

CITY OF FOLSOM

50 Natoma Street
Folsom, CA 95630



To the Honorable Mayor and Members of the Folsom City Council:

Please accept on behalf of the City's Executive Management Team the adopted Operating Budget for Fiscal Year 2008-2009 as adopted by the City Council on June 24, 2008. This budget document provides detailed information about the revenues and expenditures forecast for the City in the coming year.

CURRENT FISCAL YEAR 2007-08

Like everyone who has been affected by the downturn in the housing market and the increasing cost of goods and supplies, the City has had to adjust its budget in the current fiscal year to accommodate changing economic conditions. In March of this year, I asked department heads to help close a projected budget shortfall for the current fiscal year by cutting 10 percent from their remaining fiscal year departmental expenditures. The City has also reduced its salary expenses during the current fiscal year by significantly reducing temporary services.

CHALLENGES FOR FISCAL YEAR 2008-09

We expect FY 2008-09 to be among the most economically challenging years that Folsom has faced in recent times. The City of Folsom's fiscal outlook has been negatively impacted by a "perfect storm" of economic factors, including a downturn in sales tax revenues, slowing of residential and commercial development (and resulting declining property tax and development fee revenues), the increased costs of doing business, and the strong possibility of the State taking away additional revenues, among others.

It is important to note that although it is imperative that we take a series of steps to rightsize our organization to meet economic challenges facing our region and the entire nation, the City of Folsom remains fiscally sound thanks to prudent and conservative planning by the City Council.

We face four major challenges. First, an overheated housing market was followed by a cataclysmic credit crunch. Within California, the reliance on the real estate and construction sectors has taken its toll. Job growth and consumer spending are lower than anytime in recent memory. The City can look ahead to the opening of the Palladio mall, other retail outlets, and new hotel developments which should help bolster the City's sales tax and transient occupancy tax collections in future years.

Second, the Governor released his May revision to the FY 2008-2009 State Budget on May 14. Importantly for cities, the Governor's plan does not propose to borrow cities' share of property taxes through Proposition 1A and continues to provide full Proposition 42 transportation funding. The Governor has proposed a budget that cuts some state subventions to cities, but does not propose using local tax funds to shore up the state budget. If the Legislature doesn't support

the Governor's direction, the result will be a fresh effort to identify other ways to close the state's budget gap. This could involve additional proposals for cuts to state programs, raising tax revenues through various means, transferring or borrowing local government revenue, or other solutions. The Legislative Analyst's Alternative Budget proposes that redevelopment agencies pass through an additional five percent of their tax increment revenues to fund K-14 districts. In short, we must remain on alert and prepare for potential impacts to our budget which arise from the state's budget challenge.

Third, while the City's revenue growth appears to be slowing, the City must at the same time support rising costs in a number of key areas. For example, contractually required employee wage and benefit cost increases, along with fuel and utility increases must be incorporated into department budgets. Just keeping pace with these built-in-overhead increases accounts for much of the budget growth this year.

Finally, because overall development within the city has slowed, the Development Fund has been in deficit for the last several years. Development revenues for FY 2008-09 are projected to be flat as compared to FY 2007-08, with a 3.8 percent inflationary increase projected in July, 2008. It is our commitment to stop the deficit trend of the Development Fund.

MEETING THE FISCAL CHALLENGES

As we worked through the challenging budget balancing process for FY 2008-09, we turned to a combination of strategies, including reducing costs, projecting new revenues where reasonable, and utilizing one-time revenues. I initially instructed department heads to reduce their FY 2007-08 net costs by 10 percent in preparing their FY 2008-09 budget proposals. City departments were then called upon to make further reductions to their respective budgets to help balance the overall budget. I would like to acknowledge and thank the City's Executive Management Team not only for their tremendous efforts in helping to meet our budget targets, but also for their unanimous decision to forego any salary or cost of living increases in the coming fiscal year in support of this cost-cutting effort.

To balance the Development Fund, we have transferred Code Enforcement and Economic Development functions into the General Fund, and reduced expenditures paid out of the Development Fund. Our goal is to reduce expenditures to a reasonable level that allows for modest, ongoing General Fund contributions to the Development Fund.

In developing the FY 2008-2009 Budget, we made every effort to first focus on cutting line items which would not be immediately visible to our customers before recommending changes to programs and services directly impacting the public. Public safety remains the City's top priority. Although both the Police and Fire Departments have already made and will continue to make fiscal sacrifices, this budget is not balanced at the expense of diminished public safety. *Please see Attachment A for summary impact statements submitted by each of the City departments.*

Unfortunately, because about 35 percent of the City's budget (and 68 percent of the General Fund) is committed to wages and benefits, position reductions in the coming fiscal year have become a necessity. The decision to reduce staff was an extremely difficult one and was only

made once it was determined this course of action was unavoidable. I have had to freeze and eliminate 21.13 positions in the General Fund, 7.13 of which are currently occupied. **Attachment B lists the impacted positions.** Working very closely with employee labor organizations, my staff and I will make every effort to place affected permanent employees into other City positions if possible.

The total adopted FY 2008-09 budget of \$243,217,114 is balanced, whereby all expenditures are supported by revenues, and is made up of the following components:

General Funds	\$70,712,747
Enterprise Fund Operations	\$49,447,367
Special Revenue Funds	\$41,946,504
Debt Service Funds	\$17,611,094
Capital Project Funds	\$45,479,755
Trust and Internal Service Funds	\$18,019,647

ASSUMPTIONS

Please note that the FY 2008-2009 Budget was built upon a series of assumptions related to employee compensation, insurance, and utility rates. Additionally, in preparing General Fund revenue forecasts, realistically conservative revenue projections were used. The City enters FY 2008-09 with a cautious eye toward the impact of national and state economies on its local budget. The subprime lending crisis has led to an economic crisis across the nation and in the state, with some economists opining that the U.S. economy is in a recession. The State of California has declared a fiscal emergency, facing a \$20 billion deficit through FY 2008-09. ***Please see Attachment C for more detail on assumptions utilized in preparing this document.***

ANALYSIS OF FUND BALANCE IN THE GENERAL FUND

During FY 2004-05, the City Council established a financial policy of maintaining a reserve of 15 percent of the General Fund’s annual operating expenditures as the undesignated fund balance. This balance is to be used to provide for temporary financing for unanticipated extraordinary needs of an emergency nature; for example, costs related to a natural disaster or calamity, economic recession, or an unexpected liability created by Federal or State legislative action.

The recommended FY 2008-09 Adopted General Fund Budget is balanced, and maintains reserves at 12.8 percent of budgeted expenditures, which is average for a city our size. This reserve percentage is not in conformance with the Council’s adopted financial policies, however. The undesignated balance was eroded during FY 2007-08 and provided relief to offset an unanticipated downturn in revenue sources during the current economic slowdown. This budget responds appropriately to the new economic realities, and prepares the City to respond as needed in the years ahead. Staff remains committed to prudent, fiscal planning to move the City back to the full 15 percent when feasible.

The impact of the State of California budget on revenues and expenses will not be known until after this City budget was adopted. The budget reflects the best information available in the Governor's proposed FY 2008-2009 budget.

CONCLUSION/ACKNOWLEDGEMENTS

This year's budget document is the culmination of continuous budget review and dialogue with department heads and their staffs over the past half-year. Departments participated in and achieved the targeted reductions for FY 2007-08. This year, departments were vigilant in achieving new, challenging reduction targets. This budget could not have been balanced without their assistance.

I wish to acknowledge my staff for their perseverance and dedication in preparing this document. I would like to acknowledge and thank the City staff that prepared and submitted their department budget requests for FY 2008-09. The preparation of this budget document could not have been possible without the efforts and long hours dedicated by Acting Finance Director Mark Bresolin, Budget and Evaluation Manager Terri Hemley, Deanne Gabrik, and other City staff members who assisted in the preparation and timely delivery of this budget. My thanks also extend to Assistant City Manager Evert Palmer and Human Resources Director John Spittler. And finally, I also want to thank the City Council for their support of this office.

My staff and I look forward to working with you during the coming fiscal year with this adopted FY 2008-09 Budget as our guide.

Respectfully submitted,

Kerry L. Miller
City Manager

DEPARTMENT IMPACT SUMMARIES

City Council

Staff proposes reductions to the City Council budget in the areas of printing, dues and publications, travel and meetings, and liability insurance.

City Manager's Office

The City Manager's Office has reduced its staffing over the last two years by not filling one vacant Assistant City Manager position, and asking the remaining Assistant City Manager to serve concurrently as a department director. The City Manager's Office also proposes a job sharing arrangement with the City Clerk's Office for its Office Assistant position, thus eliminating one Office Assistant position. The office has significantly reduced consultant contracts, travel, training and office supplies, among other budget categories. Staff believes that these changes may impact internal customer service to some extent, but every effort will be made not to impact external customer service. The City Manager's Office has also proposed reducing the frequency of the City Newsletter to eight issues per year rather than ten, thus saving editing, printing, and postage costs. Staff will rely more heavily on the City's web site to fill the information gap.

City Attorney's Office

The primary reduction for the City Attorney's Office budget is in the area of outside counsel expenditures attributable to the General Fund. The City Attorney's Office eliminated the vacant Deputy City Attorney position. The funds for that position were used to fund a Safety Officer, a critical need for the City. (The Safety Officer position was filled by a re-assigned City employee.) While the recent hiring of the Assistant City Attorney reduces the demand for outside counsel, the City Attorney's Office will continue to use such counsel for vacation relief, as well as work on some General and non-General Fund matters.

Administrative Services Department

In addition to reducing service and supply line items, the *Administrative Division* proposes the elimination of the two permanent part-time office assistant positions that staff the City Hall information counter. The City's main phone line would be converted to an automated attendant to route calls. Because reception staff will not be available to direct City Hall visitors, improved signage will be required. The *Facilities Division* is proposing reductions in maintenance and operations line items and elimination of one work team consisting of a Maintenance Worker II and a Building Trades Worker. These reductions will impact response time to repair and maintain facilities and equipment. *Information Services and GIS* propose modest reductions in service and supply line items with no reduction in staffing in order to meet critical maintenance and project workload in the City's Public Health and Safety functions including water meter implementation and computer-aided dispatch support.

City Clerk's Department

The proposed Office Assistant job sharing arrangement with the City Manager's Office may impact internal customer service as it relates to the City Clerk's preparation and distribution of agenda packets, as well as management of commission and committee membership and recruitment. The department is also proposing a reduction in general operations and maintenance budgets that will result in borrowing rather than purchasing legal reference tools, and eliminating attendance at legal and technical training classes. Due to the proposed cuts, the records conversion program will be stalled mid-phase, causing staff to manage records through two different indexing programs. That may impact management of contracts and other legal and legislative history records maintained by the City Clerk. However, staff will work cooperatively with other departments to mitigate the impacts as much as possible.

Community Development Department

The proposed budget for the Community Development Department includes 14.5 position reductions in Administration, Building, Engineering and Planning. These reductions are the result of both the slow down in building activity and financial pressures on the Development Fund over several years.

There will be several significant impacts as a result of reductions in the Community Development budget. In order to focus customer service on core functions, the department recommends that the Architectural Review Commission be disbanded, with the Planning Commission assuming the ARC's responsibilities.

The department's public counters would be open for full service between 8 a.m. and 1 p.m. when most building permit applications are submitted. Public counter staff will provide service by appointment only from 1 to 5 p.m. This change will allow a smaller staff adequate time for other duties, while still meeting customer service needs.

Given the significant reductions in staff, it is inevitable that there will be some delay in processing planning applications and plan checks. For example, staff projects that plan check review times for construction building permits will take approximately 25-30 days compared to current service of 15-20 days. Express plan checks will be eliminated except for those paying additional fees for expedited plan reviews as approved by the Building Official. There will likely be other impacts on turn-around times for public and private improvements such as 3-4 days rather than the current 1 - 2 days to obtain grading, encroachment, pool, transportation and building permits. Staff will make every effort to inform the public about these delays.

Finance Department

The Finance Department's proposed reductions were achieved primarily through the elimination of the vacant Assistant Finance Director position and the Budget Division's Senior Management Analyst position. The department is also proposing overall reductions in general operations and maintenance budgets in all divisions, along with eliminating funding for outside temporary services in the Disbursement and Revenue Divisions. Impacts associated with the proposed

reductions range from biweekly disbursement processing and delays in responding to inquiries and requests relative to financial management issues.

Fire Department

The Fire Department's proposed reductions include significant savings achieved by delaying the start of construction work on the Empire Ranch Fire Station until 2010 and not funding, but maintaining the organizational positions of the vacant Deputy Fire Chief position, three vacant Fire Fighter positions, two backfill Fire Fighter positions, and a vacant Fire Prevention Officer position. The impact of eliminating the Deputy Fire Chief position is an increase of overall workload on existing staff and the deferment of some administrative programs. Eliminating the Fire Fighter positions will result in increased overtime costs, but a savings of other permanent full time personnel costs. Elimination of a Fire Prevention Officer position will lead to delays in inspection services for schools, hospitals and multiple-family residential facilities, and additional workload on existing staff and fire fighters. The Department has marginally increased its budget line for its two part-time fire inspectors to help mitigate these impacts.

The Department also proposes eliminating overtime reimbursement to employees who perform after-hour inspections, complete investigations and work with at-risk groups such as juvenile fire setters. Many of these services have been provided on a daily basis, including weekends. Eliminating overtime will delay or postpone Fire Prevention activities until the normally scheduled workweek for the employee, leading to reduced service levels in this area. Staff will work to educate the public and diffuse negative situations.

The Fire Department also proposes cutting travel and training budgets, as well as reducing or eliminating operation and maintenance programs. Such programs include updating map books, recruiting and pre-employment costs, deferring computer purchases and replacing fire station equipment such as furniture.

Staff proposes enhancing Department revenue in three key areas. First, setting ambulance rates to the regional average for emergency (911) ground ambulance transportation of sick and injured persons to areas hospitals. Second, initiating an ambulance billing collection process, including using an outside vendor to collect from past-due customers. Third, contracting out the ambulance billing program to a third party vendor and utilizing available FTE hours in other critical administrative workload areas.

Human Resources Department

The Human Resources Department has eliminated or significantly reduced a number of budget items including a 20 percent reduction in the fee charged by the City's insurance broker. While these reductions may impact internal service timelines, there should be no noticeable external service reductions. Most training and travel was eliminated from the proposed budget. Funds supporting the annual employee holiday party and free employee flu shots were also eliminated. Human Resources will continue to keep employees abreast of programs and services provided at no additional charge by our current health benefit carriers.

Intergovernmental Affairs & Economic Development Department

Staff is proposing significant reductions in funding for dues and publications, advertising and sponsorships, travel and meetings, contractual services, salaries and benefits, and fees for state and federal legislative advocacy consultants. Impacts associated with these proposed reductions include a decline in access to information and data describing economic development issues and trends, decline in awareness of Folsom as an attractive business destination, elimination of participation in some regional economic development related programs including study missions and the Sacramento Metro Cap-to-Cap trip, and possible delays in responding to inquiries and requests relative to intergovernmental affairs and economic development issues. The department is proposing a partial shifting of funding allocation to include funding from the Enterprise Funds to compensate for intergovernmental and economic development activities directly and indirectly tied to the City's utilities.

Library Department

The Library Department's budget reductions fall primarily in the area of salaries and benefits with the elimination of one Librarian position and two Library Assistant positions and a reduction in the number of temporary employees.

Maintaining the seven-day-per-week schedule at the Georgia Murray Library Building is a high priority. However, doing so with reduced staffing poses significant challenges. Staff proposes maintaining current hours, with the exception of Monday evening when the library would close at 5 p.m. The library would be open from 10 a.m. to 8 p.m. Tuesday through Thursday, and 10 a.m. to 5 p.m. Friday through Monday. Closing the library three hours early on Mondays would allow a single shift operation and an on-going savings in temporary help. Statistics show Monday is one of the library's slowest evenings.

The department proposes staffing customer service points at a lower level during anticipated slow periods throughout the week. In addition, staff would promote increased self-service options such as self-check out and online resource expansions including card applications. Some programs, such as book discussion groups and movie showings, may be run by volunteers rather than paid staff.

The joint-use library at Vista del Lago High School is scheduled to open in early August. Library staff proposes hiring a supervisor (approved and funded) to oversee operations at the new library and to supervise reference services at the Georgia Murray Library. Funding for the new Library Supervisor position would be offset by the elimination of one Librarian position and one Library Assistant position. (The Folsom Cordova School District is planning to fund a library staff assistant to provide coverage for the school's library hours.)

Parks & Recreation Department

The Parks & Recreation Department proposes a number of budget reductions in all divisions as follows:

Administration proposes the elimination of the General Fund contribution to the Renovation Fund. There are limited funds remaining in the Renovation Fund. Therefore, substantially fewer renovation projects will be completed and other projects will be deferred into future fiscal years. This potentially compounds the level of renovation needed and the future project cost. Administration also proposes eliminating the Parks and Recreation Commission stipend.

Park Maintenance proposes leaving two Maintenance Worker II positions vacant, reducing the seasonal workforce, eliminating one Park Maintenance Worker II position, and the Park Maintenance Manager position. The reduction of the Maintenance Worker II and seasonal workforce will increase service call response time, reduce frequency of preventative maintenance and require the division's operational focus to be limited to key public and facility needs.

Parks Maintenance also proposes increasing revenue by charging youth sports group users to offset sports-specific operational costs including the use of lighted fields, adjusting the utility line item to reflect a rate increase and usage demand for water and electricity, and increasing the California Department of Corrections (CDC) contract to allow for full-year funding. The CDC contract is an extremely cost-effective way to perform many of the weed-abatement, manual labor-intensive and related services.

The **Zoo Sanctuary** proposes reducing the transfer of gate ticket revenue to the Zoo Trust, thus increasing General Fund revenue. Various Zoo improvement projects will be deferred with only critical, high-priority projects receiving funding. The division is also reducing other line items including temporary staffing. As a result, the Zoo Sanctuary will either not open or will close early on extreme weather days when attendance is very low. On these days, temporary staff will either be canceled or sent home early.

Community Facilities proposes eliminating the Account Clerk front counter position at the Senior and Arts Center and reducing temporary staffing. Walk-in and phone-in customers may experience delays receiving return calls, and program coordinators will be diverted from program development to customer phone service during time of high registration call volume. Staff will continue to develop more strategies to encourage increased web-based registrations. Weekend temporary maintenance staff hours will be reduced. The division also proposes transferring Murer House and Veterans Hall operations to the Murer House Foundation and the local VFW Post, reducing Yellow Page advertising and deferring some building maintenance. Additional revenue may be generated through higher rental fees; however economic conditions may cause a reduction in overall rental hours.

The **Recreation Division** proposes reducing funding for the Arts Grant program, reducing the temporary workforce and generating new revenue. Temporary staffing hours will be reduced in senior programs, CAVE sites, teen events, and sporting events. New revenue includes an arts grant to offset gallery/art programming costs, raising registration fees, and other modest fee adjustments.

The **Aquatic Center** will reduce temporary staffing during the down-season. Facility operating hours will be adjusted for recreational swim (opening at 10:30 a.m. rather than 7 a.m. and closing at 6:30 p.m. instead of 7:30 p.m.). Additional revenue will be generated by fee increases to group

rate admission, daily admission for all age groups, birthday parties, 10-visit pass and camp admission. In addition, as an alternative to closing the 50-meter pool at the Aquatic Center from October to January, the Sierra Marlins year-round competitive swim team will be charged a fee to cover the costs to keep the pool open. Further, staff will work with the Sierra Marlins, Folsom Sea Otters and the school district on team growth and fee adjustment concepts that could result in seasonal operation of the Vista del Lago High School swimming pool.

The *Folsom Sports Complex* will defer hiring of the Senior Recreation Coordinator. *Park Planning & Trail Development* will reduce contracts and eliminate the Limited Term Park Planner II position and the Park Planner I position due to the slowdown of park development, trails and renovation projects.

Police Department

The Police Department's proposed budget includes significant reductions for small equipment including computers and printers, building maintenance, training and overtime. The Executive Assistant and Office Assistant positions will remain vacant.

One Lieutenant position and one Sergeant position will remain vacant following the incumbents' retirement (June 2008). Maintaining the proposed vacancy reduces patrol management, leaving two Lieutenants to oversee four major shifts. The Sergeant position is assigned to patrol and is a first-line supervisory position. Both of these positions provide the coordination of on-scene activities at major incidents, ensure compliance with department activities at major incidents, audit use of force and interpret policy.

A reduction in overtime will result in reduced or eliminated discretionary overtime for specialized crime reduction patrols. Overtime for maintenance of minimum staffing levels to ensure officer safety will be maintained. All special events will be billed at full costs to sponsoring agencies.

As a result of the department's reduction in training, patrol and investigations will receive only mandated and/or perishable skill training. Training designated for new skill sets will be deferred.

Public Works Department

The Public Works Department utilized both cost-cutting and revenue generating measures to achieve the proposed budget reductions. Staff action includes identifying alternatives to the General Fund as sources of funding for eligible activities; deferring filling vacant positions including one Assistant Director, two Maintenance Workers, one Mechanic, one Traffic Control Technician and six Bus Drivers ; reducing or eliminating the use of temporary staff, overtime, standby pay, travel and training; reducing utility costs through energy conservation; and modifying the Transit system through route and schedule redesign and more efficient trip planning to generate a proposed 25% reduction in driver costs.

Service or program impacts may include deferment of various Pavement Management Projects; slower response times for some road, streetlight and traffic signal repairs; delays in

implementation of planned traffic signal equipment installations and upgrades; longer wait periods requiring greater scheduling flexibility on the part of Folsom Stage Line passengers on the fixed route and Dial-a-Ride; and a potential delay in implementing the Fleet Plan, thereby delaying possible cost savings from an evaluation of vehicle fleet size and utilization.

Redevelopment and Housing Department

Staff has made reductions to both of the Redevelopment Fund budgets. In the General Activities Fund, staff targeted the land assembly category and economic development category for reductions. These cuts will not have any significant impact as the major focus of redevelopment activity for the next fiscal year will be on the Revitalization effort for Sutter Street and the commercial Historic District. Housing Fund reductions were made to the Inclusionary Housing Fund and the Affordable Housing programs. These reductions will not have a significant impact as we can appropriate money from the fund balance if needed. The General Activities Fund and the Housing Fund both have healthy fund balances. Because these funds have limits and restrictions on how they can be spent, the program expenses must be specific to redevelopment activity.

Utilities Department

The Utilities Department expenditure reductions will be achieved by deferring the filling of vacant, non-critical positions, deferring construction projects, reducing staffing costs by implementing shift changes at the Water Treatment Plant, modifying solid waste routes and reducing fuel and power costs. Department staff is reviewing potential new revenue including recovery of billable operational costs such as charging for repeat offenders for sewer spills, repeat water disinfection calls, HazMat charges and backflow testing. Additional revenues include receipt of grant money and increased solid waste collections. The department receives rate based funding for its programs and projects. Rather than contracting work to non-City resources, the department proposes providing an opportunity for displaced City employees to fill vacant positions and planned positions for critical projects and programs (such as the Water Meter Implementation Program) on a limited-term basis.

PROPOSED STAFFING CHANGES

The Fiscal Year 2008-09 Proposed Budget recommends the elimination of 31.5 vacant positions as well as 2 positions that will remain vacant once the incumbent retires, as follows:

Fund	Position	Vacant	F-V*	Grand Total
Community Development	Building Inspector I/II	1		1
	Planner I/II	1		1
Community Development TOTAL		2		2
General	Accounting Technician I	1		1
	Assistant Finance Director	1		1
	Deputy City Attorney	1		1
	Deputy Fire Chief	1		1
	Firefighters	3		3
	Fire Prevention Officer	1		1
	Lieutenant		1	1
	Maintenance Worker I/II	2		2
	Park Planner I/II LT Exp. 6/30/09	1		1
	Senior Management Analyst **	1		1
	Sergeant		1	1
	General TOTAL		12	2
Library	Librarian	1		1
	Library Assistant	2		2
Library TOTAL		3		3
Public Works	Assistant Director	1		1
	Maintenance Worker I/II	2		2
	Mechanic II	1		1
	Solid Waste Supervisor **	1		1
	Traffic, Control & Lighting Technician I	1		1
Public Works TOTAL		6		6
Redevelopment	Housing Manager	1		1
Redevelopment TOTAL		1		1
Utilities	Assistant Director **	2		2
	Assistant Civil Engineer – Admin **	1		1
	Environmental Specialist II SW	0.5		0.5
	Maintenance Worker I/II WA	1		1
	Maintenance Worker I Refuse Driver SW	2		2
	Office Assistant I/II Admin	1		1
	Supervisor	1		1
	Water/Sewer Service Worker I/II	1		1
Utilities TOTAL		7.5		7.5
GRAND TOTAL		31.5	2	33.5

*Position to remain vacant after retirement of incumbent.

** Positions that do not create a net reduction due to incumbents being moved to added positions.

The FY 2008-09 Proposed Budget recommends the following elimination of 19.13 positions which are currently filled:

Fund	Position	Filled
Community Development	Building Inspector I/II	3
	Building Inspector Supervisor	1
	Building Plan Checker	1
	Construction Inspection Supervisor	1
	Construction Inspector II	1
	Engineering Technician	1
	Planner I/II	1
	Senior Planner	2
	Community Development TOTAL	
Economic Development	Office Assistant	1
Economic Development TOTAL		1
General	Account Clerk	1
	Building Trades Worker	1
	Maintenance Worker	1
	Maintenance Worker (Park Maintenance)	1
	Park Maintenance Manager	1
	Park Planner	1
	PPT Office Assistant	1.13
General TOTAL		7.13
Utilities	Assistant Director	2
Utilities TOTAL		2
GRAND TOTAL		21.13

ASSUMPTIONS

Employee Compensation Costs and Insurance Issues

The FY 2008-09 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 MOU's for Fire rank and file, Fire mid-management and Police rank and file expire on December 31, 2008. However, no compensation increases for these units were incorporated into the proposed budget document. Negotiations with these units are already underway.

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 2008-09 financial contributions for miscellaneous employees have increases of 1.77 percent, while public safety employees have increases of 5.43 percent. Based on projections provided by CalPERS, future years have a nominal increase in contribution.

Health Insurance Increases: The FY 2008-09 Proposed Budget includes funding for a projected 12 percent increase in health insurance premiums effective January 1, 2009. This amount is consistent with projections used in the City's financial forecast.

Discretionary Revenues

The General Fund budget includes assumptions about the following discretionary revenue sources:

- 1) 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.
- 2) Property Tax Revenues: The FY 2008-09 Proposed Budget estimate for property tax revenue is \$17.7 million, which represents a 4.37 percent increase from the FY 2007-08 year-end estimates. This compares to an estimated 6.06 percent increase in 2007-08, and a 19.45 percent increase in 2006-07. The City also allocates a portion of its property tax received to the Library function. For FY 2008-09 it is projected that the Library Fund will receive \$1,625,250 million in property taxes. The projection reflects Folsom's slowing housing market, as indicated by the flattening in assessed land values.
- 3) Sales Tax: The Proposed FY 2008-09 Budget estimate for sales tax revenue is \$17.9 million and assumes a 0.73 percent increase from the FY 2007-08 year-end estimates, due to continued sluggish activity in the vehicle and home improvements sectors. This compares to a 2.43 percent decrease in 2007-08, and a 6.21 percent decrease in 2006-07.
- 4) Vehicle License Fees (VLF): The Proposed FY 2008-09 Budget estimate for Vehicle License Fees is \$5.2 million, which is unchanged from the FY 2007-08 budget estimates.

Water, Sewer, Solid Waste Rates

City customers are charged a monthly utility rate for water, sewer, and solid waste services. The Proposed FY 2008-09 Budget is based on the following assumptions:

- 1) 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.
- 2) Sewer Rates – This year's budget is based on sewer rates adopted by the City Council in January 2008 as developed by the Utilities and Finance Departments.
- 3) Water Rates - This year's budget is based on water rates adopted by the City Council in January 2008 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.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Folsom
California**

For the Fiscal Year Beginning

July 1, 2007

Charles S. Cox

President

Jeffrey R. Enow

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to City of Folsom, California for its annual budget for the fiscal year beginning July 1, 2007. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

California Society of Municipal Finance Officers

Certificate of Award
For
Excellence in Operating Budgeting

Fiscal Year 2007-2008

The California Society of Municipal Finance Officers (CSMFO) proudly presents this certificate to

City of Folsom

For meeting the criteria established to achieve the Excellence Award in the OPERATING BUDGET CATEGORY.

March 6, 2008



Bradley Robert

Brad Grant
CSMFO President

Cindy Guziak

Cindy Guziak, Chair
Budgeting & Financial Reporting

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 65,000. 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, 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, two middle schools, and eleven elementary schools serving over 10,000 students (over 18,000 students district wide). Many schools in Folsom, including Natoma Station, Carl Sundahl, Folsom Hills Elementary, Folsom Middle School, Empire Oaks Elementary, Oak Chan Elementary, Sandra J. Gallardo Elementary, Sutter Middle and Folsom High have all received the highest rank possible on the State of California’s Academic Performance Index (API) Report for the 2006-2007 school year. 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.



Guide to the Budget

The format for the Fiscal Year (FY) 2008-2009 budget document includes the following six sections: Introduction, Budget Summaries, General Fund Summary, Departmental Presentations, Debt Management and an Appendix. The Capital Improvement Plan (CIP) is presented as a separate 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.

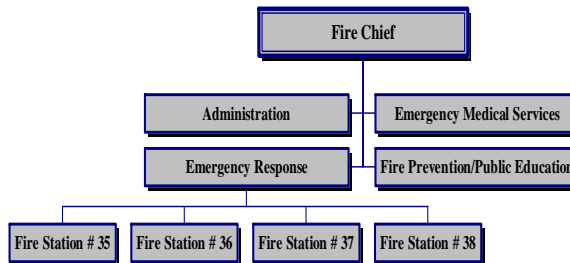
General Fund Summary

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 2007-08.

Work Plans:

Outlined in a table format are the departments Work Plans or goals for FY 2008-09. 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 repair	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 2008-2009 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

Statistic and Workload Measures:

Measures derived in order to provide an indication of the fluctuations in workload. The specific measures have been identified by departments.

Key Issues:

FY 2008-09 issues and future issues identified by departments.

Position Information:

The Position Information Table provides the departments number of positions approved for the upcoming fiscal year as well as the two prior fiscal years.

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.

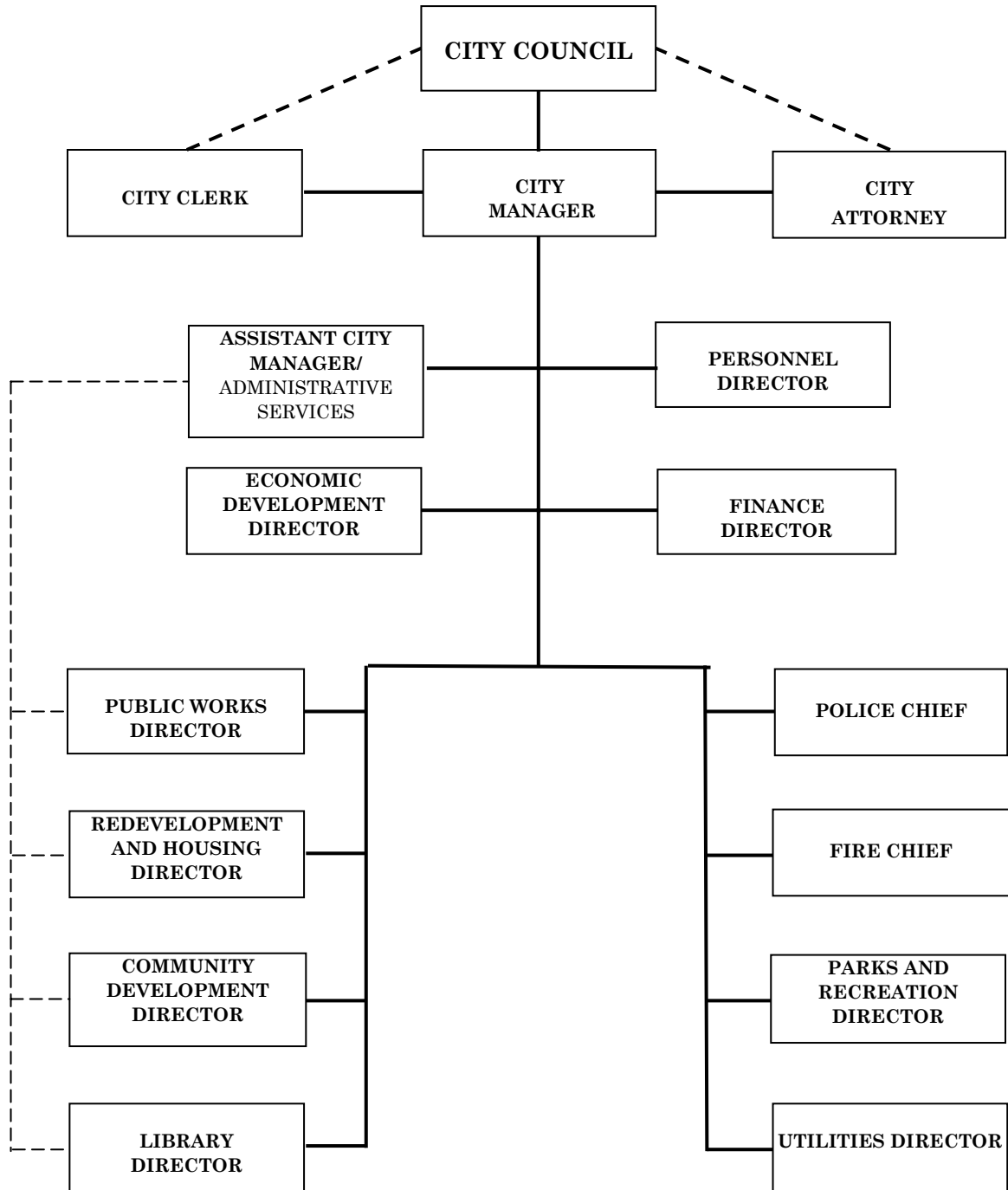
Debt Management

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 listing of job titles with the salary range number that can be cross-referenced with the salary range table, Indicators, which provide statistical information, 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 of the City of Folsom

- Goal I:** *To create a diverse and vibrant economic base.*
- Goal II:** *To expand and maintain the city's infrastructure and services.*
- Goal III:** *To become an environmentally sustainable community.*
- Goal IV:** *To increase nationwide exposure for Folsom.*
- Goal V:** *To sustain and enhance community amenities.*

The City Council and the Executive Management Team for the City met on June 17, 2008 and identified the goals above that will be used to guide the City through the next few years. The following pages are the six-month objectives identified by the City Council and the Executive Management Team to meet these goals.

CITY OF FOLSOM

SIX-MONTH STRATEGIC OBJECTIVES

June 17, 2008 – December 1, 2008

THREE-YEAR GOAL: *Create a diverse and vibrant economic base*

WHEN	WHO	WHAT	STATUS		
			DONE	ON TARGET	REVISED
1. By October 1, 2008	Economic Development and Intergovernmental Affairs Director, working with the Folsom Chamber of Commerce and FedCorp	Identify strategies to help sustain Folsom businesses during challenging economic times.			
2. By December 1, 2008	City Manager and Finance Director	Substantially complete negotiations with Sacramento County for a tax sharing agreement for the SOI annexation and the auto mall expansion.			
3. By December 1, 2008	Economic Development and Intergovernmental Affairs Director and Community Development Director, working with owners of vacant property in Folsom	Develop and execute strategies to attract a large employer to the city.			
4. By December 1, 2008	Economic Development and Intergovernmental Affairs Director, working with FedCorp and existing clean-energy technical businesses in Folsom	Solicit ideas for attracting other clean-energy business and establish contact with at least five of those businesses.			
5. By December 1, 2008	Redevelopment Housing Director, Assistant City Manager, working with the Historic Commercial District	Develop strategies to attract and retain businesses in the Historic Redevelopment Area during Streetscape Revitalization.			

THREE-YEAR GOAL: *Expand and maintain the city’s infrastructure and services*

WHEN	WHO	WHAT	STATUS		
			DONE	ON TARGET	REVISED
1. By August 1, 2008	Public Works Director (lead), Utilities Director and Parks and Recreation Director	Inventory the City’s Infrastructure Master Plan needs and recommend to the City Manager those Master Plans that need to be updated.			
2. By November 1, 2008	Fire Chief	Update the Fire Department Strategic Plan.			
3. By December 1, 2008 and annually thereafter	Assistant City Manager, working with the Department Heads	Monitor, evaluate and prioritize services to match funding sources over the next three years.			
4. By December 1, 2008	Public Works Director (lead)	Continue to address City’s traffic issues to ease congestion.			
5. By December 1, 2008	Utilities Director (lead)	Continue progress toward assuring City’s dry year water supply.			

THREE-YEAR GOAL: *Become an environmentally sustainable community*

WHEN	WHO	WHAT	STATUS		
			DONE	ON TARGET	REVISED
1. By October 1, 2008	Assistant City Manager/ Administrative Services Director	Begin inventory of City facilities, services, and programs to identify and implement energy conservation strategies.			
2. By October 1, 2008	PIO	Develop a public education strategy, including two outreach tactics to define environmental sustainability for government, business, education and family stakeholders.			
3. By October 15, 2008	Fire Chief	Complete the planning and design of the Fire Station towards achieving green building practices.			
4. By December 1, 2008	Utilities Director	Develop and begin implementation of water management practices to reduce residential, landscaping and commercial consumption.			
5. By December 1, 2008	Community Development Director	Identify model codes and present to the City Council the first phase of building codes towards “green building” standards.			
6. By December 1, 2008	Assistant City Manager/ Administrative Services Director	Develop and begin implementation of plan to determine City’s “carbon footprint.”			

THREE-YEAR GOAL: Increase nationwide exposure for Folsom

WHEN	WHO	WHAT	STATUS		
			DONE	ON TARGET	REVISED
1. By August 15, 2008	Councilmember Kerri Howell and the PIO, working with the Folsom Tourism Bureau	Confirm the airing of the Folsom segment on the TV program "World's Greatest!"			
2. By September 1, 2008	Economic Development and Intergovernmental Affairs Director (lead), City Manager, PIO, and City Clerk, in cooperation with the Folsom Tourism Bureau and FedCorp	Create an inventory of events, venues and amenities and identify events (e.g., PAC10 rowing championships, Apple Hill tourism) that should be marketed.			
3. By September 1, 2008	Economic Development Director and Intergovernmental Affairs Director (lead) and PIO, in cooperation with the Folsom Tourism Bureau and FedCorp	Learn from the Tourism Bureau how the city is currently marketed and determine how the City can best collaborate on these efforts.			
4. By November 1, 2008	Assistant to the City Manager and the City Clerk	Research publications that do national rankings to determine criteria and eligibility for the City of Folsom and present the results to the City Manager.			
5. By December 1, 2008	City Manager, Assistant to the City Manager and PIO	Identify opportunities for the city to gain recognition for our programs and services and narrow the list down to those we will pursue.			

THREE-YEAR GOAL: *Sustain and enhance community amenities*

WHEN	WHO	WHAT	STATUS		
			DONE	ON TARGET	REVISED
1. By August 1, 2008	Library Director	Finalize staffing, schedule and programs for FY 2008-2009 for the Norman R. Siefkin Public Library.			
2. By October 1, 2008	Redevelopment Housing Director	Present to the Redevelopment Board for action the design of the Historic Folsom Station Public Plaza, including funding needed.			
3. By November 1, 2008	Redevelopment Housing Director	Present to the Redevelopment Board for action the final design of the Sutter Street Streetscape Design.			
4. By December 1, 2008	Parks and Recreation Director	Define the scope of work and solicit design and engineering proposals for the Lake Natoma Historic District Access Project.			
5. By December 1, 2008	Assistant to the City Manager	Develop and begin implementation of community-wide volunteer program.			

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 2007, 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 2008-09 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 2008-09 appropriation target for each department is the originally adopted appropriation for FY 2007-08 with a 10.0% reduction in O&M, 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:

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 2008-09. Additionally each department developed customer service performance indicators to track key customers service measures for both external and internal customers.

4. Statistics and Workload Measures:

The statistics and workload measures were implemented to provide an indication of the amount of work and individual department or division may accomplish.

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 9, 2008, 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 2007	<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 2007-08 Budget Review ✓ Finance reviews Budgets with Departments
April	<ul style="list-style-type: none"> ✓ Budget Hearings with the City Manager, Assistant City Manager, Finance Director, and Budget Manager
May	<ul style="list-style-type: none"> ✓ Additional budget hearings with the City Manager, Assistant City Manager, Finance Director, and Budget Manager
June	<ul style="list-style-type: none"> ✓ City Council Budget Workshop ✓ City Manager presents Preliminary Budget to City Council ✓ 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 XIIB 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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