

CITY OF RANCHO CORDOVA, CALIFORNIA

ADOPTED BUDGET

FISCAL YEAR 2006 – 2007





CITY OF RANCHO CORDOVA, CA

2006 – 2007 ADOPTED BUDGET

CITY COUNCIL

Robert J. McGarvey, Mayor
David M. Sander, Vice Mayor
Linda Budge, Council Member
Ken Cooley, Council Member
Dan Skoglund, Council Member

CITY MANAGER

Ted A. Gaebler

MANAGEMENT STAFF

Cyrus Abhar, Public Works Director/City Engineer
Lillian Hare, City Clerk/Human Resources Director
Curt Haven, Economic Development Director
Paul Junker, Planning Director
Adam Lindgren, Assistant City Attorney
Tom McMahon, Chief of Police
William J. Thomas, Chief Financial Officer
Tom Trimberger, Chief Building Official

TABLE OF CONTENTS

Introduction

City Manager's Budget Message	1
Organizational Chart	5
Citywide Goals.....	6
Community Profile	7
Financial Policies	12
Accounting Structure and Principles	17
Budget Policies and Procedures	21
Budget Schedule	23
Diagram of Funds Used in the City	26
Fund Descriptions	27

Summaries

Budget Summary	30
Where the Money Comes From	31
Where the Money Goes	32
Sources and Uses of Funds	33
Fund Summaries	34
General Fund Revenue Detail	36
Special Revenue Funds – Revenue Summaries	38
Capital Projects Funds – Revenue Summaries	41
Debt Service Fund – Revenue Summaries	42
Internal Service Fund- Revenue Summaries	43
General Fund Expenditure Summary	44
Special Revenue Funds – Expenditure Summaries	45
Capital Projects Funds – Expenditure Summaries	48
Debt Service Funds – Expenditure Summaries	49
Internal Service Fund- Expenditure Summaries	50
General Fund Summary	51
General Fund Expenditure Summary.....	52

Operations

Legislative	53
City Council	54
Boards & Commissions	55
City Attorney.....	57
City Clerk	60
Elections	62
General Government	63
City Manager	64
Public Information, Education & Outreach	67
Human Resources	69
Administrative Support	71
Finance	72
Financial Services	74
Accounting	76
Information Technology	78
Risk Management	80

Public Safety	82
Police Department.....	83
Community Prosecutor	90
Community Development	91
Economic Development.....	92
Neighborhood Services	94
Code Enforcement	
Animal Services	
Planning	98
Building and Safety	103
Facilities Management	106
Public Works	108
Non-Departmental	112
Special Revenue Funds	
Gas Tax	113
Measure A.....	114
Proposition 42	115
Service Districts	116
Impact Fees	117
State and Federal Grants	122
Community Development Block Grant (CDBG)	123
Redevelopment Agency	124
Housing	
Capital Projects Funds.....	126
City Hall Capital Project Funds	
City Operations Facility Capital Project Fund	
Public Works Capital Projects Funds	
Debt Service Funds	128
Community Facilities Districts (CFDs)	
Internal Service Funds.....	130
Supporting Schedules	
Debt Schedules and Legal Debt Margin	131
Long Term Debt Detail 2005 Certificates of Participation City Hall	132
Long Term Debt Detail 2005 Certificates of Participation City Operations.....	133
Long Term Debt Detail Sunridge Anatolia Community Facilities District.....	134
Transfers In and Transfers Out	136
Full-Time Position Allocation – City Employees	138
Full-Time Equivalent – Contract Employees	139
City Budget Resolution	141
GANN Resolution	142
GANN Calculations – Schedules 1 through 8	143
Frequently Asked Questions	151
Glossary of Terms	154
Acronyms	159



City Manager's Budget Message

"Life is like riding a bicycle. To keep your balance, you must keep moving." Albert Einstein

Mr. Einstein, the City of Rancho Cordova couldn't agree more.

We have been moving at a fast pace and the FY 2006-07 Adopted Budget proposes that we continue that pace. We again have a balanced budget and it has a bit more leeway than last year's \$14. However, this budget represents the serious scrutiny to be expected in our fourth year of existence, and some belt-tightening so that we can maintain our "rainy day reserves" and keep moving forward building long term fiscal health.

Speed of movement and balance was most tangibly seen this year with the City's move into Rancho Cordova's New City Hall on Prospect Park Drive. In less than two years, from start to finish, we were able to acquire and create a citizens' building for both governance and building our sense of community. This is a visible fulfillment of one of the promises of cityhood.

We recently completed our first public opinion survey and the results show that the City is on the right track. Our citizens are quite satisfied with the quality of services and staff. Major areas of interest are, not surprisingly, public safety and transportation.

The City Council has approved a set of goals and objectives that acted as beacons for the City staff in building their budgets. This budget presents the organization's best plan for furthering the expressed goals with available resources for staff and operations. The City has finite resources but always a larger demand for services and support.

This budget reflects the following:

- It is balanced with a net balance of \$274,700
- General Fund revenues are projected to be up 17.9%
- Services continue to increase, especially in Code Enforcement, Housing, Animal Services, Information Technology, Economic Development, and Redevelopment

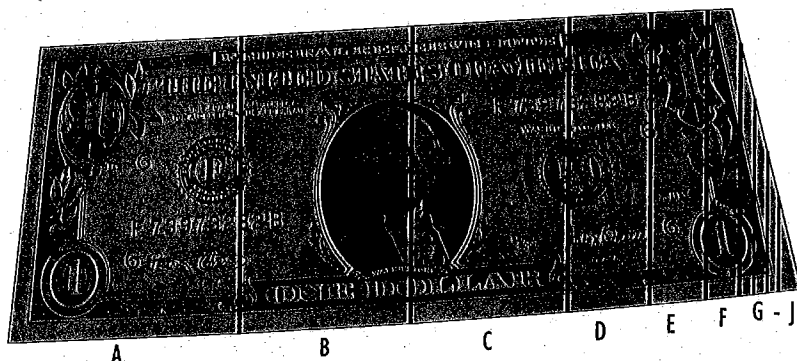
Fiscal Health

We are a fiscally solvent city. The speed of our rollout of services is tied directly to our revenues. We will not spend more than we take in. The challenge of budget development and adoption is making the difficult decisions on how we allocate those resources. Revenues are up, but they do not cover the entire list of City needs.

We have several factors that impact our revenues and expenditures:

- This budget reflects significant increases in the cost of Police services, due primarily to salary and benefit costs negotiated by Sacramento County with the Sheriff's Department officers with whom we contract for Police services.
- Our *pro forma* analysis shows the cost to provide police services is \$850 per home per year. We only charge \$450 for the new homes being built.
- This budget is built on an assumption of 1,200 single family dwelling building permits being processed next year.
- We are generating sufficient resources to provide the level of services deemed necessary and still have been able to establish a "rainy day" reserve of 29% of the General Fund Budget (50-75% is recommended) to carry us through economic slowdowns and any negative impacts of federal and state government actions.

"Revenue Neutrality" is an Unfortunate Reality



A. Sac Metro Fire	27.44%
B. County General	24.05%
C. Folsom-Cordova Unified School District	21.33%
D. City of Rancho Cordova	12.78%
E. Cordova Recreation and Park District	4.67%
F. Los Rios Community College	3.06%
G. Sac Water	1.84%
H. Other	1.76%
I. County Library	1.71%
J. County Service Area I	1.35%

Because of Proposition 13, passed in 1978, each property owner in Rancho Cordova pays 1% or less of their property's value each year for property taxes to support the listed services.

As you can see, Sacramento County gets 24% of all property taxes paid (to support countywide services) AND in addition, Sacramento County gets 92.5% of the City's "share" of 12% to pay for "revenue neutrality," which was part of the price paid to get Rancho Cordova incorporated (estimated this year at \$7,549,850).

This means that the City is transferring over \$7.5 million of resources generated in Rancho Cordova to Sacramento County, which is not obligated in any manner to provide \$7.5 million of enhanced services to the residents of Rancho Cordova.

Between revenue neutrality payments and the cost for our most critical service, public safety, our ability to further enhance the other vital services citizens demand is significantly impacted.

Budget Highlights

- We are growing at about 1,000 residents a year which is at a slower pace than predicted. We've had a steady increase in population and were certified by the State Department of Finance this year at 56,355, an increase of 2.4 % from last year.

- To fulfill the promises of cityhood, this budget increases Code Enforcement staffing by two more field positions, for a total of five, transitioning at least the administration of this important service “in-house” from a contract service.
- This budget year we will hire a Housing Administrator to handle housing issues and begin building our program.
- The April 3, 2006 launch of animal services included two animal services officers and one (contract) manager. Currently, the service is on track to surpass previous County-provided animal services by 1,000 calls in this year alone.
- Facilities management was added when we moved into a new City Hall, leased some of the space at Rancho Cordova Neighborhood Center and became stewards of the Mathew Kilgore Cemetery.
- We have begun a fleet of City vehicles (four for Building and Safety, two for Public Works, and two for Animal Services.) It is now prudent to save for replacements, and we are budgeting \$333,500 for a vehicle and equipment replacement fund.
- In addition, \$457,750 is budgeted to begin a technology enhancement and replacement fund for computer and related equipment.
- The budget also allows for equipment purchase and other resources to support the document management system, i.e. scanning documents in-house, continue having County documents scanned for record retention, and provide better search capabilities for both paper and electronic documents.
- The budget now includes the upkeep and maintenance of our new City Hall, including the Council directed subsidization of our community room rental spaces.

Infrastructure

Visible improvements throughout much of the City will be seen this year as our roads and medians get long overdue improvements.

- This budget shows \$11.9 million in construction funding
- Highlights of the capital outlay program are:
 - Rehabilitation of Existing Roads--\$3.0 million
 - Kilgore & Trade Center Drive repaving-- \$1.1 million
 - Mather Road Interchange-- \$2.1 million
 - Folsom Boulevard Beautification-- \$2.8 million

Investment in Community

What resources we do have beyond the cost of revenue neutrality and police, we use to invest as heavily as we can in building community. We leverage both our funds and our energies to help create opportunities and support for the things that make Rancho Cordova special:

- “Weed & Seed” grant from the federal government is budgeted for a third year.
- We are contributing to the establishment of a Rancho Cordova Leadership Program through the Chamber of Commerce, with an eye towards encouraging the “best of the best” to step up to community leadership positions and become energized as brokers/facilitators/catalysts for positive change.
- This budget includes \$75,000 for the City Council to designate for cash support of community outreach activities that strategically further Citywide goals.

- This budget also includes new funding of \$10,000 per Council member and \$15,000 for the Mayor (total \$55,000) to allow Council members to individually champion direct support to specific community activities.
- Redevelopment made great strides this year, setting the stage to create a project area which will enable us to raise \$1 billion over the 40 year life of the project for infrastructure improvements and redevelopment.
- The budget adds grant monies for the Cordova Community Council totaling \$288,800 to provide a professionally managed umbrella organization for the community's non-profit organizations, i.e. a "Chamber of Commerce" for non-profits. These grant funds allow the Cordova Community Council, serving the Rancho Cordova community since 1959, to move into a higher level of volunteer management, fund-raising and community event coordination to benefit the entire city. One-time costs to build out and furnish office space in City Hall are also included (\$120,000).

Unfunded Needs

The following are desired future needs that could not be accommodated in this budget:

- Funding for the Chamber of Commerce's program for Momentum 2010, estimated at \$100,000 per year for five years
- The cost for public safety services for some community events, such as the 4th of July celebration that cost the Police Department \$25,000 last year
- Increases in Police staffing projected to service new growth planned for the area south of Sunrise-Douglas.

Conclusion

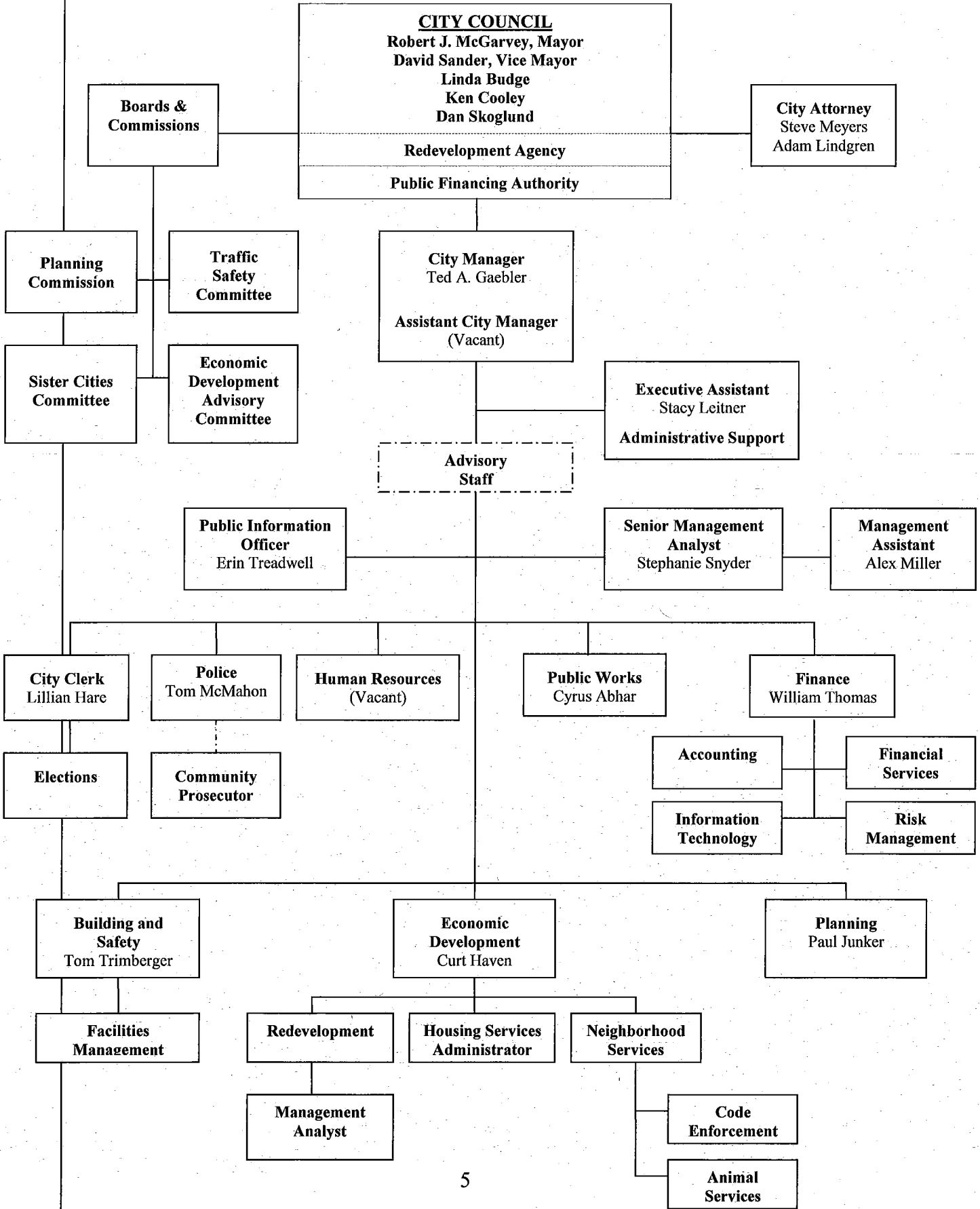
I want to acknowledge the dedicated work of the following individuals who prepared this document. Special thanks to Chief Financial Officer Bill Thomas, Senior Accountant Liisa Behrends, Senior Management Analyst Stephanie Snyder, Public Information Officer Erin Treadwell, Management Assistant Alexandra Miller, Executive Assistant Stacy Leitner, Administrative Secretary Maria Lopez, City Clerk Lillian Hare, Deputy City Clerk Brenda Lehr, Human Resources Technician Lisa Brown, and Human Resources Consultant Angie Ureta, and Administrative Support from Linda Wahlen and Tiffany Wahl. I especially appreciate the hard work and attention of the department heads in the challenge of producing this balanced budget.



Ted A. Gaebler
City Manager

Organizational Chart City of Rancho Cordova

July 1, 2006





Citywide Goals
(Adopted March 20, 2006)

1. Foster a Positive Image of Rancho Cordova
2. Improve Transportation & Connectivity
3. Ensure the Availability of the Best Public Services in the Region
4. Establish a Vibrant Downtown
5. Ensure a Safe Community
6. Improve the Quality of Housing in Rancho Cordova
7. Sustain a Livable Community
8. Drive Diverse Economic Opportunities
9. Foster Responsible Citizenship
10. Practice Sound Fiscal Management
11. Establish Logical (City) Boundaries
12. Continue to Provide Regional Leadership

COMMUNITY PROFILE

Introduction

This section of the FY 2006-07 budget document provides general information about the City of Rancho Cordova, its demographics, and its economic climate. The goal of this section is to inform the reader about the environment in which city leaders make decisions during the budget process. This section will also make it easier to examine and understand other sections of this budget document, highlighting the needs and desires of city residents and how city services can meet those needs.

Rancho Cordova's budget is a policy document that reflects the City's policies, goals, and priorities. It is also a communications tool, informing residents of the short and long-term issues and challenges confronting the City. The budget document reflects the goals of citizens and leaders alike, bearing in mind the resources the City has available.

Location and Climate

It is important to consider how location and weather conditions can affect City infrastructure, traffic, and safety. Rancho Cordova is part of the greater Sacramento Region and lies on the Highway 50 Corridor between the City of Sacramento and the City of Folsom. It is merely a two hour drive to the international destinations of San Francisco, Napa Valley, and Lake Tahoe. The City of Rancho Cordova borders the southern bank of the American River, and is close to Lake Natoma and the Folsom South Canal. The American River Parkway and Lake Natoma recreation areas have become an international destination for kayakers and other recreational enthusiasts. There are approximately six recreational access points to the American River along the city's northwestern boundary.

The Sacramento Region typically experiences warm, dry days, and cool nights during the summer months. The temperatures during the summer months average between the upper 50's to the low 90's. Winters are fairly mild, with average highs in the mid 50's and lows near 40 degrees. Most of the precipitation occurs during the winter months with the rainy season stretching from November through April. Though not typical, the Northern California region has experienced particularly heavy rainy seasons in the past few years. Because of the high mountains around the Sacramento Valley, winter storms generally are subdued before reaching the area. The region experiences times of fog in the winter, but rarely during other times of the year.

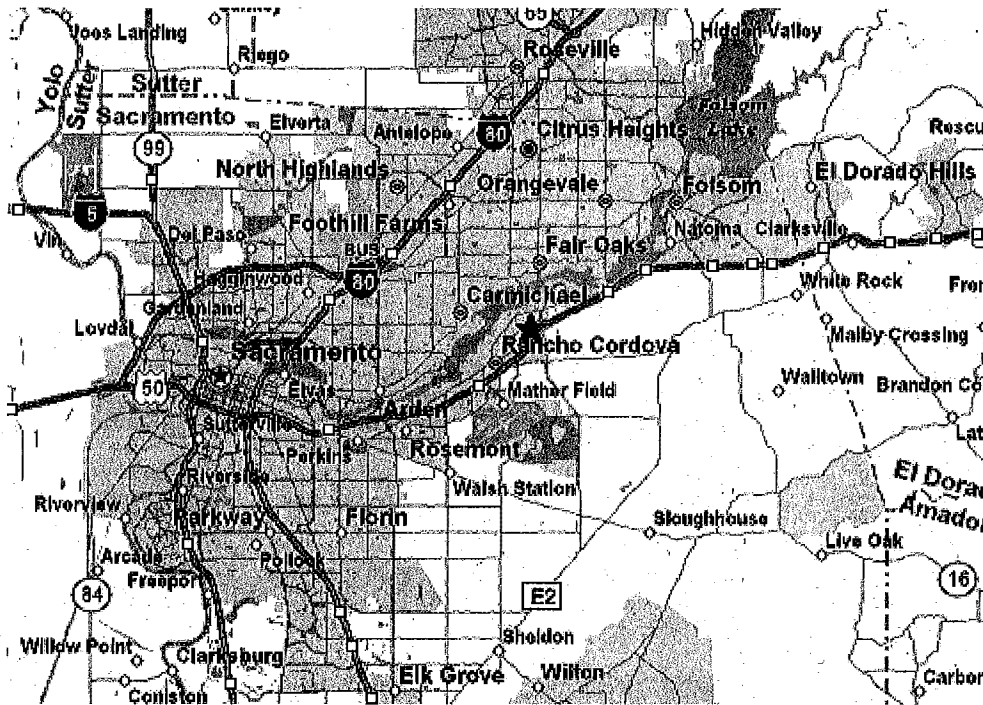


Figure 1: The Sacramento Region (Source: Mapquest.com)

History

The City of Rancho Cordova incorporated on July 1, 2003 with a desire to exercise decision-making power over local land use and services. In its three year history, the City has made strides in making this goal possible by drafting its first General Plan and by using contracts with Sacramento County and other outside agencies to provide quality services to its citizens.

Originating during California's gold rush era, Rancho Cordova was a crossroads for "forty-niners" traveling to foothill mining and gold panning locations, and eventually became a settling place for farmers and vintners. Rocket manufacturer Aerojet located its 22,000-man operations in the city in the 1950s, bringing about the development of thousands of houses. With the Vietnam War came increased activity at Mather Air Force Base, and the city quickly became a military town.

The closure of Mather Air Force Base in 1992 brought a downturn in economic activity in the area, but its seismic stability, elevation above the American River, and inexpensive land prices attracted insurance, financial, and other industries to locate their corporate headquarters in the city. Today, Rancho Cordova's job base is among the largest and strongest in the region. One of the long-term goals of the City is to encourage the development of adequate housing to match this large job population.

Demographics

Because Rancho Cordova is a new city, there are not many recent, accurate sources of demographic data. The most recent population estimate for the City of Rancho Cordova is 56,355, according to a March 2006 survey by the California State Department of Finance. This represents a 2.6% population increase from 2005. The estimated total household number is 22,301. These figures are expected to increase to 94,792 total population and 33,383 total households by 2010.¹

Economy and Jobs

Rancho Cordova has much in the way of business capital to attract economic development opportunities to the area, including affordable and seismically-stable land, a large business park, a strong workforce, access to infrastructure and air cargo services, and synergistic clusters of business industries such as home improvement and manufacturing. The City renovated and moved into a new City Hall facility in early 2006 in the heart of Rancho Cordova's major business park.

Approximately 62,000 employees work in the various office complexes in the area. The largest industry employers are in the professional and business services (14,000 employees), financial activities (13,000 employees) and wholesale and retail trade (11,000 employees). Combined with this diverse employment base, the City is gearing up for an increase in residents as it expands its residential home base, with an expectation of issuing 1,200 building permits during the 2006-2007 fiscal year. With an increase in residents, the City will become attractive for both new retail as well as for the renovation of the existing retail base. This translates into an increase in Rancho Cordova's already strong sales tax base.

Major Private Sector Employers in Rancho Cordova	
Company	Number of Employees
Catholic Health Care	6845
Bank of America	3118
Electronic Data Systems	1787
Vision Service Plan (VSP)	1586
Aerojet – General Corp.	1538
Delta Dental	1500
Franklin Templeton	1200
Cedar Valley Concrete	1154
EdFund	805

Figure 2: Major Private Sector Employers in Rancho Cordova (Source: Sacramento Business Journal and Reference USA)

The regional Sacramento County economy remains strong. There has been no appreciable change in overall employment levels and a slight decrease in unemployment due to population growth. The unemployment rate has declined from 5.3% in April 2004 to 4.5% in April 2005. This is lower than the state's unemployment rate of 6.2% in 2004 and 5.2% in 2005. Slight increases in total wage and salary employment are expected for the region for

¹ SACOG 2004 Projection Data, available at www.sacog.org/demographics/projections.

both the public and private sectors. Overall, the City's micro economy remains strong and is tracking with the overall strong Sacramento County economy.

In light of these positive outlooks, the City is constantly seeking ways to improve its economic opportunities. The Economic Development element of the General Plan sets forth a plan of action to attract more quality retail businesses, develop more executive-level housing, improve infrastructure, and revitalize the local economy through the renovation of Folsom Boulevard and creation of a downtown area.

Transportation and Land Use

Rancho Cordova is fortunate to have excellent transportation access along its major thoroughfares. Sacramento Regional Transit (RT) provides transit services to Sacramento County by light rail and bus. Light rail services traverse the Interstate 50 Corridor, and include four stations in Rancho Cordova. RT is responsible for maintaining this infrastructure. The City's Public Works department plans for future development and revitalizing of existing infrastructure, contracting with Sacramento County Municipal Services Agency to make routine repairs to existing streets.

As the City finalizes its land use and transportation elements of the General Plan, citizens should expect to see greater flexibility in both the modes and routes of transportation, and an increased focus on pedestrian and bicycle mobility. Future land use and transportation policies will reflect the City's desire to foster efficient movement of people and goods around the city and within the region, and to promote an integrated mix of land uses that create lively and livable neighborhoods.

The Region

The Sacramento Valley region consists of six contiguous counties, centered around Sacramento County. The area has seen rapid growth in housing and jobs in the past few years as both businesses and residents leave the high-priced San Francisco Bay Area in search of more affordable land and housing options. Increased growth has brought both prosperity and greater strain on infrastructure, agriculture and the environment in the region. Organizations such as the Sacramento Area Council of Governments (SACOG) and non-profit group Valley Vision were formed to create and implement guiding policies and goals region-wide to ensure responsible growth.

The City of Rancho Cordova is an active participant in regional organizations and maintains a commitment to continue to provide regional leadership.

The City is served by a number of different regional organizations, including:

- ◆ Sacramento Regional Transit – transportation services
- ◆ Sacramento Metropolitan Fire District – fire protection services
- ◆ Sacramento Municipal Utilities District – electricity provider
- ◆ Golden State Water Company, California American Water, Southern California Water, Sacramento City Water, Sacramento County Water—water purveyors
- ◆ Sacramento Regional Sanitation District – sewer services
- ◆ Allied Waste – garbage services
- ◆ Wells Sweeping – street sweeping services

- ◆ Cordova Recreation and Park District – parks, open space, recreation activities
- ◆ Folsom Cordova Unified School District, Elk Grove Unified School District, Sacramento City Unified School District--schools

Miscellaneous Statistics	
Date of Incorporation	July 1, 2003
Form of Government	General Law
Area in square miles	33
Government Facilities and Services	
Miles of Streets	220
Number of Street Lights	3,000
Number of signalized intersections	70
Police protection – number of stations	1
Facilities and services not included in the reporting entity	
Culture and Recreation	
Parks	11
Park acreage	282
Swimming pools	3
Tennis courts	21
Community centers	3
Senior centers	1
Ball and soccer fields	10
Fire Protection	
Number of stations	5
Education	
Number of districts	3
Number of elementary schools	10
Number of secondary schools	6
Number of community colleges	1
County Library	
City-serving branch	1

Figure 3: Miscellaneous Statistics (Source: City Finance Department)

FINANCIAL POLICIES

General Policies

- All current operating expenditures will be paid for with current revenues.
- Budgetary emphasis will focus on providing high quality municipal services, recognizing the fundamental importance to the citizens of public safety and properly maintained infrastructure.
- The budget will strive to provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment.
- The budget will reflect a higher priority for maintenance of existing facilities than for acquisition of new facilities.
- Future maintenance needs for all new capital facilities will be identified with the inclusion of the capital project.
- Strong customer service and productivity improvements with a focus on cost savings remain important budgetary goals.

Revenue Policies

- A diversified and stable revenue system will be maintained to shelter the City from short-run fluctuations in any single revenue source.
- Revenues will be conservatively estimated and will be updated quarterly throughout the fiscal year.
- Intergovernmental assistance in the form of grants and loans will be used to finance only:
 - Those capital improvements which can be maintained and operated over time or
 - Operating programs that can either be sustained over time or have a limited horizon.
- In general, one-time revenues will be used only to support capital or other non-recurring expenditures. One-time revenues may be used for operating programs only after an examination determines if they are subsidizing an imbalance between operating revenues and expenditures; and then only if a long-term forecast shows that the operating deficit will not continue.
- Development process costs and related administrative expenses will be totally offset by development fees.
- The City will identify basic tax-provided services and will establish user fees and charges for services provided in excess of basic services and/or to non-taxpaying users.

Reserve Policies

- A minimum fund balance reserve in the General Fund will be maintained at all times. The minimal, optimal level required for this reserve will be 15% of the General Fund operating budget. The reserve will be drawn down as a funding source of last resort and used only after other reserve accounts have been accessed.
- For all other operating funds, there will be a reserve equal to 15% of the fund's annual operating budget for emergencies.
- The unappropriated fund balance in the General Fund will be maintained at a level sufficient to provide adequate working capital and to accommodate required adjustments to other reserve accounts, including the reserves for advances to other funds, deposits and prepaid items.
- Reserves for Encumbrances and Continuing Appropriations are established at the end of every fiscal year to reserve fund-balance in the amount equal to the City's unpaid obligations and unfinished projects at year-end.
- Funding levels of General Fund reserves will be reviewed during periods of economic stagnation to avoid reductions in operating service levels.
- Appropriations or use of funds from any designated reserves will require City Council action.

Cash Management

- Investments and cash management will be the responsibility of the Chief Financial Officer.
- In accordance with Section 53646 of the Government Code, the City Council will review and update annually an investment policy. The primary purpose of this policy is to set forth the City's investment philosophy and objectives. The City's investment objectives are, in order of priority: safety; compliance with Federal, State and local laws; liquidity; and yield. The policy also specifically outlines authorized investments, the maximum maturities allowed for each investment instrument, and the criteria used to determine qualified depositories and/or dealers.
- The City invests all idle cash as determined by analysis of anticipated cash flow needs. Specific emphasis will be placed on future cash requirements when selecting maturity dates to avoid forced liquidations and the potential corresponding loss of investment earnings.
- In order to maximize yields from the overall portfolio, the City will consolidate cash balances from all funds for investment purposes, and will allocate investment earnings to each fund that has a positive cash balance. Interest expense will be charged to those funds that maintain a negative cash balance.
- The City will maintain the investment portfolio under the "Prudent Person Standard." The "Prudent Person Standard" is as follows: Investments shall be made with

