

FY 2008-09 Budget Outlook

The FY 2008-09 proposed Budget estimate for Property Tax Revenue is \$17.8 million, a modest increase over fiscal year 2007-08 budgeted amount. 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 \$1.6 million in property taxes. These projections reflect the continued slow down in the real estate market as well as the economy as a whole.

The Property Tax is also collected for purposes other than those stipulated under Proposition 13. An additional levy above the one percent is collected to pay for debt service on voter approved debt. Revenue collected from this source is not used to offset General Fund expenditures. The City of Folsom levies for the annual principal and interest payments on general obligation bonds issued to provide new school facilities. In addition, the Folsom Cordova Unified School District, the Los Rios Community College District, and the Sacramento Regional County Sanitation District levy funds for debt service. Certain areas of the City of Folsom also have additional levies for debt service by the San Juan Water District, and various City special assessment, Mello-Roos, and landscape and lighting districts.

Taxes

A. Property Tax:

The Property Tax is the City's second largest source of revenue in the General Fund. The property tax is imposed on the assessed value of real property (land and permanently attached improvements) and tangible personal property (movable property) as of January 1 annually.

B. Effect of Proposition 13:

Proposition 13, passed by voters in 1979, limits the real property tax rate to one percent of assessed value, plus any rates imposed to fund indebtedness approved by the voters. Proposition 13 also allows increases to the value of real property at the rate of the Consumer Price Index, not to exceed two percent per year based on the 1979 value, unless the property is improved or sold at which time the property is reassessed at market value. Since the property tax is guaranteed by placing a lien on the real property, properties are classified as secured or unsecured:

- Secured Property includes real and personal property located upon the property of the same owner. Secured roll property taxes are paid in two installments, due on December 10 and April 10.
- Unsecured Property is property for which the value of the lien is not sufficient to assure payment of the tax. Unsecured roll taxes are due on August 31.

C. Property Tax Distribution:

The County of Sacramento distributes Property Tax to a number of agencies within the County. The distribution is based on Assembly Bill 8 (Chapter 282, Statutes of 1979), which provides for the distribution of the proceeds generated by the 1% property tax. AB 8 allocates property tax in proportion to the share of property taxes received by a local entity prior to Proposition 13.

Over the past decade, many factors have contributed to reductions in the proportion of property tax revenue the City has received.

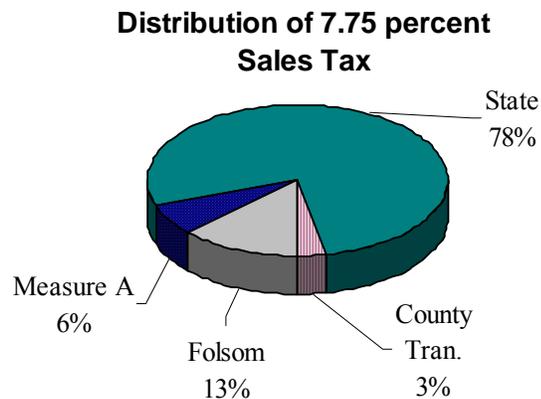
- In FY 1992-93, the State took action to reduce its obligation for school funding by shifting local property tax revenues to school districts via the Education Revenue Augmentation Fund (ERAF). This shift adjusted the distribution formula for the City from 26.6% of the countywide tax rate to 12% of the countywide tax rate. In other words, the City receives \$12 for every \$100 collected from Folsom taxpayers.
- The City also receives property tax to help fund its ongoing redevelopment activities in the Redevelopment Zone. It is anticipated that for FY 2008-09 the Redevelopment Agency will receive \$7.2 million.

D. Property Transfer Tax:

A Property Transfer Tax is imposed on the transfer of real estate over \$100 in value. The County of Sacramento and the City of Folsom each receive 27.5 cents per \$500 value. The FY 2008-09 Proposed Budget includes \$300,000 from this source, which is a significant decrease from the FY 2007-08 projected amount due to the slowdown in real estate transactions.

E. Sales Tax:

Sales Tax represents the General Fund’s largest and most important revenue source. The California State Board of Equalization administers revenues from Sales Taxes. Sales Taxes are collected at the point of sale, and then forwarded to the Board of Equalization. The City receives sales tax revenue payments based on estimates on a monthly basis with quarterly adjustments for actual receipts. The City receives one cent, or 13.79% of the total 7.25 cent statewide Sales Tax levied on each dollar of taxable sales. In addition Sacramento County voters approved a half-cent supplemental Sales Tax in 1988 to fund a twenty-year transportation improvement plan for Sacramento County (Measure A). This has resulted in a 7.75% countywide sales tax.



Sales tax revenue can be used for any general purpose, and the City Council has discretion on its allocation. Currently all of the Sales Tax received by the City is used in the General Fund. For FY 2008-09, the proposed General Fund budget for Sales Tax is \$17.9 million, which represents a 0.73% increase from FY 2007-08 anticipated actual.

F. Transient Occupancy Tax:

Transient Occupancy Tax (TOT) is imposed on the daily rental price of a room in a lodging facility when used by visitors staying in Folsom for less than 30 days. The TOT for the City is 8% of gross room receipts and is allocated directly to General Fund functions. The FY 2008-09 budget has a projected \$1.6 million in TOT revenue, which anticipates the opening of new hotels in Folsom.

In October 2002, the City Council established the Folsom Tourism Business Improvement District (FTBID). FTBID was established to put forth a positive image for Folsom to attract more visitors to the City. With the creation of FTBID the City Council authorized an assessment of 2% of gross room receipts, effective January 2003, on all existing and future hotels within the City having more than 16 rooms. This assessment is in effect until January 2013. Revenue from this assessment is to be used by the FTBID to promote tourism within the City.

Franchise Fees

Private utility companies pay franchise fees to the City of Folsom in exchange for the use of the City's rights-of-way. Franchise fees are set through Franchise Agreements negotiated between the City and individual utility companies. The City of Folsom currently has a franchise agreement with Pacific Gas & Electric. The City also receives a franchise fee from Comcast Cable Company through an agreement negotiated by the Sacramento Cable Commission. The FY 2008-09 General Fund budget for this revenue source is \$535,133 which is a slight increase over the FY 2007-08 estimates.

Licenses and Permits

The Licenses and Permit category reflects revenue generated for licenses and, or permits issued to conduct business activities within the City's jurisdiction. Building permits are the major source of revenue for the City under this category. These fees are paid by the developers to offset costs of providing construction inspection and plan review services. These fees are deposited in the Development Fund. For FY 2008-09 the budgeted amount of license and permits revenue is \$2.45 million. In the General Fund, issuance of Business Licenses comprises the majority of this revenue category. For FY 2008-09 the budgeted amount of business license revenue is \$588,000 which is a nominal increase from Fiscal Year 2007-08 projections.

Intergovernmental Revenues

A. Motor Vehicles License Fee (VLF):

VLF represents the General Fund's third largest revenue source. The VLF is currently calculated at a percentage of the vehicle's market value, as adjusted for depreciation. These fees are paid annually to the Department of Motor Vehicles at registration and renewal. The fee is imposed by the State "in lieu" of local property taxes on the vehicle.

Of the total VLF revenue generated, 25% is deposited in the VLF account of the Local Revenue Fund for allocation to counties for program realignment. The remaining 75% is allocated as follows: 81.25% is divided equally between cities and counties and apportioned on the basis of population, and 18.75% is allocated to cities and counties for abolished revenues. Growth in local auto sales does not produce increased motor vehicle license fee revenue. Two factors influence the City's share of VLF: the City's population growth relative to all other California cities; and the overall growth or decline in the number and value of motor vehicles on a statewide basis.

In 1998 the State reduced the VLF actually paid by car owners and has provided a continuous appropriation of State General Fund revenue to backfill local governments to cover the lost revenue created by the reduction of this fee.

Property 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. For the Proposed FY 2008-09 Budget it is anticipated that the City will receive \$4.8 million from this revenue source. This amount is unchanged from previous fiscal year.

B. State Shared Tax:

Taxes may be derived from the taxing power of another entity and shared with the City. Shared revenue includes funds received from the State toward the operation of the Folsom Stage Lines and other transportation projects, and gasoline tax revenue to be used for public works projects relating to transportation. The City expects to receive \$4,908,311 in State shared revenues in FY 2008-09 to be split between transit fund and local transportation fund, and \$1,093,000 in gasoline tax funds.

C. Grants:

Grants are received from both Federal Agencies and State Agencies. Grants are awarded for specific purposes and generally require some percentage of matching funds. The City expects to receive \$2.25 million for various grants in the 2008-09 fiscal year including law enforcement grants, reimbursement for COPS program, transit, park development and trail development grants.

Charges for Services

Charges or fees are imposed on the user for a specific service rendered based on the rationale that the benefiting party should bear the cost of the service rather than the general public. Major fees charged for a variety of services provided by the City are listed below:

- **Engineering Fees:** User fees charged for review of engineering plans for private development submitted to the City to ensure compliance with all applicable laws. This fee is budgeted in the Development Fund.
- **Police Services:** User fees for specific police services such as fingerprinting, alarm permits, and accident reports. This fee is budgeted in the General Fund.
- **Fire Services:** User fees charged for functions such as special standby medic shifts, fire hydrant flow tests, or fire alarm system reviews. This fee is budgeted in the General Fund.
- **Ambulance Services:** User fee includes basic life support and advanced life support services and related charges for mileage and supplies for the provision of ambulance services. This fee is budgeted in the General Fund.
- **Parks and Recreation:** Fees for use of the certain recreational programs. Listed below are some of the amounts projected in the FY 2008-09 budget for major charges under this category with the corresponding fund they are applied to:

<u>Description</u>	<u>Budget</u> <u>FY 2008-09</u>	<u>Fund</u>
Special Interest Programs	\$934,895	Recreation
Sports	\$885,288	Recreation
Sports Complex	\$1,130,570	Recreation
Aquatics	\$776,594	Aquatics
Community Center	\$350,419	Community Center

Also included in this category are charges for Zoo and park rental facilities.

Impact Fees

Per City Council authorization, the City charges an impact or mitigation fee to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary because of the development. This fee is due when the developer receives a building permit. Each impact fee is accounted for in a separate fund. A description of the funds can be found in the section pertaining to Fund descriptions. The following is a list of projected FY 2008-09 revenues from impact fees charged by the City:

<u>Impact Fees Charged</u>	<u>FY 2008-09 Projection</u>	<u>Impact Fees Charged</u>	<u>FY 2008-09 Projection</u>
Drainage	\$225,000	Park Supplemental Development	\$40,000
Fire Capital	\$210,000	Police Capital	\$215,000
General Capital	\$230,000	Sewer Capital	\$50,000
Housing Trust	\$85,000	Solid Waste Capital	\$125,000
Humbug Willow Creek	\$25,000	Transportation Improvements	\$1,345,000
Light Rail	\$90,000	Transportation Management	\$40,000
Park Equipment	\$15,000	Water Capital	\$422,000
Park Dedication (Quimby)	\$210,000	Water Impact	\$175,000
Park Development.	\$400,000	Water Usage	\$175,0007

These amounts are based on the following new building activity for fiscal year 2008-09.

<u>Building Permit</u>	<u>Projected Activity</u>
Single Family Residential	75 Units
Multi-Family Residential	66 Units
Mobile Dwellings	0 Units
Commercial	1,034,605 Square Feet
Office	767,413 Square Feet

Fines and Forfeitures

The California Vehicle and Penal Codes impose fines and penalties for traffic violations and vehicular parking. These revenues are collected by Sacramento County and a portion is distributed to the City, less an administrative overhead cost. The City has the responsibility for administering and collecting parking citation fees. The FY 2008-09 General Fund Budget projected revenue for Fines, Forfeitures and Penalty totals \$248,200 which represents an 6% increase from Fiscal Year 2007-08 projections.

Interest

The City earns interest income by investing its cash not immediately required for disbursements. The City’s goal is to achieve a market average rate of return throughout budgetary and economic cycles while maintaining the required liquidity to meet cash flow needs, and protecting the safety of those funds. The City’s investment portfolio is managed within the parameters stated in the City’s Investment Policy. Interest income is distributed to all funds based on their proportionate cash balances.

Other Revenue - Transfers

Each year revenues are contributed to funds to offset staffing, equipment, and CIP projects. For example, a portion of Gas Tax revenues are contributed to the General Fund to offset the cost of street and other support personnel for road construction projects.

Enterprise Revenues

Enterprise funds are used to account for self-supporting activities that provide services on a user-charge basis. For example, the City provides water treatment, water distribution, sewer collection, and solid waste services to their residents. Users of these services pay utility fees, which the City deposits in an enterprise fund.

A. Water Rate:

Customers in the City are charged a fee for water services. The FY 2008-09 budgeted revenues from water services are based on the fee increase approved by City Council that became effective April 2008. Below is the current rate schedule for the City:

<u>Monthly Residential Flat Rate</u>		<i>Monthly Non Residential:</i> <u>Metered and based on consumption</u>	
Single Family Residential	\$33.55	5/8" meter	\$10.70
Single Family - Low Income	\$19.70	3/4" meter	\$14.10
Manufactured Home	\$14.40	1" meter	\$22.80
Manufactured Home - Low Income	\$9.00	1 1/2" meter	\$44.70
Additional Residences	\$18.50	2" meter	\$71.50
Additional Lot	\$7.50	3" meter	\$132.60
Swimming Pool with Filter	\$4.20	4" meter	\$220.40
		6" meter	\$439.60
East Area Water Surcharge	\$12.00	8" meter	\$703.10
		10" meter	\$1,010.90
		12" meter	\$1,453.10
		Uniform Commodity Rate/ccf	\$0.95
		East Area Water Surcharge/ccf	\$0.48

Ashland Area Monthly Residential Metered Rate

Single Family Residential	\$23.50
Single Family - Low Income	\$14.80
Manufactured Home	\$10.70
Manufactured Home - Low Income	\$6.70
Beginning January 1, 2007	
Uniform Commodity Rate/cc (above 20 ccf)	\$0.88

B. Sewer Rates:

Customers in the City are charged a fee for sewer services. The FY 2008-09 budgeted revenues from sewer services are based on the fee schedule approved by City Council that became effective April 2008. Below is the current rate schedule for the City:

Class of Customer	Rate	Unit of Service	Class of Customer	Rate	Unit of Service
Residential	\$16.15	per dwelling	Markets - Without Disposals	\$3.06	per 1,000 sq. ft.
Manufactured Home	\$16.15	per dwelling	Medical/Dental Office	\$6.13	per 1,000 sq. ft.
Multi-Family	\$16.15	per unit	Mortuaries	\$19.95	per slumber room
Auto Dealership	\$3.06	per 1,000 sq. ft.	Offices	\$3.06	per 1,000 sq. ft.
Bakeries	\$26.07	per 1,000 sq. ft.	Parks	\$15.28	per 1,000 sq. ft.
Banks	\$4.63	per 1,000 sq. ft.	Places of Worship	\$3.06	per 1,000 sq. ft.
Barber/Beauty Shops	\$1.53	per chair	Public Agencies	\$9.22	per 1,000 sq. ft.
Bars	\$10.72	per 1,000 sq. ft.	Rest Homes & Boarding Homes	\$4.63	per bed
Bowling Alley	\$6.13	per lane	Restaurant - Dining Room	\$73.56	per 1,000 sq. ft.
Car Wash - Automatic	\$0.13	per 100 gal. of water	Restaurant - Take Out	\$61.30	per 1,000 sq. ft.
Car Wash - Self Service	\$10.72	per stall	Restaurant - Din. Room/Take Out	\$67.40	per 1,000 sq. ft.
Dry Cleaners	\$26.07	per 1,000 sq. ft.	Retail Stores	\$3.06	per 1,000 sq. ft.
Fire Stations	\$15.28	per 1,000 sq. ft.	Schools - Primary	\$21.44	per 100 students
Garages	\$1.53	per bay	Schools - Secondary	\$27.57	per 100 students
Halls	\$4.63	per 1,000 sq. ft.	Schools - Colleges	\$0.13	per 100 gal. of water
Health Studios & Gymnasiums	\$4.63	per 1,000 sq. ft.	Service Stations	\$1.53	per pump
Hospitals	\$0.13	per 100 gal. of water	Theatres	\$4.63	per 100 seats
Hotels/Motels	\$4.63	per room	Used Car Lots	\$3.06	per 10 fixture units
Laundries - Self Service	\$7.69	per machine	Warehouses	\$1.53	per 1,000 sq. ft.
Laundries - Commercial	\$0.30	per 100 gal. of water	Other Commercial	\$0.13	per 100 gal. of water
Markets - With Disposals	\$15.28	per 1,000 sq. ft.	Industrial	\$0.13	per 100 gal. of water

(Customers also pay a flat rate, which is paid over to the Regional County Sanitation District for the treatment of the sewage. Commercial customers pay fees based on the activity.)

C. Solid Waste Rates:

City customers are charged a fee for Solid Waste services. The FY 2008-09 solid waste budgeted revenues are based on the City Council approved fee schedule, listed below, effective as of July 2005. Residential customers are charged a flat rate, while commercial customers' charges are based on size of container and number of pickups per week.

Single Family Residence or Living Unit	
One 60 gallon refuse, one 90 gallon recycle and one 90 gallon yard waste can	\$22.50
Each additional refuse can (90 gallon)	\$19.05
Each additional recycling/yard waste can (first two cans of each - no charge)	\$1.00
One 90 gallon refuse, one 90 gallon recycle and one 90 gallon yard waste can	\$25.50
Mobile Home in a Mobile Home Park	
One 60 gallon refuse can	\$18.00
One 90 gallon refuse can	\$21.00
Each additional can (refuse or yard waste)	\$14.05
Qualified Low-Income Customers	
Single Family - 60 gallon refuse can	\$14.15
Single Family - 90 gallon refuse can	\$17.15
Mobile Home - 60 gallon refuse can	\$9.95
Mobile Home - 90 gallon refuse can	\$12.95
3 - Yard Dumpsters	
Rental (7 days)	\$40.00

D. Commercial Solid Waste Collection Service Charges:

Container Size (yards)	Frequency (# of pickups per week)						
	1	2	3	4	5	6	7
1 or 2	\$87	\$174	\$261	\$348	\$435	\$522	\$609
3	\$115	\$230	\$345	\$460	\$575	\$690	\$805
4	\$138	\$276	\$414	\$552	\$690	\$828	\$966
6	\$174	\$348	\$522	\$696	\$870	\$1,044	\$1,218

Commercial Drop Boxes for Mixed Waste:

	<u>per pull</u>
20 Yard (non-compacted, 2.5 ton max.)	\$200
30 Yard (non-compacted, 3.5 ton max.)	\$230
40 Yard (non-compacted, 4.5 tons max.)	\$265
3 Yard (compacted)	\$56
4 Yard (compacted)	\$68
10 Yard (Compacted, 3 ton max.)	\$210
20 Yard (compacted, 6 ton max.)	\$275
30 yard (compacted, 7 ton max.)	\$345
40 Yard (compacted, 8 ton max.)	\$375

Containers for Source Separated materials:

	<u>per pull</u>
4 yard OCC (corrugated cardboard non-compacted)	\$35
6 Yard OCC (non-compacted)	\$40
8 Yard OCC (non-compacted)	\$45
20 yard OCC (non-compacted)	\$120
20 yard OCC (compacted)	\$40
30 yard OCC (non-compacted)	\$110
40 yard OCC (non-compacted)	\$105
4 Yard Co-mingled	\$116
6 yard Co-mingled	\$137
20 Yard Co-mingled C&D (2.5 tons max.)	\$180
30 Yard Co-mingled C&D (3.5 tons max.)	\$190
40 Yard Co-mingled C&D (4.5 tons max.)	\$200
20 Yard Wood (2.5 tons max.)	\$180
30 Yard Wood (3.5 tons max.)	\$190
40 Yard Wood (4.5 tons max.)	\$200
20 Yard Green waste (2.5 tons max.)	\$180
30 Yard Green waste (3.5 tons max.)	\$190
40 Yard Green waste (4.5 tons max.)	\$200
10 Yard concrete / asphalt (10 tons max.)	\$115

- Containers and Drop boxes will not be loaded above their maximum tonnage. If overloaded there will be an additional \$30.00 service chage per ton.
- Drop box layover charges will be \$30.00 for each additional day.

Household Hazardous Waste:

CRT Disposal	\$10
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