

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.