as well.

Recreational and cultural services. Overall, park and recreation funding will constitute 9 percent of the General Fund budget for FY 2004-05. The subsidy from the General Fund to various parks and recreation activities has been increased over the prior year. The FY 2004-05

amount is \$1.77 million, which is a 9 percent increase over the previous fiscal year. The increase in the subsidy is due to increased personnel costs. Evaluation of recreation program rates will continue in an effort to decrease this subsidy. Policies have also been proposed by the Parks and Recreation Commission to allow for fuller cost recovery on many recreational programs.

Consistent with City Council direction, we are setting aside funding for Park Site 44 maintenance expenses. This park is expected to open late next fiscal year. The proposed budget also finances the project development and initial construction phases of Nisenan Park and includes funding for a maintenance worker to assist in maintaining the expanding park acreage.

The proposed FY 2004-05 budget also continues the funding of the Park Renovation Fund that was established in FY 2003-04. The total recommended funding amount for FY 2004-05 of \$350,000 is the same level of funding as the current fiscal year's budget. Although this amount will not be sufficient alone for a long-term funding source, this General Fund contribution demonstrates a recognized need for a long-term commitment to preservation of our park infrastructure.

The City Council has recognized the need for enhanced focus on cultural and arts programs by elevating the Arts and Cultural Committee to Commission status and by adopting a master plan for arts and cultural activities. To further recognize the significance of these programs in our community, I am recommending the creation of a separate division of Community and Cultural Services within the Parks and Recreation Department. In addition to handling arts, cultural and senior programming, this new division will incorporate all special interest classes in a single operating unit. I am not recommending additional staff, and overall costs to separate this program are less than \$10,000. The budget also includes funding for the process to develop specific re-use recommendations for old Fire Station No. 35 as a senior and arts center.

Library Services. The Capital Improvement Plan includes funding for the construction of a new 23,000 square foot library building and continued work towards construction of the joint use library at the Lago Vista High School. Under current timelines, the new main library (proposed to be located at Folsom City Lions Park) would be complete in approximately either the fall of 2006 or summer of 2007. Although the Capital Improvement Plan identifies this important project, we do not seek appropriation of funding until after the environmental review and design work is complete.

The proposed budget also includes a transfer to the Library Development Fund of \$325,000. This appropriation has been made for several years to pre-fund the expanded book collection for a new library. Ultimately, this same amount will be used to cover the increased operating and maintenance expenses for a new library and will already be absorbed into the City's budget.

The FY 2004-05 budget also includes a staffing reorganization for the library. The Library Director position is eliminated and savings are reallocated to accomplish two important objectives: 1) enable the professional librarians to engage in activities that leverage their education, training, and expertise and 2) create a more stable organization that does not rely on part-time, temporary, non-benefited employees to deliver critical services to library patrons.

Infrastructure Maintenance. When the state takes money from local government, it is tempting to divert resources from infrastructure maintenance. This budget avoids that temptation. We continue to include infrastructure enhancements to provide for the proper maintenance of existing City infrastructure.

Street Rehabilitation: As portions of the City's street system age, street reconstruction or resurfacing is necessary. The proposed budget includes \$1.1 million to be used for a variety of street maintenance projects. These types of projects may include street reconstruction, resurfacing, or slurry sealing. By reducing costs in other program areas, the budget is able to fund two new maintenance employees to assist in work associated with the increasing lane mileage of our street system. These new positions will be paid for out of Gas Tax revenues, and will not impact the General Fund. The Public Works Department will continue to refine long-term maintenance priorities for street overlay and identify funding requirements and available resources during this upcoming fiscal year.

Storm Water Management Program: The proposed budget includes a new position for storm drain maintenance. The City of Folsom is a co-permittee with the County of Sacramento and the Cities of Sacramento, Citrus Heights, Galt, and Elk Grove operating under the third generation of a Phase I National Pollutant Discharge Elimination System Permit. The Permit was renewed in December 2002 and includes significantly more prescriptive requirements than previous permits. The City has submitted a Work Plan and must submit a new Storm Water Quality Improvement Plan that outlines a plan for compliance over the next five years. The new maintenance worker position will allow the City to meet permit requirements and avoid potential penalties for noncompliance.

City Building Maintenance: To ensure appropriate prioritization of expenditures the Administrative Services Department developed a facilities maintenance plan covering all City facilities. This year's budget continues to provide for the annual contribution to the Major Capital Renovation fund in the amount of \$600,000. This funding will be used to re-paint the Civic Center area (city hall, police headquarters and community center). This re-painting includes the repair and restoration of the exposed wood structure and trim. Also included is funding for replacement of overhead doors at Fire Station 36.

Water, Sewer, and Solid Waste Utilities. This year's budget includes no rate increases for water, sewer and solid waste rates. Even with no rate adjustments, the utilities operations include several changes that will allow us to continue reliable and customer-based water, sewer and solid waste services. The proposed FY2004-05 budget includes four new permanent positions and one part time position to begin roll-out of the new solid waste program, which includes yard waste and recyclable collections as requested by the community and required under the state AB939 waste diversion regulations. The part-time employee is necessary to address the Industrial NPDES-Storm Water compliance requirements. Even with these program expansions, the Utility and Finance departments will be working to complete a comprehensive review of the new programs with the objective to stabilize or lower the solid waste rates.

In the Water operations two new positions have been included to comply with Title 22, Chapter 13 State requirements for management of our water treatment and distribution systems since the City has grown large enough to require an increased level of oversight of the water system.

In the Sewer operations three new positions have been included to meet regulatory requirements under the City's NPDES Sanitary Sewer permit. These positions, including the solid waste and water positions, have all been included in previous rate and cost analyses, and can be absorbed under the current rates.

The Utility and Finance Directors have also completed a thorough review of the water, sewer and solid waste contractual services to reduce recurring outside contract services within the Utility Department. Two new engineering positions have been included to offset operational project management services that have been contracted out on a recurring basis. This change results in a net reduction in annual operating expenses within Utilities. Again, these positions have all been included in previous cost analyses and can be absorbed under the current rates.

City staff will continue to pursue relocation of the Corporation Yard, and the budget includes funding for the appraisal of the existing site as well as preliminary expenses associated with the disposal of that site and the initial acquisition work required for the development of a new site.

Economic Development. The City will continue focused efforts on retaining and attracting new businesses to stimulate our economic growth. To assist with this process, the City Council held its first Economic Development Summit in March 2004. Staff received feedback from community business leaders on key priorities for business development, business retention, tourism, and public/private partnerships that will stimulate economic growth. Staff has incorporated these ideas into the strategic goal for Economic Development (Goal VIII). Key areas of focus in this upcoming fiscal year will be on the Railroad Block Development, enhancing customer service efforts with a particular emphasis on small business, and developing targeted areas for economic development that match available land resources. This upcoming fiscal year should yield an approved design, completion of environmental review, and contract negotiation for Railroad Block construction.

A key theme that emerged from the Economic Development Summit was development of a City "brand" and development of a way-finding program to facilitate tourist travel in Folsom. The proposed budget includes funding for the establishment of a way-finding program to provide better directional signage to areas of interest.

The City's retail sales position has been enhanced in the current fiscal year, as several major retailers have opened stores in Folsom. Stores that have opened this fiscal year include Trader Joe's, Mervyn's, Sam's Club, REI, Best Buy, Kohl's and Winco. In addition, the Marriott Courtyard has opened its new facility at East Bidwell and Iron Point Road. To further enhance the City's strong retail position, Staples, Fat's Asian Bistro Restaurant, and Mel's Diner are all scheduled for construction in the coming fiscal year.

Retail expansion will continue in the Broadstone area along East Bidwell Street. The Elliott Company has announced plans to begin construction of a 835,000 square foot regional mall

within 24 months. Adjacent to the mall will be a Kaiser medical campus and entertainment venues. Retail development adjacent to Costco and along Iron Point Road also is expected to continue during this next fiscal year.

Planning for future development. The FY 2004-05 budget continues the funding for a General Plan update and also provides funds for a visioning program to assist in the planning process for south of Highway 50. As identified in FY 2003-04 budget, efforts need to be made in order to ensure a balance between jobs created and the housing needed to serve the new employees. Also, the City must ensure the continuation of a high quality of life through protecting our environmental, natural and recreational amenities.

Public Outreach. During strategic planning sessions, the City Council has identified a need for enhanced communication with the public, including improved web site outreach. To assist with this effort, the proposed FY 2004-05 budget includes funding for a web site redesign for the City. The proposed FY 2004-05 budget also includes funds for a marquee sign to be located at the community center to enhance communications with citizens. This sign will provide informational messages such as road closures, detours, and public meetings.

Ensuring the City's Financial Health. The Finance Director and I, with assistance from City staff, have completed the development of a five-year financial plan that includes information concerning desired service levels and development. This projection will be updated twice a year, once during the mid year analysis, and also when the City Manager's preliminary budget is presented to the City Council.

In addition, we have established financial policies that are scheduled for City Council adoption on May 25. With these building blocks in place, the Finance Department will begin the process of upgrading the City's bond ratings during FY 2004-05.

The City has established various reserve funds to protect the City's financial health. The proposed budget continues to build on previous years' achievements of prudently building reserves. As noted in my introductory comments, the proposed budget provides for a General Fund contingency of 1 percent. In addition, with the adoption of the City's financial policies, the level of undesignated fund balance is changed from a fixed amount to 15 percent of appropriations, which results in an increase in the reserve. With these continuing efforts to protect the City's financial health, I believe that the City is in a better fiscal position to weather an economic downturn or an emergency situation.

Employee Benefit Costs and Insurance Issues

Last year, the City Council identified as a key strategic priority the analysis of long-term benefit costs for current and retired city employees. Through MOU negotiations and employee meetings, all City staff have become engaged in the process of managing benefit expenses. The three major bargaining units (Local 522, representing Fire; Local 39, representing miscellaneous employees, and Folsom Police Officers Association) have all agreed to share health care expenses with the City. This will result in significant short and long-term savings and reduce the

budgetary pressures. The City will continue to fund significant portions of a very favorable benefit package.

Retirement Increase. The City provides a retirement plan to its employees through the California Public Employees' Retirement System (CalPERS). CalPERS retirement benefits are funded through contributions paid by contracting employers (such as the City and earnings from CalPERS investments). In the 1990s, CalPERS achieved high rates of return on its investments. Those high rates of return were passed along as savings to participating employers through decreasing employer contributions. As investment income has decreased with the weakening of the national economy, CalPERS is now increasing employer contributions. There is a three-year lag between the plan year and the actuarial valuation used to determine employer contributions. The proposed FY 2004-05 budget assumes that the City's contribution to CalPERS will increase by 23.1 percent in the City's contribution for miscellaneous employees and a 23.5 percent for public safety employees.

Health Insurance Increases. The FY 2004-05 proposed budget includes funding for a projected 18 percent increase in health insurance premiums effective July 1, 2004. PERS health plans cost increases have been averaging above 10 percent for the last several years. Preliminary information from PERS indicates that a regional pricing system will be in place and will result in an increase in the base payment amounts by northern California cities. Over the past year, staff has aggressively reviewed options for health care. A health benefits committee was established this fiscal year to assist in evaluating the City's health benefits package. Each city employee group has a representative on this committee. The committee will make a recommendation by July as to what health coverage plan they believe provides the necessary coverage for all employees at the lowest cost to the city. While a change in health plans may result in savings, we are presenting a conservative budget package that would include funding at the 18 percent increase level.

Financial Plan

Property Tax Growth. The City continues to show a strong growth in property tax. This growth can be attributed to the City's strong housing market, as reflected by the increase in the assessed land values. The FY 2004-05 Proposed Budget estimate for property tax Revenue is \$9.9 million, an increase of 12 percent over FY 2003-04 budget estimates. The City also allocates a portion of its property tax received to the Library function. For FY 2004-05 it is projected that the Library Fund will receive \$1.3 million in property taxes.

Sales Tax Growth. While many areas in California are experiencing flat sales tax revenue growth, the City has experienced healthy sales tax revenue growth. This trend will continue into FY 2004-05, as there are a number of retailers locating in Folsom over the next fiscal year. The proposed FY 2004-05 budget assumes a 12 percent increase in sales tax receipts.

Vehicle License Fees. On May 13, Governor Schwarzenegger released his revised budget for FY 2004-05. The May Revise is subject to change by the Legislature. The revised budget calls for reduction to the City's revenues for FY 2004-05 and FY 2005-06. The details are:

Property Tax/VLF Swap. Instead of a \$1.3 million ERAF shift as included in the January budget proposal, the May revise contains a proposal for a property tax/vehicle license fee (VLF) swap. The state would eliminate \$4.1 billion in VLF backfill and take the VLF rate from 2 percent to 0.65 percent. Cities and counties would instead receive an equivalent amount of property taxes. In FY 2004-05 and FY 2005-06 however, the State would not swap the full amount, retaining \$700 million (\$350 million from counties and \$350 million from cities). We estimate that Folsom's annual loss to be \$1 million a year in both FY 2005 and FY 2006, for a total of approximately \$2 million.

Beginning in FY 2006-07, local agencies would receive the full swap amount of \$4.1 billion. Also, in FY 2006-07, the State would repay the \$1.3 billion VLF gap loan and begin to pay its obligations for state-local mandates in equal payments over a five-year period. In light of the State's prior practice of renegeing on promises to local government, we have not programmed any of this "loan repayment" as future revenue.

Water, Sewer, Solid Waste Rates. Customers in the City are charged a monthly utility rate for water, sewer, and solid waste services. The FY 2004-05 budget is based on the current rates approved by the City Council in January 2003 and December 2003.

This year's budget does not include any rates increases. In our continued efforts to increase efficiencies within the Utilities Department, I have asked the Utilities Director and Finance Director to use the upcoming fiscal year to review the rates and make recommendations for a rate adjustment only if warranted. As part of this effort, they will assess actual costs against planned rate increases. If justified, we will either stabilize our water, sewer, and solid waste rates or decrease planned increases to match actual cost projections beginning in the 2005-06 fiscal year.

Analysis of Fund Balance in the General Fund. In the past, the City Council has established the desired level of undesignated fund balance in the General Fund at \$6.5 million. At its May 25th meeting the City Council will be asked to approve financial polices that require 15 percent as the undesignated fund balance for the City. As noted above, the proposed FY 2004-05 budget increases the level of undesignated fund balance to this new level.

Relationship between Budget and Strategic Plan

This year's budget continues the formatting improvements introduced in FY 2003-04 budget document. The City's strategic planning initiative drives the budget proposal, and departmental budgets are linked to a strategic planning goal. Each department page includes key departmental issues, objectives, and strategies that tie to the strategic plan. Key performance measures are included to measure departmental progress.

Conclusion/Acknowledgements

The preparation of the FY 2003-04 budget included a number of first-time initiatives, one of which was to have the City's budget document recognized as a distinguished document. I am pleased to acknowledge again that the City's FY 2003-04 budget document received awards

from the Government Finance Officers Association and the California Society of Municipal Finance Officers. The proposed FY 2004-05 budget document continues to improve upon an already excellent process.

In closing, I would like to thank the City's Executive Management Team and their staffs for their participation in the budget process. In particular, Finance Director Navdeep Gill, Budget and Evaluation Manager Jeffrey Meyer, Financial Analysis and Reporting Manager Mark Bresolin, and Disbursement Supervisor Jean Young have devoted significant effort to this budget document. Assistant Finance Director Christine Vuletich, Revenue Supervisor Anne Clayton, and Administrative Assistants Therese Henschel and Sara Pickens also provided significant support in the completion of this document.

The City Council held a work session concerning this budget proposal on June 1 and held a public hearing to receive citizens' comments on the proposed budget on June 8. The budget was adopted at the conclusion of the public hearing on June 8.

The staff and I look forward to working with you as you review the proposed budget.

Very truly yours,



Martha Clark Lofgren
City Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
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For the Fiscal Year Beginning

July 1, 2003

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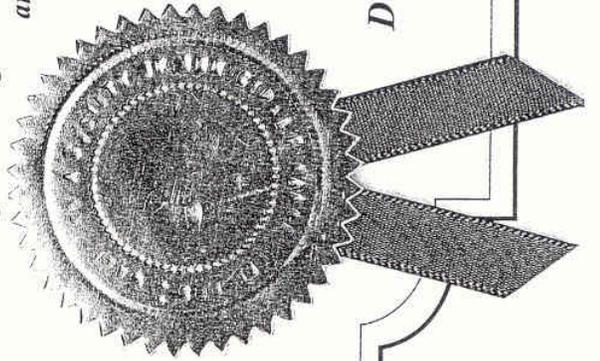
Excellence in Operational Budgeting 2003-04

Presented to

City of Folsom

*This certificate recognizes Meritorious Achievement in Operational Budgeting and reflects a highly professional budget document
and the underlying budgeting process through which the budget is implemented.*

March 1, 2004



Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management

The City of Folsom (the “City”) was founded in 1856, Incorporated in 1946 and chartered in 1990. Folsom is a “full service” charter City, serving a population of over 63,800. The City is approximately 110 miles northeast of San Francisco and 20 miles east of Sacramento. The City is located along the eastern end of the Highway 50 corridor in an area of Sacramento Valley that has experienced considerable industrial, residential and commercial growth over the past 10 years.

Folsom is a city of rich history, established primarily by European and Asian prospectors during the early gold-rush era. Numerous antique dealers make the City one of the oldest and largest centers of the antique trade in the West. The City’s historical district includes the Folsom History Museum and the Folsom Hotel, a landmark since 1885.

Over 130 years ago Folsom was selected as the site for Folsom Prison to provide manpower for the construction of a larger dam and a powerhouse. The Prison has gained notability with the renowned song “Folsom Prison Blues” by Johnny Cash. The Powerhouse provided the world’s first long-distance transmission of electric power. In 1973 the Powerhouse was placed on the National Register of Historic Places, and in 1982 was named a National Historic Landmark.

Folsom Lake and Lake Natoma are at the City’s borders offering an abundance of recreational activities. Folsom Lake State Recreation Area is one of the most popular multi-use, year-around recreational areas in the California State Park System. Each year visitors come to the 18,000-acre park, with 120 miles of shoreline, to fish, hike, camp, ride horseback, water ski, boat, swim and study nature.

The City provides a number of municipal services, including administration, police, fire, recreation, parks and public works. The City also has its own Transit system, Folsom Stage Line, providing local fixed routes, downtown and light rail commuter service, and a Dial-a-Ride program catered to the seniors and disabled citizens of the community.

The Folsom Aquatic Center is a state-of-the-art swimming pool facility, including a Family Play Pool, interactive water play climbing structure, a warm water therapy/instructional pool and an Olympic size pool. Over 100,000 visitors come each year to visit the Folsom Zoo Sanctuary, home to over 75 animals. Folsom Parks cover over 300 acres of playgrounds, and recreational facilities. Additionally, Folsom Parks was the recipient of the 1999 Facility Design and Park Planning Award for the John Kemp Park from CPRS.

The Folsom-Cordova Unified School District operates schools both in the City and in the Sacramento suburb of Rancho Cordova. In the City, the district has two high schools, four middle schools, and nineteen elementary schools serving over 18,000 students. Four of the schools, Natoma Station, Carl Sundahl, Folsom Hills Elementary, and Folsom Middle School all received the highest rank possible, on the State of California’s first Academic Performance Index (API) Report. Additionally, The Folsom Lake College campus is accredited as a branch of the Los Rios Community College District of Sacramento and serves the community of adults achieving higher education.

The City acknowledges the importance of and continually strives towards preserving, enhancing, and managing open space, oak trees, wetlands, and riparian habitat. Folsom has grown to over 15,000 acres, of which over 6,000 acres are parks, schools, and undeveloped open space. Folsom City is a beautiful, thriving community, home to many families and businesses.



The format of the City budget document is a continuation of the redesign process started last year. We have provided this guide to assist the reader in understanding the document.

Within this document there are seven sections: Introduction, Budget Summaries, General Fund Summary, Departmental Presentations, Debt Management, Capital Improvement Plan (CIPs), and an Appendix.

Introduction

The Introduction section includes: City Manger's Budget Message, Guide to the Budget, City Wide Organizational Chart, Vision, Mission, and Core Values of the City, Strategic Plan Goals, Budget Process, Calendar, and Management and Budget Policies.

Budget Summaries

The Budget Summaries section includes the following schedules encompassing all funds: Fund Description, Major Revenue Description, Appropriation Description, Summary of Revenues by Fund, Summary of Appropriations by Fund, Summary of Transfers, Vehicle Purchase Schedules and Summary of Staffing Positions.

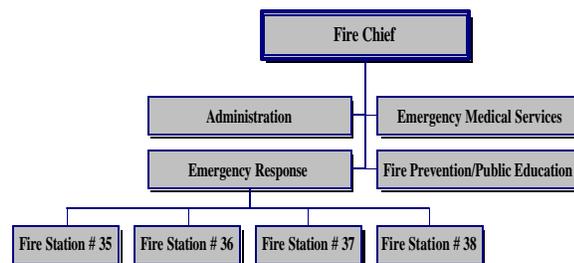
General Fund Summary

The General Fund Summary section includes the schedules pertaining specifically to the general fund.

Department Presentations

Organizational Chart:

Each Department presentation begins with an Organization Chart. Each chart displays the various functions within that department and their relationship to one another.



Mission Statement:

The Mission Statement outlines the objectives of each department.

Budget Summary:

The Budget Summary includes Expenditures, Number of Positions, and Funding source. The Expenditure section may include some or all of the following: Salaries, Benefits, Operations and Maintenance, Capital Outlay, Transfer Out, Reimbursement, and Debt Service. The Number of Positions section includes only Full-time and Permanent Part - time Positions. The Funding Source section will include the various sources of funding for the operation of the department.

Expenditure	Actual FY 2001-02	Budget FY 2002-03	Revised FY 2002-03	Proposed FY 2003-04	Change From 02-03 Budget
Salaries	\$37,200	\$37,200	\$37,200	\$37,200	0.00%
Benefits	\$29,337	\$45,634	\$45,634	\$61,584	34.95%
Operation & Maintenance	\$49,089	\$30,729	\$32,729	\$32,729	6.51%
Capital Outlay	\$0	\$0	\$0	\$0	0.00%
Total	\$115,626	\$113,563	\$115,563	\$131,513	15.81%
Full-Time Positions	5.00	5.00	5.00	5.00	0.00%
Part-Time Positions	0.00	0.00	0.00	0.00	0.00%
Funding Source					
General Fund	\$115,626	\$113,563	\$115,563	\$131,513	15.81%
Total Revenue	\$115,626	\$113,563	\$115,563	\$131,513	15.81%

Program Information:

Program Information includes a detailed description of the department, their specific function and duties.

Accomplishments:

The Accomplishments are outlined in bullet format and represent each department's accomplishments for FY 2003-04.

Work Plan:

Outlined in a table format are the departments Work Plans or goals for the FY 2004-05. Each department has descriptive Objectives, Strategies, and Performance Indicators to keep track of their progress for years to come. Each Objective follows that Department's Strategic Goal, located at the beginning of each Work Plan, to continue making the City of Folsom a safe, healthy, and vibrant community.

Objective : To go beyond current repair standards. (Strategic Plan Goal V, Objective 4)	Strategy: To train and use to ensure that a vehicle is safe and dependable. (First Management)			
	Indicator	Actual 2003	Budget 2004	Budget 2005
	Reduction in down time and return to service	80%	80%	7%
	Percentage of records of CIP	97%	97%	97%
	Inspections completed on time			

Position Information:

The Position Information Table provides more specific information beyond the number of positions that the Budget Summary provides. Included are position titles with salary and benefits.

Position	FY 2002-03	FY 2003-04	Salary Estimate	Benefit	Total
Personnel Director	1	1	101,180	37,564	138,744
Administrative Analyst	0	1	60,107	31,455	91,562
Administrative Assistant	2	2	89,302	43,705	133,011
Clerk Typist II	0.75	0	-	-	-
Personnel Analyst	1	0	-	-	-
Personnel Manager	0	1	84,586	35,162	119,748
Personnel Technician	1	1	51,499	22,548	74,047
Secretary II	0	1	33,185	21,095	54,280
TOTAL	5.75	7	419,860	191,531	611,391

Major Contracts:

Major Contracts are defined as any contract over \$25,000. At the end of each department presentation is a table for all Major Contracts for that entire department.

New or Replacement Vehicles:

At the end of each department presentation is a table for all New or Replacement Vehicles.

Debt Management

The Debt Management section includes Credit Ratings, Types of Debt Financing Instruments, Legal Debt Margin, and a Summary of Debt Positions.

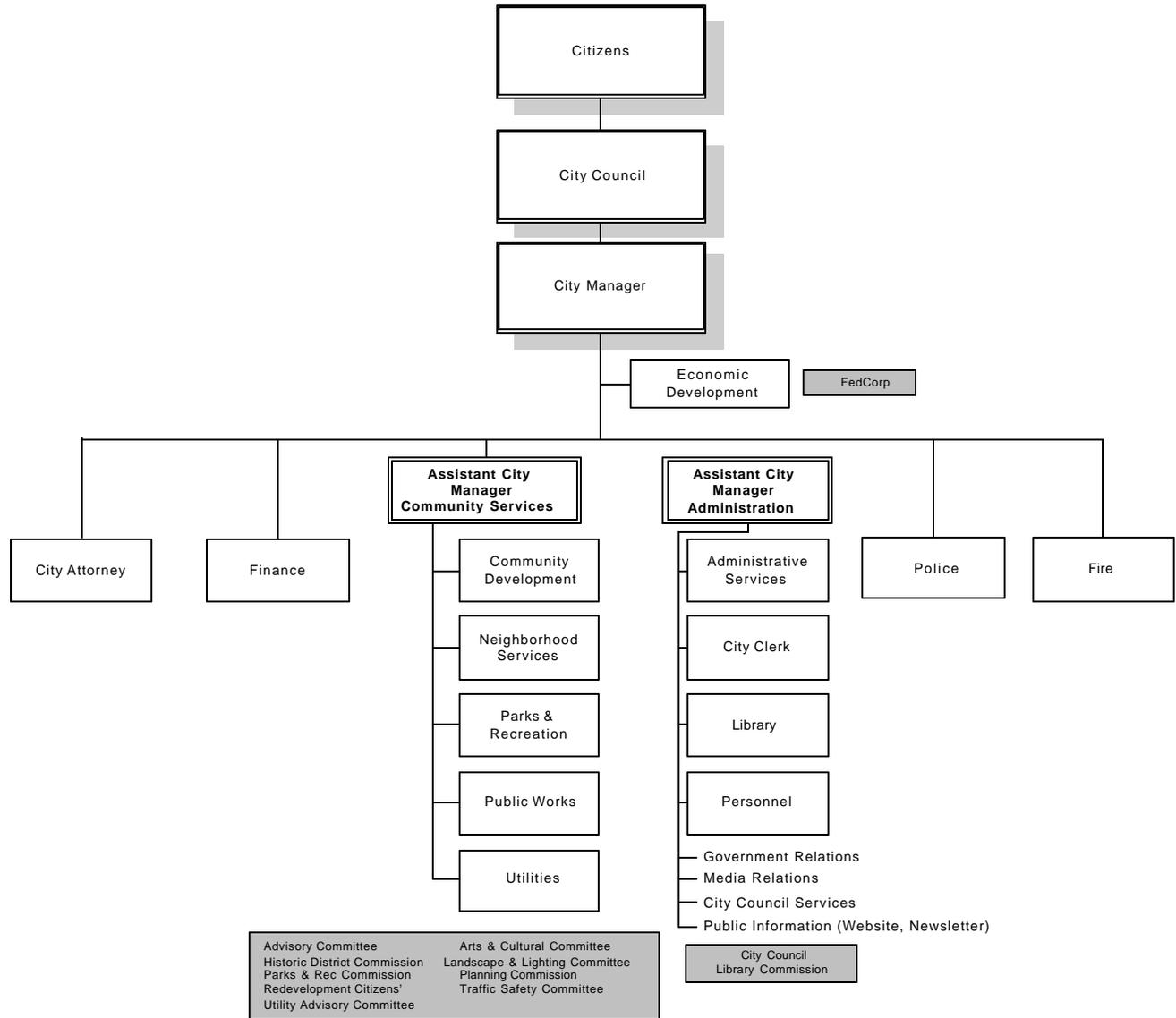
Capital Improvement Plan (CIP)

The budget document also includes a proposed Capital Improvement Plan (CIP) for all capital improvements with a useful life of at least ten years and a total project cost of at least \$100,000. The CIP is developed over a six-year planning horizon and will be updated annually. The inclusion of a project in the CIP in future years shows the intent to fund the project. Circumstances and priorities may change. Each project is reevaluated in subsequent fiscal years and therefore only the first year of the plan is appropriated.

Appendix

The Appendix includes a City Profile, Demographics, Major Employers in the City, the Appropriation Limit, a copy of the Resolution adopting the FY 2004-05 Final Budget, Glossary, a Directory of Acronyms and an Index.

City Organizational Chart



Vision, Mission and Core Values

Vision Statement of the City of Folsom

The City of Folsom strives to be a role model and regional leader that blends its rich historical roots and diverse recreational and business resources into a great community.

Mission Statement of the City of Folsom

The City of Folsom will provide a safe, healthy and vibrant community through innovative, responsive, and effective delivery of public services to maintain and enhance the quality of life of our residents.

Core Values

Integrity

We act with integrity, doing what is legally and ethically correct. We recommend the right course of action even if it is unpopular.

Professionalism

We are committed to excellence. We are responsive and accountable.

Teamwork

Collaboration, communication and cooperation are essential to our success. We consider all stakeholders to be an integral part of serving the public.

Trust and Respect

We are free to express opinions, we listen to understand and we encourage responsible decision-making at all levels.

Innovation

We foster innovation as a means to achieve quality and cost effectiveness. We value employees who demonstrate initiative and creativity.

Workplace of Choice

We have a sense of purpose, take pride in accomplishments, demonstrate compassion for each other and celebrate our successes.

Strategic Plan Goals

- Goal I:** *To ensure and promote the long-term financial health of the City of Folsom.*
- Goal II:** *Create a strong corporate culture emphasizing customer service, professionalism, cost efficiency and accountability.*
- Goal III:** *To plan future development to meet the needs of residents and businesses in terms of jobs-housing balance, environmental considerations, equal housing opportunities, and quality of life.*
- Goal IV:** *To provide transportation services that will meet mobility needs, maintain existing transportation infrastructure, and provide mitigation programs to reduce traffic impacts on neighborhoods.*
- Goal V:** *To provide and maintain sewer and water infrastructure to meet the City's existing and future capacity needs.*
- Goal VI:** *To provide appropriate levels of public safety services to protect our citizens and ensure a high level of response to any emergency.*
- Goal VII:** *To provide recreational and cultural services that meet the needs of our community.*
- Goal VIII:** *To enhance the City's economic and redevelopment programs to provide a stable, and diversified economic base.*

Budget Process and Calendar

The Finance Department has developed a Budget Preparation Manual and a Capital Improvements Plan Manual to assist the department. The Manuals contain and explain policies, procedures, budget schedule which highlights the milestones and due dates, and forms to be used in the budget process.

On December 4, 2003, the Manuals were distributed at a Budget and CIP Kick-off workshop held with the City Manager and the Executive Management Team. This workshop included a briefing on the status of the current fiscal year budget, a review of the FY 2004-05 schedule and budget process, including changes in the process, and a discussion on essential principles and elements of the budget process.

Departments were requested to prepare budget requests based on the following criterion:

1. Appropriation Target:

Regardless of funding sources, the FY 2004-05 appropriation target for each department is the originally adopted appropriation for FY 2003-04, adjusted for salary and benefits as required by various memoranda of understanding.

2. Alignment with Strategic Plan:

Budget requests should support the achievement of the current strategic goals.

3. Work Plan and Performance Indicators:

Additional emphasis is being placed on departmental work plans and performance measures. The work plan includes information on specific departmental goals, the measurable objectives for progress in achieving the departmental goals, and the strategies that departments plan to use during the FY 2004-05

After departments submitted their budgets, as part of the review and analysis process, budget hearings were scheduled, where each department had an opportunity to present their budget to the City Manager, the two Assistant City Managers, the Finance Director, and the Budget and Evaluation Manager.

The Folsom Municipal Code requires that the budget for the ensuing fiscal year shall be presented to the City Council on or before the first working day of the last month of each fiscal year. A budget workshop was held in May with the City Council to receive public comment and to review the components of the proposed budget, prior to formal consideration for adoption.

Budgets are adopted on a basis consistent with generally accepted accounting principles. The City Council adopted the annual budget submitted by the City Manager prior to the beginning of the new fiscal year. All appropriations lapse at year-end except for those relating to encumbrances, which are approved for carryover to the subsequent year. The City Manager has the authority to make adjustments within departmental budgets. Adjustments between funds require the approval of the City Council.

Budgetary controls are maintained to ensure compliance with the budget as approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund and department level.

Department directors and other management staff with budgetary responsibilities are provided with a monthly budget versus actual expenditure report. Quarterly financial statements are prepared for the City Council, which include a budget-to-actual analysis for both revenues and expenditures. Revenue projections are revised as part of the mid-year budget analysis, and appropriations are adjusted, if required.

December 2003	<ul style="list-style-type: none"> ✓ Budget & CIP Kick-off
February	<ul style="list-style-type: none"> ✓ Operating Budgets and CIPs Due to Finance Department ✓ Accomplishments, Key Issues and Performance Measures
March	<ul style="list-style-type: none"> ✓ Mid-Year 2003-04 Budget Review
April	<ul style="list-style-type: none"> ✓ Finance reviews Budgets with Departments ✓ Budget Hearings with the City Manager, Assistant City Managers, Finance Director, and Budget Manager
May	<ul style="list-style-type: none"> ✓ City Manager presents Preliminary Budget to City Council
June	<ul style="list-style-type: none"> ✓ City Council Budget Workshop ✓ City Council adopts Final Budget ✓ Finance Department implements Adopted Budget
Ongoing	<ul style="list-style-type: none"> ✓ Budget is monitored through quarterly financial statements to City Council

Management & Budget Policies

The City staff has been presenting and reviewing Financial policies with the City Council during the last couple of months. On May 25th the City Council adopted these policies. Below is a summary of the policies that have been adopted by the City Council.

Financial Plan

A. Through the Financial Plan (the budget document), the City will link resources with results by:

1. Identifying community needs for essential services.
2. Organizing the programs required to provide these essential services.
3. Establishing program policies and goals that define the nature and level of program services required.
4. Identifying activities performed in delivering program services.
5. Proposing objectives for improving the delivery of program services.
6. Identifying and appropriating the resources required in performing program activities, and accomplishing program objectives.
7. Setting standards to measure and evaluate:
 - a. Output of program activities.
 - b. Accomplishment of program objectives.
 - c. Expenditure of program appropriations.

B. Operating Carryover:

Operating program appropriations not spent during the fiscal year will lapse at year-end, except for long-term projects in progress that are carried forward to the following year and reserved for encumbrances.

C. Mid-Year Budget Review:

Approximately six months after the beginning of the fiscal year the City Council will formally review the City's fiscal condition, and amend appropriations if necessary.

D. Balanced Budget:

Section 5.05 (f) of the Folsom City Charter prohibits over expenditures. The Charter requires that the total of proposed expenditures shall not exceed the total of estimated revenues plus carried forward fund balance, exclusive of reserves, for any fund.

Basis of Accounting and Budget

Basis of accounting and budget refers to the concept of recognizing the time a transaction has occurred for the purpose of recording that transaction.

A. Governmental Funds:

The governmental funds use a modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded when a related liability is incurred, as under accrual accounting.

B. Proprietary Funds:

The proprietary funds use a full accrual basis of accounting, which recognizes revenues when earned, and expenses are recorded when a liability is incurred.

C. Fiduciary Funds:

The fiduciary funds are treated according to the nature of the fund. Agency funds are custodial in nature (assets equal liabilities) and do not measure results of operations. Fiduciary funds use a modified accrual basis.

D. Account Groups:

The account groups employed by the City are not funds and do not reflect available financial resources and related liabilities. They are accounting records of the general fixed assets and general long-term debt of the City and are not intended to measure or portray financial flows or net income.

Financial Reporting and Budget Administration

A. Annual Financial Reporting:

Annually, the City prepares a budget and a comprehensive annual financial report. These and all other financial reports are prepared with the informational needs of the public and the City Council in mind, as well as meeting the requirements of generally accepted accounting principles, audit standards and the reporting requirements of other governments.

- *Annual Budget*

The City's annual budget includes a budget message by the City Manager for the ensuing fiscal year. The budget message provides an explanation of the budget in fiscal terms and in terms of the City's work programs, major changes in financial policies, expenditures, revenues and debt position. The budget also contains proposed goals, objectives and appropriations for each fund by organization unit and program. The City's annual budget is prepared under the guidelines of the Government Finance Officer's Association of the United States and Canada (GFOA) Distinguished Budget Presentation Awards Program.

- *Comprehensive Annual Financial Report*

The City prepares a comprehensive annual financial report (CAFR) at the end of each fiscal year. The report contains the independent auditor's report and financial statements of the City, along with operating results, statistical and demographic information about the City. This report is prepared under the guidelines of the GFOA for Certificate of

Achievement for Excellence in Financial Reporting Program. The City has been awarded the Certificate of Achievement by the GFOA for the last fifteen consecutive years.

B. Interim Financial Reporting:

- *Quarterly Financial Report*

The City Manager and the Finance Director submit a Quarterly Financial Report to the City Council after the end of each quarter during the fiscal year. The report is required under the City Charter, and provides an analysis of budgeted versus actual revenues and appropriations, expenditures and encumbrances on a year-to-date basis.

- *Investment Report*

The City's Treasurer provides monthly investment reports to the City Council on a quarterly basis. These reports include the elements required under the California Government Code Section 53646.

C. Budget Administration:

As set forth in the City Charter, prior to the City Council making any supplemental appropriation, the City Manager shall certify that monies in excess of those estimated in the budget are available for appropriation. Any such supplemental appropriation may be made for the fiscal year by resolution up to the amount of any excess.

For emergency appropriations, the City Council, by four-fifths vote only, can make emergency appropriations to respond to a public emergency affecting life, health, public welfare, property or the public peace.

Appropriations may be reduced any time during the fiscal year by the City Council or City Manager if it appears probable that either the revenues or fund balances available will be insufficient to finance the expenditures for which appropriations have been authorized.

The City Manager may transfer monies between departments and divisions, programs and accounts within departments and divisions. All such transfers made by the City Manager are reported in writing quarterly to the City Council. Only the City Council, by resolution, may transfer monies between funds and from unappropriated balances or fund balances to any fund or appropriation account.

D. Cost Allocation:

The City of Folsom contracts with a consultant for the Cost Allocation Plan. The process is described below.

Through meetings with the staff of support departments, a list of services was developed. Time of support department staff was allocated to the sub pools within that department. These allocations were then reviewed numerous times until staff felt comfortable with the allocations. The time allocations were applied to the fully allocated hourly rates developed for each position to arrive at the costs for each sub pool.

Once the costs of each sub pool was defined, an equitable and easily reproducible means of spreading those costs was developed. Therefore, an allocation factor is developed for each sub pool. It varies for each sub pool, depending on what makes sense for the service being provided and also uses data that is, or can be, compiled without creating a major research project for staff. The sub pool costs are then allocated based on the allocation factors.

Since support departments provide support to other support departments as well as end user departments, those costs must be allocated as well. The costs that are allocated to support departments must then be re-allocated. This process is repeated 20 times in order to allocate all of the costs to end user departments. The end result is the cost of the internal support provided to each end user department.

Appropriations Limit

A. Annual Resolution:

The City Council annually adopts a resolution establishing the City's appropriations limit calculated in accordance with Article XIII B of the Constitution of the State of California, Section 7900 of the State of California Government Code. A description of the City's appropriation limit for FY 2003-04 is presented in the Appendix of this budget document.

Investments

The City's Statement of Investment Policy is reviewed and adopted annually by the City Council as required under the California Government Code Section 53646. The major objectives of the City's investment policy are as follows:

A. Safety:

Investment transactions are made to minimize credit risk and ensure the preservation of capital in the portfolio. The City limits investments to the safest types of investment grade securities and diversifies them among a variety of securities and financial institutions offering independent returns.

B. Liquidity:

Sufficient liquidity in the investment portfolio is maintained to enable the City to meet all reasonably anticipated cash flow requirements. Liquidity is accomplished by investing operating funds in primarily shorter-term securities and structuring the portfolio so that investments mature concurrent to meet anticipated demands. Emphasis is placed on securities with low sensitivity to market risk.

C. Return on Investment:

Investment earnings are secondary to meeting the basic requirements of safety and liquidity. The investment portfolio is managed to attain a benchmark rate of return throughout budgetary and economic cycles. The benchmark rate of return against which

the portfolio's performance is measured is the U.S. Treasury's one-year Treasury note as the weighted average maturity of the City's portfolio typically averages one year or less.

Capital Improvement Management

A. Capital Improvement Plan (CIP) Purpose:

The purpose of the CIP is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance with established policies. The CIP plan encompasses five or more years and is organized into comparable functional groupings used for the operating programs.

B. Project Manager:

Every CIP project has a project manager who prepares the project proposal, ensures that required phases are completed on schedule, authorizes all project expenditures, ensures that all regulations and laws are observed, and periodically reports project status.

C. CIP Appropriation:

The City's annual CIP appropriation is based on the projects listed in the first fiscal year covered by the Financial Plan, through adoption by resolution on or before the beginning of the first fiscal year.

Debt Management

The City's Debt Management Policies are discussed in the Debt Management section of this budget document.

