



INITIAL FISCAL ANALYSIS
Incorporation of the City of Heber, CA
March 16, 2009

**HEBER PUBLIC UTILITY DISTRICT
INCORPORATION INITIAL FISCAL ANALYSIS**

CONTENTS OF THIS STUDY

INTRODUCTION	1
PURPOSE OF THIS STUDY	1
ABOUT THE COMMUNITY	1
CURRENT SERVICES AND PROVIDERS	2
COUNTY OF IMPERIAL	2
HEBER PUBLIC UTILITY DISTRICT	3
OTHER SERVICE PROVIDERS	3
METHODOLOGY AND ASSUMPTIONS	3
PLAN FOR SERVICES	3
FORM OF GOVERNMENT	3
SERVICE RESPONSIBILITIES AND CHANGES	4
ASSUMED MUNICIPAL ORGANIZATION	6
PERSONNEL COSTS	6
TIMING CONSIDERATIONS	8
EFFECTIVE DATE OF INCORPORATION	8
TRANSITION PERIOD	8
FORECAST PERIOD	8
DEVELOPMENT FORECAST	8
RESIDENTIAL DEVELOPMENT	8
COMMERCIAL DEVELOPMENT	9
PRIMARY REVENUE AND COST ASSUMPTIONS	9
FACTORS USED TO EXTRAPOLATE COUNTY DATA	9
NEW TAXES	10
ASSESSMENTS AND FEES	10
CASH BASIS-FORECAST	10
FISCAL FEASIBILITY	10
GENERAL FUND FORECAST	10
REVENUES	10
EXPENDITURES	17
ROAD FUND FORECAST	21
REVENUES	21
EXPENDITURES	22
WATER FUND	22
REVENUES	22
EXPENDITURES	22
WASTEWATER FUND	23
REVENUES	23
EXPENDITURES	23
SOLID WASTE FUND	23
REVENUES	23
EXPENDITURES	23



RECOMMENDATIONS AND CONCLUSIONS	23
POTENTIAL SOLUTIONS TO FUNDING SHORTFALL	25
REVENUE AUGMENTATION	25
STREAMLINE SERVICES	25



INTRODUCTION

The Heber Public Utility District (“HPUD”) commissioned this initial fiscal analysis (“IFA”) to analyze the potential revenues and expenditures if the community of Heber incorporated under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56000, et seq (“CKH Act”).

PURPOSE OF THIS STUDY

This study is intended to provide HPUD officials and the general public with a preliminary estimate of the reoccurring revenues and costs if the community was incorporated as a city. The forecast is presented for a five year period, beginning on July 1, 2009. This period was selected for illustrative purposes so RSG could employ recent fiscal data in the model. As a practical matter, the incorporation process would likely result in incorporation taking much longer than this.

If successful, Heber could become the eighth incorporated community in the County, and only the third new city formed in California since July 1, 2003. New cities are increasingly rare for several reasons, including changes to revenue apportionments, a lack of sustainable operating revenues beyond property taxes, and political support. Fiscal issues often are barriers to incorporation, and the lack of revenue and political will for tax increases to support cityhood can be insurmountable. For example, the community of Rossmoor rejected an incorporation bid in Orange County in 2008 due in large part to the proposed tax increases that came along with cityhood. The two most recent incorporations, Wildomar and Meniffee (both in Riverside County) were a result of favorable negotiations between the proponents for cityhood and the County.

So, this study is intended to gauge whether, on a preliminary basis, Heber has the capacity to provide services as a incorporated city based on the revenues it could generate as a result of cityhood. This IFA is based on estimates, in many cases developed by the consultant, to lead to its conclusions. Ultimately a more precise fiscal study would be commissioned by the Imperial Local Agency Formation Commission (“LAFCo”) based on actual costs not yet extrapolated by the County and other agencies would be developed if the community proceeded with incorporation; so the results contained herein, while considered conservative, are preliminary in nature and subject to refinement.

ABOUT THE COMMUNITY

Heber is one of several unincorporated communities in the County of Imperial (“County”). Over 4,597 square miles in size, the County is in southeast California, along the US-Mexico border, as well as the California-Arizona state border. The County contains 7 incorporated cities, ranging from El Centro (43,316 residents) to Westmoreland (2,406 residents). In total, approximately 78 percent (137,961) of the County’s residents live in an incorporated city. According to the California Department of Finance’s 2008 estimates, the County’s unincorporated population is 38,197 residents, approximately 22 percent of the total population of the County. The County economic base largely consists of agriculture, government, geothermal power plants, state prisons, retail trade and services. Nearby Mexicali, Mexico boasts of a population of over one million.

COMMUNITY SNAPSHOT – HEBER, CA	
County.....	Imperial
Population (2008 estimate) ¹	6,467
Households ²	1,504
Average Household Size	4.3/unit
Approximate Area (square mi.) ³	9 sq mi
Largest Employer ⁴	Heber Junior HS (120)
Total Businesses (Including Public/Nonprofits) ⁵	40
Largest Taxable Sales Producer ⁶	Gibson & Schaefer
<small>1 RSG Estimate 2 RSG Estimate 3 RSG Estimate 4 InfoUSA.com 5 InfoUSA.com 6 InfoUSA.com</small>	

Heber is located in the center of the County, approximately two miles south of Interstate 8 and immediately west of Highway 111, midway between the incorporated cities of Calexico and El Centro. While no official boundaries of the community exist, RSG and HPUD officials designated an area generally coterminous with



the HPUD sphere of influence as the boundaries of the study area and potential city limits. Specifically, this nine square-mile area is bounded by McCabe Road to the north, Highway 111 to the east. Willoughby Road to the south, and Corfman Road to the west. The study area is not within any city’s sphere of influence.

Estimates of Heber’s population vary because the community has a relatively large household sizes that can lead to discrepancies in reporting according to HPUD staff. Based on water usage levels, HPUD and RSG estimate that the 2008 population of Heber is approximately 6,467 residents, equal to about 17 percent of the 38,197 residents living in unincorporated County territory. If incorporated, Heber would be the County’s second smallest city, equal in population to Holtville.

2008 POPULATION ESTIMATES - IMPERIAL COUNTY EXHIBIT 1

Jurisdiction	Total	%
Total County	176,158	100.0%
Incorporated Cities	137,961	78.3%
El Centro	43,316	24.6%
Calexico	38,733	22.0%
Brawley	26,513	15.1%
Imperial	12,752	7.2%
Calipatria	7,774	4.4%
Holtville	6,467	3.7%
Westmoreland	2,406	1.4%
Unincorporated	38,197	21.7%
Heber	6,467	3.7%

Source: State Department of Finance, Demographic Research Unit; RSG

Heber is generally a large, flat area with ample space for future development. Existing development is almost exclusively residential, public, and industrial (power plants). Very little commercial developments exist in the community, which is generally regarded as a significant barrier to incorporation because cities rely on a large amount of sales tax, transient occupancy tax and other commercially-generated municipal revenues for services. For the most part, Heber residents must shop in nearby El Centro and Calexico, communities that have a large inventory of quality and contemporary commercial centers.

CURRENT SERVICES AND PROVIDERS

Municipal services generally include general government, public safety, land use and planning, public works, and utilities. Today, these services are largely provided to Heber by two entities: the County and the HPUD.

COUNTY OF IMPERIAL

Founded on August 7, 1907, the County of Imperial provides regional and municipal public services the Heber and other communities. Heber is part of County Supervisorial District 2, which includes Heber, Ocotillo and El Centro. Most services are based from the County seat in El Centro, although the County does have a service facility shared with the HPUD in on Dogwood Road in Heber.

The County provides general government services as part of the responsibilities of the County Board of Supervisors and the County’s administrative office. Law enforcement, exclusive of traffic control and accident services, is provided by the County Sheriff Department, while the County Fire Department provides fire protection and emergency medical services (including a fire station out of the Dogwood Road facility). Animal control services are part of the function of the County Public Health Department. The County also provides land use/planning, public works and road maintenance services to Heber.



Incorporation of Heber would result in transferring the responsibility for these services from the County to the city, although it is likely that in many cases the city could contract with the County, resulting in little change to the manner in which services are provided. Incorporation would have no effect on the responsibility for the County's regional services, such as the library system, regional transit, courts, property tax collection, and numerous other services.

HEBER PUBLIC UTILITY DISTRICT

The HPUD is an independent special district which primarily provides water and wastewater infrastructure to the developed portions of the study area. HPUD is governed by a five-member board of directors, elected by district voters, who oversee a \$2.7 million annual budget and a staff of 15 full-time personnel.

Water services include treatment and distribution of domestic water to district households and nonresidential users. Wastewater services consist generally of collection and treatment facilities. In addition to these primary functions, HPUD manages the community's solid waste disposal contract with Palo Verde Disposal Services, oversees maintenance of streetlights funded by special assessments, and maintains two small public parks from a small amount of general fund revenue.

Incorporation would likely result in the dissolution of the HPUD with the City assuming all HPUD responsibilities and facilities.

OTHER SERVICE PROVIDERS

Other municipal services are provided to Heber by a number of other entities. Traffic control in unincorporated areas is provided by the California Highway Patrol, which normally does not provide patrol services but does respond to calls for service. Other utility agencies serving the community include Time-Warner Communications (cable television), Imperial Irrigation District (electricity), The Gas Company (natural gas), AT&T (telephone). Local public education is provided by the Heber Elementary School District (K-8) and the Central Union High School District (9th -12th grades).

With incorporation, most of these agencies would not be affected, with the exception of the transfer or responsibility for traffic control from the California Highway Patrol to the city.

METHODOLOGY AND ASSUMPTIONS

Pursuant to state law and LAFCo guidelines, this IFA presents a conservative forecast of operating revenues and expenditures for the new City for a five year period, or fiscal years 2009-10 through 2013-14. Key assumptions in the forecast include the following:

1. The Plan for Services, including what service responsibilities would change and how, the form of government and the organizational structure of the potential city.
2. The Timing Considerations, consisting not only of the timeframe for this forecast, but other key dates involved in the incorporation process.
3. Development Assumptions, which include what residential and nonresidential development has been projected for the study period.
4. Primary Revenue and Cost Adjustments, including inflationary increases on various revenues and expenditures and the methodology for deriving estimates for these items when precise data was not available.

PLAN FOR SERVICES

Form of Government

The City of Heber is assumed to be incorporated as a General Law City under the State Constitution. The proposed form of the new City would be governed by the City Council and would retain a City Manager who

would be responsible for the day-to-day operations of the City. Members of the City Council would be elected at-large.

Charter City Alternative

When a city is first created in California, it must be incorporated as a general law city, using the structure and procedures that have been developed under California municipal law statutes. After a general law city has been created, California Constitution Article XI Section 3 gives cities the power to become charter cities. A city charter, which is in effect a city's constitution, can vary in length from several hundred to just a few pages. The city charter must be adopted by a majority vote of the city's residents. According to the League of California Cities, 114 of California's 480 incorporated cities are charter cities. Currently, none of Imperial County's seven cities are charter cities.

The main advantage of forming a charter city is having local authority over 'municipal affairs', as defined by California Constitution Article XI Section 5. Since the powers of a charter city are not restricted to those listed in state statutory law, a city can adopt a charter to accommodate unique local conditions and needs. Other advantages include protection from State legislative changes impacting 'municipal affairs', the ability to streamline procedures in public financing, the possibility of enhancing economic development support activities, and allowing a city to consider revenue enhancement tools, such as establishing a higher property transfer tax rate.¹ Also, charter cities are not bound by the requirement to pay 'prevailing wages'² for public works construction contracts, which significantly decreases the cost of these projects.

The main disadvantage to Heber of forming a charter city is the initial cost of the charter amendments. There are other potential disadvantages including exposure to legal challenges with respect to what constitutes a 'municipal affair' and limitations in some charter documents which restrict local authority beyond general law cities. Another limitation is the relatively small amount of case law that could be used to evaluate legal exposure when applying charter language.³ Moreover, local support for higher taxes that may be proposed would need to be present.

General law cities are organized and operate under Title 4 (commencing with Section 34000) of the California Government Code. The advantage of being a general law city is that many of the laws they operate under have been tested over the years. The authority provided in the State Constitution to organize as a charter city is extended only to an existing city, therefore this study has focused on the financial situation of a general law city.

Service Responsibilities and Changes

Incorporation would affect the manner in which some, but not all, services are delivered to Heber. Exhibit 2 below presents a summary of the services by function and service provider, before and after incorporation. In instances where there is an inherent increase in the level of services due to more local control, RSG anticipated a increase in service levels. However, for the most part, we do not assume that most service levels would be enhanced upon incorporation simply because it is typically cost prohibitive.

¹ San Diego Grand Jury decision May 6, 2002. <http://www.celdf.org/>

² Prevailing Wage is defined as the hourly wage, usual benefits and overtime, paid in the largest city in each county, to the majority of workers, laborers, and mechanics. Prevailing wages are established, by the Department of Labor and Industries, for each trade and occupation employed in the performance of public work. They are established separately for each county, and are reflective of local wage conditions.

³ San Diego Grand Jury decision May 6, 2002. <http://www.celdf.org/>

Service	Service Provision		Level of Service
	Existing	Proposed	
General Government			
Governing Board	County Board of Supervisors	City of Heber	Increase
Manager	County of Imperial	City of Heber	Increase
Attorney	County of Imperial	City of Heber	Increase
Finance/Clerk/Administrative Service	County of Imperial	City of Heber	Increase
Public Safety			
Law Enforcement	Imperial County Sheriff Department	City of Heber ¹	Increase
Traffic Control/Accident Services	California Highway Patrol	City of Heber ²	Same
Fire Protection	Imperial County Fire Department	City of Heber ³	Increase
Animal Control	County of Imperial	City of Heber ⁴	Same
Land Use and Planning			
Planning	County of Imperial	City of Heber	Increase
Building Inspection	County of Imperial	City of Heber	Increase
Code Enforcement	County of Imperial	City of Heber	Increase
Public Works/Public Utilities			
Public Works Administration	County of Imperial	City of Heber	Same
Road Maintenance	County of Imperial	City of Heber	Increase
Parks and Recreation			
Parks and Recreation	Heber PUD	City of Heber	Same
Other Public Services			
Cable Television	Time-Warner Communications	Time-Warner Communications	Same
Domestic Water	Heber PUD	City of Heber	Same
Electric	Imperial Irrigation District	Imperial Irrigation District	Same
Gas	The Gas Company	The Gas Company	Same
Library	County of Imperial	County of Imperial	Same
Public Transit	County of Imperial	County of Imperial	Same
Telephone	AT&T	AT&T	Same
Waste Management/Disposal	Palo Verde Valley Disposal Services	Palo Verde Valley Disposal Services	Same
Waste Water Treatment/Disposal	Heber PUD	City of Heber	Same

¹ Contract with the Imperial County Sheriff Department

² Contract with the Imperial County Sheriff Department

³ Contract with the Imperial County Fire Department

⁴ Contract with the County of Imperial

Two important assumptions are contained in the matrix above. First, HPUD water and wastewater services would be transferred to the city, who would establish enterprise funds to segregate revenues and costs for these services. This ensures that these services would be maintained at current levels by segregating service fees from the General Fund.

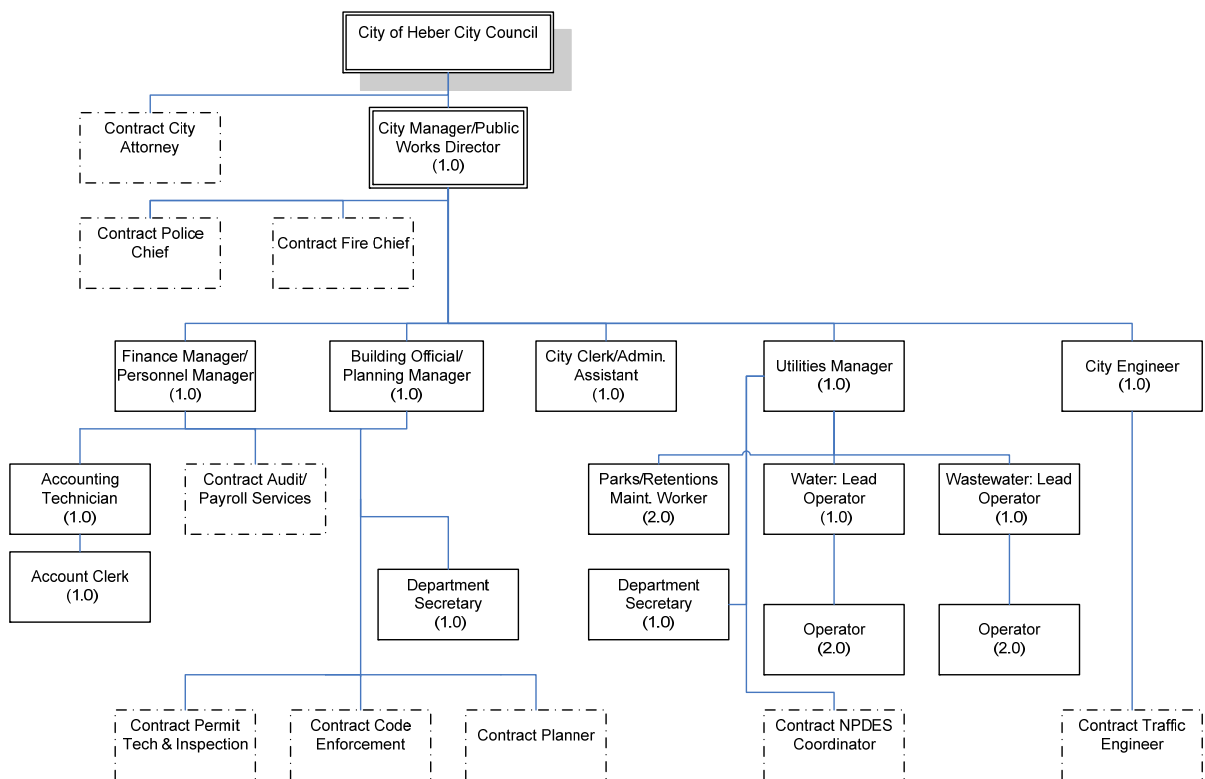
Second, RSG has assumed that many services transferred to the city would be carried out by contractors rather than city employees. Although rare in the County, many new cities in California follow this operational model. For example, law enforcement is assumed to be contracted with the County Sheriff Department, subject to the approval of a contract between the city and County. The City of Holtville is currently pursuing such a contract with the County. In general, we find this presents a more favorable and efficient service model in smaller communities.

Assumed Municipal Organization

As a small community with limited service demands, Heber could operate effectively with a limited full time staff. The City would likely contract certain services through public agencies and/or private consultants. Contracting services and reducing the number of full time positions is a trend among new cities to reduce annual expenses. Since 1970 nearly 85 percent of cities incorporated have created this type of governance structure.

RSG developed a hypothetical staffing model for the city, taking into account the existing positions and responsibilities at the HPUD and the additional services that would fall to the city upon incorporation. RSG estimates that at least 18 full time staff would be needed to administer municipal operations as outlined in the Plan for Services, with the remaining responsibilities carried out by contractors such as the County Sheriff, County Fire Department, County Animal Control and various private consultants.

Figure 1: Proposed Organizational Chart for City of Heber



Personnel Costs

Personnel costs for each position were based on a survey of comparable cities and RSG’s experience in the market area, which includes a 2008 compensation study for the City of Holtville. RSG’s analysis of various compensation levels and benefits ratios is presented in Exhibit 3 below.

PERSONNEL COSTS

EXHIBIT 3

Department	Heber (Proposed)	
	Salary	Positions
City Manager		
City Manager/Public Works Director*	\$ 80,000	1.00
<hr/>		
Dept. Benefits Ratio	40%	
City Clerk		
City Clerk/ Administrative Assistant	50,000	1.00
<hr/>		
Dept. Benefits Ratio	40%	
Finance		
Finance/Personnel Manager	71,000	1.00
Accounting Technician	32,000	1.00
<hr/>		
Dept. Benefits Ratio	40%	
Community Development		
Planning Manager/Building Official	71,000	1.00
Office Specialist	30,000	1.00
<hr/>		
Dept. Benefits Ratio	40%	
Public Works/Engineering		
Public Works Director	-	1.00
City Engineer	55,000	1.00
Utilities Supervisor	-	1.00
Water: Lead Operator	50,000	1.00
Water Operator	42,000	2.00
Wastewater: Lead Operator	50,000	1.00
Wastewater Operator	42,000	2.00
Office Specialist	30,000	1.00
Parks Maintenance Worker	35,000	2.00
<hr/>		
Dept. Benefits Ratio	40%	
TOTAL		18.00

* Existing Heber Public Utility District position



TIMING CONSIDERATIONS

For this study, RSG made various assumptions regarding the timeframe for this analysis as noted below.

Effective Date of Incorporation

Since no proponents have submitted an application for incorporation, it could be years before incorporation takes effect, if ever. For illustrative purposes, the effective date of incorporation was assumed to be July 1, 2009, and presumes LAFCo approval and a successful election prior to that date. The effective date is the date upon which the city could commence operations and undergo a transition period when services and revenues would gradually transfer to the city.

Transition Period

A transition period is the time between the effective date of the incorporation and the time when it must assume full service responsibility. The establishment of an effective date is significant in that the flow of revenues to the new City is dependent upon the establishment of that date. Some, but not all future municipal revenues would begin to be collected by the city during the transition period. The timing on receipt of these revenues is more of a factor of the applicable statutes that direct the apportionment of such revenues, rather than anything particular to Heber or the incorporation timing itself. No city can immediately collect all revenues immediately beginning on the effective date.

From the effective date of incorporation until the end of the fiscal year, or in this case from July 1, 2008 to June 30, 2009, the County would be responsible for maintaining its current level of services for Heber. Service costs borne by the County during the transition period would be reimbursed by the city, which may take up to five years to repay any transition period loan to the County.

The transition period is also the time during which the city the opportunity to hires staff, initiate contracts for other services, and generally prepare for full assumption of municipal services in the following fiscal year.

Forecast Period

RSG assumed a five year forecast period, beginning in fiscal year 2009-10. A five-year duration was selected because this represents the period during which new cities experience augmented municipal revenues due to state apportionment formulas. In the fifth year, these augmentations sunset, so a five year period presents a realistic perspective of the overall sustainability of municipal services.

DEVELOPMENT FORECAST

Generally an older community, Heber is experiencing a relative surge in residential development. Since the 2000 Census, Heber's number of housing units has roughly doubled, increasing from 520 units in 2000 to 1,050 units in 2007. The recent housing and real estate slowdown has stalled many new developments, but the community does have significant room for growth given the fact that roughly half of the study area is undeveloped.

RSG has presented our conservative forecast of new development below.

Residential Development

RSG obtained records from staff of ongoing and planned new construction projects within Heber in June 2008. These records indicate that approximately 51 residential dwelling units are anticipated to commence construction in 2009. These and other units proposed for the study area have been conservatively incorporated into our development forecast.

As shown in on Exhibit 4, the development forecast assumes a low level of new construction activity as compared to what the community experienced in the last seven years. The annual production of new housing was based on consultations with HPUD staff and review of the regional housing industry.

CONSTRUCTION AND POPULATION FORECAST

EXHIBIT 4

Units by Land Use Type	12 Month Period Beginning						
	1/1/2008	1/1/2009	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014
Prior Year Estimates							
Occupied Units	1,504	1,539	1,560	1,590	1,620	1,650	1,700
Residents	6,467	6,618	6,708	6,837	6,966	7,095	7,310
Residents/Unit /1	4.30						
New Construction and Residents							
Single Family Detached	35	21	30	30	30	50	50
Single Family Attached	-	-	-	-	-	-	-
Multifamily (Apartments)	-	-	-	-	-	-	-
Mobile Homes	-	-	-	-	-	-	-
Total New Units	35	21	30	30	30	50	50
New Residents	151	90	129	129	129	215	215
Year End Estimates							
Total Housing Units	1,539	1,560	1,590	1,620	1,650	1,700	1,750
Total Residents	6,618	6,708	6,837	6,966	7,095	7,310	7,525
Rate of Growth /2	2.3%	1.4%	1.9%	1.9%	1.9%	3.0%	2.9%

1/ Based on an average of ESRI density statistics and water usage statistics from Heber Public Utility District.

2/ RSG estimate

Commercial Development

In consultation with HPUD officials, RSG does not foresee a significant level of commercial construction in the next five years, and has accordingly excluded such development from our forecasts. Locally, Heber is at a distinct disadvantage to capturing additional commercial uses, given the aggressive nature of development that has occurred within El Centro, particularly at the intersection of Dogwood and Interstate 8 where several million square feet of regional shopping is available. Largely relying upon cross-border traffic, the inventory of existing and proposed commercial space in this area far exceeds what may be supportable in the domestic trade area.

PRIMARY REVENUE AND COST ASSUMPTIONS

As stated earlier, exact costs for revenues and costs for existing or proposed services in Heber are not available due to the fact that the County does not segregate costs in such a geographic manner. Consequently, RSG employed a variety of factors to extrapolate estimated costs for this IFA. We note that while these methodologies are generally accepted practice for preliminary studies, a more precise accounting is appropriate in a comprehensive fiscal analysis and may yield a truer picture of projected revenues and costs.

Factors Used to Extrapolate County Data

Depending on the nature of service, RSG considered a variety of factors to extrapolate figures for Heber in this IFA, including per capita estimates, per square mile estimates, and other factors. We tested the data using different factors to validate and test our assumptions, but note that each is imperfect.

KEY RATIOS USED IN ANALYSIS	
Per Capita (Heber/Unincorporated) ¹	16.9%
Per Capita (Heber/Total County)	3.7%
Per Gross Square Mile (Heber/Total County)	0.1%

New Taxes

This IFA assumes no new taxes will be imposed by the city. Incorporation may require the city to consider additional taxes to meet basic municipal service levels, as well as any costs of additional services.

Assessments and Fees

Currently, the HPUD charges a fee for each of the following services: water, wastewater, and solid waste disposal. There is also a special assessment district for streetlight maintenance and operation.

All HPUD and County fees and charges would be transferred at their current structure to the city upon incorporation. No new assessments or fees are assumed for this IFA, although the city may desire to levy additional or increased fees to recover costs for services following incorporation.

Cash Basis-Forecast

This IFA is conducted on a cash basis. New cities must operate on a cash basis since they have no initial fund balances on which to depend for cash flow. Further, the cash basis approach provides a more realistic picture of both the year-end surpluses and deficits, which will be experienced by the new City.

FISCAL FEASIBILITY

RSG has organized our projections of fiscal feasibility by fund category for the city, as each must be considered independently. However, the General Fund, where most municipal services are provided, would be the primary area of concern.

We note that there will usually be differences between the forecasts and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

GENERAL FUND FORECAST

Revenues

The City's General Fund pays for most municipal operational services, including general government, community development, animal control, public works/engineering, parks and recreation, fire protection, and law enforcement. In addition, these revenues could be used to fund any revenue neutrality payments to the County subject to negotiations. The funding sources consist of the following:

- Shares of local taxes (property, sales, in-lieu sales tax, and property transfer taxes);
- Subventions from the State Motor Vehicle License Fee (exclusive of the property tax backfill granted to cities incorporated prior to August 2004) and Off Highway Vehicle License;
- Fees for services (franchises, community development, public works/engineering, and animal license);
- Fines and forfeitures; and
- Interest earnings.

Over the first five years of incorporation, estimated General Fund revenues range from \$2.2 million in 2009-10 to \$2.4 million in 2013-14. The methodologies for calculating these revenues are described below.

Property Taxes

Upon incorporation, the City would receive a portion of the County's property tax share of the general (one percent) tax levy. Initially, the portion of the property tax share is based upon a formula established by Section 56810 of the Government Code, which determines the initial split of the County's property tax share between a city and County. The amount of property taxes is translated into a share (typically a percentage) of

the one percent general levy, which the County Auditor-Controller would use in future years to apportion property taxes.

The formula derives the City's base year property tax revenues by taking the cost of County services that would transfer to the new City (net of revenue offsets) multiplied by the County Auditor-Controller's ratio of property taxes to the total County General Fund revenues. This base year tax revenue is then stated as a percentage of the total property taxes within the new City boundaries. The percentage provides the basis for the City's property tax share estimated in future years.

1. Auditor's Ratio: Although typically computed by the County Auditor-Controller upon receipt of notice from LAFCo of a pending incorporation, RSG estimated the 2007-08 County Auditor's ratio based on the County budget and consultations with the Auditor-Controller staff to clarify items removed from the analysis.

Exhibit 5 presents a summary of the 2007-08 County General Fund budget and shows that the total property taxes were \$13,122,320, or 17.9164 percent of the County General Fund budget after adjustments authorized by the Government Code. This ratio is used to ascertain the portion of County's net municipal costs in Heber are paid by property taxes and therefore eligible for transfer to the city upon incorporation.

	ESTIMATED 2007-08 AUDITOR'S RATIO			EXHIBIT 5
	2007-08 Adopted Budget Figures			
	General	Specific	Total	
Current Taxes (Exclusive of Property Taxes)	\$ 3,066,000	\$ 10,300,000	\$ 13,366,000	
Licenses, Permits	911,717	2,253,474	3,165,191	
Fines Forfeitures & Penalties	4,140,110	-	4,140,110	
Revenue from Use of Money & Property	2,940,274	-	2,940,274	
Intergovernmental Revenue	17,211,843	67,167,479	84,379,322	
Federal Revenues	17,530,006	40,247,286	57,777,292	
Charges for Services	14,317,261	8,631,936	22,949,197	
Miscellaneous Revenues	2,400	94,996	97,396	
Subtotal	\$ 60,119,611	\$ 128,695,171	\$ 188,814,782	
Property Taxes	13,122,320	-	13,122,320	
Total	\$ 73,241,931	\$ 128,695,171	\$ 201,937,102	
Estimated Auditor's Ratio				17.9164%

Source: Imperial County 2007-08 Budget

2. County's Net Cost of Municipal Services in Heber: Typically, these costs are based on actual costs for the most recent fiscal year, but for the purposes of this study, RSG estimated the County's net cost of services. Based on RSG's analysis of the County's municipal services, the net cost of services provided in 2007-08 consist of the following items:
 - Planning (\$29,016): Planning costs for the study area were developed by analyzing the total costs of such services in the County's 2007-08 budget, the ratio of population in Heber as compared to the total unincorporated area and the total land area in Heber relative to the entire County. According to County Planning department staff, planning fees cover approximately 75 percent of department costs, leaving a balance of \$29,106 of estimated costs borne by the County General Fund.
 - Building and Safety (\$0): Based on consultations with the County Building and Safety Department, Building and Safety costs were entirely offset by revenues in the base year, thus there is no net cost to the County General Fund.
 - Engineering (\$21,494): Employing a methodology identical to Planning services, RSG estimated net Engineering costs. While County staff indicated that these costs were fully offset by fees, a

closer analysis of the County budget and familiarity with other such studies around the state led RSG to more conservatively assume that 75 percent of Engineering costs are offset by fees.

- Animal Control (\$55,440): Animal control costs were provided in consultation with the County Department of Animal Services and deduct a modest amount of fees for licensing.
- Fire Protection Services (\$777,676): Based on correspondence from the County Fire Department on September 16, 2008, RSG obtained the base year cost for Heber. The base year costs include personnel, equipment, maintenance, and overhead.
- Law Enforcement (\$1,196,865): The Imperial County Sheriff has reported that base year costs for Heber are based on sworn officer deployment per 1,000 residents. Based on the County budget, RSG has established the base year costs which include sworn staff, support staff, overhead, and training costs.

In total, the County's net costs of services in Heber equal an estimated \$2,080,490.

3. Base Property Tax Transfer: The third step in the determination of the property tax transfer is multiplying the County net cost of services by the Auditor's ratio to determine the amount of property taxes for the base year. In this case, this equals \$372,749, or 17.9164 percent of the net cost of services. In addition, since the HPUD has a small amount of property tax as part of the one percent levy, this revenue would also come to the city if the HPUD were dissolved following incorporation. According to the HPUD 2007-08 budget, the HPUD property tax is approximately \$422,328. Taken together, the base amount of property taxes transferrable to the city upon incorporation would be \$795,077.
4. Property Tax Share: The final step in determining the amount of property taxes is dividing the base property tax transfer of \$795,077 into the 2007-08 net assessed value of the study area, yielding the share of the one percent tax levy that would be apportioned to the city from property taxes in the future. It is this percentage that is used to determine future years' property tax revenues for the city, based on increases in the City's assessed values due to ownership changes, new construction, and the provisions of Proposition 13. According to the County Assessor's office, the net assessed value of Heber in 2007-08 is \$515,191,332, from which the city's property tax transfer would be \$795,077, or 15.433 percent of the one percent general tax levy.

Exhibit 6 presents the calculations for the base property tax transfer assumed for this forecast, based on the factors described above.

PROPERTY TAX SHARE TRANSFER

EXHIBIT 6

2007-08 Net Costs for Heber			
	Cost	Revenue	Net Cost
Net Cost of Services Transferred from County			
Planning	\$ 116,063	\$ 87,047	\$ 29,016
Building & Safety	145,332	145,332	-
Engineering	61,570	40,076	21,494
Animal Control	60,000	4,560	55,440
Fire Protection	777,676	-	777,676
Law Enforcement (Sheriff)	1,196,865	-	1,196,865
Total	\$ 2,357,505	\$ 277,015	\$ 2,080,490
Auditor's Ratio /1			17.9164%
Property Tax Revenue Transfer from County			\$ 372,749
Plus: Property Tax from HPUD /2			<u>422,328</u>
Total Base Property Tax Revenue			795,077
Property Tax Share Computation			
Assessed Value			515,191,332
General Tax Levy (1% of Assessed Value)			5,151,913
Property Tax Revenue Transfer from County			795,077
Property Tax Share to City			15.433%

1/ RSG estimate

2/ HPUD 2007-08 Budget

Property taxes are apportioned to the city based on the creation of tax rates areas for the proposed city limits. Under Government Code Section 54902, the final date to file with the State Board of Equalization for a change of jurisdictional boundary is on or before December 1 of the year immediately prior to the year in which the assessments or taxes are to be levied.

The city would receive their property tax revenues in December and May of each year, with a cleanup payment occurring in August. Homeowner's Property Tax Relief revenues are apportioned separately by the County Auditor-Controller, yet are included in the Property Tax revenues described above.

The County Auditor-Controller charges cities and local districts a property tax administrative fee for costs incurred for the distribution of property tax revenue. The amount of the administration fee is determined by the Auditor-Controller and subject to change annually. For this IFA, RSG estimated that the administrative fee would be one percent of gross property tax apportionments, and deducted this fee from our projected revenues.

Assessed value increases were based on a forecast of construction starts described earlier in this IFA. Values for specific product types were derived based on market surveys and 2008 construction cost guide factors and market trends. Secured and unsecured assessed values were conservatively increased by 2.0 percent annually.

Exhibit 7 presents a summary of the projected assessed values.

ASSESSED VALUE FORECAST

EXHIBIT 7

	Value/Unit (2008 \$)	12 Month Period Beginning					
		7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012	
Prior Year AV Plus 2.00%	\$515,191,332	\$533,730,000	\$549,340,000	\$567,390,000	\$585,800,000	\$604,570,000	
New Construction Value							
Residential							
2.00% Construction Cost Increase							
Single Family Detached	230,555	8,070,000	4,840,000	6,920,000	6,920,000	6,920,000	11,530,000
Single Family Attached	N/A	-	-	-	-	-	-
Multifamily (Apartments)	N/A	-	-	-	-	-	-
Mobile Homes	N/A	-	-	-	-	-	-
Total		8,070,000	4,840,000	6,920,000	6,920,000	6,920,000	11,530,000
Total Assessed Value	523,261,332	538,570,000	556,260,000	574,310,000	592,720,000	616,100,000	

Sales Taxes

Upon incorporation, the City would receive 0.75 percent of the sales tax rate charged on taxable sales within its boundaries. The estimated sales tax revenues are based on data supplied by the State Board of Equalization and RSG estimates for the most recent 12-month period.

The base year revenue estimates and projections have been supplemented by RSG to include indirect sales tax disbursements made by the State Board of Equalization of businesses that report receipts on a countywide or statewide basis. Officials at the State Board of Equalization have confirmed that they make adjustments to the locally-generated sales tax revenues based on the pro rata share of locally-generated taxes within the County (for countywide indirect apportionments) and within the State (for other statewide indirect apportionments). Below is a list of the businesses with taxable sales located in the study area:

- International Fabricators & Engineers Inc.
- ASCO Controls LP
- Pyramid Construction & Aggregates
- TrophyLite, LLC
- Torrence's Farm Implements
- Kennedy's Market Inc.
- Gibson & Schaefer Inc.
- Ormat Nevada Inc.
- Western Farm Service Inc.

Exhibit 8 presents the adjusted taxable sales for Heber, inclusive of both the direct and indirect apportionments by the State Board.

ADJUSTMENT TO TAXABLE SALES REVENUE ESTIMATE

EXHIBIT 8

Taxable Sales by Jurisdiction (Reported in Thousands of Dollars)	California	Imperial County	Heber
Direct Allocation of Total Taxable Sales (000's)			
1st Quarter 2007	\$ 132,750,022	\$ 526,902	not avail.
2nd Quarter 2007	128,122,258	489,819	not avail.
3rd Quarter 2007	125,165,560	464,830	not avail.
4th Quarter 2007	<u>130,031,498</u>	<u>561,144</u>	<u>not avail.</u>
Total	516,069,338	2,042,695	32,936
Study Area Share of Direct Allocation:	0.0064%	1.6124%	
Indirect Allocation of Total Taxable Sales (000's)			
1st Quarter 2007	13,638,672	66,524	
2nd Quarter 2007	15,048,326	59,000	
3rd Quarter 2007	14,659,415	76,873	
4th Quarter 2007	<u>15,273,070</u>	<u>74,565</u>	
Total	44,980,811	210,438	
Times: Study Area Share of Direct:	0.0064%	1.6124%	
Study Area Indirect Allocations	<u>2,871</u>	<u>3,393</u>	
Total			<u>6,264</u>
Total Adjusted Taxable Sales (in thousands)			\$ 39,200

In-Lieu Sales Tax (a.k.a. 2004 Triple Flip Revenues)

On March 2, 2004, the state electorate approved Proposition 57 which in part mandates the exchange of one-quarter (0.25 percent) of the previous 1.00 percent sales tax revenues to cities for an equal amount of property tax revenues. These additional property tax revenues are referred to as “in-lieu sales taxes” or “triple flip revenues”, and took effect on July 1, 2004; they continue until the state deficit bailout bonds are paid off in approximately 10 years, after which time it is presumed that in-lieu sales taxes could revert back to cities as sales tax revenue, or paid as in-lieu revenues if the state bonds are extended.

Property Transfer Taxes

The City would receive property transfer tax revenue of \$0.55 for every \$1,000 of property value transferred after the date of incorporation. The amount of property transfer tax received will depend upon the level of resale activity and new development in the City limits.

Based on 2008 resale activity in Heber, RSG has assumed a five percent turnover rate of the existing housing stock. In addition to such resale activity, RSG has included turnover taxes from new home sales projected in the development forecast.

Transient Occupancy Taxes

The County collects a transient occupancy tax of eight percent within its jurisdictional boundaries. Although such uses could be developed in the future, Heber does not have any lodging businesses within its boundaries at this time, therefore no revenues have been assumed.

Motor Vehicle License Fee

The Motor Vehicle License Fee (“VLF”) revenue is a subvention collected by the state and allocated to cities and counties based on a statutory formula. Pursuant to recent legislative changes enacted by Assembly Bill 1602 (Laird) and Senate Bill 302 (Romero), new cities receive a portion of the VLF apportionment, including supplemental payments for the first five years of incorporation, provided they incorporate prior to July 1, 2014. The supplemental payments result in new cities receiving per capita payments based on 150 percent of their actual population, declining to 100 percent of their actual population after 5 years.

Off-Highway Vehicle License Subventions

The State Controller’s Office biannually apportions off-highway vehicle license fees to all cities and counties. Fifty percent of the total license fee revenues collected statewide is apportioned to cities on a per-capita basis. Off-highway vehicle license fee revenues were estimated based on actual July 2007 and January 2008 apportionments from the State Controller.

Franchise Fees

Upon incorporation, the City will receive franchise fees from Southern California Gas (gas service), Imperial Irrigation District (electricity service), and AT&T (telephone services). Franchise fees are not collected by local cable television service or waste hauling service. Pursuant to the provisions of the County’s franchise agreements, revenues from these service providers would be paid to the City upon incorporation.

RSG estimated franchise fees based upon actual 2007-08 franchise fee revenue collected in the County and applied a proportionate share to Heber based on population.

Following incorporation, the City may elect to negotiate new franchise agreements with these providers once their terms expire.

Community Development Fees

Community Development fees include planning and building fees for development and other permits:

- Planning: equal to 75 percent of costs
- Building & Safety: equal to 100 percent of costs
- Engineering: equal to 75 percent of costs

Upon incorporation, the City would initially levy building permit fees based on the County rate schedule, so it is reasonable to assume that initially, the City would continue full cost recovery for building permit projects. Consequently, RSG did not include any revenue or costs associated with building permit activity in the IFA budget forecast.

Business License Fees

The County Tax Collector does not levy any business license fee; therefore no revenues have been included.

Animal License Fees

Imperial County Animal Services currently provides animal control services to Heber and levies a nominal license fee on dogs and cats. License fee revenue estimates for 2008-09 of \$1,000 were based on a proportional share of revenues for unincorporated Imperial County.

Fines and Forfeitures

Fines and forfeiture revenues were estimated based on a per capita analysis of the County budget and a review of comparable cities budgets.

Interest Earnings

Interest earnings were estimated based upon one-half of the beginning fund balance of each fiscal year, assuming the 2007-08 Local Agency Investment Fund yield of 4.325 percent annually.

Expenditures

The City's General Fund is responsible for the following operational functions:

- General Government (City Council, City Manager, City Clerk, City Attorney, Finance, and Non-Departmental Costs),
- Community Development (Planning, Building Inspection, and Code Enforcement),
- Public Works/Engineering,
- Animal Control,
- Parks and Recreation,
- Fire Protection, and
- Law Enforcement.

General Fund expenditures listed below include transition year loan repayments or revenue neutrality payments to the County of Imperial. Inclusive of these amounts, estimated General Fund expenditures range from \$4.8 million in 2009-10 to \$5.6 million in 2013-14.

The analysis for City General Fund expenditures have been categorized by function within the City's organizational structure and summarized below:

General Government

General government services account for the general administration and governance of the City. The specific activities and cost assumptions are delineated below:

- City Council – Stipends for five City Council members (including mayor) of \$300 per month are included based on analysis of comparable cities. Council stipends are assumed to remain constant in the forecast. Additional costs for City Council members include a travel, services and supplies budget of \$5,340, assumed to increase at a 3.9 percent inflation rate annually.
- City Manager/City Clerk – Similar to other small cities in the state, a full-time City Manager would also serve as City Clerk. Support staff would include a full time administrative assistant to handle noticing, minutes and general administrative functions. Salaries were based upon a survey of comparable cities in the area and increased at a 3.9 percent rate annually. Benefits also were based on the salary survey, and expressed as a percentage of salaries.

During the transition period, the City will need to undertake recruitment for full time staff and obtain administrative support for the transition of services to the City. Typically, new cities retain consultants to provide these services during the transition period. RSG estimated this cost based on experience with similar assignments.

Other City Manager and City Clerk costs include general supplies and services, travel and memberships, biannual municipal elections, and capital outlay for equipment and furnishings.

- City Attorney – It is assumed that the City would retain legal services on a contract with a qualified attorney. Annual legal counsel costs initially would be higher as the City establishes policies and ordinances. Costs were estimated based on consideration of comparable cities and inflated at a 3.9 percent annual rate.
- Finance – The Finance Department would be responsible for treasurer and accounting services. In addition to a full-time Finance Director, an Accounting Technician would be necessary to administer this department's responsibilities. Salaries are assumed to increase at a 3 percent annual rate, and benefits would be equal to 40 percent of annual salaries. In addition to these costs, the Finance Department would retain a payroll service and an auditor to assist with the City's annual financial statements and annual report, and would also incur incidental supplies, services and capital outlay costs.
- Non-Departmental – Non-departmental expenses include lease and operation of office and meeting space for City Hall (assumed to be \$2.50 per square foot including all utilities and maintenance based on a survey or local brokers) for a 4,500 square feet of additional office space (in excess of what HPUD has currently). City Hall lease and operations were assumed to increase at a 3.9 percent rate annually. Other non-departmental costs include insurance, which was estimated to be \$55,000 annually based on comparably-sized cities (net of existing HPUD insurance costs), and increased by 3.9 percent annually.

Community Development

The County provides planning, building inspection, and code enforcement services to the incorporation area presently. Upon incorporation, the Community Development Department would oversee planning, building inspection, and code enforcement. The City has the option to contract these services with the appropriate County agency, private firm, or perhaps with another municipality. Nonetheless, the City's full time Community Development Director would remain responsible and ensure the services are carried out competently. To assist with preparation and processing of documents, RSG recommends that the Community Development Department share a Department Secretary with Public Works. Salary and benefits for the Department staff were based on a salary survey of comparable cities and inflated by 3 percent annually.

Contract services for building, planning and code enforcement services were based on consultation with vendors that provide these services, cities that receive these services, and the existing level of service provided by the County. The City would initially adopt the County's General Plan and Environmental Impact Report for the area, but would need to adopt its own General Plan, Housing Element, and associated environmental documentation within 30 months of incorporation. Following the adoption of their General Plan, the City will need to construct and adopt a zoning code as well. These costs are estimated at \$500,000 in total, to be spent over two fiscal years.

Public Works/Engineering

Public Works includes the oversight of the Road, Water, and Wastewater enterprise funds, as well as General Fund activities including City Engineering, Traffic Engineering, and general Public Works. Salaries were inflated by 3.0 percent annually, while other costs were increased by 3.9 percent each year.

HPUD also has established separate funding mechanisms to fund the operation and maintenance of street lights installed by developers. Because this results in no cost to HPUD or the potential city, street light costs have been excluded from this IFA.

Animal Control

Imperial County Animal Services currently provides animal control services to Heber. RSG has reviewed the costs associated with services from the County, and has determined at this time the most cost-effective strategy would be for the City to contract with the County for field services for sheltering services. During the fiscal year 2009-10, the anticipated total contract cost is \$67,000. This value is adjusted for inflation at a rate of 3.9 percent with additional consideration for population increases.

Parks and Recreation

The HPUD currently provides maintenance to two public parks: Tito Huerta Park and the Children’s Park. Combined, they have an area of 6.5 acres. The HPUD has no improvements proposed for the parks. Costs primarily include salaries for two maintenance workers currently on staff, as well as incidental supply and service costs. Personnel costs were increased by 3.0 percent annually, while other costs were inflated by 3.9 percent each year.

As parks are constructed concurrently with development within the HPUD’s Sphere of Influence, the HPUD assumes responsibility for operating and maintaining the parks

Fire Protection

Currently the Imperial County Fire Department provides fire protection services in the Heber area. The County maintains three stations in the Heber area, one station in Heber itself, and two others located in the neighboring communities of Imperial, and Seeley. The Heber station currently is served by 3 full time Captains, 3 full time Firefighters, and 3 reserve Firefighters.

The estimated net cost to provide Fire Protection Services is based on the City contracting back to the County. This would be a cost-effective option for the City due to economies of scale, but also for the additional benefit of automatic aid agreements with neighboring stations. Contract costs are estimated based on the full cost of operating the existing Heber station and associated overhead. Contract costs for fiscal year 2008-09 are estimated at \$750,000, and are expected to increase at a rate of 3.9 percent. Estimated costs are also adjusted for population increase.

Law Enforcement

Presently, the County Sheriff provides most law enforcement services to the community, with the exception of traffic calls, which are currently provided by the California Highway Patrol and paid by the State General Fund. Incorporation would result in the transfer of responsibility for all law enforcement services to the City. Cities of this size typically establish a contract with the County Sheriff due to the economies of scale and limited capital costs as compared to creating a separate police department.

RSG obtained an estimate for contract law and traffic enforcement services from the County Sheriff, and confirmed it is comparable to similar costs for the proposed contract for such services in Holtville. Contract costs were assumed to increase at a rate of 3.9 percent with additional consideration for population increases.

Contingency and Reserve Fund

As a precautionary measure, a 10 percent contingency factor of estimated expenditures has been used in these projections in the event of unforeseeable expenses.

The preferred level of a reserve fund is 25 to 50 percent based on the past experience of comparable new cities. Given the limited amount of funds, RSG has assumed a 2.5 percent annual deposit to the city’s reserve fund.

No funds have been budgeted for non road-related capital improvement projects. As the new city grows in staffing and assumes services from the County and outside consultants, the requirements for facilities, vehicles and other major equipment may be apparent.

County Transition Year Repayments

Prior to LAFCo adopting a resolution making determinations on an incorporation proposal, the County Board of Supervisors may formally request that a new city reimburse the County for the net cost of municipal services provided by the County during the transition period. RSG has assumed the County will seek such reimbursement in accordance with Section 57384 of the CKH Act. However, the County is not obligated to seek reimbursement.

The calculation to determine the city's potential transition year repayment to the County is shown in Exhibit 9. This analysis identifies what items the County is funding during the transition period and how the new city will repay the County over a five-year time period. The city's annual payment of \$290,000 is included as General Fund expenditure in the forecast.

2008-09 TRANSITION YEAR LOAN PAYMENTS EXHIBIT 9

<hr/> <hr/>		
2007-08 Expenses Transferred (Net of Revenue Offsets)		
Planning	\$ 29,016	
Building & Safety	-	
Engineering	21,494	
Animal Control	55,440	
Fire Protection	777,676	
Law Enforcement (Sheriff)	1,196,865	
Subtotal	2,080,490	
Plus: Inflation for 2008-09 at 3.9%	81,347	\$ 2,161,837
Less: Revenue Retained by County in 2008-09		
Property Tax	\$ (378,588)	
Sales Tax	(247,000)	
Property Tax In Lieu	(82,000)	
Fines & Forfeitures (Cost Offset)	(3,176)	
Total Revenue Loss to County		(710,764)
Transition Year Cost to County (2008-09)		\$ 1,451,073
Transition Year Loan Payment (5 Years, No Interest)		290,000

Revenue Neutrality Mitigation Payments

The law provides that incorporations shall be subject to a determination of revenue neutrality. Exhibit 10 presents a computation of the potential cost of revenue neutrality, and concludes that incorporation would not result in loss of net revenues to the County, as revenues exceed costs transferred by approximately \$1,286,906.

The method of calculating the annual revenue neutrality mitigation payment was based on the difference between identifiable and recurring General Fund costs and revenues from the prior fiscal year. These calculations are shown below in Exhibit 10.

REVENUE NEUTRALITY CALCULATIONS

EXHIBIT 10

2007-08 Estimates

Revenue Transferred		
Property Tax	\$	372,749
Sales Tax		293,998
Property Tax In Lieu		97,999
Property Transfer Tax		9,912
Fines & Forfeitures (Cost Offset)		3,104
Franchise Fees		<u>12,093</u>
Total Revenue Loss to County	\$	(789,857)
Expenses Transferred (Net of Revenue Offsets)		
Planning		29,016
Building & Safety		-
Engineering		21,494
Animal Control		55,440
Fire Protection		777,676
Law Enforcement (Sheriff)		<u>1,196,865</u>
Total Expenditure Reduction		2,080,490
County Property Tax Admin. Fee of 1.00%		<u>(3,727)</u>
Net Revenue Impact to County - Positive/(Negative)	\$	1,286,906

As shown, costs exceed revenues and therefore there would be no revenue neutrality payment.

ROAD FUND FORECAST

Revenues

Gas Tax

The City of Heber would also receive a share of the revenues generated from the state taxes on gasoline. Under Sections 2105, 2106, 2107 and 2107.5 of the California Streets and Highways Code, these revenues are restricted and may only be used for the construction, improvement and maintenance of public streets. In fiscal year 2009-10, RSG estimates that the city would receive approximately \$349,000 in such subventions for Heber.

Measure "D" Apportionments

In November 2008, Imperial County voters overwhelming approved a 40-year extension of the half-cent sales tax to fund road repair projects. Ninety-five percent of the proceeds from Measure "D" funds are to be used on local street projects, while the remaining five percent are used on regional projects. Funds are apportioned by the Imperial County Local Transportation Authority, pursuant to an expenditure plan adopted in conjunction with the extended tax.

New cities are entitled to receive these funds, pursuant to the expenditure plan guidelines established by the County Local Transportation Authority. The amount of projected funds is based upon a formula that weighs population and maintained road miles among the member agencies. RSG has estimated Measure D apportionments based on estimates for Holtville, which is similar in population and road miles.

Interest Earnings

Interest earnings were estimated based upon one-half of the beginning fund balance of each fiscal year, assuming the 2007-08 Local Agency Investment Fund yield of 4.325 percent annually.

Expenditures

Traffic Signals & Street Maintenance

Although there are no traffic signals in the study area, the County maintains approximately 25.82 road miles in Heber. The road miles inventory is projected to increase proportionally to the population growth.

The projections include provisions street sweeping and an annual reserve for road maintenance based on RSG estimates, since actual costs or cost factors were not available from the County Public Works Department.

Road Construction

Capital improvement costs were not considered in the projections due to the volatile nature of these expenditures. Infrastructure projects will be funded through exactions or assessment districts.

WATER FUND

HPUD provides domestic water treatment and conveyance to the developed portions of the Heber, which is approximately equal to 60 percent of the total study area. Upon incorporation, the city would assume responsibility for this service by taking over the districts assets and the HPUD would likely be dissolved or made a dependent district of the City for this purpose.

Revenues

User Fees

According to the HPUD 2007-08 budget, HPUD collects approximately \$991,943 in water charges from residential and nonresidential customers; these charges represent more than 90 percent of the HPUD's water budget.

RSG projected user fees assuming 3.9 percent consumer price index.

Miscellaneous Revenues

Miscellaneous revenues were based on the 2007-08 HPUD budget and increased by 3.9 percent annually to account for inflation.

Interest Earnings

Interest earnings were estimated based upon one-half of the beginning fund balance of each fiscal year, assuming the 2007-08 Local Agency Investment Fund yield of 4.325 percent annually.

Expenditures

Fund expenditures were based on the 2007-08 HPUD budget and increased by 3.9 percent annually, with the exception of salaries which were assumed to grow by 3.0 percent annually.

WASTEWATER FUND

Revenues

User Fees

User fees were estimated based on the 2007-08 HPUD budget and inflated by 3.9 percent annually.

Miscellaneous Revenues

Miscellaneous revenues were based on the 2007-08 HPUD budget and increased by 3.9 percent annually to account for inflation.

Interest Earnings

Interest earnings were estimated based upon one-half of the beginning fund balance of each fiscal year, assuming the 2007-08 Local Agency Investment Fund yield of 4.325 percent annually.

Expenditures

Fund expenditures were based on the 2007-08 HPUD budget and increased by 3.9 percent annually, with the exception of salaries which were assumed to grow by 3.0 percent annually.

SOLID WASTE FUND

Revenues

User Fees

User fees were estimated based on the 2007-08 HPUD budget and inflated by 3.9 percent annually.

Miscellaneous Revenues

Miscellaneous revenues were based on the 2007-08 HPUD budget and increased by 3.9 percent annually to account for inflation.

Interest Earnings

Interest earnings were estimated based upon one-half of the beginning fund balance of each fiscal year, assuming the 2007-08 Local Agency Investment Fund yield of 4.325 percent annually.

Expenditures

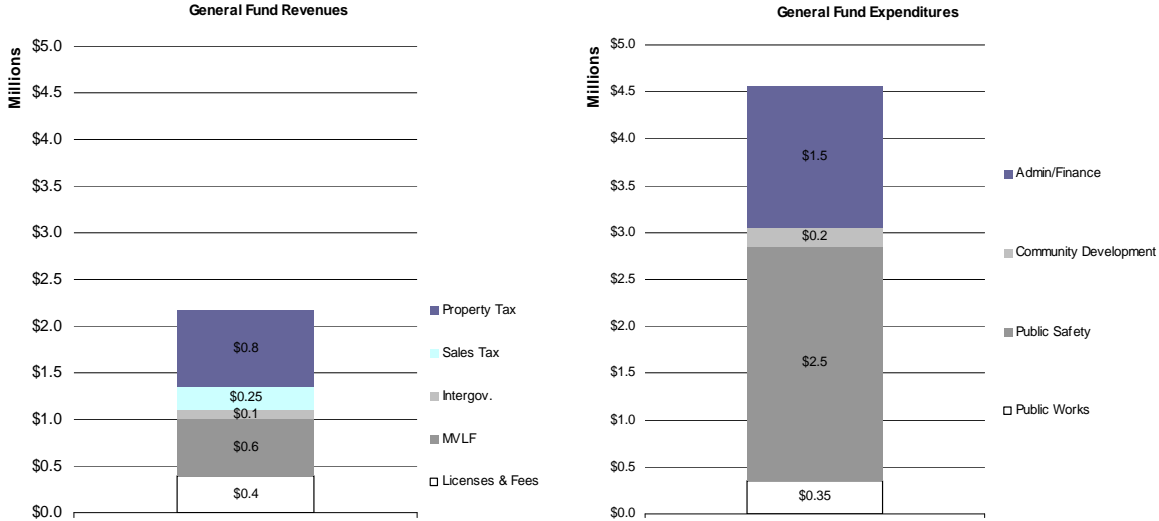
Fund expenditures were based on the 2007-08 HPUD budget and increased by 3.9 percent annually.

RECOMMENDATIONS AND CONCLUSIONS

Appendix 2 presents a detailed fund summary, along with projections of revenues and expenditures by source and department. Appendix 3 presents a detailed breakdown of General Fund revenue and department-level forecasts. RSG projects a minimum General Fund shortfall of approximately \$2.6 million annually, increasing to \$3.2 million annually by the fifth year of the forecast. This represents a substantial General Fund revenue shortfall of approximately 50 percent of the total projected costs as the community grows. Without significant

revenue enhancement, incorporation of Heber is not feasible. Figure 2 below shows that total expenditures (\$4.2 million) exceed revenues (\$2.2 million).

Figure 2: City of Heber General Fund Summary, 2009-10



POTENTIAL SOLUTIONS TO FUNDING SHORTFALL

While there may be the potential of more revenue-generating commercial development in Heber, it may be unrealistic to expect that this could close the revenue shortfall. For example, in order to generate \$2.6 million in additional sales tax revenue, approximately 1.0 million more square feet of commercial uses would be need to exist today. New and existing cities have employed a number of strategies to address revenue shortfalls, though we know of no community that has addressed a gap of such proportions prior to incorporation. A few options are described below.

Revenue Augmentation

Under State Law, the City may augment revenues via a number of means, all of which require voter approval as well as review by legal counsel:

1. Community Facilities District Tax: Government Code Section 53313(a) authorizes the establishment of a community facilities district to finance a number of services, including police protection services. Section 53313(f) states that the CFD tax may be approved by vote of the landowners of the district, and *may only finance services to the extent that they are in addition to those provided in the territory of the district before the district was created.* [emphasis added] Further, CFD tax revenues may fund these new services, but bonds secured by CFD taxes may only be used for capital facilities and not the services themselves. Whether the proposed uses of CFD taxes are permissible under state law remains a question for legal counsel. The special tax is established by resolution of intent by the city Council, which, in part, contains a Section 53321.5 report which establishes the rate, method of apportionment, and manner of collection of the special tax.

2. Utility Users Tax: According to California City Finance, roughly half of all Californians pay a utility users tax (UUT). UUTs may be either general taxes or specific taxes. In California, all 145 UUTs levied by cities are general taxes, requiring only majority approval and allowing broader discretion on the use of such tax proceeds. Unlike the CFD, a general UUT would not be limited to providing supplemental services.(Some communities have held separate advisory measures on such general taxes which have been upheld by the courts.) For example, Holtville currently levies a UUT of 5 percent on electricity, water and sewer utilities. According to the City Manager, the City’s 5 percent UUT was projected to yield approximately \$500,000 for the City’s General Fund in the current fiscal year. At 5 percent, the City’s UUT is the highest rate in the County, though elsewhere in the state, UUTs are as high as 11 percent.
 From June 2002 through June 2008 there were 81 utility user tax measures placed before voters by cities.⁴ Thirty of the 81 proposals were for new or increased UUTs. Only six of the 30 proposals passed. Four of these new/increase proposals were framed as two-thirds vote special taxes dedicated to police/fire (3) or streets (1); just one passed. The UUT that passed was Desert Hot Spring’s 2003 UUT, which dedicates 50% of the proceeds to resolving the city’s bankruptcy related debt. Voters were more accepting of existing UUTs, but it seems that getting a new UUT passed is a challenge.

3. Parcel Tax: A parcel tax may be only imposed as a special tax under the Article XIII A of the California Constitution, and therefore must be used for a specific purpose, though such taxes may be deposited into a general fund. As a special tax, parcel taxes must receive at least two-thirds approval of the affected landowners.

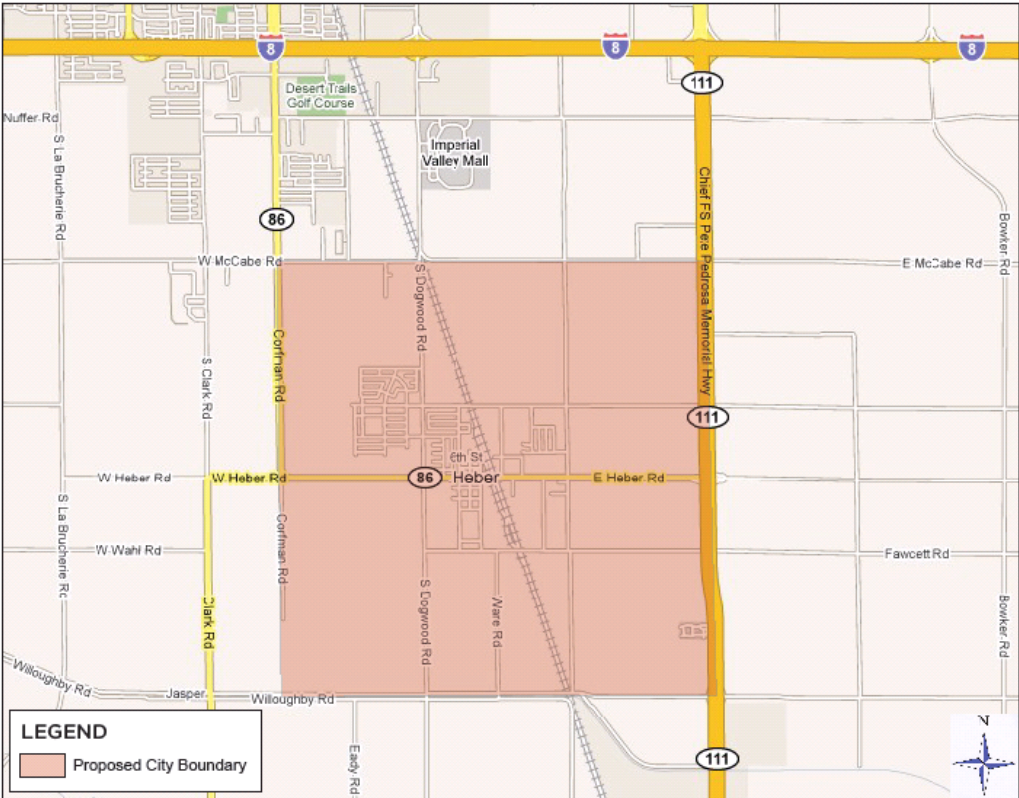
Streamline Services

RSG is proposing a contract city, with only 18 full time positions for Heber. A smaller-sized organization is possible, certainly, but that would only result in a commensurate level of costs and likely poorer service for

⁴ California City Finance.com

residents. Moreover, the CKH Act requires that the feasibility of incorporation be determined by the existing levels of service, so a reduction in service levels is not initially possible.

HEBER PUBLIC UTILITIES DISTRICT
PROPOSED CITY BOUNDARY



	Annual City Operating Budget				
	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Beginning Fund Balance	\$ -	\$(2,577,202)	\$(5,555,404)	\$(8,417,204)	\$(11,480,204)
Revenues by Source					
Property Taxes	822,700	849,400	877,100	905,800	941,500
Sales Taxes	247,000	257,000	267,000	277,000	288,000
Property Tax In-Lieu	82,000	86,000	89,000	92,000	96,000
Property Transfer Taxes	12,000	13,000	13,000	14,000	17,000
Transient Occupancy Taxes	-	-	-	-	-
Motor Vehicle License Subvention	604,000	574,000	543,000	511,000	482,000
Off Highway License Subvention	1,000	1,000	1,000	1,000	1,000
Animal Control Licenses	1,000	1,000	1,000	1,000	1,000
Fines & Forfeitures	4,000	4,000	4,000	5,000	5,000
Franchise Fees	15,000	16,000	17,000	18,000	19,000
Planning Fees	209,000	216,000	222,000	230,000	237,000
Building & Safety Fees	142,000	147,000	152,000	158,000	163,000
Engineering Fees	114,000	118,000	122,000	126,000	130,000
Interest Earnings	-	-	-	-	-
Total	\$ 2,253,700	\$ 2,282,400	\$ 2,308,100	\$ 2,338,800	\$ 2,380,500
Expenditures by Department					
City Council	27,100	27,400	27,700	28,000	28,400
City Manager	225,500	225,900	232,900	240,200	255,400
City Clerk	50,000	121,600	99,700	102,900	110,100
City Attorney	77,900	80,900	84,100	87,400	90,800
Finance	192,800	192,300	198,500	204,800	219,100
Planning	438,200	637,400	371,600	381,100	327,400
Building & Safety	145,000	146,900	152,100	157,500	167,100
Public Works, incl. Engineering	348,200	353,200	364,700	376,600	397,500
Animal Control	67,000	71,000	75,000	80,000	85,000
Fire Protection	836,002	898,702	977,000	1,034,000	1,106,000
Law Enforcement	1,393,000	1,420,000	1,503,000	1,591,000	1,703,000
Parks & Recreation	131,400	135,600	139,900	144,400	149,000
Non-Departmental	103,800	107,700	111,700	115,900	120,300
Transition Period Loan Repayment	290,000	290,000	290,000	290,000	290,000
Revenue Neutrality Payment	-	-	-	-	-
Contingency at 10.0%	404,000	442,000	434,000	454,000	476,000
Reserve Fund Deposit at 2.5%	101,000	110,000	108,000	114,000	119,000
Total	\$ 4,830,902	\$ 5,260,602	\$ 5,169,900	\$ 5,401,800	\$ 5,644,100
Net Revenue / (Deficit)	(2,577,202)	(2,978,202)	(2,861,800)	(3,063,000)	(3,263,600)
Ending Fund Balance	\$(2,577,202)	\$(5,555,404)	\$(8,417,204)	\$(11,480,204)	\$(14,743,804)

ROAD FUND SUMMARY

APPENDIX 2

	Annual City Operating Budget				
	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Beginning Fund Balance	\$ -	\$ 82,800	\$ 88,398	\$ 90,339	\$ 94,438
Revenues by Source					
Gas Tax (Sec. 2105)	42,000	43,000	43,000	44,000	46,000
Gas Tax (Sec. 2106)	25,000	26,000	26,000	27,000	28,000
Gas Tax (Sec. 2107)	55,000	56,000	57,000	58,000	59,000
Gas Tax (Sec. 2107.5)	2,000	2,000	2,000	2,000	2,000
Measure "D" Apportionments	225,000	233,798	242,939	252,438	262,308
Interest Earnings	-	1,800	1,900	2,000	2,000
Total	\$ 349,000	\$ 362,598	\$ 372,839	\$ 385,438	\$ 399,308
Expenditures by Department					
Road Maintenance	266,200	274,200	282,500	291,000	299,700
Total	\$ 266,200	\$ 274,200	\$ 282,500	\$ 291,000	\$ 299,700
Net Revenue / (Deficit)	82,800	88,398	90,339	94,438	99,608
Ending Fund Balance	\$ 82,800	\$ 171,198	\$ 178,736	\$ 184,777	\$ 194,046

WATER FUND SUMMARY

APPENDIX 2

	Annual City Operating Budget				
	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Beginning Fund Balance	\$ -	\$ 95,973	\$ 108,517	\$ 120,753	\$ 133,672
Revenues by Source					
Fees for Services	991,943	1,030,728	1,071,029	1,112,907	1,156,421
Miscellaneous Revenue	56,535	58,746	61,042	63,429	65,909
Interest Earnings	1,036	2,100	2,300	2,600	2,900
Total	\$ 1,049,514	\$ 1,091,573	\$ 1,134,372	\$ 1,178,936	\$ 1,225,231
Expenditures by Department					
Salaries & Benefits	395,470	407,334	419,554	432,141	445,105
Supplies & Services	345,382	358,886	372,919	387,500	402,651
Capital Outlay	106,068	110,215	114,525	119,003	123,656
Debt Service	106,621	106,621	106,621	106,621	106,621
Total	\$ 953,541	\$ 983,057	\$ 1,013,619	\$ 1,045,264	\$ 1,078,033
Net Revenue / (Deficit)	95,973	108,517	120,753	133,672	147,198
Ending Fund Balance	\$ 95,973	\$ 204,490	\$ 229,270	\$ 254,425	\$ 280,869

WASTEWATER FUND SUMMARY

APPENDIX 2

	Annual City Operating Budget				
	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Beginning Fund Balance	\$ -	\$ (6,270)	\$ (2,735)	\$ 2,977	\$ 9,121
Revenues by Source					
Fees for Services	730,839	759,415	789,108	819,962	852,023
Miscellaneous Revenue	17,938	18,639	19,368	20,125	20,912
Interest Earnings	1,862	-	-	100	200
Total	\$ 750,639	\$ 778,054	\$ 808,476	\$ 840,188	\$ 873,135
Expenditures by Department					
Salaries & Benefits	383,260	394,758	406,601	418,799	431,363
Supplies & Services	297,782	309,425	321,524	334,095	347,159
Capital Outlay	18,906	19,645	20,413	21,212	22,041
Debt Service	56,961	56,961	56,961	56,961	56,961
Total	\$ 756,909	\$ 780,789	\$ 805,499	\$ 831,066	\$ 857,523
Net Revenue / (Deficit)	(6,270)	(2,735)	2,977	9,121	15,612
Ending Fund Balance	\$ (6,270)	\$ (9,005)	\$ 242	\$ 12,098	\$ 24,733

SOLID WASTE FUND SUMMARY

APPENDIX 2

	Annual City Operating Budget				
	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Beginning Fund Balance	\$ -	\$ 36,091	\$ 38,302	\$ 39,768	\$ 41,392
Revenues by Source					
Fees for Services	396,861	412,378	428,502	445,257	462,666
Miscellaneous Revenue	16,110	16,740	17,394	18,075	18,781
Interest Earnings	-	800	800	900	900
Total	\$ 412,971	\$ 429,918	\$ 446,697	\$ 464,231	\$ 482,347
Expenditures by Department					
Salaries & Benefits	-	-	-	-	-
Supplies & Services	376,880	391,616	406,928	422,839	439,372
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
Total	\$ 376,880	\$ 391,616	\$ 406,928	\$ 422,839	\$ 439,372
Net Revenue / (Deficit)	36,091	38,302	39,768	41,392	42,975
Ending Fund Balance	\$ 36,091	\$ 74,393	\$ 78,071	\$ 81,161	\$ 84,368

Item Detail and Assumptions

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Property Taxes	15.433%	\$ 831,000	\$ 858,000	\$ 886,000	\$ 915,000	\$ 951,000
Less: County Admin. Fee	-1.00%	(8,300)	(8,600)	(8,900)	(9,200)	(9,500)
Net Property Tax		822,700	849,400	877,100	905,800	941,500
Total Property Tax		\$ 822,700	\$ 849,400	\$ 877,100	\$ 905,800	\$ 941,500

Item Detail and Assumptions	Annual City Operating Budget					
	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Prior Year Taxable Sales Plus 3.9%	32,936,200	34,224,005	35,562,164	36,952,645	38,397,493	39,898,835
New Taxable Sales Added by Year <i>3.9% Inflationary Increase</i>	-	-	-	-	-	-
Total Taxable Sales	32,936,200	34,224,005	35,562,164	36,952,645	38,397,493	39,898,835
Sales Tax Revenue at 0.75%	\$ 247,000	\$ 257,000	\$ 267,000	\$ 277,000	\$ 288,000	\$ 299,000
In-Lieu Property Tax at 0.25%	<u>82,000</u>	<u>86,000</u>	<u>89,000</u>	<u>92,000</u>	<u>96,000</u>	<u>100,000</u>
Total Sales Taxes	329,000	343,000	356,000	369,000	384,000	399,000

Item Detail and Assumptions

	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Base Year Sales Volume (000's)	\$18,022,565				
2008-09 Transfer Tax (Co. Share) (\$0.55 / \$1,000 transferred)	9,912				
Projected Turnover					
Residential Resale Volume (in 000's)	\$ 17,360	\$ 16,480	\$ 16,880	\$ 19,440	\$ 19,890
Projected Existing Housing Stock	1,590	1,620	1,650	1,700	1,750
Turnover Rate	5.0%	80	80	90	90
Median Resale Price (2008)	\$ 230,555	\$ 217,000	\$ 206,000	\$ 211,000	\$ 221,000
Appreciation Rate (2009)	-6.0%				
Appreciation Rate (2010)	-5.0%				
Appreciation Rate (Later Yrs)	2.5%				
New Home Sales Volume (in 000's) (See Assessed Value Projections)	4,840	6,920	6,920	6,920	11,530
Total Sales Volume Turnover	22,200	23,400	23,800	26,360	31,420
Property Transfer Taxes (Projected)	\$ 12,000	\$ 13,000	\$ 13,000	\$ 14,000	\$ 17,000

Item Detail and Assumptions	Annual City Operating Budget				
	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Motor Vehicle License Subvention	\$ 604,000	\$ 574,000	\$ 543,000	\$ 511,000	\$ 482,000
SCO Per Capita (2007-08)	\$ 60.00				
Growth Rate	0.0%				
Off-Highway Vehicle License Subvention	1,000	1,000	1,000	1,000	1,000
SCO Per Capita (2007-08)	\$ 0.14				
Growth Rate	0.0%				
Franchise Fees	15,000	16,000	17,000	18,000	19,000
Base Year Revenue (07-08)					
Per Capita Equivalent	\$ 1.87				
Growth Rate	3.9%				
Animal Control Licenses	1,000	1,000	1,000	1,000	1,000
2009 Cost Estimate (AFV)					
Per Capita Equivalent	\$ 0.12				
Growth Rate	3.9%				
Fines & Forfeitures	4,000	4,000	4,000	5,000	5,000
Base Year Revenue (07-08)					
Per Capita Equivalent	\$ 0.48				
Growth Rate	3.9%				
Gas Tax (to Road Fund)					
Gas Tax (Sec. 2105)	\$ 6.23	42,000	43,000	43,000	44,000
Gas Tax (Sec. 2106)	\$ 3.78	25,000	26,000	26,000	27,000
Gas Tax (Sec. 2107)	\$ 8.13	55,000	56,000	57,000	58,000
Growth Rate	0.0%				
Gas Tax (Sec. 2107.5)	Fixed Pmt	2,000	2,000	2,000	2,000
Projected Population (Actual Residents)	6,837	6,966	7,095	7,310	7,525

Item Detail and Assumptions

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Planning Fees		\$ 209,000	\$ 216,000	\$ 222,000	\$ 230,000	\$ 237,000
2008-09 Revenue	\$ 87,047					
% of Costs Offset	75.00%					
Building & Safety Fees		142,000	147,000	152,000	158,000	163,000
2008-09 Revenue	\$ 145,332					
% of Costs Offset	100.00%					
Engineering Fees		114,000	118,000	122,000	126,000	130,000
2008-09 Revenue	\$ 40,076					
% of Costs Offset	100.00%					

Notes

Engineering & Building Fees combined
to be 100% cost offset according to County

Item Detail and Assumptions**Annual City Operating Budget**

	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures					
Salaries & Benefits					
City Council Stipends	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Supplies & Services					
Office Expenses		5,500	5,700	5,900	6,300
2008 Cost	5,340				
Growth Rate	3.9%				
Travel & Memberships		3,600	3,700	3,800	4,100
2008 Cost	3,500				
Growth Rate	3.9%				
Capital Outlay					
TOTAL	\$ 27,100	\$ 27,400	\$ 27,700	\$ 28,000	\$ 28,400
<hr/>					
Department Personnel	-	-	-	-	-
<hr/>					

Notes

Item Detail and Assumptions**Annual City Operating Budget**

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures						
Salaries & Benefits						
City Manager/City Clerk		\$ 118,800	\$ 122,400	\$ 126,100	\$ 129,900	\$ 133,800
2008 Cost	80,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Administrative Assistant		74,300	76,500	78,800	81,200	83,600
2008 Cost	50,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Supplies & Services						
Office Expenses		5,200	5,400	5,600	5,800	6,000
2008 Cost	5,000					
Growth Rate	3.9%					
Travel & Memberships		20,800	21,600	22,400	23,300	24,200
2008 Cost	20,000					
Growth Rate	3.9%					
Capital Outlay						
Computer Hardware & Software		6,400	-	-	-	7,800
2008 Cost	6,400					
Growth Rate	3.9%					
Replace. Cycle (Yrs)	5					
Office Furnishings and Fixtures		-	-	-	-	-
TOTAL		\$ 225,500	\$ 225,900	\$ 232,900	\$ 240,200	\$ 255,400
<hr/>						
Department Personnel		2.00	2.00	2.00	2.00	2.00
<hr/>						

Item Detail and Assumptions**Annual City Operating Budget**

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures						
Salaries & Benefits						
Deputy City Clerk		\$ 70,100	\$ 72,200	\$ 74,400	\$ 76,600	\$ 78,900
2008 Cost	50,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Supplies & Services						
Codification Services		-	25,000	-	-	-
Growth Rate	3.9%					
Notices & Office Expenses		20,800	21,600	22,400	23,300	24,200
2008 Cost	20,000					
Growth Rate	3.9%					
Travel & Memberships		2,700	2,800	2,900	3,000	3,100
2008 Cost	2,500					
Growth Rate	3.9%					
Capital Outlay						
Computer Hardware & Software		3,200	-	-	-	3,900
2008 Cost	3,200					
Growth Rate	3.9%					
Replace. Cycle (Yrs)	5					
Office Furnishings and Fixtures		-	-	-	-	-
TOTAL		\$ 96,800	\$ 121,600	\$ 99,700	\$ 102,900	\$ 110,100
Department Personnel						
		1.00	1.00	1.00	1.00	1.00
Notes						
Population Projection	6,467	6,708	6,837	6,966	7,095	7,310

Item Detail and Assumptions

Annual City Operating Budget

	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures					
Salaries & Benefits					
Supplies & Services					
Contract City Attorney Services	\$ 77,900	\$ 80,900	\$ 84,100	\$ 87,400	\$ 90,800
2008 Cost	75,000				
Growth Rate	3.9%				
Capital Outlay					
TOTAL	\$ 77,900	\$ 80,900	\$ 84,100	\$ 87,400	\$ 90,800
Department Personnel	-	-	-	-	-

Notes

Item Detail and Assumptions**Annual City Operating Budget**

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures						
Salaries & Benefits						
Finance/Personnel Manager		\$ 105,500	\$ 108,700	\$ 112,000	\$ 115,400	\$ 118,900
2008 Cost	71,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Accounting Technician		47,500	48,900	50,400	51,900	53,500
2008 Cost	32,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Supplies & Services						
Contract Services: Payroll & Auditing		26,000	27,000	28,100	29,200	30,300
2008 Cost	25,000					
Growth Rate	3.9%					
Office Expenses		5,200	5,400	5,600	5,800	6,000
2008 Cost	5,000					
Growth Rate	3.9%					
Travel & Memberships		2,200	2,300	2,400	2,500	2,600
2008 Cost	2,000					
Growth Rate	3.9%					
Capital Outlay						
Office Equipment & Furnishings		6,400	-	-	-	7,800
2008 Cost	6,400					
Growth Rate	3.9%					
Replace. Cycle (Yrs)	5					
TOTAL		\$ 192,800	\$ 192,300	\$ 198,500	\$ 204,800	\$ 219,100
<hr/>						
Department Personnel		2.0	2.0	2.0	2.0	2.0
<hr/>						

Item Detail and Assumptions	Annual City Operating Budget				
	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures					
Salaries & Benefits					
Community Development Director	\$ 105,500	\$ 108,700	\$ 112,000	\$ 115,400	\$ 118,900
2008 Cost	71,000				
Benefit/Salary Ratio	40%				
Growth Rate	3.0%				
Planning Manager	105,500	108,700	112,000	115,400	118,900
2008 Cost	71,000				
Benefit/Salary Ratio	40%				
Growth Rate	3.0%				
Office Specialist (Shared w/Public Works)	22,300	23,000	23,700	24,400	25,100
2008 Cost	15,000				
Benefit/Salary Ratio	40%				
Growth Rate	3.0%				
Supplies & Services					
General Plan/EIR Preparation	150,000	350,000	-	-	-
Zoning Code Preparation	-	-	75,000	75,000	-
Contract Planning Services	41,500	43,100	44,800	46,600	48,400
2008 Cost	38,400				
Growth Rate	3.9%				
Office Expenses	3,800	3,900	4,100	4,300	4,500
2008 Cost	3,500				
Growth Rate	3.9%				
Travel & Memberships	-	-	-	-	-
2008 Cost	-				
Growth Rate	3.9%				
Capital Outlay					
Computer Hardware & Software	9,600	-	-	-	11,600
2008 Cost	9,600				
Growth Rate	3.9%				
Replace. Cycle (Yrs)	5				
Office Furnishings and Fixtures	-	-	-	-	-
TOTAL	\$ 438,200	\$ 637,400	\$ 371,600	\$ 381,100	\$ 327,400
<hr/>					
Department Personnel	2.50	2.50	2.50	2.50	2.50

Item Detail and Assumptions**Annual City Operating Budget**

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures						
Salaries & Benefits						
Building Official		\$ 52,700	\$ 54,300	\$ 55,900	\$ 57,600	\$ 59,300
2008 Cost	35,500					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Supplies & Services						
Contract Building Services		81,000	84,200	87,500	90,900	94,500
2008 Cost	75,000					
Growth Rate	3.9%					
Office Expenses		8,100	8,400	8,700	9,000	9,400
2006 Cost	7,500					
Growth Rate	3.9%					
Capital Outlay						
Computer Hardware & Software		3,200	-	-	-	3,900
2008 Cost	3,200					
Growth Rate	3.9%					
Replace. Cycle (Yrs)	5					
Office Furnishings and Fixtures		-	-	-	-	-
TOTAL		\$ 145,000	\$ 146,900	\$ 152,100	\$ 157,500	\$ 167,100
<hr/>						
Department Personnel		1.00	1.00	1.00	1.00	1.00

Item Detail and Assumptions

Annual City Operating Budget

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures						
Salaries & Benefits						
Public Works Director		\$ 105,500	\$ 108,700	\$ 112,000	\$ 115,400	\$ 118,900
2008 Cost	71,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Senior City Engineer		81,700	84,200	86,700	89,300	92,000
2008 Cost	55,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Office Specialist (Shared w/ Planning)		22,300	23,000	23,700	24,400	25,100
2008 Cost	15,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Supplies & Services						
Contract Engineering Services		32,400	33,700	35,000	36,400	37,800
2008 Cost	30,000					
Growth Rate	3.9%					
Contract Traffic Engineering Services		10,800	11,200	11,600	12,100	12,600
2008 Cost	10,000					
Growth Rate	3.9%					
NPDES Program Implementation		81,000	84,000	87,000	90,000	94,000
2008 Cost	75,000					
Growth Rate	3.9%					
AB 939 Solid Waste Program		5,400	5,600	5,800	6,000	6,200
2008 Cost	5,000					
Growth Rate	3.9%					
Office Expenses		2,700	2,800	2,900	3,000	3,100
2008 Cost	2,500					
Growth Rate	3.9%					
Capital Outlay						
Computer Hardware & Software		6,400	-	-	-	7,800
2008 Cost	6,400					
Growth Rate	3.9%					
Replace. Cycle (Yrs)	5					
Office Furnishings and Fixtures		-	-	-	-	-
TOTAL		\$ 348,200	\$ 353,200	\$ 364,700	\$ 376,600	\$ 397,500
<hr/>						
Department Personnel		2.50	2.50	2.50	2.50	2.50

Item Detail and Assumptions**Annual City Operating Budget**

	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures					
Salaries & Benefits					
Supplies & Services					
County Animal Control Contract	\$ 67,000	\$ 71,000	\$ 75,000	\$ 80,000	\$ 85,000
2009 Cost Estimate	60,000				
Base Cost Growth Rate	3.9%				
Per Capita Adjustment	see below				
Capital Outlay					
TOTAL	\$ 67,000	\$ 71,000	\$ 75,000	\$ 80,000	\$ 85,000
Department Personnel	-	-	-	-	-
Notes					
Projected Population	6,467	6,708	6,837	6,966	7,095
				7,095	7,310

Item Detail and Assumptions

Annual City Operating Budget

	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures					
Salaries & Benefits					
Supplies & Services					
Contract with County Fire Department	\$ 836,002	\$ 898,702	\$ 977,000	\$ 1,034,000	\$ 1,106,000
2008 Base Cost	777,676				
Base Cost Growth Rate	3.9%				
Per Capita Adjustment	see below				
Capital Outlay					
TOTAL	\$ 836,002	\$ 898,702	\$ 977,000	\$ 1,034,000	\$ 1,106,000

Department Personnel	-	-	-	-	-
----------------------	---	---	---	---	---

Notes	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Projected Population	6,467	6,708	6,837	6,966	7,095

Item Detail and Assumptions**Annual City Operating Budget**

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures						
Salaries & Benefits						
Supplies & Services						
Contract with County Sheriff		\$1,393,000	\$1,420,000	\$1,503,000	\$1,591,000	\$1,703,000
2008 Base Cost	1,196,865					
Base Cost Growth Rate	3.9%					
Per Capita Adjustment	see below					
Capital Outlay						
TOTAL		\$1,393,000	\$1,420,000	\$1,503,000	\$1,591,000	\$1,703,000
Department Personnel						
		-	-	-	-	-
Notes						
Projected Population	6,467	6,708	6,837	6,966	7,095	7,310

Item Detail and Assumptions

Annual City Operating Budget

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures						
Salaries & Benefits						
Maintenance Worker (2 Positions)		\$ 104,000	\$ 107,100	\$ 110,300	\$ 113,600	\$ 117,000
2008 Cost	70,000					
Benefit/Salary Ratio	40%					
Growth Rate	3.0%					
Supplies & Services						
General Department Operations		23,100	24,000	24,900	25,900	26,900
2008 Cost	21,389					
Growth Rate	3.9%					
Equipment Expenses		4,300	4,500	4,700	4,900	5,100
2006 Cost	4,000					
Growth Rate	3.9%					
TOTAL		\$ 131,400	\$ 135,600	\$ 139,900	\$ 144,400	\$ 149,000
<hr/>						
Department Personnel		2.00	2.00	2.00	2.00	2.00
<hr/>						

Item Detail and Assumptions**Annual City Operating Budget**

		7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures						
Salaries & Benefits						
Supplies & Services						
Insurance		\$ 59,400	\$ 61,700	\$ 64,100	\$ 66,600	\$ 69,200
2008 Cost	55,000					
Growth Rate	3.9%					
IT Support Contract		27,000	28,100	29,200	30,300	31,500
2008 Cost	25,000					
Growth Rate	3.9%					
City Hall Rent, Utilities, Maintenance		17,400	17,900	18,400	19,000	19,600
Gross Rent/sf/mo	\$ 2.50					
Gross Leaseable Area	4,500					
Expense Ratio	50%					
2008 Total Cost	16,875					
Growth Rate	3.0%					
Capital Outlay						
TOTAL		\$ 103,800	\$ 107,700	\$ 111,700	\$ 115,900	\$ 120,300

 Department Personnel

- - - - -

Notes

Item Detail and Assumptions

Annual City Operating Budget

	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013
Department Expenditures					
Salaries & Benefits					
Supplies & Services					
Street Sweeping	\$ 300	\$ 300	\$ 400	\$ 400	\$ 400
Curb Miles Swept	1.40				
Annualized Cost/Mile	\$ 204				
Growth Rate	3.9%				
Curb Mile Increases	See Below				
Annual Reserve for Road Maintenance	265,900	273,900	282,100	290,600	299,300
Maintained Lane Miles	25.82				
Annualized Cost/Mile	\$ 10,000				
2008 Cost	258,200				
Growth Rate	3.0%				
Lane Mile Increases	See Below				
Capital Outlay					
TOTAL	\$ 266,200	\$ 274,200	\$ 282,500	\$ 291,000	\$ 299,700
Department Personnel	-	-	-	-	-
Notes					
Curb Miles Increased in Proportion to Population					
Projected Population	6,618	6,708	6,837	6,966	7,095
Increase in Curb Mile Inventory		1.4%	1.9%	1.9%	1.9%
					7,310
					3.0%