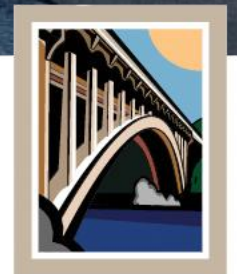


City Council Workshop – Develop Strategy to Close the City’s Funding Gap

Presentation to the Folsom City Council
February 8, 2022



CITY OF
FOLSOM

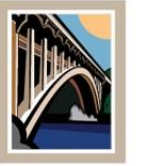
Presentation Agenda



CITY OF
FOLSOM

- How is the City doing today?
- Citywide budget - revenue and expenses
- General Fund - revenue and expenses
- Sales and Property Taxes
- 5-year General Fund forecast
- Potential solutions
- Next steps and direction to staff

How is the City doing today?



CITY OF
FOLSOM

The City is fiscally sound and continues to take prudent actions.

Why are we here? -

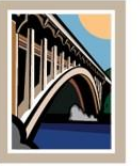
- Folsom wants to continue to be proactive
- The world is changing
- The forecast for future years predicts a structural deficit
- We are currently not covering all our long-term expenses



Citywide Budget

Revenue and Expenses

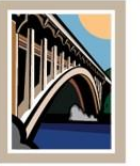
Appropriations by Fund Type - FY 21/22



CITY OF
FOLSOM

Fund Type	FY 22 Adopted Budget
General Fund	\$92,521,841
Enterprise Funds	50,322,160
Special Revenue Funds	12,442,313
Debt Service Funds	11,705,722
Capital Project Funds	11,963,656
Internal Service Funds	21,353,908
Fiduciary Funds	19,935,275
Total	\$220,244,875

Fund Type Descriptions



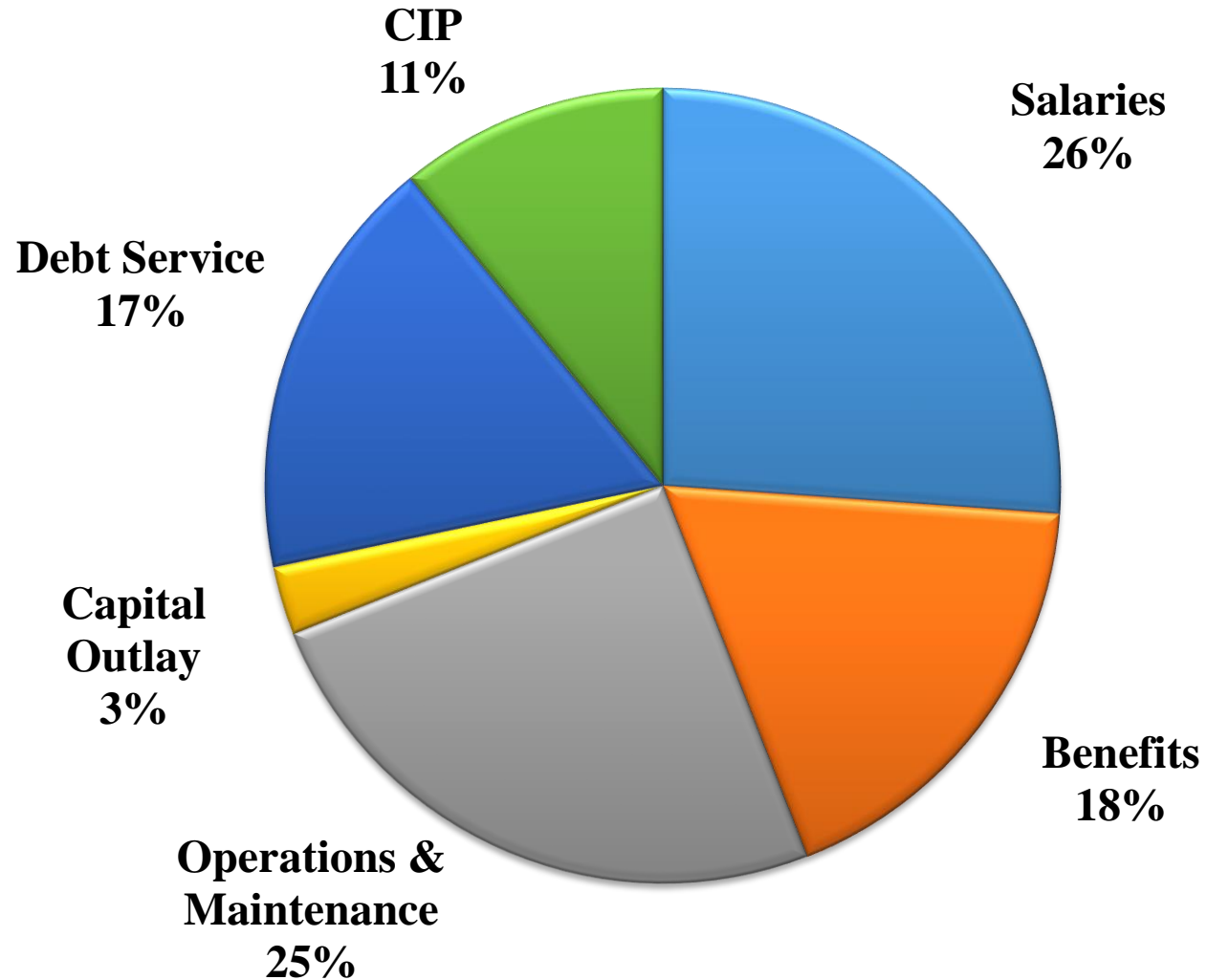
CITY OF
FOLSOM

- **Enterprise Funds:** Account for the activity of the city's water, wastewater and solid waste utility funds.
- **Special Revenue Funds:** Account for specific revenue sources that are legally restricted for a specific purpose. (Gas Tax, Lighting and Landscape Districts, Affordable Housing)
- **Debt Service Funds:** Account for the accumulation of resources that are legally restricted for the payment of long-term debt obligations.
- **Capital Project Funds:** Account for financial resources which are used for long-term major capital projects financed primarily from developer impact fees.
- **Internal Service Funds:** Account for the financing of goods and services by one department to others within the government on a cost reimbursement basis. (Risk management, Employee leave)
- **Fiduciary Funds:** Established to hold money in trust for various purposes (OPEB, Redevelopment Successor Agency, Assessment Districts)

Citywide Expenses



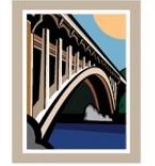
CITY OF
FOLSOM





General Fund Revenue

General Fund Revenue



CITY OF
FOLSOM

	FY 21-22 Projected	% of Total
Property Tax	\$ 32,991,949	34%
Sales Tax	26,498,472	27%
Transient Occupancy Tax	2,000,000	2%
Charges for Services	13,299,975	13%
Licenses, Permits & VLF	11,960,984	12%
Transfers In	7,730,248	8%
All other	3,545,500	4%
Total Revenue	\$ 98,027,128	100%

Revenue Types



CITY OF
FOLSOM

- **Transient Occupancy Tax (TOT):** % charged on all hotel stays in the City of Folsom
- **Charges for Services:** Engineering inspections, plan and map checks, administrative fees, fire services, recreation programs
- **Licenses, Permits & VLF:** Business license certificates, building permits, encroachment, fire and other permits

Revenue Types



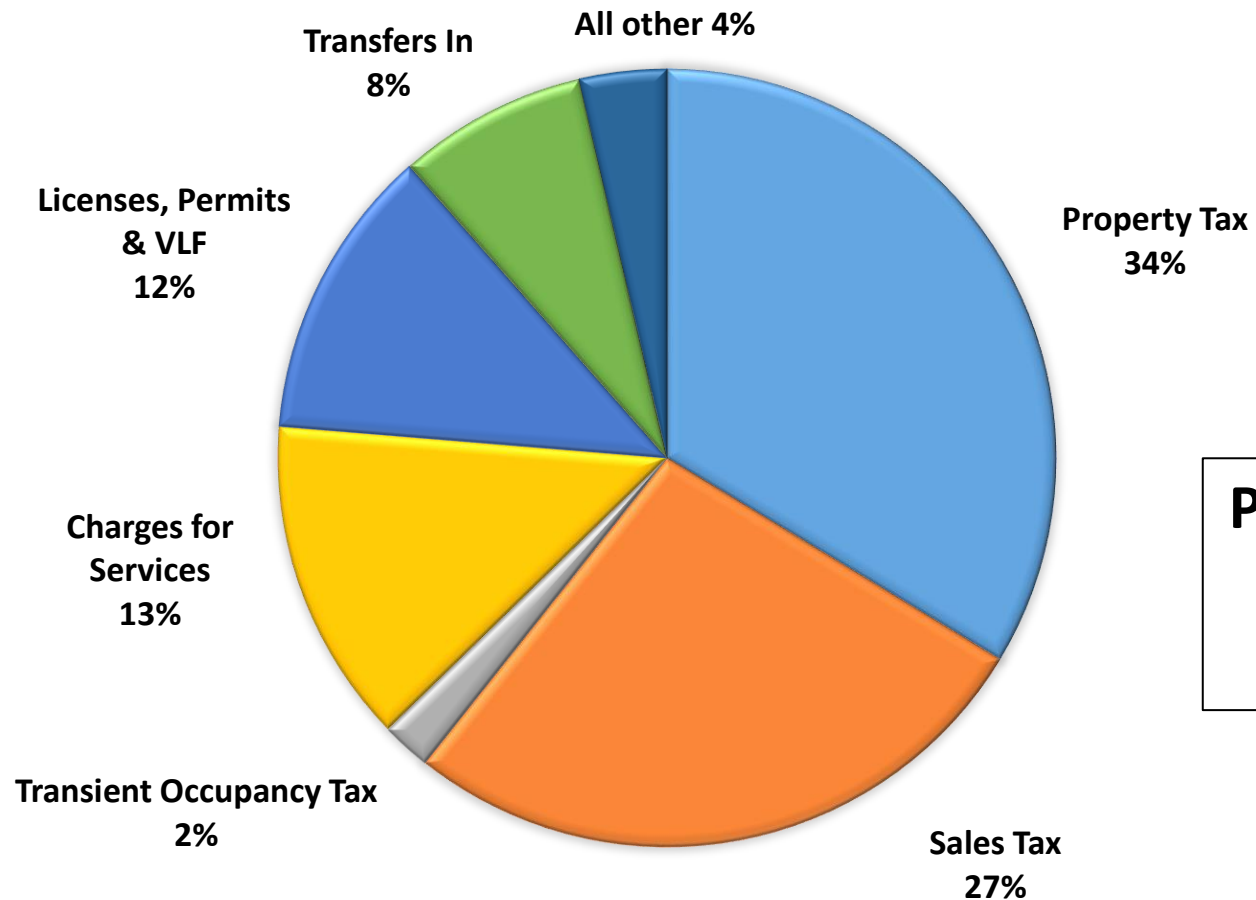
CITY OF
FOLSOM

- **Transfers In:** Allocates departmental costs incurred by the General Fund to all funds that receive benefit from services that the General Fund departments provide
- **All other:** Grants, reimbursements, third party recoveries, donations, gifts, sale of publications, misc.

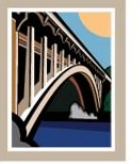
General Fund Revenue



CITY OF
FOLSOM

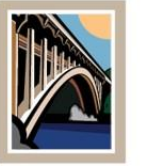


**Property and Sales Tax:
61% of Total General
Fund Revenue**



Property Tax

General Fund Property Tax



CITY OF
FOLSOM

- California's approximate property tax rate: 1%
- Folsom receives 20% of the 1% paid
- Approximate value of all property in Folsom: \$16.6 billion
- Property tax receipts generated: \$166 million
- Folsom receives about: \$33 million

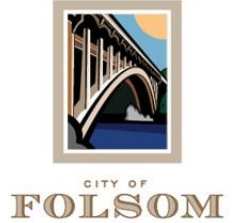
General Fund Property Tax



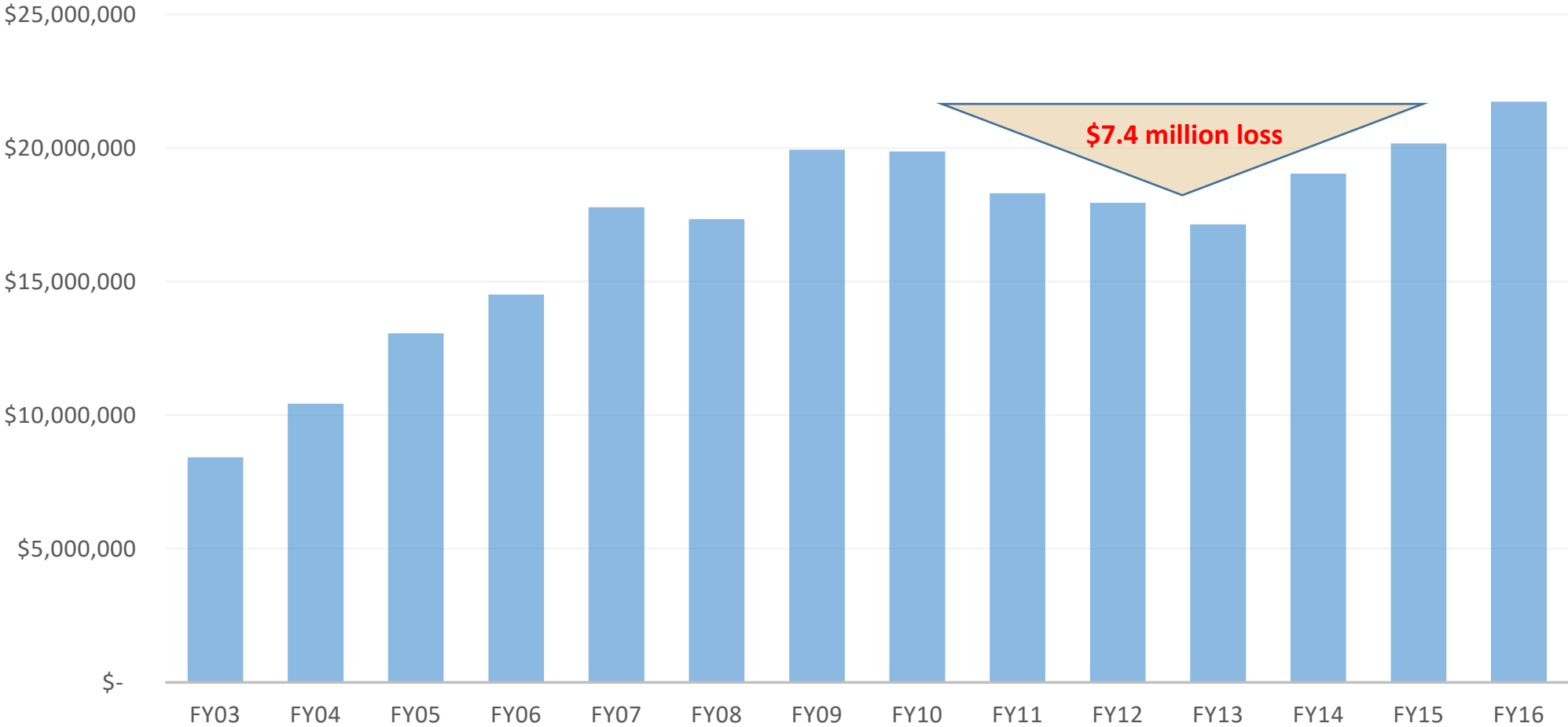
CITY OF
FOLSOM

- Assume an average taxable home value in Folsom of \$450,000
- This generates \$4,500 in property tax
- Folsom receives \$900 for General Fund operations

Historical Property Tax Results



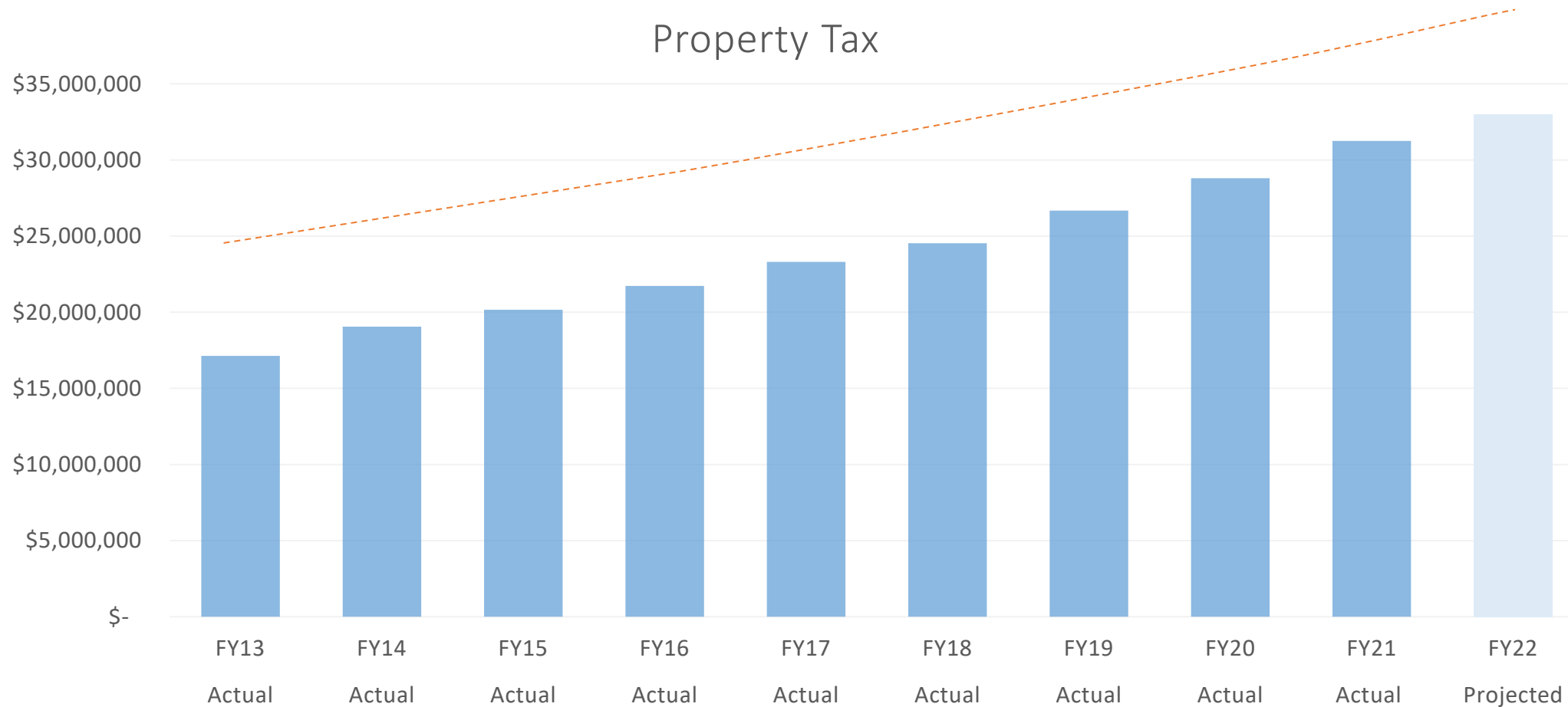
Property Tax Results FY 03-FY 16



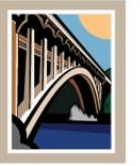
General Fund Property Tax



CITY OF
FOLSOM

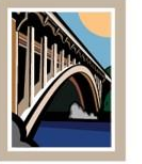


General Fund Property Tax



CITY OF
FOLSOM

- Property tax growth trends are projected to continue to be steady at about 5% per year
- The City can do little to influence this growth
 - Per Prop. 13, unless property is sold, assessed values increase by the change in CPI or 2%, whichever is less



Sales Tax

General Fund Sales Tax



CITY OF
FOLSOM

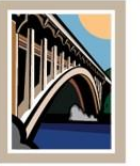
7.75% sales tax rate in Folsom

- This is the state minimum of 7.25%, plus a .50% Sacramento County tax for transportation maintenance and improvements (Measure A)

Folsom receives 1¢ of the 7.75¢ tax paid per dollar spent

- The majority goes to the State
- ½ cent goes towards county transportation maintenance and improvements
- Small amount goes directly to County for programs

General Fund Sales Tax



CITY OF
FOLSOM

- Approximate annual taxable sales in Folsom: \$2.6 billion
- Sales tax generated: \$205 million
- Folsom receives: \$26 million

General Fund Sales Tax



CITY OF
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Sales tax paid by average Folsom household:

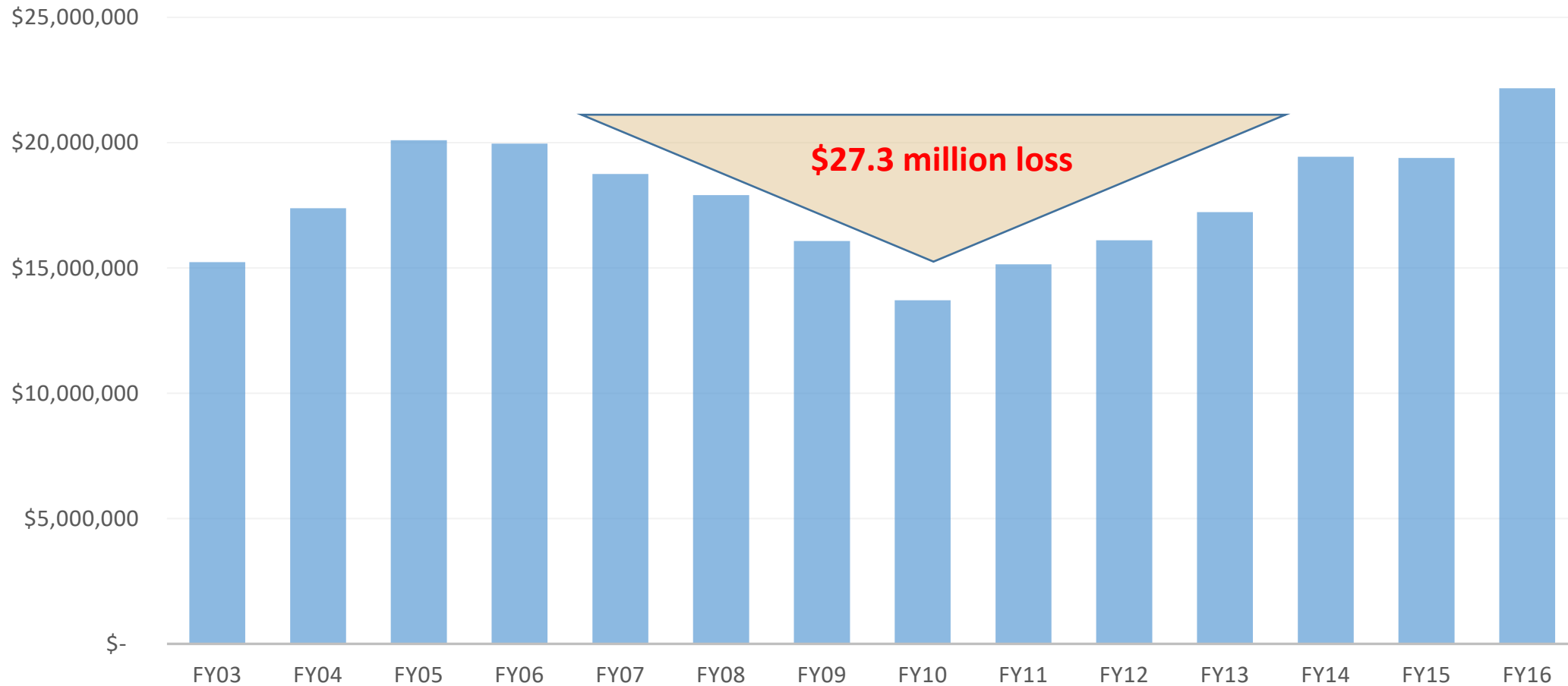
- About \$114,405 average household income
- Of that income, about 25%, or \$28,601, spent on taxable items
- About 75% of the taxable spending, or \$21,450, is spent in the City
- This generates \$1,662 in sales tax within the City
- Folsom receives \$215/year for General Fund operations

Historical Sales Tax Results



CITY OF
FOLSOM

Sales Tax Results FY 2003-FY 2016

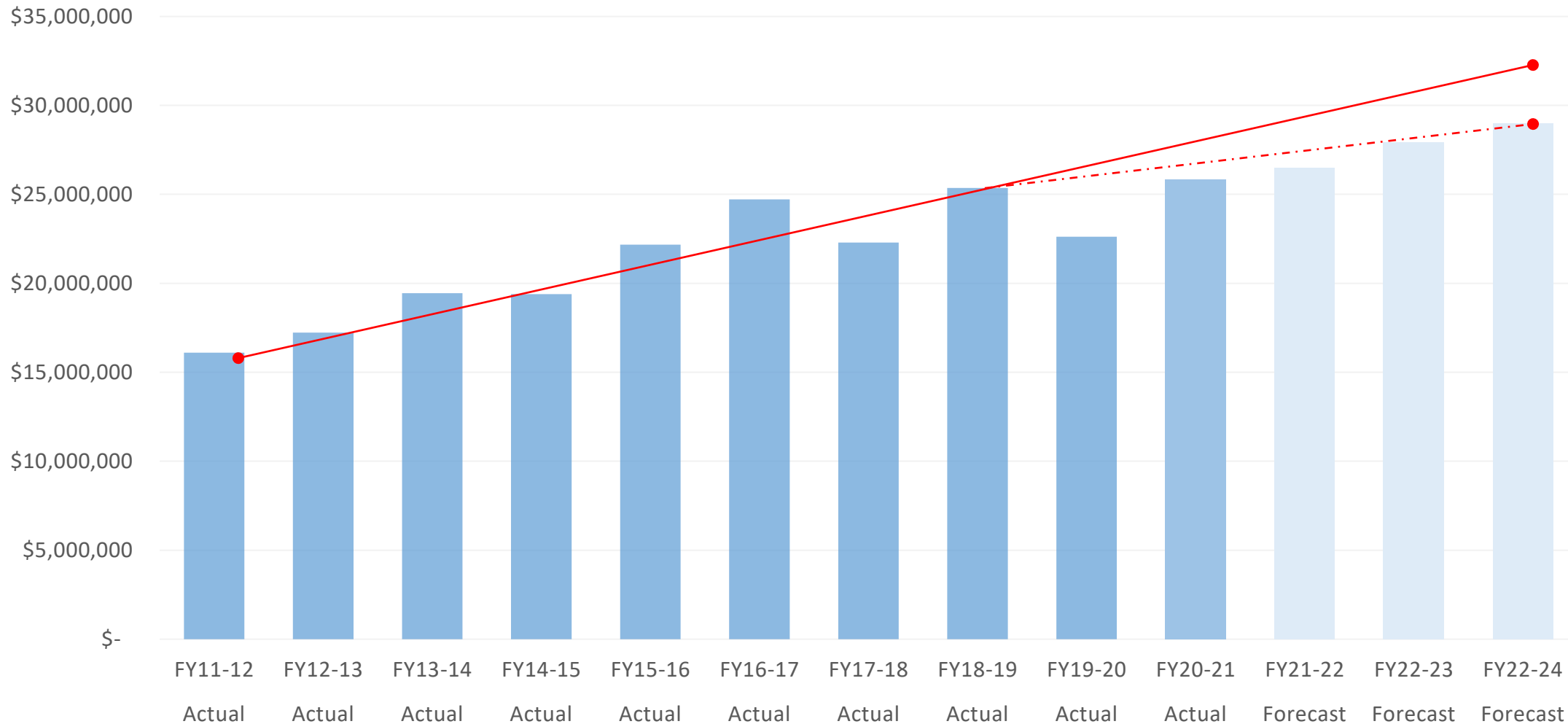


Slowdown in Sales Tax Growth

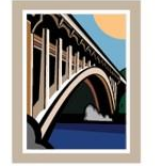


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Sales Tax Projections



Sales Tax – What is happening?



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FOLSOM

Sales tax is no longer a steady source of income

There is a shift in:

- What we buy
There is a shift from purchasing “things” to purchasing services
- How we buy it
Internet sales
- How much we can afford to buy
Increased cost of services and housing erodes buying power for taxable goods

This trend is not going away

General Fund Sales Tax



CITY OF
FOLSOM

Good news:

- Significant sales tax (an estimated 40%) is generated from non-Folsom residents
- Very diversified tax base

Concerns:

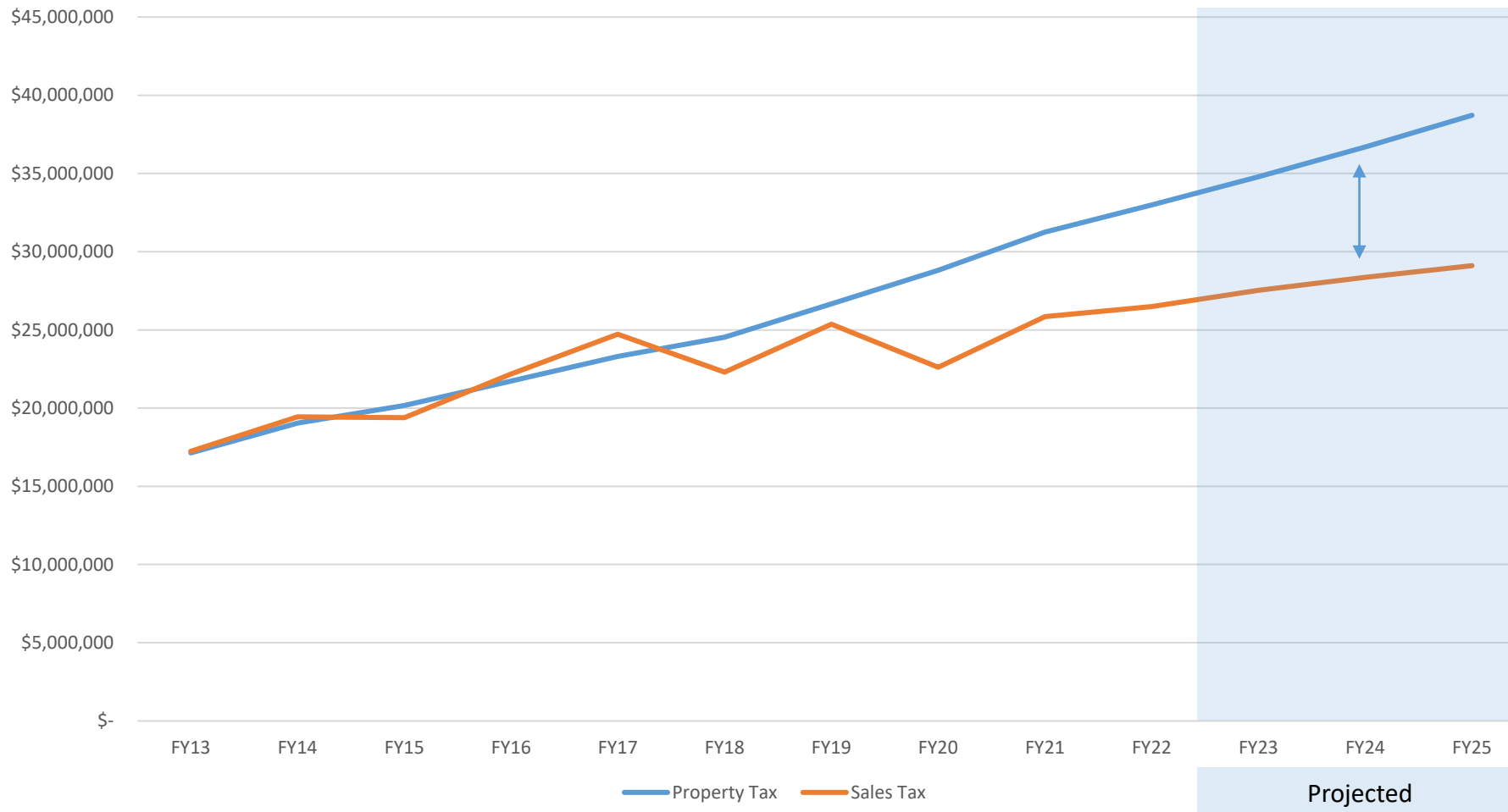
- Quite volatile
- Heavily impacted by an economic downturn
- As spending trends continue to change, sales tax revenue growth is eroded

Combined Tax Revenue



CITY OF
FOLSOM

Historical Tax Revenue Growth



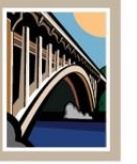
Property tax trend continues

Sales tax growth is flattening



General Fund Expenses

Operational Departments



CITY OF
FOLSOM

- Police
- Fire
- Parks and Recreation
- Community Development
- Public Works
- Library

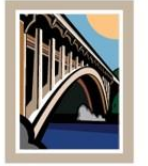
Support Functions



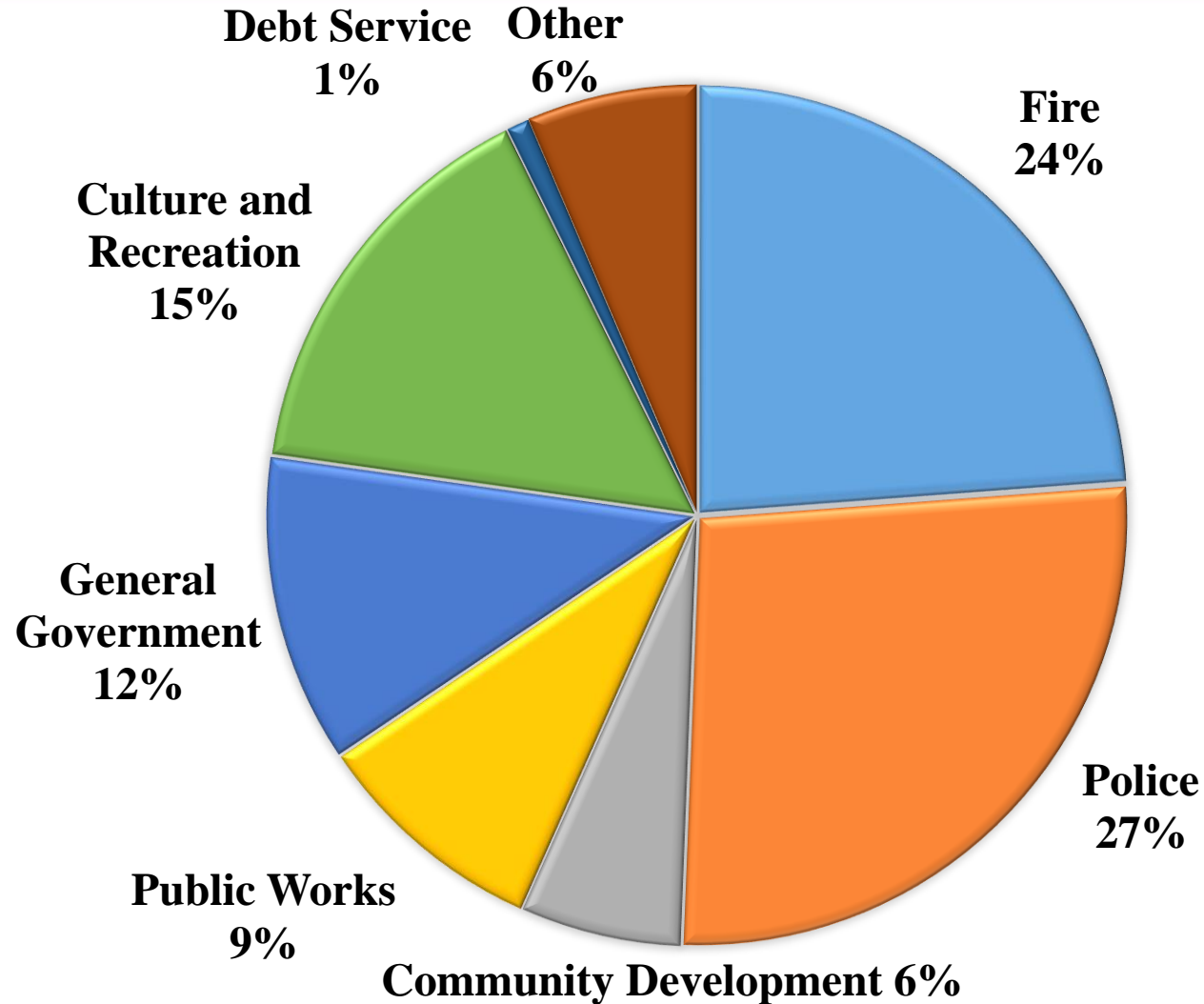
CITY OF
FOLSOM

- City Council
- City Manager (includes Communications)
- City Clerk
- City Attorney
- Office of Management and Budget (includes IT)
- Human Resources
- Building Maintenance
- Fleet

General Fund Expenses

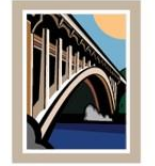


CITY OF
FOLSOM



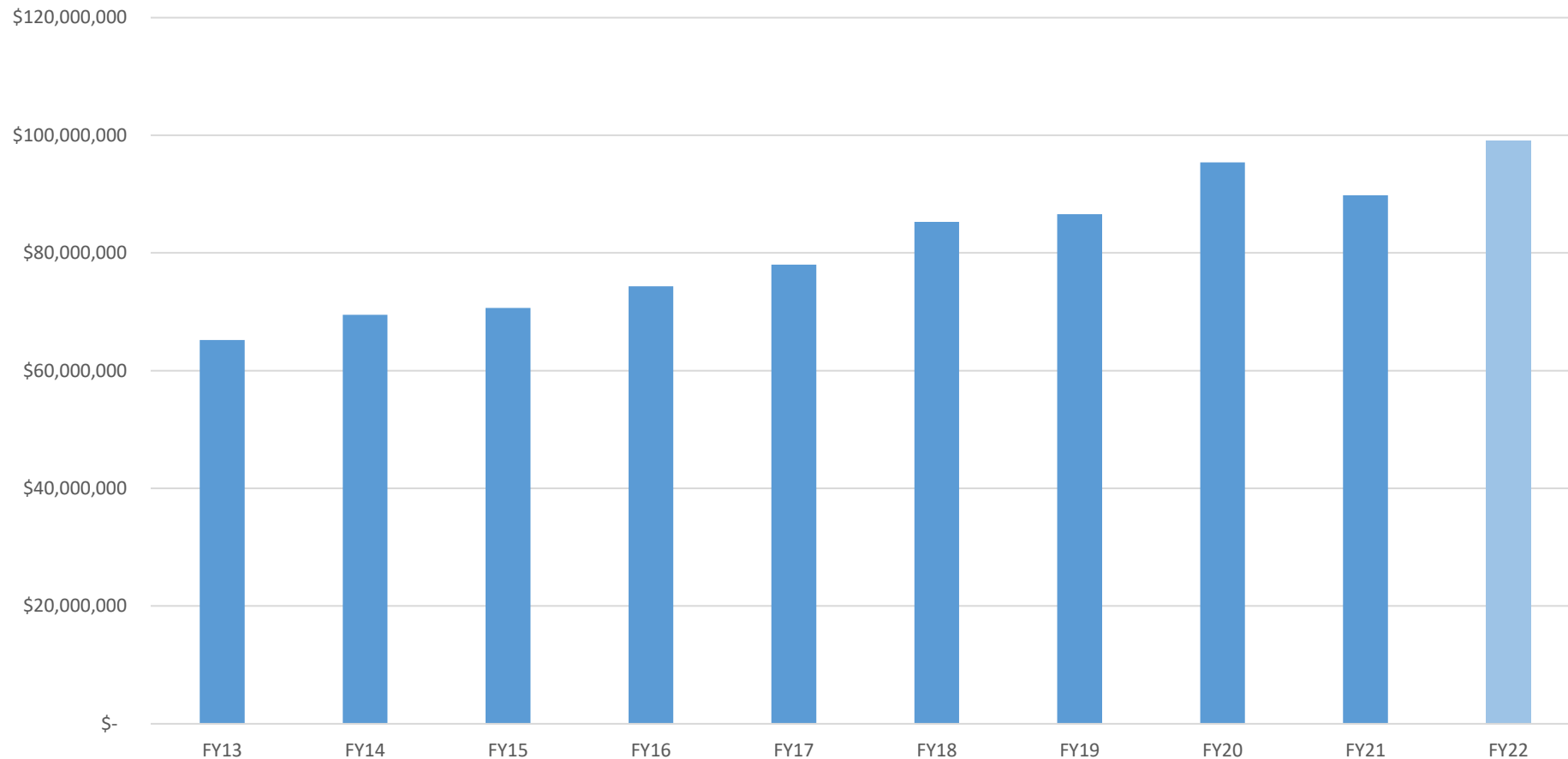
**Operating
Expenditures
Total:
\$97 million**

General Fund Expenses



CITY OF
FOLSOM

General Fund Expenditure Growth



**Average
growth of
4.5%**

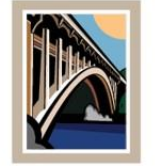
City Response to Challenges



CITY OF
FOLSOM

- Folsom like many, if not most cities, utilized existing cash and reserves to fund ongoing operations.
- Instituted a “funding pause” of internal service, OPEB and capital replacement funds
- Deferred maintenance of buildings, equipment, and vehicles
 - Extending the life of vehicles
 - Delaying roof and building repairs
 - Delaying replacing IT hardware and software
 - Delaying park maintenance

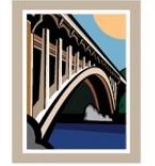
City Response to Challenges



CITY OF
FOLSOM

- Over the last 10 years the City has:
 - Significantly reduced staffing levels (remained flat for the past 4 years) - all departments doing more with less
 - Used part-time or contract employees when feasible
 - Increased employee contributions towards retirement (employees pay their entire share)
 - Eliminated retiree health benefits for new employees
 - Increased employee contributions to health benefits

City Response to Challenges

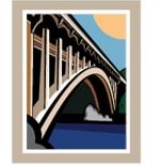


CITY OF
FOLSOM

- Over the last 10 years the City has:
 - Restructured education incentive pay for costs savings
 - Extended the number of steps in pay ranges to have smaller annual pay increases
 - Eliminated longevity pay for new employees
 - Capped accrued leaves balances and cash out amounts

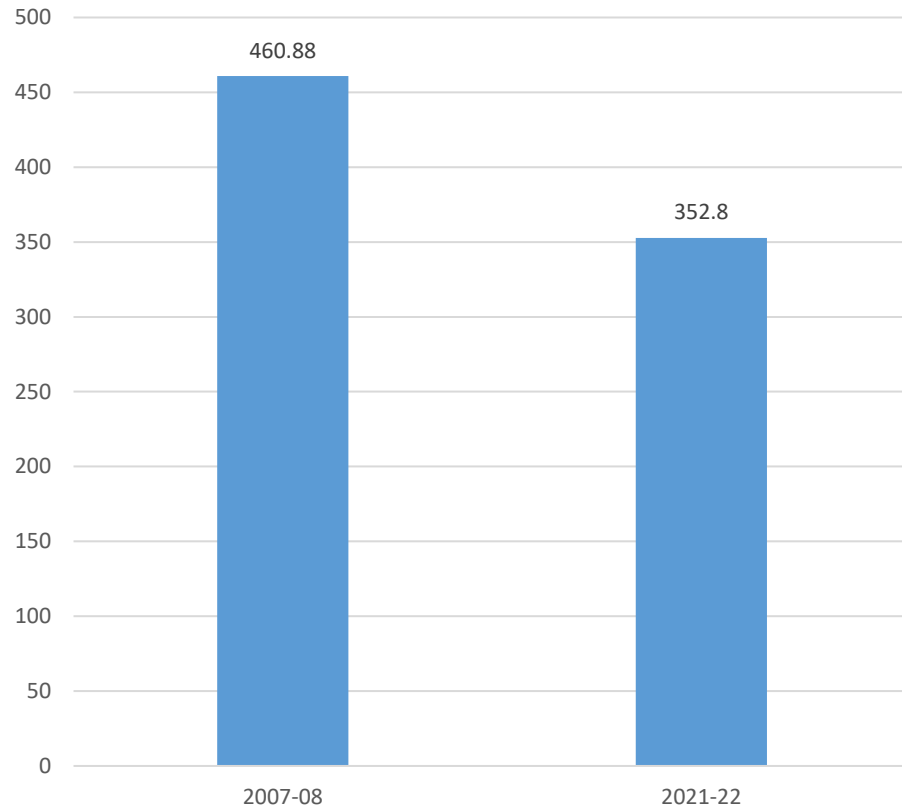
Result: There is limited ability to reduce service costs further. Without increased revenues, a reduction in city services will be required to balance the budget.

General Fund Full-time Positions

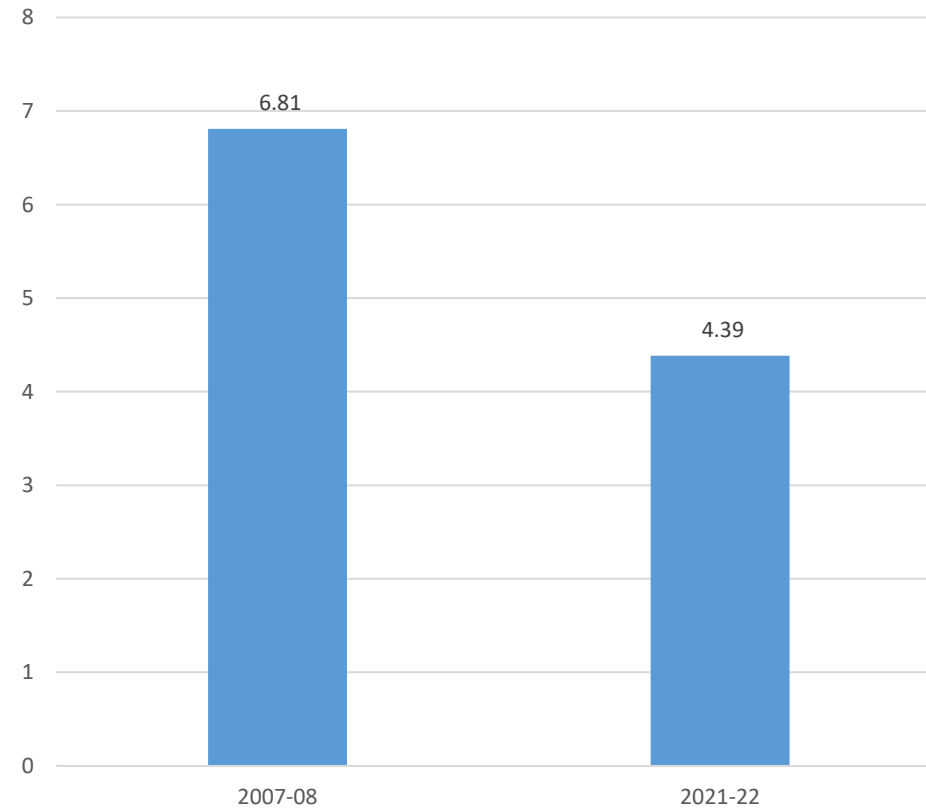


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Total General Fund Employees

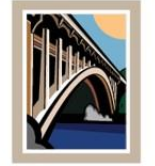


GF Employees/1000 Residents



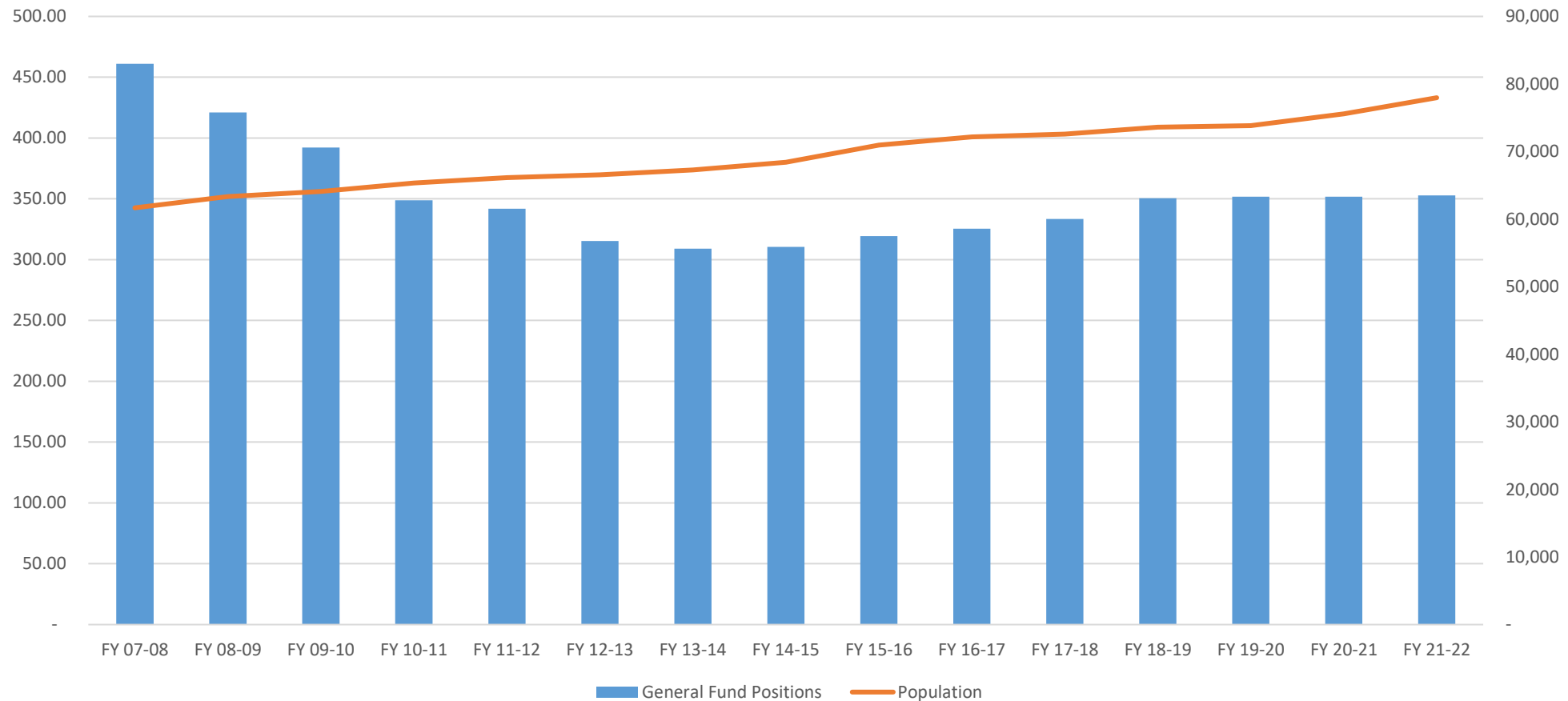
36% reduction in GF Employees/1000 Residents

General Fund Positions



CITY OF
FOLSOM

Population Growth vs. GF Positions



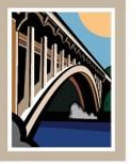
Unfunded/Underfunded Needs



CITY OF
FOLSOM

	One-Time Costs Years 1 - 5	Annual Costs Years 1 - 5	One-Time Costs Future (5 years+)	Additional Positions Needed
Police	\$ 9,551,814	\$ 8,417,858	\$ 7,888,590	50
Fire	15,909,521	6,653,145	15,000,000	25
Parks and Recreation	10,782,000	3,986,700	140,350,849	13
Community Development	985,000	450,000	-	8
Public Works	1,379,400	1,077,845	70,100,000	6
Library	150,000	-	-	-
Total	\$ 38,757,735	\$ 20,585,548	\$ 233,339,439	102

Unfunded/Underfunded Needs

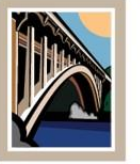


CITY OF
FOLSOM

Police Department Needs – One to Five Years:

- Deployment vehicle, small armored vehicle, mobile command vehicle
- Marked and unmarked police vehicles
- Facility renovations and technology updates
- Police Officers (28), Dispatchers (6), Community Service Officers (2) Animal Control Officers (2) and other professional support staff (12).

Unfunded/Underfunded Needs

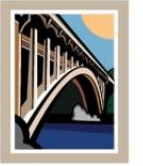


CITY OF
FOLSOM

Fire Department Needs – One to Five Years:

- Fire Station and facility upgrades
- Engines, trucks, medic vehicles and staff vehicles
- Small equipment (Wildland Apparatus, Mechanical CPR Device)
- Firefighters (18), Mechanics (2), Fire Marshal (1), Deputy Chief (1), Division Chief (1) and Admin. Captains (2)

Unfunded/Underfunded Needs



CITY OF
FOLSOM

Parks and Recreation Needs – One to Five Years:

- Unfinished planned parks, trails and facilities
- City facility renovations – ADA for Parks and Facilities, Building Maintenance, Turf (indoor and outdoor) for Andy Morin Sports Complex, Irrigation Controller Upgrades in 17 park locations
- Park renovations per Parks and Recreation Master Plan
- Ladder fuel maintenance/Hazard Tree Care
- Aquatic center upgrades and equipment replacement

Unfunded/Underfunded Needs

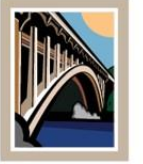


CITY OF
FOLSOM

Parks and Recreation Needs – One to Five Years:

- Municipal Landscape Services staff: Engineering Tech (1), Sr. Maintenance Worker (2), Maintenance Worker (2), Maintenance Supervisor (1)
- Park Maintenance staff: Park Planner (1), Maintenance Worker (3), Irrigation System Coordinator (1)
- Recreation staff: Staff Coordinator II (1), Administrative Assistant (1)

Unfunded/Underfunded Needs

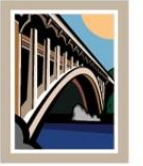


CITY OF
FOLSOM

Community Development Needs – One to Five Years:

- Consulting services for studies, plans and updates
- Development Services Analyst (1), GIS Specialist (1), Building Plans Coordinator (1), Building Inspector II (1), Building Plan Checker II (1), Construction Inspector II (1), Planning Technician II (1), Code Enforcement Officer (1)

Unfunded/Underfunded Needs

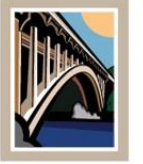


CITY OF
FOLSOM

Public Works Department Needs – One to Five Years:

- Street Sweeper
- Fueling system upgrades, tank replacement, and new fuel pumps
- Various studies (Corporation Yard, Traffic Demand Management, Noise Reduction Program, In-Lieu Fee Study)
- Public Electric Vehicle Charging Stations
- Associate Engineer/Traffic (1), Associate Engineer/CIP(1), Street Maintenance Worker (2), Street Sweeper Maintenance Specialist (1), Sign Shop Maintenance Worker (2)

Unfunded/Underfunded Needs



CITY OF
FOLSOM

Library Needs – One to Five Years:

- Carpet replacement (13,700 sq.ft.)

Unfunded/Underfunded Needs - Revisited

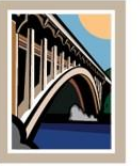


CITY OF
FOLSOM

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Library	150,000	-	-	-
Total	\$ 38,757,735	\$ 20,585,548	\$ 233,339,439	102

**No identified funding source
for these costs**

5-Year Budget Forecast



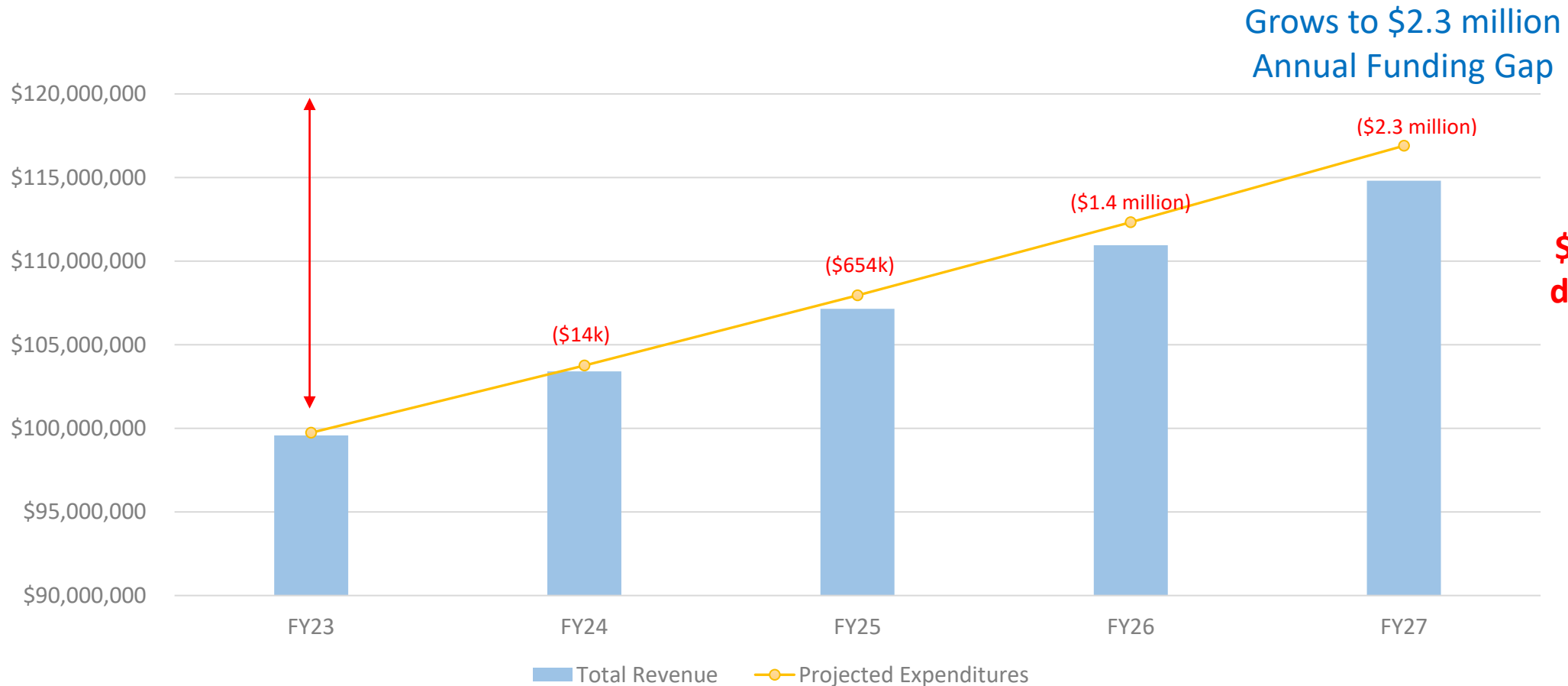
CITY OF
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Looking Ahead: FY 2023-2027

5-Year Forecast – General Fund



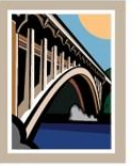
CITY OF
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\$2.3 million gap does not include \$20 million of unfunded annual needs

Fully funding deferred needs requires an additional \$20 million annually

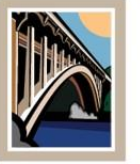
5-Year Forecast – General Fund



CITY OF
FOLSOM

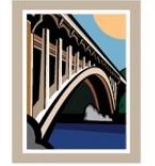
Impacts of Folsom Plan Area Development on General Fund Revenue and Expenses:

- Property tax increases were expected and are factored into projections
- Planned expenses to provide services for that area are also factored into expense projections
- This creates a zero-net effect on the General Fund



Potential Solutions

Potential Solutions



CITY OF
FOLSOM

Use American Rescue Plan Act (ARPA) dollars in the short-term to “buy time” - \$6.2 million remains unallocated

- Total allocation: \$8.4 million
- Must be obligated and spent by December 31, 2024 – can’t be saved for future budget shortfalls
- The council already approved \$2.2 million for the Provision of Government Services in FY 21/22 (HVAC system, facility painting, police fleet, fire department facility upgrades and equipment)
- The council expressed interest in funding additional general fund expenses such as consultant services for a River District and Central Business District plan

Potential Solutions



CITY OF
FOLSOM

Revenue enhancements such as:

- Increases to rates and fees:
 - Possible increases to Planning/Development Fees, Ambulance Fees or Parks and Recreation fees
 - Minimal impact to overall budget gap

Potential Solutions

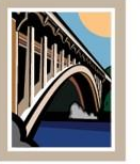


CITY OF
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Revenue enhancements such as:

- Voter approved increase to Sales Tax
 - Estimated that an additional $\frac{1}{2}$ cent tax would increase annual sales tax revenue received by the City by \$10.9 million

Potential Solutions



CITY OF
FOLSOM

Cuts to City services to the extent of deficit

- There is a limited ability to further reduce service costs. Without increased revenues, elimination of some city services will be required.



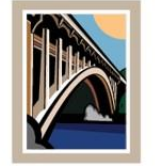
Economic Development



CITY OF
FOLSOM

Economic Development

In Partnership with the Greater Folsom Partnership



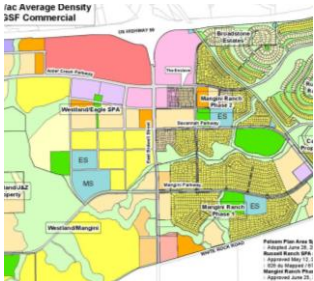
CITY OF
FOLSOM



Expand Retail Recruitment to Attract Sales Tax-Generating Revenue



Maximize and Activate the City's Assets



Promote Entrepreneurship and Explore the Formation of an Innovation District



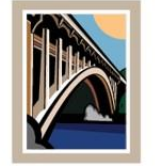
Strengthen, Expand, and Develop Tourism Assets and Events



Assist Businesses with Workforce Development

Economic Development

In Partnership with the Greater Folsom Partnership



CITY OF
FOLSOM



Identify and Prioritize Public-Private Development Projects



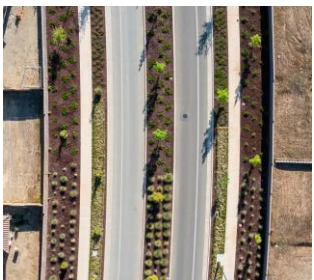
Leverage Folsom's Healthcare Cluster



Encourage Public-Private Partnerships, When Viable



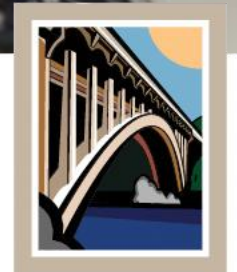
Continue to Pursue Funding for Economic Development



Continue to Ensure City Infrastructure Supports Business Needs



Public Engagement Plan



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Public Engagement Plan

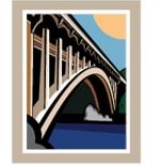


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- **Two-way communication** between the city and the community.
- **Educate** the community.
- Seek well-informed **feedback** through research and outreach.
- Provide opportunities for the community to **share opinions** with the city.
- **Present** the City Council and staff with extensive community input.



Strategies



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- **Research and Planning**

- Statistically valid public opinion polls

- **Engagement Campaign**

- Logo, tagline, website
- Social media
- Videos
- Direct mail
- Printed newsletter
- Electronic newsletter

- Local advertising
- Electronic billboards
- Utility bill inserts
- Community forums
- Media relations



Strategies



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- **Online Engagement Tools**

Balancing Act.®

Strategies



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BalancingAct®

You are balanced.

Where the Money Goes

More Information

Some research suggests that lower-cost, non-sworn officers could perform some services currently done by sworn officers, saving money that could be used in other parts of the budget.

[More Details](#)

Police Department	\$810,000	\$0.00	\$810,000
Role of Civilians: \$90,000	\$90,000	\$0.00	\$90,000
Should civilians be used to take most police reports instead of sworn officers??			
<input checked="" type="radio"/> Continue to use sworn officers			
<input type="radio"/> Use civilians where appropriate			

Parks and Recreation: \$1.3m	>
Streets and Transportation: \$750,000	>
Fire: \$1.5m	>
Administrative Services: \$220,000	>
Governance: \$127,000	>

Revenue

Taxes: \$4.6m	>
Fines: \$435,000	>

[Submit](#)

[Reset all to start over](#)

Please be sure to attend the budget open house on Friday, October 30 at 6:00. We will be using Meeting Mode so that everyone can see the entire group's responses. City staff will be on hand to answer questions and facilitate.

YOUR CITY AND COUNTY OF DENVER TAX RECEIPT

Affordable Housing	\$1.89
Dedicated Affordable Housing Property Tax Mill	\$0.00
Housing Investment Fund Transfer	\$0.81
Office of Housing and Opportunities for People Everywhere (HOPE)	\$0.18
Social Impact Bond	\$0.90
Capital Projects	\$13.50
Bond Principal and Interest Property Tax Mill	\$0.00
Capital Improvement Projects	\$13.50
Improvement and Maintenance Property Tax Mills	\$0.00
Community Planning and Development	\$8.23
Board of Adjustment for Zoning Appeals	\$0.10
Planning, Permitting, Inspections and Administration of Community Planning & Development Dept	\$8.13
Courts/Legal	\$15.79
City Attorney	\$8.71
County Court & Municipal Public Defender	\$7.08
Economic Development	\$3.52
Economic Development	\$2.14
Excise and Licenses	\$1.38
Finance	\$33.31
Contingency	\$7.33
Finance/Payments for Public Buildings	\$25.98
Governing	\$2.16
City Council	\$1.70
Mayor's Office	\$0.46
TOTAL:	\$76.62

BalancingAct

Anytown CIP Plan

Selected: \$961,000 Available: \$239,000

City Hall Accessibility

\$215,000

Tourism Renovation

\$398,000

[Remove](#)

Bandshell Roof Repair

\$125,000

[Select](#)

Beacon Park Pathway

\$340,000

[Remove](#)

Archaeological Reporting

\$149,000

[Remove](#)

Window Repair

\$500,000

[Select](#)

Park Street Light Poles

\$74,000

[Remove](#)

Fire Hall #1 Replacement

\$318,000

Hollywood Park Additions

\$202,000

[Select](#)

#1	Tourism Renovation: \$398,000
#2	Archaeological Reporting: \$149,000
#3	Beacon Park Pathway: \$340,000
#4	Park Street Light Poles: \$74,000

Drag and drop to put your choices in your order with the projects you want the most at the top. To re-order using your keyboard, select an option and press the spacebar.

[Submit](#)

Strategies

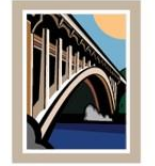


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- **Online Engagement Tools**



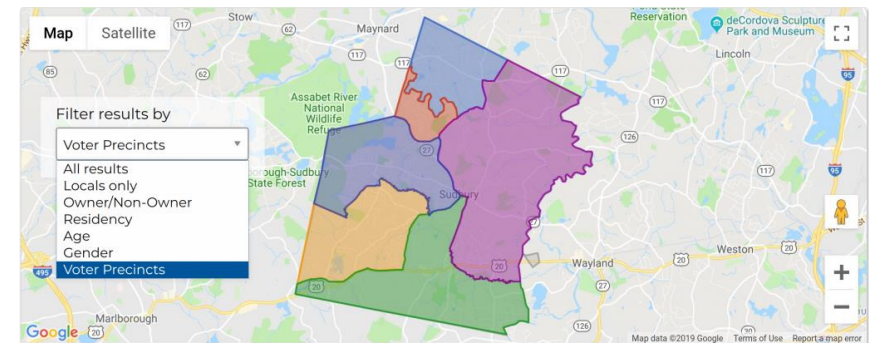
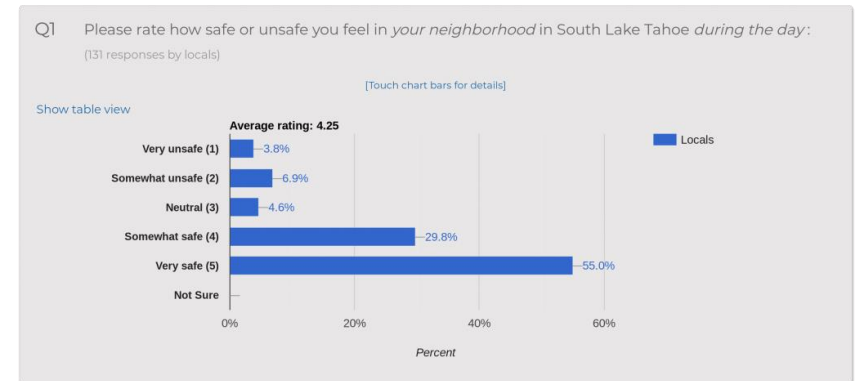
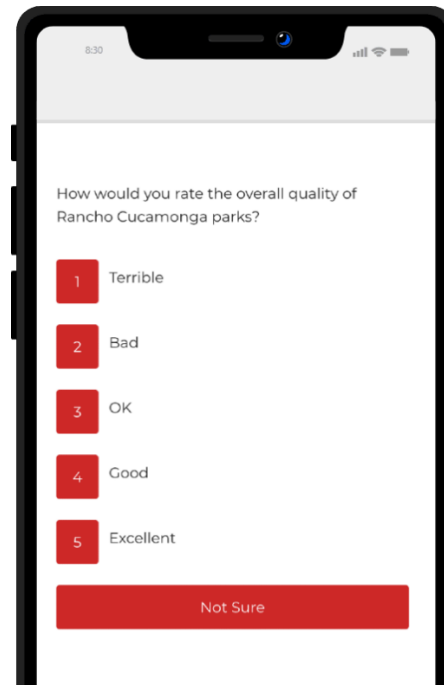
Strategies



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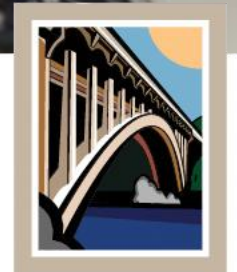


1391
Total Participants
1285 of 1959 initially invited (66%)
106 others
Margin of error: ± 3%





Public Engagement Plan



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Questions/Direction to Staff



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- Does the Council seek any additional information at this time on the potential solutions identified, and if so, which one(s)?
- Are there potential, additional solutions that were not included in this presentation that the Council can identify at this time and wishes to explore?
- Does the Council support moving forward with the proposed community engagement process?