

PROPOSED ARDEN ARCADE INCORPORATION (LAFC 07-03)

COMPREHENSIVE FISCAL ANALYSIS

FINAL DRAFT

Prepared for:



Sacramento LAFCo ▪ April 30, 2010

Prepared by:



Sacramento LAFCo Commission

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Executive Summary

Purpose of Study

This report presents a comprehensive fiscal analysis (CFA) of the incorporation of the Arden Arcade area of Sacramento County. The CFA is prepared in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Sacramento Local Agency Formation Commission (LAFCo) Policies, Standards and Procedures, and guidelines published by the Governor’s Office of Planning and Research. LAFCo requires a CFA as part of each application for incorporation.

This final draft of the CFA has been modified based on comments received by LAFCo commissioners, LAFCo staff, and public comments and information received during the review period. The results of revenue negotiations between the County and incorporation proponents are included in the analysis.

Based on the analysis and criteria contained herein, this study finds that each of the two boundary scenarios investigated in the analysis may be fiscally feasible. Additionally, the high fund balances for both the general and road funds in Year 10 strongly indicate that neither scenario is infeasible. **Table E.1** summarizes the results of the analysis.

Table E.1: Net Revenue Summary - Scenarios Compared

Results as of FY 2020-21			
(Year 10)	Scenario 1		Scenario 2
General Fund			
Costs	\$	30,743,600	\$ 32,086,600
Revenues		32,406,300	33,434,700
Net Revenues	\$	1,662,700	\$ 1,348,100
Net Revenues % Costs		5%	4%
Reserve Fund Balance	\$	39,457,600	\$ 37,717,000
Reserves % Revenues		122%	113%
Road Fund			
Costs	\$	4,515,000	\$ 4,948,000
Revenues		5,952,300	6,483,300
Net Revenues	\$	1,437,300	\$ 1,535,300
Net Revenues % Costs		32%	31%
Reserve Fund Balance	\$	18,127,000	\$ 19,361,000
Reserves % Revenues		305%	299%

Source: Willdan Financial Services.

LAFCo Guidelines

This study and other documents examining the proposed incorporation (such as the Environmental Impact Report) will be evaluated based on LAFCo's guidelines for incorporation proposals. The guidelines generally concern four areas, described below:

- ◆ Capacity and effectiveness – LAFCo seeks to ensure that the most effective service provider will serve any given territory, subject to other goals, including efficiency, minimal environmental damage, and minimal adverse social or economic effects on neighboring agencies and territories.
- ◆ Revenue impacts on existing agencies –LAFCo policies require proposals to be revenue-neutral in their financial effort, or to include agreements that will achieve revenue neutrality. This study includes the negotiated results of a revenue neutrality agreement between the proposed city and the County.
- ◆ Financial feasibility – LAFCo policies seek to ensure that the proposed new city's on-going revenues are sufficient to fund the cost or providing service, at the same level of service currently provided by the County. All service levels in this study are consistent with the FY2008-09 level of service, as identified by the County.
- ◆ Efficiency – LAFCo is to determine if the incorporation proposal is the most efficient means of provision of acceptable quality services or whether another local agency or combination of local agencies is more efficient. In determining efficiency, LAFCo is concerned with the net present value of total current and projected societal service costs.

Key Assumptions

This analysis evaluates the feasibility of a new city government and shows forecasted revenues and expenditures of the proposed new city for the first ten years of operation, fiscal year (FY) 2011-12 (transition year) through FY 2020-21. The analysis assumes the effective date of incorporation will be July 1, 2011.

Organization of the New City

The new city is projected to take on direct responsibility for general government services, including creation of a city council and other legislative and administrative functions. This analysis assumes that the city will contract with the County, City of Sacramento, or a private firm for a number of other services including animal control, police, and road maintenance. This arrangement is consistent with other recent incorporations in the County of Sacramento and the region.

This analysis looks at two funds that the new city will establish: the general fund and the road fund. Costs and revenues are examined for each fund.

Base Year

As required, this CFA is based on Sacramento County (County) revenue and cost data from the most recent fiscal year for which data is available, FY 2008-09, or the Base Year.

Service Levels

The CFA must assume that the new city will provide the same or similar services at levels currently funded. Per statute, service levels are assumed to remain at levels funded in FY 2008-09.

Appropriations Limit

Local agencies in California that receive tax revenue must establish an appropriations limit pursuant to State law. The appropriations limit is the amount of money that an agency can spend in a fiscal year. The voters at the first municipal election held following the first fiscal year after incorporation set a permanent appropriations limit. The limit for each scenario is based on the proceeds of taxes collected by the new city in its first full year of operations, and is calculated in **Appendix Tables A.4** and **A.5**, respectively.

Boundary Scenarios

This CFA analyzed fiscal feasibility for two boundary alternatives, **Scenario 1** and **Scenario 2**. The two boundary scenarios are shown in **Figures E.1** and **E.2**, respectively. Scenario 2 is contiguous with the County's Arden Arcade Community Plan, and contains approximately 22,100 parcels over 16.02 square miles. Scenario 1 removes the area south of Fair Oaks Boulevard from the proposed new city boundaries, and contains approximately 20,000 parcels over 14.05 square miles.

Property Tax Allocation

Willdan estimates the tax allocation factor used to estimate property tax revenue in this study. The tax allocation factor for the new city is the new city's share of the one percent property tax allocated to local agencies. Two key assumptions used to estimate this factor are the Auditor's Ratio, and the net county cost of services transferred to the new city.

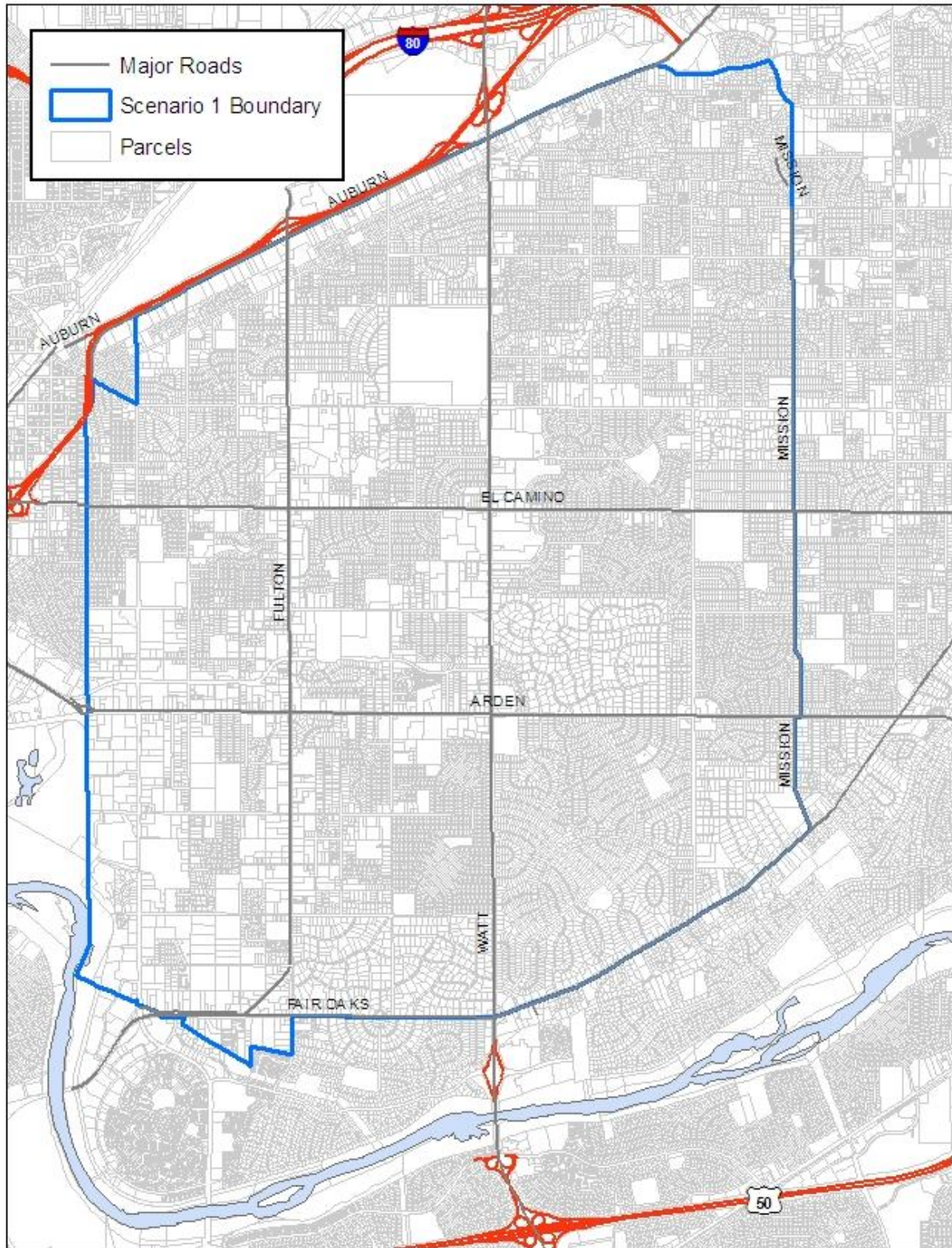
Auditor's Ratio

The Auditor's Ratio is a factor used in calculating the property tax to be transferred to the new city. The Auditor's Ratio represents that share of the net cost of County services that is funded by property tax revenues. The County Auditor's Office provided the Auditor's Ratio for the purposes of this CFA.

Net County Cost

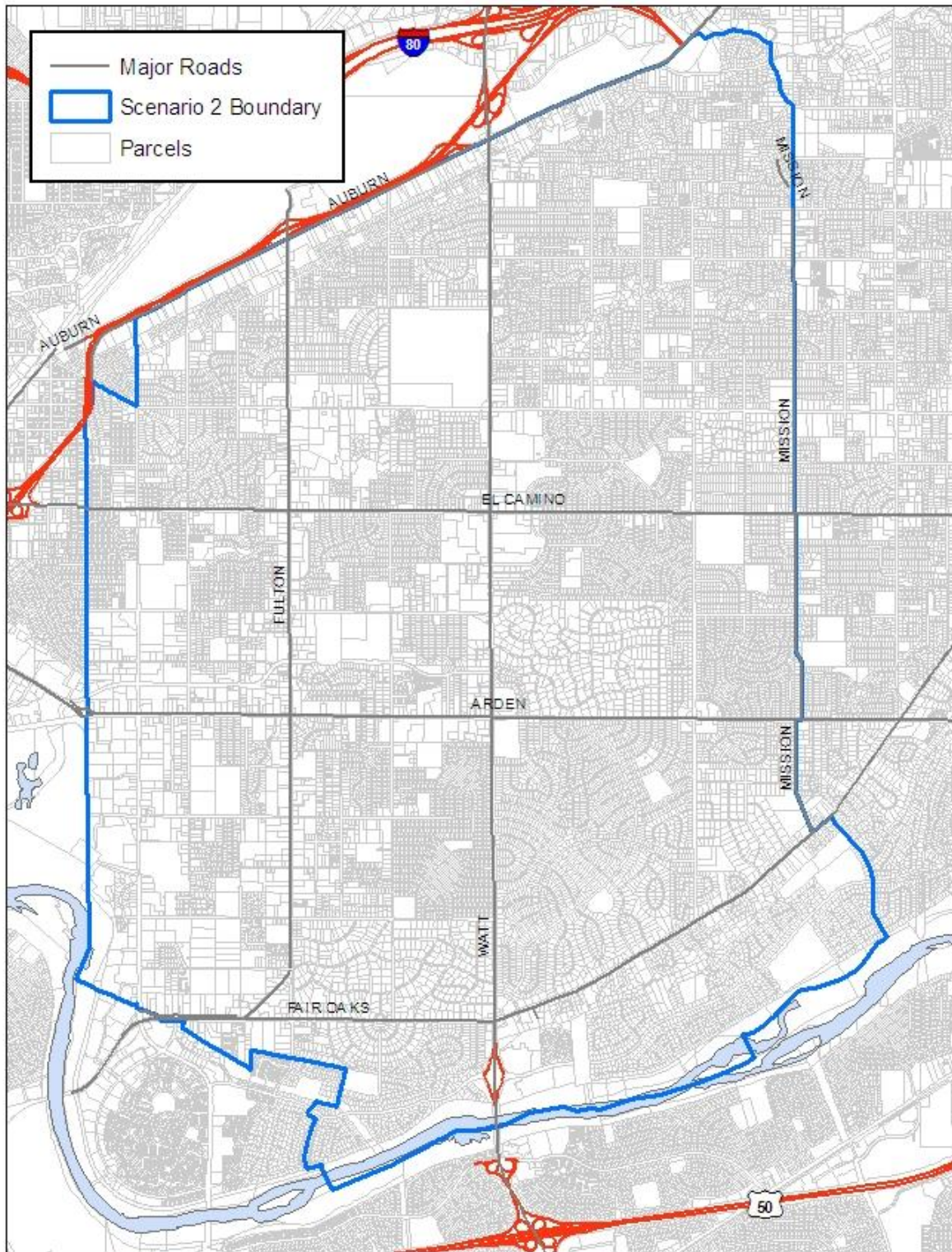
Willdan determines net county cost (the net cost of services that would be transferred over to the new city) based on our analysis of the County's FY 2008-09 actual costs and revenues. Recovered costs, such as fees for public works and planning services, are identified and subtracted from total costs to derive net cost estimates.

Figure E.1: Scenario 1 Boundary



Sources: Sacramento County GIS; Willdan Financial Services.

Figure E.2: Scenario 2 Boundary



Sources: Sacramento County GIS; Willdan Financial Services.

Key Findings

Fiscal Feasibility

Fiscal feasibility is evaluated based on two measures: (1) net revenue (revenues minus costs) as a percent of total costs, and (2) fund balance or reserves as a percent of total revenues. Positive net revenue indicates that the new city would be fiscally feasible, while negative net revenue indicates that the new city would not be fiscally feasible. The same is true of fund balances.

The criteria for determining fiscal feasibility of the new city should be evaluated within the context of a reasonable range of error surrounding model assumptions. The cumulative range in error is thought to be plus or minus 10 percent. Thus, the criteria for determining fiscal feasibility are as follows:

- ◆ Positive net revenue that is more than 10 percent of total costs typically indicates that the new city is likely to be fiscally feasible;
- ◆ Negative net revenue that is more than 10 percent of total costs typically indicates that the new is not likely to be fiscally feasible; and
- ◆ Net revenue that is within plus or minus 10 percent of total costs typically indicates that the new city may be fiscally feasible.

For Sacramento LAFCo, the minimum legal requirement for making a finding of fiscal feasibility as stated in Government Code Section 56720 (e) requires the proposed city “to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.” This study includes analysis over a ten year time frame to have a more complete picture of the fiscal balance of the new city, given that certain state subventions are reduced after five years pursuant to statute. The analysis also includes a five percent contingency, which is assumed to be expended each year.

The results of the analysis for both scenarios are summarized above in Table E.1. Each Scenario meets the criteria for the finding that the new city may be fiscally feasible. Summary tables, which are presented in **Tables E.2** and **E.3**, show annual net revenue results for the new city’s general fund and road fund, and shown for both funds combined.

Revenue Neutrality

Under the revenue neutrality law enacted in 1992, and per LAFCo guidelines described above, LAFCo cannot approve a proposed incorporation unless it finds that the county and affected special districts are not adversely impacted by the transfer of costs and revenues to the new city. Statutory requirements determine the revenues transferred to a new city such as property tax. If the results anticipate negative impacts, then negotiation with the County would be required to mitigate these impacts. All revenue sources may be included in the negotiations.

In this study the County of Sacramento is the only agency that might be negatively affected by the incorporation. The fiscal feasibility finding for both scenarios may be affected by the outcome of negotiations with the County to mitigate the negative impact.

Per direction from Sacramento County LAFCo, estimated revenue neutrality payments have been included in the analysis in order to determine if the proposed incorporation would be

viable during the ten years following the incorporation based on Sacramento LAFCo policies. The revenue neutrality payments begin in FY2012-13 and are equal to 90 percent of a given year's property tax revenue. Total amount owed is \$219,000,000. The payments will continue until the total amount owed to the county has been repaid. These revenue neutrality payment assumptions are consistent with the revenue neutrality agreement negotiated between the County and the incorporation proponents.

Conclusion

Each scenario in this analysis shows general fund net revenue that is between plus four percent and plus 23 percent of total costs for each year of the analysis. Also, each scenario maintains a fund balance in excess of 10 percent of operating revenue annually. As such, the analysis shows that each scenario meets the above criteria for determining that the new city may be feasible. Additionally, the high fund balances remaining at the end of the period of analysis for both the general and road funds strongly indicate that neither of the scenarios is infeasible.

Table E.2: Net Revenue Summary - Scenario 1 (2009\$)

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ -	\$ 6,596,000	\$ 6,544,000	\$ 6,494,000	\$ 6,445,000	\$ 6,398,000	\$ 6,349,000	\$ 6,304,000	\$ 6,259,000	\$ 6,214,000
Sales Tax	4,742,000	12,664,000	12,685,000	12,715,000	12,746,000	12,776,000	12,810,000	12,841,000	12,878,000	12,912,000
Property Transfer Tax	348,100	345,300	342,400	340,600	337,900	335,100	332,300	330,700	328,900	326,200
Business Licenses	267,300	267,500	267,700	268,000	268,400	268,700	269,000	269,400	269,800	270,100
Transient Occupancy Tax	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000
Utility User Tax	2,616,000	2,617,000	2,618,000	2,618,000	2,619,000	2,620,000	2,621,000	2,622,000	2,623,000	2,624,000
Franchise Fees	-	476,000	476,000	477,000	477,000	477,000	477,000	477,000	477,000	478,000
Fines and Penalties	-	696,000	696,000	696,000	696,000	697,000	697,000	697,000	697,000	697,000
Charges for Services	-	1,403,000	2,182,000	2,416,000	2,440,000	2,465,000	2,488,000	2,514,000	2,535,000	2,561,000
Vehicle License Fees	4,601,000	6,904,000	6,445,000	5,987,000	5,528,000	5,069,000	4,610,000	4,612,000	4,613,000	4,615,000
Use of Money & Property ¹	140,000	334,000	336,000	334,000	329,000	325,000	320,000	321,000	321,000	321,000
Total Revenues	\$ 14,102,400	\$ 33,690,800	\$ 33,980,100	\$ 33,733,600	\$ 33,274,300	\$ 32,818,800	\$ 32,361,300	\$ 32,376,100	\$ 32,389,700	\$ 32,406,300
Costs										
City Council	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000
City Manager	328,000	458,000	516,000	521,000	525,000	531,000	537,000	542,000	547,000	551,000
City Attorney	1,014,000	1,025,000	1,035,000	1,045,000	1,055,000	1,066,000	1,076,000	1,087,000	1,098,000	1,109,000
City Clerk	361,000	401,000	547,000	590,000	559,000	602,000	570,000	613,000	582,000	624,000
Administrative Services	491,000	752,000	1,378,000	1,448,000	1,463,000	1,476,000	1,492,000	1,508,000	1,523,000	1,537,000
Development Services	-	2,171,000	3,145,000	3,437,000	3,050,000	3,081,000	3,110,000	3,142,000	3,169,000	3,201,000
Police	-	14,174,000	14,320,000	14,469,000	14,621,000	14,773,000	14,929,000	15,085,000	15,243,000	15,402,000
Animal Control	-	388,000	389,000	389,000	389,000	389,000	389,000	389,000	389,000	389,000
Property Tax Administration ²	-	201,000	200,000	198,000	197,000	195,000	194,000	192,000	191,000	190,000
Non-Departmental	344,000	507,000	774,000	762,000	808,000	812,000	815,000	818,000	821,000	824,000
Contingency @ 5 percent	137,000	1,060,000	1,177,000	1,207,000	1,196,000	1,210,000	1,220,000	1,234,000	1,244,000	1,258,000
Transition Year Repayment ³	-	185,000	190,600	196,300	202,200	208,000	-	-	-	-
Annual Revenue Neutrality Payment ⁴	-	5,936,400	5,889,600	5,844,600	5,800,500	5,758,200	5,714,100	5,673,600	5,633,100	5,592,600
Total	\$ 2,741,000	\$ 27,324,400	\$ 29,627,200	\$ 30,172,900	\$ 29,931,700	\$ 30,167,200	\$ 30,112,100	\$ 30,349,600	\$ 30,506,100	\$ 30,743,600
Net Revenue	\$ 11,361,400	\$ 6,366,400	\$ 4,352,900	\$ 3,560,700	\$ 3,342,600	\$ 2,651,600	\$ 2,249,200	\$ 2,026,500	\$ 1,883,600	\$ 1,662,700
<i>Net Revenue % Costs</i>		23%	15%	12%	11%	9%	7%	7%	6%	5%
General Fund Operating Reserve	\$ 11,361,400	\$ 17,727,800	\$ 22,080,700	\$ 25,641,400	\$ 28,984,000	\$ 31,635,600	\$ 33,884,800	\$ 35,911,300	\$ 37,794,900	\$ 39,457,600
<i>Reserve % of Revenues</i>	81%	53%	65%	76%	87%	96%	105%	111%	117%	122%
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 6,529,300	\$ 6,529,300	\$ 6,529,300	\$ 6,530,300	\$ 6,530,300	\$ 6,533,300	\$ 6,533,300	\$ 5,950,300	\$ 5,951,300	\$ 5,952,300
Interest Earnings	-	193,000	38,000	32,000	31,000	30,000	29,000	61,000	43,000	43,000
Total	\$ 6,529,300	\$ 6,722,300	\$ 6,529,300	\$ 6,530,300	\$ 6,530,300	\$ 6,533,300	\$ 6,533,300	\$ 5,950,300	\$ 5,951,300	\$ 5,952,300
Costs										
Road Maintenance	\$ -	\$ 4,297,000	\$ 4,297,000	\$ 4,298,000	\$ 4,298,000	\$ 4,298,000	\$ 4,299,000	\$ 4,299,000	\$ 4,300,000	\$ 4,300,000
Contingency @ 5 percent	-	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000
One-time Incorporation Costs	80,000	-	-	-	-	-	-	-	-	-
County Repayment ³	-	929,000	957,000	986,000	1,016,000	1,046,000	-	-	-	-
Total Costs	\$ 80,000	\$ 5,441,000	\$ 5,469,000	\$ 5,499,000	\$ 5,529,000	\$ 5,559,000	\$ 4,514,000	\$ 4,514,000	\$ 4,515,000	\$ 4,515,000
Net Revenue	\$ 6,449,300	\$ 1,281,300	\$ 1,060,300	\$ 1,031,300	\$ 1,001,300	\$ 974,300	\$ 2,019,300	\$ 1,436,300	\$ 1,436,300	\$ 1,437,300
<i>Net Revenue % Costs</i>		24%	19%	19%	18%	18%	45%	32%	32%	32%
Road Fund Operating Reserve	\$ 6,449,300	\$ 7,730,600	\$ 8,790,900	\$ 9,822,200	\$ 10,823,500	\$ 11,797,800	\$ 13,817,100	\$ 15,253,400	\$ 16,689,700	\$ 18,127,000
<i>Reserve % of Revenues</i>	99%	115%	135%	150%	166%	181%	211%	256%	280%	305%
Net Revenue All Funds	\$ 17,810,700	\$ 7,647,700	\$ 5,413,200	\$ 4,592,000	\$ 4,343,900	\$ 3,625,900	\$ 4,268,500	\$ 3,462,800	\$ 3,319,900	\$ 3,100,000
<i>Net Revenue % Costs</i>		23%	15%	13%	12%	10%	12%	10%	9%	9%
<i>Reserve % of Revenues</i>	86%	63%	76%	88%	100%	110%	123%	133%	142%	150%

¹ 1% of General Fund revenue based on survey of budgets of other cities in Sacramento County.

² Property tax administration costs estimated at 3.05% of gross property tax revenue.

³ Repayment cost accounts for animal services, development services, road maintenance (public works) and sheriff department services the County is obligated to provide for the first year of service. Includes 3% annual interest. See Table 6.4.

⁴ Revenue neutrality payments based on negotiated revenue neutrality agreement. Payments are equal to 90% of a given year's property tax revenue. Total amount owed is \$219,000,000. See Table 6.4.

Sources: Tables 4.6, 4.9, 4.15, 5.10, 5.12, 5.14, 5.16, 5.19 and 6.4; Willdan Financial Services.

Table E.3: Net Revenue Summary - Scenario 2 (2009\$)

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ -	\$ 6,849,000	\$ 6,794,000	\$ 6,740,000	\$ 6,688,000	\$ 6,638,000	\$ 6,588,000	\$ 6,539,000	\$ 6,491,000	\$ 6,444,000
Sales Tax	4,791,000	12,795,000	12,816,000	12,846,000	12,877,000	12,907,000	12,941,000	12,972,000	13,009,000	13,043,000
Property Transfer Tax	402,100	399,400	395,500	393,700	389,900	387,200	384,400	381,800	379,100	376,500
Business Licenses	298,300	289,500	289,700	290,000	290,400	290,700	291,100	291,500	291,900	292,200
Transient Occupancy Tax	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000
Utility User Tax	2,798,000	2,799,000	2,800,000	2,800,000	2,801,000	2,802,000	2,803,000	2,804,000	2,806,000	2,807,000
Franchise Fees	-	510,000	510,000	510,000	510,000	510,000	510,000	511,000	511,000	511,000
Fines and Penalties	-	742,000	743,000	743,000	743,000	743,000	744,000	744,000	745,000	745,000
Charges for Services	-	1,403,000	2,182,000	2,416,000	2,440,000	2,465,000	2,488,000	2,514,000	2,535,000	2,561,000
Vehicle License Fees	4,921,000	7,384,000	6,893,000	6,403,000	5,912,000	5,421,000	4,930,000	4,932,000	4,934,000	4,936,000
Use of Money & Property ¹	146,000	346,000	348,000	345,000	340,000	336,000	331,000	331,000	331,000	331,000
Total Revenues	\$ 14,744,400	\$ 34,904,900	\$ 35,159,200	\$ 34,874,700	\$ 34,379,300	\$ 33,887,900	\$ 33,398,500	\$ 33,408,300	\$ 33,421,000	\$ 33,434,700
Costs										
City Council	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000
City Manager	328,000	458,000	516,000	521,000	525,000	531,000	537,000	542,000	547,000	551,000
City Attorney	1,014,000	1,025,000	1,035,000	1,045,000	1,055,000	1,066,000	1,076,000	1,087,000	1,098,000	1,109,000
City Clerk	361,000	405,000	547,000	594,000	559,000	606,000	570,000	617,000	582,000	628,000
Administrative Services	491,000	752,000	1,378,000	1,448,000	1,463,000	1,476,000	1,492,000	1,508,000	1,523,000	1,537,000
Development Services	-	2,171,000	3,145,000	3,437,000	3,050,000	3,081,000	3,110,000	3,142,000	3,169,000	3,201,000
Police	-	15,131,000	15,287,000	15,445,000	15,606,000	15,770,000	15,935,000	16,102,000	16,271,000	16,443,000
Animal Control	-	415,000	416,000	416,000	416,000	416,000	416,000	416,000	416,000	417,000
Property Tax Administration ²	-	209,000	207,000	206,000	204,000	202,000	201,000	199,000	198,000	197,000
Non-Departmental	344,000	507,000	774,000	762,000	808,000	812,000	815,000	818,000	821,000	824,000
Contingency @ 5 percent	137,000	1,113,000	1,230,000	1,260,000	1,250,000	1,265,000	1,275,000	1,289,000	1,300,000	1,314,000
Transition Year Repayment ³	-	275,000	283,000	291,000	300,000	309,000	-	-	-	-
Annual Revenue Neutrality Payment ⁴	-	6,164,100	6,114,600	6,066,000	6,019,200	5,974,200	5,929,200	5,885,100	5,841,900	5,799,600
Total	\$ 2,741,000	\$ 28,691,100	\$ 30,998,600	\$ 31,557,000	\$ 31,321,200	\$ 31,574,200	\$ 31,422,200	\$ 31,671,100	\$ 31,832,900	\$ 32,086,600
Net Revenue	\$ 12,003,400	\$ 6,213,800	\$ 4,160,600	\$ 3,317,700	\$ 3,058,100	\$ 2,313,700	\$ 1,976,300	\$ 1,737,200	\$ 1,588,100	\$ 1,348,100
<i>Net Revenue % Costs</i>		22%	13%	11%	10%	7%	6%	5%	5%	4%
General Fund Operating Reserve	\$ 12,003,400	\$ 18,217,200	\$ 22,377,800	\$ 25,695,500	\$ 28,753,600	\$ 31,067,300	\$ 33,043,600	\$ 34,780,800	\$ 36,368,900	\$ 37,717,000
<i>Reserve % of Revenues</i>	81%	52%	64%	74%	84%	92%	99%	104%	109%	113%
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 7,097,300	\$ 7,099,300	\$ 7,099,300	\$ 7,100,300	\$ 7,102,300	\$ 7,102,300	\$ 7,103,300	\$ 6,480,300	\$ 6,480,300	\$ 6,483,300
Interest Earnings	-	211,000	40,000	33,000	32,000	31,000	30,000	65,000	46,000	46,000
Total	\$ 7,097,300	\$ 7,310,300	\$ 7,099,300	\$ 7,100,300	\$ 7,102,300	\$ 7,102,300	\$ 7,103,300	\$ 6,480,300	\$ 6,480,300	\$ 6,483,300
Costs										
Road Maintenance	\$ -	\$ 4,709,000	\$ 4,709,000	\$ 4,709,000	\$ 4,710,000	\$ 4,710,000	\$ 4,711,000	\$ 4,711,000	\$ 4,712,000	\$ 4,712,000
Contingency @ 5 percent	-	235,000	235,000	235,000	236,000	236,000	236,000	236,000	236,000	236,000
One-time Incorporation Costs	80,000	-	-	-	-	-	-	-	-	-
County Repayment ³	-	1,018,000	1,049,000	1,080,000	1,112,000	1,145,000	-	-	-	-
Total Costs	\$ 80,000	\$ 5,962,000	\$ 5,993,000	\$ 6,024,000	\$ 6,058,000	\$ 6,091,000	\$ 4,947,000	\$ 4,947,000	\$ 4,948,000	\$ 4,948,000
Net Revenue	\$ 7,017,300	\$ 1,348,300	\$ 1,106,300	\$ 1,076,300	\$ 1,044,300	\$ 1,011,300	\$ 2,156,300	\$ 1,533,300	\$ 1,532,300	\$ 1,535,300
<i>Net Revenue % Costs</i>		23%	18%	18%	17%	17%	44%	31%	31%	31%
Road Fund Operating Reserve	\$ 7,017,300	\$ 8,365,600	\$ 9,471,900	\$ 10,548,200	\$ 11,592,500	\$ 12,603,800	\$ 14,760,100	\$ 16,293,400	\$ 17,825,700	\$ 19,361,000
<i>Reserve % of Revenues</i>	99%	114%	133%	149%	163%	177%	208%	251%	275%	299%
Net Revenue All Funds	\$ 19,020,700	\$ 7,562,100	\$ 5,266,900	\$ 4,394,000	\$ 4,102,400	\$ 3,325,000	\$ 4,132,600	\$ 3,270,500	\$ 3,120,400	\$ 2,883,400
<i>Net Revenue % Costs</i>		22%	14%	12%	11%	9%	11%	9%	8%	8%
<i>Reserve % of Revenues</i>	87%	63%	75%	86%	97%	107%	118%	128%	136%	143%

¹ 1% of General Fund revenue based on survey of budgets of other cities in Sacramento County.

² Property tax administration costs estimated at 3.05% of gross property tax revenue.

³ Repayment cost accounts for animal services, development services, road maintenance (public works) and sheriff department services the County is obligated to provide for the first year of service. Includes 3% annual interest. See Table 6.4.

⁴ Revenue neutrality payments based on negotiated revenue neutrality agreement. Payments are equal to 90% of a given year's property tax revenue. Total amount owed is \$219,000,000. See Table 6.4.

Sources: Tables 4.7, 4.10, 4.16, 5.11, 5.13, 5.15, 5.17, 5.20 and 6.4; Willdan Financial Services.

1. Introduction

This chapter provides background on the Arden Arcade area and explains the reasons for and objectives of this study. This CFA is prepared in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, LAFCo policies and procedures, and guidelines published by the Governor's Office of Planning and Research.

This analysis is based on the latest available Sacramento County budget actuals (FY 2008-09).

Background

The Arden Arcade area is a community of significant commercial corridors and established residential neighborhoods bounded generally on the north by Auburn Boulevard, on the west by Ethan Way, and on the East by Mission Ave. The community has nearly 100,000 residents and 40,000 jobs today, and was developed primarily between 1950 and 1980, before production housing construction was common in the region.

The community has a central position in the Sacramento Metropolitan Area's housing and retail markets as the major suburban link between the City of Sacramento on the west and Carmichael, another unincorporated area, on the east. Significant redevelopment activity now defines the pattern of growth, and investment by public agencies in a wide variety of utility and roadway infrastructure has recently occurred.

While many of Arden-Arcade's chief public and commercial assets are community- and neighborhood-serving in scale, many of the community's key activity centers attract people from a larger area within the region:

- ◆ Retail centers, many of them renovated since 2000, at the intersections of Fair Oaks at Fulton, Fair Oaks at Watt, Arden at Watt, Arden at Howe, El Camino at Watt, El Camino at Fulton, and Alta Arden at Fulton;
- ◆ Del Paso Country Club;
- ◆ Howe Park and other sizeable parks bordering Arden Arcade's neighboring communities; and
- ◆ Two corridors of clustered vehicle sales and service businesses stretching along Auburn Boulevard and Fulton Avenue.

This report will evaluate whether the incorporation of this community is fiscally feasible. The benefits of incorporation include:

- ◆ Local control of property and local sales taxes;
- ◆ Local control over land use policy;
- ◆ Local control over public facilities and infrastructure;
- ◆ Local control over services such as public safety; and
- ◆ Maintenance of community identity without risk of annexation by neighboring cities.

Assumptions

This analysis evaluates the feasibility of a new city government. The assumed effective date of incorporation is July 1, 2011. The results presented in this report show forecasted revenues and expenditures of the proposed new city for the first ten years of operation, FY 2011-12 (transition year) through FY 2020-21.

Incorporation Scenario

This CFA includes two boundary scenarios, Scenario 1 and Scenario 2. Scenario 2 is contiguous with the County's Arden Arcade Community Plan, and contains approximately 22,100 parcels over 16.02 square miles. Scenario 1 removes the area south of Fair Oaks Boulevard from the proposed new city boundaries, and contains approximately 20,000 parcels over 14.05 square miles.

Cost and Revenue Assumptions

This study focuses on ongoing (operating and maintenance) costs to provide service to the Arden Arcade community. Ongoing costs are typically the focus of fiscal analysis because of the need for public agencies to generate a balanced budget on an annual basis. A suggested staffing plan is presented based on Willdan's experience with other cities. Other service costs are presented based on an analysis of the actual expenditures from FY2008-09 found in the County budget.

Real (Constant 2009) Dollars

All model results are calculated in real (2009 constant) dollars, because inflation is assumed to equally affect both revenues and costs going forward.

All revenue factors except property tax projections are based on 2009 estimates and held constant over the planning horizon. As discussed in Chapter 5, property tax is based on assessed values that are adjusted within the parameters of Proposition 13.

Some cost factors, including salary rates and contract costs, include a one percent annual real increase (after inflation). For personnel costs, this increase reflects standard public agency compensation policies that provide increases for length of service (often called "step" increases). These increases can average five percent annually in addition to cost-of-living increases (inflation), but when a new employee is hired the salary drops back to the first step. Assuming a one percent real increase in personnel and contract costs (before inflation) is reasonable based on analysis of these costs from other cities.

Capital Improvement Costs

This analysis evaluates the fiscal feasibility of ongoing operations under the new city's General Fund, and Road Fund. It does not evaluate the need for, or financing of, capital improvements.

The transfer of potential impact fee revenues is subject to negotiations between the new city and the County. Such revenues would not affect this analysis, as they are a funding source designated for capital expenditures, not operations and maintenance costs.

Revenue Neutrality

As indicated in *California Government Code* section 56815, the incorporation of a new city should not generate a negative fiscal impact on affected agencies. Fiscal impact is determined by comparing the revenues and service delivery costs transferred from the County to the new city. Revenues transferred must be substantially equal to the expenditures. If the revenues transferred by the agency to the new city are greater than the current cost of services transferred, the incorporation would generate a negative fiscal impact on the agency. In that case the new city may be obligated to make revenue neutrality payments to the County. Those payments would not be associated with any particular service, and could be used for any legal purpose, as approved by the Board of Supervisors.

Per direction from Sacramento County LAFCo, estimated revenue neutrality payments have been included in the analysis in order to determine if the proposed incorporation would be viable during the ten years following the incorporation based on Sacramento LAFCo policies. The revenue neutrality payments begin in FY2012-13 and are equal to 90 percent of a given year's property tax revenue. Total amount owed is \$219,000,000. The payments will continue until the total amount owed to the county has been repaid. These revenue neutrality payment assumptions are consistent with the revenue neutrality agreement negotiated between the County and the incorporation proponents.

2. Population, Employment, and Land Use

This chapter describes the existing and projected population, employment, and land uses in Arden Arcade.

Existing Development

Table 2.1 shows the estimates of 2009 resident population, employees, and service population in four areas: countywide, for the unincorporated area only, and for the two incorporation scenarios. The existing resident population estimates of 92,006 and 98,402 respectively for the two scenarios are based on US Census and California Department of Finance data.

Since some of the data collected by the 2010 Census will not be released until late this year, Census 2000 population estimates were interpolated to 2009 using a growth rate from the City of Sacramento because the Arden Arcade area's land use more closely reflects the city than the unincorporated county as a whole.¹ The estimates of employees working within the boundaries of the plan were provided by the State of California Employment Development Department (EDD) wage and salary survey data (Fourth Quarter - 2008).

Service population is comprised of the individuals utilizing a particular county or city service. Different services have different service populations. Some services serve residents only. Others also serve commercial and industrial development, and employees are used as a proxy. In order to estimate the impact of commercial development on services that are assumed to benefit commercial as well as residential uses, employees are weighted at a factor of 0.31. This number is calculated based on the average number of work hours in a week over the total number of non-work hours in a week ($40 / 128 = 0.31$).

Table 2.1: Current Service Population (2009)

	County		Arden Arcade	
	Unincorporated	Countywide	Scenario 1	Scenario 2
Residents (A)	565,309	1,433,187	92,006	98,401
Employees ¹ (B)	187,409	633,500	39,429	41,487
Weighted Employees @ 0.31 (C = B x 0.31)	58,097	196,385	12,223	12,861
Total (D = A + C)	623,400	1,629,600	104,200	111,300

¹ Unincorporated area employment is a rough estimate based reducing the countywide employment to resident ratio by 25% in the unincorporated area.

Sources: California Department of Finance, E-5 City/County Population and Housing Estimates, 2009; California Employment Development Department; Willdan Financial Services.

¹ Consistent with population projections provided by Michael Brandman Associates, September 15, 2009.

Development Projections

The development projections used in this study are based on an analysis of vacant parcels within the study area. **Table 2.2** displays the development projections used in this study in terms of dwelling units and equivalent residents and employees. Vacant parcel data available in the Sacramento County GIS data library as of April 2009 was used to identify the vacant parcels, parcel size and land use classification.

Based on the assumptions contained in **Appendix Table A.1**, the vacant parcel data was used to create development projections. Only nonresidential parcels located within commercial corridors (excluding the Auburn Redevelopment Area) were assumed to be developed in the ten year timeframe of the analysis.

Approximately 122 residential units and 144,000 square feet of non-residential building space in Scenario 1, and 136 residential units and 144,000 square feet of non-residential building space in Scenario 2, are assumed to be absorbed by 2021. Additionally, the data indicates that no industrial development is projected in either boundary scenario.

The growth projection method applied in this analysis is more conservative compared to many other methods that might have been selected. In most cases, new development produces more revenue per unit built than existing development. Using conservative data is appropriate in order to produce an estimate of revenue that is more likely to understate than to overstate actual city revenues. This consideration is particularly relevant given today's market conditions.

Table 2.2: Summary of Future Development

Land Use	Projected DU/KSF (2009 - 2020)	Equivalent Residents and Employees
Scenario 1		
<i>Residential (dwelling units)</i>		
Single Family	86	234
Multi-family	<u>36</u>	<u>67</u>
	122	301
<i>Nonresidential (sq. ft.)</i>		
Retail	86,000	215
Office	58,000	232
Industrial	<u>-</u>	<u>-</u>
Total - Nonresidential	144,000	447
Scenario 2		
<i>Residential (dwelling units)</i>		
Single Family	96	261
Multi-family	<u>40</u>	<u>74</u>
	136	335
<i>Nonresidential (sq. ft.)</i>		
Retail	86,000	215
Office	58,000	232
Industrial	<u>-</u>	<u>-</u>
Total - Nonresidential	144,000	447

Sources: Sacramento County GIS, Vacant Parcels in Arden Arcade Community, April 28, 2009; SACOG; Table A.1; Willdan Financial Services.

Projected Service Population

The projected absorption of residential and nonresidential development was prepared using the data described above and is shown in **Table 2.3** for Scenario 1 and in **Table 2.6** for Scenario 2. The rate of absorption begins slowly to reflect the recovery from the current recession. Cumulative absorption is shown in **Tables 2.4** and **2.7**, respectively. The corresponding projected service population by year is shown in **Tables 2.6** and **2.8**. As with all tables in this report, “Year 1,” the initial year of incorporation, is given as FY 2011-12.

Table 2.3: Projected Development Absorption (Scenario 1)

FY Ending	2009	2010	2011	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
				2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
<i>Residential (dwelling units)</i>														
Single Family	-	-	3	4	6	6	9	9	9	10	10	10	10	86
Multi-family	-	-	1	2	2	3	4	4	4	4	4	4	4	36
Total	-	-	4	6	8	9	13	13	13	14	14	14	14	122
<i>Nonresidential (sq. ft.)</i>														
Retail	-	-	2,580	4,300	6,020	6,020	8,600	9,460	9,460	9,460	9,460	10,320	10,320	86,000
Office	-	-	1,740	2,900	4,060	4,060	5,800	6,380	6,380	6,380	6,380	6,960	6,960	58,000
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	4,320	7,200	10,080	10,080	14,400	15,840	15,840	15,840	15,840	17,280	17,280	144,000

Sources: Table 2.2; Willdan Financial Services.

Table 2.4: Cumulative Absorption of New Development (Scenario 1)

FY Ending	2009	2010	2011	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
				2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Residential (dwelling units)</i>													
Single Family	-	-	3	7	13	19	28	37	46	56	66	76	86
Multi-family	-	-	1	3	5	8	12	16	20	24	28	32	36
Total	-	-	4	10	18	27	40	53	66	80	94	108	122
<i>Nonresidential (sq. ft.)</i>													
Retail	-	-	2,580	6,880	12,900	18,920	27,520	36,980	46,440	55,900	65,360	75,680	86,000
Office	-	-	1,740	4,640	8,700	12,760	18,560	24,940	31,320	37,700	44,080	51,040	58,000
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	4,320	11,520	21,600	31,680	46,080	61,920	77,760	93,600	109,440	126,720	144,000

Sources: Table 2.3; Willdan Financial Services.

Table 2.5: Cumulative Employees and Residents (Scenario 1)

FY Ending	2009	2010	2011	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
				2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Residential (residents)</i>													
Single Family	-	-	8	18	34	50	74	98	121	148	174	201	227
Multi-family	-	-	2	5	9	14	22	29	36	43	50	57	65
Existing	92,006	92,006	92,006	92,006	92,006	92,006	92,006	92,006	92,006	92,006	92,006	92,006	92,006
Total	92,006	92,006	92,016	92,029	92,049	92,070	92,102	92,133	92,163	92,197	92,230	92,264	92,298
<i>Nonresidential (employees)</i>													
Retail	-	-	7	20	37	54	78	105	132	159	186	216	245
Office	-	-	7	18	33	48	71	95	119	143	168	194	220
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	-
Existing	39,429	39,429	39,429	39,429	39,429	39,429	39,429	39,429	39,429	39,429	39,429	39,429	39,429
Total	39,429	39,429	39,443	39,467	39,499	39,531	39,578	39,629	39,680	39,731	39,783	39,839	39,894
<i>Persons Served¹</i>	104,229	104,229	104,243	104,264	104,294	104,325	104,371	104,418	104,464	104,514	104,563	104,614	104,665

¹ Residents plus 0.31 times employees.

Sources: Tables 2.4 and 5.1; Willdan Financial Services.

Table 2.6: Projected Development Absorption (Scenario 2)

FY Ending	2009	2010	2011	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
				2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
<i>Residential (dwelling units)</i>														
Single Family	-	-	3	5	7	7	8	10	10	11	11	12	12	96
Multi-family	-	-	1	2	3	3	4	4	4	4	5	5	5	40
Total	-	-	4	7	10	10	12	14	14	15	16	17	17	136
<i>Nonresidential (sq. ft.)</i>														
Retail	-	-	2,580	4,300	6,020	6,020	8,600	9,460	9,460	9,460	9,460	10,320	10,320	86,000
Office	-	-	1,740	2,900	4,060	4,060	5,800	6,380	6,380	6,380	6,380	6,960	6,960	58,000
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	4,320	7,200	10,080	10,080	14,400	15,840	15,840	15,840	15,840	17,280	17,280	144,000

Sources: Table 2.2, Willdan Financial Services.

Table 2.7: Cumulative Absorption of New Development (Scenario 2)

FY Ending	2009	2010	2011	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
				2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Residential (dwelling units)</i>													
Single Family	-	-	3	8	15	22	30	40	50	61	72	84	96
Multi-family	-	-	1	3	6	9	13	17	21	25	30	35	40
Total	-	-	4	11	21	31	43	57	71	86	102	119	136
<i>Nonresidential (sq. ft.)</i>													
Retail	-	-	2,580	6,880	12,900	18,920	27,520	36,980	46,440	55,900	65,360	75,680	86,000
Office	-	-	1,740	4,640	8,700	12,760	18,560	24,940	31,320	37,700	44,080	51,040	58,000
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	4,320	11,520	21,600	31,680	46,080	61,920	77,760	93,600	109,440	126,720	144,000

Sources: Table 2.6; Willdan Financial Services.

Table 2.8: Cumulative Employees and Residents (Scenario 2)

FY Ending	2009	2010	2011	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
				2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Residential (residents)</i>													
Single Family	-	-	8	21	40	58	79	106	132	161	190	222	253
Multi-family	-	-	2	5	11	16	23	31	38	45	54	63	72
Existing	98,401	98,401	98,401	98,401	98,401	98,401	98,401	98,401	98,401	98,401	98,401	98,401	98,401
Total	98,401	98,401	98,411	98,427	98,452	98,475	98,503	98,538	98,571	98,607	98,645	98,686	98,726
<i>Nonresidential (employees)</i>													
Retail	-	-	7	20	37	54	78	105	132	159	186	216	245
Office	-	-	7	18	33	48	71	95	119	143	168	194	220
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	-
Existing	41,487	41,487	41,487	41,487	41,487	41,487	41,487	41,487	41,487	41,487	41,487	41,487	41,487
Total	41,487	41,487	41,501	41,525	41,557	41,589	41,636	41,687	41,738	41,789	41,841	41,897	41,952
<i>Persons Served¹</i>	111,262	111,262	111,276	111,300	111,335	111,368	111,410	111,461	111,510	111,562	111,616	111,674	111,731

¹ Residents plus 0.31 times employees.

Sources: Tables 2.7 and 5.1; Willdan Financial Services.

3. Service Plan & Methodology

The purpose of this chapter is to describe key budget assumptions and estimating methods used in the CFA.

Municipal Services Analysis and Plan

Analysis of the new city’s revenues and costs requires identifying current municipal service providers within the incorporation area boundaries and likely providers under incorporation. Those services that will be transferred to the new city form the basis for the cost of services analysis presented in the following chapter (Chapter 4), and affect calculation of the property tax transferred from the County (see Chapter 5).

Current Service Providers

The County currently provides general government, animal control, public safety, solid waste collection and disposal, and public works (including road maintenance) services. Several water service providers, including the Sacramento County Water Agency, the Cal American Water Company, the Carmichael Water District, the City of Sacramento, the Del Paso Manor Water District, the Sacramento Suburban Water District and the Southern California Water Company, provide water services.

The Sacramento Area Sewer District (SASD) and the Sacramento Regional County Sanitation District (SRCSD) provide wastewater services. The American River Flood Control District provides flood control services. The Sacramento Public Library Authority provides library services. The Sacramento Municipal Utility District (SMUD) provides electric services. Various private utility companies also provide electric, gas, and telecommunication services.

Numerous parks districts provide park and recreation services.

Table 3.1 shows the current and future service providers within the proposed incorporation boundary scenarios.

Table 3.1: Current and Projected Future Service Providers

Service	Current Provider	Future Provider
Animal Control	Sacramento County	City (contract with County or other public agency)
Electric and Gas	Public and private utility companies	No change
Fire and EMS	Sacramento Metropolitan Fire District	No change
Flood Control	American River Flood Control District	No change
General Government	Sacramento County	City
Library	Sacramento Public Library Authority	No change
Parks and Recreation	Arcade Creek Recreation and Park District	No change
	Arden Manor Recreation and Park District	No change
	Arden Park Recreation and Park District	No change
	Fulton-El Camino Recreation and Park District	No change
	Mission Oaks Recreation and Park District	No change
	Sacramento County Regional Parks Department	No change
Planning	Sacramento County	City
Police	Sacramento County	City (contract with County or other public agency)
Public Protection	California State Highway Patrol	No change
Public Works (including Road Maintenance)	Sacramento County	City (contract with County or other public agency)
Solid Waste Collection	Sacramento County	No change
Solid Waste Disposal	Sacramento County	No change
Telecommunications	Private utility companies	No change
Water	Cal American Water Company ¹	No change
	Carmichael Water District	No change
	City of Sacramento	No change
	Del Paso Manor Water District	No change
	Sacramento County Water Agency	No change
	Sacramento Suburban Water District	No change
	Southern California Water Company ¹	No change
Wastewater	Sacramento Area Sewer District	No change
	Sacramento Regional County Sanitation District	No change

¹ Investor owned utility.

Projected Future Service Providers

As shown in Table 3.1, many of the current service providers are projected to remain unchanged. These include public and private utility service providers (e.g., electric, gas, water, and telecommunications) and most public agencies (e.g., flood control, parks and water districts). The Sacramento Metropolitan Fire District (Metro Fire) is proposed to continue providing fire protection and medical response services. The Sacramento Public Library is assumed to continue to provide library services.

The new city is projected to take on direct responsibility for general government services, including creation of a city council for governance and other administrative functions.

This analysis assumes that the city will contract with the County, the City of Sacramento, or a private entity for a number of services including animal control, police, and road maintenance. It is common for newly incorporated cities in Sacramento County to contract for these services with the County to maintain the service levels to which residents and business are accustomed.

Revenue and Cost Estimating Methodologies

The two methodologies used to estimate revenues and costs for the new city are the per capita methodology and the case study methodology. More significant base year cost and revenue components were developed based on case study analysis provided by the service provider.

Per Capita Method

The per capita modeling method represents current average countywide (or unincorporated area) cost of service or revenue. This approach is used for services and revenues that likely would not vary substantially from current county average costs when transferred to the new city. This approach is also used to estimate costs and revenues when data specific to the area being studied is not available.

Per capita factors are calculated by dividing net cost (or revenue) by the service population receiving the service (or generating the revenue). Per capita factors are based on:

- ◆ The most recent Sacramento County budget actuals for FY 2008-09; and
- ◆ Current countywide service population (for countywide services and revenues) or unincorporated area service population (for services and revenues only pertaining to the unincorporated area).

Service population includes current residents, and when applicable, employment. Employees are weighted according to the service demand or revenue generation from nonresidential development compared to residential development on a per capita basis. Long-range planning studies typically use a common weighting applied to all services and revenues analyzed on a per capita basis that have both a residential and nonresidential component. Gathering and analyzing data on service demand and revenue generation is a time-intensive and costly effort.

Prior analysis of service demand and revenue generation data has not suggested any common factors that seem to apply consistently across multiple jurisdictions. Furthermore, the weighting factor does not affect results significantly because (1) costs and revenues receive similar weights so net fiscal impacts change little if weighting factors change, and (2) costs and revenues that could have a significant impact are analyzed individually using a case study analysis (see below).

For the purposes of this study we use a weighting factor of 0.31 employees per resident. The weighting factor is applied consistently across all costs and revenues that have both a resident and employment component. The factor is based on the number of work hours per week (40) divided by the number of non-work hours in a week (128) to reflect the demand placed by businesses on municipal services relative to residents. The factor assumes that businesses primarily demand public services during business hours while demand by residents is more constant throughout a 24-hour period.

For the purposes of this study the per capita method is used for all revenue estimates except charges for service, property tax, sales tax, property transfer tax, and transient occupancy tax. Those revenue sources are analyzed with the case study method (see below). Property tax estimates do rely on the per capita method to estimate current net county costs to the

incorporation area, a component of the property tax analysis. Charges for services revenues are based on 80 percent of development services costs.

Case Study Method

For service costs and revenues that could vary substantially from current average per capita levels a case study method is used. The case study method uses data associated with the specific geographic area being studied rather than current countywide or unincorporated area averages. The method used may vary depending on the specific cost or revenue.

For the purposes of this study the case study method is used for all cost estimates and, as mentioned above, the property, sales, transient occupancy and property transfer tax analyses.

4. Cost Analysis

This chapter describes the methodologies used to estimate the cost of services to the new city. It discusses levels of service, presents a proposed municipal staffing plan and associated personnel costs, identifies non-personnel costs pertaining to services, and summarizes total estimated costs.

This study focuses on ongoing (operating and maintenance) costs to provide service to the proposed City of Arden Arcade. Ongoing costs are typically the focus of fiscal analysis because of the requirement for public agencies to generate a balanced budget on an annual basis. A suggested staffing plan is presented. Other service costs are presented based on an analysis of the County budget. No consideration of capital costs is included in this analysis.

Service Levels

For the purposes of this analysis service levels are assumed to remain consistent with current levels provided by the County to the Arden Arcade unincorporated area. Service levels and costs are based on the County's most recently available actual expenditure data for FY 2008-09 found in the County Budget.

If the municipal services plan anticipates that the new city will contract back with the County for a particular service, then the analysis estimates contract costs to maintain the existing level of service. If the County currently provides limited services to the unincorporated areas, to be consistent, this analysis assumes that the cost of these services to the new city will reflect the current limited level of service.

To the extent that this analysis indicates that the new city may have an operating surplus, the new city council could designate the surplus towards increasing existing levels of service and/or adding new services.

Transition Year

FY 2011-12 is assumed to be the first year of incorporation. In that year, this analysis assumes that the County provides animal control services, development services, road maintenance (public works), and police protection (sheriff) services. To model these costs, the first year of costs for the above services is shown to have zero cost to the new city. Should the new city owe transition year costs, the net costs for services in the first year will be repaid to the County in equal amounts over the next five years with interest. Costs for services obligated to be paid by the County during the transition year are discussed in Chapter 6.

Proposed Staffing Plan

The proposed staffing plan shown below in **Table 4.1** was developed by Willdan, based on its experience with contract cities and a survey of comparable cities, including many recently incorporated cities and input from LAFCo staff. See **Appendix B** for an analysis of comparable city staffing, costs and revenues. For all of the following tables, the start year ("Year 1") is envisioned to be FY 2011-12. Salaries shown are in constant (2009) dollars.

Future year salaries assume a real annual inflation rate of one percent. FTEs per 1,000 resident population are also shown at the bottom of Table 4.1.

Table 4.1: Proposed Staffing by Department

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
City Manager										
City Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Executive Secretary	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Assistant to the City Manager	-	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Subtotal	2.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
City Attorney										
City Attorney (contract)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
City Clerk										
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Deputy City Clerk	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Clerk/Typist/Receptionist	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Subtotal	3.00	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administrative Services										
Administrative Services Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Accountant	1.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
H.R./Risk Mgmt. Specialist	0.50	1.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Senior Account Clerk	0.50	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Payroll Clerk	0.50	1.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Account Clerk/Typist	0.50	1.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Subtotal	4.00	7.00	14.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Development Services										
Development Svcs. Dir.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Planner	-	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Planner (contract)	0.50	-	-	-	-	-	-	-	-	-
Principal Planner	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Engineer	-	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Engineer (contract)	0.50	-	-	-	-	-	-	-	-	-
Engineering Inspector (contract)	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
City Traffic Engineer (contract)	-	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Associate Engineer	1.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Management Analyst	0.50	1.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Building Official	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Building Official (contract)	0.50	-	-	-	-	-	-	-	-	-
Building Inspector	-	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Building Inspector (contract)	0.50	-	-	-	-	-	-	-	-	-
Code Enforcement	0.25	0.25	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Counter Technician	-	-	-	-	-	-	-	-	-	-
Clerk/Typist	0.50	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Subtotal	6.50	11.75	19.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
TOTAL	18.00	28.25	45.50	48.50	48.50	48.50	48.50	48.50	48.50	48.50
FTE per 1,000 resident population	0.20	0.31	0.49	0.53	0.53	0.53	0.53	0.53	0.53	0.53

Note: All positions are directly employed by City unless noted as "contract".

Sources: Willdan Financial Services.

Table 4.2 shows the estimated salaries for these positions and/or the hourly wage for contract employees. While it is envisioned that most positions will be filled with full time city employees, others are likely to be staffed as contract positions. Table 4.2 assumes a phased in staffing plan, with some employees hired midway through the year and consequently listed as 0.5 in year one.

Contract positions are often part time, and include city attorney and city engineer positions. Contract rates are based on Willdan Engineering's 2009 contract rate schedule. Note that contract employees will not receive city salaried position benefits and therefore the hourly cost shown is relatively high to compensate for the lack of a benefits package, and no salary estimate is needed.

Real cost increases (cost increases above inflation) are assumed at one percent per year for both salary and contract cost increases. The city benefits rate is estimated to add 45 percent to the annual cost of salaried positions as is shown in **Table 4.3**.

Table 4.2 Annual Salary & Contract Employee Expense (Per FTE)

	Contract Rate/Hr.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Annual contract real cost increase	1.00%										
Hours/year for contract salary	2,080										
City Manager											
City Manager		\$ 166,600	\$ 168,300	\$ 170,000	\$ 171,700	\$ 173,400	\$ 175,100	\$ 176,900	\$ 178,700	\$ 180,500	\$ 182,300
Executive Secretary		48,400	48,900	49,400	49,900	50,400	50,900	51,400	51,900	52,400	52,900
Assistant to the City Manager		34,100	34,400	34,700	35,000	35,400	35,800	36,200	36,600	37,000	37,400
City Attorney											
City Attorney (contract)	\$ 195.00										
City Clerk											
City Clerk		122,000	123,200	124,400	125,600	126,900	128,200	129,500	130,800	132,100	133,400
Deputy City Clerk		79,500	80,300	81,100	81,900	82,700	83,500	84,300	85,100	86,000	86,900
Clerk/Typist		35,800	36,200	36,600	37,000	37,400	37,800	38,200	38,600	39,000	39,400
Administrative Services											
Administrative Services Director		157,400	159,000	160,600	162,200	163,800	165,400	167,100	168,800	170,500	172,200
Accountant		58,600	59,200	59,800	60,400	61,000	61,600	62,200	62,800	63,400	64,000
H.R./Risk Mgmt. Specialist		73,300	74,000	74,700	75,400	76,200	77,000	77,800	78,600	79,400	80,200
Senior Account Clerk		54,200	54,700	55,200	55,800	56,400	57,000	57,600	58,200	58,800	59,400
Payroll Clerk		51,400	51,900	52,400	52,900	53,400	53,900	54,400	54,900	55,400	56,000
Account Clerk/Typist		35,800	36,200	36,600	37,000	37,400	37,800	38,200	38,600	39,000	39,400
Community Development											
Development Svcs. Dir.		146,700	148,200	149,700	151,200	152,700	154,200	155,700	157,300	158,900	160,500
City Planner		76,000	76,800	77,600	78,400	79,200	80,000	80,800	81,600	82,400	83,200
City Planner (contract)	150.00										
Principal Planner		109,700	111,000	112,000	113,000	114,000	115,000	116,000	117,000	118,000	119,000
City Engineer		105,000	106,000	107,000	108,000	109,000	110,000	111,000	112,000	113,000	114,000
City Engineer (contract)	180.00										
Engineering Inspector (contract)	140.00										
City Traffic Engineer (contract)	135.00										
Associate Engineer		90,200	91,000	92,000	93,000	94,000	95,000	96,000	97,000	98,000	99,000
Management Analyst		100,500	102,000	103,000	104,000	105,000	106,000	107,000	108,000	109,000	110,000
Building Official		99,100	100,000	101,000	102,000	103,000	104,000	105,000	106,000	107,000	108,000
Building Official (contract)	150.00										
Building Inspector		64,900	65,500	66,200	66,900	67,600	68,300	69,000	69,700	70,400	71,100
Building Inspector (contract)	110.00										
Code Enforcement		67,700	68,400	69,100	69,800	70,500	71,200	71,900	72,600	73,300	74,000
Counter Technician		35,800	36,200	36,600	37,000	37,400	37,800	38,200	38,600	39,000	39,400
Clerk/Typist		31,200	31,500	31,800	32,100	32,400	32,700	33,000	33,300	33,600	33,900

Note: Salary costs for city employees based on comparable cities.

Source: Willdan Engineering Services *Schedule of Hourly Rates*, 2009; Willdan Financial Services.

Table 4.3: Benefit Rate as a Percentage of Salary

Benefit	Percent of	
	Salary	Notes & Sources
Medical/Dental/Vision	25.00%	Similar to other cities; Council discretion
Retirement (Employer)	7.00%	California Public Employees Retirement System (CalPERS) estimate
Retirement (Employee)	7.00%	California Public Employees Retirement System (CalPERS) estimate
Medicare	1.45%	Federal rate
Disability Insurance	1.18%	State rate; applies to salary up to \$65,000
Unemployment Insurance	0.74%	6.3% of first \$7,000; rate based on \$60k average salary
Workers Compensation	<u>2.20%</u>	State rate estimated @ \$2.20 per \$100 salary
Total	45%	Rounded to nearest 1.00 percent

Note: Assumes City will pay both employer and employee portion of PERS contribution.

Source: Willdan Financial Services.

Total estimated personnel costs, including contract personnel costs and benefits for city employees, are shown in **Table 4.4**.

Table 4.4: Personnel & Contract Employee Costs (\$2009)

Department	Benefits Rate ¹	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Annual contract real cost increase	1.00%										
Hours/year for contract salary	2,080										
City Manager											
City Manager	45.00%	\$ 242,000	\$ 244,000	\$ 247,000	\$ 249,000	\$ 251,000	\$ 254,000	\$ 257,000	\$ 259,000	\$ 262,000	\$ 264,000
Executive Secretary	45.00%	70,000	142,000	143,000	145,000	146,000	148,000	149,000	151,000	152,000	153,000
Assistant to the City Manager	45.00%	-	50,000	101,000	102,000	103,000	104,000	105,000	106,000	107,000	108,000
Subtotal		\$ 312,000	\$ 436,000	\$ 491,000	\$ 496,000	\$ 500,000	\$ 506,000	\$ 511,000	\$ 516,000	\$ 521,000	\$ 525,000
City Attorney											
City Attorney (contract)	0.00%	\$1,014,000	\$1,025,000	\$1,035,000	\$1,045,000	\$1,055,000	\$1,066,000	\$1,076,000	\$1,087,000	\$1,098,000	\$1,109,000
City Clerk											
City Clerk	45.00%	\$ 177,000	\$ 179,000	\$ 180,000	\$ 182,000	\$ 184,000	\$ 186,000	\$ 188,000	\$ 190,000	\$ 192,000	\$ 193,000
Deputy City Clerk	45.00%	115,000	116,000	235,000	238,000	240,000	242,000	244,000	247,000	249,000	252,000
Clerk/Typist	45.00%	52,000	52,000	106,000	107,000	108,000	110,000	111,000	112,000	113,000	114,000
Subtotal		\$ 344,000	\$ 347,000	\$ 521,000	\$ 527,000	\$ 532,000	\$ 538,000	\$ 543,000	\$ 549,000	\$ 554,000	\$ 559,000
Administrative Services											
Administrative Services Director	45.00%	\$ 228,000	\$ 231,000	\$ 233,000	\$ 235,000	\$ 238,000	\$ 240,000	\$ 242,000	\$ 245,000	\$ 247,000	\$ 250,000
Accountant	45.00%	85,000	172,000	260,000	263,000	265,000	268,000	271,000	273,000	276,000	278,000
H.R./Risk Mgmt. Specialist	45.00%	53,000	107,000	325,000	328,000	331,000	335,000	338,000	342,000	345,000	349,000
Senior Account Clerk	45.00%	39,000	79,000	160,000	162,000	164,000	165,000	167,000	169,000	171,000	172,000
Payroll Clerk	45.00%	37,000	75,000	228,000	230,000	232,000	234,000	237,000	239,000	241,000	244,000
Account Clerk/Typist	45.00%	26,000	52,000	106,000	161,000	163,000	164,000	166,000	168,000	170,000	171,000
Subtotal		\$ 468,000	\$ 716,000	\$1,312,000	\$1,379,000	\$1,393,000	\$1,406,000	\$1,421,000	\$1,436,000	\$1,450,000	\$1,464,000
Community Development²											
Development Svcs. Dir.	45.00%	\$ -	\$ 215,000	\$ 217,000	\$ 219,000	\$ 221,000	\$ 224,000	\$ 226,000	\$ 228,000	\$ 230,000	\$ 233,000
City Planner	45.00%	-	111,000	225,000	227,000	230,000	232,000	234,000	237,000	239,000	241,000
City Planner (contract)	0.00%	-	-	-	-	-	-	-	-	-	-
Principal Planner	45.00%	-	322,000	325,000	328,000	331,000	334,000	336,000	339,000	342,000	345,000
City Engineer	45.00%	-	154,000	310,000	313,000	316,000	319,000	322,000	325,000	328,000	331,000
City Engineer (contract)	0.00%	-	-	-	-	-	-	-	-	-	-
Engineering Inspector (contract)	0.00%	-	74,000	149,000	150,000	152,000	153,000	155,000	156,000	158,000	159,000
City Traffic Engineer (contract)	0.00%	-	71,000	143,000	145,000	146,000	148,000	149,000	151,000	152,000	154,000
Associate Engineer	45.00%	-	264,000	400,000	405,000	409,000	413,000	418,000	422,000	426,000	431,000
Management Analyst	45.00%	-	148,000	299,000	452,000	457,000	461,000	465,000	470,000	474,000	479,000
Building Official	45.00%	-	145,000	146,000	148,000	149,000	151,000	152,000	154,000	155,000	157,000
Building Official (contract)	0.00%	-	-	-	-	-	-	-	-	-	-
Building Inspector	45.00%	-	95,000	192,000	194,000	196,000	198,000	200,000	202,000	204,000	206,000
Building Inspector (contract)	0.00%	-	-	-	-	-	-	-	-	-	-
Code Enforcement	45.00%	-	25,000	100,000	202,000	204,000	206,000	209,000	211,000	213,000	215,000
Counter Technician	45.00%	-	-	-	-	-	-	-	-	-	-
Clerk/Typist	45.00%	-	46,000	92,000	93,000	94,000	95,000	96,000	97,000	97,000	98,000
Subtotal		\$ -	\$1,670,000	\$2,598,000	\$2,876,000	\$2,905,000	\$2,934,000	\$2,962,000	\$2,992,000	\$3,018,000	\$3,049,000
TOTAL		\$2,138,000	\$4,194,000	\$5,957,000	\$6,323,000	\$6,385,000	\$6,450,000	\$6,513,000	\$6,580,000	\$6,641,000	\$6,706,000

¹ Percent of salary.

² County is obligated to provide development services, police and animal control services during the transition year.

Sources: Tables 4.1, 4.2 and 4.3; Willdan Financial Services.

Other (Non-Personnel) Costs

Other, non-personnel cost assumptions are described below.

Police Services

It is common for a newly incorporated city to contract for police services with the county sheriff. The incorporated cities of Citrus Heights and Rancho Cordova initially contracted with the County for police services. The Sacramento County Sheriff Department provided an estimate of service costs for police services (including patrol and investigation) to the Arden Arcade area.

The County Sheriff Department estimated the current costs to serve each of the two scenarios considered in this study. These cost estimates, shown by staffing and vehicle assumptions are displayed in **Table 4.5**.

The cost to serve the service population in the base year is approximately \$14.0 and 14.7 million per year for Scenarios 1 and 2, respectively. **Tables 4.6** and **4.7** show the estimated annual cost for the Sacramento County Sheriff's Department to provide law enforcement services to Arden Arcade. The costs are increased relative to the service population as it increases. The costs shown assume that the Sacramento County Sheriff's Department will handle the basic traffic collision and basic traffic enforcement as part of their basic patrol services, and maintain the existing level of service.

Table 4.5: Sheriff Patrol and Investigation Assumptions (2009\$)

	Scenario 1	Scenario 2
<u>Sworn Positions</u>		
Captain	1.00	1.00
Lieutenant	3.00	3.00
Sergeant	7.00	7.00
Deputy Sheriff	38.00	40.00
Deputy Sheriff - Other (POP)	5.00	5.00
Deputy Sheriff - Detectives	6.00	6.00
Subtotal	60.00	62.00
<u>Non-Sworn Positions</u>		
Sheriff's Record Officer II	2.00	2.00
Sheriff's Record Officer I	3.00	3.00
Security Officer	1.00	1.00
Community Services Specialist III	2.00	2.00
Senior Office Assistant (Confidential)	1.00	1.00
Senior Office Assistant	1.00	1.00
Subtotal	10.00	10.00
Total Positions	70.00	72.00
<u>Vehicles</u>		
Compact Pickup VIP	1.00	1.00
Marked Patrol Cars	32.00	33.00
Unmarked Cars	10.00	11.00
3/4 Ton Truck	1.00	1.00
Sport Utility	1.00	1.00
Total Vehicles	45.00	47.00
Costs		
Personnel	\$ 10,562,256	\$ 10,866,260
<u>Services and Supplies</u>		
Vehicles and Fuel	\$ 759,479	\$ 790,592
Other Services and Supplies	121,072	127,200
Subtotal	\$ 880,551	\$ 917,792
Support Services, Allocated Services and Credits	\$ 2,578,024	\$ 2,684,610
Total Ongoing Costs	\$ 14,020,831	\$ 14,468,662

Source: Sacramento County Sheriff.

Table 4.6 : Sheriff Patrol and Investigation Costs - Scenario 1 (2009\$)

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Arden Arcade Service Population</i>	104,264	104,294	104,325	104,371	104,418	104,464	104,514	104,563	104,614	104,665
<i>Service Costs</i> ¹										
Staffing	\$ -	\$ 10,677,000	\$ 10,787,000	\$ 10,900,000	\$ 11,014,000	\$ 11,129,000	\$ 11,246,000	\$ 11,364,000	\$ 11,483,000	\$ 11,603,000
Vehicle	-	768,000	776,000	784,000	792,000	800,000	809,000	817,000	826,000	834,000
Operational	-	2,729,000	2,757,000	2,785,000	2,815,000	2,844,000	2,874,000	2,904,000	2,934,000	2,965,000
Subtotal	\$ -	\$ 14,174,000	\$ 14,320,000	\$ 14,469,000	\$ 14,621,000	\$ 14,773,000	\$ 14,929,000	\$ 15,085,000	\$ 15,243,000	\$ 15,402,000

¹ Assumes a 1 percent real (above inflation) increase in overall contract costs per year. Table provides costs in constant dollars.

Sources: Table 4.5; Willdan Financial Services.

Table 4.7: Sheriff Patrol and Investigation Costs - Scenario 2 (2009\$)

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Arden Arcade Service Population</i>	111,300	111,335	111,368	111,410	111,461	111,510	111,562	111,616	111,674	111,731
<i>Service Costs</i> ¹										
Staffing	\$ -	\$ 11,398,000	\$ 11,516,000	\$ 11,635,000	\$ 11,757,000	\$ 11,880,000	\$ 12,004,000	\$ 12,130,000	\$ 12,258,000	\$ 12,387,000
Vehicle	-	820,000	828,000	837,000	845,000	854,000	863,000	872,000	881,000	891,000
Operational	-	2,913,000	2,943,000	2,973,000	3,004,000	3,036,000	3,068,000	3,100,000	3,132,000	3,165,000
Subtotal	\$ -	\$ 15,131,000	\$ 15,287,000	\$ 15,445,000	\$ 15,606,000	\$ 15,770,000	\$ 15,935,000	\$ 16,102,000	\$ 16,271,000	\$ 16,443,000

¹ Assumes a 1 percent real (above inflation) increase in overall contract costs per year. Table provides costs in constant dollars.

Sources: Table 4.5; Willdan Financial Services.

Road and Traffic Signal Maintenance Costs

The Sacramento County Department of Transportation (SacDOT) estimated the cost of providing service for each of the two incorporation scenarios in this study. Arden Arcade contains approximately 552 lane miles of roadway in the first incorporation scenario, and approximately 608 lane miles under the second.

There are 54 bridges in Scenario 1's service territory, with an additional two bridges in Scenario 2. The area in Scenario 1 boundaries includes 1,942 streetlights and 94 traffic signals, while the area within Scenario 2 boundary includes 2,282 streetlights and 99 traffic signals.

SacDOT provided cost estimates for each scenario by category; these estimates appear in **Table 4.8**. Annual costs for traffic maintenance appear in **Tables 4.9** and **4.10**.

Animal Control

Animal control costs are estimated for Arden Arcade based on FY2008-09 actual expenditures found in the Sacramento County Animal Control Department budget. The costs are translated into a cost per capita for each scenario. The cost per capita is applied to the annual Arden Arcade service population in each scenario to determine an annual cost for animal services contracts in Arden Arcade through 2021. Costs and assumptions for animal control services are shown in **Tables 4.11** and **4.12**.

Table 4.8: SacDOT Maintenance and Operations Division Responses

	Scenario 1	Scenario 2
<u>Roads and Bridges</u>		
Arterial Roads	174.4	183.8
Collector Roads	58.1	71.0
Residential Roads	319.4	353.4
Total	551.9	608.2
Countywide Roads	5,448.0	5,448.0
Percentage of County	10.1%	11.2%
Bridges	54.0	56.0
Pedestrian Walkways	10.0	11.0
<u>Streetlight Maintenance</u>		
Streetlights: CSA 1 - Sacramento County	1,450.0	1,770.0
Streetlights: SMUD	492.0	512.0
Total	1,942.0	2,282.0
<u>Traffic Signals</u>		
Traffic Signals	79.0	80.0
Pedestrian Crossings	12.0	13.0
Beacons	2.0	5.0
Fire	1.0	1.0
Total	94.0	99.0
Costs		
Roads and Bridges	\$ 2,570,000	\$ 2,830,000
Trees and Landscape Maintenance	\$ 520,000	\$ 570,000
Traffic Signal Maintenance	\$ 970,000	\$ 1,030,000
CSA 1 - Streetlight maintenance expenditures	\$ 237,000	\$ 279,000
One-Time Incorporation Costs	\$ 80,000	\$ 80,000

Source: County of Sacramento.

Table 4.9: Road and Traffic Signals Maintenance Costs - Scenario 1 (2009\$)

Road Fund	FY09 Budget	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Arden Arcade Area</i>											
Maintained Road Length	551.9 miles										
Signals Maintained	94										
Street Lights Maintained	1,942										
Service Population		104,264	104,294	104,325	104,371	104,418	104,464	104,514	104,563	104,614	104,665
Signals Maintained		94	94	94	94	94	94	94	94	94	94
O&M Expenditures											
Total, Roads	\$ 2,570,000 per year										
O&M Expenditures											
Total, Signals	\$ 970,000 per year										
Total, Streetlights	\$ 237,000 per year										
Total, Landscape	\$ 520,000 per year										
Unit O&M Cost, Roads	\$ 4,657 per mile per year										
Unit O&M Cost, Signals	\$ 10,319 per signal per year										
Unit O&M Cost, Streetlights	\$ 122 per streetlight per year										
Maintenance Cost											
Roads	\$ -	\$ 2,570,000	\$ 2,570,000	\$ 2,570,000	\$ 2,570,000	\$ 2,570,000	\$ 2,570,000	\$ 2,570,000	\$ 2,570,000	\$ 2,570,000	\$ 2,570,000
Streetlights	-	237,000	237,000	237,000	237,000	237,000	237,000	238,000	238,000	238,000	238,000
Landscape	-	520,000	520,000	521,000	521,000	521,000	521,000	521,000	521,000	522,000	522,000
Signals	-	970,000	970,000	970,000	970,000	970,000	970,000	970,000	970,000	970,000	970,000
Subtotal	\$ -	\$ 4,297,000	\$ 4,297,000	\$ 4,298,000	\$ 4,298,000	\$ 4,298,000	\$ 4,298,000	\$ 4,299,000	\$ 4,299,000	\$ 4,300,000	\$ 4,300,000
Contingency @ 5 percent	\$ -	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000
One Time Incorporation Cost	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County Repayment ¹	\$ -	\$ 929,000	\$ 957,000	\$ 986,000	\$ 1,016,000	\$ 1,046,000	\$ -	\$ -	\$ -	\$ -	\$ -
Total Road Fund Costs	\$ 80,000	\$ 5,441,000	\$ 5,469,000	\$ 5,499,000	\$ 5,529,000	\$ 5,559,000	\$ 4,514,000	\$ 4,514,000	\$ 4,515,000	\$ 4,515,000	\$ 4,515,000

¹ Repayment cost account services the County is obligated to provide for the first year of service. Includes 3% annual interest.

Sources: Sacramento County Department of Transportation; Table 4.8; Willdan Financial Services.

Table 4.10: Road and Traffic Signals Maintenance Costs - Scenario 2 (2009\$)

Road Fund	FY09 Budget	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Arden Arcade Area</i>											
Maintained Road Length	608.2 miles										
Signals Maintained	99										
Street Lights Maintained	2,282										
Service Population		111,300	111,335	111,368	111,410	111,461	111,510	111,562	111,616	111,674	111,731
Signals Maintained		99	99	99	99	99	99	99	99	99	99
O&M Expenditures											
Total, Roads	\$ 2,830,000 per year										
O&M Expenditures											
Total, Signals	\$ 1,030,000 per year										
Total, Streetlights	\$ 279,000 per year										
Total, Landscape	\$ 570,000 per year										
Unit O&M Cost, Roads	\$ 4,653 per mile per year										
Unit O&M Cost, Signals	\$ 10,404 per signal per year										
Unit O&M Cost, Streetlights	\$ 122 per streetlight per year										
Maintenance Cost											
Roads	\$ -	\$ 2,830,000	\$ 2,830,000	\$ 2,830,000	\$ 2,830,000	\$ 2,830,000	\$ 2,830,000	\$ 2,830,000	\$ 2,830,000	\$ 2,830,000	\$ 2,830,000
Streetlights	-	279,000	279,000	279,000	279,000	279,000	279,000	280,000	280,000	280,000	280,000
Landscape	-	570,000	570,000	570,000	570,000	571,000	571,000	571,000	571,000	572,000	572,000
Signals	-	1,030,000	1,030,000	1,030,000	1,030,000	1,030,000	1,030,000	1,030,000	1,030,000	1,030,000	1,030,000
Subtotal	\$ -	\$ 4,709,000	\$ 4,709,000	\$ 4,709,000	\$ 4,710,000	\$ 4,710,000	\$ 4,711,000	\$ 4,711,000	\$ 4,712,000	\$ 4,712,000	\$ 4,712,000
Contingency @ 10 percent	\$ -	\$ 235,000	\$ 235,000	\$ 235,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000
One Time Incorporation Cost	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County Repayment ¹	\$ -	\$ 1,018,000	\$ 1,049,000	\$ 1,080,000	\$ 1,112,000	\$ 1,145,000	\$ -	\$ -	\$ -	\$ -	\$ -
Total Road Fund Costs	\$ 80,000	\$ 5,962,000	\$ 5,993,000	\$ 6,024,000	\$ 6,058,000	\$ 6,091,000	\$ 4,947,000	\$ 4,947,000	\$ 4,948,000	\$ 4,948,000	\$ 4,948,000

¹ Repayment cost account services the County is obligated to provide for the first year of service. Includes 3% annual interest.

Sources: Sacramento County Department of Transportation; Table 4.8; Willdan Financial Services.

Table 4.11: Animal Control Services- (2009\$) - Scenario 1

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Shelter and Field Services</i>										
Total Costs (Countywide) - FY09	\$ 6,043,940									
Residents Served (Countywide) - FY09	1,433,187									
Net Cost per Resident	\$ 4.22									
Arden Arcade Residents	92,029	92,049	92,070	92,102	92,133	92,163	92,197	92,230	92,264	92,298
Service Cost	\$ -	\$388,000	\$389,000	\$389,000	\$389,000	\$389,000	\$389,000	\$389,000	\$389,000	\$389,000

Sources: Sacramento County; Tables 2.1 and 2.5; Willdan Financial Services.

Table 4.12: Animal Control Services (2009\$) - Scenario 2

Item	Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Shelter and Field Services</i>											
Total Costs (Countywide) - FY09	\$ 6,043,940										
Residents Served (Countywide) - FY09	1,433,187										
Net Cost per Resident	\$ 4.22										
Arden Arcade Residents		98,427	98,452	98,475	98,503	98,538	98,571	98,607	98,645	98,686	98,726
Service Cost	\$ -	\$415,000	\$416,000	\$416,000	\$416,000	\$416,000	\$416,000	\$416,000	\$416,000	\$416,000	\$417,000

Sources: Sacramento County; Tables 2.1 and 2.8; Willdan Financial Services.

Other Costs

Tables 4.13 and **4.14** display estimated other costs (non-personnel) associated with city operations for each scenario. Significant other costs include the cost to prepare a General Plan, the cost of services that are assumed will be contracted back to Sacramento County (police and animal control, shown in Tables 4.6, 4.7, 4.11 and 4.12), the cost of leased office space and of special and regular elections. Insurance and other incidental costs are estimated on a percentage of personnel costs consistent with our work for other incorporating cities.

Total Costs

Total costs, including estimated personnel and contract employee costs (Table 4.4) and non-personnel costs (Tables 4.13 and 4.14) are summarized in **Table 4.15** and **4.16**. These costs, along with a five percent contingency for General Fund related costs and transition year repayment are also shown in the summary tables in the Executive Summary (Tables E.2 and E.3) and in Chapter 6 (Tables 6.1 and 6.2).

Table 4.13: Services and Supplies Costs (2009\$) - Scenario 1

Cost Factor	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
City Council										
Council Members	6 members									
Stipend	\$ 500 per member/month	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Travel	\$ 2,000 per member	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Memberships	\$ 15,000 per year	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
All Other	\$ 3,000 per year	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Subtotal		\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000
City Manager										
All Other	5% salaries	\$ 16,000	\$ 22,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 26,000	\$ 26,000	\$ 26,000
City Attorney										
All Other	0% salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Clerk										
General Election ¹	\$ 37,000 per election	\$ -	\$ 37,000	\$ -	\$ 37,000	\$ -	\$ 37,000	\$ -	\$ 37,000	\$ -
All Other	5% salaries	17,000	17,000	26,000	26,000	27,000	27,000	27,000	27,000	28,000
Subtotal		\$ 17,000	\$ 54,000	\$ 26,000	\$ 63,000	\$ 27,000	\$ 64,000	\$ 27,000	\$ 64,000	\$ 28,000
Administrative Services										
All Other	5% salaries	\$ 23,000	\$ 36,000	\$ 66,000	\$ 69,000	\$ 70,000	\$ 70,000	\$ 71,000	\$ 72,000	\$ 73,000
Development Services										
General Plan	\$ 1,250,000 over 3 years	\$ -	\$ 417,000	\$ 417,000	\$ 417,000	\$ -	\$ -	\$ -	\$ -	\$ -
All Other	5% salaries	-	84,000	130,000	144,000	145,000	147,000	148,000	150,000	151,000
Subtotal		\$ -	\$ 501,000	\$ 547,000	\$ 561,000	\$ 145,000	\$ 147,000	\$ 148,000	\$ 150,000	\$ 151,000
Law Enforcement (contract)										
Sheriff (contract)	See Table 4.6	\$ -	\$ 14,174,000	\$ 14,320,000	\$ 14,469,000	\$ 14,621,000	\$ 14,773,000	\$ 14,929,000	\$ 15,085,000	\$ 15,243,000
Animal Services (contract)										
	See Table 4.11	\$ -	\$ 388,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000
Public Works										
Road Maintenance Cost ²	\$ 4,657 per center line mile	\$ 80,000	\$ 5,441,000	\$ 5,469,000	\$ 5,499,000	\$ 5,529,000	\$ 5,559,000	\$ 4,514,000	\$ 4,514,000	\$ 4,515,000
Non-Departmental										
Office Lease (incl. utilities) ³	\$ 22.00 per sq. ft./year	\$ 158,000	\$ 249,000	\$ 400,000	\$ 427,000	\$ 482,000	\$ 482,000	\$ 482,000	\$ 482,000	\$ 482,000
LAFCo Cost Share ⁴	\$ 7,000 per year	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Furnishings, Equipment, & Computers (start up)	\$ 4,000 per employee	\$ 72,000	\$ 41,000	\$ 69,000	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	5% of personnel costs	107,000	210,000	298,000	316,000	319,000	323,000	326,000	329,000	332,000
Subtotal		\$ 344,000	\$ 507,000	\$ 774,000	\$ 762,000	\$ 808,000	\$ 812,000	\$ 815,000	\$ 818,000	\$ 821,000
Other Assumptions										
Office Space Assumptions										
Staffing (FTE)	See FTE Table	18.00	28.25	45.50	48.50	48.50	48.50	48.50	48.50	48.50
Office Space (sq. ft.) ⁵	400 sq. ft. per emp.	7,200	11,300	18,200	19,400	19,400	19,400	19,400	19,400	19,400
Council Chambers	2,500 sq. ft.	-	-	-	-	2,500	2,500	2,500	2,500	2,500
Total Square Feet		7,200	11,300	18,200	19,400	21,900	21,900	21,900	21,900	21,900

Note: "FTE" is full-time equivalent staff. Contract staff costs are included in personnel budgets.

¹ Assumes General Election in even numbered years.

² See Table 4.9

³ http://www.sacramentoexpress.com/headline/14951/Sacramento_Office_Market_Favoring_Tenants. Full service lease rate for Class A office space in Arden.

⁴ Based on LAFCo FY08-09 net cost, allocated in thirds to cities, the County and special districts, respectively. Half of the city share is allocated to the City of Sacramento, with the other half allocated to the remaining cities based on each city's revenues.

⁵ Includes allowance for public counters and waiting areas.

Sources: Tables 4.1, 4.4, 4.6, 4.9 and 4.11; Willdan Financial Services.

Table 4.14: Services and Supplies Costs (\$2009) - Scenario 2

Cost Factor		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
City Council											
Council Members	6 members										
Stipend	\$ 500 per member/month	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Travel	\$ 2,000 per member	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Memberships	\$ 15,000 per year	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
All Other	\$ 3,000 per year	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Subtotal		\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000
City Manager											
All Other	5% salaries	\$ 16,000	\$ 22,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000
City Attorney											
All Other	0% salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Clerk											
General Election	\$ 41,000 per election	\$ -	\$ 41,000	\$ -	\$ 41,000	\$ -	\$ 41,000	\$ -	\$ 41,000	\$ -	\$ 41,000
All Other	5% salaries	17,000	17,000	26,000	26,000	27,000	27,000	27,000	27,000	28,000	28,000
Subtotal		\$ 17,000	\$ 58,000	\$ 26,000	\$ 67,000	\$ 27,000	\$ 68,000	\$ 27,000	\$ 68,000	\$ 28,000	\$ 69,000
Administrative Services											
All Other	5% salaries	\$ 23,000	\$ 36,000	\$ 66,000	\$ 69,000	\$ 70,000	\$ 70,000	\$ 71,000	\$ 72,000	\$ 73,000	\$ 73,000
Development Services											
General Plan	\$ 1,250,000 over 3 years	\$ -	\$ 417,000	\$ 417,000	\$ 417,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All Other	5% salaries	-	84,000	130,000	144,000	145,000	147,000	148,000	150,000	151,000	152,000
Subtotal		\$ -	\$ 501,000	\$ 547,000	\$ 561,000	\$ 145,000	\$ 147,000	\$ 148,000	\$ 150,000	\$ 151,000	\$ 152,000
Law Enforcement (contract)											
Sheriff (contract)	See Table 4.7	\$ -	\$ 15,131,000	\$ 15,287,000	\$ 15,445,000	\$ 15,606,000	\$ 15,770,000	\$ 15,935,000	\$ 16,102,000	\$ 16,271,000	\$ 16,443,000
Animal Services (contract)											
	See Table 4.12	\$ -	\$ 415,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 417,000
Public Works											
Road Maintenance Cost ²	\$ 4,653 per center line mile	\$ -	\$ 4,709,000	\$ 4,709,000	\$ 4,709,000	\$ 4,710,000	\$ 4,710,000	\$ 4,711,000	\$ 4,711,000	\$ 4,712,000	\$ 4,712,000
Non-Departmental											
Office Lease (incl. utilities) ³	\$ 22.00 per sq. ft./year	\$ 158,000	\$ 249,000	\$ 400,000	\$ 427,000	\$ 482,000	\$ 482,000	\$ 482,000	\$ 482,000	\$ 482,000	\$ 482,000
LAFCo Cost Share ⁴	\$ 7,000 per year	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Furnishings, Equipment, & Computers (start up)	\$ 4,000 per employee	\$ 72,000	\$ 41,000	\$ 69,000	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	5% of personnel costs	107,000	210,000	298,000	316,000	319,000	323,000	326,000	329,000	332,000	335,000
Subtotal		\$ 344,000	\$ 507,000	\$ 774,000	\$ 762,000	\$ 808,000	\$ 812,000	\$ 815,000	\$ 818,000	\$ 821,000	\$ 824,000
Other Assumptions											
Office Space Assumptions											
Staffing (FTE)	See FTE Table	18.00	28.25	45.50	48.50	48.50	48.50	48.50	48.50	48.50	48.50
Office Space (sq. ft.) ⁵	400 sq. ft. per emp.	7,200	11,300	18,200	19,400	19,400	19,400	19,400	19,400	19,400	19,400
Council Chambers	2,500 sq. ft.	-	-	-	-	2,500	2,500	2,500	2,500	2,500	2,500
Total Square Feet		7,200	11,300	18,200	19,400	21,900	21,900	21,900	21,900	21,900	21,900

Note: "FTE" is full-time equivalent staff. Contract staff costs are included in personnel budgets.

¹ Assumes General Election in even numbered years.

² See Table 4.10

³ http://www.sacramentoexpress.com/headline/14951/Sacramento_Office_Market_Favoring_Tenants. Full service lease rate for Class A office space in Arden.

⁴ Based on LAFCo FY08-09 net cost, allocated in thirds to cities, the County and special districts, respectively. Half of the city share is allocated to the City of Sacramento, with the other half allocated to the remaining cities based on each city's revenues.

⁵ Includes allowance for public counters and waiting areas.

Sources: Tables 4.1, 4.4, 4.7, 4.10 and 4.12; Willdan Financial Services.

Table 4.15: New City Cost Summary (2009\$) - Scenario 1

Department	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	Year 6 2017	Year 7 2018	Year 8 2019	Year 9 2020	Year 10 2021
<i>General Fund</i>										
City Council										
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Personnel	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Subtotal	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000
City Manager										
Personnel	\$ 312,000	\$ 436,000	\$ 491,000	\$ 496,000	\$ 500,000	\$ 506,000	\$ 511,000	\$ 516,000	\$ 521,000	\$ 525,000
Non-Personnel	16,000	22,000	25,000	25,000	25,000	25,000	26,000	26,000	26,000	26,000
Subtotal	\$ 328,000	\$ 458,000	\$ 516,000	\$ 521,000	\$ 525,000	\$ 531,000	\$ 537,000	\$ 542,000	\$ 547,000	\$ 551,000
City Attorney										
Personnel	\$ 1,014,000	\$ 1,025,000	\$ 1,035,000	\$ 1,045,000	\$ 1,055,000	\$ 1,066,000	\$ 1,076,000	\$ 1,087,000	\$ 1,098,000	\$ 1,109,000
Subtotal	\$ 1,014,000	\$ 1,025,000	\$ 1,035,000	\$ 1,045,000	\$ 1,055,000	\$ 1,066,000	\$ 1,076,000	\$ 1,087,000	\$ 1,098,000	\$ 1,109,000
City Clerk										
Personnel	\$ 344,000	\$ 347,000	\$ 521,000	\$ 527,000	\$ 532,000	\$ 538,000	\$ 543,000	\$ 549,000	\$ 554,000	\$ 559,000
Non-Personnel	17,000	54,000	26,000	63,000	27,000	64,000	27,000	64,000	28,000	65,000
Subtotal	\$ 361,000	\$ 401,000	\$ 547,000	\$ 590,000	\$ 559,000	\$ 602,000	\$ 570,000	\$ 613,000	\$ 582,000	\$ 624,000
Administrative Services										
Personnel	\$ 468,000	\$ 716,000	\$ 1,312,000	\$ 1,379,000	\$ 1,393,000	\$ 1,406,000	\$ 1,421,000	\$ 1,436,000	\$ 1,450,000	\$ 1,464,000
Non-Personnel	23,000	36,000	66,000	69,000	70,000	70,000	71,000	72,000	73,000	73,000
Subtotal	\$ 491,000	\$ 752,000	\$ 1,378,000	\$ 1,448,000	\$ 1,463,000	\$ 1,476,000	\$ 1,492,000	\$ 1,508,000	\$ 1,523,000	\$ 1,537,000
Development Services										
Personnel	\$ -	\$ 1,670,000	\$ 2,598,000	\$ 2,876,000	\$ 2,905,000	\$ 2,934,000	\$ 2,962,000	\$ 2,992,000	\$ 3,018,000	\$ 3,049,000
Non-Personnel	-	501,000	547,000	561,000	145,000	147,000	148,000	150,000	151,000	152,000
Subtotal	\$ -	\$ 2,171,000	\$ 3,145,000	\$ 3,437,000	\$ 3,050,000	\$ 3,081,000	\$ 3,110,000	\$ 3,142,000	\$ 3,169,000	\$ 3,201,000
Police										
Non-Personnel	\$ -	\$ 14,174,000	\$ 14,320,000	\$ 14,469,000	\$ 14,621,000	\$ 14,773,000	\$ 14,929,000	\$ 15,085,000	\$ 15,243,000	\$ 15,402,000
Animal Control										
Non-Personnel	\$ -	\$ 388,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000	\$ 389,000
Non-Departmental										
Non-Personnel	\$ 344,000	\$ 507,000	\$ 774,000	\$ 762,000	\$ 808,000	\$ 812,000	\$ 815,000	\$ 818,000	\$ 821,000	\$ 824,000
County Repayment ¹	\$ -	\$ 185,000	\$ 190,600	\$ 196,300	\$ 202,200	\$ 208,000	\$ -	\$ -	\$ -	\$ -
<i>Road Fund</i>										
Non-Personnel	\$ 80,000	\$ 4,512,000	\$ 4,512,000	\$ 4,513,000	\$ 4,513,000	\$ 4,513,000	\$ 4,514,000	\$ 4,514,000	\$ 4,515,000	\$ 4,515,000
County Repayment ¹	-	929,000	957,000	986,000	1,016,000	1,046,000	-	-	-	-
Subtotal	\$ 80,000	\$ 5,441,000	\$ 5,469,000	\$ 5,499,000	\$ 5,529,000	\$ 5,559,000	\$ 4,514,000	\$ 4,514,000	\$ 4,515,000	\$ 4,515,000

¹ Repayment cost accounts for animal services, development services, road maintenance, and sheriff department services the County is obligated to provide for the first year of service.

Sources: Tables 4.4, 4.9 and 4.13; Willdan Financial Services.

Table 4.16: New City Cost Summary (2009\$) - Scenario 2

Department	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	Year 6 2017	Year 7 2018	Year 8 2019	Year 9 2020	Year 10 2021
<i>General Fund</i>										
City Council										
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Personnel	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Subtotal	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000
City Manager										
Personnel	\$ 312,000	\$ 436,000	\$ 491,000	\$ 496,000	\$ 500,000	\$ 506,000	\$ 511,000	\$ 516,000	\$ 521,000	\$ 525,000
Non-Personnel	16,000	22,000	25,000	25,000	25,000	25,000	26,000	26,000	26,000	26,000
Subtotal	\$ 328,000	\$ 458,000	\$ 516,000	\$ 521,000	\$ 525,000	\$ 531,000	\$ 537,000	\$ 542,000	\$ 547,000	\$ 551,000
City Attorney										
Personnel	\$ 1,014,000	\$ 1,025,000	\$ 1,035,000	\$ 1,045,000	\$ 1,055,000	\$ 1,066,000	\$ 1,076,000	\$ 1,087,000	\$ 1,098,000	\$ 1,109,000
Subtotal	\$ 1,014,000	\$ 1,025,000	\$ 1,035,000	\$ 1,045,000	\$ 1,055,000	\$ 1,066,000	\$ 1,076,000	\$ 1,087,000	\$ 1,098,000	\$ 1,109,000
City Clerk										
Personnel	\$ 344,000	\$ 347,000	\$ 521,000	\$ 527,000	\$ 532,000	\$ 538,000	\$ 543,000	\$ 549,000	\$ 554,000	\$ 559,000
Non-Personnel	17,000	58,000	26,000	67,000	27,000	68,000	27,000	68,000	28,000	69,000
Subtotal	\$ 361,000	\$ 405,000	\$ 547,000	\$ 594,000	\$ 559,000	\$ 606,000	\$ 570,000	\$ 617,000	\$ 582,000	\$ 628,000
Administrative Services										
Personnel	\$ 468,000	\$ 716,000	\$ 1,312,000	\$ 1,379,000	\$ 1,393,000	\$ 1,406,000	\$ 1,421,000	\$ 1,436,000	\$ 1,450,000	\$ 1,464,000
Non-Personnel	23,000	36,000	66,000	69,000	70,000	70,000	71,000	72,000	73,000	73,000
Subtotal	\$ 491,000	\$ 752,000	\$ 1,378,000	\$ 1,448,000	\$ 1,463,000	\$ 1,476,000	\$ 1,492,000	\$ 1,508,000	\$ 1,523,000	\$ 1,537,000
Development Services										
Personnel	\$ -	\$ 1,670,000	\$ 2,598,000	\$ 2,876,000	\$ 2,905,000	\$ 2,934,000	\$ 2,962,000	\$ 2,992,000	\$ 3,018,000	\$ 3,049,000
Non-Personnel	-	501,000	547,000	561,000	145,000	147,000	148,000	150,000	151,000	152,000
Subtotal	\$ -	\$ 2,171,000	\$ 3,145,000	\$ 3,437,000	\$ 3,050,000	\$ 3,081,000	\$ 3,110,000	\$ 3,142,000	\$ 3,169,000	\$ 3,201,000
Police										
Non-Personnel	\$ -	\$ 15,131,000	\$ 15,287,000	\$ 15,445,000	\$ 15,606,000	\$ 15,770,000	\$ 15,935,000	\$ 16,102,000	\$ 16,271,000	\$ 16,443,000
Animal Control										
Non-Personnel	\$ -	\$ 415,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 417,000
Non-Departmental										
Non-Personnel	\$ 344,000	\$ 507,000	\$ 774,000	\$ 762,000	\$ 808,000	\$ 812,000	\$ 815,000	\$ 818,000	\$ 821,000	\$ 824,000
County Repayment ¹	\$ -	\$ 275,000	\$ 283,000	\$ 291,000	\$ 300,000	\$ 309,000	\$ -	\$ -	\$ -	\$ -
<i>Road Fund</i>										
Non-Personnel	\$ 80,000	\$ 4,944,000	\$ 4,944,000	\$ 4,944,000	\$ 4,946,000	\$ 4,946,000	\$ 4,947,000	\$ 4,947,000	\$ 4,948,000	\$ 4,948,000
County Repayment ¹	-	1,018,000	1,049,000	1,080,000	1,112,000	1,145,000	-	-	-	-
Subtotal	\$ 80,000	\$ 5,962,000	\$ 5,993,000	\$ 6,024,000	\$ 6,058,000	\$ 6,091,000	\$ 4,947,000	\$ 4,947,000	\$ 4,948,000	\$ 4,948,000

¹ Repayment cost accounts for animal services, development services, road maintenance, and sheriff department services the County is obligated to provide for the first year of service.

Sources: Tables 4.4, 4.10 and 4.14; Willdan Financial Services.

5. Revenue Analysis

This section describes the methodologies used to estimate revenues for the new city and summarizes the results.

Property Tax

Property tax estimates are based on a projection of real property assessed value multiplied by a local public agency's share of the one percent property tax, called a tax allocation factor (TAF).² The TAF for the new city is calculated per a statutory formula based on the cost of services transferred to the new city.

Assessed property value within an area generates property tax for all jurisdictions that serve that area. For example, in an incorporated area the city general fund, county general fund, the public school district, and possibly separate fire, and recreation and parks district funds would each have a TAF that in sum would equal the one percent tax.

TAFs may vary by tax rate area within a jurisdiction and are calculated by the County Auditor-Controller. The methodology used in this study to estimate property tax is explained below.

It must be noted that incorporations result in a redistribution of existing property tax revenue. Property taxes do not increase as a result of incorporation.

Land Use Assumptions

Table 5.1 provides the land use assumptions used to estimate assessed value. Other assumptions shown in the table are used to estimate service population (see Chapter 2). These assumptions are explained below:

- ◆ **Market values** are based on a review of real estate performance in the Arden Arcade community and surrounding areas. The values for residential represent average sales prices as of November 2009.
- ◆ **Holding period** reflects the length of time property is held prior to re-sale when the property is re-assessed at market values. Residential property is held for a shorter period of time than commercial property on average. A holding period of seven years is assumed for residential development, fifteen years is assumed for nonresidential development, and ten years is assumed for existing development.
- ◆ **Density, vacancy, and occupancy** are used to calculate service population shown previously in Tables 2.5 and 2.8. Density represents persons per household or employees per thousand square feet.

² Proposition 13 limits the property tax to one percent of assessed value unless increased by two-thirds voter approval to support bonded debt.

Table 5.1: Land Use Assumptions

Land Use Type	Market Value/Unit or 1,000 SF ¹	Holding Period (years)	Density ¹	Vacancy ¹	Occupancy ¹
<i>Residential (dwelling units)</i>					
Single Family	\$ 197,000	7	2.72	3%	97%
Multi-family	138,000	7	1.85	3%	97%
<i>Nonresidential (sq. ft.)</i>					
Retail	\$ 290	15	3.00	5%	95%
Office	210	15	4.00	5%	95%
Existing Development ²	NA	10	NA	NA	NA

¹ Density represents persons per household or employees per 1,000 square feet. Density assumptions are not calculated net of vacant dwelling units and building space.

² Assumes existing development is a mix of residential and non-residential with significantly more residential.

Sources: California Department of Finance (DOF), Table E-5; 2000 U.S. Census; The Natelson Company, Inc., Employment Density Study Summary Report, prepared for the Southern California Association of Governments, October 31, 2001; Residential value assumptions come from DQNews.com for zip code 95864, November 2009; Loopnet index of recent nonresidential property sales for zip code 95864 and Sacramento; Willdan Financial Services.

Assessed Value

Assessed value is based on the assessed value of the current building stock and the market value of newly constructed buildings. Market value captures the current transactional prices for residential and nonresidential property. Assessed value is the value carried on the property tax rolls for calculating property taxes. Market value is almost always higher than assessed value because Proposition 13 limits annual increases in assessed value to two percent until the property is resold.³

This Proposition 13 constraint on assessed value requires estimating property tax based on nominal property values and then discounting revenues to exclude inflation. Discounting revenues to real dollars (excluding inflation) makes the results consistent with all other revenue and cost estimates generated by the fiscal model.

The fiscal model assumes a nominal annual property appreciation rate of 5.2 percent excluding the additional value from new development. The 5.2 percent property appreciation rate is based on an analysis of Federal Housing Agency's Housing Price Index (HPI) data. The data was examined to determine the annual property appreciation rate in the Sacramento-Arden Arcade-Roseville MSA from 1995 to 2009 – the annualized rate from low point to low point of the area's real estate cycles. By including the current recession and the recession of the early 1990s the average annual appreciate rate is 5.2 percent.

For the purposes of estimating nominal value, inflation is estimated at three percent per year.

Proposition 8 requires the temporary re-assessment of properties based on falling market values within an area. As market conditions improve, the assessed values for these properties can be increased beyond the two percent limitation of Proposition 13, up to the previous value. Also, foreclosure related transfers trigger 'permanent' resets of the assessed value

³ California Constitution, Article XIII A.

under Proposition 13 to reflect current market conditions. The assessed value of these properties can only be increased a maximum of two percent annually unless sold again for a higher price.

Assessed value for a given year is calculated for each land use type and is the sum of the following three values:

- ◆ Market value in nominal dollars (including inflation) of new development occurring in a given year is based on annual absorption in that year (see Tables 2.3 and 2.6) multiplied by the unit values shown in Table 5.1. Market value is calculated by increasing the unit market values shown in Table 5.1 at the nominal annual appreciation rate to the year in which the new development occurs, and multiplying the unit values by the number of new units in that year.
- ◆ Existing assessed value is typically the share of total assessed value from the prior year that is not re-sold is increased by the Proposition 13 constraint of two percent. The share is based on the holding period assumptions shown in Table 5.1. Existing assessed value from the Auburn Redevelopment Area (RDA) has been excluded to account for lowered property tax revenues to the city generated in the RDA.
- ◆ The share of total market value from the prior year that is re-sold based on the holding period assumptions, increased by the nominal annual appreciation rate to the current year.

Total assessed value is based on the sum of assessed values for all parcels in 2009 based on data provided by the County. Total property (assessed value) is shown for each scenario in **Tables 5.2** and **5.3**, respectively.

Table 5.2: Property Value - Scenario 1

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
FY Ending	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>New Property Sales (nominal market value)</i>												
Residential												
Single Family	\$ -	\$ 654,000	\$ 918,000	\$ 1,448,000	\$ 1,524,000	\$ 2,405,000	\$ 2,530,000	\$ 2,662,000	\$ 3,112,000	\$ 3,274,000	\$ 3,445,000	\$ 3,624,000
Multi-family	-	153,000	321,000	338,000	534,000	749,000	788,000	829,000	872,000	917,000	965,000	1,016,000
Subtotal	\$ -	\$ 807,000	\$ 1,239,000	\$ 1,786,000	\$ 2,058,000	\$ 3,154,000	\$ 3,318,000	\$ 3,491,000	\$ 3,984,000	\$ 4,191,000	\$ 4,410,000	\$ 4,640,000
Nonresidential												
Retail	\$ -	\$ 828,215	\$ 1,452,294	\$ 2,139,170	\$ 2,250,651	\$ 3,382,772	\$ 3,914,967	\$ 4,118,991	\$ 4,333,647	\$ 4,559,490	\$ 5,233,203	\$ 5,505,925
Office	-	404,477	709,260	1,044,711	1,099,155	1,652,051	1,911,961	2,011,600	2,116,432	2,226,728	2,555,750	2,688,940
Industrial	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ -	\$ 1,232,692	\$ 2,161,554	\$ 3,183,881	\$ 3,349,805	\$ 5,034,824	\$ 5,826,928	\$ 6,130,591	\$ 6,450,080	\$ 6,786,218	\$ 7,788,953	\$ 8,194,865
Total	\$ -	\$ 2,039,692	\$ 3,400,554	\$ 4,969,881	\$ 5,407,805	\$ 8,188,824	\$ 9,144,928	\$ 9,621,591	\$ 10,434,080	\$ 10,977,218	\$ 12,198,953	\$ 12,834,865
<i>Cumulative Property Value (nominal market value)</i>												
Residential												
Single Family	\$ -	\$ 654,000	\$ 1,606,000	\$ 3,138,000	\$ 4,826,000	\$ 7,483,000	\$ 10,403,000	\$ 13,607,000	\$ 17,428,112	\$ 21,610,357	\$ 26,181,555	\$ 31,169,975
Multi-family	-	153,000	482,000	845,000	1,423,000	2,246,000	3,151,000	4,144,000	5,231,960	6,421,617	7,721,272	9,139,656
Subtotal	\$ -	\$ 807,000	\$ 2,088,000	\$ 3,983,000	\$ 6,249,000	\$ 9,729,000	\$ 13,554,000	\$ 17,751,000	\$ 22,660,072	\$ 28,031,974	\$ 33,902,827	\$ 40,309,632
Nonresidential												
Retail	\$ -	\$ 828,215	\$ 2,323,671	\$ 4,583,936	\$ 7,073,473	\$ 10,824,871	\$ 15,303,963	\$ 20,220,501	\$ 25,607,916	\$ 31,501,932	\$ 38,376,819	\$ 45,882,706
Office	-	404,477	1,134,816	2,238,667	3,454,487	5,286,565	7,474,028	9,875,129	12,506,191	15,384,664	18,742,168	22,407,833
Industrial	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ -	\$ 1,232,692	\$ 3,458,487	\$ 6,822,603	\$ 10,527,960	\$ 16,111,435	\$ 22,777,991	\$ 30,095,630	\$ 38,114,107	\$ 46,886,596	\$ 57,118,987	\$ 68,290,539
Total	\$ -	\$ 2,039,692	\$ 5,546,486	\$ 10,805,603	\$ 16,776,960	\$ 25,840,435	\$ 36,331,991	\$ 47,846,630	\$ 60,774,179	\$ 74,918,570	\$ 91,021,815	\$ 108,600,172
<i>Assessed Value (nominal)</i>												
Residential												
Single Family	\$ -	\$ 654,000	\$ 1,588,000	\$ 3,078,000	\$ 4,687,000	\$ 7,228,000	\$ 9,974,000	\$ 12,946,000	\$ 16,475,662	\$ 20,297,915	\$ 24,439,257	\$ 28,926,032
Multi-family	-	153,000	478,000	495,000	1,094,000	1,919,000	2,803,000	3,753,000	4,776,046	5,879,002	7,070,109	8,357,818
Subtotal	\$ -	\$ 807,000	\$ 2,066,000	\$ 3,573,000	\$ 5,781,000	\$ 9,147,000	\$ 12,777,000	\$ 16,699,000	\$ 21,251,707	\$ 26,176,918	\$ 31,509,366	\$ 37,283,850
Nonresidential												
Retail	\$ -	\$ 828,215	\$ 2,298,847	\$ 4,490,657	\$ 6,847,277	\$ 10,397,520	\$ 14,572,672	\$ 19,065,609	\$ 23,902,392	\$ 29,110,730	\$ 35,156,192	\$ 41,666,405
Office	-	404,477	1,122,693	2,193,111	3,344,019	5,077,859	7,116,887	9,311,112	11,673,261	14,216,868	17,169,303	20,348,709
Industrial	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ -	\$ 1,232,692	\$ 3,421,539	\$ 6,683,768	\$ 10,191,296	\$ 15,475,378	\$ 21,689,559	\$ 28,376,721	\$ 35,575,653	\$ 43,327,598	\$ 52,325,495	\$ 62,015,114
Existing	<u>\$ 6,636,908,402</u>	<u>\$ 6,776,283,478</u>	<u>\$ 6,918,585,431</u>	<u>\$ 7,063,875,726</u>	<u>\$ 7,212,217,116</u>	<u>\$ 7,363,673,675</u>	<u>\$ 7,518,310,822</u>	<u>\$ 7,676,195,350</u>	<u>\$ 7,837,395,452</u>	<u>\$ 8,001,980,757</u>	<u>\$ 8,170,022,352</u>	<u>\$ 8,341,592,822</u>
Total	\$ 6,636,908,402	\$ 6,778,323,171	\$ 6,924,072,971	\$ 7,074,132,494	\$ 7,228,189,412	\$ 7,388,296,054	\$ 7,552,777,381	\$ 7,721,271,070	\$ 7,894,222,813	\$ 8,071,485,272	\$ 8,253,857,214	\$ 8,440,891,786
<i>Assessed Value (real)</i>												
Residential												
Single Family	\$ -	\$ 635,000	\$ 1,497,000	\$ 2,817,000	\$ 4,164,000	\$ 6,235,000	\$ 8,353,000	\$ 10,526,000	\$ 13,006,000	\$ 15,557,000	\$ 18,185,000	\$ 20,897,000
Multi-family	-	149,000	451,000	453,000	972,000	1,655,000	2,347,000	3,052,000	4,506,000	5,261,000	6,038,000	6,038,000
Subtotal	\$ -	\$ 784,000	\$ 1,948,000	\$ 3,270,000	\$ 5,136,000	\$ 7,890,000	\$ 10,700,000	\$ 13,578,000	\$ 16,776,000	\$ 20,063,000	\$ 23,446,000	\$ 26,935,000
Nonresidential												
Retail	\$ -	\$ 804,000	\$ 2,167,000	\$ 4,110,000	\$ 6,084,000	\$ 8,969,000	\$ 12,204,000	\$ 15,502,000	\$ 18,869,000	\$ 22,311,000	\$ 26,160,000	\$ 30,101,000
Office	-	393,000	1,058,000	2,007,000	2,971,000	4,380,000	5,960,000	7,571,000	9,215,000	10,896,000	12,776,000	14,700,000
Industrial	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ -	\$ 1,197,000	\$ 3,225,000	\$ 6,117,000	\$ 9,055,000	\$ 13,349,000	\$ 18,164,000	\$ 23,073,000	\$ 28,084,000	\$ 33,207,000	\$ 38,936,000	\$ 44,801,000
Existing	<u>\$ 6,636,908,000</u>	<u>\$ 6,578,916,000</u>	<u>\$ 6,521,430,000</u>	<u>\$ 6,464,447,000</u>	<u>\$ 6,407,961,000</u>	<u>\$ 6,351,970,000</u>	<u>\$ 6,296,467,000</u>	<u>\$ 6,241,449,000</u>	<u>\$ 6,186,912,000</u>	<u>\$ 6,132,852,000</u>	<u>\$ 6,079,264,000</u>	<u>\$ 6,026,144,000</u>
Total	\$ 6,636,908,000	\$ 6,580,897,000	\$ 6,526,603,000	\$ 6,473,834,000	\$ 6,422,152,000	\$ 6,373,209,000	\$ 6,325,331,000	\$ 6,278,100,000	\$ 6,231,772,000	\$ 6,186,122,000	\$ 6,141,646,000	\$ 6,097,880,000

Sources: Tables 2.3 and 5.1; Sacramento County; Willdan Financial Services.

Table 5.3: Property Value - Scenario 2

FY Ending	Year												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
<i>New Property Sales (nominal market value)</i>													
Residential													
Single Family	\$ -	\$ 654,000	\$ 1,147,000	\$ 1,690,000	\$ 1,778,000	\$ 2,138,000	\$ 2,811,000	\$ 2,958,000	\$ 3,423,000	\$ 3,602,000	\$ 4,134,000	\$ 4,349,000	
Multi-family	-	153,000	321,000	507,000	534,000	749,000	788,000	829,000	872,000	1,147,000	1,207,000	1,269,000	
Subtotal	\$ -	\$ 807,000	\$ 1,468,000	\$ 2,197,000	\$ 2,312,000	\$ 2,887,000	\$ 3,599,000	\$ 3,787,000	\$ 4,295,000	\$ 4,749,000	\$ 5,341,000	\$ 5,618,000	
Nonresidential													
Retail	\$ -	\$ 828,215	\$ 1,452,294	\$ 2,139,170	\$ 2,250,651	\$ 3,382,772	\$ 3,914,967	\$ 4,118,991	\$ 4,333,647	\$ 4,559,490	\$ 5,233,203	\$ 5,505,925	
Office	-	404,477	709,260	1,044,711	1,099,155	1,652,051	1,911,961	2,011,600	2,116,432	2,226,728	2,555,750	2,688,940	
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal	\$ -	\$ 1,232,692	\$ 2,161,554	\$ 3,183,881	\$ 3,349,805	\$ 5,034,824	\$ 5,826,928	\$ 6,130,591	\$ 6,450,080	\$ 6,786,218	\$ 7,788,953	\$ 8,194,865	
Total	\$ -	\$ 2,039,692	\$ 3,629,554	\$ 5,380,881	\$ 5,661,805	\$ 7,921,824	\$ 9,425,928	\$ 9,917,591	\$ 10,745,080	\$ 11,535,218	\$ 13,129,953	\$ 13,812,865	
<i>Cumulative Property Value (nominal market value)</i>													
Residential													
Single Family	\$ -	\$ 654,000	\$ 1,835,000	\$ 3,621,000	\$ 5,588,000	\$ 8,017,000	\$ 11,246,000	\$ 14,790,000	\$ 18,983,763	\$ 23,575,079	\$ 28,937,666	\$ 34,794,717	
Multi-family	-	153,000	482,000	1,014,000	1,601,000	2,433,000	3,348,000	4,351,000	5,449,747	6,880,754	8,446,336	10,155,507	
Subtotal	\$ -	\$ 807,000	\$ 2,317,000	\$ 4,635,000	\$ 7,189,000	\$ 10,450,000	\$ 14,594,000	\$ 19,141,000	\$ 24,433,510	\$ 30,455,833	\$ 37,384,002	\$ 44,950,224	
Nonresidential													
Retail	\$ -	\$ 828,215	\$ 2,323,671	\$ 4,583,936	\$ 7,073,473	\$ 10,824,871	\$ 15,303,963	\$ 20,220,501	\$ 25,607,916	\$ 31,501,932	\$ 38,376,819	\$ 45,882,706	
Office	-	404,477	1,134,816	2,238,667	3,454,487	5,286,565	7,474,028	9,875,129	12,506,191	15,384,664	18,742,168	22,407,833	
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal	\$ -	\$ 1,232,692	\$ 3,458,487	\$ 6,822,603	\$ 10,527,960	\$ 16,111,435	\$ 22,777,991	\$ 30,095,630	\$ 38,114,107	\$ 46,886,596	\$ 57,118,987	\$ 68,290,539	
Total	\$ -	\$ 2,039,692	\$ 5,775,486	\$ 11,457,603	\$ 17,716,960	\$ 26,561,435	\$ 37,371,991	\$ 49,236,630	\$ 62,547,617	\$ 77,342,429	\$ 94,502,990	\$ 113,240,765	
<i>Assessed Value (nominal)</i>													
Residential													
Single Family	\$ -	\$ 654,000	\$ 1,817,000	\$ 3,554,000	\$ 5,429,000	\$ 7,724,000	\$ 10,769,000	\$ 14,063,000	\$ 17,941,046	\$ 22,140,897	\$ 27,034,851	\$ 32,334,572	
Multi-family	-	153,000	478,000	664,000	1,267,000	2,097,000	2,987,000	3,944,000	4,974,147	6,314,933	7,762,247	9,324,922	
Subtotal	\$ -	\$ 807,000	\$ 2,295,000	\$ 4,218,000	\$ 6,696,000	\$ 9,821,000	\$ 13,756,000	\$ 18,007,000	\$ 22,915,193	\$ 28,455,830	\$ 34,797,098	\$ 41,659,495	
Nonresidential													
Retail	\$ -	\$ 828,215	\$ 2,298,847	\$ 4,490,657	\$ 6,847,277	\$ 10,397,520	\$ 14,572,672	\$ 19,065,609	\$ 23,902,392	\$ 29,110,730	\$ 35,156,192	\$ 41,666,405	
Office	-	404,477	1,122,693	2,193,111	3,344,019	5,077,859	7,116,887	9,311,112	11,673,261	14,216,868	17,169,303	20,348,709	
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal	\$ -	\$ 1,232,692	\$ 3,421,539	\$ 6,683,768	\$ 10,191,296	\$ 15,475,378	\$ 21,689,559	\$ 28,376,721	\$ 35,575,653	\$ 43,327,598	\$ 52,325,495	\$ 62,015,114	
Existing	\$ 7,665,842,876	\$ 7,826,825,576	\$ 7,991,188,914	\$ 8,159,003,881	\$ 8,330,342,962	\$ 8,505,280,164	\$ 8,683,891,048	\$ 8,866,252,760	\$ 9,052,444,068	\$ 9,242,545,393	\$ 9,436,638,846	\$ 9,634,808,262	
Total	\$ 7,665,842,876	\$ 7,828,865,269	\$ 7,996,905,453	\$ 8,169,905,649	\$ 8,347,230,258	\$ 8,530,576,543	\$ 8,719,336,607	\$ 8,912,636,481	\$ 9,110,934,914	\$ 9,314,328,822	\$ 9,523,761,439	\$ 9,738,482,871	
<i>Assessed Value (real)</i>													
Residential													
Single Family	\$ -	\$ 635,000	\$ 1,713,000	\$ 3,252,000	\$ 4,824,000	\$ 6,663,000	\$ 9,019,000	\$ 11,435,000	\$ 14,163,000	\$ 16,969,000	\$ 20,116,000	\$ 23,359,000	
Multi-family	-	149,000	451,000	608,000	1,126,000	1,809,000	2,502,000	3,207,000	3,927,000	4,840,000	5,776,000	6,737,000	
Subtotal	\$ -	\$ 784,000	\$ 2,164,000	\$ 3,860,000	\$ 5,950,000	\$ 8,472,000	\$ 11,521,000	\$ 14,642,000	\$ 18,090,000	\$ 21,809,000	\$ 25,892,000	\$ 30,096,000	
Nonresidential													
Retail	\$ -	\$ 804,000	\$ 2,167,000	\$ 4,110,000	\$ 6,084,000	\$ 8,969,000	\$ 12,204,000	\$ 15,502,000	\$ 18,869,000	\$ 22,311,000	\$ 26,160,000	\$ 30,101,000	
Office	-	393,000	1,058,000	2,007,000	2,971,000	4,380,000	5,960,000	7,571,000	9,215,000	10,896,000	12,776,000	14,700,000	
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal	\$ -	\$ 1,197,000	\$ 3,225,000	\$ 6,117,000	\$ 9,055,000	\$ 13,349,000	\$ 18,164,000	\$ 23,073,000	\$ 28,084,000	\$ 33,207,000	\$ 38,936,000	\$ 44,801,000	
Existing	\$ 7,665,843,000	\$ 7,598,860,000	\$ 7,532,462,000	\$ 7,466,644,000	\$ 7,401,402,000	\$ 7,336,729,000	\$ 7,272,622,000	\$ 7,209,075,000	\$ 7,146,083,000	\$ 7,083,641,000	\$ 7,021,746,000	\$ 6,960,390,000	
Total	\$ 7,665,843,000	\$ 7,600,841,000	\$ 7,537,851,000	\$ 7,476,621,000	\$ 7,416,407,000	\$ 7,358,550,000	\$ 7,302,307,000	\$ 7,246,790,000	\$ 7,192,257,000	\$ 7,138,657,000	\$ 7,086,574,000	\$ 7,035,287,000	

Sources: Tables 2.6 and 5.1; Sacramento County; Willdan Financial Services.

Property Tax Allocation

Assessed value is multiplied by the one percent property tax rate and then by the TAF applicable to the public agency to calculate property tax in nominal dollars. Nominal property tax revenue is discounted back to the present to generate revenue estimates in real (constant 2009) dollars. This approach ensures consistency with other model fiscal estimates that are expressed in real dollars.

In most cases the TAF for a new city upon incorporation is based on the services transferred from existing public agencies to the new city. If a service is transferred then property tax revenue to fund that service is transferred as well. For TAFs dedicated to specific services, such as for a fire or park district, the entire TAF is transferred to the city if the service is transferred. For a county's general fund TAF, only a portion is transferred because while the county transfers some services to the city such as law enforcement, it retains other services such as the medical examiner.

County General Fund Property Tax Allocation

The property tax transferred to a new incorporated city from the County's general fund share is based on the following statutory formula:

$$(\text{Net county cost}) \times (\text{Auditor's Ratio}) = \text{New city property tax revenue in base year}$$

Where:

Net county cost = Total cost of services transferred to the new city from the county, net of designated revenues (such as charges for services and restricted tax revenue); and

Auditor's Ratio = Total general fund property taxes divided by total general fund undesignated revenues.

To calculate property tax after the base year, the County Auditor-Controller calculates the new city's TAF applied to future increases in assessed value is calculated as follows:

$$\frac{\text{New city property tax in base year}}{\text{One percent of assessed value in base year}} = \text{New city tax allocation factor (new city TAF)}$$

Net County Cost

The first part of this formula is an estimate of the current net county cost of providing services that will be transferred to the new city. Net county costs represent service costs funded by discretionary tax revenues, such as property and sales taxes, net of all fees, charges, and transfers. **Tables 5.4 and 5.5** calculate the cost of general government services transferred to the new city under each scenario, respectively.

Estimated net county costs for the new city are based on both case study analysis and on a per capita cost analysis of actual expenditure data for FY 2008-09 and are shown in **Tables 5.6 and 5.7**. Transferred services include animal control, land use planning, general government, development and sheriff services.

Table 5.4: General Government Net County Cost (FY09) - Scenario 1

Item	Type of Service Transferred			
	Not Transferred	Uninc. Only	Countywide	Total
<u>Net County Cost</u>				
Legislative and Administrative				
Board of Supervisors	\$ -	\$ -	\$ 3,508,024	
County Executive Cabinet	-	-	(8,327)	
County Executive	-	-	81,755	
Finance				
Assessor	6,267,567	-	-	
Department of Finance	-	-	1,682,739	
Tobacco Litigation Settlement	6,135,821	-	-	
Non Departmental Expense: GF	-	-	4,742,037	
County Counsel	-	-	1,589,823	
Personnel				
Civil Service Commission	-	-	339,981	
Office of Labor Relations	-	-	974,588	
Personnel Services	-	-	69,081	
Elections - Registrar of Voters ¹	-	-	5,194,494	
Property Management	12,790	-	-	
Plant Acquisition ²	3,302,235	-	6,346,911	
Promotion				
Economic Development & Intergovernmental Affairs ³	-	6,927,784	-	
Financing Transfers/Reimbursements - General Fund	-	-	5,390,330	
Neighborhood Services	-	1,196,876	-	
Other General				
Data Processing - Shared Systems	-	-	12,491,275	
Revenue Recovery	-	-	647,188	
Total¹	\$ 15,718,413	\$ 8,124,660	\$ 43,049,899	
<u>Service Population</u>				
Unincorporated Residents (A)		565,309	565,309	
County Population (B)			1,433,187	
Weighted Population (C = A + B)			1,998,496	
Total Service Population (C)		565,309	1,998,496	
Unincorporated Percent of Total (A / C)		100%	28%	
<u>Cost Allocation</u>				
Total Unincorporated Share		\$ 8,125,000	\$ 12,054,000	
Per Unincorporated Resident		14.37	21.32	\$ 35.70
Total - Countywide and Unincorporated				
<u>Arden Arcade Area Services</u>				
Unincorporated Residents - Scenario 1				92,006
General Government Costs Transferred			\$ 3,284,202	

¹Assumes that the Registrar of Voters will receive reimbursement from the new city for city elections, transferring a portion of the office's costs to the city.

²Assumes that County general fund payments for administration and corporation type buildings will transfer costs to the new city, while buildings for countywide services not delivered by cities will not transfer costs.

³Assumes that the Net County Cost of this office is the amount in FY09 spent in excess of the fund balance.

Sources: Table 2.1; County of Sacramento FY09 Budget; Willdan Financial Services.

Table 5.5: General Government Net County Cost (FY09) - Scenario 2

Item	Type of Service Transferred			Total
	Not Transferred	Uninc. Only	Countywide	
Net County Cost				
Legislative and Administrative				
Board of Supervisors	\$ -	\$ -	\$ 3,508,024	
County Executive Cabinet	-	-	(8,327)	
County Executive	-	-	81,755	
Finance				
Assessor	6,267,567	-	-	
Department of Finance	-	-	1,682,739	
Tobacco Litigation Settlement	6,135,821	-	-	
Non Departmental Expense: GF	-	-	4,742,037	
County Counsel	-	-	1,589,823	
Personnel				
Civil Service Commission	-	-	339,981	
Office of Labor Relations	-	-	974,588	
Personnel Services	-	-	69,081	
Elections - Registrar of Voters ¹	-	-	5,194,494	
Property Management	12,790		-	
Plant Acquisition ²	3,302,235		6,346,911	
Promotion				
Economic Development & Intergovernmental Affairs ³	-	6,927,784	-	
Financing Transfers/Reimbursements - General Fund	-	-	5,390,330	
Neighborhood Services	-	1,196,876	-	
Other General				
Data Processing - Shared Systems	-	-	12,491,275	
Revenue Recovery	-	-	647,188	
Total¹	\$ 15,718,413	\$ 8,124,660	\$ 43,049,899	
Service Population				
Unincorporated Residents (A)		565,309	565,309	
County Population (B)			1,433,187	
Weighted Population (C = A + B)			1,998,496	
Total Service Population (C)		<u>565,309</u>	<u>1,998,496</u>	
Unincorporated Percent of Total (A / C)		<u>100%</u>	<u>28%</u>	
Cost Allocation				
Total Unincorporated Share		\$ 8,125,000	\$ 12,054,000	
Per Unincorporated Resident		14.37	21.32	\$ 35.70
Total - Countywide and Unincorporated				
Arden Arcade Area Services				
Unincorporated Residents - Scenario 2				<u>98,401</u>
General Government Costs Transferred				\$ 3,512,475

¹Assumes that the Registrar of Voters will receive reimbursement from the new city for city elections, transferring a portion of the office's costs to the city.

²Assumes that County general fund payments for administration and corporation type buildings will transfer costs to the new city, while buildings for countywide services not delivered by cities will not transfer costs.

³Assumes that the Net County Cost of this office is the amount in FY09 spent in excess of the fund balance.

Sources: Table 2.1; County of Sacramento FY09 Budget; Willdan Financial Services.

Table 5.6: Net County Cost (FY09) - Scenario 1

Budget Function / Service	Service Cost		FY09 Net County Cost
	Transferred to New City	Source of Transferred Cost	
General Government	Yes	Table 5.4	\$ 3,284,202
Public Protection	Yes		
Sheriff Patrol / Investigation ¹	Yes	Table 4.5	12,320,339
Animal Services	Yes	Appendix Table A.3	205,390
Development Services (Code Enforcement and Planning)	Yes	Appendix Table A.2	555,159
Health and Sanitation	No		-
Public Assistance	No		-
Education	No		-
Recreation & Cultural Services	No		-
Debt Service	No		-
Total			\$ 16,365,091

¹ Sheriff patrol / investigation cost shown net of estimated Proposition 172 revenues. Share of unrestricted revenues assumed to be approximately 88%.

Sources: Sacramento County FY09 Budget; Sheriff Department, Animal Services Department, Department of Transportation, and Tables 4.5, 5.4, A.2 and A.3; Willdan Financial Services.

Table 5.7: Net County Cost (FY09) - Scenario 2

Budget Function / Service	Service Cost		FY09 Net County Cost
	Transferred to New City	Source of Transferred Cost	
General Government	Yes	Table 5.5	\$ 3,512,475
Public Protection	Yes		
Sheriff Patrol / Investigation ¹	Yes	Table 4.5	12,713,856
Animal Services	Yes	Appendix Table A.3	205,390
Development Services (Code Enforcement and Planning)	Yes	Appendix Table A.2	555,159
Health and Sanitation	No		-
Public Assistance	No		-
Education	No		-
Recreation & Cultural Services	No		-
Debt Service	No		-
Total			\$ 16,986,880

¹ Sheriff patrol / investigation cost shown net of estimated Proposition 172 revenues. Share of unrestricted revenues assumed to be approximately 88%.

Sources: Sacramento County FY09 Budget; Sheriff Department, Animal Services Department, Department of Transportation, and Tables 4.5, 5.5, A.2 and A.3; Willdan Financial Services.

Auditor's Ratio

The second part of the formula used to calculate the share of the County's general fund property tax to be transferred to the new city is the Auditor's ratio. The Auditor's Ratio represents that share of the net cost of services that is funded by property tax revenues. The County Auditor's Office provided the Auditor's Ratio for the purposes of this CFA.

Sacramento Public Library Authority

The Sacramento Public Library also has its own property tax allocation factor and revenue. This tax allocation factor and revenue is excluded from the analysis because library services are not assumed to transfer to the new city. (See also the municipal services plan discussion in Chapter 3.)

Sacramento Metropolitan Fire District

Metro Fire has its own TAF, and the associated property tax revenue will be transferred seamlessly to the agency to pay for the provision of fire services. As such, this allocation will not be transferred to the new city and is excluded from this analysis.

Tax Allocation Factor

Based on the municipal service plan presented in Chapter 3, only services funded by the County's general fund are being transferred to the new city. Fire services are not included in the transfer because they will be funded by Metro Fire's TAF, as discussed above. **Tables 5.8 and 5.9** show the calculated property tax transfer and resulting TAF for each scenario using the formula and assumptions presented above.

Table 5.8: Property Tax Transfer Tax Allocation Factor (FY09 Projected) - Scenario 1

	Scenario 1
<i>Transfer of County General Fund Tax Base</i>	
Total Net County Cost	\$ 16,365,091
County Auditor's Ratio	41.330%
Property Tax Base Transferred	\$ 6,764,000
<i>General Fund Tax Allocation Factor</i>	
Assessed Value (FY 2008-09)	<u>\$ 6,636,908,402</u>
Property Tax (1% of assessed value)	1.00%
Total Property Tax Collected (1% of A.V.)	\$ 66,369,000
Property Tax Base Transferred	<u>6,764,000</u>
General Fund Tax Allocation Factor	10.19%

Note: A "tax allocation factor" or "TAF" refers to a public agency's share of the one percent property

Sources: Table 5.6; Sacramento County Auditor-Controller; Willdan Financial Services.

Table 5.9: Property Tax Transfer Tax Allocation Factor (FY09 Projected) - Scenario 2

	Scenario 2
<i>Transfer of County General Fund Tax Base</i>	
Total Net County Cost	\$ 16,986,880
County Auditor's Ratio	41.330%
Property Tax Base Transferred	\$ 7,021,000
<i>General Fund Tax Allocation Factor</i>	
Assessed Value (FY 2007-08)	\$ 7,665,842,876
Property Tax (1% of assessed value)	1.00%
Total Property Tax Collected (1% of A.V.)	\$ 76,658,000
Property Tax Base Transferred	<u>7,021,000</u>
General Fund Tax Allocation Factor	9.16%

Note: A "tax allocation factor" or "TAF" refers to a public agency's share of the one percent property tax.

Sources: Table 5.7; Sacramento County Auditor-Controller; Willdan Financial Services.

Property Tax Revenue Projections

Total estimated General Fund property tax revenue is shown in **Tables 5.10** and **5.11** for each scenario. The County would receive property tax revenue during the transition year, so Tables 5.10 and 5.11 show no property tax revenue coming into the proposed city in Year 1.

Table 5.10: Property Tax (2009\$) - Scenario 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Residential (New Development)</i>										
Single Family	\$ -	\$ 3,000	\$ 4,000	\$ 6,000	\$ 9,000	\$ 11,000	\$ 13,000	\$ 16,000	\$ 19,000	\$ 21,000
Multi-family	-	-	1,000	2,000	2,000	3,000	4,000	5,000	5,000	6,000
Subtotal	\$ -	\$ 3,000	\$ 5,000	\$ 8,000	\$ 11,000	\$ 14,000	\$ 17,000	\$ 21,000	\$ 24,000	\$ 27,000
<i>Nonresidential (New Development)</i>										
Retail	\$ -	\$ 4,000	\$ 6,000	\$ 9,000	\$ 12,000	\$ 16,000	\$ 19,000	\$ 23,000	\$ 27,000	\$ 31,000
Office	-	2,000	3,000	4,000	6,000	8,000	9,000	11,000	13,000	15,000
Industrial	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ -	\$ 6,000	\$ 9,000	\$ 13,000	\$ 18,000	\$ 24,000	\$ 28,000	\$ 34,000	\$ 40,000	\$ 46,000
<i>Existing</i>	\$ -	\$ 6,587,000	\$ 6,530,000	\$ 6,473,000	\$ 6,416,000	\$ 6,360,000	\$ 6,304,000	\$ 6,249,000	\$ 6,195,000	\$ 6,141,000
Total	\$ -	\$ 6,596,000	\$ 6,544,000	\$ 6,494,000	\$ 6,445,000	\$ 6,398,000	\$ 6,349,000	\$ 6,304,000	\$ 6,259,000	\$ 6,214,000

Sources: Tables 5.2 and 5.8; Willdan Financial Services.

Table 5.11: Property Tax (2009\$) - Scenario 2

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Residential (New Development)</i>										
Single Family	\$ -	\$ 3,000	\$ 4,000	\$ 6,000	\$ 8,000	\$ 10,000	\$ 13,000	\$ 16,000	\$ 18,000	\$ 21,000
Multi-family	-	1,000	1,000	2,000	2,000	3,000	4,000	4,000	5,000	6,000
Subtotal	\$ -	\$ 4,000	\$ 5,000	\$ 8,000	\$ 10,000	\$ 13,000	\$ 17,000	\$ 20,000	\$ 23,000	\$ 27,000
<i>Nonresidential (New Development)</i>										
Retail	\$ -	\$ 4,000	\$ 6,000	\$ 8,000	\$ 11,000	\$ 14,000	\$ 17,000	\$ 20,000	\$ 24,000	\$ 28,000
Office	-	2,000	3,000	4,000	5,000	7,000	8,000	10,000	12,000	13,000
Industrial	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ -	\$ 6,000	\$ 9,000	\$ 12,000	\$ 16,000	\$ 21,000	\$ 25,000	\$ 30,000	\$ 36,000	\$ 41,000
<i>Existing</i>	\$ -	\$ 6,839,000	\$ 6,780,000	\$ 6,720,000	\$ 6,662,000	\$ 6,604,000	\$ 6,546,000	\$ 6,489,000	\$ 6,432,000	\$ 6,376,000
Total	\$ -	\$ 6,849,000	\$ 6,794,000	\$ 6,740,000	\$ 6,688,000	\$ 6,638,000	\$ 6,588,000	\$ 6,539,000	\$ 6,491,000	\$ 6,444,000

Sources: Tables 5.3 and 5.9; Willdan Financial Services.

Other Taxes

Several other taxes will provide revenue to the new city. Sales tax is the most important source of revenue from other taxes. Property transfer tax and gas tax revenues are also included in the analysis. These taxes are discussed below.

Sales Tax

The State Board of Equalization (SBOE) provided existing sales tax data for reporting businesses with addresses in the each incorporation scenario. Address ranges were developed by Willdan from a list of assessor parcel numbers (APNs) provided by Sacramento County GIS.

In addition to the sales tax revenue associated with existing development, estimates of gross sales per square foot of retail land uses associated with projected new development is used to estimate future sales tax revenue from new development. This analysis uses an assumption of \$340 of gross sales per square foot for new retail space. This figure is equal to the average of super regional, regional, super community and neighborhood retail sales per square foot from the Urban Land Institute's *Dollars and Cents of Shopping Centers/The Score 2008*.

Tables 5.12 and **5.13** show the projected sales tax revenue for each scenario using an assumption of \$340 of sales per square foot for new retail.

Property Transfer Tax

Property transfer tax revenues are estimated using the cumulative estimates of real estate market value and the holding period assumptions discussed in the property tax section above. Upon incorporation the new city would evenly split the current County unincorporated area rate of \$1.10 per \$1,000 of value on each real estate transaction. Tax revenues are calculated as follows:

- ◆ Land use type, to calculate the value of transactions subject to tax in a that year;
- ◆ The transaction value is multiplied by the tax rate to calculate tax revenues in current dollars; and
- ◆ Tax revenues are discounted to 2009 dollars to be consistent with the other projections in this study

Estimated property transfer tax revenue for each scenario is shown in **Tables 5.14** and **5.15**.

Business License Tax

Base year business license tax data was provided by the Auditor Controller for each scenario and displayed in **Tables 5.16** and **5.17**. Increases in business license tax revenue are driven by projected increases in employees for each scenario.

Transient Occupancy Tax

Base year estimates of transient occupancy tax (TOT) revenue for the Arden Arcade area were provided by the Auditor Controller. Each scenario will have the same TOT revenue estimates because all hotels in the study area are located within area common to both scenarios. Annual TOT revenue estimates are shown in **Table 5.18**.

Table 5.12: Sales Tax (2009\$) - Scenario 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
New Square Feet of Commercial	7,000	13,000	19,000	28,000	37,000	46,000	56,000	65,000	76,000	86,000
Sales Per Square Foot ¹	\$ 340									
Total Taxable Sales	\$ 893,000	\$ 4,420,000	\$ 6,460,000	\$ 9,520,000	\$ 12,580,000	\$ 15,640,000	\$ 19,040,000	\$ 22,100,000	\$ 25,840,000	\$ 29,240,000
City Sales Tax Revenue (New)	\$ 9,000	\$ 44,000	\$ 65,000	\$ 95,000	\$ 126,000	\$ 156,000	\$ 190,000	\$ 221,000	\$ 258,000	\$ 292,000
Existing ²	\$ 12,620,000	<u>4,733,000</u>	<u>12,620,000</u>	<u>12,620,000</u>	<u>12,620,000</u>	<u>12,620,000</u>	<u>12,620,000</u>	<u>12,620,000</u>	<u>12,620,000</u>	<u>12,620,000</u>
Total	\$ 4,742,000	\$ 12,664,000	\$ 12,685,000	\$ 12,715,000	\$ 12,746,000	\$ 12,776,000	\$ 12,810,000	\$ 12,841,000	\$ 12,878,000	\$ 12,912,000

¹ Average of Super Regional, Regional, Super Community/Community, and Neighborhood Shopping Centers in the West. Median dollars of sales per square foot.

² FY2012 sales tax revenue based on three quarters of revenue for the transition year. Transition year revenue split between City and County.

Sources: Table 2.4; State Board of Equalization; Dollars & Cents of Shopping Centers / The SCORE 2008, Urban Land Institute; Willdan Financial Services.

Table 5.13: Sales Tax (2009\$) - Scenario 2

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
New Square Feet of Commercial	7,000	13,000	19,000	28,000	37,000	46,000	56,000	65,000	76,000	86,000
Sales Per Square Foot ¹	\$ 340									
Total Taxable Sales	\$ 893,000	\$ 4,420,000	\$ 6,460,000	\$ 9,520,000	\$ 12,580,000	\$ 15,640,000	\$ 19,040,000	\$ 22,100,000	\$ 25,840,000	\$ 29,240,000
City Sales Tax Revenue (New)	\$ 9,000	\$ 44,200	\$ 64,600	\$ 95,200	\$ 125,800	\$ 156,400	\$ 190,400	\$ 221,000	\$ 258,400	\$ 292,400
Existing ²	\$ 12,751,000	<u>4,782,000</u>	<u>12,751,000</u>	<u>12,751,000</u>	<u>12,751,000</u>	<u>12,751,000</u>	<u>12,751,000</u>	<u>12,751,000</u>	<u>12,751,000</u>	<u>12,751,000</u>
Total	\$ 4,791,000	\$ 12,795,000	\$ 12,816,000	\$ 12,846,000	\$ 12,877,000	\$ 12,907,000	\$ 12,941,000	\$ 12,972,000	\$ 13,009,000	\$ 13,043,000

¹ Average of Super Regional, Regional, Super Community/Community, and Neighborhood Shopping Centers in the West. Median dollars of sales per square foot.

² FY2012 sales tax revenue based on three quarters of revenue for the transition year. Transition year revenue split between City and County.

Sources: Table 2.7; State Board of Equalization; Dollars & Cents of Shopping Centers / The SCORE 2008, Urban Land Institute; Willdan Financial Services.

Table 5.14: Property Transfer Tax (2009\$) - Scenario 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Residential (New Development)</i>										
Single Family	\$ 100	\$ 200	\$ 300	\$ 500	\$ 700	\$ 800	\$ 1,000	\$ 1,300	\$ 1,500	\$ 1,700
Multi-family	-	100	100	100	200	300	300	400	400	500
New Residential Subtotal	\$ 100	\$ 300	\$ 400	\$ 600	\$ 900	\$ 1,100	\$ 1,300	\$ 1,700	\$ 1,900	\$ 2,200
<i>Nonresidential (New Development)</i>										
Retail	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 700	\$ 900	\$ 1,100	\$ 1,400	\$ 1,600
Office	-	100	100	200	200	300	400	400	500	600
Industrial	-	-	-	-	-	-	-	-	-	-
New Nonresidential Subtotal	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000
<i>Existing</i>	\$ 348,000	\$ 345,000	\$ 342,000	\$ 339,000	\$ 336,000	\$ 333,000	\$ 330,000	\$ 327,000	\$ 325,000	\$ 322,000
Total	\$ 348,100	\$ 345,300	\$ 342,400	\$ 340,600	\$ 337,900	\$ 335,100	\$ 332,300	\$ 330,700	\$ 328,900	\$ 326,200

¹ Property transfer tax (share of sales prices) is assumed at 0.0550%.

Sources: Tables 5.1 and 5.2; Willdan Financial Services.

Table 5.15: Property Transfer Tax (2009\$) - Scenario 2

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Residential (New Development)</i>										
Single Family	\$ 100	\$ 300	\$ 400	\$ 500	\$ 700	\$ 900	\$ 1,100	\$ 1,400	\$ 1,600	\$ 1,900
Multi-family	-	100	100	200	200	300	300	400	500	600
New Residential Subtotal	\$ 100	\$ 400	\$ 500	\$ 700	\$ 900	\$ 1,200	\$ 1,400	\$ 1,800	\$ 2,100	\$ 2,500
<i>Nonresidential (New Development)</i>										
Retail	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 700	\$ 900	\$ 1,100	\$ 1,400	\$ 1,600
Office	-	100	100	200	300	400	400	500	700	800
Industrial	-	-	-	-	-	-	-	-	-	-
New Nonresidential Subtotal	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000
<i>Existing</i>	\$ 402,000	\$ 399,000	\$ 395,000	\$ 392,000	\$ 388,000	\$ 385,000	\$ 382,000	\$ 378,000	\$ 375,000	\$ 372,000
Total	\$ 402,100	\$ 399,400	\$ 395,500	\$ 393,700	\$ 389,900	\$ 387,200	\$ 384,400	\$ 381,800	\$ 379,100	\$ 376,500

¹ Property transfer tax (share of sales prices) is assumed at 0.0550%.

Sources: Tables 5.1 and 5.3; Willdan Financial Services.

Utility Users Tax

The utility users tax (UUT) is a tax imposed on the users of certain utility services. To estimate UUT revenue, the per capita estimate of \$28.43 (provided by the County) was applied to the annual service population in each scenario. UUT revenue projections are shown in **Tables 5.19** and **5.20**.

Gas Tax

Gas tax (highway users tax) revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. Gas tax is a restricted revenue source for road purposes only. The gas tax plays an important role in increasing revenues for incorporating or annexing cities without generating a negative fiscal impact on counties. The State subvention formula for gas tax does not adjust the share of statewide revenue allocated to counties because of an annexation or incorporation. Incorporated or annexed areas receive gas tax revenue from the share of statewide revenue allocated to cities. Thus, counties are able to transfer costs for road maintenance to new incorporated cities while still retaining this revenue source.

Different gas tax distributions correlate and are named based on the corresponding California Streets and Highways Code sections. For example, code sections 2105, 2106, 2107 and 2107.5 pertain to gas tax distributions made either entirely (2107, 2107.5) or partially (2105, 2106) to cities. Calculations of gas tax distribution are made by the State Controller's office and are fairly complex as described in the code.

Gas tax distributions are based on population and other factors such as the percentage of registered or exempt vehicles in a city compared to the state and also miles of maintained road. Gas tax Section 2107.5 is based on an unadjusted flat rate per year based on city resident population ranges.

For this analysis the resulting statewide per capita amounts for FY 2007-08 have been applied for 2105 and 2107 gas tax revenues and the flat rate of \$7,500 has been applied for 2107.5 gas tax revenue. Revenue from Section 2106 is estimated at \$4,800 annually from section (a). Section 2106 (c) revenue is estimated at \$4.40 per capita amount estimated based on June 2009 apportionments to the recently incorporated (2005) City of Rancho Cordova.

Vehicle License Fees

Vehicle License Fee (VLF) revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. Historically, VLF played an important role in increasing revenues for incorporating or annexing cities while reducing the potential negative fiscal impacts on counties.

Prior Law

Previously, the State subvention formula for VLF did not adjust the share of statewide revenue allocated to counties because of an annexation or incorporation. Incorporated or annexed areas received their VLF revenue from the share of statewide revenue allocated to cities. Thus, counties were able to transfer service costs while still retaining a major revenue source.

Under the law prior to adoption of the State's FY 2004-05 budget, the portion of VLF revenue available for distribution as general revenue to cities and counties was divided in

half. One half was distributed to cities on a per capita basis and the other half was distributed to counties in a similar manner. County distributions were based on countywide population, not just the population of unincorporated areas. Counties and cities received approximately \$60 per capita in VLF revenue in FY 2003-04.

Importantly for newly incorporated cities, prior law allowed the population base for purposes of determining VLF revenue to be calculated based on three times the registered voter population. This formula was applied for the first seven years of a new city's existence, following which the formula relies on the same population basis as other cities. This approach tended to give new cities additional income than they would have had otherwise because the estimated population using three times registered voters is usually greater than the actual population.

Starting in FY 2004-05, most of the VLF revenue allocated to cities and all of the revenue allocated to counties is based on assessed value growth instead of population growth in a jurisdiction. This revenue is distributed as property tax in lieu of VLF, funded by each county's ERAF (educational revenue augmentation fund) account so that existing property tax revenue to local jurisdictions is not affected. A significantly smaller portion of the VLF is allocated to cities based on population. In total, \$50 per capita per year in VLF revenue is assumed (before the bonus) is assumed, based on data recent allocations.

Assembly Bill 1602

Assembly Bill 1602 (AB 1602) was signed into law in 2006 and restored VLF per capita payments to newly incorporating cities to approximately the same levels as before the VLF – property tax swap. As enacted, the bill was limited to cities incorporating between the dates of August 5, 2004 and July 1, 2009. AB 1602 only provides the currently distributed per capita amount (estimated to be \$2 based on data from an allocation to a newly incorporated city, per Sacramento LAFCo) plus an additional \$50 per capita.

The total would be multiplied by the annual estimated resident population times a factor of 1.5 in the first year of incorporation, 1.4 in the second year, 1.3 in the third year, 1.2 in the fourth year, and 1.1 in the fifth year. The base \$50 per capita is actually programmed to be adjusted slightly each year, as determined by the ratio of the growth of VLF revenue to the increase in State population. For the purposes of this analysis it is assumed that the \$50 portion of the VLF funding remains at \$50 based on the latest data from the State.

Senate Bill 301

Amendments to the VLF law (Senate Bill 301) were approved in 2008. These amendments extended the date for incorporating cities to qualify for the VLF revenue based on population from July 1, 2009 to July 1, 2014.

Other Revenues

The new city will receive revenue from a number of other non-tax sources. Some revenues are estimated based on per capita calculations consistent with the Sacramento County budget actuals for FY 2008-09. Some adjustments have been made and are discussed in the following section.

Franchise Fees

This revenue is generated through franchise agreements for services such as cable television. The County of Sacramento collects franchise fees (in the unincorporated area only). The new city is assumed to receive revenues comparable to the County's on a per capita basis.

Fines, Forfeitures and Penalties

Revenue from traffic fines is calculated based on per capita revenue assumptions from other cities in the County. It is assumed that \$6.67 per resident in revenue is generated per year in fines, forfeitures and penalties.

Charges for Services

For the proposed new city, charges for services are calculated based on recovery of costs projected for the development services department. Unlike other types of municipal services, planning, development, and code enforcement services can often recover up to 100 percent of their costs through fees and charges. For the new city, revenue from charges for services is based on a cost recovery rate of 80 percent applied to total development services department costs.

Proposition 42

Proposition 42 dedicates a portion of gas tax to transportation projects. Revenue is estimated at \$8.97 per capita, based on a survey of other cities revenues.

Measure A Sales Tax

Measure A revenue was estimated based the actual tax revenue collected by Sacramento County in FY 2008-09. Because the allocation of Measure A funds was not readily available, this study assumes that Measure A funds are allocated on a project need basis, and that the need for road maintenance and improvement corresponds approximately to the total volume of lane miles within an area.

The Sacramento Department of Transportation estimates that Arden Arcade would contain 10.13 percent of countywide lane miles in Scenario 1 and 11.16 percent of countywide lane miles in Scenario 2. Multiplying \$35.5 million in collected revenues by each of these percentages yields the revenue assumption for each scenario. Dividing this revenue assumption by the total lane miles in each scenario produces the \$6,521 per lane mile assumption used in this study.

Use of Money and Property

Revenue from use of money and property is assumed to be equal to one percent of General Fund revenue for a given year. This estimate is consistent with use of money and property revenue in other cities in Sacramento County.

Other Tax and Revenue Projections

Projections of other taxes and revenues are shown in Tables 5.19 and 5.20.

Table 5.16: Business License Tax Revenue - Scenario 1 (2009\$)

Revenue	Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund Revenues											
<i>Business License Taxes</i>											
General Business Licenses	\$ 198,000	\$ 198,000	\$ 198,000	\$ 198,000	\$ 198,000	\$ 198,000	\$ 198,000	\$ 198,000	\$ 198,000	\$ 198,000	\$ 198,000
Special Business Licenses	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Tobacco Retailer Business Licenses	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Total - Existing Revenue	\$ 267,000	\$ 267,000	\$ 267,000	\$ 267,000	\$ 267,000	\$ 267,000	\$ 267,000	\$ 267,000	\$ 267,000	\$ 267,000	\$ 267,000
Employees	39,429										
Revenue per Employee	\$ 6.77										
New Employees		38	70	102	149	200	251	302	354	410	465
Revenue from New Employees		\$ 300	\$ 500	\$ 700	\$ 1,000	\$ 1,400	\$ 1,700	\$ 2,000	\$ 2,400	\$ 2,800	\$ 3,100
Total Business License Tax Revenue		\$ 267,300	\$ 267,500	\$ 267,700	\$ 268,000	\$ 268,400	\$ 268,700	\$ 269,000	\$ 269,400	\$ 269,800	\$ 270,100

Note: Figures have been rounded.

Sources: County of Sacramento Auditor Controller; Willdan Financial Services.

Table 5.17: Business License Tax Scenario 2 (2009\$)

Revenue	Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund Revenues											
<i>Business License Taxes</i>											
General Business Licenses	\$ 217,000	\$ 224,000	\$ 217,000	\$ 217,000	\$ 217,000	\$ 217,000	\$ 217,000	\$ 217,000	\$ 217,000	\$ 217,000	\$ 217,000
Special Business Licenses	47,000	48,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000
Tobacco Retailer Business Licenses	25,000	26,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total	\$ 289,000	\$ 298,000	\$ 289,000	\$ 289,000	\$ 289,000	\$ 289,000	\$ 289,000	\$ 289,000	\$ 289,000	\$ 289,000	\$ 289,000
Employees	41,487										
Revenue per Employee	\$ 6.97										
New Employees		38	70	102	149	200	251	302	354	410	465
Revenue from New Employees		\$ 300	\$ 500	\$ 700	\$ 1,000	\$ 1,400	\$ 1,700	\$ 2,100	\$ 2,500	\$ 2,900	\$ 3,200
Total Business License Tax Revenue		\$ 298,300	\$ 289,500	\$ 289,700	\$ 290,000	\$ 290,400	\$ 290,700	\$ 291,100	\$ 291,500	\$ 291,900	\$ 292,200

Note: Figures have been rounded.

Sources: County of Sacramento Auditor Controller; Willdan Financial Services.

Table 5.18: Transient Occupancy Tax Revenue - Scenario 1 and 2 (2009\$)

Revenue	Assumption:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY2009 TOT Revenue	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund Revenues											
<i>Transient Occupancy Tax</i>	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000	\$ 1,388,000

Note: Transient Occupancy Tax revenue would be the same for both scenarios, as all hotels generating this revenue are located within the boundaries of Scenario 1.

Source: Sacramento County Auditor Controller; Willdan Financial Services.

Table 5.19: Per Capita and Other Revenue - Scenario 1 (2009\$)

Revenue	Assumptions	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	Year 6 2017	Year 7 2018	Year 8 2019	Year 9 2020	Year 10 2021
General Fund											
<i>Utility User Tax</i>											
Resident Base	\$ 28.43 per resident	\$ 2,616,000	\$ 2,617,000	\$ 2,618,000	\$ 2,618,000	\$ 2,619,000	\$ 2,620,000	\$ 2,621,000	\$ 2,622,000	\$ 2,623,000	\$ 2,624,000
		\$ 2,616,000	\$ 2,617,000	\$ 2,618,000	\$ 2,618,000	\$ 2,619,000	\$ 2,620,000	\$ 2,621,000	\$ 2,622,000	\$ 2,623,000	\$ 2,624,000
<i>Franchise Fees</i>											
Franchise Fees ¹											
Resident base	\$ 5.18 per resident	\$ -	\$ 476,000	\$ 476,000	\$ 477,000	\$ 477,000	\$ 477,000	\$ 477,000	\$ 477,000	\$ 477,000	\$ 478,000
Total		\$ -	\$ 476,000	\$ 476,000	\$ 477,000	\$ 477,000	\$ 477,000	\$ 477,000	\$ 477,000	\$ 477,000	\$ 478,000
<i>Fines & Penalties</i>											
Traffic Fines & Forfeitures ²											
Resident base	\$ 6.67 per resident	\$ -	\$ 614,000	\$ 614,000	\$ 614,000	\$ 614,000	\$ 615,000	\$ 615,000	\$ 615,000	\$ 615,000	\$ 615,000
Employee base	2.07 per employee	-	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000
Total		\$ -	\$ 696,000	\$ 696,000	\$ 696,000	\$ 696,000	\$ 697,000	\$ 697,000	\$ 697,000	\$ 697,000	\$ 697,000
<i>Charges for Services</i>											
Development Services ³	80% cost recovery rate	\$ -	\$ 1,403,000	\$ 2,182,000	\$ 2,416,000	\$ 2,440,000	\$ 2,465,000	\$ 2,488,000	\$ 2,514,000	\$ 2,535,000	\$ 2,561,000
<i>Vehicle License Fee WITH AB1602</i>											
VLF Per Capita Total ⁴	\$ 50.00										
AB1602 Population Bonus		1.0	1.5	1.4	1.3	1.2	1.1	1.0	1.0	1.0	1.0
Total	Per capita rate x residents	\$ 4,601,000	\$ 6,904,000	\$ 6,445,000	\$ 5,987,000	\$ 5,528,000	\$ 5,069,000	\$ 4,610,000	\$ 4,612,000	\$ 4,613,000	\$ 4,615,000
Road Fund											
<i>Road Fund</i>											
Highway Users Tax 2105 ⁵	5.43 per resident	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 751,000	\$ 751,000	\$ 501,000	\$ 501,000	\$ 501,000
Highway Users Tax 2106 (a)	4,800 annually	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Highway Users Tax 2106 (c) ⁶	3.73 per resident	344,000	344,000	344,000	344,000	344,000	344,000	344,000	344,000	344,000	345,000
Highway Users Tax 2107 ⁵	7.23 per resident	998,000	998,000	998,000	999,000	999,000	1,000,000	1,000,000	667,000	667,000	667,000
Highway Users Tax 2107.5 ⁷	7,500 flat rate	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Proposition 42	8.97 per resident	826,000	826,000	826,000	826,000	826,000	827,000	827,000	827,000	828,000	828,000
Measure A	6,521 per lane mile	3,599,000	3,599,000	3,599,000	3,599,000	3,599,000	3,599,000	3,599,000	3,599,000	3,599,000	3,599,000
Total		\$ 6,529,300	\$ 6,529,300	\$ 6,529,300	\$ 6,530,300	\$ 6,530,300	\$ 6,533,300	\$ 6,533,300	\$ 5,950,300	\$ 5,951,300	\$ 5,952,300

¹ Based on the County of Sacramento Cable Commission's estimate of \$476,153 in revenues for Scenario 1. This is translated into per capita terms using the population of 92,006.

² Based on traffic fines and forfeitures for the City of Rancho Cordova.

³ Based on Willdan Financial Services estimate of typical cost recovery rate for development services.

⁴ Based on data from the League of California Cities.

⁵ Revenue per capita based on statewide per capita subvention for all cities. Multiplied by factor of 1.5 for first seven years after incorporation to estimate three times registered voters, per California Revenue and Taxation Code sections 7104 and 11005.3 and per State Controller's Office.

⁶ Highway Users Tax 2106 (c) per capita amount estimated based on June 2009 apportionments to neighboring cities.

⁷ Flat amount based on Streets and Highways Code Section 2107.5 for cities with resident populations of 50,000 - 99,999 residents.

Sources: Tables 2.1, 2.5, 4.13, 4.15; California State Controllers Office; City of Rancho Cordova FY10 Adopted Budget; Willdan Financial Services.

Table 5.20: Per Capita and Other Revenue - Scenario 2 (2009\$)

Revenue	Assumptions	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	Year 6 2017	Year 7 2018	Year 8 2019	Year 9 2020	Year 10 2021
General Fund											
<i>Utility User Tax</i>											
Resident Base	\$ 28.43 per resident	\$ 2,798,000	\$ 2,799,000	\$ 2,800,000	\$ 2,800,000	\$ 2,801,000	\$ 2,802,000	\$ 2,803,000	\$ 2,804,000	\$ 2,806,000	\$ 2,807,000
		\$ 2,798,000	\$ 2,799,000	\$ 2,800,000	\$ 2,800,000	\$ 2,801,000	\$ 2,802,000	\$ 2,803,000	\$ 2,804,000	\$ 2,806,000	\$ 2,807,000
<i>Franchise Fees</i>											
Franchise Fees ¹											
Resident base	\$ 5.18 per resident	\$ -	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 511,000	\$ 511,000	\$ 511,000
Total		\$ -	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 511,000	\$ 511,000	\$ 511,000
<i>Fines & Penalties</i>											
Traffic Fines & Forfeitures ²											
Resident base	\$ 6.67 per resident	\$ -	\$ 656,000	\$ 657,000	\$ 657,000	\$ 657,000	\$ 657,000	\$ 658,000	\$ 658,000	\$ 658,000	\$ 658,000
Employee base	2.07 per employee	-	86,000	86,000	86,000	86,000	86,000	86,000	86,000	87,000	87,000
Total		\$ -	\$ 742,000	\$ 743,000	\$ 743,000	\$ 743,000	\$ 743,000	\$ 744,000	\$ 744,000	\$ 745,000	\$ 745,000
<i>Charges for Services</i>											
Development Services ³	80% cost recovery rate	\$ -	\$ 1,403,000	\$ 2,182,000	\$ 2,416,000	\$ 2,440,000	\$ 2,465,000	\$ 2,488,000	\$ 2,514,000	\$ 2,535,000	\$ 2,561,000
<i>Vehicle License Fee WITH AB1602</i>											
VLF Per Capita Total ⁴	\$ 50.00										
AB1602 Population Bonus		1.0	1.5	1.4	1.3	1.2	1.1	1.0	1.0	1.0	1.0
Total	Per capita rate x residents	\$ 4,921,000	\$ 7,384,000	\$ 6,893,000	\$ 6,403,000	\$ 5,912,000	\$ 5,421,000	\$ 4,930,000	\$ 4,932,000	\$ 4,934,000	\$ 4,936,000
Road Fund											
<i>Road Fund</i>											
Highway Users Tax 2105 ⁴	5.43 per resident	\$ 802,000	\$ 802,000	\$ 802,000	\$ 802,000	\$ 803,000	\$ 803,000	\$ 803,000	\$ 536,000	\$ 536,000	\$ 536,000
Highway Users Tax 2106 (a)	4,800 annually	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Highway Users Tax 2106 (c) ⁶	3.73 per resident	367,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000	368,000	369,000
Highway Users Tax 2107 ⁴	7.23 per resident	1,067,000	1,068,000	1,068,000	1,068,000	1,069,000	1,069,000	1,069,000	713,000	713,000	714,000
Highway Users Tax 2107.5 ⁶	7,500 flat rate	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Proposition 42	8.97 per resident	883,000	883,000	883,000	884,000	884,000	884,000	885,000	885,000	885,000	886,000
Measure A	6,521 per lane mile	3,966,000	3,966,000	3,966,000	3,966,000	3,966,000	3,966,000	3,966,000	3,966,000	3,966,000	3,966,000
Total		\$ 7,097,300	\$ 7,099,300	\$ 7,099,300	\$ 7,100,300	\$ 7,102,300	\$ 7,102,300	\$ 7,103,300	\$ 6,480,300	\$ 6,480,300	\$ 6,483,300

¹ Based on the County of Sacramento Cable Commission's Estimate of \$509,254 in revenues for Scenario 2. This is translated into per capita terms using the population of 98,402.

² Based on traffic fines and forfeitures for the City of Rancho Cordova.

³ Based on Willdan Financial Services estimate of typical cost recovery rate for development services.

⁴ Based on data from the League of California Cities.

⁵ Revenue per capita based on statewide per capita subvention for all cities. Multiplied by factor of 1.5 for first seven years after incorporation to estimate three times registered voters, per California Revenue and Taxation Code sections 7104 and 11005.3 and per State Controller's Office.

⁶ Highway Users Tax 2106 (c) per capita amount estimated based on June 2009 apportionments to neighboring cities.

⁷ Flat amount based on Streets and Highways Code Section 2107.5 for cities with resident populations of 50,000 - 99,999 residents.

Sources: Tables 2.1, 2.8, 4.14, 4.16; California State Controllers Office; City of Rancho Cordova FY10 Adopted Budget; Willdan Financial Services.

6. Payments to the County

This study identifies both transition year and revenue neutrality payments that the new City must pay the County. The transition year is the time period between the effective date of incorporation, and the end of the fiscal year in which the incorporation occurs. In this analysis the assumed effective date of incorporation for this analysis is July 1, 2011. During the transition year, the County is obligated to provide certain services to the new city, while the new city establishes itself and accrues the necessary revenues to fund its services.

The services that the County is obligated to provide include animal services, development services, road maintenance (public works) and police protection (sheriff) services. During the transition year, the County will continue to receive revenue from certain revenue sources. Once the transition year is complete, all applicable costs and revenues will transfer to the new city.

Table 6.1 displays the allocation of costs and revenues to both the new city and the County during the transition and subsequent years, respectively.

Table 6.1: Transition Year Revenue and Cost Allocation

	Transition Year (Year 1)		Subsequent Years (Years 2 to 10)	
	City	County	City	County
<u>General Fund</u>				
Revenues				
Property Taxes	0%	100%	100%	0%
Sales Tax	50%	50%	100%	0%
Property Transfer Tax	100%	0%	100%	0%
Franchise Fees	0%	100%	100%	0%
Utility User's Tax	100%	0%	100%	0%
Fines and Penalties	0%	100%	100%	0%
Business License Tax	100%	0%	100%	0%
Transient Occupancy Tax	100%	0%	100%	0%
Charges for Services	0%	100%	100%	0%
Vehicle License Fees	100%	0%	100%	0%
Costs				
City Council	100%	0%	100%	0%
City Manager	100%	0%	100%	0%
City Attorney	100%	0%	100%	0%
City Clerk	100%	0%	100%	0%
Administrative Services	100%	0%	100%	0%
Development Services	0%	100%	100%	0%
Police	0%	100%	100%	0%
Animal Control	0%	100%	100%	0%
Property Tax Administration	0%	100%	100%	0%
Non-Departmental	100%	0%	100%	0%
<u>Roads Funds</u>				
Roads Revenue	100%	0%	100%	0%
Roads Cost	0%	100%	100%	0%

Source: Willdan Financial Services.

To estimate these costs, the first year of costs for the municipal services detailed in previous chapters is shown to be zero to the new city. Should the new city owe transition year costs, the net costs for services in the first year will be repaid to the County in equal amounts over the next five years with three percent (3%) interest.

Tables 6.2 and 6.3 detail the transition year revenues and costs for both the County and the new city. Transition year cost repayment is required for each scenario.

Table 6.2: Transition Year - Scenario 1

	Transition Year- All Revenue	City Allocation	County Allocation
<u>General Fund</u>			
Revenues			
Property Taxes	\$ 6,650,000	\$ -	\$ 6,650,000
Sales Tax ¹	12,644,000	6,322,000	6,322,000
Property Transfer Tax	348,100	348,100	-
Franchise Fees	476,000	-	476,000
Utility User's Tax	2,616,000	2,616,000	-
Fines and Penalties	696,000	-	696,000
Business License Tax	267,300	267,300	-
Transient Occupancy Tax	1,388,000	1,388,000	-
Charges for Services	1,101,000	-	1,101,000
Vehicle License Fees	4,601,000	4,601,000	-
Total Revenues	\$ 30,787,400	\$ 15,542,400	\$ 15,245,000
Costs			
City Council	\$ 66,000	\$ 66,000	\$ -
City Manager	328,000	328,000	-
City Attorney	1,014,000	1,014,000	-
City Clerk	361,000	361,000	-
Administrative Services	491,000	491,000	-
Development Services	1,376,000	-	1,376,000
Police	14,174,000	-	14,174,000
Animal Control	388,000	-	388,000
Property Tax Administration	203,000	-	203,000
Non-Departmental	344,000	344,000	-
Total	\$ 18,745,000	\$ 2,604,000	\$ 16,141,000
General Fund Net Cost		\$ (12,938,400)	\$ 896,000
<u>Roads Funds</u>			
Roads Revenue	\$ 6,529,300	\$ 6,529,300	\$ -
Roads Cost	4,512,000	-	4,512,000
Road Fund Net Cost		\$ (6,529,300)	\$ 4,512,000

¹ Shows sales tax revenue for full year. FY2012 sales tax revenue used in analysis based on three quarters of revenue for the transition year.

Source: Table 6.1; Willdan Financial Services.

Table 6.3: Transition Year - Scenario 2

	Transition Year- All Revenue	City	County
<u>General Fund</u>			
Revenues			
Property Taxes	\$ 6,905,000	\$ -	\$ 6,905,000
Sales Tax ¹	12,775,000	6,387,500	6,387,500
Property Transfer Tax	402,100	402,100	-
Franchise Fees	509,000	-	509,000
Utility User's Tax	2,798,000	2,798,000	-
Fines and Penalties	742,000	-	742,000
Business License Tax	298,300	298,300	-
Transient Occupancy Tax	1,388,000	1,388,000	-
Charges for Services	1,101,000	-	1,101,000
Vehicle License Fees	4,921,000	4,921,000	-
Total Revenues	\$ 31,839,400	\$ 16,194,900	\$ 15,644,500
Costs			
City Council	\$ 66,000	\$ 66,000	\$ -
City Manager	328,000	328,000	-
City Attorney	1,014,000	1,014,000	-
City Clerk	361,000	361,000	-
Administrative Services	491,000	491,000	-
Development Services	1,376,000	-	1,376,000
Police	14,976,000	-	14,976,000
Animal Control	415,000	-	415,000
Property Tax Administration	211,000	-	211,000
Non-Departmental	409,000	409,000	-
Total	\$ 19,647,000	\$ 2,669,000	\$ 16,978,000
General Fund Net Cost		\$ (13,525,900)	\$ 1,333,500
<u>Roads Funds</u>			
Roads Revenue	\$ 7,097,300	\$ 7,097,300	\$ -
Roads Cost	4,944,000	-	4,944,000
Road Fund Net Cost		\$ (7,097,300)	\$ 4,944,000

¹ Shows sales tax revenue for full year. FY2012 sales tax revenue used in analysis based on three quarters of revenue for the transition year.

Source: Table 6.1; Willdan Financial Services.

In addition to transition year cost repayment to the County, the new City will also owe revenue neutrality payments to the County. Under the revenue neutrality law, enacted in 1992, LAFCo cannot approve the incorporation of a new city without either demonstrating that the incorporation would not have a negative fiscal impact on an affected agency, or receiving the approval of that agency. An agency that is negatively affected by incorporation

can, for example, negotiate payments from and participate in tax sharing agreements with the new city.

Per direction from Sacramento County LAFCo, estimated revenue neutrality payments have been included in the analysis in order to determine if the proposed incorporation would be viable during the ten years following the incorporation based on Sacramento LAFCo policies. The revenue neutrality payments begin in FY2012-13 and are equal to 90 percent of a given year's property tax revenue. Total amount owed is \$219,000,000. The payments will continue until the total amount owed to the county has been repaid. These revenue neutrality payment assumptions are consistent with the revenue neutrality agreement negotiated between the County and the incorporation proponents.

Table 6.4 details the annual repayment to the County, including revenue neutrality payments.

Table 6.4: Transition Year Repayment Schedule

	Amount Owed	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	Year 6 2017	Year 7 2018	Year 8 2019	Year 9 2020	Year 10 2021
<i>Scenario 1</i>											
General Fund											
Transition Year Repayment ¹	\$ 896,000	\$ -	\$ 185,000	\$ 190,600	\$ 196,300	\$ 202,200	\$ 208,000	\$ -	\$ -	\$ -	\$ -
Annual Revenue Neutrality Payment ²	219,000,000	-	<u>5,936,400</u>	<u>5,889,600</u>	<u>5,844,600</u>	<u>5,800,500</u>	<u>5,758,200</u>	<u>5,714,100</u>	<u>5,673,600</u>	<u>5,633,100</u>	<u>5,592,600</u>
Total - Annual Repayment		\$ -	\$ 6,121,400	\$ 6,080,200	\$ 6,040,900	\$ 6,002,700	\$ 5,966,200	\$ 5,714,100	\$ 5,673,600	\$ 5,633,100	\$ 5,592,600
Road Fund											
County Repayment	\$ 4,512,000	\$ -	\$ 929,000	\$ 957,000	\$ 986,000	\$ 1,016,000	\$ 1,046,000	\$ -	\$ -	\$ -	\$ -
<i>Scenario 2</i>											
General Fund											
Transition Year Repayment ¹	\$ 1,333,500	\$ -	\$ 275,000	\$ 283,000	\$ 291,000	\$ 300,000	\$ 309,000	\$ -	\$ -	\$ -	\$ -
Annual Revenue Neutrality Payment ²	219,000,000	-	<u>6,164,100</u>	<u>6,114,600</u>	<u>6,066,000</u>	<u>6,019,200</u>	<u>5,974,200</u>	<u>5,929,200</u>	<u>5,885,100</u>	<u>5,841,900</u>	<u>5,799,600</u>
Total - General Fund Repayment		\$ -	\$ 6,439,100	\$ 6,397,600	\$ 6,357,000	\$ 6,319,200	\$ 6,283,200	\$ 5,929,200	\$ 5,885,100	\$ 5,841,900	\$ 5,799,600
Road Fund											
County Repayment	\$ 4,944,000	\$ -	\$ 1,018,000	\$ 1,049,000	\$ 1,080,000	\$ 1,112,000	\$ 1,145,000	\$ -	\$ -	\$ -	\$ -

¹ Transition year costs are repaid over five years, and include 3% interest. If transition year County revenues exceed the County's costs, no repayment is necessary.

² Revenue neutrality payments based on negotiated revenue neutrality agreement. Payments are equal to 90% of a given year's property tax revenue. Total amount owed is \$219,000,000.

Sources: Tables 6.2, and 6.3; Willdan Financial Services.

7. Results

Fiscal Feasibility

Fiscal feasibility is evaluated based on two measures: (1) net revenue (revenues minus costs) as a percent of total costs, and (2) fund balance or reserves as a percent of total revenues. Positive net revenue indicates in general that the new city would be fiscally feasible while negative net revenue indicates the opposite. The same is true of fund balances.

First, the criteria for determining fiscal feasibility of the new city should be evaluated within the context of a reasonable range of error surrounding model assumptions, recommended to be plus or minus 10 percent. Thus, the criteria for determining fiscal feasibility are as follows:

- ◆ Positive net revenue that is more than 10 percent of total costs typically indicates that the new city is likely to be fiscally feasible;
- ◆ Negative net revenue that is more than 10 percent of total costs typically indicates that the new is not likely to be fiscally feasible; and
- ◆ Net revenue that is within plus or minus 10 percent of total costs typically indicates that the new city may be fiscally feasible.

Second, for Sacramento LAFCo, the minimum legal requirement for making a finding of fiscal feasibility as stated in Government Code Section 56720 (e) requires the proposed city “to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.” Sacramento County LAFCo requires analysis over a ten year period to have a more complete picture of the fiscal balance of the city once certain state subventions are reduced after five years pursuant to statute. The analysis also includes a five percent contingency, which is assumed to be expended each year. This assumption provides a conservative estimate of municipal costs.

The results of the analysis are presented in **Tables 7.1** and **7.2**. Results are separated for the new city’s general fund and road fund, and shown for both funds combined.

Conclusion

First, each scenario in this analysis shows general fund net revenue that is between plus four percent and plus 23 percent of total costs for each year of the analysis. Second, each scenario maintains a fund balance in excess of 10 percent of operating revenue annually. As such, the analysis shows that each scenario meets the above criteria for determining that the new city may be feasible. Additionally, the high fund balances for both the general and road funds in Year 10 strongly indicate that neither scenario is infeasible.

Table 7.1: Net Revenue Summary - Scenario 1 (2009\$)

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ -	\$ 6,596,000	\$ 6,544,000	\$ 6,494,000	\$ 6,445,000	\$ 6,398,000	\$ 6,349,000	\$ 6,304,000	\$ 6,259,000	\$ 6,214,000
Sales Tax	4,742,000	12,664,000	12,685,000	12,715,000	12,746,000	12,776,000	12,810,000	12,841,000	12,878,000	12,912,000
Property Transfer Tax	348,100	345,300	342,400	340,600	337,900	335,100	332,300	330,700	328,900	326,200
Business Licenses	267,300	267,500	267,700	268,000	268,400	268,700	269,000	269,400	269,800	270,100
Transient Occupancy Tax	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000
Utility User Tax	2,616,000	2,617,000	2,618,000	2,618,000	2,619,000	2,620,000	2,621,000	2,622,000	2,623,000	2,624,000
Franchise Fees	-	476,000	476,000	477,000	477,000	477,000	477,000	477,000	477,000	478,000
Fines and Penalties	-	696,000	696,000	696,000	696,000	697,000	697,000	697,000	697,000	697,000
Charges for Services	-	1,403,000	2,182,000	2,416,000	2,440,000	2,465,000	2,488,000	2,514,000	2,535,000	2,561,000
Vehicle License Fees	4,601,000	6,904,000	6,445,000	5,987,000	5,528,000	5,069,000	4,610,000	4,612,000	4,613,000	4,615,000
Use of Money & Property ¹	140,000	334,000	336,000	334,000	329,000	325,000	320,000	321,000	321,000	321,000
Total Revenues	\$ 14,102,400	\$ 33,690,800	\$ 33,980,100	\$ 33,733,600	\$ 33,274,300	\$ 32,818,800	\$ 32,361,300	\$ 32,376,100	\$ 32,389,700	\$ 32,406,300
Costs										
City Council	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000
City Manager	328,000	458,000	516,000	521,000	525,000	531,000	537,000	542,000	547,000	551,000
City Attorney	1,014,000	1,025,000	1,035,000	1,045,000	1,055,000	1,066,000	1,076,000	1,087,000	1,098,000	1,109,000
City Clerk	361,000	401,000	547,000	590,000	559,000	602,000	570,000	613,000	582,000	624,000
Administrative Services	491,000	752,000	1,378,000	1,448,000	1,463,000	1,476,000	1,492,000	1,508,000	1,523,000	1,537,000
Development Services	-	2,171,000	3,145,000	3,437,000	3,050,000	3,081,000	3,110,000	3,142,000	3,169,000	3,201,000
Police	-	14,174,000	14,320,000	14,469,000	14,621,000	14,773,000	14,929,000	15,085,000	15,243,000	15,402,000
Animal Control	-	388,000	389,000	389,000	389,000	389,000	389,000	389,000	389,000	389,000
Property Tax Administration ²	-	201,000	200,000	198,000	197,000	195,000	194,000	192,000	191,000	190,000
Non-Departmental	344,000	507,000	774,000	762,000	808,000	812,000	815,000	818,000	821,000	824,000
Contingency @ 5 percent	137,000	1,060,000	1,177,000	1,207,000	1,196,000	1,210,000	1,220,000	1,234,000	1,244,000	1,258,000
Transition Year Repayment ³	-	185,000	190,600	196,300	202,200	208,000	-	-	-	-
Annual Revenue Neutrality Payment ⁴	-	5,936,400	5,889,600	5,844,600	5,800,500	5,758,200	5,714,100	5,673,600	5,633,100	5,592,600
Total	\$ 2,741,000	\$ 27,324,400	\$ 29,627,200	\$ 30,172,900	\$ 29,931,700	\$ 30,167,200	\$ 30,112,100	\$ 30,349,600	\$ 30,506,100	\$ 30,743,600
Net Revenue	\$ 11,361,400	\$ 6,366,400	\$ 4,352,900	\$ 3,560,700	\$ 3,342,600	\$ 2,651,600	\$ 2,249,200	\$ 2,026,500	\$ 1,883,600	\$ 1,662,700
<i>Net Revenue % Costs</i>		23%	15%	12%	11%	9%	7%	7%	6%	5%
General Fund Operating Reserve	\$ 11,361,400	\$ 17,727,800	\$ 22,080,700	\$ 25,641,400	\$ 28,984,000	\$ 31,635,600	\$ 33,884,800	\$ 35,911,300	\$ 37,794,900	\$ 39,457,600
<i>Reserve % of Revenues</i>	81%	53%	65%	76%	87%	96%	105%	111%	117%	122%
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 6,529,300	\$ 6,529,300	\$ 6,529,300	\$ 6,530,300	\$ 6,530,300	\$ 6,533,300	\$ 6,533,300	\$ 5,950,300	\$ 5,951,300	\$ 5,952,300
Interest Earnings	-	193,000	38,000	32,000	31,000	30,000	29,000	61,000	43,000	43,000
Total	\$ 6,529,300	\$ 6,722,300	\$ 6,529,300	\$ 6,530,300	\$ 6,530,300	\$ 6,533,300	\$ 6,533,300	\$ 5,950,300	\$ 5,951,300	\$ 5,952,300
Costs										
Road Maintenance	\$ -	\$ 4,297,000	\$ 4,297,000	\$ 4,298,000	\$ 4,298,000	\$ 4,298,000	\$ 4,299,000	\$ 4,299,000	\$ 4,300,000	\$ 4,300,000
Contingency @ 5 percent	-	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000
One-time Incorporation Costs	80,000	-	-	-	-	-	-	-	-	-
County Repayment ³	-	929,000	957,000	986,000	1,016,000	1,046,000	-	-	-	-
Total Costs	\$ 80,000	\$ 5,441,000	\$ 5,469,000	\$ 5,499,000	\$ 5,529,000	\$ 5,559,000	\$ 4,514,000	\$ 4,514,000	\$ 4,515,000	\$ 4,515,000
Net Revenue	\$ 6,449,300	\$ 1,281,300	\$ 1,060,300	\$ 1,031,300	\$ 1,001,300	\$ 974,300	\$ 2,019,300	\$ 1,436,300	\$ 1,436,300	\$ 1,437,300
<i>Net Revenue % Costs</i>		24%	19%	19%	18%	18%	45%	32%	32%	32%
Road Fund Operating Reserve	\$ 6,449,300	\$ 7,730,600	\$ 8,790,900	\$ 9,822,200	\$ 10,823,500	\$ 11,797,800	\$ 13,817,100	\$ 15,253,400	\$ 16,689,700	\$ 18,127,000
<i>Reserve % of Revenues</i>	99%	115%	135%	150%	166%	181%	211%	256%	280%	305%
Net Revenue All Funds	\$ 17,810,700	\$ 7,647,700	\$ 5,413,200	\$ 4,592,000	\$ 4,343,900	\$ 3,625,900	\$ 4,268,500	\$ 3,462,800	\$ 3,319,900	\$ 3,100,000
<i>Net Revenue % Costs</i>		23%	15%	13%	12%	10%	12%	10%	9%	9%
<i>Reserve % of Revenues</i>	86%	63%	76%	88%	100%	110%	123%	133%	142%	150%

¹ 1% of General Fund revenue based on survey of budgets of other cities in Sacramento County.

² Property tax administration costs estimated at 3.05% of gross property tax revenue.

³ Repayment cost accounts for animal services, development services, road maintenance (public works) and sheriff department services the County is obligated to provide for the first year of service. Includes 3% annual interest. See Table 6.4.

⁴ Revenue neutrality payments based on negotiated revenue neutrality agreement. Payments are equal to 90% of a given year's property tax revenue. Total amount owed is \$219,000,000. See Table 6.4.

Sources: Tables 4.6, 4.9, 4.15, 5.10, 5.12, 5.14, 5.16, 5.19 and 6.4; Willdan Financial Services.

Table 7.2: Net Revenue Summary - Scenario 2 (2009\$)

FY Ending	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Revenues										
Property Taxes	\$ -	\$ 6,849,000	\$ 6,794,000	\$ 6,740,000	\$ 6,688,000	\$ 6,638,000	\$ 6,588,000	\$ 6,539,000	\$ 6,491,000	\$ 6,444,000
Sales Tax	4,791,000	12,795,000	12,816,000	12,846,000	12,877,000	12,907,000	12,941,000	12,972,000	13,009,000	13,043,000
Property Transfer Tax	402,100	399,400	395,500	393,700	389,900	387,200	384,400	381,800	379,100	376,500
Business Licenses	298,300	289,500	289,700	290,000	290,400	290,700	291,100	291,500	291,900	292,200
Transient Occupancy Tax	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000	1,388,000
Utility User Tax	2,798,000	2,799,000	2,800,000	2,800,000	2,801,000	2,802,000	2,803,000	2,804,000	2,806,000	2,807,000
Franchise Fees	-	510,000	510,000	510,000	510,000	510,000	510,000	511,000	511,000	511,000
Fines and Penalties	-	742,000	743,000	743,000	743,000	743,000	744,000	744,000	745,000	745,000
Charges for Services	-	1,403,000	2,182,000	2,416,000	2,440,000	2,465,000	2,488,000	2,514,000	2,535,000	2,561,000
Vehicle License Fees	4,921,000	7,384,000	6,893,000	6,403,000	5,912,000	5,421,000	4,930,000	4,932,000	4,934,000	4,936,000
Use of Money & Property ¹	146,000	346,000	348,000	345,000	340,000	336,000	331,000	331,000	331,000	331,000
Total Revenues	\$ 14,744,400	\$ 34,904,900	\$ 35,159,200	\$ 34,874,700	\$ 34,379,300	\$ 33,887,900	\$ 33,398,500	\$ 33,408,300	\$ 33,421,000	\$ 33,434,700
Costs										
City Council	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000	\$ 66,000
City Manager	328,000	458,000	516,000	521,000	525,000	531,000	537,000	542,000	547,000	551,000
City Attorney	1,014,000	1,025,000	1,035,000	1,045,000	1,055,000	1,066,000	1,076,000	1,087,000	1,098,000	1,109,000
City Clerk	361,000	405,000	547,000	594,000	559,000	606,000	570,000	617,000	582,000	628,000
Administrative Services	491,000	752,000	1,378,000	1,448,000	1,463,000	1,476,000	1,492,000	1,508,000	1,523,000	1,537,000
Development Services	-	2,171,000	3,145,000	3,437,000	3,050,000	3,081,000	3,110,000	3,142,000	3,169,000	3,201,000
Police	-	15,131,000	15,287,000	15,445,000	15,606,000	15,770,000	15,935,000	16,102,000	16,271,000	16,443,000
Animal Control	-	415,000	416,000	416,000	416,000	416,000	416,000	416,000	416,000	417,000
Property Tax Administration ²	-	209,000	207,000	206,000	204,000	202,000	201,000	199,000	198,000	197,000
Non-Departmental	344,000	507,000	774,000	762,000	808,000	812,000	815,000	818,000	821,000	824,000
Contingency @ 5 percent	137,000	1,113,000	1,230,000	1,260,000	1,250,000	1,265,000	1,275,000	1,289,000	1,300,000	1,314,000
Transition Year Repayment ³	-	275,000	283,000	291,000	300,000	309,000	-	-	-	-
Annual Revenue Neutrality Payment ⁴	-	6,164,100	6,114,600	6,066,000	6,019,200	5,974,200	5,929,200	5,885,100	5,841,900	5,799,600
Total	\$ 2,741,000	\$ 28,691,100	\$ 30,998,600	\$ 31,557,000	\$ 31,321,200	\$ 31,574,200	\$ 31,422,200	\$ 31,671,100	\$ 31,832,900	\$ 32,086,600
Net Revenue	\$ 12,003,400	\$ 6,213,800	\$ 4,160,600	\$ 3,317,700	\$ 3,058,100	\$ 2,313,700	\$ 1,976,300	\$ 1,737,200	\$ 1,588,100	\$ 1,348,100
<i>Net Revenue % Costs</i>		22%	13%	11%	10%	7%	6%	5%	5%	4%
General Fund Operating Reserve	\$ 12,003,400	\$ 18,217,200	\$ 22,377,800	\$ 25,695,500	\$ 28,753,600	\$ 31,067,300	\$ 33,043,600	\$ 34,780,800	\$ 36,368,900	\$ 37,717,000
<i>Reserve % of Revenues</i>	81%	52%	64%	74%	84%	92%	99%	104%	109%	113%
Road Maintenance Fund										
Revenues										
Gas Tax	\$ 7,097,300	\$ 7,099,300	\$ 7,099,300	\$ 7,100,300	\$ 7,102,300	\$ 7,102,300	\$ 7,103,300	\$ 6,480,300	\$ 6,480,300	\$ 6,483,300
Interest Earnings	-	211,000	40,000	33,000	32,000	31,000	30,000	65,000	46,000	46,000
Total	\$ 7,097,300	\$ 7,310,300	\$ 7,099,300	\$ 7,100,300	\$ 7,102,300	\$ 7,102,300	\$ 7,103,300	\$ 6,480,300	\$ 6,480,300	\$ 6,483,300
Costs										
Road Maintenance	\$ -	\$ 4,709,000	\$ 4,709,000	\$ 4,709,000	\$ 4,710,000	\$ 4,710,000	\$ 4,711,000	\$ 4,711,000	\$ 4,712,000	\$ 4,712,000
Contingency @ 5 percent	-	235,000	235,000	235,000	236,000	236,000	236,000	236,000	236,000	236,000
One-time Incorporation Costs	80,000	-	-	-	-	-	-	-	-	-
County Repayment ³	-	1,018,000	1,049,000	1,080,000	1,112,000	1,145,000	-	-	-	-
Total Costs	\$ 80,000	\$ 5,962,000	\$ 5,993,000	\$ 6,024,000	\$ 6,058,000	\$ 6,091,000	\$ 4,947,000	\$ 4,947,000	\$ 4,948,000	\$ 4,948,000
Net Revenue	\$ 7,017,300	\$ 1,348,300	\$ 1,106,300	\$ 1,076,300	\$ 1,044,300	\$ 1,011,300	\$ 2,156,300	\$ 1,533,300	\$ 1,532,300	\$ 1,535,300
<i>Net Revenue % Costs</i>		23%	18%	18%	17%	17%	44%	31%	31%	31%
Road Fund Operating Reserve	\$ 7,017,300	\$ 8,365,600	\$ 9,471,900	\$ 10,548,200	\$ 11,592,500	\$ 12,603,800	\$ 14,760,100	\$ 16,293,400	\$ 17,825,700	\$ 19,361,000
<i>Reserve % of Revenues</i>	99%	114%	133%	149%	163%	177%	208%	251%	275%	299%
Net Revenue All Funds	\$ 19,020,700	\$ 7,562,100	\$ 5,266,900	\$ 4,394,000	\$ 4,102,400	\$ 3,325,000	\$ 4,132,600	\$ 3,270,500	\$ 3,120,400	\$ 2,883,400
<i>Net Revenue % Costs</i>		22%	14%	12%	11%	9%	11%	9%	8%	8%
<i>Reserve % of Revenues</i>	87%	63%	75%	86%	97%	107%	118%	128%	136%	143%

¹ 1% of General Fund revenue based on survey of budgets of other cities in Sacramento County.

² Property tax administration costs estimated at 3.05% of gross property tax revenue.

³ Repayment cost accounts for animal services, development services, road maintenance (public works) and sheriff department services the County is obligated to provide for the first year of service. Includes 3% annual interest. See Table 6.4.

⁴ Revenue neutrality payments based on negotiated revenue neutrality agreement. Payments are equal to 90% of a given year's property tax revenue. Total amount owed is \$219,000,000. See Table 6.4.

Sources: Tables 4.7, 4.10, 4.16, 5.11, 5.13, 5.15, 5.17, 5.20 and 6.4; Willdan Financial Services.

Appendix A

Table A.1 Assumptions for Land Use and Population

Residential Land Use Shares¹

Single Family	0.71
Multi Family	0.29

Population Density³

Single Family	2.72
Multi Family	1.85

Square Feet per Employee⁴

Retail	400
Office	250

¹ Based on the share of dwellings in the unincorporated county represented by single and multi-family dwelling units.

² Based on employment data provided by the California Employment Development Department. While these shares are for employment under Scenario 1, they are used for both scenarios because NAICS level employment for Scenario 2 is confidential and suppressed.

³ Based on U.S. Census and California Department of Finance data for the City of Sacramento.

⁴ Based on the Natelson Survey.

Sources: California Employment Development Department; California Department of Finance; The Natelson Company; Sacramento County Association of Governments; Willdan Financial Services.

Appendix Table A.2: Development Services Net County Cost

	Scenario 1	Scenario 2
<i>Planning</i>		
Net County Cost	\$ 189,720	\$ 189,720
<i>Development Surveyor</i>		
Record of Survey	\$ 16,681	16,681
County Project Surveys	<u>348,758</u>	<u>348,758</u>
Total Cost	\$ 365,439	\$ 365,439
Net County Cost	\$ 555,159	\$ 555,159
Total - Development Services Net County Cost	<u>\$ 555,159</u>	<u>\$ 555,159</u>

Source: Sacramento County Planning.

Appendix Table A.3: Animal Services Net County Cost: Countywide

	Scenario 1	Scenario 2
Total Costs	\$ 6,043,940	\$ 6,043,940
Interfund Reimbursements	806,942	806,942
Revenues	2,011,732	2,011,732
Carry Over	<u>233,808</u>	<u>233,808</u>
Total Revenue	\$ 3,052,482	\$ 3,052,482
Net County Cost	\$ 2,991,458	\$ 2,991,458
County Population	\$ 1,433,187	\$ 1,433,187
Net County Cost/Resident	\$ 2.09	\$ 2.09
Arden Arcade Residents	92,006	98,402
Animal Services Net County Cost	\$ 192,042	\$ 205,391

Source: Sacramento County Animal Services Department.

Appendix Table A.4: Appropriations Limit - Scenario 1

Property Taxes	\$	6,596,000
Sales Tax		12,664,000
Property Transfer Tax		345,300
Transient Occupancy Tax		1,388,000
Utility User Tax		2,617,000
Vehicle License Fees		6,904,000
Use of Money & Property		334,000
Highway Users Tax 2105		750,000
Highway Users Tax 2106 (a)		4,800
Highway Users Tax 2106 (c)		344,000
Highway Users Tax 2107		998,000
Highway Users Tax 2107.5		7,500
Proposition 42		826,000
Measure A		3,599,000
Total Revenues	\$	37,377,600
Cost of Living Factor		3.00%
Provisional Limit	\$	38,498,928

Sources: Tables 7.1 and 5.19; Willdan Financial Services.

Appendix Table A.5: Appropriations Limit - Scenario 2

Property Taxes	\$	6,849,000
Sales Tax		12,795,000
Property Transfer Tax		399,400
Transient Occupancy Tax		1,388,000
Utility User Tax		2,799,000
Vehicle License Fees		7,384,000
Use of Money & Property		346,000
Highway Users Tax 2105		802,000
Highway Users Tax 2106 (a)		4,800
Highway Users Tax 2106 (c)		368,000
Highway Users Tax 2107		1,068,000
Highway Users Tax 2107.5		7,500
Proposition 42		883,000
Measure A		3,966,000
Total Revenues	\$	39,059,700
Cost of Living Factor		3.00%
Provisional Limit	\$	40,231,491

Sources: Tables 7.2 and 5.20; Willdan Financial Services.

Appendix B – Comparative City Survey

Appendix Table B.1: Comparison of Contract and City Employee Staffing, as Available

	Folsom FY08-09		Rancho Cordova FY08-09		Elk Grove FY08-09		Citrus Heights FY08-09		Arden Arcade ¹	
	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
Population	70,537		60,736		139,119		87,119		92,006	
City Manager	3.75	0.05	4.00	0.07	4.00	0.03	6.10	0.07	5.00	0.05
City Attorney	6.00	0.09	2.50	0.04	5.00	0.04	-	-	2.50	0.03
City Clerk	3.50	0.05	4.00	0.07	5.00	0.04	1.50	0.02	5.00	0.05
Neighborhood Services	-	-	10.00	0.16	3.00	0.02	-	-	-	-
Communications	-	-	-	-	1.00	0.01	-	-	-	-
Animal Services	-	-	-	-	5.00	0.04	-	-	-	-
Youth Services	-	-	-	-	1.00	0.01	-	-	-	-
Community Enhancement	-	-	-	-	8.00	0.06	-	-	-	-
Administrative Services	11.00	0.16	5.00	0.08	2.00	0.01	-	-	15.00	0.16
Information Technology	-	-	3.00	0.05	-	-	6.00	0.07	-	-
Human Resources	6.75	0.10	3.00	0.05	3.00	0.02	4.75	0.05	-	-
Risk Management	-	-	-	-	3.00	0.02	0.15	0.00	-	-
Finance	21.00	0.30	9.00	0.15	17.00	0.12	8.00	0.09	-	-
Utility Billing	-	-	-	-	4.00	0.03	-	-	-	-
Development Services	-	-	-	-	4.00	0.03	-	-	1.00	0.01
Community Development	-	-	-	-	-	-	-	-	-	-
Building	16.00	0.23	13.00	0.21	-	-	6.00	0.07	3.00	0.03
Code Enforcement	3.00	0.04	-	-	-	-	-	-	2.00	0.02
Engineering	5.50	0.08	-	-	-	-	-	-	6.00	0.07
Lighting/Landscaping	3.00	0.04	-	-	-	-	-	-	-	-
Planning	5.00	0.07	10.00	0.16	-	-	5.00	0.06	4.00	0.04
Administration	3.00	0.04	-	-	-	-	-	-	2.00	0.02
Public Works	72.70	1.03	21.00	0.35	-	-	-	-	-	-
Public Information	-	-	2.00	0.03	-	-	-	-	-	-
Housing	-	-	2.00	0.03	-	-	-	-	-	-
Facilities Management	-	-	2.00	0.03	-	-	-	-	-	-
General Management	-	-	-	-	-	-	1.00	0.01	3.00	0.03
Community Information & Community Events	-	-	-	-	-	-	1.50	0.02	-	-
General Mgmt./Economic Dev./Redev.	-	-	-	-	-	-	3.50	0.04	-	-
CDBG/Grants/Housing/Neighborhood Enhancement	-	-	-	-	-	-	6.50	0.07	-	-
Engineering & Street Maintenance	-	-	-	-	-	-	9.50	0.11	-	-
Operations and Maintenance	-	-	-	-	-	-	12.00	0.14	-	-
Totals	160.20	2.27	90.50	1.49	65.00	0.47	71.50	0.82	48.50	0.53

Notes: Excludes police. Includes all other contract and non-contract Full Time Equivalent (FTE) positions as reported in the budget. Contract employee counts in some budgets were not provided.

Police staffing is excluded to normalize different levels of public safety service in each jurisdiction.

Folsom: Building, Code Enforcement, Engineering, Lighting/Landscaping, Planning and Administration are included in the Community Development Department.

Rancho Cordova: The City Attorney is a contract position.

Citrus Heights: Risk Management includes one human resources professional and the City Clerk. Operations and Maintenance includes facilities maintenance workers and street maintenance workers.

¹ Data shown for Scenario 1, year 10

Sources: City of Elk Grove Adopted Budget FY06-07/FY09-10; City of Folsom Adopted Budget FY06-07/FY09-10; City of Rancho Cordova Adopted Budget FY06-07/FY09-10; County of Sacramento Adopted Budget FY06-07/FY09-10; Willdan Financial Services.

Appendix Table B.2: Comparative Cities - General Fund Expenditures

	Folsom FY08-09		Rancho Cordova FY08-09		Elk Grove FY08-09		Citrus Heights FY08-09		Arden Arcade ¹	
	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
Population	70,537		60,736		139,119		87,119		92,006	
General Government/Miscellaneous	\$10,821,903	\$ 153.42	\$ 7,444,775	\$ 122.58	\$18,333,768	\$ 131.78	\$ 4,027,853	\$ 46.23	\$ 2,702,000	\$ 29.37
Law Enforcement	18,948,407	268.63	15,908,669	261.93	29,780,413	214.06	17,560,362	201.57	14,174,000	154.06
Fire Protection/Emergency Services	15,857,864	224.82	-	-	-	-	-	-	-	-
Animal Control	180,000	2.55	508,400	8.37	849,993	6.11	384,367	4.41	388,000	4.22
Planning/Engineering/Building/Code Enforcement/Public Works	2,445,309	34.67	11,856,170	195.21	3,399,053	24.43	2,847,654	32.69	2,171,000	23.60
Community Services/Parks & Recreation	5,106,770	72.40	-	-	-	-	-	-	-	-
Non-Departmental	2,034,434	28.84	472,824	7.78	2,785,312	20.02	4,796,165	55.05	708,000	7.70
Other ²	<u>3,719,356</u>	<u>52.73</u>	<u>7,343,384</u>	<u>120.91</u>	-	-	<u>1,023,135</u>	<u>11.74</u>	<u>7,181,400</u>	<u>78.05</u>
Total General Fund Expenditures	\$59,114,043	\$ 838.06	\$43,534,222	\$ 716.78	\$55,148,539	\$ 396.41	\$30,639,536	\$ 351.70	\$27,324,400	\$ 296.98

¹ Expenditures shown for first full year of incorporation for Scenario 1.

² For Arden Arcade, "Other" costs includes revenue neutrality, county repayment, and contingencies.

Sources: City of Folsom FY2009 Budget; City of Elk Grove FY2009 Budget; City of Rancho Cordova FY2009 Budget.

Appendix Table B.3: Comparative Cities - General Fund Revenue

	Folsom FY08-09		Rancho Cordova FY08-09		Elk Grove FY08-09		Citrus Heights FY08-09		Arden Arcade ¹	
	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
Population	70,537		60,736		139,119		87,119		92,006	
Property Tax	\$ 17,742,610	\$ 251.54	\$ 13,996,000	\$ 230.44	\$ 11,566,000	\$ 83.14	\$ 4,463,167	\$ 51.23	\$ 6,596,000	\$ 71.69
Transfer Tax	300,000	4.25	250,000	4.12	640,000	4.60	-	-	345,300	3.75
Sales and Use Tax	17,854,091	253.12	9,665,000	159.13	20,530,000	147.57	10,250,000	117.66	12,664,000	137.64
Franchise Tax	535,133	7.59	1,078,800	17.76	705,000	5.07	960,000	11.02	476,000	5.17
Other Taxes (Incl. UUT and Business Tax)	-	-	2,815,000	46.35	3,300,000	23.72	2,980,000	34.21	2,884,500	31.35
Fees	-	-	-	-	-	-	-	-	-	-
Licenses and Permits	588,000	8.34	2,484,400	40.90	426,000	3.06	816,000	9.37	-	-
Fines and Forfeitures	248,257	3.52	645,500	10.63	1,127,000	8.10	916,199	10.52	696,000	7.56
Transient Occupancy Tax	1,591,000	22.56	2,300,000	37.87	1,275,000	9.16	-	-	1,388,000	15.09
Other General Fund Revenues	14,524,952	205.92	9,100,185	149.83	3,451,186	24.81	2,199,474	25.25	1,737,000	18.88
Intergovernmental Revenues	930,000	13.18	-	-	11,455,000	82.34	1,233,696	14.16	-	-
Motor Vehicle in Lieu	<u>4,800,000</u>	<u>68.05</u>	<u>1,230,000</u>	<u>20.25</u>	<u>707,000</u>	<u>5.08</u>	<u>7,046,000</u>	<u>80.88</u>	<u>6,904,000</u>	<u>75.04</u>
Total General Fund Revenues	\$59,114,043	\$ 838.06	\$43,564,885	\$ 717.28	\$55,182,186	\$ 396.65	\$30,864,536	\$ 354.28	\$33,690,800	\$ 366.18

¹ Revenues shown for first full year of incorporation for Scenario 1.

Sources: City of Folsom FY2009 Budget; City of Elk Grove FY2009 Budget; City of Rancho Cordova FY2009 Budget.