

CITY OF RANCHO CORDOVA
CITY COUNCIL STUDY SESSION AGENDA

Special Meeting
Council Chambers
2729 Prospect Park Drive, Rancho Cordova

Tuesday, February 28, 2006
5:30 P.M.

Call to Order

Roll Call: Council Members Budge, Cooley, Sander, Skoglund, and Mayor McGarvey

Oral Communications

1. Public Comment

At a special meeting, citizens wishing to address the Council for **any matter on the agenda may do so at this time by completing and submitting a (blue) Speaker Card to the City Clerk. The Mayor will call you to the podium at this point on the agenda.** Note, under the provisions of the California Government Code, the City Council is prohibited from discussing or taking action on any unagendized item. **All speakers are encouraged to keep your comments to three minutes or less and to state your name and community of residence.**

Study Session Items

At a study session, citizens are invited and encouraged to participate during the time the matter is discussed.

2. **Subject:** Progress Report to Council on Developer Roundtable Discussions Relating to Transportation Capital Improvement Program Implementation Strategy and Financing Plan
Recommendation: This is an informational item; no action will be taken.
3. **Subject:** General Plan Pro Forma Presentation (An analysis of the tentative General Plan and whether the land use plan will adequately support City operations now and in the future.)
Recommendation: Receive and file report.

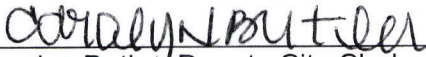
Adjournment

In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation, including auxiliary aids or services, to participate in this meeting, please contact the City Clerk's Office at (916) 851-8720 or lhare@cityofranchocordova.org at least 48 hours prior to the meeting.

City Clerk's Certificate of Posting of Agenda

I, Carolyn Butler, Deputy City Clerk for the City of Rancho Cordova, declare that the foregoing agenda for the February 28, 2006 Study Session of the Rancho Cordova City Council was posted on February 24, 2006 at the office of the City of Rancho Cordova, 2729 Prospect Park Drive, Rancho Cordova, California, 95670 and was available for public review at that location. The agenda is also available on the city web site at www.cityofranchocordova.org.

Signed this 24th day of February 2006 at Rancho Cordova, California.



Carolyn Butler, Deputy City Clerk

MEMORANDUM

DATE: February 28, 2006
TO: Mayor and Council Members
FROM: Cyrus Abhar, Public Works Director



SUBJECT: PROGRESS REPORT TO COUNCIL ON DEVELOPER
ROUNDTABLE DISCUSSIONS RELATING TO
TRANSPORTATION CAPITAL IMPROVEMENT PROGRAM
IMPLEMENTATION STRATEGY AND FINANCING PLAN

RECOMMENDATION

Receive progress report and provide input and direction to staff.

John Goss
Sandy Salasuo

RESULT OF RECOMMENDED ACTION

Staff will provide a progress report to the Council on the status of discussions with the development community relating to an implementation strategy and financing plan for the transportation capital improvement program. Staff will seek input from Council members.

BACKGROUND

A Transportation Infrastructure Phasing Plan Discussion for implementation of the Transportation Capital Improvement Program (CIP) was presented in a workshop setting to the City Council on November 29, 2005. Items of discussion at the workshop included 1) the timing and delivery of improvements to maintain effective circulation for the existing community and for the new residents as a result of new development, 2) using the results of a transportation phasing study to identify specific improvements that need to be in place at cumulative increments of development, and 3) existing threshold based transportation conditions for the Sunridge Specific Plan Area.

Council directed staff to initiate Round Table Discussions with the development community to identify an implementation strategy to delivering the CIP. Six Round Table discussions were held on December 7, 2005, December 14, 2005, January 4, 2006, January 27, 2006, February 10, 2006, and February 27, 2006.

AGENDA ITEM # 2

Based on discussions held at the February 10, 2006 meeting, an acceptable approach has conceptually been agreed upon. City staff presented a Proposal for review by the Development community at the most recent Round Table meeting on February 27, 2006. Staff will present the results of that discussion and options for an implementation strategy to the Council on February 28, 2006.

operating costs
no capital costs

MEMORANDUM

DATE: February 28, 2006
TO: Mayor and Council Members
FROM: William J. Thomas, Chief Financial Officer
SUBJECT: GENERAL PLAN PROFORMA PRESENTATION



RECOMMENDATION

Receive and file report.

RESULT OF RECOMMENDED ACTION

No action required. The Council tasked the General Plan team to determine the fiscal sustainability of the land uses that are envisioned in the General Plan. Staff has been working on utilizing a computer model to provide financial data based on land use. The City contracted with Ralph Andersen & Associates to purchase rights to the "FIND" model (Fiscal Impact of New Development). Staff is now ready to provide the Council with the results of that study.

BACKGROUND

The report entitled "Final Report – General Plan Pro form for the Application of the Fiscal Impact for New Development (FIND) Model to the City's General Plan is attached.

Staff will present a PowerPoint presentation based on this report.

Attachment(s):
Final Report of the FIND model



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Internet Access

info@ralphandersen.com (e-mail)
http://www.ralphandersen.com (World Wide Web)

February 22, 2006

Project Staff:

John Goss, Project Director
Ray Lippert, Software Consultant

**FINAL REPORT
GENERAL PLAN PRO FORMA
FOR THE APPLICATION OF
THE FISCAL IMPACT FOR NEW DEVELOPMENT
(FIND)
MODEL TO THE CITY'S GENERAL PLAN**

CITY OF RANCHO CORDOVA

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Executive Summary

why would we not?
As a newly incorporated City developing its first General Plan, with a significant amount of residential development contemplated, Rancho Cordova officials have raised the question whether or not Rancho Cordova will achieve and maintain fiscal solvency over the next 5, 10 to 25 years, and beyond. Under its adopted tentative General Plan, will the land use plan adequately support city operations now and in the future, or will adjustments to the land use plan be needed to promote future City solvency and avoid potential bankruptcy?

To answer this question, the City put together a team consisting of staff and consultants to conduct a pro forma analysis of the tentative General Plan. Using the adopted 2005-06 budget as the basis of its analysis, Ralph Andersen & Associates applied the cost and revenue data developed by the team to its copyrighted FIND (Fiscal Impact of New Development) computer model. It is designed to assess the fiscal impact of development anticipated under the tentative General Plan. The FIND Model can also be used to assess alternative land use scenarios over similar or different time frames. Further, the City will be supplied a FIND Model Users Guide so that it can apply different land use alternatives now and in the future to meet changing planning and economic conditions. The FIND Model has been tailored specifically to assess the impact of land development in Rancho Cordova.

The FIND Model methodology determines variable and marginal costs and revenues for those City operations supported by the General Fund. The marginal cost and revenue amounts caused by new development are distributed by land use types, such as residential, commercial, office and industrial land uses. The resulting cost and revenue factors by land use types are then used to project future costs and revenues.

More specifically, costs and revenues are distributed based on the following assumptions:

- 1) **General.** This assumes that the cost of providing a service is not impacted by the type of land use served, the service cost is spread equally among various land uses, and revenues are generated from all land uses evenly.
- 2) **Demand.** These service costs are impacted by all land uses, but they are not the same among various land use types. The same with revenues, where revenue produced from a particular source differs among different land use types.
- 3) **Direct.** These service costs and revenues are only affected by one selected land use type, such as residential.
- 4) **Indirect.** These are 'overhead' expenses that are not impacted directly by new development, but are impacted indirectly by the growth of other City departments.

The 'general' method distributes costs and revenues by 'acres,' the 'demand' method by the 'percent' distribution among land uses, and the 'direct' method by 'people' (per capita) or 'units' (dwelling units). Also, because of the importance, and in some cases, complexity of certain revenues, such as property and sales taxes, special revenue assumptions have been used. These dis-

tribution methods for costs and revenues are identified for each service function and revenue in Tables III-3 and III-8.

Recognizing that as a newly developing city, Rancho Cordova may soon provide services not currently reflected in its 2005-06 budget, the pro forma team included General Fund data in the Model for the provision of two potential new services: the cemetery and museum. Funds were also included in the Model to supplement functions offered by other entities, such as library and recreation services.

Additional new services were identified, such as transit and housing, but were not included in the Model because policy imperatives, grants or other non-General Fund revenues were available for their support.

Other potential new services were identified but not specifically included in General Fund projections at this time, such as fine arts, convention center and emerging technologies because of the lack of information about the timing and financing of these services, plus the timing for the construction of facilities needed to provide these services.

Finally, there are local services provided by other local entities that are not likely to be provided by the City during the planning period such as fire, water, sewer, education and similar services. Obviously, these expenses are not included in the FIND Model.

After setting up the FIND Model, tailored to the specific needs and requirements of Rancho Cordova, and running the assumed residential, commercial, office and industrial development projections supplied by Planning consultants to the year 2035, it appears that the City will be fiscally solvent. Under this 'existing city' scenario, General Fund revenues will exceed expenditures. However, any unexpected, downward adjustment by one of the other major city revenues, such as the sales tax, property tax in-lieu, or police tax could easily put the City General Fund operations in a negative financial position on an annual and long-term basis. The City understandably should be cautious in evaluating and assessing its annual operating budget, and should conduct annual financial projections in order to avoid future economic difficulties in providing municipal services. This can be accomplished by City staff using the FIND Model, guided by the FIND Model User's Guide which will be provided to the City by Ralph Andersen & Associates as part of this project.

Chapter I Introduction

Background

The City of Rancho Cordova, having recently incorporated on July 1, 2003, is in the process of preparing its first General Plan. This will be the guide for the City's development over the next 25 years and beyond for land use development, traffic circulation, conservation, safety, noise and other elements required by state law to be included in the General Plan.

One of the concerns in developing the General Plan is whether or not the City will achieve and maintain fiscal solvency as development occurs over the next several years. Will the City receive the revenue necessary to provide needed public services to a vibrant, growing community, or will it struggle with economic uncertainty and possible insolvency over time, diminishing the quality of life for its residents? Is the land use plan and the assumptions contained in the adopted Tentative General Plan sufficient to financially support City operations now and in the future, or will adjustments to the City's land use plan be necessary to promote future City solvency, thus avoiding bankruptcy?

The Pro Forma Team

To help answer these questions, the City created a team of employees and consultants to look at the various fiscal issues created by the City's Tentative General Plan. The purpose of the team is to create a General Plan Pro Forma to determine the fiscal solvency or insolvency of the City as its vacant areas develop.

The team is chaired by Bill Thomas, Chief Financial Officer, who has been providing direction and guidance to the operation of the Pro Forma Team. The Team met weekly developing detailed assumptions for projecting future revenues and expenditures, future land use and phasing plans for the undeveloped part of the City, and creating and using fiscal models to project City revenues and expenditures into the future. The team consists of:

- Sandy Salerno, consultant, who is assisting the City on this project as well as other fiscal issues;
- Matt Kowta, Bay Area Economics (Davis), who is assessing the fiscal impact annually and at build out for development projects seeking immediate review and approval, such as Rio del Oro;
- Rod Stevens, Leland Consulting Group (Portland), analyzing how much and what type of retail development can be supported by the new development as well as the regional market, and where it should be located.

- John Goss, Ralph Andersen & Associates (Rocklin), assisted by Ray Lippert, Software Consultant, in preparing the FIND (Fiscal Impact of New Development) Model which is a copyrighted computer program which will be used in evaluating the fiscal impact of different land use scenarios for the General Plan on an annual and/or periodic basis (say every 5 years) at the discretion of the City.

Data to support this effort has come from a variety of sources including the City's adopted 2005-06 Budget, the 2003-04 Annual Financial Report, data from **PLACES3**⁽¹⁾, State Department of Finance, and Sacramento Council of Governments (SACOG), plus information from the Chief Financial Officer, and City planning staff.

Purposes and Application of FIND Model

The purpose of this report is to describe the assumptions of the FIND Model, and to apply the Model to the City's adopted tentative General Plan as well as to any alternative land use scenarios to or within the General Plan. The goal is to determine the fiscal impact of any land use scenarios desired by the City, including the General Plan.

What is the FIND Model? It is an analytic technique and computer model used to identify the costs and revenues associated with different land uses. The fiscal impact analysis determines whether a given land use, new development, the general plan or proposed annexation will pay for itself, generate a surplus of revenues, or result in higher costs of service than revenue produced.

The end product of the General Plan Pro Forma analysis being undertaken by the FIND process is a computerized model, which will enable the City of Rancho Cordova now and in the future to conduct a fiscal impact analysis of its General Plan, or any specific plan or subdivision, on a continuing basis. One obvious advantage of the FIND Model is that long after the consultants are gone, city staff will have an important and critical tool in assessing the fiscal impacts that development will have on the City. This tool can be used annually, quarterly, or even more frequently at the discretion of city staff, and can focus broadly on the current tentative General Plan, or the Sphere of Influence, or can focus more narrowly on projects as small as an individual subdivision.

This report presents the assumptions used in developing the FIND Model, including assumptions regarding fixed and variable expenses, fixed and variable revenues and methods of distributing variable revenues and expenses among different land use types. It also documents the fiscal impact of the tentative General Plan on the future solvency of the City.

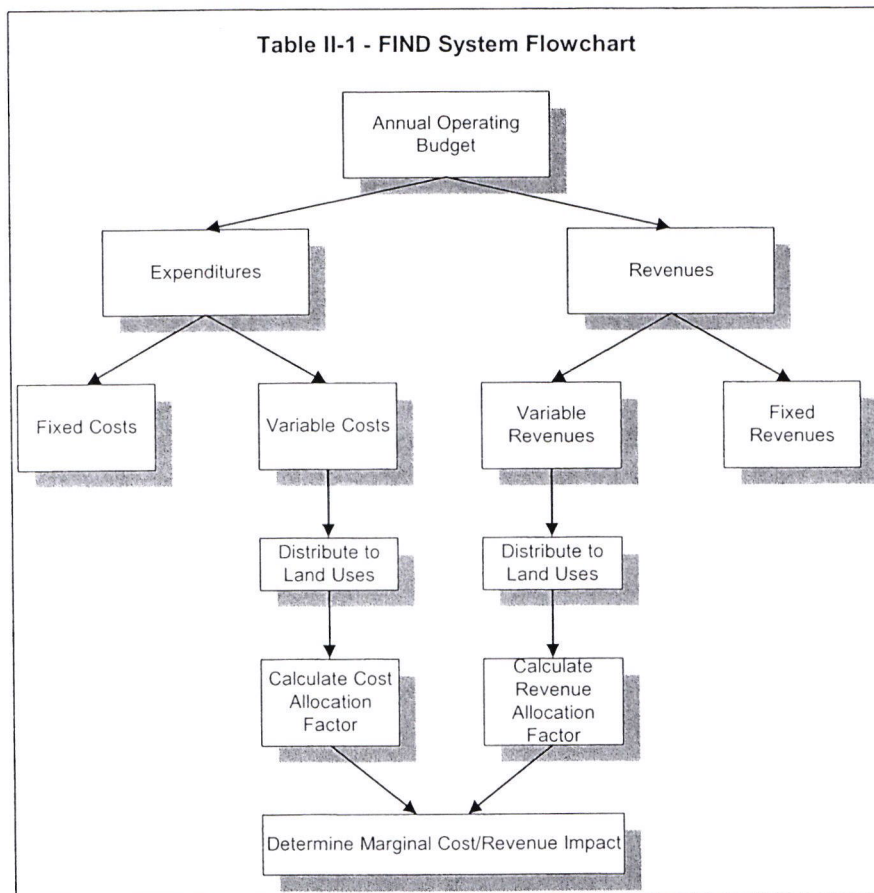
⁽¹⁾ **PLACES3** is a geographic software-planning tool developed by the States of California, Washington and Oregon and applied to Sacramento's regional Blueprint project by the Sacramento Area Council of Governments. **PLACES3** stands for Planning for Community Energy, Economic and Environmental Sustainability.

Chapter II

Overview of FIND Methodologies

The FIND Model has been developed and tailored specifically to assess the impact of land development on the City of Rancho Cordova. The development of the Model has required a comprehensive data collection and analysis effort by the Pro Forma Team, which has identified and computed specific revenues and expenses for the City's General Fund as well as selected public works facilities.

This has been accomplished through the use of the FIND System Flow Chart (See Table II-1). Using the City's most recent operating budget, General Fund expenses and revenues have been identified, and broken down into fixed and variable costs or revenues. The variable costs/revenues are distributed by land use types from which a cost or revenue allocation factor is determined. These factors are then used to determine the marginal cost/revenue impacts of a particular land use scenario, such as the General Plan. These marginal costs and revenues are developed and specifically identified for this report because they are the costs and revenues created by new development. In this way, the fiscal impact of new development envisioned by the General Plan, or any other land use plan, can be projected, evaluated and assessed.



Cost/Revenue Distribution Methods

There are four ways in which specific City departments and their operating budgets can be affected by new development. Some have a clearly defined relationship to particular types of land uses or have workload measures that indicate different service/cost requirements for particular types of service. All types of development affect other department costs proportionately. Still other departments are essentially administrative or internal service support functions and have only an indirect relationship to development. With this in mind, the following cost/revenue distribution methods have been used in developing Rancho Cordova's FIND Model.

- **General Land Use Distribution Method** – Cost/revenues are distributed to each land use in proportion (as a percentage) to the area that each existing land use is to the total area. An example is the expense for running the Planning Department that is not recovered by fees or deposits that are spread as a percentage to all land use types in the City.
- **Demand For Service Distribution Method** – Costs are distributed to each land use based upon the proportion of total workload/service demand that is attributable to each land use, using an analysis of available records. An example would be the costs for operating the Police Department, which are distributed based on calls for service to various land use types, such as single family residential, multifamily residential, commercial and industrial.
- **Direct Relationship Distribution Method** – Costs/revenues are distributed to each land use type based upon a known or direct relationship to a single land use type. An example of this would be Animal Services, which primarily impacts residential land uses.
- **Indirect Relationship Method** – Expenses are added to the cost distributions of the other three methods as a percentage. These costs correlate to the overall increases in the expenses of direct service departments rather than directly to a specific type of development. Examples of this method are overhead departments like Human Resources or Finance.

Unit Measures for Cost/Revenue Allocation Factors

After total costs/revenues are distributed among various land use types, per-unit allocation factors are computed. The specific cost/revenue allocation factors calculated by the FIND Model for the City of Rancho Cordova include:

- Cost/revenue per single family dwelling unit, detached;
- Cost/revenue per single family dwelling unit, attached;
- Cost/revenue per multifamily rental;
- Cost/revenue per multifamily for-sale;
- Cost/revenue per square foot of commercial/office;
- Cost/revenue per square foot of industrial

Population and Related Data

To assist in making these allocations among land use types, the following population and related data presented in Table II-2 was used. This is the same data used by Bay Area Economics in assessing the fiscal impact of the proposed Rio del Oro land development project.

Table II-2 – City of Rancho Cordova Population and Related Data				
Current	Population/Units	Acres	Sq. Ft.	Value/Sq. Ft.
2005 Population	55,100 ⁽¹⁾			
2005 Housing Units	21,606 ⁽¹⁾	2,694 ⁽³⁾		
2005 Employment ⁽²⁾	43,000			
2005 Commercial/Office		1,741 ⁽³⁾	13,227,346 ⁽³⁾	\$200 ⁽²⁾
2005 Industrial		796 ⁽³⁾	8,938,831 ⁽³⁾	80 ⁽²⁾
Persons Per Household		Persons/Unit		Net Value/Unit
Single-Family Detached		2.92/unit ⁽⁴⁾		\$475,500 ⁽²⁾
Single-Family Attached		2.48/unit ⁽⁴⁾		380,000 ⁽²⁾
Multifamily For Sale		1.73/unit ⁽⁴⁾		261,250 ⁽²⁾
Multifamily Rental		1.96/unit ⁽⁴⁾		142,500 ⁽²⁾
(1) From the State Department of Finance. (2) Bay Area Economics (3) PLACES3 (4) U.S. Census, 2000				

Other Considerations and Assumptions

The general concepts and methodologies described above have been used in developing the City of Rancho Cordova FIND Model. Other considerations and assumptions used in building the City's Model are summarized below.

- **Land Uses.** For the initial run of the Model, land use assumptions in the adopted tentative General Plan for the existing city have been used along with supplemental information, input and direction on land uses and phasing of development provided by Planning staff.
- **Financial Data Base.** The primary source of financial information to build the FIND Model comes from the City's adopted 2005-06 Budget. In working with the Team, and

with the concurrence of City staff, some of this data was modified to reflect potential future service expense not currently contained in the 2005-06 budget.

- **Special Revenue Assumptions.** Because of the agreement between the City and the County for the distribution of property tax revenue, and the importance to the City of property transfer, property tax in lieu of VLF, sales, transient occupancy, and police taxes, the Model forecasts these revenues based on very specific assumptions, which will be explained in more detail when the revenue projections are discussed.
- **Revenue Sources.** No attempt has been made to predict new sources of revenue or changes in the rates of various revenue sources, unless there is an adopted formula for a revenue source such as the aforementioned property tax agreement between the City and the County.
- **Inflation.** The Model is designed to allow the user to define different inflation rate assumptions. Default assumptions have assumed an inflation rate of zero so that all analyses and comparisons reflect a constant dollar analysis.
- **Enterprise Funds.** The FIND Model does not include an analysis of enterprise or special purpose funds as those funds are or should be operated on a pay-as-you-go basis. As there is no resulting net fiscal impact, these costs (and revenues) have not been included in the Model.
- **Offsetting Revenues.** The FIND Model assumes that certain operations or functions, such as Building and Safety, will not be included in its projections since fees for service pay, or should pay, for the expenses of this Department. There is no net fiscal impact on the City's operating budget; hence costs and revenues related to Building and Safety have not been included in the Model. In the case of the Planning and Public Works Departments, only those expenses that are not covered by revenues such as fees and grants are projected as General Fund costs. These costs will increase over time since it is impacted by growth.

Specific assumptions, formula, and methodologies for the FIND Model in developing the General Plan Pro Forma are described in the following Chapters of this Report.

Chapter III

Detailed Assumptions for General Fund Projections

This Chapter presents the specific assumptions used for linking City General Fund costs and revenues to different land use types. The assumptions include fixed versus variable costs/revenues, distribution methods and, as appropriate, percentage distributions by land use types. To facilitate this review, this Chapter is organized as follows:

- Expenses;
- Revenues; and
- Special Revenue Assumptions.

The resulting cost and revenue allocation factors resulting from these assumptions are also discussed.

Expenses

All City General Fund operating program expenses have been allocated to appropriate land use types or categories. To accomplish these allocations, specific assumptions have been developed regarding:

- Fixed verses variable expenses;
- Distribution of costs to land use types; and
- Distribution of costs by percent to different land use types based on an analysis of work-load indicators, if appropriate.

Fixed Versus Variable Expenses

In discussing the City's General Fund expenses with the Pro Forma Team, using the 2005-06 Budget along with other supplemental information, fixed and variable expenses were identified. Fixed costs are those not impacted by growth because it assumes that the City would experience those costs whether or not it grew and developed. Examples of these fixed costs are: salaries and benefits of management positions, supplies and services related to the direct support of management positions, one-time costs for special studies and services unrelated to growth, and capital costs unrelated to growth and development.

Estimated fixed costs have been subtracted from each department's total operating budget to determine the resulting variable cost for that department. It is the variable cost that is impacted by the City's growth, and is the cost projected in determining the impact of development on the City's operating budget.

Distribution Basis

Once fixed and variable costs have been determined for a department, service or program, the variable costs are distributed to appropriate land use types. As previously described, the four distribution methods that are used include:

- General;
- Demand for Service;
- Direct; and
- Indirect.

The appropriate distribution of costs has been determined based on discussions and meetings with the City's Pro Forma Team. Through these discussions the following distribution of costs have been determined.

- **General**. Table III-3 summarizes City services, by departments, which are allocated by various distribution types including the General distribution method. This distribution method assumes that services provided by these departments are provided to all land uses, and that the type of land use does not impact the cost of providing the service. The workload or demand for service is not significantly different whether the service is being provided to commercial, industrial or residential development. Accordingly, the future cost of that service is projected based upon the proportion of acres in the City by land use type. Examples of distribution method include Economic Development, Code Enforcement, Planning and Non-Departmental.
- **Demand**. Table III-3 also summarizes City services that are distributed based on Demand for Service. These services or programs are impacted by all land use types, but the nature of the impact on each land use type is not the same. For example, one acre of single-family residential development may generate more workload than one acre of commercial development. The cost of that service will increase at a greater rate as more residential development is constructed, compared to commercial development.

Because services distributed on this basis are impacted differently by different land use types, percentages were developed by land use type to reflect this difference. Services using the Demand Distribution method include Police and Public Works.

Police. Distribution of the cost of providing police service was based upon calls for service by land use type. Since this data is not routinely maintained by the Police Department, police staff reviewed 2,562 calls for service for June 2005. Based on this sample,

police service is distributed by different land use types. This analysis is presented in Table III-1.

Table III-1 – Police Cost Distribution Based on Calls for Service	
Land Use Type	Percent
Single Family Detached	31
Single Family Attached	6
Multifamily Rental	12
Multifamily For Sale	2
Commercial	44
Industrial	5

This breakdown was compared to another city where Ralph Andersen & Associates prepared the FIND Model. The breakdown was very similar to that presented in Table III-1, except that in the other city the calls for service percentage was somewhat higher for multifamily rental, and somewhat lower for commercial.

It may be as City staff uses and refines the FIND Model, they may wish to increase the sample prepared by the Rancho Cordova Police Department to four months, one in each quarter of the year. This would either validate the information already collected, or allow staff to refine the model as additional information is developed.

Public Works. The distribution of variable General Fund Public Works costs, that is, those costs, which are not covered by offsetting and/or restricted revenues, are distributed by land use types based on trip generation. Also, since most Public Works maintenance costs are offset by restricted non-General Fund revenues, only a relatively small amount of Public Works expense contained in the City's General Fund Budget are distributed by the Demand method.

Using calculations from the trip generation information contained in the Nexus Study for Transportation Development Impact Fees, trips for service for the six broader land use types used in this report were estimated. The results of those calculations and the percentage distribution of Public Works costs by land use types are reflected in Table III-2.

Table III-2 – Public Works Cost Distribution Based on Trip Generation⁽¹⁾	
Land Use Type	Percent
Single Family Detached	33
Single Family Attached	8
Multifamily Rental	17
Multifamily For Sale	8
Commercial	32
Industrial	2

⁽¹⁾ Derived from Transportation Impact Fee Nexus Study by Revenue & Cost Specialists

- **Direct.** Table III-3 also summarizes City services that have been distributed by the Direct distribution method. These are services that are only impacted by a selected land use type, like residential. And if these services are impacted only by residential uses, then the method of distribution in this Report's charts are listed as 'people.' For services whose costs are distributed on a 'direct/people' basis, the percentage distribution by residential use is based on the average number of people in each of the four residential land use types identified in this report (single family detached, single family attached, multifamily rental, multifamily for sale). The only current City service distributed on this basis is Animal Services, which provides services to basically residential land uses. Other services, which the City does not currently provide but may provide in the future, either directly or as a supplement to other service providers, would be distributed only by residential land use. These services include recreation, library and museum. The provision of these services will be discussed in more detail in Chapter V.
- **Indirect.** Table III-3 presents those functions that basically are 'overhead' departments. These are departments where their services are not directly impacted by outside growth and development, but rather are impacted indirectly by the growth of other City departments. Since these expenditures grow in relationship to the growth of other City departments, the FIND Model does not compute a specific cost allocation factor for these expenditures. These costs, instead, are allocated proportionately to each department that provides direct service to the public and will grow as those direct services grow. These indirect service, or 'overhead' offices, departments or functions include: City Council, Advisory Boards, City Attorney, City Manager, City Clerk, Human Resources, Administrative Support, Finance, Information Technology, Facilities Management and Risk Management. Fixed and variable costs for these offices, departments or functions are also identified. Only the variable costs are allocated to those departments that provide direct service to the public.

Cost Allocation Factors

Based on fixed and variable cost assumptions, distribution methods and percentage allocations, the FIND Model computes specific cost allocation factors by department and service. These cost allocation factors are computed by dividing all costs allocated to a single land use, like existing single-family detached residential units, or commercial or industrial acres or square footage.

Table II-2, discussed in Chapter II, presents the existing development information, which has been used for computing these factors. This data was obtained from a variety of sources including PLACES3, State Department of Finance, SACOG, and City staff.

Table III-3 supplies the cost allocation factors generated by the FIND Model, along with budget and distribution factors used in its projections. Except for projected 'future' services, and except as noted for certain individual departments, this table provides the 2005-06 budget by department/service. Then by subtracting any fixed costs associated with each department/service budget, or in the case of this chart, multiplying the budgeted amount by a net variable percentage, the variable costs for each department/service are then computed. These are the costs, which will increase due to growth.

The variable indirect costs from the overhead departments/services are then spread proportionately among the 'direct service' departments/services. This provides a 'foundation' number, which can be used in the FIND Model to distribute costs by land use type. The method for such distribution is identified in the last two columns, using general, demand, and direct and indirect formulas as defined above. Then the basis for allocation is presented, either by acreage, people, units or percent.

An additional component of Table III-3 is a projection of possible future services, which may be provided by the City of Rancho Cordova. Beginning in 2006-07, it is projected based on discussions with and direction by staff that certain services or functions be financed from the General Fund. These include the Museum, Cemetery, and enhanced Library and Recreation services. The Museum could initially begin in the new City Hall and money for initial and minimal staffing and start up costs have been estimated. For the Cemetery, only basic maintenance costs are included. It is unlikely that these costs would be impacted by future development; hence, no variable costs for this function are projected and are not part of the FIND Model analysis.

The FIND analysis assumes that the City would supplement two current service providers to provide enhanced services within the City. One is the Sacramento Public Library Authority, and the other is the Cordova Recreation and Parks District. In the case of the Library, the Model projects funds to supplement library service to residents in the City through the current service provider, the Sacramento Public Library Authority. In the case of the District, an analysis of their budget indicates that the park maintenance function is adequately funded, but that fees and other revenue from recreation programs only fund about one-half of those program costs. The amount projected to be included in the 2006-07 budget for this function would cover about one-half of the unfunded program costs, or roughly one quarter of the total program costs.

Since others administer the library and recreation functions, there are no fixed City costs. All of their costs are variable, with the distribution methodology being 'direct, people.' This means that the costs will be allocated to residential uses only. The same analysis also applies to the Museum. Again, all Museum costs are treated as 'variable' since any fixed or administrative costs will be located in other parts of the City organization.

A more detailed discussion of these and other possible future program/service costs that might be undertaken by the City are discussed in more detail in Chapter V.

Table III-3 – Expenditure Distribution Methodology

Department / Function	05/06 Budget	% Variable	Net GF Variable	Var + Ind	Distribution	Basis
Direct Services						
Animal Control	\$459,000	66	\$304,000	\$360,093	Direct	People
Planning ⁽¹⁾	893,600	60	538,000	637,269	General	Acres
Code Enforcement	700,000	100	700,000	829,161	General	Acres
Department / Function	05/06 Budget	% Variable	Net GF Variable	Var + Ind	Distribution	Basis
Building / Safety ⁽²⁾	0	0	0	0	N/A	N/A
Economic Development	238,000	68.5	163,000	193,076	General	Acres
Police ⁽³⁾	14,804,269	97	14,406,269	17,064,450	Demand	Percent
Public Works ⁽⁴⁾	440,000	91	400,000	473,806	Demand	Percent
Non-Department	588,500	100	588,500	697,087	General	Acres
Subtotal	\$18,123,369			\$20,254,942		
Indirect Services						
City Council	138,000	0	0	0	Indirect	
Advisory Boards	58,400	0	0	0	Indirect	
City Attorney ⁽⁵⁾	1,000,000	50	500,000	0	Indirect	
City Manager	797,600	75	598,200	0	Indirect	
City Clerk	567,000	75	425,250	0	Indirect	
Human Resources	190,600	75	142,950	0	Indirect	
Administrative Support	335,500	75	251,625	0	Indirect	
Finance	690,000	75	517,500	0	Indirect	
Information Technology	420,000	75	315,000	0	Indirect	

Table III-3 – Expenditure Distribution Methodology

Facilities Management	330,000	75	247,500	0	Indirect	
Risk Management	400,000	72.5	290,000	0	Indirect	
Subtotal	\$4,927,100		\$3,288,025 ⁽⁶⁾			
Department / Function	06/07 Budget	% Variable	Net GF Variable	Var + Ind	Distribution	Basis
Future Services⁽⁷⁾						
Recreation ⁽⁸⁾	\$400,000	100	400,000		Direct	People
Library ⁽⁹⁾	200,000	100	200,000		Direct	People
Museum ⁽¹⁰⁾	120,000	100	120,000		Direct	People
Cemetery ⁽¹¹⁾	50,000	0	0		N/A	N/A

Footnotes:

(1) The amount budgeted is the net amount calculated after planning expenses offset by revenues are subtracted from the departmental budget.

(2) The Building and Safety budget is zeroed out since the expenditures of this department are offset by revenues received for the services provided by the department.

(3) The actual budget figure has been increased by \$1,538,469 to identify the 'true' cost of current law enforcement service levels currently being received. This is necessary to more realistically project future law enforcement costs.

(4) The amount budgeted is the net amount calculated after public works expenses offset by revenues are subtracted from the departmental budget.

(5) The budgeted amount for this function was increased from the adopted budget in order to reflect the expected annual cost of this office.

(6) This is the indirect expense that is added proportionately to cost of direct services.

(7) These are services the City will likely provide directly, or will supply supplemental funds to current service providers. Other potential future services related to housing, transit, etc. were not included because they have or are likely to have their own offsetting revenue source.

(8) This expenditure represents approximately 50% of the difference between revenues and expenditures for the Cordova Recreation and Park District for recreation programs. Park maintenance appears to be sufficiently funded so funding for park maintenance is not included in this figure.

(9) This expenditure represents anticipated expenditure to the Sacramento Public Library to provide service enhancements to the City.

(10) This expenditure is an estimated General Fund contribution to establish and operate a City museum.

(11) It is not expected that this expense will be impacted by growth of the community

Revenues

To calculate future revenue growth based on certain development assumptions such as the adopted Tentative General Plan, the City's General Fund revenues have been allocated to appropriate land use categories or types. The mix and phasing of land use development will determine the amount of revenue the City will receive each year in the future based on the assumptions discussed in this section.

Distribution Methodology

Similar to expenditures, revenues are distributed based on the following categories:

- General;
- Demand; and
- Direct.

Determination of the appropriate distribution method has been made based on the City budget, and in lengthy and detailed discussions with the Pro Forma Team. Through these discussions, the nature of each revenue source was reviewed and confirmed and the type of impact that each land use type would have on forecasting these revenues was determined.

The following paragraphs state the distribution methods used to forecast each of the City's General Fund revenues, as well as certain selected public facility revenues, mostly for streets and roads.

General. Table III-4 summarizes those revenues distributed based on the General distribution method. This method assumes that revenues are generated from all land uses evenly. For example, revenues generated from an acre of commercial development would not vary significantly from revenues generated from an acre of industrial development. The amount of revenue for 2005-06 is divided by the number of acres in the City, and apportioned by land use type by acres.

Table III-4 – City Revenues Distributed on a General Basis	
Revenue Category	Revenue Source
Franchise Fees	Utilities
License Fees	Alarm
Fees	Planning
Fines and Forfeitures	Traffic Citations False Alarms Code Enforcement
Charges for Services	Towing

Demand. Table III-5 summarizes those revenues distributed based on the Demand distribution method. This method recognizes that revenues distributed on this basis are impacted by all land

use types, but the nature of the impact varies from one land use to another. For example, one single family detached residential unit may generate more revenue than one multifamily residential unit.

Because different land use types impact revenues that are distributed on this basis differently, percentages are calculated by land use type to reflect this difference. This is summarized in the following table.

Table III-5 – City Revenues Distributed by Demand		
Revenue Category	Revenue Source	Distribution Type
Franchise Fees	Commercial Waste Hauling	Percent ⁽¹⁾
License Fees	Business License	Percent ⁽¹⁾
Fines & Forfeitures	Parking Citations	Percent ⁽¹⁾
	Commercial Traffic Citations	Percent ⁽¹⁾
(1) Commercial: 69%; Industrial: 31%		

Direct. Table III-6 summarizes those revenues distributed on the Direct distribution method. These are revenues, which are impacted directly by selected land use types. It is necessary to determine if these revenues are impacted only by residential or service population, or by other factors such as the number of dwelling units. These revenues are then further refined by residential population, which are projected by the average number of residents per dwelling unit by the various single family and multifamily housing types listed in Table II-2. Service population is defined as the residential population plus one-half of employees working in the City. Also, in some cases the residential population (normally estimated at 55,100) is based on the number registered voters at incorporation x 3 (71,754) which is a benefit provided to newly established cities by state law for a period of seven years after incorporation.

Table III-6 – City Revenues Distributed on a Direct Basis		
Revenue Category	Revenue Source	Distribution Type
Franchise Fees	Cable	Dwelling Units (\$10.79/DU)
License Fees	Animal License	People (\$.67 per capita)
	BFI Local Hauler	People (\$18.35/DU less 10% Bad debt = \$16.52/DU)
Fees	Street Sweeping	Dwelling Units (\$10.80/DU)
Fines & Forfeitures	Criminal	People (\$.045 per capita)
Intergovernmental	Motor Vehicle in Lieu (less hardship income)	People (3 x Voter Rule Population = \$8.70 per capita)
Transfers In	CFD Administration Fee	People (\$1.68 per capita)

Revenue Allocation Factors

With the distribution methods and percentage allocations confirmed, the Model computes specific revenue allocation factors by revenue source and land use types. These revenue allocation

factors are computed by dividing all revenues allocated to a given land use type, i.e., single family residential detached, by existing residential units, population, or non-residential square footage served.

Special Revenue Assumptions

Because of the importance and significance of selected revenue sources, the FIND Model has been designed to forecast certain revenues based on very specific assumptions. These revenues include:

- Property Tax;
- Property Transfer Tax;
- Property Tax In Lieu of VLF Revenues;
- Sales Tax;
- Transient Occupancy Tax; and
- Police Tax.

The special revenue assumptions for each of these revenue sources are discussed in the following paragraphs.

Property Tax

Upon incorporation in 2003, a property tax sharing agreement was entered into with the County in which most of the City's property tax revenue is retained by the County so that the incorporation will have a neutral impact on the County's income. This revenue neutrality agreement is required by state law, and is designed to mitigate the impact of the incorporation on the County's ability to provide services. The agreement provides a formula for slowly increasing the City's share of its property tax revenue, and after 31 years (2034) the City will receive 100% of the revenue from this source.

For 2005-06, it is estimated that the City's property tax will be \$5,345,000, less \$5,181,700 to the County for mitigation. The remaining amount is \$163,300 for use by the City.

Instead of projecting the City's overall property tax revenue (\$5,345,000), and then projecting as an expense the amount to the County for mitigation (\$5,181,700), only the difference (\$163,700) was used as revenue for projection purposes in the Model. Calculated in the Model was the revenue neutrality formula, which will gradually increase the City's share of the property tax revenue over the period of this analysis.¹

¹ This split may be revisited during the first three years of incorporation.

Other assumptions used in this analysis include the following:

- The City share of the 1 percent property tax levy is 12.5%;
- Assessed values are based upon the development and phasing plan provided by the City's Planning Department, and using an estimated value per residential unit prepared by Bay Area Economics and stated in Table II-2.

Property Transfer Tax

For the purposes of forecasting the property transfer tax, the FIND Model assumes the following:

- The City's tax rate is \$.55 per \$1,000 of sales of transferred property;
- Property turnover rates of 10 years for single-family detached, single-family attached and multifamily for-sale, and 20 years for multifamily rental, commercial including office, and industrial.

Property Tax In Lieu of VLF Revenues

This revenue source, created by Prop 1A, is separate from the Motor Vehicle In-Lieu Tax. It is calculated using the same assumptions as the City's Property Tax revenue, except that there is no mitigation amount owing to the County for this revenue source.

Sales Tax

The City's sales tax revenue of \$9,500,000 is healthy for a city of 55,100. Rancho Cordova's sales tax per capita is a substantial \$172.42. By comparison, the cities of Sacramento, Elk Grove and Citrus Heights are in the mid-\$120s per capita.

However, these numbers are somewhat misleading in projecting future sales tax income since much of the sales tax generated in the City are regional business to business sales. While these sales are not expected to decline, they likely will not increase at the rate of population growth anticipated during the next 25 - 30 years. So, in order to more accurately project sales tax growth, potential new retail square footage by: (1) neighborhood commercial and (2) all other commercial, was used to forecast future sales tax revenue. Using expected sales tax per sq. ft. numbers prepared by Bay Area Economics and Leland Consulting for each of these two categories of commercial development, future sales tax revenue for the City was projected. These retail square foot numbers are presented in Table III-7.

Table III-7 – Sales Tax, Projected Retail Square Feet			
Category	2006	2007	2008
Neighborhood Centers	64,431	41,502	57,695
All Other Centers	128,276	82,625	114,864
Total All Types	192,707	124,127	172,558

Table III-7 – Sales Tax, Projected Retail Square Feet

Category	2009	2010	2015
Neighborhood Centers	83,018	107,153	64,408
All Other Centers	165,280	213,330	128,229
Total All Types	248,298	320,484	192,636
Category	2020	2025	2030
Neighborhood Centers	73,897	18,174	45,563
All Other Centers	147,121	36,183	90,711
Total All Types	221,018	54,357	136,274
Category	2035		
Neighborhood Centers	26,311		
All Other Centers	52,382		
Total All Types	78,693		

Transient Occupancy Tax

Based on a sampling by Smith Travel Reports of selected properties representing a substantial majority of the City's current hotel/motel accommodations in Rancho Cordova (1,463 rooms), the following assumptions are being used based on 2004 data:

- Average room rate: \$67.00;
- Occupancy rate: 66.5%;
- Transient Occupancy Tax Rate: 12%.

While some additional rooms may be the result of new development over the next 25 years, and certainly there will be additional rooms added due to annexations, the scenarios run by the FIND Model for the existing City assumes no additional hotel/motel rooms being added to the City's stock of accommodations. These scenarios focus on growth, not annexations, realizing that additional accommodations in the existing City are likely to be added later in the planning period being evaluated. The Transient Occupancy Tax assumptions are included in the Model at this time so that the City can make projections for this revenue source for scenarios, which assume annexations.

Police Tax

This is a special tax imposed by the City of Rancho Cordova to help the City finance its largest operating expenditure, the City Police Department. It is imposed at a rate of \$250 per new single-family residential units, which have existing development agreements, increasing to \$450 per unit for future single-family homes. It is important to note that this is a special tax, which could be repealed by affected property owners in the future.

Revenue Summary

A summary of all General Fund revenues, with the budgeted numbers, and reflecting all of the assumptions discussed in the previous section are summarized in Table III-8, which follows.

Table III-8 – Summary of Revenue Distribution Methodology			
Revenue	Budget	Distribution	Basis
Taxes			
Property Tax In-Lieu	2,600,000	Special	Same as Property Tax Projections without mitigation payments to the County
Transit Occupancy Tax	2,000,000	Special	Ave. Room Rate; Occupancy Rate x 12%
Property Tax	163,700	Special	Net of mitigation payment to County, adjusted annually by agreement formula
Property Transfer Tax	400,000	Special	\$.55 Rate/\$1,000; Turnover Rate Assumptions
Police Tax ⁽¹⁾	204,000	Demand	Percent
Sales Tax	9,500,000	Special	Based upon projections of new retail square feet of development
Utilities Users Tax	1,325,000	Demand	Percent
Franchise Fees			
Cable	233,200	Direct	Dwelling Units
Commercial Waste Hauling	400,000	Demand	Percent
Residential Waste Hauling	250,000	Direct	Dwelling Units
Utilities	52,000	General	Acres
License Fees			
Animal	37,500	Direct	People
Alarms	9,000	General	Acres
Business License	85,000	Demand	Percent
Fees			
Planning	75,000	General	Acres
Street Sweeping	146,900	Direct	Dwelling Units
Fines and Forfeitures			
Traffic Citations	177,400	General	Acres
Parking Citations	85,100	Demand	Percent

Table III-8 – Summary of Revenue Distribution Methodology

Revenue	Budget	Distribution	Basis
Criminal	2,500	Direct	People
Commercial Traffic Citations	90,000	Demand	Percent
False Alarms	60,100	General	Acres
Code Enforcement	10,000	General	Acres
Intergovernmental			
Motor Vehicle In-Lieu	650,000	Direct	People
Charges for Services			
Towing	97,700	General	Acres
Transfers In			
CFD Adm.	92,300	Direct	People
<i>(1) The FIND Model assumes artificially high budgeted revenue so this tax can be projected accurately for future development.</i>			

Chapter Summary

This Chapter has presented the assumptions and methodologies used for distributing City General Fund costs and revenues to appropriate land use categories. These assumptions lead directly to the subsequent calculation of cost and revenue allocation factors, which are used, along with the development phasing assumptions supplied by the Planning Department to project future City costs and revenues. The impact of these projections on the future City is found in Chapter VI of this report.

Chapter IV

Future Services

Briefly mentioned in Chapter III was the recognition that as the new City of Rancho Cordova grows, new services will be provided, or may be in some manner supported, by the City. In 2005-06, for example, the City will discontinue a contract with the County for Animal Services, and begin providing patrol services itself, supported by a contract for sheltering animals with the Sacramento SPCA. The City owns a cemetery, and expenditures for maintaining that cemetery will be reflected in the next City budget. The move into a new City Hall will present an opportunity for the City to have its own museum. These and other new or future services will be discussed in this Chapter.

As one caveat to this discussion, the FIND Model focuses on the fiscal impact of growth and development of the City's operating budget. So, while potential future services will be discussed, the main focus of this report will be on those services that likely will be provided by the City that will be impacted by growth. Other services or functions that the City might ultimately provide, like a convention center or performing arts center that might be self-supporting will not be covered in as much detail.

In preparing this Chapter, substantial discussion was conducted by the Pro Forma Team, as well as research conducted by the consultant including surveys of budgets and practices of comparable cities where appropriate. Among other sources consulted included:

- The Needs Assessment Report prepared by Chong/Partners Architecture; Daniel C. Smith and Associates, Inc., February 17, 2004;
- The City of Rancho Cordova Community Facilities Fee Program Nexus Study, prepared by Goodwin Consulting Group, Inc., April 12, 2004;
- The Summary of The Municipal Services Workshop, conducted by Management Partners, June 15, 2004;
- The 2005-06 Final Budgets for the Cordova Recreation and Park District, including its subsidiary districts;
- The Cordova Recreation and Park District Draft Master Plan, 2005-2014, prepared by Foothill Associates.

A summary of those new services, which are incorporated into the FIND Model fiscal impact projections, are contained in Table III-3. How each service is treated in the FIND Model is summarized in **bold** in the discussion of each function in the sections of this Chapter beginning with the section entitled, "Future Services Potentially Receiving General Fund Support."

Local Services Provided by Other Local Entities

Before discussing potential new services that might be provided by the City, it should be noted that there are other local government services, not provided by Rancho Cordova, which are offered by other entities. It is unlikely that the City will provide these services during the planning period, and accordingly there are no cost/revenue projections for these services in the FIND Model. These services include: fire, including suppression, prevention and search and rescue; emergency medical service and transport; water, sewer, storm drainage, gas and electricity and education. In addition, there are other facilities and services the City will not likely offer such as hospitals, universities, and sports stadiums. An exception is discussed in a later section, where the City could encourage the development of solar energy through their planning policies and supplement the efforts by SMUD to develop alternative energy sources.

Future Services Potentially Receiving General Fund Support

Cemetery

Rancho Cordova already owns a historic three-acre cemetery located next to its Kilgore property. For the purposes of the FIND Model, and based on input from staff, it is estimated that approximately \$50,000 will be budgeted annually to maintain the cemetery, especially with the landscape improvements scheduled for this property. It may be that funerals may begin to be held at the cemetery resulting in income being produced at this property.

Because the expenses and/or revenues associated with the cemetery are not expected to be impacted by the City's growth, its costs and income are not included in the FIND Model's projections.

Projected 2006-07 Budget	Percent Variable	Net Gen. Fund Variable	Distribution	Basis
\$50,000	0	0	N/A	N/A

Museum

The report from the Municipal Services Workshop, conducted on June 15, 2004, indicated that, "there was strong support among the attendees for starting a Rancho Cordova history museum." With the subsequent purchase of an office building, which has become the new City Hall, an opportunity has been created to establish a City Museum sooner than later. There should be sufficient space in the new City Hall to establish a small historic museum to provide educational displays and materials about the history of the Rancho Cordova area. This museum could serve as a tourist attraction, promote education among school children about the local area, and preserve Rancho Cordova's history. By beginning with space at the new City Hall in 2006-07, concern that the area's historical papers, photos and artifacts being lost will be addressed by having a central depository for storing, maintaining, and possibly displaying these records and artifacts. Additionally, the prospect of placing a relocated branch library in the building adjacent to the new City Hall likely will create an opportunity for excellent synergy between the museum and the library.

Ultimately, a stand-alone museum eventually could be established. The City is now collecting a Community Facilities Fee of \$214/Single Family Residence and \$167/Multiple Family Residence to assist in the construction of a museum. The City's Needs Assessment Study envisions the eventual construction of a 32,375 square foot museum. In the meantime, a small museum at City Hall could be established to the benefit of the City, helping preserve its historic heritage now, rather than waiting several years for the construction of a larger facility.

Staff has estimated that minimal staffing and initial startup costs will be \$120,000 annually.

The FIND Model estimates that \$120,000 will be budgeted for this service beginning 2006-07, with little or no revenue being received to offset this cost. It is estimated that this expenditure will grow at the rate of the City's population growth. Therefore, the distribution method used for this new service is 'direct, people.'

Projected 2006-07 Budget	Percent Variable	Net Gen. Fund Variable	Distribution	Basis
\$120,000	100	\$120,000	Direct	People

Library

The City receives library services through the Sacramento Public Library Authority. Currently, one branch library serves the Rancho Cordova area, although the branch is not located within the City limits. There is interest, however, in moving this branch library to a larger space in the City owned 14,500 square foot building adjacent to the new City Hall.

City staff estimates that the Public Library Authority receives from its share of the Rancho Cordova area property tax \$803,000 annually to pay for library services. With the new facility anticipated next to City Hall, this amounts to \$55.37 per square feet to support library operations. By way of comparison, the City of Roseville operates three libraries at a cost of approximately \$60.00 per square foot. It is concluded that there is sufficient funding from the local property tax for the Public Library Authority to operate one branch library in Rancho Cordova without outside financial help. This is particularly true given the fact that this branch library is part of a larger library system.

After studying the library financing issue, the Pro Forma Team concluded that the Library Authority's share of increased property tax revenue created by new development would support the operation of future branch libraries. There appears to be an opportunity, however, to construct a second branch library earlier than normal as part of a combined school/public library branch. The concern is that this library will be constructed prior to sufficient additional library property taxes being produced to support its operation, even with a joint operating agreement with the school district. To achieve the benefit of a second branch library being constructed earlier than normal, staff has indicated that money from the General Fund to provide enhanced library services to the community should be included in the FIND Model. For this purpose, \$200,000 annually has been programmed in the Model beginning in 2006-07 to supplement library operations of the Authority.

As a side note, funds to help construct future library facilities are being collected as part of the Community Facilities Fee (CFF) Program adopted by the City Council in 2004. New developments' share of building these new facilities is \$490 per single-family unit, and \$383 for each

multifamily unit. New non-residential land uses are not levied a library CFF since they generate minimal impact on library services according to the City's Nexus Study.

Another issue, which the City may eventually want to address, is whether it should eventually separate from the Public Library Authority and create its own library department. The consultant surveyed cities in Northern California between 200,000 – 300,000 population, which is the size Rancho Cordova expects to reach over the next 25 years or so. It was found that these cities – Fremont, Modesto and Stockton – do not have their own separate library systems. They each started as part of a city/county library system, and have stayed with that system. They have not broken loose from a larger library system, and have not established their own library.

The consultant concluded that given satisfactory library service, it is likely that the City will stay part of the current library system. As a result, instead of attempting to project future expenses and revenues based upon a separate city library department, funds have been programmed starting in Fiscal Year 2007 to supplement the Authority's library operations in Rancho Cordova.

Projected 2006-07 Budget	Percent Variable	Net Gen. Fund Variable	Distribution	Basis
\$200,000	100	\$200,000	Direct	People

Recreation

The Cordova Recreation and Park District was formed in 1958, and through annexations now serves 65.5 square miles with over 103,000 people according to the District's Draft Master Plan, 2005-2014. The District, with its own share of the property tax, provides extensive services, including programs, classes, parks, recreation centers, a senior center, three swimming pools and a golf course. The District is responsible for maintenance of parks and median strips, but not open space. In addition to its share of the property tax, it receives funds for park maintenance from certain areas in the District from Mello Roos and Landscape and Lighting Districts.

Similar to the Library service, the City may want to consider eventually operating its own Recreation and Parks Department. Presently, however, there are planning and policy constraints in the LAFCO process if an effort is pursued to annex that part of the District, which is within the City limits. If an area were proposed to be detached from the District through annexation, which is essentially the middle of the District, LAFCO would need to assess both the fiscal and service impact of that proposal in what remains of the District, as well as the City. In this case, a City annexation at this time would split the service areas of the District in two, negatively impacting its ability to provide services efficiently. According to the District's Draft Master Plan, the Larchmont/Rosemont areas serve an estimated 34,500 people, and the Gold River area serves 8,100 people. Of course, a simple cooperation agreement or a more formal Joint Powers Agreement (JPA) would enable the City and the District to discuss, establish and implement common goals and objectives in providing recreation and parks services.

Over time the City would expect to increase the size of its sphere of influence to include most of its planning area, and ultimately annex the unincorporated land within its expanded sphere. When that occurs, the City may wish to consider creating its own Recreation and Parks Department, since it would then be in a better position to annex the entire Recreation and Park District.

As an intermediate step, in accordance with Section 57105 of the Government code, when the City achieves 70% of the registered voters and 70% of the land of the District, it could petition LAFCO to make the Cordova Recreation and Park District a subsidiary district of the City. While the District would still exist, its governing body would then become the City Council.

In analyzing the District's final 2005-06 budgets, the Pro Forma Team concluded that sufficient funds were being collected to support park maintenance and the operation of the golf course. The recreation programs, however, did not produce adequate revenues to offset the expense of these programs. (See Appendix A). Even without including the cost of overhead, it appears that the District's recreation programs cost \$1,737,000, against total revenues of \$872,000. This would mean a deficit of \$865,100 in the operation of these programs.

Normally, recreation programs are not expected to pay for themselves, whether they are offered by a special district, as in this case, or by a city or county recreation and park department. However, the lack of sufficient income to pay for recreation expenses places pressure on the District's other revenues, like its share of the property tax, as well as its operating programs. As a result, it was suggested by staff that supplemental funding from the City in the amount of roughly one-half the recreation programs deficit (\$400,000) be included in the City budget. This money would be used to enhance recreation programs to city residents. It also could be an important talking point with the District Board in resolving any issues between the City and the District. It could be useful if there is an interest providing services cooperatively, either by creating a cooperative working agreement between the City and the District, or a JPA.

Projected 2006-07 Budget	Percent Variable	Net Gen. Fund Variable	Distribution	Basis
\$400,000	100	\$400,000	Direct	People

Future Services Receiving Non-General Fund Support

There are other important local services in which the City has an interest, but are not included in the FIND Model. This is because local 'restricted' funding supports these services. General Fund money is not required for their operation. These services are described in the following paragraphs.

Transit

When Rancho Cordova incorporated in 2003, LAFCO required that the City become part of the Regional Transit District (RTD). It appears that the City is receiving adequate service by RTD through its light rail and regional/local bus lines. However, service from the newly developing areas to the light rail stations is insufficient. To respond to this need the County created CSA 10, Benefit Zones 1 and 2 before the City's incorporation to provide shuttle transit service from areas within the CSA (Villages of Zinfandel, Sunrise Specific Plan and Mather Specific Plan) to the light rail stations. The annual service charge for this service for properties within the CSA is based upon the annual cost of operation and maintenance of this extended service and can be adjusted annually for inflation not to exceed 6% per year. The service charge is collected as a charge on the property tax roll.

The City has recently authorized filing an application with LAFCO to annex this CSA. The continuation of the CSA in the City does not trigger a Property 218 election since the basic service charge would not be increased.

At build out, Zone 1 is expected to receive \$314,730 annually and Zone 2 \$942,000 a year. (See Appendix B for rates and budget projections). The shuttle service has its own revenue source, which is currently minimal, but is expected grow significantly during the next few years. Also it is a revenue source, which is restricted and can only be used for this specific service. It is not expected that General Fund support for this service will be required; hence it was not included in the FIND Model General Fund projections.

No General Fund Impact Projected.

Housing

Rancho Cordova has a number of tools for providing affordable housing, none of which are usually associated with financial support from the General Fund. These tools are listed below:

- With the adoption of a General Plan Housing Element, housing policies can be established which would require new development to set aside a percentage of their houses for those of low and moderate income.
- While the establishment of the City's Redevelopment Agency (RDA) is just in its initial stages, over time it will hopefully create a substantial amount of tax increment. Under law, 20% of that increment must be set-aside for affordable housing, which must be of benefit to the RDA's project area.
- A cooperative agreement with the County's adjacent Mather RDA for the use of part of their 20% set aside might help support affordable housing in or around the City, as long as this housing aids the Mather project area. If such an agreement is reached, it can be used as the basis for a spot bill to provide legislation to allow the Mather RDA set aside to possibly be used in the City. This is an approach that has been used successfully in other California cities.
- Housing grants, either obtained by the City, by non-profit housing partners and/or a local housing authority, can be used to create low and moderate-income housing.
- The ability of potential non-profit housing partners to access substantial funds for affordable housing should not be underestimated. With the financial tools of RDA set-aside money, CDGG/HOME funds, subsidized land, bonds and staff support, appropriate financial resources can be secured to match funds available to the non-profits. This could then accomplish, or substantially accomplish, the City's affordable housing objectives.
- A portion of the Community Development Block Grant (CDBG) and HOME funds can also be used for affordable housing. Not only can this money be used for loans and capital projects, but also it can be used to pay for support staff whose job is to facilitate affordable housing.

- Selling bonds for affordable housing on a taxable basis is another tool available to the City in meeting its affordable housing goals.
- As implied earlier in this section, a combination of some or all of the above resources can be used meet the City's low and moderate income housing goals.

Because there are so many policy and financial resources available to achieve affordable housing in the City, it is not expected that the General Fund will need to be tapped for this purpose.

No General Fund Impact Projected.

Future Services Where Funding Sources Have Not Been Determined

Fine Arts

Establishing a Performing Arts Center/Theater was among the highest rated of all programs in the municipal services workshop held June 15, 2004. The consultant researched two performing arts centers/theaters established and operated by cities similar in size to Rancho Cordova. Both were established about 12 years ago, so there is track record of their funding and operational costs. One is located in northern California (Vacaville) and other in southern California (Poway).

In both cases, the city subsidizes its performing arts center/theater, although each city has taken a different approach in the operation of their centers. Surprisingly, the amount of the subsidy is about the same, with Poway subsidizing their center by \$700,000 annually, and Vacaville supporting their center to the tune of \$710,000 a year. These subsidies are over and above revenue from ticket sales.

In Vacaville, the voters in 1989 passed Measure I, which approved a combination of a residential parcel tax (\$4.83), 2% TOT and a portion of the business license tax all of which was designed to pay for the construction of a cultural center, plus the performing arts center operations, library services and street maintenance. Measure I, which produces about \$2,400,000 annually, sunsets in 2013 unless extended by the voters.

Measure I provides \$331,633 annually for the operation of center's 500-seat theater. In addition, the City budgets another \$380,000 from its General Fund over and above ticket revenues to support this operation, for a total subsidy of approximately \$710,000.

In Poway, the 815-seat performing arts center was constructed on school district land. A foundation runs the theatre and schedules 1/3 of the theatre's hours (1/3 is used by the schools and 1/3 by rental clients).

The City subsidizes the foundation by \$200,000 annually, and also runs the box office and provides technical support with city employees at a cost of \$500,000 a year. The total annual subsidy, therefore, is \$700,000.

A little more detail about these two performing arts centers is found in Appendix C.

Since it is uncertain if the City will pursue the development of a performing arts center, and, if so, what financial approach will be used for its construction and operation, no General Fund resources were projected for this service in the FIND Model. If the City decides to add some financial support for operation of a theater from the General Fund, it would appear that as a minimum, \$700,000 should be added for this purpose. But because of the uncertainty of funding the construction and operation of performing arts centers,

No General Fund Impact Projected.

Convention Center

A few cities around the state the size that Rancho Cordova is now, or will be in the future, operate convention centers. Information was gathered for four of these centers, those located in the cities of Hayward, Ontario, Oxnard, and South San Francisco. They range in size from 22,800 square feet (South San Francisco) to 225,000 square feet (Ontario). One was a conversion of a high school gym (Hayward), and another was the construction of a conventional center from the ground up (Ontario). In all cases, each city provides a subsidy for the operation of their center.

In Rancho Cordova's Needs Assessment Study, it was projected that the City could support a convention center of 65,625 square feet. Such a center, including the purchase of 282,188 square feet of land, the construction of surface parking, and all other direct and indirect expense was projected to cost \$28,585,637. This number was adjusted for inflation to the mid-point of construction in June 2010. This cost would obviously be higher if a larger convention center is constructed. There has been some discussion of developing a center in the range of 100,000 – 125,000 square feet.

Again, since it is uncertain what financial approaches the City would take in pursuing the construction of a Convention Center and in paying for its operation, no General Fund resources are projected at this time for this service in the FIND Model. Expenses for this purpose can be added later once more detailed information about constructing and operating a Convention Center is determined. But for the analysis in this report,

No General Fund Impact Projected.

Parking

In 2004 the City Council created a Community Facilities Fee for public parking. This fee is \$219 per single-family dwelling unit, and \$171 per multi-family dwelling unit. This fee, along with other revenue source, could support facility construction expense associated with parking at City's public facilities. This could, at the Council's direction, include a parking structure or surface.

Since there are no specific plans at this time to construct a particular parking facility, it is difficult to anticipate specific costs and revenues related to parking. While there certainly would be some costs associated with maintaining public parking, the start date and amount of those costs currently is unknown. As a result,

The FIND Model does not project any General Fund impact at this time.

Emerging Technologies

The Pro Forma Team examined whether or not there might be opportunities for the City to seize entrepreneurial opportunities in order to provide improved services to its citizens and/or provide additional revenue sources to support other city operations. Two such potential opportunities are briefly examined. They are discussed in the following paragraphs.

Solar Power. Introducing solar power opportunities to the city can help, assuming cooperation by the Sacramento Municipal Utility District (SMUD), reduce energy costs for the community. One approach would be to develop a 'solar panel farm' within the city or its sphere of influence, such as at Mather Air Field. This is an area, although currently not within the city limits, where building restrictions because of aircraft operations might enable consideration of such a 'farm.' Whether or not a 'solar farm' would be viable, produce enough electricity, obtain sufficient grants and/or credits, and have a sufficient and adequate market to sell its electricity, would need to be determined. If there were any interest, either by SMUD, the city, the county, or a private party, in a project of this type, a feasibility study would need to be prepared.

At this point there is inadequate information to determine whether the City would participate in such a 'farm,' either through its General Fund, or more likely, its Redevelopment Agency, so **the FIND Model does not project any General Fund impact at this time.**

Another approach would be to establish a policy through the City planning process that would encourage individual subdivisions to offer solar power with its houses. There are some developments in the state that are subdivisions with solar power. Where implemented, and with the cooperation of the local utility, individual homes can significantly reduce their energy bill, and at certain times during the year, reverse their electric meter, and, in effect, sell electricity back to the serving utility. This again would require further study to determine its feasibility in the Rancho Cordova setting. In any case, since it likely would be implemented through a planning policy, it is doubtful that any City General Funds would be required for its implementation, except possibly to conduct the study. So, in this case, **the FIND Model does not project any General Fund impact.**

Wireless City. The thought behind this initiative would be for the City to contract with a provider of 'through the air' Internet capability. One approach would be for the Internet to be then captured by devices on street light poles, and then distributed to subscribers similar to the provision of cable TV. Unfortunately, it appears that the federal government is moving into this field. It may be that the City would be preempted from pursuing a wireless city as broadly as it may desire.

A longer-term approach, one that is being examined by the City of Folsom, is to explore the WiMAX technology. While not available to Folsom until 2007, and to wireless users that same year, it would feature bathing the city in a 'warming zone' via a single tower.

A more immediate approach, however, is to create wireless 'hot spots' in the City such as now found at the airport, certain coffee stores, and at other locations. The City may want to explore establishing 'hot spots' for those in the community with wireless computers. These 'hot spots' potentially could be located at City Hall, the library, community centers, and other locations in the City. A plan for establishing the need for such 'hot spots', their location, and the cost of im-

plementing such a plan, would need to be developed. Without that information, the **FIND Model does not project any General Fund impact** from this potential initiative.

Other

There may be other emerging technology initiatives that the City may wish to pursue. As these initiatives are developed, their costs and revenues can subsequently be plugged into the FIND Model if there is any General Fund consequence. For the purposes of this report, however,

No General Fund Impact Projected.

Chapter V

The General Plan Pro Forma: The Fiscal Impact on the City of Rancho Cordova, Findings and Conclusions

This Chapter summarizes the results of the Pro Forma analysis of the City of Rancho Cordova's adopted tentative General Plan using the FIND Model fiscal analysis tool. Based on the construction and phasing assumptions of new development during the next 25-30 years supplied by Planning staff, Bay Area Economics, and Leland Consulting, and the study assumptions for cost and revenue projections explained in the previous chapters of this report, the net fiscal impact of new development on the City has been prepared. This net fiscal impact is presented in Table VI-1.

This Table projects the fiscal impact of new development on the City for each of the next five years, and at five-year intervals until 2035. It is expected that the projections for the next five years will be more accurate than those later in the planning period, since the knowledge about development assumptions and data are likely to be more precise in the near term compared to those one, two or three decades from now.

It should be remembered as a point of clarification in reading the data presented in this Chapter that the FIND Model is focused on the net impact of expected new development in the City over a specific period of time. To determine that net impact, a marginal cost analysis has been used. This analysis compares the additional expense the City will incur to serve new development compared to the additional revenue that will be generated from that new development. The resulting comparison will demonstrate whether the City, with its present revenue sources, will be able to adequately pay for future municipal services at current service levels as demanded by current and future residents.

It should also be mentioned that the FIND Model's expenditure projections include some form of financial support for four new services, three of which will have General Fund impacts. These services, which are discussed in Chapter V, include cemetery, museum, library and recreation. The last three listed service categories will need General Fund support.

The net fiscal impacts of the FIND Model's projections are presented in Table VI-1. A more detailed analysis which supports this Table is found in Appendix D. In summary, the Table indicates the following results:

- In each of the first five years of this analysis beginning with FY 2006 through FY 2010 the City's General Fund would experience a net positive fiscal impact from projected new development.

- In each five-year interval after FY 2010 until FY 2035, the City's General Fund should expect a net positive impact from projected new development.
- The margin of positive impact on the City's General Fund is slim compared to potential variations in major city revenues such as the Sales, Property In-lieu and Police Taxes. During the first four years, the positive benefit is less than \$1,500,000 a year. From FY 2010 through FY 2025 the range of positive benefit is only \$663,193 to \$1,702,983. The flattening of retail sales due to a slowdown of the economy, the unwillingness or inability of the State to pay the Property In-lieu Tax to the City, or the reversal of the Police Tax, could easily push the City's budget into a negative position. This would mean that the City would need to find other revenue sources, or reduce expenditures and possibly services.
- After the mitigation payments to the County as part of the revenue neutrality agreement cease by FY 2035, the City's fiscal position changes dramatically. The FIND Model forecasts that revenue will exceed expenditures in that year by \$19,883,540.

**Table V-1 – The Fiscal Impact of New Development
on the General Fund of the City of Rancho Cordova**

	2006	2007	2008	2009	2010	2015
Revenue	\$2,387,753	\$3,473,045	\$5,289,650	\$8,724,304	\$11,667,727	\$18,998,252
Less Expense	(1,865,662)	(3,165,316)	(4,747,470)	(7,234,435)	(9,964,744)	(18,335,059)
Net Fiscal Impact⁽¹⁾	\$522,091	\$307,729	\$542,180	\$1,489,869	\$1,702,983	\$663,193
	2020	2025	2030	2035		
Revenue	\$27,434,838	\$34,968,542	\$40,241,147	\$58,225,428		
Less Expense	(26,293,862)	(34,073,995)	(37,551,095)	(38,341,888)		
Net Fiscal Impact	\$1,140,976	\$894,547	\$2,698,053	\$19,883,540		

(1) During Fiscal Years 2006-08, the positive net fiscal impact is lower than reflected in Appendix D due to owners of currently entitled dwelling units paying a Police Tax of \$250 rather than \$450.

Table V-1 is supported by more detailed analysis found in Appendix D. This Appendix is divided into several sections. These sections include the following:

- **Revenue/Expense Comparison.** This is the report's key section. It provides the bottom line data that most people want from this report. It lists projected revenues and expenses from new development, as well as the net fiscal impact, for Rancho Cordova's General Fund through fiscal year 2035.
- **Revenue Detail.** This section lists the cumulative revenue from each General Fund and Infrastructure source impacted by new development through fiscal year 2006.

- **Expense Detail.** This section lists projected costs for through fiscal year 2035 which are analyzed for those services and functions requiring financial support from the General Fund.
- **Development Assumptions.** This section includes projections of residential and non-residential development for fiscal years 2006-2035 supplied by the Planning Department, Bay Area Economics, and Leland Consulting.

In addition to the Appendix D schedules, more detailed schedules that support the data in Appendix D have been prepared and provided to staff. These additional detailed schedules include:

- **Tax Assumption Detail.** This section lists those taxes, which are projected using special assumptions, and indicating the data upon which those projections are based.
- **Tax Assumption Summary.** This section summarizes the tax assumptions used in the FIND Model's revenue projections.
- **Revenue Detail – Revenue Distribution Methods.** This section presents the 2005-06 budgeted amount for each General Fund revenue source, unless otherwise indicated, the variable revenue amount, and the distribution method used (general, demand, or direct), and the basis for that distribution (acres, units, percent or people).
- **Revenue Detail – Percentage Allocations.** These are the allocation factors used as a basis to distribute the revenues by land use types.
- **Expense Detail – Expense Distribution Methods.** This section presents that part of the 2005-06 budget supported by the General Fund. The budgeted amount, unless otherwise indicated, for each function, plus the fixed, variable, indirect and, where appropriate, variable + indirect costs are projected. In addition, the type of distribution of cost method (general, demand, direct and indirect), and the distribution basis (acres, percent, or people) is also listed.
- **Expenses Detail – Percentage Allocations.** This section lists the demand distribution percentages by land use types for police and public works.
- **Expense Detail –Expense Marginal Factors.** This section presents the marginal expense factors for each General Fund function by land use type, distribution measure and the detailed cost factor, which is used to project costs for each land use type.
- **Existing Development.** This repeats some of the data presented in Table II-2 indicating measures developed from the existing city to be used for developing revenue and expenditure projections.
- **Population Assumptions.** This section presents data from Table II-2 related to the number of people per dwelling unit type.

Again, different land use scenarios, with different phasing schedules, can be introduced into the FIND Model to assess the fiscal impact on those scenarios on City operations. The scenario

could include a large area, such as the existing City, or its sphere of influence or planning area, or could test an area as small as an individual subdivision.

A scenario could include a larger density of residential dwellings, a faster or slower development time-line (phasing), or additional commercial and/or industrial development than presently contemplated. The point is that development plans are not static, and the FIND Model will enable staff to assess and reassess different development scenarios as needed by the City.

Infrastructure Maintenance

The focus of this report has been on projecting future City service and operation expenses and revenues assuming different land use scenarios using the FIND Model. Of course, there are other revenues and expenses of the City involving restricted, non-General Fund revenues such as state gas tax funds, County Measure A funds, and money that the City receives from State Proposition 42. These revenues and expenditures are briefly discussed in Appendix E. The discussion in this Appendix basically concludes that these funds cannot be used to support general functions of the City, such as operation of the Police Department, and that these three revenue sources will never adequately pay for needed street and road projects, especially when a city like Rancho Cordova takes over an older system with existing street deficiencies and also must put aside adequate funds to maintain a newly developing street system.

Appendix A
Analysis of Cordova Recreation and
Parks District 2005-06 Budget

Appendix A

Analysis of Cordova Recreation and Parks District 2005-06 Budget

The following recaps from the Cordova Recreation and Parks District's 2005-06 budget the revenues and expenses related to recreation programs only. Also, the cost of overhead is not included as discussed by the General Plan Pro Forma Team.

Recreation Revenue

Aquatics	\$ 85,000	
Recreation Programs	650,000	
Picnic Rentals	16,000	
Shooting Center Rental	18,000	
Building Rentals	58,000	
Park Entry Fees	45,000	
Total Recreation Revenue		\$872,000

Recreation Expenditures

Salaries and Wages

Recreation	\$ 308,156	
Mather Sports Center	96,496	
Pools	165,470	
Senior Center	79,393	
S & W ST (rounded)		\$749,500

Employee Benefits

District Benefits/Salaries = 42%		
\$749,515 x 42% (rounded) =		\$314,800

Service and Supplies

Recreation	\$183,840
Mather Sports Center	264,424
Pools	166,750
Senior Center	57,800

S & S ST (rounded)	\$672,800
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Total Recreation Expenses	\$1,737,100
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Over (Under)	(\$865,100)
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As a footnote, Building Rentals along with Picnic and Shooting Center Rentals have been added to the Recreation Revenue. Consequently, Recreation revenue is \$872,000, rather than \$814,000 as shown in the District's budget. Again, these numbers are for the 2005-06 budget.

Appendix B
Projected Rates and Budgets
for CSA 10, Benefit Zones 1 and 2

Appendix B

Projected Rates and Budgets for CSA 10, Benefit Zones 1 and 2

The primary role of CSA 10, Benefit Zones 1 and 2, which was established by the County before Rancho Cordova incorporated as a City is to provide shuttle transit from areas within the CSA (Villages of Zinfandel, Sunrise Specific Plan and Mather Specific Plan) to the light rail and other transit lines.

The annual service charge is based on the annual cost of operation and maintenance of this extended service and can be adjusted annually for inflation not to exceed 6 % per year. The service charge is collected as a charge on the property tax roll. The continuation of the CSA in the City if it is successfully annexed does not trigger a Prop. 218-voter approval since the charge is not increased.

Taken from the staff report submitted to the Rancho Cordova City Council for their meeting on September 19, 2005, the charges for the two benefit zones are reported as follows:

<u>Land Use Type</u>	<u>Zone 1 (Villages)</u>	<u>Zone 2 (Sunrise/Mather)</u>
Low-density residential	\$50/du	80/du
Medium density residential	40/du	64/du
High density residential	30/du	48/du
Retail/service commercial	1,282/acre	2,051/acre
Mixed-use		1,763/acre
Business Park	1,102/acre	
Light Industrial	460/acre	

The budgets for the two benefit zones reported in the September 19, 2005 staff report is as follows:

<u>Year</u>	<u>Zone 1</u>	<u>Zone 2</u>
2005-06	\$77,276	0
2006-07	117,321	\$272,000
2007-08		364,000
2008-09		522,000
2009-10		695,000
Build Out	314,730	942,000

Appendix C
Potential Future Expense of a
Fine Arts Center

Appendix C

Potential Future Expense of a Fine Arts Center

One of the issues in exploring 'future service' expense for the City of Rancho Cordova is projecting an expense for Arts and Culture. Information was obtained from two cities similar in size to the City of Rancho Cordova: the City of Vacaville in northern California, and the City of Poway in San Diego County. These two cities have a performing arts center, are about the same size as Rancho Cordova, are suburban in character, and are in growing regions. This summarizes information garnered from these two cities.

City of Poway

Twelve years ago the City of Poway constructed an 815-seat performing arts center on the grounds of Poway High School. The school district provided the land at no cost.

The performing arts center experiences about 2100 hours of use, and is completely booked. A foundation runs the theatre, and schedules for 1/3 of the hours, the school district schedules the facility 1/3 of the time, and rental clients use it for 1/3 of the hours.

The performing arts center does not pay for itself. The City subsidizes the foundation's portion of the operation at \$200,000 annually. In addition, the City runs the box office and city employees also provide technical support. This subsidy is estimated at another \$500,000 per year. Finally, while the school district does not pay fees for the use of the center, they do pay their share of the utility costs in the amount of \$150,000 annually. **The City of Poway subsidizes their performing arts center with \$700,000 per year.**

The City Council is considering building an \$8,000,000 fine arts center. Constructed would be a 15,000 sq. ft. building, which would include four classrooms, a gallery, a traveling show gallery, and a gift store. It is estimated that minimal staffing of this facility would cost the City \$300,000 annually.

City of Vacaville

In 1992 the City of Vacaville constructed a 500-seat performing arts center. It offers about 2-7 events a month, depending upon the season. These events range from free offerings, like "Tribute to Seniors," to inexpensive fare such as the Young Performers Concert (\$1 – 8), to acts like Lou Rawls (\$59 – 65).

A review of the City's Community Services Department reveals a budget for their performing arts center of \$757,980. This facility is targeted with 50% of its income coming from program revenues and rentals. This would, of course, mean that the City provides a subsidy of \$378,990 (say \$380,000) from the General Fund for this center.

In addition to this subsidy the center receives a \$331,633 allocation from excise tax (Measure I) revenues. The voters approved this tax in 1989 to pay for construction of their cultural center and provide an additional source of funding for the performing arts center, library services and street maintenance. The tax produces \$2,400,00 annually, with about half of that amount being used for debt service. It comes from a \$4.83 residential parcel tax, a 2% transient occupancy tax, and varying amounts per employee collected from commercial establishments along with the business license fee. Measure I revenue sunsets in 2013 unless extended by the voters.

It appears that **the City of Vacaville subsidizes its performing arts center by \$710,000 annually.**

It may be coincidental that two similar communities from different parts of the state subsidize their performing arts centers by nearly an identical amount. It does demonstrate that performing arts centers like these two, and likely other cultural centers, museums, and galleries from around the state, do not pay for themselves. If a City Council as a policy matter concludes that it is important for their City to have some form of an arts center for the cultural life of their community, they need to recognize that they likely will need to subsidize that center's operations.

Appendix D
Fiscal Impact of New Development (FIND)
Model Detail Support Documents

Revenue/Expense Comparison

	2006	2007	2008	2009	2010	2015	2020	2025	2030	2035
General										
Revenue	2,716,553	3,907,045	5,854,750	8,724,304	11,667,727	18,998,252	27,434,838	34,968,542	40,241,147	58,225,428
Less Expenses	(1,865,662)	(3,165,316)	(4,747,470)	(7,234,435)	(9,964,744)	(18,335,059)	(26,293,862)	(34,073,995)	(37,551,095)	(38,341,888)
Net Impact	850,891	741,729	1,107,280	1,489,869	1,702,983	663,193	1,140,976	894,547	2,690,052	19,883,540

Revenue Detail

	2006	2007	2008	2009	2010	2015	2020	2025	2030	2035
General Taxes										
In-Lieu Taxes	272,615	461,125	690,728	1,038,690	1,416,081	2,610,791	3,752,394	4,853,276	5,362,399	5,473,521
Occupancy Taxes										
Property Taxes	102,853	174,612	549,114	658,814	899,108	2,658,196	5,253,985	8,031,138	10,228,824	27,835,426
Property Transfer Taxes	603,406	420,982	311,805	782,835	845,834	560,204	586,496	350,722	440,762	57,312
Sales Taxes	613,598	1,008,830	1,558,292	2,348,879	3,369,332	3,982,704	4,686,448	4,859,526	5,293,436	5,544,002
Total	1,592,472	2,065,549	3,109,939	4,829,218	6,530,355	9,811,895	14,279,323	18,094,662	21,325,421	38,910,261
Taxes										
Police Tax	739,800	1,205,100	1,803,150	2,476,800	3,172,050	5,538,800	7,886,700	9,973,350	11,278,350	11,498,400
Utility User Tax	139,344	229,057	337,084	509,005	710,803	1,327,008	1,920,649	2,529,008	2,799,726	2,868,588
Total	879,144	1,434,157	2,140,234	2,985,805	3,882,853	6,865,808	9,807,349	12,502,358	14,078,076	14,366,988
Franchise Fees										
BFI Local Hauler	35,366	58,144	85,436	129,037	180,034	340,394	494,658	653,757	723,871	741,443
Cable	32,990	54,237	79,694	120,366	167,936	317,520	461,417	609,824	675,227	691,618
Commercial Garbage Haulers	4,021	6,611	10,212	15,393	22,080	26,099	30,711	31,846	34,889	36,331
Utilities	4,092	6,885	10,351	15,295	20,595	37,038	52,845	67,694	75,045	76,566
Total	76,469	125,877	185,693	280,091	390,645	721,051	1,039,631	1,363,111	1,508,832	1,545,958
License Fees										
Alarm	708	1,192	1,791	2,647	3,565	6,410	9,146	11,715	12,989	13,252
Animal	5,340	8,932	13,272	20,013	27,529	51,744	74,899	98,061	108,448	110,820
Business License	854	1,405	2,170	3,271	4,892	5,546	6,526	6,767	7,371	7,720
Total	6,902	11,529	17,233	25,931	35,786	63,700	90,571	116,543	128,808	131,792
Fees										
Planning	5,902	9,931	14,929	22,061	29,705	53,421	76,219	97,622	108,238	110,432
Street Sweeping	20,781	34,165	50,202	75,822	105,788	200,016	290,661	384,147	425,347	435,672
Total	26,683	44,096	65,131	97,883	135,493	253,437	366,880	481,769	533,585	546,104
Fines & Forfeitures										
Code Enforcement	787	1,324	1,991	2,941	3,961	7,121	10,163	13,016	14,432	14,724
Commercial Traffic Citations	905	1,487	2,298	1,463	4,968	5,872	6,910	7,165	7,805	8,174
Criminal	356	596	885	3,334	1,835	3,450	4,993	6,537	7,230	7,388
False Alarms	1,729	7,958	11,960	17,678	23,803	42,808	61,077	78,228	86,735	88,493
Parking Citations	756	1,243	1,921	2,896	4,153	4,909	5,776	5,990	6,524	6,833
Traffic Citations	16,960	23,490	35,312	52,180	70,262	126,359	180,284	230,908	256,019	261,209
Total	21,493	36,098	54,367	80,492	108,982	190,519	269,203	341,844	378,745	388,821
Intergovernmental										
Motor Vehicle In-Lieu	92,557	154,818	230,040	346,889	477,162	898,894	1,298,243	1,699,725	1,879,758	1,920,881
Total	92,557	154,818	230,040	346,889	477,162	898,894	1,298,243	1,699,725	1,879,758	1,920,881
Charges for Services										
Towing Admin. and Rotational	7,688	12,937	19,447	28,737	38,695	69,589	99,288	127,169	140,998	143,857
Total	7,688	12,937	19,447	28,737	38,695	69,589	99,288	127,169	140,998	143,857
Transfers In										
CFD Administration Fee	13,143	21,984	32,666	49,258	67,757	127,359	184,350	241,361	266,926	272,765
Total	13,143	21,984	32,666	49,258	67,757	127,359	184,350	241,361	266,926	272,765
GENERAL FUND REVENUE	2,716,551	3,907,045	5,854,750	8,724,304	11,667,728	18,998,252	27,434,838	34,968,542	40,241,149	58,225,427

Expense Detail

General

	2006	2007	2008	2009	2010	2015	2020	2025	2030	2035
Animal Services	50,851	85,058	126,385	190,582	262,155	492,757	713,259	933,835	1,032,745	1,055,338
Economic Development	15,068	25,354	38,114	56,321	75,837	136,385	194,591	249,232	276,336	281,938
Police	1,296,439	2,211,881	3,326,210	5,102,459	7,046,766	12,927,539	18,501,629	23,935,581	26,332,645	26,881,037
Planning	49,733	83,683	125,800	185,894	250,309	450,154	642,268	822,619	912,079	930,569
Code Enforcement	64,708	108,881	163,680	241,869	325,681	585,702	835,665	1,070,322	1,186,720	1,210,778
Public Works	46,753	77,674	114,603	175,676	246,948	462,149	668,351	879,030	969,712	993,315
Misc. Non-Departmental	54,401	91,538	137,608	203,343	273,805	492,408	702,556	899,835	997,692	1,017,918
Recreation	66,909	111,918	166,296	250,766	344,940	648,364	938,499	1,228,730	1,358,876	1,388,603
Library	33,455	55,959	83,148	125,383	172,470	324,182	469,249	614,365	679,438	694,302
Museum	20,073	33,575	49,889	75,230	103,482	194,509	281,550	368,619	407,663	416,581
Other Exp. - Misc.	167,273	279,795	415,739	626,914	862,351	1,620,910	2,346,246	3,071,825	3,397,189	3,471,508
Total General Fund Expense	1,865,663	3,165,316	4,747,472	7,234,437	9,964,744	18,335,059	26,293,863	34,073,993	37,551,095	38,341,887
All Funds Cumulative	1,865,663	5,030,979	9,778,451	17,012,888	26,977,632	45,312,691	71,606,554	105,680,547	143,231,642	181,573,529

Development Assumptions

Land Use	Measure	2006	2007	2008	2009	2010	2015	2020	2025	2030	2035
Hotel/Motel	Rooms Total										
Commerical	Sq. Ft.	192,707	316,834	489,392	737,690	1,058,174	1,250,810	1,471,828	1,526,185	1,662,459	1,741,152
Industrial	Sq. Ft. Total	192,707	316,834	489,392	737,690	1,058,174	1,250,810	1,471,828	1,526,185	1,662,459	1,741,152
Multi Family for Sale	Units	495	646	810	1,043	1,635	3,009	4,576	6,563	7,594	8,030
Multi Family Rental	Units	529	696	904	1,244	1,959	3,744	5,610	8,220	9,409	9,845
Single Family Attached	Units	192	682	1,188	2,644	3,916	8,470	12,290	15,922	16,472	16,532
Single Family Detached	Units	1,644	2,678	4,007	5,504	7,049	12,304	17,526	22,163	25,063	25,552
	Total	2,860	4,702	6,909	10,435	14,559	27,527	40,002	52,868	58,538	59,959

Appendix E

Infrastructure Maintenance

Appendix E

Infrastructure Maintenance

This Appendix presents the methodology for projecting revenues related to public facilities, specifically streets and roads. Unlike the General Fund revenues which can be used for any municipal function, the revenues described in this Appendix are restricted and can only be used street and road construction and maintenance purposes. Put another way, money from State Gas Tax cannot be used, for example, to support the operation of the Police Department. It can only be used for street capital and maintenance projects.

Expenditures

Unlike the General Fund expenditures, which are broken down into various departmental functions, the expenditures for selected public facilities projections examined by this report are generally planned and programmed by the Public Works Department. These expenditures consist of a variety of road capital and maintenance projects, which after City Council approval, are implemented during the course of a fiscal year (or multi fiscal years in the case of large capital projects). These expenditures can also include the cost of engineers and other staff needed to implement various capital and maintenance projects.

Regarding the methodology for projecting these expenditures, it basically is project and revenue driven. There are always capital needs to build and maintain the City's largest physical investment – its' street system. The limit or cap on how many projects are completed usually is the annual revenue stream to support these improvements. The key to projecting these future potential expenditures is the revenue distribution methodology.

Revenues

Revenues for street construction and maintenance come from several sources. These sources include:

- State Gas Tax Funds;
- County Measure A; and
- State Proposition 42.

The distribution methods for projecting revenues from these sources are described in the following table and paragraph.

Distribution Methodology

The distribution for the four abovementioned street and road maintenance revenues are summarized in Table E-1

Table E-1 – Public Works Maintenance Fund Distribution Methodology				
Revenue	2005/06 Revenues	Distribution	Basis	Comment
Gas Tax Funds	\$1,325,297	Direct	People	Population \$30.65 per capita
Measure A	1,689,000	Direct	People	3 x voter rule \$18.47 per capita
Proposition 42	360,000	Direct	People	3 x voter rule \$5.02 per capita

It is expected that over time there will be an inadequate amount of revenue to meet the City's capital needs, particularly for its street and road system. The City is considering the adoption of a citywide road maintenance district to help adequately meet these capital needs for the street system. The purpose of this district would collect funds to maintain streets, streetlights and traffic signals in the City.

GENERAL PLAN PROFORMA

COMMITTEE REPORT TO THE
CITY COUNCIL

FEBRUARY 28, 2006

MISSION

- TO DETERMINE WHETHER THE PROPOSED DEVELOPMENT ENVISIONED BY THE GENERAL PLAN WILL PROVIDE FINANCIAL STABILITY FOR THE CITY ... (and)
- TO PUT INTO NUMBERS ASSURANCES THAT DEVELOPMENT WILL PAY FOR ITSELF

PROFORMA TEAM

- JOHN GOSS & RAY LIPPERT – RALPH ANDERSEN
- SANDY SALERNO – CONSULTANT
- MATT KOWTA – BAY AREA ECONOMICS
- ROD STEVENS – LELAND CONSULTING
- CITY OF RANCHO CORDOVA FINANCE, PLANNING AND PUBLIC WORKS

THE QUESTION????

*****IT IS NOT*****

- IF WE BUILD IT WILL THEY COME?

*****RATHER IT IS*****

- IF WE BUILD IT WILL THE CITY OF RANCHO CORDOVA GO BANKRUPT?

THE “FINND” MODEL

- The “FINND” (FISCAL IMPACT OF NEW DEVELOPMENT) MODEL was developed by Ralph Andersen and Associates and applied to the OTAY RANCH project in Chula Vista
- The City Manager in Chula Vista at the time was John Goss. John now works for Ralph Andersen
- The “FINND” model can be used to assess alternative land use scenarios over similar or different time frames
- It was tailored specifically to assess the impact of land development in Rancho Cordova

WHAT THE “FIND” MODEL IS NOT

- It is only concerned with “OPERATING” COSTS
– not CAPITAL COSTS
- The model takes a “picture” of what exists today and then provides a glimpse into the future based on what that future looked like to us today (the

ASSUMPTIONS)

- It is not a “one pill cures all solution” – it is a tool for us to link financial sustainability with land use

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WHAT THE ‘FIND’ MODEL IS

- The model is very FLEXIBLE – it can change based on changes in the ASSUMPTIONS
- However, changing the assumptions in the model is not instantaneous – so we won’t be able to demonstrate changes to you
- It is a model which will enable the City now and in the future to conduct a fiscal impact analysis of its General Plan or any specific plan or subdivision on a continuing basis

PROFORMA FOUNDATION

- *The team has developed methods to link revenue and expense to development*
- *The following assumptions are the foundation which we used to project revenues and expenses that are the result of development*
- *These assumptions then became the basis for determining the ProForma for the General Plan*

REVENUES & EXPENSES

- Revenues and Expenses in the MODEL are distributed by:

- General Land Use *average*
- Demand for Services *% distributed*
- Direct Relationships *per capita or dwelling units*
- Indirect Relationships *overhead*

GENERAL LAND USE

- Revenues and expenses are distributed to each land use in proportion to the area that each existing land use is to the total area
 - Example
 - The expense for the operation of the Planning Department that is not recoverable by fees or deposits are spread as a percentage to all land uses in the City

DEMAND FOR SERVICE

- Expenses are distributed to each land use based on the proportion of total workload/service demand that is attributable to each land use, using an analysis of available records
 - Example
 - The cost of operating the Police Department can be distributed based on calls for service to various land use types such as single family, multi-family, commercial and industrial

DIRECT RELATIONSHIPS

- Revenues and expenses are distributed to each land use type based upon a known or direct relationship to a single family land use type.

– Example

- Animal Services primarily affects residential land uses and therefore is not applied to commercial and industrial land uses

INDIRECT RELATIONSHIPS

- Expenses are added to the cost distributions of the other three methods as a percentage. These costs correlate to the overall increases in the expenses of direct service departments rather than directly to a specific type of development

- Example

- Human Resources, Finance, City Council, City Manager are all indirect costs of providing services

REVENUE & EXPENSE ALLOCATION METHODOLOGY

- Total revenues & expenses are assigned among the various land use types
 - Single family unit, detached
 - Single family unit, attached
 - Multi-family rental
 - Multi-family for-sale
 - Square foot of commercial/office
 - Square foot of industrial

POPULATION & RELATED DATA

Current	Population/Units	Acres	Square Feet	Value/Square Foot
2005 Population	55,100			
2005 Housing Units	21,606 <i>inc. apts</i>	2,694		
2005 Employment	43,000 <i>2</i>	<i>chase # 2</i>		
2005 Commercial/ Office		1,741	13,227,346	\$200
2005 Industrial		796	8,938,831	\$80

PERSONS PER HOUSEHOLD & VALUES

Dwelling Unit	Persons/Unit	Net Value/Unit
Single Family Detached	2.92 <i>per 3000 census change model every yr to access growth of household size</i>	\$475,500
Single Family Attached	2.48	\$380,000
Multi-Family For Sale	1.73	\$261,250
Multi-Family Rental	1.96	\$142,500

OTHER CONSIDERATIONS

- LAND USE: For the initial run, land use assumptions in the draft General Plan for the existing City have been used along with supplemental information, input and direction on land uses and phasing of development provided by Planning staff

OTHER CONSIDERATIONS

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- FINANCIAL DATA BASE
 - The primary source of financial information came from the City's adopted FY 2006 budget.
 - However, the team did extensive "scrubbing" of the revenues and expenditures and have included such items as
 - The value of the "shared command" contract with the Sheriff's Department was factored in to determine the "true" cost of law enforcement

OTHER CONSIDERATIONS

- SPECIAL ASSUMPTIONS

- Because of the Revenue Neutrality Agreement and the resultant importance of Property Transfer Tax, Motor Vehicle In-Lieu Property Tax, Sales Tax and Transient Occupancy Tax, these revenue sources are projected in the MODEL on specific assumptions

Utility tax not included.

OTHER CONSIDERATIONS

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- REVENUE SOURCES
 - No attempt has been made in the MODEL to identify new sources of revenue or changes in the rates of various revenue sources
 - Exception is the Revenue Neutrality Agreement

*None
in rate changes*

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OTHER CONSIDERATIONS

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- OFFSETTING REVENUES
 - Certain operations are not included in the projections since fees for service pay for the expenses of the department
 - Example – Building and Safety *a 100% cost recovery dept.*
 - Other departments that receive revenue that partially offsets their costs are expensed net of those revenues
 - Example – Code Enforcement, Planning, Public Works

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- The purpose of the report is to project City revenues and expenses associated with proposed development

- These projections will help determine if the draft General Plan will result in financial stability

this was the last report

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FIXED EXPENSES

- Fixed expenses are those that are not impacted by growth since it is assumed that the City will have to provide those services whether development occurs or not
 - Example: salaries and benefits of management positions

VARIABLE EXPENSES

in study

- A variable expense is impacted by development and is distributed based on:
 - General Land Use (Planning)
 - Demand (Police)
 - Direct Relationships (Animal Services)
 - Indirect Relationships (Human Resources, Finance and City Manager)

REVENUES

- Revenues are based on:
 - General Land Use (Franchise Fees)
 - Demand (Business License)
 - Direct Relationships (Street Sweeping)

1245

SPECIAL REVENUE TYPES

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- These were identified earlier as
 - Property Taxes
 - Property Transfer Tax
 - Motor Vehicle In-Lieu Property Tax
 - Sales Tax
 - Transient Occupancy Tax
 - Police Tax
- Because of the importance and significance of these revenue sources, the MODEL has been designed to forecast these on very specific assumptions

PROPERTY TAXES

- Property Taxes

- Property taxes revenues will increase according to the Property Transfer Agreement over 29 additional years (2034)

- The MODEL does not recognize what property taxes should come to the City but rather nets it against the neutrality payment

~~Model~~ The MODEL calculates the revenue neutrality formula and does increase the City's share over time

PROPERTY TRANSFER TAX

- Property Transfer Tax
 - The MODEL assumes
 - Tax rate of \$0.55 per \$1,000 sales of transferred property
- Property turnover rates:
 - how will this change?*
 - 10 years for single family detached, attached and multi-family for sale
 - 20 years for multi-family rental, commercial including office and industrial

MOTOR VEHICLE IN LIEU PROPERTY TAX

get into a program
this fund

• Motor Vehicle In-Lieu Property Tax Nov. 2004

- This revenue source, created by Proposition 1A, is separate from the Motor Vehicle Tax that is received from the State on a monthly basis
- It is tied to assessed valuation of property,

therefore it is calculated using the same increase in assessed values as property taxes

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SALES TAX

- Sales tax data was modified to exclude business to business transactions that are generated regionally and are not likely to increase proportionately with residential development
- To accurately forecast sales tax as a component of development, the "baseline" retail square footage assumptions from the General Plan process were used by the MODEL

for stores
Mc's sales for
\$205 / of tax
Mc's sales for
\$250 / of
SF resident
\$48

10/29/2004

Leland

Office worker needs 1/2 of retail.
Resident needs 10 of retail.

TRANSIENT OCCUPANCY TAX

- Based on a sampling by Smith Travel Reports of selected properties representing 1,463 rooms in Rancho Cordova, the following assumptions were made:

- Average Room Rate - \$67
- Occupancy Rate – 66%
- Transient Occupancy Rate – 12%

- While there may be additional rooms to be added as a result of development, the MODEL assumes no additional rooms will be added to the existing base
- However, if future land use scenarios include hotels the MODEL is constructed so as to include this impact

POLICE TAX

- The MODEL assumes a rate of \$250 per residential unit for all properties that are under development agreements
- The latest development agreement, with Sunridge Park Phase 2, raised the tax to \$450 per residential unit and the MODEL includes this increase for all other future developments
- Commercial/Industrial properties are assessed a proportional share

55% commercial & ind.
based on a
res du equivalent

LAND USE ASSUMPTIONS

- The Planning department provided the land use scenario that was used in this initial analysis
- Additionally, commercial, office and industrial land uses were subjected to a “reality” check by both Bay Area Economics (Matt Kowta) and Leland Consulting (Rod Stevens)

LAND USE ASSUMPTIONS

- The MODEL is based on existing City boundaries
- The impact of future annexations are not considered in the final results of this analysis
 - When annexations occur, the MODEL can be refined

FUTURE SERVICES

- To be supported by the General Fund
- The team identified these services that may be enhanced by the City in the future and are included in the MODEL
 - Museum...\$120,000/annually
 - Library...\$200,000/annually
 - Recreation...\$400,000/annually
- For the purposes of the MODEL, these services are projected to start in FY 2007

FUTURE SERVICES

- To be supported by other sources
 - Transit *Trolley* ; *eliminated CSA 10*
 - Housing *eliminated all restricted revenue*
- Since these do not require General Fund support, they are not included in the MODEL

FUTURE SERVICES

- Services that have no funding source are included in the report only to show that they were considered
 - Example: Fine Arts/Performing Arts Center, Convention Center, Parking Structure and Emerging Technologies

RESULTS

- The City has a useful tool to provide fiscal analysis of development
- Biggest values as a result of this project
 - We have identified the variables
 - We have identified the vulnerabilities (the “soft spots”)
 - We have scrubbed the revenues and expenditures on an extremely high level that not only provides valid data for this project but also will aid in the development of future City budgets

WHAT IS NEXT

- The City has the capability to modify the assumptions in the MODEL and run additional scenarios as required during the General Plan process
- The City has a tool to determine the fiscal impact of any development proposal in the future

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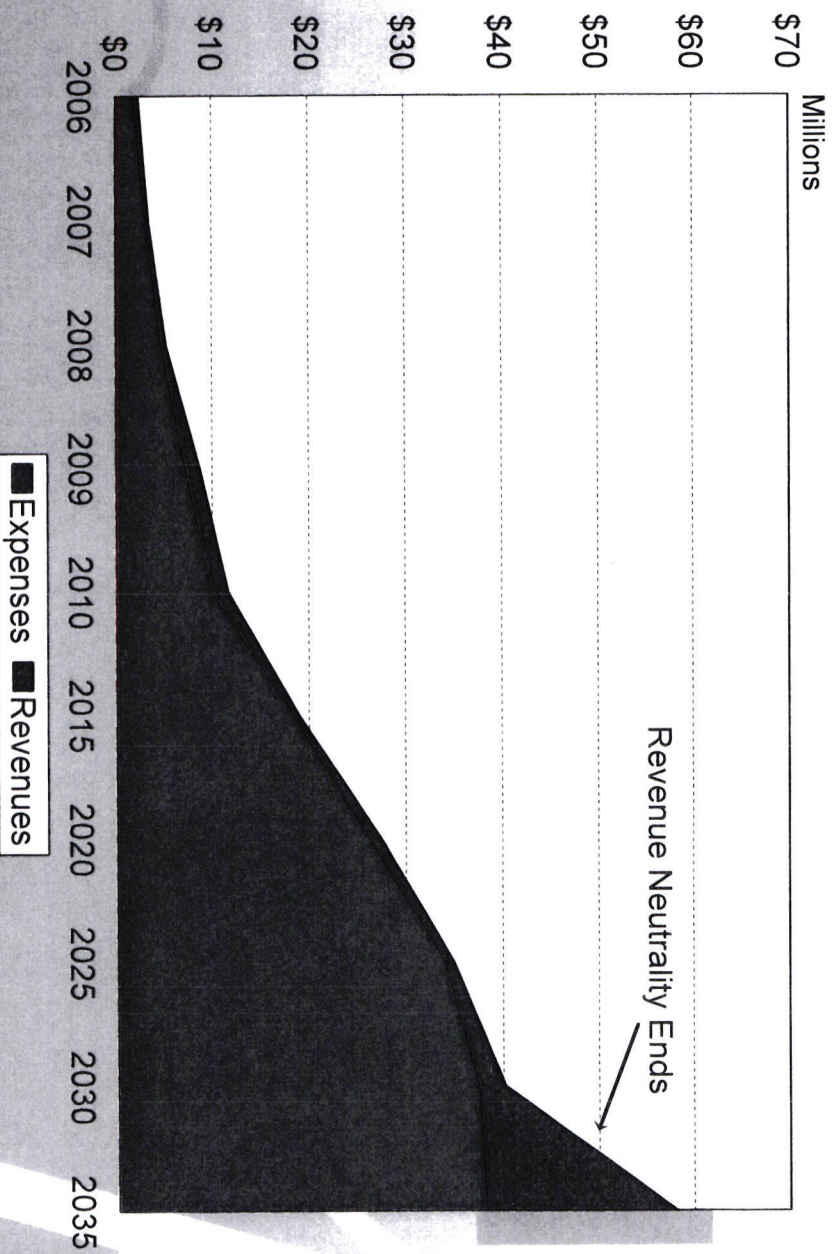
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- SO THE QUESTION IS... WHAT DOES THIS ALL MEAN?
- ALL OF THESE ASSUMPTIONS WERE USED AS INPUT INTO THE MODEL TO DETERMINE THE FINANCIAL IMPACT OF PROPOSED DEVELOPMENT AS ENVISIONED IN THE DRAFT GENERAL PLAN

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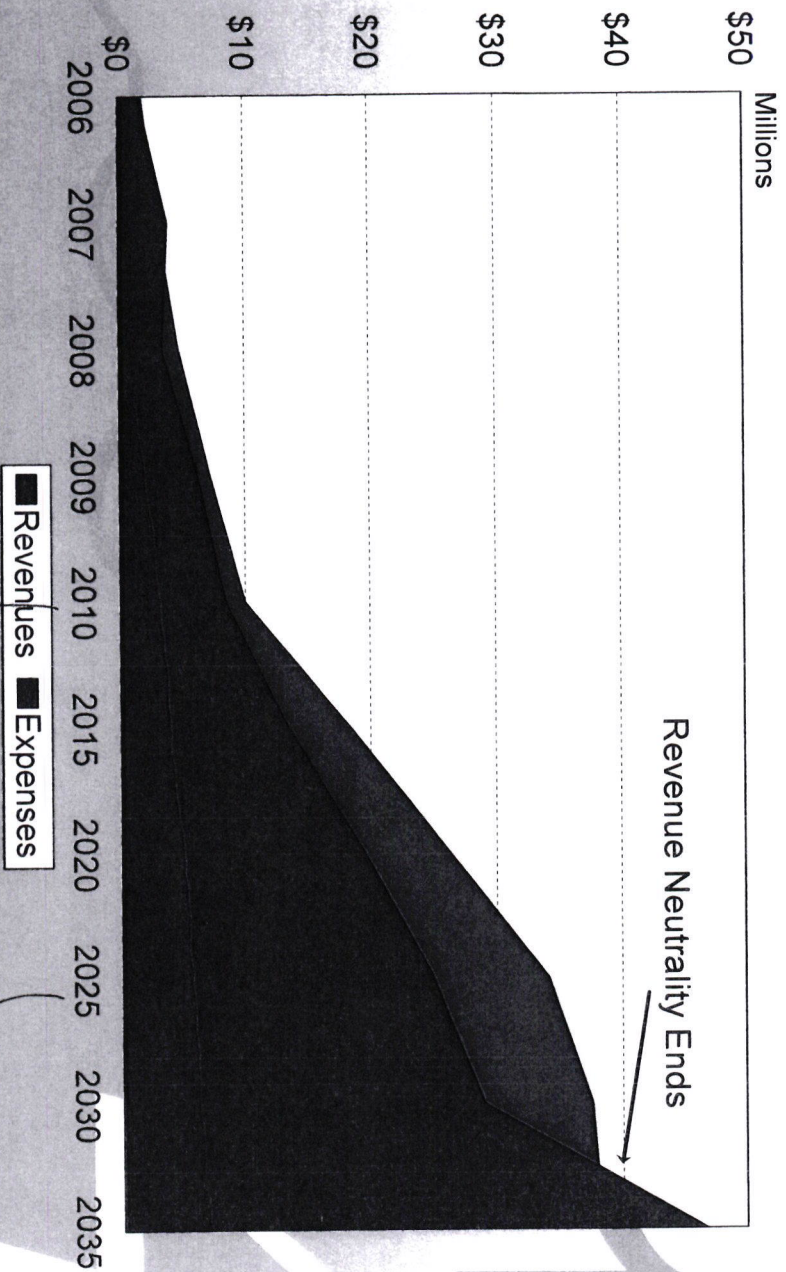
RESULTS

Results with Police Tax



RESULTS

RESULTS WITHOUT POLICE TAX



US will shortage 9 will
up to Police Tax

WAYS TO STRENGTHEN THE BOTTOM LINE

- Promote additional economic development focused on retail development
- Expand Revenues
 - Business License
 - Utility User Tax
 - Transient Occupancy Tax
- Expand the Sphere of Influence to include the Planning Area and negotiate a favorable annexation agreement

*business license fee times
as a revenue of ops
for a*

*Fireman
San Mateo
Alto
Oakland SFO*

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