

CITY OF FOLSOM

50 Natoma Street
Folsom, CA 95630



May 22, 2007

Honorable Mayor and Members of the Folsom City Council:

I am pleased to submit the Preliminary Budget for Fiscal Year (FY) 2007-08 for your review and adoption.

The preliminary FY 2007-08 budget is \$209,556,496 made up of the following components:

General Funds	\$74,301,200
Enterprise Fund Operations	\$43,618,437
Special Revenue Funds	\$33,593,078
Debt Service Funds	\$13,142,195
Capital Project Funds	\$29,462,748
Trust and Internal Service Funds	\$15,438,838

This year's budget proposal is presented in the wake of a sluggish housing market. The decrease in construction activity is reflected in flat property tax revenue growth and lower sales tax revenue generated by the lumber and home improvement sector. Meanwhile, the costs of doing business have increased, and the City is absorbing anticipated employee benefit costs. In response to these pressures, I have worked with departments to develop a fiscally sound budget that maintains most service levels while enhancing public safety, library, and affordable housing programs.

During the preparation of this budget proposal, I asked departments to evaluate their departmental operations for opportunities to reduce their FY 2006-07 net costs by 1.8%. To help departments meet this goal, I encouraged departments to reduce their travel and meeting budgets by 20%. I appreciate the department heads' efforts in reviewing their budgets for cost savings and departmental revenue enhancements.

I received a number of service expansion requests from departments that are worthy of further consideration. Unfortunately, funding was unavailable to include most of the service expansion requests in this proposed budget. During the upcoming fiscal year, we will monitor our fiscal status and recommend service expansions as our financial condition allows. In the meantime, staff will continue to pursue other funding alternatives for these proposals.

Fortunately, the City of Folsom remains in good fiscal health. To ensure continued fiscal stability, and in accordance with the City Council's adopted financial policies, the City's undesignated fund balance in the General Fund is estimated at \$8.7 million, which is 14% of the budget. Also consistent with the City's financial policies, the proposed FY 2007-08 budget provides an additional budgeted contingency in the General Fund equal to one percent of proposed appropriations.

For the long term, we must plan carefully for build-out in the current City limits and for development of the sphere of influence area south of U.S. 50. While the City's fiscal position is sound, fiscal challenges remain, as property and sales tax revenues eventually stabilize. Operationally, the City's challenges will reflect those of an established City. In order to best position the City for the future, I will invite all employees to participate in task forces that will review City services and recommend efficiency and customer service improvements. In addition we will examine the feasibility of instituting a two year budget cycle. The possible benefits include greater emphasis on program evaluation and innovation to achieve long term financial and management goals, longer term planning and reduction in time dedicated to budget development.

This year's recommended budget is prepared using a strategic framework shaped around two overall goals:

- *To maintain the City's long-standing financial health and stability.* The City Council has placed a top priority on activities related to economic growth to protect the City from State actions that may adversely affect revenue streams.
- *To maintain and enhance the quality of life and the quality of service levels.* The City Council has given top priority to the maintenance of core services - public safety, water, sewer, solid waste, traffic management, personnel support, and information technology infrastructure.

The Preliminary FY 2007-08 Budget aligns appropriations to the strategic framework. Each department's budget section also includes the strategic priorities that will be accomplished during the fiscal year.

This year also marks a transition to a new strategic framework that will be incorporated into future budgets. At its March 9, 2007 retreat, the City Council identified five priority areas to advance its vision for Folsom's future:

- Economic Development
- Recreation, Environment, and Culture – Engaging Our Youth
- Sustainable Service Delivery – Creative Use of Technology
- Community Image and Identity
- Regional Leadership – Positioning Folsom for Success

Much of the departmental work plans that have been prepared in the current strategic framework will be incorporated into the new strategic framework over the next year.

With these parameters in mind, I will now outline the high points of the preliminary FY 2007-08 budget recommendations.

FY 2007-08 Service Plan

Ensuring the City's Financial Health. The City has taken numerous steps in guaranteeing its financial vitality. The City Council has adopted financial policies that assist in financial management of the City. The City also has a five year revenue and expense projection for the General Fund and the Redevelopment Agency. These projections guide and assist us in prudent fiscal management.

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 and contingencies. With these continuing efforts to protect the City's financial health, I believe that the City remains in a strong fiscal position to weather economic downturns or emergency situations.

Public Safety. Overall, proposed public safety appropriations total 57.6% percent of the General Fund budget, which is higher than last year's appropriations due to compensation adjustments.

- **Fire Staffing.** At its March 14, 2006 meeting, the City Council received the "Standards of Response Cover Plan" report by Citygate Associates and provided direction to staff. Consistent with this direction, the Fire Department successfully initiated a year long pilot constant staffing program in February 2007. Constant staffing permits maximization of resources and predictability in overtime use so as to optimize efficiency. Fire Department management and employee representatives meet on a regular basis to assess this pilot program. In support of this effort, I have included six additional firefighter positions in this budget proposal. Three of these six positions are funded for nine months. The remaining three are funded for four months, but they will not be filled until the pilot program is evaluated. This will allow the new Fire management team to complete the pilot program and evaluate its performance.

In order to fund the additional positions, the proposed budget assumes an anticipated increase in ambulance fees effective July 1, 2007. The City Council will consider this proposal at its June 12 meeting.

The proposed budget also includes the addition of one Fire Prevention Officer to augment current departmental efforts for fire safety inspections of nonresidential structures. Funding for this position will come from revenue generated through increased fire inspection activities.

- **Fire Station.** The FY 2007-08 Capital Improvement Plan includes funding for the construction of a fire station to serve the Empire Ranch area. The Fire Department is currently in the process of finalizing the site selection for the station.

- Fire Service Enhancements. The Fire Department budget also includes funding for two staff vehicles. Also included are funding for Emergency Medical Servers (EMS), supplies and equipment.
- Police Staffing. The Preliminary FY 2007-08 budget provides funding to maintain the ratio of 1.3 police officers per thousand population. In addition, the proposed budget includes the full cost of police officers that have been funded through federal and state grants in previous years:

Grant	Number of Positions	Additional FY 2007-08 Cost
Federal Community Oriented Policing	10	\$300,000
State Office of Traffic Safety DUI Enforcement and Education	2	\$86,000
State Alcohol Beverage Control	1	\$86,000
Total	13	\$472,000

During FY 2006-07, two police officer positions were reassigned from the Patrol Division to the newly created Special Enforcement Neighborhood Enforcement Team (SENET). The proposed FY 2007-08 budget adds two police officer positions to restore the Patrol Division to the pre-SENET level.

The Dispatch Unit continues to experience an increase in service calls. Additionally, the division will soon accept 911 calls from cell phone users. In response to the increasing call volume, the proposed FY 2007-08 budget includes funding for two new dispatcher positions.

The new Vista del Lago High School will open in the fall of 2007. The Police Department anticipates the need for two new School Resource Officer (SRO) positions, consistent with the existing arrangement at Folsom High School. The proposed FY 2007-08 budget includes two SRO positions, one of which is assumed to be funded by the Folsom-Cordova Unified School District.

- Police Capital Outlay. This year’s budget also contains funding for the replacement of three motorcycles, two new and five replacements patrol cars.

Transportation and Traffic. The budget consolidates the City’s street and traffic activities in one fund. This will allow more clarity in presenting the fiscal picture. Several key projects will continue over the next fiscal year to alleviate traffic congestion.

- New Bridge – The Public Works Director and his staff are working closely with the United States Army Corps of Engineers to have the new bridge below Folsom Dam open to traffic by the end of 2008. The new bridge will include a four-lane bridge and roadway with bike lanes from East Natoma Street to Folsom-Auburn Road below the

existing Folsom Dam. The bridge is currently under construction. Funding for the bridge is provided through federal funds and Measure A sales tax revenues.

- Traffic Noise Mitigation: This budget will continue to fund \$350,000 for the construction of high priority noise mitigation projects, which use the application of rubberized asphalt to reduce tire noise.
- Public Works Staffing. The proposed FY 2007-08 budget includes one Traffic Control and Lighting Technician to address the increased workload for traffic and signal maintenance. In addition, during the midyear process, we will be reviewing the need for additional staffing to support capital projects.

Water Meter Implementation. The proposed budget includes three positions to assist the City in meeting its needs for the first phase of water meter implementation as required under AB 514. The City will implement the water metering program prior to the 2013 deadline. The two positions in the Utilities Department will focus on the residential customer service elements of the water meter program, including quality control on customer meter data and billings, and monthly file coordination with meter reading/maintenance staff. A Revenue Technician position is also recommended to be added to the Finance Department to assist in the coordination of the billing and customer aspects of the water metering program.

Infrastructure Maintenance. We continue to include infrastructure enhancements to provide for the proper maintenance of existing City infrastructure.

- Sewer: The proposed budget includes funding for a maintenance worker in the Sewer division. The position will assist in the maintenance of the City's conveyance sewer infrastructure.
- Storm Water Management Program: 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. Additional resources are needed in order to meet increasing regulatory requirements and to proactively replace and repair an aging drainage system. There is only a limited amount of revenue available from the General Fund to support the storm water program in light of other City needs, including fire and police protection. Therefore, the City is pursuing potential new revenue generating programs to support the storm water program activities, including the creation of a storm water fee.
- Technology Improvements. The geographic information and technology groups will work closely with the Utility Department to update the City's information technology master plan to ensure that the Utilities Department's technology needs are identified and met. In addition, this budget provides funds to maintain the City's network and servers; meet the City Clerk's records retention requirements; and improve public safety field equipment. Last year, the Administrative Services, Finance, and Human Resources

Departments launched an effort to identify alternatives for a new software system to meet the City's growing needs, and the departments should complete needs analysis and project recommendations in fiscal year 2007-08.

Economic Development. During FY 2007-08, the City will continue its economic development efforts to strengthen and enhance our fiscal base

Phase 1 construction for the regional life-style mall, "Palladio" is currently underway. Anticipated to be open to the public in 2009, this project will have over 900,000 square feet of retail and commercial space, including a theatre complex. In April 2007, Kaiser Permanente broke ground on its ambulatory center as the first phase of construction of its 50-acre medical campus. During the past fiscal year, Bed, Bath, and Beyond, Olive Garden, and Ruby Tuesday were completed. Future development plans include In-N-Out Burgers; Hampton Inn Hotel; Circuit City; Holiday Inn and Suites, Staybridge Suites, and Ethan Allen furniture.

Business expansion in Folsom is also proceeding. Businesses that have been assisted with their expansion plans over the past year include Syblon Reid Construction, Parkshore Properties, and Intel. The City is also engaged in a joint effort with Sacramento County to develop an economic development strategy for the Greenback Lane corridor in Folsom and Orangevale. Folsom has also joined with other jurisdictions and organizations in participating in a regional business retention and expansion program entitled, "Metro-Pulse".

The City continues to implement a Wi-Max pilot project to demonstrate the feasibility of a City-wide wireless system.

Development Services Reorganization. During FY 2006-07, we reviewed the services being provided to our development community. This review resulted in the merger of building, code enforcement and landscaping and lighting maintenance with the existing Community Development Department. The existing Community Development Department had the responsibility of providing planning and land development engineering services. The newly constituted department will facilitate a one point contact for all development related activities.

This allowed the opportunity to create a Redevelopment and Housing Department with a focus on managing the redevelopment and affordable housing activities. The creation of this department is vital to the city because we are able to commit resources to manage the projects and activities that will occur within our redevelopment district.

Redevelopment and Housing. The comprehensive revitalization effort for the historic commercial district is managed by the Redevelopment and Housing Department and funded with Redevelopment Agency dollars.

- The department is implementing the approved master conceptual plan for mixed-use development of the Railroad Block, located in the heart of the Historic District. Negotiations for the development of the Railroad Block were completed in October 2006 with the signing of the Disposition and Development Agreement with the Folsom Railroad Block Developers. The construction of a multi-level public parking structure on

the Railroad Block began in December 2006 and is expected to be open for use by early 2008.

- In early 2008 construction will commence on the Folsom Historic Station, a mixed use commercial and residential development on the Railroad Block.
- Revitalization efforts include upgrades to Sutter Street to improve pedestrian and auto circulation, fire safety improvements to the buildings, an improved parking management program, and a wayfinding program with new directional signs to guide visitors to destinations and locations within the District and the City.
- The department will begin planning for the reuse of the corporation yard once the operations of the Utilities, Public Works, and Administrative Services Departments have been relocated.

In addition to the revitalization projects, the Redevelopment and Housing Department will be coordinating the first-ever comprehensive housing strategy prepared for the City. This effort will establish guidance for the implementation of our successful affordable housing programs. Programs and policies ensuring the continued efficient management and utilization of our affordable housing funds will be established in this housing strategy. Additionally, State statutes direct that each of the 29 jurisdictions within SACOG's Regional Housing Needs Plan (RHNP) have its Housing Element revised by June 30, 2008. SACOG has advised all jurisdictions to plan and prepare for their updated Housing Elements to be adopted by June 30, 2008. A new position of Housing Manager is proposed in this budget to coordinate existing affordable housing activity as well as identify and develop new programs for the continued successful production of housing for residents of all income levels.

Planning for future development. In November 2004, Folsom voters approved Measure W to establish standards for the development of 3,600 acres of land south of Highway 50. Among other requirements, there must be adequate water supply, schools, and infrastructure prior to annexation. An interdepartmental team is working with affected property owners to complete work necessary to file an annexation with the Sacramento Local Agency Formation Commission.



During the upcoming fiscal year, the Community Development Department will begin updating the City's General Plan, expanding the planning timeframe to 2030. This update will include all the mandatory elements (except the housing element which will be prepared separately) and may include optional elements devoted to Economic Development, Air Quality, Public Facilities and Arts and Culture. In conjunction with the General Plan Update, an Environmental Impact Report

will also be prepared. The update is expected to focus on infill development opportunities, incorporate smart growth concepts, and preserve and enhance existing neighborhoods. The update will include a public outreach component that will be similar to, but more extensive than, the Visioning Process for the Sphere of Influence. The update process is expected to take 18-24 months to complete.

Library Services. The Georgia Murray Library opened on February 24, 2007. The City continues to work towards construction of the joint use library at the Vista del Lago High School, which is planned to open in Spring of 2008. The proposed budget continues the transfer to the Library Development Fund of \$325,000 that the City Council has set aside for the past four years. This transfer will cover the increased operating and maintenance expenses for the new libraries, including three new staff positions to assist in operating the new joint use library. The proposed budget also includes the position of Library Director.

Cultural and Recreational Services. For the FY 2007-08 Budget, Park and Recreation funding will constitute 13.3 percent of the General Fund budget, which is higher than the previous fiscal year due to increases in park maintenance and General Fund support to the Community Center and to the Recreation and Aquatics fund.

- New Senior/Arts/Cultural Center. The proposed budget includes funding for a combined Senior, Arts and Cultural Center to be located at the former fire station in the Civic Center Complex. Anticipated to be opened on June 1, the center will provide a full range of senior adult services, as well as arts programs and exhibitions. Senior services will include social activities, exercise programs, support groups, health programs, community education programs, and leisure enrichment classes. Arts programs will include recreational art classes, workshops for artists in both ceramic and fine art media. The facility also includes a public art gallery with a full year's exhibition program already planned. Exhibitions include oil, acrylic and water color painting, glass and ceramic sculpture, wearable or textile art forms, photography (including the Folsom Focus local photography contest), and a traveling exhibit of Norman Rockwell's Tom Sawyer and Huckleberry Finn.
- Additional Programming. The proposed budget includes additional funding of \$128,000 in the various activities within the department. The additional funding is for increases to cultural and recreation programs such as senior and arts, fun factory and sports programs offered to our citizens. These costs are offset with additional revenues generated from these activities.
- Zoo Staffing. The proposed budget includes a decrease in salary and benefit costs in the Zoo operations. The department was able to achieve this by restructuring the existing positions to create more efficiencies.
- Subsidies. The subsidies from the General Fund to various parks and recreation activities such as Community Center, Aquatics and Recreation Funds totals \$2.7 million, or an

increase of \$197,694 over the FY 2006-07 budget. The increase in the General Fund support is primarily due to increased personnel and operational costs of \$178,944. The secondary reason is static program revenues. For FY 2006-07, the General Fund subsidy to the various parks and recreation activities has risen to 50% of expenditures. The Zoo subsidy for FY 2007-08 is projected to be \$1.2 million which is a slight increase from the previous fiscal year.

- **Folsom Sports Complex Set-Aside.** During FY 2005-06, the City acquired the Folsom Sports Complex. This budget includes full year revenue and cost for operating the complex. Per City Council direction, \$225,000 of the General Fund transfer to the Park Renovation fund is being set aside as an operating reserve for the Sports Complex. Any unused amount from the reserve will be available for future park renovation projects. The proposed budget also contains the annual payment of \$500,000 for the Sports Complex that will continue until 2013. The Budget is also in compliance with the City Council's direction of reserving annual payments for two years, equivalent to a \$1 million set-aside.
- **Performing Arts Center.** At its April 10, 2007 meeting, the City Council received a request from Folsom Lake College for a contribution towards the construction of a new performing arts center at the campus. I recommend that the City contribute \$250,000 from year end fund balance and look to complete similar fund balance transfers for an additional \$50,000 a year for five years. The City's contribution will be a minimum of \$500,000.

Employee Compensation Costs and Insurance Issues

The FY 2007-08 budget is built upon the following assumptions regarding employee benefit costs.

Memorandum of Understanding (MOU) Increases. This budget incorporates adjustments that were ratified by the City Council for all represented employee units. The MOUs for Fire rank and file, Fire mid-management and Police rank and file expire on December 31, 2008. Negotiations with these units will commence during the third quarter of the upcoming fiscal year. The above referenced adjustments will keep the City competitive in its market place.

Retiree Health Insurance. In August 2004, the Government Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as *other post employment benefits*, or *OPEB*. The statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. The effective date for the City is July 1, 2007.

In cooperation with its employees and their representatives the City has addressed its GASB 45 reporting requirements. This cooperative resolution is a major achievement for the City and its employees. The proposed budget includes \$650,000 as a set aside for compliance with GASB 45.

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). The City's FY 2007-08 financial contributions for miscellaneous employees have a minimal increase of .031% and .0371% for public safety employees. Based on projections provided by CalPERS, future years have a nominal increase in contribution.

Health Insurance Increases. The FY 2007-08 Proposed Budget includes funding for a projected 12 percent increase in health insurance premiums effective January 1, 2008. This amount is consistent with projections used in the City's financial forecast.

Financial Plan

Property Tax/Sales Tax/VLF Swap. Proposition 1A has altered the historical funding sources for local governments. The State eliminated \$4.1 billion in Vehicle License Fees (VLF) backfill and decreased the VLF rate from 2 percent to 0.67 percent. Cities and counties receive an equivalent amount of property taxes.

Property Tax Growth. The FY 2007-08 Proposed Budget estimate for property tax revenue is \$14.5 million, which is unchanged from the FY 2006-07 budget estimates. The City also allocates a portion of its property tax received to the Library function. For FY 2007-08 it is projected that the Library Fund will receive \$1.7 million in property taxes.

Sales Tax Growth. The Proposed FY 2007-08 Budget assumes a 4.3 percent decrease in sales tax receipts due to sluggish activity in the vehicle and home improvements sector.

Vehicle License Fees. For the Proposed FY 2007-08 Budget it is anticipated that this revenue will grow by 9% over the previous fiscal year.

Water, Sewer, Solid Waste Rates. City customers are charged a monthly utility rate for water, sewer, and solid waste services. The Proposed FY 2007-08 Budget is based on the following assumptions:

- **Solid Waste Rates** – The solid waste program is based on the current rate structure as adopted by the City Council in June 2005. The overall residential and non-residential rates are not expected to change. The program for proposed construction-and-demolition collections was adopted by the City Council in FY 2006-07.
- **Sewer Rates** - The Budget is based on the current rate structure. Sewer rates are under review for possible Council deliberations in November 2007.

- Water Rates - This year's budget is based on water rates adopted by the City Council in December 2005 as developed by the Utilities and Finance Departments for flat and metered water rates. This year, these departments are implementing a city-wide metered water rate plan and planning for a dry year water supply. It is anticipated that the water meter implementation plan will be developed and presented to City Council this summer for public input and for subsequent City Council consideration. Water rates are under review for possible Council deliberations in November 2007.

Analysis of Fund Balance in the General Fund. During FY 2004-05, the City Council established a financial policy of maintaining 15% as the undesignated fund balance. As noted above, the Proposed FY 2007-08 Budget is consistent with this policy.

Relationship between Budget and Strategic Plan

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. Also included are key customer service performance indicators for each department.

Conclusion/Acknowledgements

I am pleased to acknowledge again that the City's FY 2006-07 budget document received awards from the Government Finance Officers Association and the California Society of Municipal Finance Officers. This is the fourth consecutive time that the City has received these awards. The Proposed FY 2007-08 Budget document continues to improve upon an already excellent process.

The City Council will hold a work session concerning this budget proposal on June 6 and hold a public hearing to receive citizens' comments on the proposed budget on June 12.

I would like to acknowledge and thank the City staff that prepared and submitted their department budget requests for FY 2007-08. The preparation of this budget document could not have been possible without the efforts and long hours dedicated by the Budget and Evaluation Division, led by Terri Hemley and include Loo Ng and Deanne Gabrik. In addition, I would like to acknowledge Nav Gill and other members in the Finance Department and City staff who assisted in the preparation and timely delivery of this budget.

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

Respectfully submitted,

Kerry L. Miller
City Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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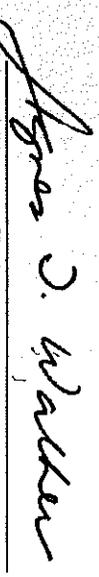
City of Folsom

This certificate recognizes Excellent Achievement in Operational Budgeting and reflects an outstanding budget document and the underlying budgeting process through which the budget is implemented.

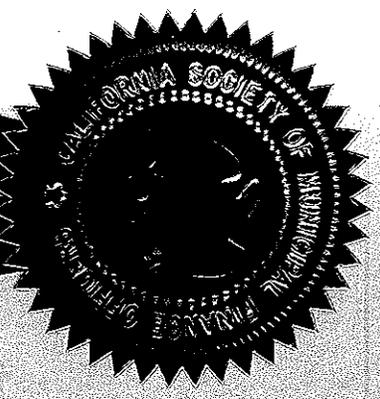
March 6, 2007



Mark Alvarado
CSMFO President



Agnes Walker, Chair
Budgeting & Financial Management



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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 the Sacramento Valley that has experienced considerable industrial, residential, and commercial growth over the past 10 years.

Folsom is rich in 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-round 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 Folsom Aquatic Center is a state-of-the-art swimming pool facility which includes 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 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, which provides 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-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 habitats. 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 and thriving community, and home to many families and businesses.



The format for the Fiscal Year (FY) 2007-2008 budget document has been modified to include only the following six sections: Introduction, Budget Summaries, General Fund Summary, Departmental Presentations, Debt Management, and an Appendix. The Capital Improvement Plan (CIP), due to its sizeable content, will hereafter be presented as a separate document in concurrence with the budget document.

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.

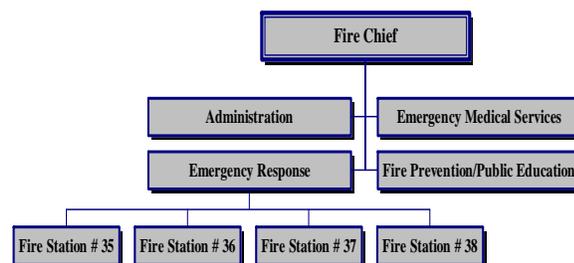
General Fund Summary

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 and the specific functions and duties.

Accomplishments:

The Accomplishments are outlined in bullet format and represent each department's accomplishments for FY 2006-07.

Work Plans:

Outlined in a table format are the departments Work Plans or goals for the FY 2007-08. 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)	Strategies: To train and use to ensure that a vehicle is safe and dependable. (Fleet Management)			
	Indicator	Actual 2003	Budget 2004	Budget 2005
	Reduction in down time and return repairs	N/A	N/A	7%
	Percentage of records of CHP inspections completed on time	95%	95%	95%

Customer Service Performance Indicators:

Departmental customer service performance indicators for FY 2007-2008 are also outlined in table formats. As part of the city's ongoing process improvement, each department has identified key customer service performance indicators and targets that will track their customer service to both external and internal customers.

Performance Indicator	Actual 2004-05	Projected 2005-06	Budget 2006-07
Return calls for Customer Billing Inquiries			95% within 1 Business Day

Key Issues:

FY 2007-08 issues and future issues identified by departments.

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 benefit estimates.

Position	FY	FY	FY
	2005-06	2006-07	2007-08
Human Resources Director	1	1	1
Personnel Manager/Mgmt Analyst	1	-	-
Personnel Technician	3	3	3
Senior Management Analyst	1	2	2
Senior Office Assistant	0.75	0.75	0.75
Total	6.75	6.75	6.75

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.

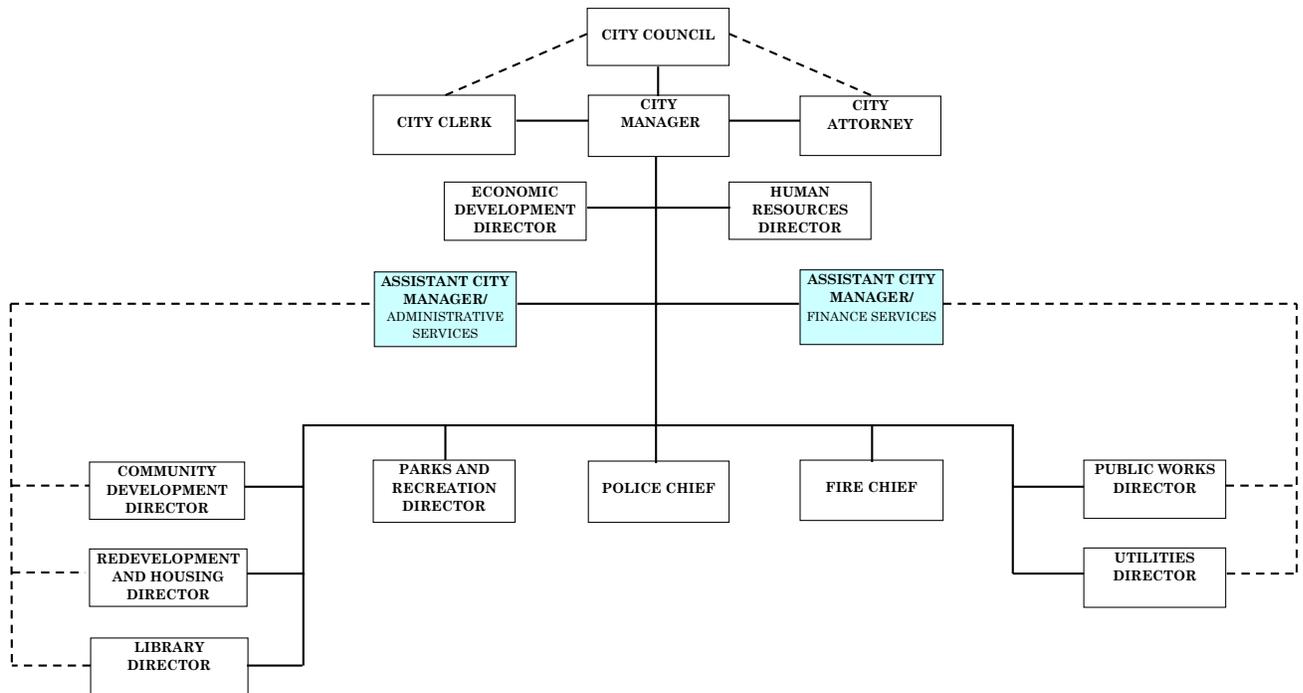
Debt Management

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

Appendix

The Appendix includes a City Profile, Demographics, Major Employers in the City, the Appropriation Limit, the City Council Resolution Adopting the Budget and Strategic Plan, a Directory of Acronyms, and an Index.

City Organizational Chart



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 of the City of Folsom

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.*

This year also marks a transition to a new strategic framework that will be incorporated into future budgets. At its March 9, 2007 retreat, the City Council identified five priority areas to advance its vision for Folsom's future:

- Economic Development
- Recreation, Environment, and Culture – Engaging Our Youth
- Sustainable Service Delivery – Creative Use of Technology
- Community Image and Identity
- Regional Leadership – Positioning Folsom for Success

Budget Process & Calendar

The Finance Department has 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.

In December 2006, 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 2007-08 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 2007-08 appropriation target for each department is the originally adopted appropriation for FY 2006-07 with a 1.8% reduction in O&M, adjusted for salary and benefits as required by various memoranda of understanding, and a 20% reduction in travel and training,

2. Alignment with Strategic Plan:

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

3. Work Plan and Performance Indicators:

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 FY 2007-08. Additionally for FY 2007-08, departments developed customer service performance indicators to track key customers service measures for both external and internal customers

The initial analysis of the departments' operating and CIP budgets was performed by the Budget Manager and Financial Analysis and Reporting. Meetings with the Budget Manager and the departments clarified departmental requests and prioritized proposed increases to departmental budgets. Additionally, departmental budget hearings were scheduled, where each department had an opportunity to present their budget to the City Manager, the Assistant City Manager, the Chief Financial Officer, 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 will be held on June 6, 2007, 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 adopts 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 2006	<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 2006-07 Budget Review ✓ Finance reviews Budgets with Departments
April	<ul style="list-style-type: none"> ✓ Budget Hearings with the City Manager, Assistant City Manager/CFO, 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

On May 25, 2004, the City Council adopted policies pertaining to the City's finances. Below is a summary of those adopted policies.

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. Multi Year Financial Planning:

In order to determine the effect of current year decisions on the City's future, a five year financial forecast, projecting revenues and expenditures for all operating funds, shall be developed as a part of each year's budget process and shall be updated during the mid year budget review. This tool shall be used as a planning document for developing the budget guidelines and for evaluating the future impact of current year decisions.

C. Planning for Long Term Liabilities:

To avoid future financial burdens that could affect financial stability, the City shall proactively plan for potential liabilities, such as leave payouts, pension plans, retiree health costs, state and/or federal unfunded mandates.

D. 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.

E. 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.

The Annual Budget shall comply with the provisions of Section 5.05 (Budget and Accounting) of the Folsom City Charter and Chapter 3.02 (Budgeting, Accounting and Fiscal Procedures) of the Folsom Municipal Code. The Annual Budget shall meet the following criteria:

A. Balanced Budget:

The City shall maintain a balanced budget. The total of proposed expenditures shall not exceed the total of estimated revenues plus carried forward fund balance, exclusive of reserves, for any fund.

B. Structural Balance:

The Annual Budget shall clearly identify anticipated revenue for all funds for the upcoming fiscal year. Current revenue shall be sufficient to support current expenditures (defined as "structural balance"). Estimates of current revenue shall not include beginning fund balances (whether General Fund, Revenue Funds, or other Specially Designated Funds). Any unreserved fund balance available at the commencement of a fiscal year shall generally be used only to fund capital items in the operating budget or in the capital improvement plan. If projected revenue is insufficient to support projected funding requirements, the City Manager and Chief Financial Officer may recommend

allocation of all or a portion of an unreserved fund balance if it appears that (1) the revenue source leading to the development of the available revenues is likely to remain stable in future years, (2) the expenditure requiring the appropriation of additional revenues is not likely to be recurring, or (3) the City Manager and Chief Financial Officer can otherwise establish an appropriate match of revenue/expenditures that will not lead to structural imbalance in future years.

C. Appropriations Limit:

Appropriations in the Annual Budget shall comply with the annual determination of the City's appropriations limit, calculated in accordance with Article XIII B of the Constitution of the State of California and Government Code section 7900.

D. Operating Carryover:

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

E. One-Time Revenues:

One-time revenues shall only be used for one-time expenditures. Prior to allocating any one time revenues, the Chief Financial Officer shall determine that such revenues are not being used to subsidize an imbalance between operating revenues and expenditures. If the Chief Financial Officer determines that one time revenues are needed to correct a structural imbalance, the Chief Financial Officer shall present the City Manager and City Council with a financial forecast demonstrating that the operating deficit will not continue.

F. Internal Service Funds:

The City may establish and operate one or more Internal Service Funds. Internal Service Funds shall be created to report any services that are provided to other City departments and the Cost Allocation Plan does not recoup that cost. At the same time that it adopts the budget ordinance, the City Council must approve a balanced financial plan for each Internal Service Fund. A financial plan is balanced when estimated expenditures do not exceed estimated revenue.

G. Maintenance Accounts:

Equipment and buildings shall be maintained at reasonable levels to avoid service disruptions, and to achieve maximum useful life, and to ensure safety of employees and the public. Maintenance and replacement funding shall be allocated each year consistent with this policy.

H. Level of Contingency Appropriations:

A General Fund Contingency of 1% of total budgeted departmental expenditures shall be budgeted annually. The Contingency Appropriation may be used to provide for unanticipated or unforeseen needs that arise during the year. Funds shall be allocated from the Contingency Fund only after an analysis has been prepared and presented by the Chief Financial Officer and City Manager to the City Council outlining the initial and recurring costs associated with the proposed expenditure. The Contingency Fund will be exhausted prior to any utilization of Undesignated Fund Balance.

I. Strategic Plan Objectives:

The Annual Budget shall establish measurable program objectives consistent with the City's Strategic Plan. The status of major program objectives identified in the Annual Budget and the Strategic Plan shall be formally reported as part of the Quarterly Financial Report.

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 eighteen consecutive years.

- *Popular Annual Financial Report*

During Fiscal Year 2006 the City prepared and submitted its first Popular Annual Financial Report (PAFR) to the GFOA. The goal of this first report was to present an

easy-to-read, understandable summary of the financial activities of the City. It provides a brief analysis of the sources of our City's revenues, an explanation of where the dollars are spent, as well as a review of trends and the local economy. We believe our report will meet the requirements of the GFOA program and anticipate receiving an Award for Outstanding achievement in Popular Annual Financial Reporting.

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.

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. The allocation factor 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 collaborate to provide services to each other 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 2007-08 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.

Debt Management

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

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