

City of Folsom

Budget Problem

Community Groups Meeting #2
September 20, 2023

*“Without the leadership to develop a solution,
every community program could be
significantly impacted!”*

What has happened since our August 30th meeting?

- Met with City Manager, Chief Financial Officer and Communications Director
- Discussions with some City Council members
- Discussions with professionals in ballot measures and initiatives
- Discussion with other community leaders
- City Council discussion September 12th
- General research

FAQ Follow-up

- ❑ Does the City budget specifically for allocations to the Reserve (rainy day savings account)? **NO**
 - Operating Budget includes 1% contingency for unforeseen circumstances
 - Unused contingency by policy is transferred to the Reserve
 - Any surplus (after the annual audit) is transferred to the Reserve

- ❑ Why did revenue estimates vary so dramatically in FY 20/21 and FY 21/22? **The Covid Pandemic**
 - Sales tax receipts dropped dramatically in FY 19/20 as pandemic started. City officials had no evidence that purchasing would remain strong, and responded with very conservative estimates.
 - Budget messages from other regional agencies during that time in noted the same situation

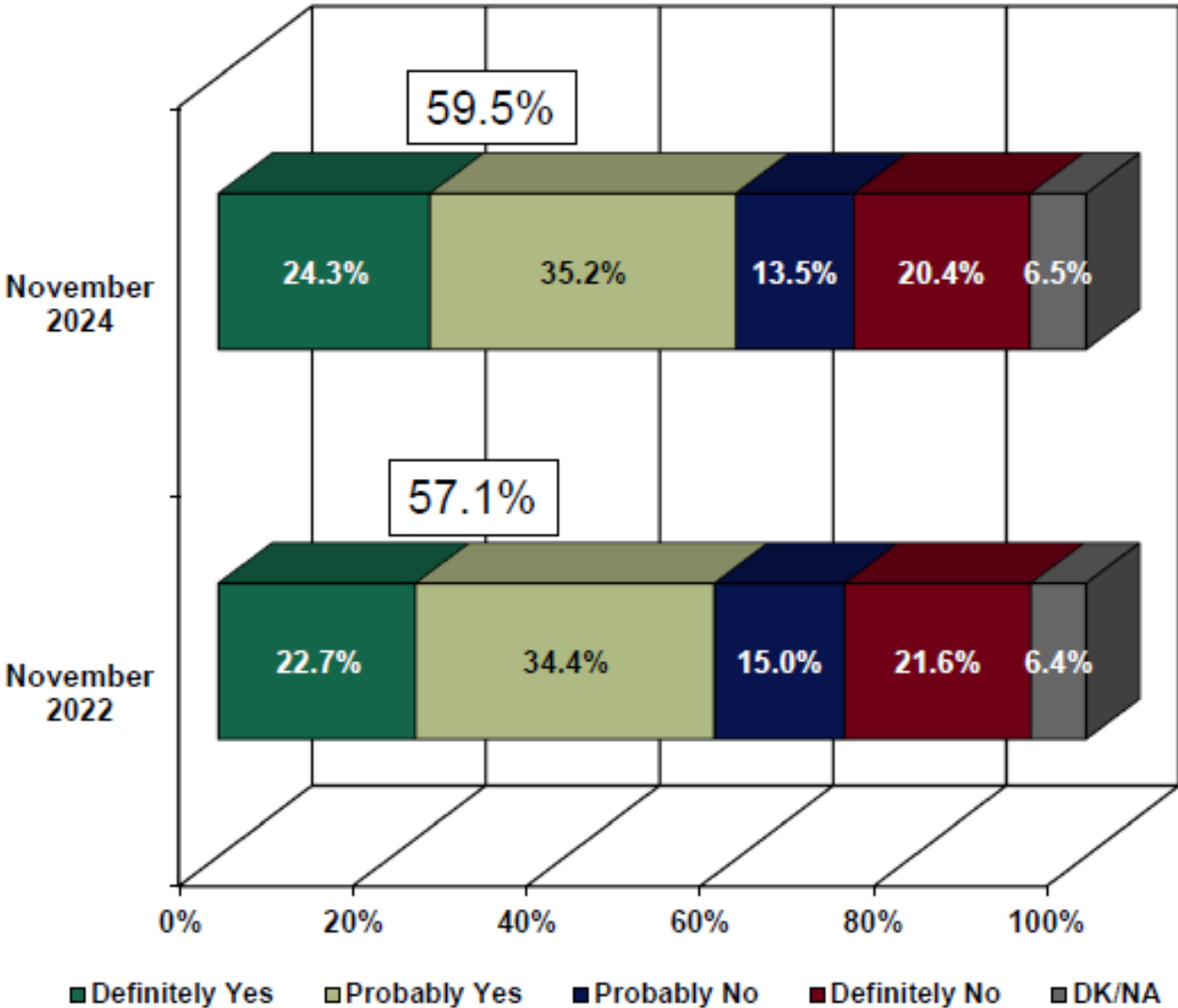
- ❑ Is there any evidence of financial mismanagement at the City? **NO**
 - From its auditor, the City has received an “Unqualified Opinion” that there is “reasonable assurance that the financial statements are free from material misstatement.”
 - The City has received this opinion a minimum of 17 consecutive years (since 2005)
 - The Government Finance Officers Association (GFOA) has recognized the City for its budget process and document as it meets program description criteria as a policy document, as a financial plan, as an operations guide and as a communications device.

FAQ Follow-up

- ❑ Is the City budgeting and spending appropriately in the Folsom Ranch Area? **YES**
 - 2 sworn police officers added in 2018
 - 1 sworn police officer added in 2023
 - 2 community service officers (unsworn) added in 2023
 - 9 fire fighters (3 shifts) added in 2023 (will staff new Station #34 immediately upon completion)
 - Public Works is maintaining accepted streets
 - Public Works is maintaining accepted storm drain facilities
 - Some remaining revenue from Folsom Ranch has not been committed to current operations (deposited in Reserve) because high cost commitments will be assumed in FY 24/25 (i.e., Prospector Park maintenance)
 - Note: streetscape/landscape corridors are maintained by a Community Facilities District, funded by Folsom Ranch homeowners only

- ❑ Does the “Amazon Effect” impact local government sales tax revenues? **YES**
 - Online sales tax is deposited in the County sales tax pool instead of going directly to the City. Buying online means your sales tax dollars are spread across all of the jurisdictions in the County pool and the City then receives a percentage of the County pool revenue based on the City’s brick and mortar sales compared to all brick and mortar sales in the County.

Q6. Uninformed Support for Sales Tax Measure



To maintain and enhance essential City of Folsom services/ facilities, such as:

- maintaining 9-1-1 emergency firefighter/ medical response times;
- wildfire prevention;
- repairing potholes/ city streets;
- maintaining neighborhood police patrols;
- enhancing and maintaining parks/ trails; and
- maintaining traffic safety programs;

shall the City of Folsom measure be adopted establishing a one cent sales tax, providing \$22 million dollars annually, for general government use, until ended by voters, requiring local control, citizen oversight and independent annual audits, and all funds staying in Folsom?

Source: City of Folsom Community Satisfaction Survey, June 2022. Margin of error 3.5% ±, 778 likely November 2024 voters

Most Household Spending Is Not Subject to the Sales Tax

Dollars Spent Per Household Per Year in California's Three Largest Metro Areas, 2012-2013

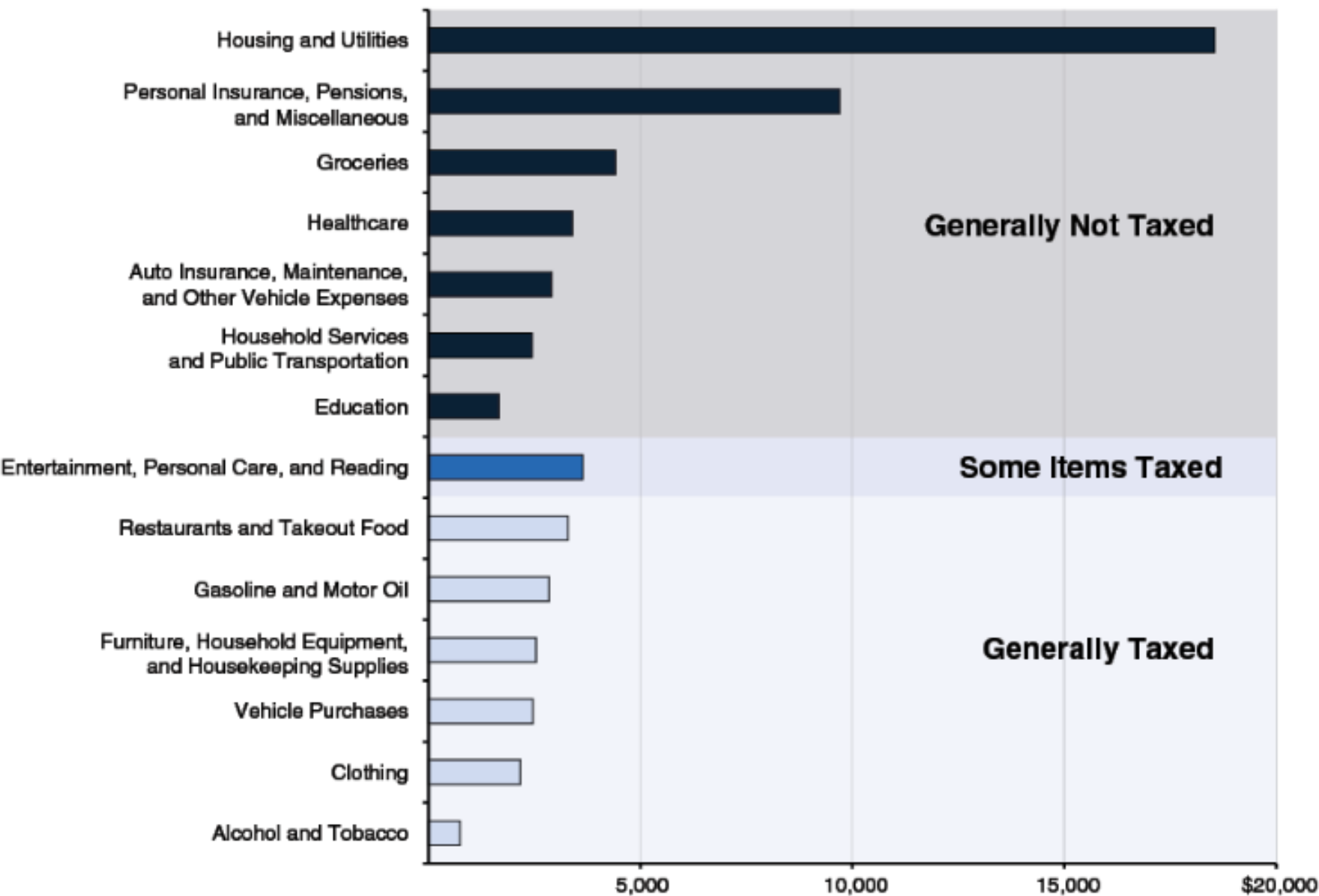


Table from State of CA Legislative Analyst's Office

Average California household spending per year = \$60,000

Note: Folsom average household spending probably higher at about \$90,000/yr

A common fear: Higher Sales Tax hurts seniors and those on fixed income and is general hard on working people.

What is exempt from Sales Tax?

- ☐ Groceries
- ☐ Prescription medicine and certain medical devices
- ☐ Service providers (home, auto, professionals, etc.)
- ☐ Sales of items paid for with food stamps
- ☐ Insurance and healthcare
- ☐ Education

Counter Argument

Sufficient revenue to city programs provides funding of valuable services to resident groups that need it the most, including free or reduced cost programs such as:

- Senior health and fitness classes
- Senior recreation and leisure classes and programs
- Aging and support services
- Inclusion services
- Folsom public Library programs and services
- Police and Fire support services
- ADA improvements

WHAT IS IT WORTH TO LIVE IN FOLSOM? (½ a penny or 1 penny)

How much do you spend on taxable goods in Folsom each year? \$5,000? \$15,000? \$25,000?

SIMPLE EXAMPLES:

Taxable Purchases in Folsom - \$5,000/yr @ 7.75% = \$387.50/yr or \$32.29/mo

OR @ 8.25% = \$412.50/yr or \$34.38/mo (increase of \$2.09/mo)

OR @ 8.75% = \$437.50/yr or \$36.46/mo (increase of \$4.17/mo)

Taxable Purchases in Folsom - \$15,000/yr @ 7.75% = \$1162.50/yr or \$96.88/mo

OR @ 8.25% = \$1237.50/yr or \$103.13/mo (increase of \$6.25/mo)

OR @ 8.75% = \$1312.50/yr or \$109.38/mo (increase of \$12.50/mo)

Taxable Purchases in Folsom - \$25,000/yr @ 7.75% = \$1937.50/yr or \$161.46/mo

OR @ 8.25% = \$2062.50/yr or \$171.88/mo (increase of \$10.42/mo)

OR @ 8.75% = \$2187.50/yr or \$182.29/mo (increase of \$20.83/mo)

REMEMBER: 40% of all SALES TAX GENERATED IS FROM NONRESIDENTS

Key Questions

1. Will each community group designate a representative to address the City Council on the needs of their interests, operations, and facilities? (likely October 24th)
2. Will each community group support and contribute effort towards beginning a Citizens Initiative in order to keep pressure on the City Council?
3. Do community groups favor a “special sales tax” (restricted to the designated purposes), or a “general sales tax” (unrestricted revenue available for any General Fund expense).
4. What tax level should we pursue?
 - ½ cent = \$11 - \$12 million / year, probably a solid band aid, but doesn't cure the long term problem
 - 1 cent = \$22 - \$24 million / year, resolves operational shortcomings, AND provides “opportunity” funding

Key Questions

5. If a special tax, then what does it look like?
 - ❖ Maintaining and enhancing public safety, maintaining and enhancing parks, recreation facilities, trails, and leisure services, something about economic development
6. Can the Special Tax threshold of 2/3 be achieved?
 - November 2020 General Election = 42,027 ballots (83.5% of registered voters)
 - 2/3 would require 28,032 “yes” votes
 - If a General Tax, 50% + 1 would require 21,014 “yes” votes

Potential Special Tax Qualifiers...

1. **Police** – Enhancing police services through hiring additional officers and support staff, purchasing equipment and police facilities. No funds shall be used for salary increases beyond cost of living adjustments or to enhance retirement benefits.
2. **Fire** – Enhancing fire services through hiring additional firefighters and support staff, purchase of equipment and fire facilities. No funds shall be used for salary increases beyond cost of living adjustments or to enhance retirement benefits.
3. **Parks, Trails, Recreation Facilities and Library Services** – Maintaining and Enhancing Parks and Trails, Recreation Facilities, and Library Services
4. **Community Enhancement Projects** consistent with a City Council adopted master plans (Examples - Central Business Master Plan, River District Master Plan, Johnny Cash Art Trail)
5. **Transportation** – Funds may be used for transportation and new recreational trails projects included in a City Council adopted Transportation Master Plan and Trails Master Plan.

Next Steps...

1. Acquire information and begin filing application for Citizens Initiative
2. Prepare presentation to City Council for October 24th
3. What else?