PLACER COUNTY LOCAL AGENCY FORMATION COMMISSION
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COMPREHENSIVE FISCAL ANALYSIS OF THE PROPOSED INCORPORATION OF THE TOWN OF OLYMPIC VALLEY

PLACER COUNTY LOCAL AGENCY FORMATION COMMISSION

MAY 21, 2015
PRELIMINARY DRAFT

RSG
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INTRODUCTION

THE REPORT

This report presents the Comprehensive Fiscal Analysis ("CFA") of the proposed incorporation of a new city in Placer County. Rosenow Spevacek Group, Inc. ("RSG") prepared the report to assist the Placer Local Agency Formation Commission ("LAFCO") in determining the fiscal feasibility of the incorporation of the Town of Olympic Valley ("Olympic Valley" and "Town"), and to review related potential impacts upon the County of Placer ("County") and other agencies presently providing services to Olympic Valley.

This report is based on a thorough analysis of data provided by a variety of public agencies and stakeholders. It is organized by the following sections:

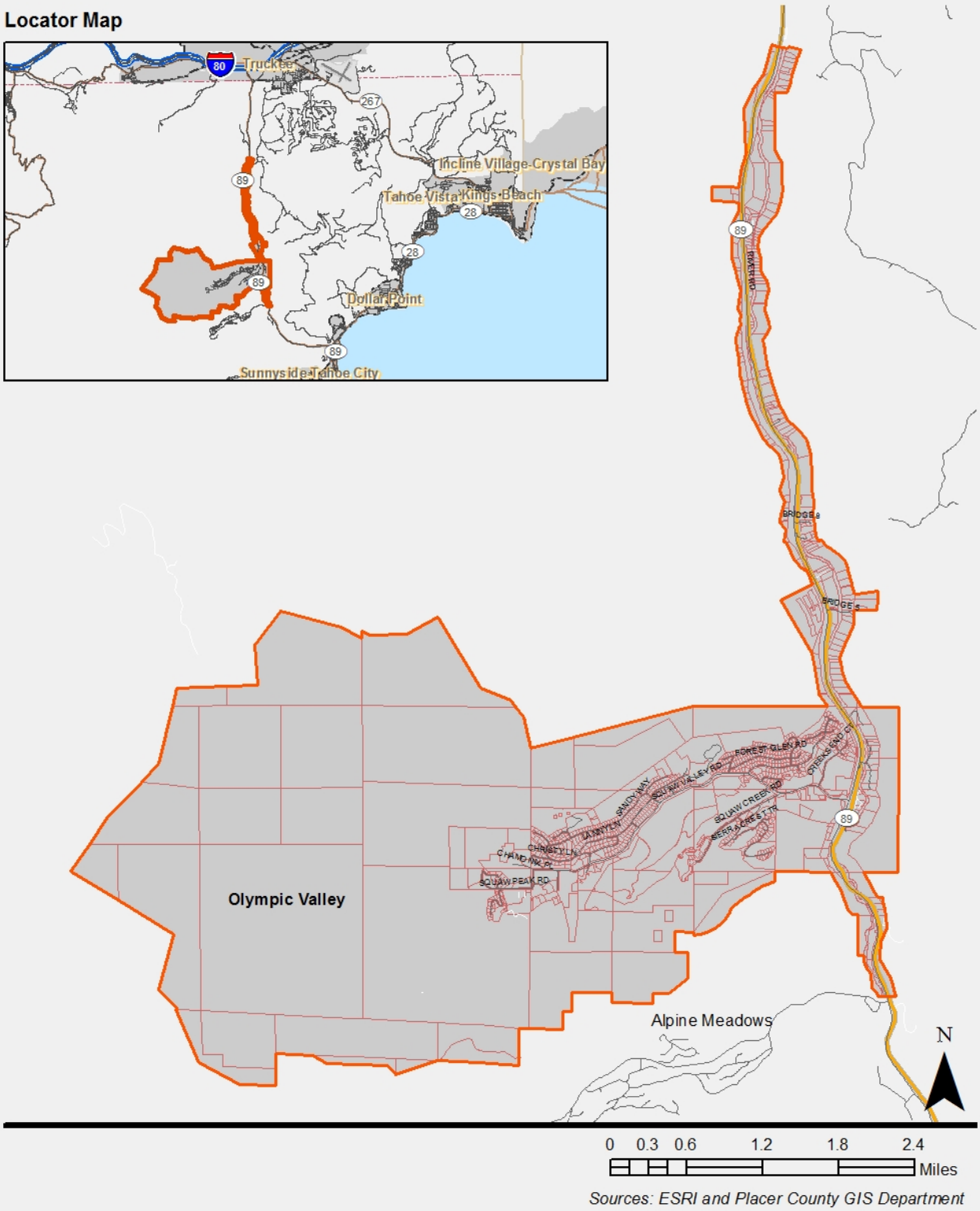
- The key findings are concisely presented in the Executive Summary with a more detailed explanation included in the Conclusion.
- The Background section provides an overview of the incorporation process and some of the important dates relating to the Olympic Valley incorporation.
- The Incorporation Proposal section discusses the details of the proposal for incorporation.
- The analysis performed by RSG is presented in the Growth and Development, Projected Revenues, and Projected Expenditures sections.
- The Impacts on Existing Agencies section discusses the transition year loan, possible revenue neutrality payments, and the provisional appropriations limit.
- Several alternatives considered are discussed in the first appendix.
- The following appendices are RSG's revenue and cost analyses.

STUDY AREA DESCRIPTION

Olympic Valley is located in the Sierra Nevada Mountains, northwest of Tahoe City along California State Highway 89 on the banks of the Truckee River near Lake Tahoe. The area encompasses approximately 15 square miles with 943 permanent residents[1]. It is home to the Squaw Valley Ski Resort, which was the site of the 1960 Winter Olympics. Olympic Valley experiences a dramatic influx of tourists during the ski season. During peak times, it is estimated that between 20,000 and 25,000 people visit the area[2], populating the hotels and vacation rentals. The area has a large number of private vacation homes in addition to the Squaw Valley Ski Resort and some smaller independently-owned lodging establishments to accommodate tourists.

[1] Based on ESRI Business Analyst estimates as of January 27, 2015
[2] Placer County LAFCO estimate

PROPOSED OLYMPIC VALLEY INCORPORATION BOUNDARY



Sources: ESRI and Placer County GIS Department

EXECUTIVE SUMMARY

This report provides a fiscal analysis of the proposed incorporation of Olympic Valley based on data collected from Placer County and various other public entities as well as independent research conducted by RSG. Results of the analysis show the following:

- Based on the assumptions and analysis described herein, the Town's potential General Fund and Road Fund expenditures materially exceed revenues in each year of our forecast and incorporation does not appear to be feasible at this time. This conclusion is based on revenue neutrality terms and conditions that have not yet been established between the proponents for incorporation and the County, or by LAFCO should such negotiations fail. The Town's revenue neutrality payments may therefore differ from the estimates contained herein, which could affect feasibility of incorporation. If a revenue neutrality agreement, terms, and conditions are approved by the parties or established by LAFCO following the issuance of this Preliminary Draft, the Report and its findings shall be updated.

- RSG also determined that both of the alternatives to the proponents incorporation scenario were not feasible:

  - **Alternative 1 – Selective Exclusion** considered a smaller geographic area that excluded parcels from the proposed Town limits, based on respective property owner requests received by the LAFCO Executive Officer. This Alternative is not feasible or fiscally superior to the proposed incorporation boundary because of the elimination of major revenue generating uses and difficulty and inefficiency involved with providing services to different jurisdictions in a small and remote location.

  - **Alternative 2 – Dissolution of SVPSD** addresses a broadening of the incorporation proposal by dissolving and consolidating within the new Town the Squaw Valley Public Service District, a special district providing fire, water, wastewater (sewer) and trash disposal services within its boundaries that happen to be coterminous with the proposed Olympic Valley Town limits. This Alternative is found to have no significant beneficial effects on feasibility proposed new Town other than small potential cost savings through efficiencies.

BACKGROUND

LEGAL PROCESS AND REQUIREMENTS

LAFCOs are local agencies mandated by the State to:

- Encourage the Orderly Formation of Local Governmental Agencies;
- Preserve Agricultural Land Resources; and
- Discourage Urban Sprawl.

Developing a logical boundary for a newly incorporated city is of utmost importance to LAFCOs. To achieve this, LAFCOs may consider alternative boundaries or plans for services throughout an incorporation process. Additionally, LAFCOs are tasked with determining whether the incorporation of a proposed city is financially feasible and whether the transfer of assets from the county and other affected agencies will be adequately mitigated for any fiscal imbalance caused by the incorporation.

This incorporation was initiated when the Petition for the Incorporation of the Town of Olympic Valley was submitted to LAFCO on August 20, 2013 by the incorporation proponents (also known as "Incorporate Olympic Valley"). The LAFCO Executive Officer issued a Certificate of Sufficiency on September 12, 2013 certifying that a sufficient number of registered voters signed the petition and that it is valid. On December 19, 2013, the proponents have submitted an Incorporation Application and a Plan for Services.

After the Incorporation Application is submitted, the next step in the process is for the LAFCO Executive Officer to prepare, or cause to be prepared by contract, a CFA pursuant to Section 56800 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Sections 56000 through 57550 ("Act"), which establishes minimum procedures and requirements for incorporation proposals.

Pursuant to AB 2838 (Chapter 761, Statutes of 2000), the Governor's Office of Planning and Research prepared A Guide to the LAFCO Process for Incorporations, October 2003 ("Guidelines"). The Guidelines "are advisory"[3] include "detailed information and examples about the type of information that should be included in the comprehensive fiscal analysis", and a "suggested process to address the legal requirement of ensuring that incorporations are revenue neutral", as described later herein.

To supplement the Guidelines, LAFCOs may also adopt their own policies, procedures and regulations for incorporations, although no such incorporation policies, procedures and regulations have been adopted by Placer LAFCO.

The CFA serves as a basis for the LAFCO Executive Officer's Report and Recommendation and Terms and Conditions, which will be considered by the LAFCO Board when making its decision on the incorporation proposal at a public hearing. The CFA will also serve as the basis for revenue neutrality negotiations between the proponents and County, which will occur prior to the public hearing on the incorporation. Following revenue neutrality negotiations, LAFCO may update the CFA and set an effective date of incorporation. Ultimately, the effective date of incorporation will depend on the successful processing of an incorporation application, subject to a protest hearing, and a majority approval by Olympic Valley registered voters.

IMPORTANT DATES AND TIMING OF THE INCORPORATION

Base Year

Pursuant to state law and LAFCO guidelines, this CFA presents a realistic forecast of operating revenues and expenditures for the new Town over an eight year period. Pursuant to Government Code Section 56800, "data used for the analysis shall be from the most recent fiscal year for which data are available, preceding the issuances of the certificate of filing." Consequently, this CFA assumes that public review will begin in mid-July 2015 and a certificate of filing will be issued by LAFCO on or before that date.

RSG has developed this CFA using actual revenues and expenditures from the last completed fiscal year (2013-14), which is the "base year" of this forecast; in all cases base year data reflects 2013-14 actual costs, revenues and service levels. Some future contract cost estimates were based on 2014-15 figures provided by the County and other sources; however, we found that overall these 2014-15 costs and revenues to be materially consistent with base year actuals.

Should there be a delay in the incorporation process and issuance of the certificate of filing is pushed back, data from 2014-15 may become available. This would make 2014-15 the "most recent

[3] A Guide to the LAFCO Process for Incorporations, October 2003, Governor' Office of Planning and Research, page 1

fiscal year for which data is available." In that instance, it is possible that this report would have to be updated to establish 2014-15 as the base year and utilize actual revenues and expenditures from that year instead. An updated base year can cause material changes to the findings and conclusions expressed in this Preliminary Draft Report.

Presumed Effective Date of Incorporation

The effective date of incorporation is established by LAFCO after in the process of incorporation as mentioned earlier. For the purposes of this Report, provided all procedural actions are completed, LAFCO approval, and a successful election in early 2016, the effective date of Incorporation of the Town of Olympic Valley has been assumed to be July 1, 2016.

The establishment of an effective date is significant in that the flow of revenues to the new Town is dependent upon the establishment of that date.

Transition Period

The transition period is the time between the effective date of the incorporation and the time when it must assume full service responsibility, or in this case from July 1, 2016 to June 30, 2017. Some, but not all, future municipal revenues would begin to be collected by the Town during the transition period. The timing of 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 Olympic Valley or the incorporation timing itself. No new city can immediately collect all revenues immediately beginning on the effective date. In Olympic Valley, some General Fund revenues would not be collected fully, or at all, during the first year of incorporation. RSG has noted these exceptions in this Report.

During the transition year, the County would continue to be responsible for maintaining its current level of service for Olympic Valley. Costs to provide services which will eventually transfer to the new Town would be reimbursed by the Town over a five year period. The 12-month transition period would afford the Town the opportunity to select staff, initiate contracts for other services, and generally prepare for full assumption of municipal services in the following fiscal year.

METHODOLOGY AND DATA COLLECTION

Preparation of this CFA involves collection and analysis of data from various agencies, and extrapolating that information into a future service plan that would be different than what is employed today in the community. As the Guidelines state:

> *"Existing law does not provide an exact formula for establishing the first year's expenditures for a new city. Budget projections are based on a series of judgement decision related to other established cities, past experience and the type and level of services. In addition, the level of services provided and the type of provider (either the new city or a contract entity) will impact the annual projection of cost. OPR recommends that LAFCO clearly identify the assumptions underlying the projection of costs. These projections can also be based on a review of the budgets of similarly sized cities.* [4]*"*

RSG employed such judgment and best practices in compiling data and developing our forecast of costs and revenues in this Report, as described below.

[4] A Guide to the LAFCO Process for Incorporations, October 2003, Governor' Office of Planning and Research, page 34

Collection of Data and Projections

Primary data sources for this CFA include the County, draft and adopted planning and financial documents created by the County, the Squaw Valley Public Services District, the Tahoe City Public Utilities District, the US Census, the Squaw Valley Ski Resort and other local businesses, Incorporate Olympic Valley, LAFCO, and ESRI Business Analyst. The following is a detailed schedule of the data requests sent:

December 1, 2014	LAFCO Executive Officer sends data requests to County Service Departments, the Squaw Valley Public Service District, the Squaw Valley Mutual Water District, the California Highway Patrol, County Sheriff, and CalFire requesting information on levels of service, costs, and future contracts. The same request was later forwarded to Tahoe City Public Utilities District.
December 8, 2014	On behalf of LAFCO Executive Officer, RSG sends data requests to the Placer County Auditor-Controller and Treasurer-Tax Collector. One piece of data requested was the Auditor's Ratio.
December 16, 2014	LAFCO Executive Officer sends data request to the State Board of Equalization for sales tax data.
February 9, 2015	On behalf of the LAFCO Executive Officer, RSG sends data request to the County Registrar asking for data on the number of registered voters in Olympic Valley.
February 19, 2015	On behalf of the LAFCO Executive Officer, RSG sends additional data request to County departments requesting updated actual costs and revenues for fiscal year 2013-14.

As LAFCO and RSG received data responses, each response was analyzed and assessed. LAFCO and RSG followed up with the various parties for questions, clarification, or additional data requests. Most important to LAFCO and RSG was understanding the methodology used to derive at figures in order to determine the validity of the data.

All data collected was used in conjunction with other data sources, best practices, and RSG staff knowledge from similar projects and communities. Future projections are based on historical growth, planned developments, and best estimates, and are intended to be realistic in nature. While RSG has made every effort to accurately ascertain service demands, costs, and any resulting revenues, a number of factors cannot be predicted including decisions that may be made by a future Town Council, regional or national economic impacts, changes to state or federal law, or natural disasters including long-term, extreme drought.

Use of Other City Budget Information in Developing this Report

The Guidelines advise LAFCO that budget projections can be based on a review of the budgets of similarly sized cities, which can be appropriate in some communities but not for every single incorporation proposal, especially one with a dramatic fluctuation in its actual population that see a 25-fold increase in population like Olympic Valley. Looking over the list of cities incorporated in the last 10 years (Wildomar, Menifee, Eastvale and Jurupa Valley), all of these are suburban communities and lack significant numbers of seasonal residents, but of course have the most recent experience with the initial costs of incorporation. Most small cities in California are not located in areas with large seasonal populations, and those that do exist may not be comparable in terms of what they may pay employees with a much lower cost of living than Olympic Valley, where housing costs are comparable to what one sees in the Bay Area despite being hundreds of miles east.

As such, RSG had to look at different cities and exercise significant judgment in selecting the appropriate "comparable cities" depending on the nature of the cost (or revenue) involved. In each case, considerable effort was taken to ensure that the existing level of services was driving the selection of the assumption used.

THE INCORPORATION PROPOSAL

PLAN FOR SERVICES

Two entities currently provide most municipal services to Olympic Valley – the County and the Squaw Valley Public Service District (SVPSD).

Existing Municipal Service - County of Placer

Excluding Countywide services such as public health, coroner, courts and other regional services not transferred due to incorporation, the County provides the following types of local municipal services in Olympic Valley:

- Law enforcement;
- Planning and building;
- Code enforcement;
- Engineering;
- Road maintenance;
- Parks and recreation services; and
- Animal control.

The County's local services are funded primarily through property taxes, sales taxes, transient occupancy taxes, property transfer taxes and fees for service.

Existing Municipal Service - SVPSD

The SVPSD is a special district that provides:

- Structural fire protection;
- Water;
- Wastewater (sewer); and
- Trash disposal services.

The SVPSD's services are funded through a share of the general property tax levy, and fees and charges for services.

Proposed Service Plan

Incorporation would affect the manner in which some, but not all, services are delivered to Olympic Valley. Upon incorporation, the County's local municipal service responsibility would transfer to the new Town, along with portions of revenue generated within the Town boundaries. This CFA assumes that the SVPSD will continue to operate in its current capacity, although an alternative scenario is provided in Appendix 1, wherein the SVPSD district is assumed to dissolve and the Town would absorb SVPSD's responsibilities and assets.

The Plan for Services matrix in Figure 1 presents the proponent's submitted Plan for Services and RSG's assessment of current and future service responsibilities.

Figure 1 - Plan for Services, Proposed Incorporation

Public Service	Current Provider	Anticipated Provider	Level of Service
General Government	Placer County	New Town - Town Staff and Contract Services	Enhanced
Law Enforcement	Placer County	New Town - Contract with County	No Change
Traffic Control & Accident Investigation	California Highway Patrol	New Town - Contract with County	Enhanced
Animal Services	Placer County	New Town - Contract with County	No Change
Fire Protection/EMS	SVPSD	SVPSD	No Change
Fire Protection Acreage	Cal-Fire	New Town - Contract with Cal-Fire	No Change
Land Use Planning	Placer County	New Town - Town Staff and Contract Services	Enhanced
Building and Safety	Placer County	New Town - Contract with County	No Change
Code Enforcement	Placer County	New Town - Contract with County	No Change
Engineering	Placer County	New Town - Contract with County	No Change
Road Maintenance	Placer County	New Town - Contract with County	No Change
Snow Removal	Placer County	New Town - Contract with County	No Change
Parks & Recreation	Placer County	New Town - Contract with County	No Change
Domestic Water	SVPSD & Squaw Valley Mutual Water	SVPSD & Squaw Valley Mutual Water	No Change
Cable Television/Broadband Telecommunications	Suddenlink & AT&T	Suddenlink & AT&T	No Change
Solid Waste Collection/Disposal	Truckee Tahoe Sanitation District	Truckee Tahoe Sanitation District	No Change
Gas	Various Propane	Various Propane	No Change
Public Education	Tahoe Truckee School District	Tahoe Truckee School District	No Change
Library	Placer County	Placer County	No Change
Wastewater/Sanitation	SVPSD	SVPSD	No Change

FORM OF GOVERNMENT

The Town of Olympic Valley is assumed to be incorporated as a General Law City under the State Constitution. The proposed form of the new Town would be governed by the Town Council and would retain a Town Manager who would be responsible for the day-to-day operations of the Town. Members of the Town Council would be elected at-large.

Assumed Municipal Organization

The proponent's application indicates that the Town is proposed as a "contract city", meaning that the Town would have limited permanent staff, and contract remaining 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 at least some portion of public services provided by contract rather than permanent employees[5]. One advantage contract cities have over cities that rely on permanent employees is the ability to scale quickly as service demands dictate. Although Olympic Valley at 943 permanent, year-round residents would seem to be one of the smallest cities in California, its seasonal population can be as high as 25,000; therefore a contract service model can be especially useful in these types of communities.

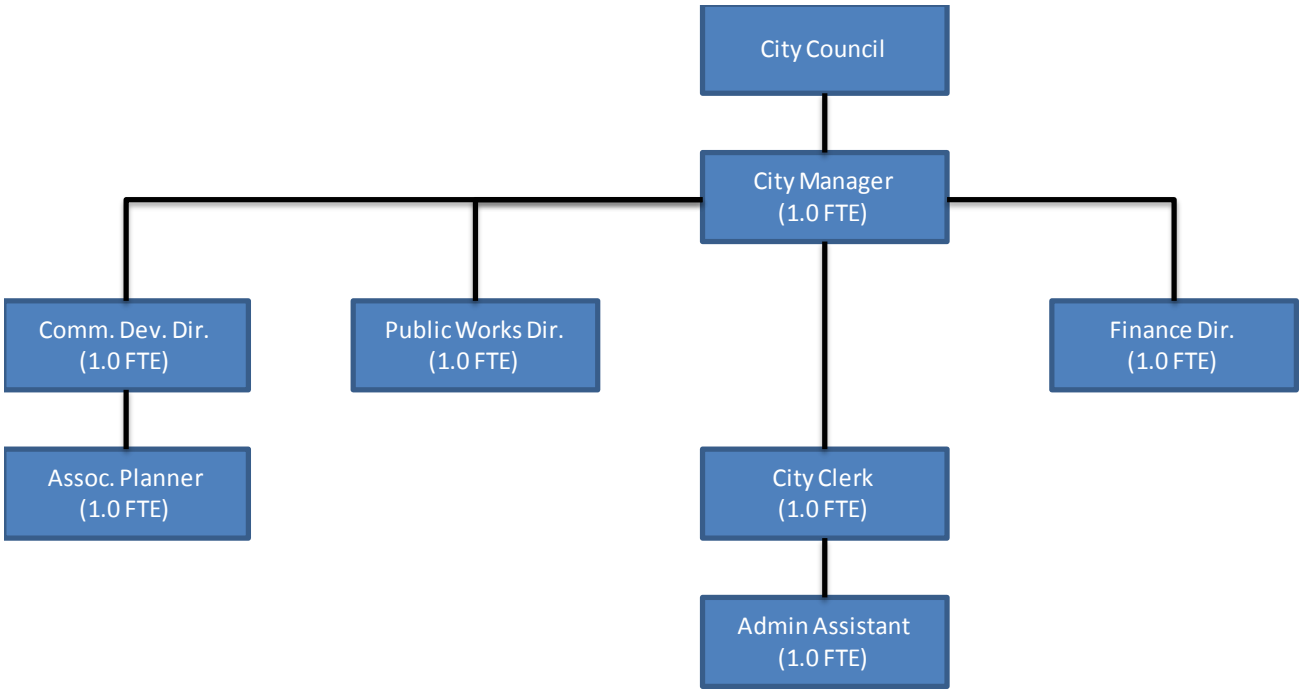
The exact number of permanent employees and contract services is not known at this time and would be established by the Town Council after incorporation. At this time, RSG would not know how many permanent employees and contract employees may be used by the City. RSG estimates that the minimum number of full-time staff needed to administer operations at their current level would be 7.0 full-time employee equivalents (with other responsibilities assumed to be provided by contract staff). Aside from one fully contract city with no permanent employees (Jurupa Valley), this would make Olympic Valley one of the smallest in terms of the number of employees of

[5] California Contract Cities Association

any in California, even smaller than many cities its size. RSG took into consideration that a number of functions that must be performed are not necessarily scalable to population size in order to function effectively; even a "contract city" would typically need personnel dedicated to procure and manage these contractors and maintain a local presence.

Figure 2 below presents a conceptual organizational chart of the proposed organization of Town staff, exclusive of services provided by contracts. Contract services would include building and code enforcement, engineering and surveying, planning services beyond those provided by full-time planning staff, community development technical support and Geographic Information Systems (GIS) support, city attorney services, payroll and auditing, parks and recreation staff support, animal control, law enforcement, road maintenance, and wildfire protection.

Figure 2 - Organizational Chart



Personnel titles were determined by RSG based on the function performed and nature of the work involved, in which we considered other cities of similar size and scale, seasonal communities, and other factors. Personnel costs for each position were based on RSG's February 4, 2015 survey of relatively small, nearby cities, which would be logically competing for the same talent. In some cases, personnel costs may be marginally higher given the higher cost of housing in Olympic Valley as compared which may cause some employees to have to live outside the area. The LAFCO Executive Officer has noted the County itself pays its own employees a stipend for working in the North Shore area.

Benefits were estimated in consultation with LAFCO Executive Officer and a survey of many of these same cities, based on the ratio of salary to benefit expenses. According to this data, the average ratio of benefits to salary for the comparable cities was 38 percent. This number was adjusted down for the smaller size of Olympic Valley, but then kept at 35 percent due to Olympic Valley's relatively high cost of living.

RSG's analysis of various compensation levels and benefit ratios is presented in Figure 3 below.

Figure 3 - Personnel Costs

		Comparable Cities					
Item Detail and Assumptions	*Proposed City* Olympic Valley	Colfax	Placerville	Nevada City	Auburn	Angels Camp	Truckee
Total Population in 2014[1]	943	2,055	10,389	3,087	13,580	3,748	16,942
City Employees							
Total Number of Employees in 2013[2]	7	19	197	97	91	76	155
Benefits Ratio	35%	30%	48%	51%	20%	38%	38%
Permanent Employee Salaries							
Management							
Town Manager	$130,000	$114,007	$117,912	$80,496	$123,408	$121,285	$157,949
Town Clerk/Admin Support	$50,000	$37,881	$60,624	$48,522	$55,674	N/A	$106,906
Admin Assistant/Secretary	$35,000	N/A	$35,712	N/A	$48,012	N/A	$39,053
Finance							
Finance Director	$90,000	N/A	$83,304	N/A	N/A	$93,664	N/A
Community Development							
Community Development Director	$90,000	$89,976	$95,592	N/A	N/A	$93,664	$129,945
Associate Planner	$60,000	N/A	$56,952	$63,888	$69,798	N/A	$75,976
Public Works							
Public Works Director	$90,000	N/A	N/A	$67,320	N/A	N/A	$143,264
Other Compensation							
Town Council Stipend	$2,500	$1,200	$4,200	$2,600	$1,600	$3,600	$3,600
Contract Attorney	$100,000	$82,000	$76,391	N/A	$150,000	$80,000	$123,800

Note: Only directly employed personnel are included. "N/A" indicates that a position is either contracted, not explicitly provided, or covered via a stipend as opposed to a salary.
[1] ESRI Business Analyst
[2] California State Controller's Government Compensation in California Website
Sources: City Salary Schedules and Budgets for 2014-15

GROWTH AND DEVELOPMENT

POPULATION ESTIMATE

The Olympic Valley base population used in this CFA was calculated by drawing upon ESRI Business Analyst estimates, which estimated 2014 population by looking at 2010 Census data within the proposed City limits and forecasting outwards. The estimated permanent resident population of Olympic Valley on July 1, 2014 was 943. This differs from the population estimate from the draft Municipal Services Review (MSR) for the SVPSD, prepared by LAFCO, which calculated the population in 2012 to be 1,476, because the MSR projections were based on Census data for the 96146 zip code, which includes the Alpine Meadows area.

VILLAGE AT SQUAW VALLEY SPECIFIC PLAN

In December 2011, Squaw Valley Real Estate, LLC, submitted the proposed Village at Squaw Valley Specific Plan ("Specific Plan"), to guide development within the 93.51-acre Village at Squaw Valley area. The County is currently preparing a Program Environmental Impact Report to analyze the environmental impacts of implementation of the project, and the Draft EIR was made available to the public in May 2015. According to the April 2015 Draft of the Specific Plan, the following land uses may be developed:

- 216,083 square feet of additional non-specified commercial building area, net of an existing 77,650 square feet to be redeveloped;
- 850 units of residential uses, the majority of which are expected to be used as hotel or vacation rentals rather than permanent housing;

- 18 units of dormitory-style employee housing to accommodate 108 beds; and
- a 4,000 square foot transit center.

It is unknown what projects within the Specific Plan will in fact be constructed and completed, but based on one meeting with the developer last fall, RSG and the LAFCO Executive Officer were informed that the project would likely be built in phases over a 20-25 year timeframe. RSG sought to obtain more detailed information from the developer on the projects and phasing, throughout the process to prepare this CFA, but the developer did not provide any such direction.

According to the October 2014 draft Specific Plan:

> *"Development of the Plan Area may evolve in a variety of ways depending upon several factors. These include shifts in market demand for various housing types, and changes in the development goals and capabilities of property owners within the Plan Area. Development of the Plan Area is not phased by zone or region, but instead on an individual building by building basis. A detailed infrastructure schedule will define what infrastructure commitments will be necessary to accommodate and support the demands of each building as they are constructed. There is no set order by which buildings will be erected so as to properly align the pace of development with the rate of product absorption and to facilitate prudent capital/risk management. As existing facilities are displaced, appropriate temporary or replacement facilities will be established."*

RSG consulted with the County Planning officials as part of our effort to develop an absorption forecast for the development that may occur within the timeframe of this CFA's forecast, since not all of the potential Specific Plan projects are anticipated to occur within the timeframe covered by this CFA. In addition, RSG consulted with the LAFCO Executive Officer and evaluated a September 23, 2014 "Draft Technical Memorandum" prepared for the SVPSD by Catherine Hansford of Hansford Economic Consulting ("HEC"). The purpose of the HEC "independent projection of revenue generation" was to help the SVPSD determine the impacts of the Specific Plan development on its revenues and expenses. The HEC forecast had similar conclusions to the forecast embodied in this CFA, although there were some variances due to the annual (versus periodic) nature of this CFA's forecast and the additional refinements made available to RSG from County consultations that have taken place after the HEC report was completed.

DEVELOPMENT OUTSIDE SPECIFIC PLAN AREA

The majority of Olympic Valley is undevelopable, although some development may still occur outside the boundaries of the 93-acre Specific Plan area. The County Planning Department reports that entitlements have been approved for two projects:

- Olympic Estates: 16 residential units totaling 64 bedrooms; and
- RSC Phase II: 441 condominium units totaling 464 bedrooms.

In addition, over the next 25 years, the County Planning Department estimates approval and development of several more projects, some portion of which may be constructed during the CFA forecast period:

- Squaw Valley Ranch Estates: 8 residential units totaling 40 bedrooms;
- Mancuso: 4 residential units totaling 20 bedrooms;
- Redevelopment of the PlumpJack property: 104 net hotel rooms/condo bedrooms and 10,000 square feet of net new commercial use;
- A museum of 14,500 square feet;

- Single Family Residential: 66 units and 264 bedrooms;
- Resort/condo/hotel units: 34 units and 52 bedrooms; and
- General commercial uses (retail, restaurant, service): 56,000 square feet

The amount of this 25-year development that is reasonably expected to be absorbed during the CFA analysis period is described in the next section below.

CFA DEVELOPMENT FORECAST

Between development within the Specific Plan area and additional development that may occur in the next 25 years outside the Specific Plan area, Olympic Valley could see a significant increase in development consisting of 1,440 units (2,765 bedrooms) and 300,583[6] net new commercial square feet. These figures are loosely the same between the County Planning Services Division and a forecast prepared for the SVPSD in September 2014 by HEC, but for several reasons, RSG needed to refine these forecasts to reconcile differences, reflect figures on an annualized basis, and make assumptions regarding the type of land uses involved and the pace of development and absorption beyond what was included in either forecast.

The forecast period for this CFA is 10 years, including a transition year. Initially, it is reasonable to expect that some projects that have not yet been entitled may take some time to receive entitlements (typically 9-18 months), prepare grading plans, construction drawings and receive permits (6-12 months), and be constructed (18-24 months). Additionally, development of these projects is anticipated to occur in phases, likely based on demand and the desires of the respective developers, which RSG has noted are not yet known in great detail.

The resulting RSG forecast for development within the 10 year CFA period is reflected in Figure 4, which was incorporated into our analysis not only of population (both permanent and visitor) but property taxes, transient occupancy taxes, sales taxes and other revenues as well as expenditures. No growth is forecasted during the transition year, as County officials do not feel that construction of the aforementioned projects is likely to be completely finished and assessable by July 1, 2016, especially given the difficulties the construction industry is likely to face during winter months.

[6] Net of an estimated 77,650 square feet to be demolished and redeveloped with new uses according to County estimates.

Figure 4 - Growth Forecast

Comparison of RSG Forecast to Other Forecasts	HEC/SVPSD Forecast (Sept 2014)			County Forecast (Mar 2014)			**RSG Assumption**		
	5 Yrs	15 Yrs	25 Yrs	5 Yrs	10 Yrs	25 Yrs	5 Yrs	10 Yrs	25 Yrs
SP: Residential/Lodging Units									
Condo Hotel & Fractional Cabins	**242**	**501**	**850**	**297**	**467**	**850**	**242**	**492**	**850**
SP: Resort Residential (1,243 beds)						600	242	242	600
SP: Hotel (250 beds)						250	-	250	250
Employee Housing (Dormitories)	**204**	**204**	**204**	**92**	**144**	**264**	**-**	**264**	**264**
SP: Employee Housing									
SP: Nonresidential SF	**77,042**	**150,135**	**225,147**	**119,940**	**154,940**	**220,083**	**91,900**	**147,635**	**220,083**
Net Existing SF (to be Replaced)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)
Gross SF Projected	154,692	227,785	302,797	197,590	232,590	297,733	169,550	225,285	297,733
Retail	5,500	20,400	28,621				20,400	20,400	28,621
Restaurant/Food & Beverage	7,000	22,650	31,121				22,650	22,650	31,121
Hotel "Common Area"	15,692	33,235	66,555				-	33,235	66,555
"Mountain Adventure Camp"	90,000	90,000	90,000				90,000	90,000	90,000
Ski Services & Other Amenities	32,500	52,500	62,500	15,000	20,000	20,000	32,500	40,000	57,436
Transit Center	4,000	4,000	4,000				4,000	4,000	4,000
Neighborhood Market	-	5,000	5,000					-	5,000
Shipping/Receiving	-	-	15,000					15,000	15,000
Other Residential/Lodging (Outside SP)		**No Forecast**		**168**	**336**	**673**	**168**	**457**	**673**
RSC Phase II						441	152	441	441
Olympic Estates (64 beds)						16	16	16	16
PlumpJack Hotel						80	-	-	80
PlumpJack Condo						24	-	-	24
New Hotel (Outside Specific Plan)						34	-	-	34
Squaw Valley Ranch Estates						8	-	-	8
Mancuso (20 beds)						4	-	-	4
Single Family Residential (264 beds)						66	-	-	66
Other Nonresidential SF (Outside SP)		**No Forecast**		**24,500**	**44,625**	**80,500**	**24,500**	**44,625**	**80,500**
Olympic Valley Museum							14,500	14,500	14,500
General Commercial							10,000	30,125	56,000
PlumpJack Redevelopment							-	-	10,000

Note: RSG used the County's Cumulative Assumptions Technical Memorandum, the HEC Technical Memorandum, and RSG's own expertise to best estimate phasing and timing of projects.

Sources: Cumulative Assumptions Technical Memorandum; County Planning Department; Village at Squaw Valley Specific Plan; Technical Memorandum – Revenue Impacts of the Village Development on SVPSD from Hansford Economic Consulting

Population Increases Due to New Development

Although the majority of the new development is anticipated to be largely visitor-serving, some permanent population may be added to the community as a result of the development projected. Future population projections were estimated using a housing unit development methodology to estimate the population, in conjunction with historical growth rates.

Using GIS, the boundaries of the proposed Town were geographically matched to data from the US Census and ESRI Business Analyst. An average historical population growth rate of 0.56 percent (about 5 residents per year) was determined based on 2000 and 2010 Census data, as this data does not rely on estimates and is therefore more likely to be accurate. However, due to the substantial amount of anticipated development on the horizon, this CFA is proposing a slightly more aggressive rate of 1.59 percent, which varies between individual years, as this accounts for the inclusion of additional development and its anticipated boost to annual population growth, assuming that current residential owner-occupancy rates and average household size stay constant.

Our population forecast is shown in Figure 5 below.

Figure 5 - Population Forecast

				12 Month Period Beginning								
			Transition									
Population Projections	7/1/2014	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
After New Development is Factored In	943	948	954	962	968	1,012	1,043	1,074	1,104	1,110	1,116	1,122
Before New Development is Factored In	943	948	954	959	964	970	975	981	986	992	997	1,003
Registered Voters	552	561	570	579	588	597	607	616	626	636	646	656

2000 Population[1]	870
2010 Population[1]	919
2014 Population Projection[2]	943
Growth Rate 2000-2010	0.56%
Homes Owner-Occupied[3]	11%
Average Household Size[1]	2.3
Registered Voters[4]	552
Projected Growth Rate 2014-20	1.59%

Note: RSG used this growth rate for the projections because it does not incorporate estimates into its calculation, and is therefore more likely to be accurate.

Note: RSG assumed that average household size and the percentage of homes that are owner-occupied would stay constant.

[1] 2010 US Census

[2] ESRI Business Analyst Estimates

[3] Placer LAFCo SVPSD Municipal Services Review - Admin Draft

[4] Placer County Office of Elections

PROJECTED REVENUES

This CFA 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. Furthermore, the cash basis approach provides a more realistic picture of both the year-end surpluses and deficits, which can be experienced by the new Town.

Town revenues will come from a variety of sources. The majority of Olympic Valley's revenue would be designated as general fund revenue, which would be used to provide municipal services such as general government, law enforcement, planning and land use, building inspection, animal control, wildfire protection, and parks. General Fund revenues typically come from property taxes, sales taxes, state subventions, and fees for services. Other revenues are restricted for specific purposes, such as fees for services, or state subventions, such as gas tax revenues

The following section describes the different revenues the new Town will be eligible to receive, and the methodology used to forecast these revenues. There will be differences between the forecasts and actual results because events and circumstances may not occur as expected, and those differences may be material. In addition, outside forces such as the State Budget Process and the national economy can have a large effect on potential revenues. The State of California's budget process is extremely unpredictable and often highly disadvantageous to local jurisdictions. The State has imposed tremendous changes in the last ten years at the local government level, such as the loss of redevelopment, which could be neither predicted nor mitigated. It is impossible to forecast what the next ten years may bring. The economy operates with a little more predictability; however, local jurisdictions are often unprepared for even normal fluctuations in the economy.

NEW TAXES AND FEES

This CFA assumes no new taxes will be imposed by the Town, and that, initially, the existing fee schedules and franchise agreements maintained by the County will be adopted by the Town Council upon incorporation. However, in the future, the Town would have the option of adopting different fee schedules, and entering into new franchise agreements that may later alter, favorably or unfavorably, the amount of revenues available to the new Town. Additionally, voters may choose to approve new taxes, though any such tax increase is subject to Proposition 218.

GENERAL FUND REVENUES

The Town's General Fund will pay for most municipal operational services, including general government, community development, animal control, wildfire protection, parks and recreation, 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, and property transfer taxes);
- Fees for services (franchises, community development, public works/engineering, and animal license);
- Fines and forfeitures; and
- Interest earnings.

Over the first nine years and the transition year, estimated General Fund revenues range from $5.5 million in fiscal year 2017-18, to $9.7 million in fiscal year 2025-26. The methodologies for calculating these revenues are described below.

General Property Tax Levy

Upon incorporation, the Town would receive a portion of the County's General Fund property tax share of the general (1 percent) tax levy. Section 56810 of the Government Code provides a specific formula for determination of the portion of the property tax share allocated to the new Town. The formula derives the city's base year property tax revenue transferred to the Town by determining the total net cost of certain municipal services that will be transferred to the new Town, from information supplied by the county, based on the base year. As previously discussed, the base year for Olympic Valley is fiscal year 2013-14.The net costs include both direct costs, and overhead or indirect costs, funded by the General Fund.

In total, the County's net cost of services in the base year equals $1,381,769. According to reports from the individual agencies and departments of the County that provide General Fund services to Olympic Valley, the net cost of services provided in the base year (2013-14) consist of the following items:

- Community Development ($59,235): RSG obtained actual base year costs and revenues from the County Community Developer Resource Agency in a written response dated February 20, 2015. Revenues were generated from planning, building, and engineering fees for services.
- Law enforcement ($1,257,612): The Placer County Sheriff reported actual costs based on five years of data for the proposed incorporation area. The five-year total for service calls was compared to calls for service within the Tahoe Basin or County as a whole. The resulting percentage splits were then applied to actual FY 2013-14 Countywide costs for services.
- Parks & Recreation ($27,889): The County Parks Department provided actual base year costs and revenues in a written response dated February 20, 2015.
- Animal Control ($7,295): Actual animal control costs and revenues were provided in a written response dated February 20, 2015 from the County Department of Animal Services.
- Public Works – Road Maintenance and Snow Removal ($29,737): RSG obtained actual General Fund base year costs and revenues from the County Public Works Department in a written response dated February 20, 2015. However, the majority of the costs for road maintenance and snow removal would be first payable from the new Town's Road Fund, not its General Fund.

Pursuant Government Code Section 56810, the total net cost of services transferred to the Town is then multiplied by a factor known as the Auditor's Ratio. The Auditor's Ratio, determined annually by the county Auditor-Controller, represents the ratio of general property taxes received during the base year, to all revenues received by the county for general purposes during that same fiscal year. Based on the Auditor's Ratio reported on December 19, 2014 of 51.21 percent, $707,550 of the net cost of services was funded by property tax revenue.

The base year property tax revenue transferred to the Town of $707,550 is adjusted by the projected percentage change in estimated assessed valuation between the base year and first year the Town will receive property tax revenue (the projected increase from fiscal year 2013-14 to fiscal year 2017-18), which equals 12.50 percent. The adjusted property tax revenue transferred to the Town is $796,003. This number is then stated as a percentage of the projected property taxes collected with the new Town boundaries, which is equivalent to 6.20 percent of the total property tax base in Olympic Valley in fiscal year 2017-18. 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.

Figure 6 presents the calculation of property taxes to the City General Fund using the base year numbers for analysis according to government formation law[7].

Figure 6 - Property Tax Share Transfer

	2013-14 Net Costs for Olympic Valley		
	Cost	Revenue	Net Cost
Net Cost of Services Transferred to Town			
Community Development	238,512	179,277	59,235
Public Works - Road Maintenance & Snow Removal	29,737	-	29,737
Sheriff	1,257,612	-	1,257,612
Facilities - Parks	49,903	22,014	27,889
HHS - Animal Services	7,553	258	7,295
Total	$ 1,583,317	$ 201,549	$ 1,381,769
Auditor's Ratio[1]			51.21%
Base Year Property Tax Revenue Transfer to Town (2013-14)			707,550
Property Tax Revenue Adjustment for AV Growth			
Assessed Value 2013-14			1,140,780,468
Assessed Value 2017-18			1,226,088,800
Change in AV from 2013-14 to 2017-18			7.48%
Property Tax Revenue Adjusted for AV Growth			760,461
Property Tax Share Computation			
Projected Assessed Value (2017-18)			1,226,088,800
General Tax Levy (1% of Assessed Value)			12,260,888
Property Tax Revenue Adjusted for AV Growth			760,461
Property Tax Share to Town			6.20%

[1] County Auditor-Controller

Assessed Value Growth Forecast

Property tax revenue is generated based on the Town's share of property taxes above and the total assessed value of the Town each fiscal year. Figure 7 shows the historical assessed value of the SVPSD (coterminous with the boundaries of the Town) over the past 7 years, through fiscal year 2014-15. The next assessment roll for 2015-16 would be equalized in August 2015, so RSG used the 2014-15 assessed values as the baseline for projecting future growth in the Town.

[7] Cortese-Knox-Hertzberg Local Government Reorganization Act 2000; Article 2. Property Tax Exchange; Section 56810 (3)

Figure 7 - Historical Assessed Value

Squaw Valley PSD Assessed Value History, Since 2005-06

Year	Secured	△	Unsecured	△	Total	△
2005-06	$1,011,077,675		$ 11,393,527		$ 1,022,471,202	
2006-07	1,147,885,556	13.5%	11,352,784	-0.4%	1,159,238,340	13.4%
2007-08	1,233,381,634	7.4%	11,432,516	0.7%	1,244,814,150	7.4%
2008-09	1,291,605,815	4.7%	11,557,359	1.1%	1,303,163,174	4.7%
2009-10	1,282,530,521	-0.7%	12,717,873	10.0%	1,295,248,394	-0.6%
2010-11	1,147,961,757	-10.5%	11,845,458	-6.9%	1,159,807,215	-10.5%
2011-12	1,102,775,553	-3.9%	11,720,583	-1.1%	1,114,496,136	-3.9%
2012-13	1,126,461,489	2.1%	12,867,516	9.8%	1,139,329,005	2.2%
2013-14	1,128,008,175	0.1%	12,772,293	-0.7%	1,140,780,468	0.1%
2014-15	1,155,553,436	2.4%	11,858,286	-7.2%	1,167,411,722	2.3%

Note: SVPSD boundaries are coterminous with the proposed Town of Olympic Valley

Source: Placer County Auditor-Controller reports. Values are gross of homeowner exemptions

As shown above, the total assessed value of the Town in 2014-15 is $1,167,411,722, consisting of $1,155,553,436 in secured assessed value[8] and $11,858,286 in unsecured value. Total assessed value projections were estimated by using the total assessed value for the fiscal year 2014-15 plus the supplemental and lien-date reassessment of projected new development described earlier. The assessed value forecast was based on the following assumptions:

- Existing secured property assessed values are assumed to grow at the maximum 2 percent (Proposition 13) inflation rate, which inflates real property values by up to 2 percent annually based on the change in the California Consumer Price Index. Although not identical to real property values, RSG generally finds the figures to be fairly close and employed this information given the available of historical assessed value reports from the County Auditor-Controller's office;
- As they are not subject to Proposition 13 inflationary adjustments, subject to depreciation and reassessed annually, personal properties typically do not see as predictable of an increase from year to year, and often are roughly comparable to unsecured value totals which are reported by the County Auditor-Controller online. Over the past 10 years, unsecured values have only moved modestly. Best practices in revenue forecasts commonly hold existing personal property or unsecured values fixed as we have in this forecast.
- New development within the Town has been included in addition to the components described above, as itemized on Figure 4 earlier. Values for new development were based on RSG's estimates of construction costs based on credible construction cost indices to adjust for local area and product types, estimated sales prices, and inflation indices. RSG also assumed a portion of the development cost would be assessed on the supplemental roll during the construction period.

[8] Secured assessed values are gross of homeowners exemptions in order to reflect homeowner property tax relief apportionments in the forecast.

Figure 8 - Assessed Value Forecast

Item Detail and Assumptions	Value/Unit (2015 $)	Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Prior Year AV Plus 2.00%		$ 1,192,788,000	$1,216,643,800	$ 1,250,610,600	$1,360,780,500	$ 1,553,651,600	$ 1,716,570,200	$ 1,826,363,300	$ 1,940,690,300	$2,023,110,700	$2,077,991,600
New Construction Value											
Outside the VSVSP Project Area											
2.77% Construction Costs Inflation		0.0831	0.1108	0.1385	0.1662	0.1939	0.2216	0.2493	0.2770	0.3047	0.3324
3.11% SFR Market Inflation		0.0933	0.1244	0.1555	0.1866	0.2177	0.2488	0.2799	0.3110	0.3421	0.3732
2.86% Condo Market Inflation		0.0858	0.1144	0.1430	0.1716	0.2002	0.2288	0.2574	0.2860	0.3146	0.3432
RSC Phase II (Units)	490,000	-	-	-	49,819,700	85,388,600	70,358,900	70,506,000	34,847,100	-	-
Olympic Estates (Units)	1,050,000	-	9,445,000	9,706,200	-	-	-	-	-	-	-
Olympic Valley Museum (Square Feet)	303	-	-	-	2,610,900	2,679,300	-	-	-	-	-
General Commercial (Square Feet)	217	-	-	-	1,263,000	1,293,000	1,322,900	1,352,900	1,400,200	1,430,600	-
Total		-	9,445,000	9,706,200	53,693,600	89,360,900	71,681,800	71,858,900	36,247,300	1,430,600	-
VSVSP Project Area											
2.77% Construction Costs Inflation		0.0831	0.1108	0.1385	0.1662	0.1939	0.2216	0.2493	0.2770	0.3047	0.3324
3.11% SFR Market Inflation		0.0933	0.1244	0.1555	0.1866	0.2177	0.2488	0.2799	0.3110	0.3421	0.3732
2.86% Condo Market Inflation		0.0858	0.1144	0.1430	0.1716	0.2002	0.2288	0.2574	0.2860	0.3146	0.3432
Phase 1 Condo/Hotel (Assumed) [Units]	490,000	-	-	66,247,100	69,157,600	-	-	-	-	-	-
Fractional Cabins (Assumed) [Units]	1,050,000	-	-	-	22,016,800	22,973,800	-	-	-	-	-
Hotel (Units)	66,690	-	-	-	-	-	-	-	-	8,336,300	8,336,300
Employee Housing (264 beds) [Units]	420,500	-	-	-	-	-	-	4,415,300	4,415,300	-	-
Retail (Square Feet)	174	-	-	1,011,600	2,072,400	1,060,800	-	-	-	-	-
Restaurant/Food & Beverage (Square Feet)	259	-	-	-	-	-	-	-	-	-	-
Hotel Common Area (Square Feet)	200	-	-	-	-	-	-	-	-	4,369,100	4,464,100
Mountain Adventure Camp (Square Feet)	266	-	-	5,523,000	11,343,300	11,640,600	-	-	-	-	-
Ski Services & Other Amenities (Square Feet	217	-	-	-	4,123,600	4,224,300	-	-	2,089,000	-	-
Transit Center (Square Feet)	250	-	-	1,000,000	-	-	-	-	-	-	-
Neighborhood Market (Square Feet)	171	-	-	-	-	-	-	-	-	-	-
Shipping & Receiving	153	-	-	-	-	-	2,300,300	-	-	-	-
Total		-	-	73,781,700	108,713,700	39,899,500	2,300,300	4,415,300	6,504,300	12,705,400	12,800,400
Total New Construction		-	9,445,000	83,487,900	162,407,300	129,260,400	73,982,100	76,274,200	42,751,600	14,136,000	12,800,400
Total Assessed Value		$ 1,192,788,000	$1,226,088,800	$ 1,334,098,500	$1,523,187,800	$ 1,682,912,000	$ 1,790,552,300	$ 1,902,637,500	$ 1,983,441,900	$2,037,246,700	$2,090,792,000

Note: RSG used the County's Cumulative Assumptions Technical Memorandum, the HEC Technical Memorandum, and RSG's own expertise to best estimate phasing and timing of projects.

Note: RSG assumed that none of the construction reflected on the Cumulative Assumptions Technical Memorandum would be completed and assessable in the transition year, and assumed that other development would be negligible, per County Planning Dept.

Sources: Cumulative Assumptions Technical Memorandum; Steve Buelna, Supervising Planner (County Planning); Marshall & Swift Valuation; Village at Squaw Valley Specific Plan; Technical Memorandum – Revenue Impacts of the Village Development on SVPSD from Hansford Economic Consulting

Property Taxes

Property taxes are apportioned to the Town based on the creation of tax rates areas for the proposed Town 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. In order for the Town to collect property tax revenues in fiscal year 2017-18, the incorporation would need to be effective and the change of jurisdictional boundary would need to be filed no later than December 1, 2016.

For this reason, RSG has assumed the earliest possible date for property revenues to be collected by the Town would be July 1, 2017, and the County would continue to collect property tax revenues (used in part to fund transition period costs) during 2016-17. The Town would receive its property tax revenues throughout the year, but a majority of the revenue would be distributed in December and April when secured property tax bills are due. Homeowner's Property Tax Relief revenues are apportioned separately by the County Auditor-Controller, yet are included in the Property Tax revenues described above.

Supplemental revenue is also included in the projections for both new construction and resale activity affecting the overall roll. Supplemental revenue is the revenue generated from supplemental tax bills, which are issued when a property sale occurs or construction is completed after January 1 lien date. Additionally, there are roll corrections which are values added to the assessment roll after it was finalized on August 20, the date by which the roll is required by law to be equalized; these roll corrections occur for any of a variety of reasons, including corrected exemptions and errors by the Assessor. The County Auditor-Controller distributes these supplemental revenues along with property taxes. Over the last few years, of the total property taxes the SVPSD received, on average 5 percent was attributable to supplemental revenue. RSG used this figure as an estimate for what Olympic Valley might hope to receive every year in supplemental revenue.

The County Auditor-Controller charges cities and local districts the administrative costs incurred for the distribution of property tax revenue. The amount of the administration fee is determined by the Auditor-Controller and subject to annual adjustments. For this CFA, the Auditor-Controller and RSG estimated that had the City been incorporated in the fiscal year 2014-15, the fee would have been approximately $2,360. This amount, equal to approximately 0.18 percent of the 2013-14 of property tax revenue that would be transferred in the base year, would be deducted by the Auditor-Controller prior to the apportionment of property tax revenues to the Town. The administration fee percentage rate is assumed to remain static, and the administrative fee itself would increase in proportion to assessed value. *Figure 9* below shows the projection of property tax revenue.

Figure 9 - Property Tax Revenues

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Property Taxes	6.202%	$ -	760,500	827,500	944,700	1,043,800	1,110,600	1,180,100	1,230,200	1,263,600	1,296,800
Supplemental Revenue[1]	5.000%	$ -	38,025	41,375	47,235	52,190	55,530	59,005	61,510	63,180	64,840
Less: County Admin. Fee[2]	0.18%	-	1,401	1,524	1,740	1,922	2,045	2,173	2,266	2,327	2,388
Net Property Tax		-	$ 797,124	$ 867,351	$ 990,195	$ 1,094,068	$ 1,164,085	$ 1,236,932	$ 1,289,444	$ 1,324,453	$ 1,359,252

[1] Based on SQPSD actual property tax revenues FY 2009-10 through FY 2013-14

[2] Per Placer County Final Adopted Budget 2014-15

Sales Taxes

Local jurisdictions typically receive one percent of taxable sales made within its boundaries. Due to State budget issues in 2004, a portion of that revenue was reallocated through 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, currently anticipated to be in 2016, after which time it is presumed that in-lieu sales taxes would revert back to cities as sales tax revenue. As the bonds are anticipated to be paid off prior to incorporation (or at roughly the same time), this CFA projects sales tax revenues at the full 1 percent rate.

The estimated sales tax revenues are based on data supplied by the State Board of Equalization on January 21, 2015 for the 12-month period ending June 30, 2014. The SBE sales tax report dated January 21, 2015 indicates that Olympic Valley generated $428,000 in one percent sales tax during the year ending June 30, 2014, inclusive of all three components. Tom Trach of the SBE provided RSG the following breakdown of this amount:

1. Actual one percent sales taxes billed: $418,570
2. Estimated one percent sales taxes billed on missing or late filings: $0
3. Estimated additional one percent sales taxes of businesses opened just portion of year: $9,430

According to Section 56800, additional revenues the County did not actually receive during the base year should not be included, so the amount of base year taxable sales was reduced by $9,430, to $418,570. The additional $9,430 of estimated sales tax revenue was realized after the base year, and was accounted for in the projections of sales tax revenue in the future.

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. According to prior correspondence with the SBE, their report did not include taxable sales from such businesses outside Olympic Valley. Officials at the State Board of Equalization also 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).

While the State Board of Equalization calculates sales taxes quarterly, the payments to cities tend to be about 2-3 months behind the end of a quarter. Sales tax revenue in Olympic Valley is slightly diminished in the transition year to account for this lag. Figure 10 presents the adjusted taxable sales for Olympic Valley, inclusive of both the direct and indirect apportionments by the State Board.

Figure 10 - Adjustment to Taxable Sales Revenue Estimate

			12 Month Period Beginning								
Item Detail and Assumptions	**Sales Per SF**	**Transition** 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Prior Year Taxable Sales Plus 2.1%		47,122,200	48,126,400	49,152,000	60,287,200	71,659,700	73,186,800	78,549,600	80,223,500	85,783,700	87,611,800
New Taxable Sales Added by Year											
2.1% Inflationary Increase											
New Commercial	350	-	-	9,877,300	9,877,300	-	3,723,800	-	3,770,300	-	-
Total Taxable Sales		47,122,200	48,126,400	59,029,300	70,164,500	71,659,700	76,910,600	78,549,600	83,993,800	85,783,700	87,611,800
Total Sales Taxes		$ 235,600	$ 481,300	$ 590,300	$ 701,600	$ 716,600	$ 769,100	$ 785,500	$ 839,900	$ 857,800	$ 876,100

Note: DOF estimates that the Economic Recovery Bonds that require the California State "Triple-Flip" sales tax split will be be retired by the time of incorporation.

Property Transfer Taxes

As a general law city, the Town 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 Town limits.

Based on historic resale activity in Olympic Valley between 2010 and 2014[9], RSG has assumed a 5.96 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. See Figure 11 on the next page for a projection of property transfer taxes.

[9] According to actual resale volume data retrieved from County Assessor's Roll.

Figure 11 - Property Transfer Taxes

				12 Month Period Beginning								
Item Detail and Assumptions		7/1/2015	**Transition** 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Base Year Sales Volume (000's)	597,875											
2014-15 Transfer Tax (Co. Share)	328,831											
($1.10/$1,000 transferred) [1]												
Projected Turnover												
Residential Resale Volume (in 000's)			65,500	65,000	72,700	80,700	89,100	91,300	100,200	102,800	105,300	108,000
Projected Existing Housing Stock		1,906	1,906	1,918	2,076	2,190	2,288	2,388	2,479	2,479	2,479	2,479
Turnover Rate	0.06	114	114	110	120	130	140	140	150	150	150	150
Median Resale Price	490,000	547,820	576,300	590,700	605,500	620,600	636,100	652,000	668,300	685,000	702,100	719,700
Appreciation Rate (2014)	11.8%											
Appreciation Rate (2015)	5.2%											
Appreciation Rate (Later Yrs)	2.5%											
New Home Sales Volume (in 000's)			-	9,400	76,000	141,000	108,400	70,400	70,500	34,800	-	-
(See Assessed Value Projections)												
Total Sales Volume Turnover			65,500	74,400	148,700	221,700	197,500	161,700	170,700	137,600	105,300	108,000
Property Transfer Taxes (Projected)			$ 36,000	$ 40,900	$ 81,800	$ 121,900	$ 108,600	$ 88,900	$ 93,900	$ 75,700	$ 57,900	$ 59,400

Note: RSG assumed that employee housing would not be sold and, therefore, elected not to include it in these projections.

Note: Condo/hotel units are included in this analysis, as they can still be sold.

[1] National Conference of State Legislature's - Local Option Transfer Tax for Cities

Properties sold in the Village at Squaw Valley Specific Plan area may sell for more money than the historic median values. However, RSG contacted the developer to inquire about potential prices for these properties, and the developer declined to provide that information. Therefore, RSG assumed that they would be valued at the historic median value for the purpose of this analysis.

Transient Occupancy Taxes

The County collects a transient occupancy tax (TOT) at a rate of 10 percent on short-term rentals in Olympic Valley. The 10 percent tax includes a countywide base rate of 8 percent and an additional voter-approved 2 percent tax specific to the North Lake Tahoe Transient Occupancy Tax Area.

Currently, revenue generated within Olympic Valley from the additional 2 percent TOT rate, along with approximately one-half the remaining 8 percent, is transferred to the North Lake Tahoe Resort Association (NLTRA) per an agreement between the NLTRA and the County. Of the 10 percent TOT levy rate, the NLTRA receives approximately 6 percent and the County's General Fund receives the other 4 percent.

In 1996, voters in the North Lake Tahoe Area, which includes the unincorporated areas of Squaw Valley, Alpine Meadows, Tahoma Meadows, Homewood, Sunnyside, Tahoe City, Dollar Point, Carnelian Bay, Tahoe Vista, Kings Beach, and Northstar approved the 2 percent TOT levy increase. It was renewed in 2002 and then again in June 2012 by the passage of Measure F. Unless extended by the voters again, the additional 2 percent levy would sunset in 2022.

Pursuant to Government Code Section 56886, LAFCO has the statutory authority, but not the obligation, to transfer the voter-approved 2 percent TOT levy increase to the new Town. In addition, according to State Attorney General Opinion No. 99-602 filed on October 6, 1999, if LAFCO desires to transfer a previously established and collected tax to a new agency, the voter and landowner approval requirements of the Constitution relating to taxes, assessments, fees, and charges do not apply. Thus, as a condition of approval of incorporation or other change in organization, LAFCO has the authority to transfer the tax without voter approval.

As stated in Measure F, the 2 percent rate increase is a general tax with the funds dedicated to infrastructure projects to reduce traffic congestion/tourist impacts, support transportation services, build/maintain local bike trails, parks, indoor recreation opportunities, sidewalks, beaches, and other public services. Furthermore, in a letter dated March 17, 2015, Incorporate Olympic Valley stated the following in regards to the Measure F revenue:

> *These monies will be collected by the Town and utilized pursuant to the terms and provisions of the Measure. As part of our plan of service we propose now and will recommend to the future Town Council that Measure F revenue be used for North Lake Tahoe region infrastructure projects, including improvements to reduce traffic congestion/tourist impacts, support transportation services, build/maintain local bike trails, parks, indoor recreation opportunities, sidewalks, beaches, and other public services.*

Although the Measure F tax was approved as a general tax, the terms of the ballot measure dedicate the funds to specific projects and uses, rather than for any general use. Although such restrictions might appear inconsistent with the criteria for a general tax, it is unlikely LAFCO would be willing to approve the transfer of funds without the condition that they be used for the explicit purposes specified in Measure F. Therefore, RSG has assumed that any Measure F revenue transferred to the Town would be restricted to fulfilling the capital projects specified in the ballot language and not available for General Fund purposes. More specifically, this portion of the TOT collected by the new Town would be transferred to NLTRA or expended directly by the Town for capital projects.

The remaining 8 percent base portion of the TOT levy would be collected by the Town as well. Presently, the County and NLTRA have been sharing equally the proceeds from this revenue pursuant to an agreement that expires on June 30, 2016. The new Town Council could establish a new successor agreement, or decide to let the contract expire and retain all 8 percent of the TOT levy for its own purposes rather than share with NLTRA. This could be clarified between the proponents and County during revenue neutrality negotiations.

In their March 17, 2015 letter, the proponents indicated they planned to fund the NLTRA to the extent it is funded now by Olympic Valley TOT revenue, which presumably could result in an ongoing shift of at least the same dollar amount to the NLTRA if not the historic 50/50 split which has been the practice of the County and NLTRA. However, without LAFCO conditions stipulating how the 8 percent share would be divided following incorporation, RSG has developed two scenarios as to how the 8 percent TOT funds collected by the could be employed:

- Scenario 1: Town Ends Sharing of Revenue with NLTRA. Under this scenario, RSG has assumed the Town would retail all of the 8 percent of the TOT rate for its own General Fund purposes and not share any funds with NLTRA.
- Scenario 2: Town Continues to Share Half of the 8 Percent TOT with NLTRA. Under this scenario, RSG has assumed that the Town would share 4 percent of the TOT levy with NLTRA for regional and local purposes[10] consistent with the current agreement with the County.

Undoubtedly, there are many other alternatives and possible permutations on how any sharing of the TOT revenues could be handled. For this CFA, the Executive Officer has directed RSG to present these two scenarios for comparison purposes throughout this report.

In summation, this report assumes that if incorporation were successful, the Town will collect the entire 8 percent base TOT levy plus the additional 2 percent Measure F increase for a total of 10 percent. RSG has assumed that generated from the 2 percent rate increase would go to Measure F capital projects to support the North Lake Tahoe region and not available for General Fund purposes. RSG has also considered two alternatives for how the remaining 8 percent of the TOT levy collected by the Town may be used: either retaining all 8 percent for General Fund purposes or sharing half of the 8 percent share with NLTRA consistent with past practices between the County and NLTRA. On the next page is a calculation of TOT revenue from the transition year until fiscal year 2025-26 assuming the Town receives the full 10 percent levy. TOT is a significant source of revenue for the Town.

[10] Including snow removal on public trails in Olympic Valley

Figure 12 - TOT Revenue

TRANSIENT OCCUPANCY TAXES

			12 Month Period Beginning								
Item Detail and Assumptions		**Transition** 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Days Per Season	183										
Hotel Rooms[1,2]		915	915	1,126	1,157	1,157	1,157	1,157	1,157	1,407	1,407
2.13% Inflationary Increase											
Average Occupancy - November-April[1]		85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Average Occupancy - May-October[1]		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Average Room Rate - November-April[2]		211	215	220	225	230	234	239	245	250	255
Average Room Rate - May-October[2]		167	171	174	178	182	186	190	194	198	202
Subtotal - Existing TOT		36,920,900	37,707,400	45,160,400	49,389,200	50,792,300	51,874,200	52,979,100	54,107,600	64,239,300	68,631,800
TOT Rate (Charged)	10%	3,692,090	3,770,740	4,516,040	4,938,920	5,079,230	5,187,420	5,297,910	5,410,760	6,423,930	6,863,180

Note: This analysis does not include personal vacation rentals, as TOT enforcement on accommodations of that nature is difficult.

Note: Room rates for future hotel developments are still unknown at this time, so RSG has assumed that they will be consistent with the averages of existing hotels.

Note: Per conversations with County Auditor-Controller and Revenue Collections, RSG assumed that TOT would be collected on fractional cabins and condo/hotel units.

[1] RSG research based upon information gathered directly from local hotels, expedia.com, hotels.com, kayak.com, and the hotels' websites.

[2] Cumulative Assumptions Technical Memorandum

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 2014 and January 2015 apportionments from the State Controller.

Franchise Fees

Upon incorporation, the City will receive franchise fees from Suddenlink (cable television and broadband telecommunications), Liberty Utilities (electricity), and Southwest Gas (gas). According to information provided by the County, these are the only service providers that would pay franchise fees to the City. Waste collection and disposal are handled by the Tahoe Truckee Sanitation District, which, as a taxing entity, is not required to pay franchise fees. Pursuant to the provisions of the County's franchise agreements, revenues collected from this service provider would be paid to the City upon incorporation.

RSG estimated franchise fees based upon data from the County that indicates the franchise fees that the various service providers pay to the City. According to the 2013-14 actuals, the County reports the following amounts of franchise fees were generated from Olympic Valley:

- Suddenlink (Cable and Broadband Franchise): $9,000;
- Liberty Utilities (Electricity Franchise): $11,600, and
- Southwest Gas (Natural Gas): No amount was provided at the time of this report, but RSG believes this would be immaterial to our conclusions.

RSG assumed that these fees would stay constant for the basis of its projections. Following incorporation, the City may elect to negotiate new franchise agreements with various service providers once their terms expire.

Community Development Fees

Community Development fees include planning, building, and engineering fees for development and other permits. County CDRA collects fees for community development services provided to Olympic Valley. In fiscal year 2013-14, the County received $179,277 in fees from planning, building, and engineering services, which is equivalent to 72 percent of the costs to provide the same services. Initially, the County's existing fee structure would presumably be adopted by the City. Thereafter, the City could conduct its own fee study in an effort to increase fees to recover a higher percentage of costs. RSG cannot predict whether there might be the political or fiscal support for such a fee increase in Olympic Valley. Consequently, RSG has assumed that the County's existing fee structure would remain in place for the City for the foreseeable future. Upon incorporation, the Community Development department costs would include ongoing costs for services, supplies, and contract staffing.

Park User Fees

The County currently charges for the use of facilities in Squaw Valley Park. In fiscal year 2013-14, the County received $14,118 in park fees.

Business License Fees

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

Animal License Fees

Placer County Animal Services currently provides animal control services to Olympic Valley and levies a nominal license fee on dogs and cats, although licensing for cats is voluntary and not required, unlike licensing for dogs. In fiscal year 2013-14, the County collected $258 in animal license fees.

Fines and Forfeitures

Fines and forfeiture revenues were established based on actual values reported by Placer County for the fiscal year 2013-14. RSG used these values to establish a per capita equivalent revenue rate, which factors in both total population, half of all employees in the area, and the seasonal tourist population in order to estimate a reasonable number of people that would likely be affected by the town's fines and forfeitures. This per capita equivalent revenue rate is estimated at $1.50. Inflation was then accounted for, resulting in projected revenue of $37,840 in the fiscal year 2017-18.

Motor Vehicle License Fees

Newer cities have not received a material amount of motor vehicle license fee revenues as a result of the VLF for property tax swap that altered the apportionment methodology in July 2004 and a 2006 legislative fix for new cities was reversed in 2011. Four cities incorporated between 2006 and 2011 suffered significant losses in their General Fund and one (Jurupa Valley) is exploring disincorporation as a direct result. Although there have been failed efforts to restore these fees for the four newer cities, no proposals have been advanced to restore this for future incorporations. As a result, RSG has not made any allowance for motor vehicle license fees in our forecast.

Interest Earnings

Interest earnings were estimated based upon one-half of the beginning fund balance of each fiscal year plus any reserve fund balance, assuming a 1.88 percent annual yield rate, based on the annualized earnings in the Local Agency Investment Fund (LAIF) between 2004 and 2014.

ROAD FUND REVENUES

Gas Tax

Like most cities, the primary recurring source of Road Fund revenue is gas tax apportionments from the State. Generally, Road Fund revenues are restricted by law to road-related expenditures, including routine maintenance, road repair and (where applicable) snow removal. Under existing State law, a surplus in the Road Fund cannot be used for the provision of any general municipal services or expended for maintenance of private roads. It is also common (as is the case in our projected budget for the Town) that Road Fund revenues are insufficient to cover ongoing maintenance costs for roadways.

The Town will 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. In fiscal year 2016-17, RSG estimates that the City could receive approximately $12,070 in such subventions for Olympic Valley. These numbers were revised to account for the Board of Equalization's decision to reduce the gas tax by $0.06/gallon, effective July 1, 2015, by drawing on revised projections from California City Finance.

It should also be noted that in addition to the revenue from subventions listed above, an additional clause of Section 2107 of the California Streets and Highways Code mandates that the Town be

reimbursed for 50 percent of their annual snow removal expenditures in excess of $5,000. RSG estimated this by taking the County's data on historical costs of snow removal and estimating an annual cost, and then applying inflation to project annual snow removal cost estimates. Half of these costs were then assumed to be reimbursed by the State.

PROJECTED 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, Engineering, and Code Enforcement),
- Animal Control,
- Parks and Recreation,
- Law Enforcement, and
- Wildfire Protection

General Fund expenditures listed below do not include transition year loan repayments or revenue neutrality payments to the County. Exclusive of these amounts, estimated General Fund expenditures range from $4.6 million in 2017-18 to $6.1 million in 2025-26.

In the analysis, Town 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 Town. In general, all salaries proposed were determined based on salary schedule reviews of cities that are similar in size, as well as those in the region. Benefits for employees were also based on the salary survey and benefit rates offered by the County. Salaries and benefits were increased on an annual basis of 2.1 percent, in line with recent cost of living adjustments. The specific activities and cost assumptions are delineated below:

- Town Council – Stipends for each of the five City Council members (including mayor) of $2,500 annually are included based on analysis of comparable cites. Council stipends are assumed to remain constant in the forecast. Additional costs for City Council members include a travel, equipment, services and supplies budget of $10,950 in 2016-17, assumed to increase at a 2.1 percent inflation rate annually.

- Town Manager – A full-time Town Manager would be hired to work with the City Council and direct all municipal activities. The Town Manager would supervise all day-to-day operations of all city departments and staff, directly and through department heads and would oversee personnel decisions. The Town Manager, in conjunction with the Mayor, would also be responsible for public relations, such as working with citizens, businesses, and other stakeholders. Additional costs include memberships, travel, training, and annual attendance at the California League of Cities annual conference, as well as hardware, software, notices and an interim manager contract.

- Administrative Staff – Most small cities in California use a separate clerk even though some may employ the City Manager to serve both official positions with a deputy to provide day-to-day support. In total, two positions would be dedicated to administrative support for the City Council and staff. One position would function as a Town Clerk who would serve as the

official keeper of the municipal records. The Clerk would be responsible for preparing, packaging, and distributing agendas, as well as keeping minutes for legislative and committee meetings. The Town Clerk would also administer local elections. The second position would provide general administrative support, including human resources, contracts, and risk management functions.

- Finance Staff – a Finance Director would be responsible for treasury, accounting, reporting and several contract management duties. The Finance Director would also oversee preparation of the Annual City Budget.

- Community Development Staff – Two positions would be dedicated to the Community Development Department. One would be the Community Development Director who would be responsible for managing the planning, building, and engineering activities of the Town, including procurement, direction and managing contracts of consultants and contract staff for these functions. RSG has assumed the County would be contractor of choice for the Town for many of these services based on the expressed interest of the County and the fact this is not uncommon elsewhere in the state. A single, full-time Associate Planner would assist the Town with planning, annual reporting and other day-to-day planning needs of the City.

- Public Works Staff - a Public Works director would be responsible for overseeing all road maintenance and snow removal contracts. In addition, a small part of their time would be spent overseeing any park maintenance contracts.

- Each department would also incur costs related to general supplies and services, travel and memberships, biannual municipal elections, and capital outlay for equipment and software.

During the transition period, the new Town 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.

- City Attorney – It is assumed that the Town 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 2.1 percent annual rate.

- Finance – The Finance Department would be responsible for treasurer and accounting services. 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. RSG estimated this cost based on the SVPSD budget.

The new Town would also be responsible for certain costs not specific to one department, such as lease of office space. Those costs are described below:

- Non-Departmental – Non-departmental expenses include lease and operation of office and meeting space for City Hall (assumed to be $1.37 per square foot based on a survey of available appropriate office spaces) for a 2,500 square feet of office space. An additional 35 percent expense ratio was added to the lease payments for office expenses. City Hall lease and operations were assumed to increase at a 3 percent rate annually. Other non-

departmental costs include insurance, which was estimated to be 2.5 percent of General Fund Revenue based on comparably-sized cities, and increased by 2.1 percent annually.

COMMUNITY DEVELOPMENT

The County Community Development Resource Agency (CDRA) currently provides planning, building inspection, engineering and code enforcement services to the incorporation area. This includes implementation of the General Plan and Zoning Code, ensuring compliance with environmental laws, field and construction inspections, assigning property addresses, permit issuance, construction drawing review, and review and approval of Grading permits, Improvement Plans, Parcel Maps, and boundary line adjustments. Upon incorporation, the Town's Community Development Department would oversee planning, building inspection, engineering and code enforcement. Two full-time positions are recommended for this Department; with additional support for these services would be contracted with the appropriate County agency, private firm, or another public entity. Costs for these services were determined based on salaries and benefits for proposed staff, and the existing level of service provided by the County and associated costs. The Town's full-time Community Development Director would be responsible for ensuring the services are carried out competently. Costs were based on a salary surveys, and County data, and inflated by 2.1 percent annually.

The Town would initially adopt the County's General Plan and Environmental Impact Report ("EIR") for the area, but would need to adopt its own General Plan, Housing Element, and associated environmental documentation within 30 months of incorporation. This will ensure local land use control. Following the adoption of their General Plan, the City will need to construct and adopt a zoning code as well. Based on estimates provided by LAFCO's consultant, the cost of the General Plan and the corresponding EIR are estimated to be $500,000 and the cost of the Zoning Code is estimated to be $100,000. The General Plan and Zoning Code must be completed concurrently to achieve such cost savings. It is important to note that RSG received several quotes from consultants that estimated these total costs could be over $1 million. There are clearly a wide range of options available and the new Town Management and Council will have to decide the best course of action.

The Town can file for a two year extension on top of the originally-allowed 30 months, as detailed under Section 65631 of the California Government Code. It is RSG's experience that this is not uncommon. For the purposes of this report, the costs associated with the General Plan and Zoning Code were spread out over the first three years of incorporation.

ANIMAL CONTROL

Placer County Animal Services currently provides animal control services to Olympic Valley. Contracting with the County to provide these services would be the most cost-effective strategy. In fiscal year 2014-15, a contract with the County for these services would cost $14,900. As compared to the current cost, this contract estimate is materially greater, but is based on the County's best estimate of current costs to provide this service. RSG adjusted County Animal Control contract services for inflation at a rate of 2.1 percent with additional consideration for population increases.

PARKS AND RECREATION

The County currently maintains recreational facilities within the Squaw Valley Community Plan Area, which is within the proposed Town boundary. Facilities in the Community Plan Area include 3.5 miles of a bike trail and the Squaw Valley Park, which consists of picnic areas, a pickleball court, a playground, and a soccer field. According to the County, the new Town would be responsible for maintaining these facilities.

Currently, the County contracts with the Tahoe City PUD ("TCPUD") and the SVPSD to maintain the park and bike trail. The County renewed its contract with TCPUD to provide landscape and irrigation system services in July 2014 for $29,476. If Olympic Valley takes over that contract, TCPUD does not anticipate a significant increase in costs. However, capital replacement funding may need to be worked into the new Town's contract with TCPUD, as this is not included in the contract with the County currently. As such, this analysis includes a 10 percent capital replacement funding reserve.

The SVPSD provides snow removal services for the bike trail on behalf of the County. This service is paid for by NLTRA out of its TOT sharing revenue. Because this analysis assumes the new Town will continue to adhere to the TOT sharing agreement, NLTRA can continue to fund the SVPSD's snow removal service with no additional costs to Olympic Valley. Should the new Town decide to terminate the TOT sharing agreement with the County and NLTRA, the Town would be responsible for all costs of snow removal on the bike trail.

Some of the costs to maintain the park and bike trail will be offset with fees charged to utilize the park. The County collected $14,118 in park user fees in fiscal year 2013-14.

Revenue collected by a County Service Area (CSA) goes to fund Parks & Recreation services within Olympic Valley. This CFA assumes the CSA would not be dissolved as a result of incorporation. It is assumed the CSA would continue to function as is, providing all services they currently provide, and retaining all revenues that they currently receive. As such, there is no impact on the CSA and no discussion within the CFA concerning revenues or costs associated with the CSA functions.

FIRE PROTECTION

Currently both the California Department of Forestry and Fire Protection (CalFire) and the SVPSD provide fire protection to Olympic Valley. In general, CalFire responds to wildfires, while the SVPSD provides structural fire protection and fire prevention services. Under incorporation, these services would continue unchanged (dissolution of the SVPSD is discussed in Alternative 2). CalFire typically provides services to unincorporated county areas known as State Responsibility Area ("SRA"). To mitigate the State's cost for such services, CalFire levies a fee on property owners with the SRA to fund wildfire protection services. Under Section 4212 of the California Public Resources Code, the SRA mitigation fee charged to unincorporated property owners adjusts annually to account for inflation. As of July 1, 2014, the fee is $152.33 per habitable structure. Owners of habitable structures who are also within the boundaries of a local fire protection agency receive a reduction of $35 per habitable structure.

Should the Olympic Valley incorporation succeed, Olympic Valley would be reclassified from SRA to a Local Responsibility Area ("LRA"); CalFire does not levy a mitigation fee on property owners within incorporated areas. Instead, the new Town would be responsible for a per-acre service fee if it opted to enter into a contract with CalFire to continue to provide wildfire protection to the LRA. However, if the Town opted not to contract with CalFire, the Town itself would be responsible for fire services in LRA territory, including any costs incurred by CalFire for responding to a fire within the LRA area. This option is believed to be significantly infeasible given the amount of wild land areas around the Town and the extraordinary costs for such emergency services.

In consultation with CalFire and local fire officials, RSG has assumed that the Town would enter into a contract with CalFire, similar to nearby Truckee. The Town's assumed cost for CalFire services was based on the charges incurred by Truckee who pays CalFire a per-acre service fee levied on all undeveloped, rural acreage within a jurisdiction. Based on information from the SVPSD's fire department, this area in Olympic Valley would be about 5,662 acres. Using the per acre fee of $23.01, plus a 11.97 percent administrative fee charged in Truckee, the CalFire contract

would cost $152,160 during the transition year, with an inflation rate of 2.1 percent thereafter. This inflation rate mirrors the SRA fee inflation rate prescribed in Section 4212 of the California Public Resources Code.

LAW ENFORCEMENT

Presently, the County Sheriff provides most law enforcement services to the community, with the exception of traffic calls along roughly six miles of State Highway 89, 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 except those provided by California Highway Patrol to the new Town. 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. There are several examples of this throughout Placer County and the state.

Working with the Sheriff's Department, RSG developed estimates of current (fiscal year 2014-15) service costs, and potential contract costs for law enforcement services. Future contract services assume the same level of law enforcement coverage to the Town, plus the Sheriff taking over traffic patrol services. These costs are estimated at $1,546,520 for fiscal year 2017-18 and are increased at a rate of 2.1 percent with additional consideration for population increases.

PUBLIC WORKS

This department would be responsible for administration of public works in the Town, primarily related to road maintenance and snow plowing. These services would be funded out of the Road Fund which is funded out of Gas Tax revenues. As seen in the Fund Summary in Appendix 2, the Road Fund will encounter deficits in all years of the projections. The General Fund could subsidize the Road Fund, but that would be a policy decision for the new Town Council to make. Much of the work of the Public Works Department would have a qualified Public Works Director to oversee the activities of this Department as well as any contracts for services, and be otherwise completed on a contract basis through the County or other public or private entity. Costs for these services were determined based on a salary survey, and the existing level of service provided by the County and associated costs. The Public Works Director's salary and the contracts were inflated at 2.1 percent annually.

Besides contracts for road maintenance and snow removal, costs for road maintenance, snow removal supplies, and overhead were also taken into consideration based on the County's current costs. Whether the new Town contracts with the County or another entity, there will be costs associated with materials to repair roads, equipment, and maintenance of vehicles. These costs were inflated at 2.1 percent annually. The General Fund forecast also includes a CalTrans reimbursement for the operation of the traffic signal at Squaw Valley Road and State Route 89 based on actual costs in 2013-14.

Following incorporation, the Town would be responsible for meeting federal clean water requirements, including maintaining a National Pollution Discharge Elimination System (NPDES) permit. The NPDES program seeks to address urban runoff issues through public education, storm drain clearance, monitoring of intake and release infrastructure, and public improvements to increase water quality levels. Presently, these requirements are met by the County and it would be both efficient and cost-effective to have the County continue providing these services on a contract basis at a cost of $13,000 per year inflated by 2.1 percent. .

The Town would also be required to establish a recycling program pursuant to AB 939, which calls for a 50 percent diversion of all solid waste from landfills. To calculate the expenditures of doing so, RSG examined the nearby community of Truckee and their costs per person spent on AB 939 fees, and then applied the same per-capita rate to Olympic Valley. It is estimated that this expenditure

would be a nominal amount of approximately $500 per year. The City would need to contract for this service, and would likely partner with Tahoe Truckee Sierra Disposal ("TTSD"), who already provides these kinds of services throughout the region.

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 2002 Guidelines advise the use of a contingency factor of 10-20 percent of costs, in addition to a reserve fund of at least 10 percent. However, a reserve fund equal to 30 percent of General Fund revenues has used in the CFA forecast after consultation with the LAFCO Executive Officer and evaluation of data available from smaller, newer and post-Proposition 13 cities. Reserves are needed to protect a city against unforeseen events, be they legislative (such as the shifting of property taxes to school districts as the State mandated several instances over the past 20 years), economic, or climate.

RSG analyzed and collected information on reserves among 61 cities throughout California with an emphasis on small cities, mountain communities, and relatively young cities. A 30 percent reserve was the average amongst the 61 cities surveyed. Even among newer cities, Menifee and Jurupa Valley which are struggling and unable to fund any reserve, the average reserve is 29 percent. While the Guidelines indicate a minimum of 10 percent is recommended, it seems that only cities with financial difficulties are funding reserves that low.

Figure 13 presents a summary of these General Fund reserves based on our current research and recent surveys.

Figure 13 - General Fund Reserves

	Count	Lowest	Highest	Mean
Small Cities (Populations of 20,000 or Less)				
City of Ceres Survey (2014)	10	15%	40%	26%
CSMFO Survey (2013)	18	10%	80%	34%
Mountainous Cities				
RSG Research	4	25%	41%	30%
Post-Prop 13 Cities				
City of Ceres Survey (2014)	11	15%	120%	34%
CSMFO Survey (2013)	9	0%	120%	39%
New Cities (Incorporated Since 2000)				
RSG Research	9	0%	100%	29%

RSG sees no reason why Olympic Valley should aim for a lower reserve than these averages, especially as its local tax base is much less diversified than these surveyed. RSG researched Menifee, Jurupa Valley, Eastvale, and Wildomar, all recently incorporated cities, as well as La Habra Heights, Etna, Point Arena and Industry, all cities with a smaller population than Olympic Valley, and none had such a heavy reliance on a single revenue source as Olympic Valley. Squaw Valley Resort generates the overwhelming majority of the TOT as well as being the largest property owner in Olympic Valley. In our judgment, we believe a 30 percent reserve is the minimum that should be expected in Olympic Valley given these factors.

The reserve is mostly established during the transition year because a funding surplus exists. The amount set aside is equal to 30 percent of the revenue received in Year 2. Starting in Year 3, deposits into the reserve fund are much lower, serving to maintain the 30 percent funding level as revenues increase.

Aside from what may be funded by the TOT revenues dedicated under Measure F and other TOT funds that may be committed to NLTRA described earlier in this Report, no funds in Olympic Valley have been budgeted for 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.

IMPACTS ON EXISTING AGENCIES

COUNTY TRANSITION YEAR REPAYMENTS

The calculation to determine the City's transition year repayment to the County is shown in Figure 14. 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 Town's annual payment of $101,894 is included as General Fund expenditure in the forecast.

Figure 14 - Transition Year Loan

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Computation of Amount Loaned											
Expenditures, Net of Offsets (2013-14)											
Community Development	59,235										
Public Works - Road Maintenance & Snow Removal	29,737										
Sheriff	1,257,612										
Facilities - Parks	27,889										
HHS - Animal Services	7,295										
Total	1,381,769										
3 Year Inflation Adjust. at 2.1%	90,231										
Total Costs in 2016-17		1,472,000									
Less: Revenues Retained by County in 2016-17											
Property Tax	(739,810)										
Sales Tax	(236,000)										
Fines & Forfeitures (Non-offset)	-										
Total		(975,810)									
Transition Year Costs to County		496,190									
Transition Year Loan / Repayment		$ (496,190)	$ 99,238	$ 99,238	$ 99,238	$ 99,238	$ 99,238	$ -	$ -	$ -	
Annual Payment (Loan Amount / 5)		99,238									

REVENUE NEUTRALITY MITIGATION PAYMENTS

It should be noted that the amount, duration, and terms of any revenue neutrality payments are all subject to negotiation between the County and the incorporation representatives. The final payment amounts may vary from the above estimates, and this CFA will be updated should the parties reach agreement on a revenue neutrality program.

In 1992, Senate Bill 1559 was enacted to reduce the negative fiscal impact incorporations can have on counties and other affected agencies. Pursuant to SB 1559, as codified in Government Code Section 56815, LAFCO cannot approve a proposal for incorporation unless it finds that the amount of revenues the new city received from the county and affected agencies after incorporation would be substantially equal to the amount of savings the county or the affected agencies would attain from no longer providing services to the proposed incorporation area.

Because revenue neutrality has not yet been discussed and is pending the release of this Draft CFA, the potential payments are not yet known. The actual payment will be determined during negotiations between the proponents and the County. Below, Figure 15 presents two computations of the potential revenue neutrality payment from the Town to the County, based on the two different TOT scenarios discussed earlier in the TOT revenue analysis.

Scenario 1 shows the potential revenue neutrality payment if going forward, revenue collected from the Measure F levy would be used to fund regional infrastructure projects. Scenario 2 shows the potential payment if the entire 6 percent of the 10 percent levy were to go to fund infrastructure projects as it is now. These scenarios are discussed further in the Conclusion.

Figure 15 - Revenue Neutrality Payment

Scenario 1: Potential Payment with 2% TOT Transferred to City and Spent on Projects

Revenue Transferred		
Property Tax	$ 707,550	
Sales Tax (Including In-Lieu)	461,390	
Property Transfer Tax	328,831	
Measure F 2% Transit Occupancy Tax Levy	642,093	
8% Transit Occupancy Tax Base Rate	2,568,373	
Fines & Forfeitures (Cost Offset)	-	
Franchise Fees	20,600	
Total Revenue Loss to County		$ (4,728,836)
Expenses Transferred (Net of Revenue Offsets)		
Community Development	$ 59,235	
Public Works - Road Maintenance & Snow Removal	29,737	
Sheriff	1,257,612	
Facilities - Parks	27,889	
HHS - Animal Services	7,295	
Measure F Funded Infrastructure Projects	642,093	
Total Expenditure Reduction		$ 2,023,862
County Property Tax Admin. Fee of 0.18%		1,303
Net Revenue Impact to County - Positive/(Negative)		(2,703,672)
Potential Revenue Neutrality Payment		$ 2,703,672

Scenario 2: Potential Payment with 6% TOT Transferred to City and Spent on Projects

Revenue Transferred		
Property Tax	$ 707,550	
Sales Tax (Including In-Lieu)	461,390	
Property Transfer Tax	328,831	
Measure F 2% Transit Occupancy Tax Levy	642,093	
8% Transit Occupancy Tax Base Rate	2,568,373	
Fines & Forfeitures (Cost Offset)	-	
Franchise Fees	20,600	
Total Revenue Loss to County		$ (4,728,836)
Expenses Transferred (Net of Revenue Offsets)		
Community Development	$ 59,235	
Public Works - Road Maintenance & Snow Removal	29,737	
Sheriff	1,257,612	
Facilities - Parks	27,889	
HHS - Animal Services	7,295	
Infrastructure Projects	1,926,280	
Total Expenditure Reduction		$ 3,308,048
County Property Tax Admin. Fee of 0.18%		1,303
Net Revenue Impact to County - Positive/(Negative)		(1,419,485)
Potential Revenue Neutrality Payment		$ 1,419,485

PROVISIONAL APPROPRIATIONS LIMIT

Figure 16 presents the computation of the provisional appropriations limit for Olympic Valley. The appropriations limit is the amount of money that a governmental agency can spend in one fiscal year. Also referred to as "The Gann Limit," voters approved this initiative in 1979 which set a constitutional appropriations limit on governmental agencies. RSG calculated $5,591,124 as the Provisional Appropriation Limit based on §56812 and the City's projected first fiscal year of tax proceeds in 2017-18. Without a balanced budget, it is notable that the Provisional Appropriations Limit would be lower than the proposed City budget in fiscal year 2017-18.

Figure 16 - Appropriations Limit

2017-18 Estimates	
Proceeds of Taxes to City	
Property Taxes	$ 797,124
Sales Taxes (including in-lieu fees)	481,300
Property Transfer Taxes	40,900
Transient Occupancy Tax	3,770,740
Off Highway Vehicle License	79
Gas Taxes (2105)	3,850
Gas Taxes (2106)	2,060
Gas Taxes (2107)	5,260
Gas Taxes (2107.5)	1,000
Subtotal	5,102,313
Interest Earnings	34,013
Total	5,136,327
Cost of Living Factor[1]	2.13%
Population Growth[2]	1.59%
2017-18 Provisional Limit	$ 5,328,933

[1] Consumer Price Index
[2] RSG Projected Population Growth, 2017-18

CONCLUSIONS

Appendix 2 presents summary projections for the Town's General Fund and Road Fund, followed by more detailed projections of revenues and expenditures by source and department. As stated earlier, these conclusions are based on an assumption of revenue neutrality payments, which may be altered should the parties reach agreement on a different payment structure. Should that occur, the CFA will be updated.

SCENARIO 1

In Scenario 1, the Measure F (extra 2 percent TOT levy) revenue is assumed be transferred to the new Town who would in turn either expend these funds on infrastructure as stipulated in the measure, or transfer these to NLTRA for the same purposes, as per NLTRA's current agreement with the County. The Town would retain the half (4 percent) of the remaining 8 percent TOT levy currently shared by the County with NRTRA for the Town's operational budget.

- RSG projects a General Fund surplus in the Transition Year of $161,436 after the 30 percent reserve is met.
- A General Fund revenue deficit of $1,685,868 is projected in fiscal year 2017-18, after the potential revenue neutrality payment is taken into account.
- Thereafter, RSG projects that incorporation may not be feasible as expenditures, including potential revenue neutrality payment, could exceed revenues by as much as $1,847,304 through fiscal year 2025-26.
- The General Fund 30 percent reserve could be depleted by fiscal year 2017-18 and the General Fund would not have sufficient revenues or reserves to meet projected expenditures.
- Road Fund expenditures would exceed revenues throughout the term of our forecast, meaning that the Town would not have sufficient funding for projected road maintenance costs. It is unclear at this point whether a more favorable revenue neutrality agreement could benefit the Town's Road Fund.

SCENARIO 2

Scenario 2 mirrors the current arrangement between the County and NLTRA, wherein the County shares both the 2 percent Measure F levy and half of the remaining 8 percent with NLTRA for infrastructure and other NLTRA activities. As such, RSG has assumed the Town would share both the 2 percent Measure F levy proceeds and half (4 percent) of the remaining 8 percent TOT levy with NLTRA for infrastructure and other projects consistent with the current County-NLTRA agreement. The effects of Scenario 2 are generally a reduction in potential revenue neutrality payments and revenues available to the Town's General Fund.

- RSG projects a General Fund deficit in the Transition Year of $1,351,700 after the 30 percent reserve is met.
- A General Fund revenue deficit of $3,462,114 is projected in fiscal year 2017-18, after the potential revenue neutrality payment is taken into account.
- Thereafter, RSG projects that incorporation may not be feasible as expenditures, including potential revenue neutrality payment, could exceed revenues by as much as $3,529,899 through fiscal year 2025-26.
- The General Fund 30 percent reserve could not be established given the deficit projected in the transition year, and the General Fund would not have sufficient revenues to meet projected expenditures.

- Road Fund expenditures would exceed revenues throughout the term of our forecast, meaning that the Town would not have sufficient funding for projected road maintenance costs. It is unclear at this point whether a more favorable revenue neutrality agreement could benefit the Town's Road Fund.

RSG has analyzed two alternatives to the incorporation proposal in Appendix 1, including one that entails a smaller geographic area and another that assumes dissolution of the SVPSD with their services and revenues consolidated with the Town who would take on these revenues and costs. Both of these alternatives were not fiscally superior to the proposed incorporation.

APPENDIX 1 - ALTERNATIVES

ALTERNATIVE 1 – SELECTIVE EXCLUSION

During an incorporation process, LAFCO may consider alternative boundary scenarios from what was proposed by the Proponent group. One alternative LAFCO asked RSG to consider was the "Selective Exclusion" alternative boundary. Throughout the Olympic Valley incorporation process thus far, LAFCO has received numerous letters from property and business owners opposed to incorporation requesting that their property or properties be excluded from the incorporated Town of Olympic Valley should it come into being. It is understandable that affected parties wish to voice their concerns, especially given that many property owners are not full-time residents and are not registered to vote in the area. However, at this time, the incorporation process does not allow select parties to opt out of a proposed incorporation. With no legal foundation to exclude parties opposed to incorporation and with the exclusion further weakening the economic base of the proposed town, we do not consider the "Selective Exclusion" alternative boundary as a feasible option.

In addition, LAFCO's first priority is "to encourage the orderly formation of local governmental agencies." Selective exclusion of specific parcels would create in an illogical boundary for an independent municipality and would result in inefficient provision of services. The County would have to continue to provide services to the selectively excluded parcels while the rest of the area would be serviced by the new Town, placing unnecessary burden on both the County and new Town.

ALTERNATIVE 2 – DISSOLUTION OF SVPSD

LAFCO's first priority is "to encourage the orderly formation of local governmental agencies." This means LAFCO can look at the boundaries of cities and/or districts to determine if efficiencies would be created by shifting or dissolving those boundaries. The proposed Olympic Valley boundary follows the boundary of the SVPSD. While both the new Town and the existing service district can coexist, another option would be to dissolve the SVPSD and transfer the service responsibilities to the new Town. It is possible that this would create some efficiencies and cost-saving mechanisms for the new Town and its residents. For example, management, governance, and overhead costs could be consolidated and reduced if the two agencies merged. The new Town would be responsible for providing the services provided by the SVPSD now, which include water, sewer, and structural fire protection. In general, the new Town's costs would increase as it takes on those services. However, the new Town would also receive the revenue the SVPSD receives now through water and sewer fees and property tax revenue. While there could be some cost savings achieved that would result in surplus revenue, for purposes of this analysis, the net effect on the new Town of dissolving the SVPSD would be zero.

APPENDIX 2A – FUND SUMMARY – SCENARIO 1

Measure F Revenue Transferred to City and Spent on Infrastructure Projects

		Annual City General Fund Operating Budget								
General Fund	**Transition** 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Beginning Fund Balance	$ -	$ 140,011	$ (1,858,323)	$(3,408,003)	$ (4,288,596)	$(4,839,611)	$ (5,354,212)	$(5,699,653)	$ (5,962,217)	$ (5,747,070)
Revenues by Source										
Property Taxes	-	797,124	867,351	990,195	1,094,068	1,164,085	1,236,932	1,289,444	1,324,453	1,359,252
Sales Taxes (including In-Lieu)	235,600	481,300	590,300	701,600	716,600	769,100	785,500	839,900	857,800	876,100
Property Transfer Taxes	36,000	40,900	81,800	121,900	108,600	88,900	93,900	75,700	57,900	59,400
Transient Occupancy Taxes	3,692,090	3,770,740	4,516,040	4,938,920	5,079,230	5,187,420	5,297,910	5,410,760	6,423,930	6,863,180
Off Highway License Subvention	78	79	80	83	86	88	91	91	92	92
Park User Fees	-	15,670	16,100	17,190	18,090	19,040	19,970	20,520	21,070	21,640
Animal Control Licenses	-	290	290	310	330	350	370	370	390	400
Fines & Forefeitures	-	35,210	43,670	45,870	46,940	48,030	49,140	50,200	61,640	62,970
Franchise Fees	-	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600
Community Development Fees	-	323,980	330,840	337,840	345,000	352,300	359,750	367,370	375,140	383,070
Interest Earnings	31,500	33,900	34,700	37,000	39,200	41,600	44,300	47,000	49,800	52,600
Total General Fund Revenue	3,995,268	5,519,793	6,501,771	7,211,508	7,468,743	7,691,513	7,908,462	8,121,956	9,192,815	9,699,304
Expenditures by Department										
Town Council	23,450	23,680	23,920	24,160	24,410	24,660	24,920	25,180	25,450	25,720
Management	299,360	354,750	361,510	369,880	376,890	392,560	392,840	401,820	409,380	418,700
City Attorney	152,130	104,310	106,530	108,800	111,120	113,490	115,910	118,380	120,900	123,480
Finance	150,045	165,540	169,030	172,590	176,220	182,240	183,730	187,600	191,550	195,590
Community Development	37,925	682,630	691,780	551,130	460,690	477,450	480,400	490,570	500,950	511,540
Public Works - Other	15,230	147,370	150,473	153,646	156,883	164,779	163,555	166,988	170,492	174,065
Animal Control	-	16,190	16,640	17,780	18,700	19,670	20,640	21,210	21,780	22,370
Fire Protection	152,160	155,400	158,720	162,100	165,550	169,080	172,680	176,360	180,120	183,960
Law Enforcement	142,918	1,551,410	1,593,390	1,702,040	1,791,250	1,884,690	1,977,480	2,031,000	2,085,960	2,142,410
Parks & Recreation	-	31,400	32,070	32,750	33,450	34,160	34,890	35,630	36,390	37,170
CalFire	152,160	155,400	158,720	162,100	165,550	169,080	172,680	176,360	180,120	183,960
Non-Departmental	182,880	212,990	239,600	259,510	268,120	276,030	283,840	291,550	320,860	336,170
2% Measure F Instrastructure Projects	738,418	754,148	903,208	987,784	1,015,846	1,037,484	1,059,582	1,082,152	1,284,786	1,372,636
Contingency (10% of Dept. Expenditures)	131,000	360,000	370,000	372,000	375,000	391,000	402,000	412,000	424,000	436,000
Reserve Fund (30% of Revenue)	1,677,582	-	272,949	212,921	77,171	66,831	65,085	64,048	321,258	151,947
Transition Year Loan	-	99,238	99,238	99,238	99,238	99,238	-	-	-	-
Total	3,855,258	4,814,456	5,347,778	5,388,430	5,316,087	5,502,442	5,550,232	5,680,848	6,273,995	6,315,718
Net Revenue / (Deficit)	140,011	705,338	1,153,992	1,823,079	2,152,656	2,189,071	2,358,231	2,441,107	2,918,819	3,383,586
Potential Revenue Neutrality Payment	-	2,703,672	2,703,672	2,703,672	2,703,672	2,703,672	2,703,672	2,703,672	2,703,672	2,703,672
Ending General Fund Balance	140,011	(1,858,323)	(3,408,003)	(4,288,596)	(4,839,611)	(5,354,212)	(5,699,653)	(5,962,217)	(5,747,070)	(5,067,155)

APPENDIX 2A (CONTINUED)

		Annual City Road Fund Operating Budget								
Road Fund	**Transition** 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Beginning Fund Balance	$ -	$ 12,070	$ (222,352)	$ (227,405)	$ (231,995)	$ (236,860)	$ (241,810)	$ (246,920)	$ (252,390)	$ (258,005)
Revenues by Source										
Gas Tax (Sec. 2105)	3,810	3,850	3,870	4,050	4,170	4,300	4,410	4,440	4,460	4,490
Gas Tax (Sec. 2106)	2,040	2,060	2,070	2,170	2,230	2,300	2,360	2,380	2,390	2,400
Gas Tax (Sec. 2107)	5,220	5,260	5,290	5,530	5,700	5,880	6,040	6,070	6,100	6,140
Gas Tax (Sec. 2107.5)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Gas Tax (Sec. 2107 - Snow Removal)	-	64,715	66,095	67,505	68,940	70,410	71,910	73,440	75,005	75,005
Interest Earnings	-	113	-	-	-	-	-	-	-	-
Total	12,070	76,998	78,325	80,255	82,040	83,890	85,720	87,330	88,955	89,035
Expenditures by Department										
Road Maintenance	-	299,350	305,730	312,250	318,900	325,700	332,640	339,720	346,960	354,360
Total	-	299,350	305,730	312,250	318,900	325,700	332,640	339,720	346,960	354,360
Net Revenue / (Deficit)	12,070	(222,352)	(227,405)	(231,995)	(236,860)	(241,810)	(246,920)	(252,390)	(258,005)	(265,325)
Ending Road Fund Balance	12,070	(210,282)	(449,757)	(459,400)	(468,855)	(478,670)	(488,730)	(499,310)	(510,395)	(523,330)

APPENDIX 2B – FUND SUMMARY – SCENARIO 2

All TOT Transferred to City, 60 percent Spent on Infrastructure Projects

Annual City General Fund Operating Budget

General Fund	Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Beginning Fund Balance	$ -	$ (1,368,325)	$ (2,205,184)	$(2,881,897)	$ (3,070,697)	$(2,988,272)	$ (2,915,050)	$ (2,719,473)	$ (2,488,860)	$ (2,188,572)
Revenues by Source										
Property Taxes	-	797,124	867,351	990,195	1,094,068	1,164,085	1,236,932	1,289,444	1,324,453	1,359,252
Sales Taxes (including In-Lieu)	235,600	481,300	590,300	701,600	716,600	769,100	785,500	839,900	857,800	876,100
Property Transfer Taxes	36,000	40,900	81,800	121,900	108,600	88,900	93,900	75,700	57,900	59,400
Transient Occupancy Taxes	3,692,090	3,770,740	4,516,040	4,938,920	5,079,230	5,187,420	5,297,910	5,410,760	6,423,930	6,863,180
Off Highway License Subvention	78	79	80	83	86	88	91	91	92	92
Park User Fees	-	15,670	16,100	17,190	18,090	19,040	19,970	20,520	21,070	21,640
Animal Control Licenses	-	290	290	310	330	350	370	370	390	400
Fines & Forefeitures	-	35,210	43,670	45,870	46,940	48,030	49,140	50,200	61,640	62,970
Franchise Fees	-	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600
Community Development Fees	-	323,980	330,840	337,840	345,000	352,300	359,750	367,370	375,140	383,070
Interest Earnings	-	-	-	-	-	-	-	-	-	-
Total General Fund Revenue	3,963,768	5,485,893	6,467,071	7,174,508	7,429,543	7,649,913	7,864,162	8,074,956	9,143,015	9,646,704
Expenditures by Department										
Town Council	23,450	23,680	23,920	24,160	24,410	24,660	24,920	25,180	25,450	25,720
Management	299,360	354,750	361,510	369,880	376,890	392,560	392,840	401,820	409,380	418,700
City Attorney	152,130	104,310	106,530	108,800	111,120	113,490	115,910	118,380	120,900	123,480
Finance	150,045	165,540	169,030	172,590	176,220	182,240	183,730	187,600	191,550	195,590
Community Development	37,925	682,630	691,780	551,130	460,690	477,450	480,400	490,570	500,950	511,540
Public Works - Other	15,230	147,370	150,473	153,646	156,883	164,779	163,555	166,988	170,492	174,065
Animal Control	-	16,190	16,640	17,780	18,700	19,670	20,640	21,210	21,780	22,370
Fire Protection	152,160	155,400	158,720	162,100	165,550	169,080	172,680	176,360	180,120	183,960
Law Enforcement	142,918	1,551,410	1,593,390	1,702,040	1,791,250	1,884,690	1,977,480	2,031,000	2,085,960	2,142,410
Parks & Recreation	-	31,400	32,070	32,750	33,450	34,160	34,890	35,630	36,390	37,170
CalFire	152,160	155,400	158,720	162,100	165,550	169,080	172,680	176,360	180,120	183,960
Non-Departmental	182,880	212,990	239,600	259,510	268,120	276,030	283,840	291,550	320,860	336,170
Instrastructure Projects	2,215,254	2,262,444	2,709,624	2,963,352	3,047,538	3,112,452	3,178,746	3,246,456	3,854,358	4,117,908
Contingency (10% of Dept. Expenditures)	131,000	360,000	370,000	372,000	375,000	391,000	402,000	412,000	424,000	436,000
Reserve Fund (30% of Revenue)	1,677,582	-	262,539	212,231	76,511	66,111	64,275	63,238	320,418	151,107
Transition Year Loan	-	99,238	99,238	99,238	99,238	99,238	-	-	-	-
Total	5,332,094	6,322,752	7,143,784	7,363,308	7,347,119	7,576,690	7,668,586	7,844,342	8,842,727	9,060,150
Net Revenue / (Deficit)	(1,368,325)	(836,858)	(676,714)	(188,799)	82,424	73,223	195,577	230,613	300,287	586,554
Potential Revenue Neutrality Payment	-	1,419,485	1,419,485	1,419,485	1,419,485	1,419,485	1,419,485	1,419,485	1,419,485	1,419,485
Ending General Fund Balance	(1,368,325)	(3,624,669)	(4,301,383)	(4,490,182)	(4,407,758)	(4,334,535)	(4,138,958)	(3,908,345)	(3,608,058)	(3,021,503)

APPENDIX 2B (CONTINUED)

Annual City Road Fund Operating Budget

Road Fund	**Transition** 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Beginning Fund Balance	$ -	$ 12,070	$ (222,352)	$ (227,405)	$ (231,995)	$ (236,860)	$ (241,810)	$ (246,920)	$ (252,390)	$ (258,005)
Revenues by Source										
Gas Tax (Sec. 2105)	3,810	3,850	3,870	4,050	4,170	4,300	4,410	4,440	4,460	4,490
Gas Tax (Sec. 2106)	2,040	2,060	2,070	2,170	2,230	2,300	2,360	2,380	2,390	2,400
Gas Tax (Sec. 2107)	5,220	5,260	5,290	5,530	5,700	5,880	6,040	6,070	6,100	6,140
Gas Tax (Sec. 2107.5)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Gas Tax (Sec. 2107 - Snow Removal)	-	64,715	66,095	67,505	68,940	70,410	71,910	73,440	75,005	75,005
Interest Earnings	-	113	-	-	-	-	-	-	-	-
Total	12,070	76,998	78,325	80,255	82,040	83,890	85,720	87,330	88,955	89,035
Expenditures by Department										
Road Maintenance	-	299,350	305,730	312,250	318,900	325,700	332,640	339,720	346,960	354,360
Total	-	299,350	305,730	312,250	318,900	325,700	332,640	339,720	346,960	354,360
Net Revenue / (Deficit)	12,070	(222,352)	(227,405)	(231,995)	(236,860)	(241,810)	(246,920)	(252,390)	(258,005)	(265,325)
Ending Road Fund Balance	12,070	(210,282)	(449,757)	(459,400)	(468,855)	(478,670)	(488,730)	(499,310)	(510,395)	(523,330)

APPENDIX 3 – REVENUES AND EXPENDITURES BY DEPARTMENT (SCENARIO 1 ONLY)

TOWN COUNCIL

		12 Month Period Beginning									
Item Detail and Assumptions		**Transition** 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Town Council Stipends	12,500	$ 12,500	$ 12,500	$ 12,500	$ 12,500	$ 12,500	$ 12,500	$ 12,500	$ 12,500	$ 12,500	$ 12,500
Supplies & Services											
Travel & Memberships		10,430	10,650	10,880	11,110	11,350	11,590	11,840	12,090	12,350	12,610
14-15 Cost	10,000										
Growth Rate	2.1%										
Meeting Materials		520	530	540	550	560	570	580	590	600	610
14-15 Cost	500										
Growth Rate	2.1%										
Capital Outlay											
TOTAL		$ 23,450	$ 23,680	$ 23,920	$ 24,160	$ 24,410	$ 24,660	$ 24,920	$ 25,180	$ 25,450	$ 25,720

MANAGEMENT

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Town Manager		$ 91,475	$ 186,790	$ 190,710	$ 194,710	$ 198,800	$ 202,970	$ 207,230	$ 211,580	$ 216,020	$220,560
14-15 Cost	130,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Town Clerk/Admin Support		17,590	71,840	73,350	74,890	76,460	78,070	79,710	81,380	83,090	84,830
14-15 Cost	50,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Admin Assistant/Secretary		12,315	50,290	51,350	52,430	53,530	54,650	55,800	56,970	58,170	59,390
14-15 Cost	35,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Supplies & Services											
Interim Town Manager		120,000									
Travel & Memberships		20,860	21,310	21,800	22,300	22,800	23,300	23,800	24,300	24,800	25,300
14-15 Cost	20,000										
Growth Rate	2.1%										
Codification Services		10,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Elections		-	720	-	750	-	770	-	790	-	820
Cost Per Reg. Voter (2015)	1.25										
Growth Rate	2.1%										
Notices & Office Expenses		20,860	21,300	21,800	22,300	22,800	23,300	23,800	24,300	24,800	25,300
14-15 Cost	20,000										
Growth Rate	2.1%										
Capital Outlay											
Computer Hardware & Software		6,260	-	-	-	-	7,000	-	-	-	-
14-15 Cost	6,000										
Growth Rate	2.1%										
Replace. Cycle (Yrs)	5										
TOTAL		$ 299,360	$ 354,750	$ 361,510	$ 369,880	$ 376,890	$ 392,560	$ 392,840	$ 401,820	$ 409,380	$418,700

CITY ATTORNEY

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
Contract City Attorney Services		$ 102,130	$ 104,310	$ 106,530	$ 108,800	$ 111,120	$ 113,490	$ 115,910	$ 118,380	$ 120,900	$ 123,480
14-15 Cost	100,000										
Growth Rate	2.1%										
Supplemental Startup Legal Costs		50,000	-	-	-	-	-	-	-	-	-
Capital Outlay											
TOTAL		$ 152,130	$ 104,310	$ 106,530	$ 108,800	$ 111,120	$ 113,490	$ 115,910	$ 118,380	$ 120,900	$ 123,480

FINANCE

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Finance Director		$ 31,665	$ 129,320	$ 132,040	$ 134,810	$ 137,640	$ 140,530	$ 143,480	$ 146,490	$ 149,570	$152,710
14-15 Cost	90,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Supplies & Services											
Interim Finance Manager		75,000	-	-	-	-	-	-	-	-	
Contract Services: Payroll & Auditing		31,290	31,960	32,640	33,340	34,050	34,780	35,520	36,280	37,050	37,840
14-15 Cost	30,000										
Growth Rate	2.1%										
Travel & Memberships		-	4,260	4,350	4,440	4,530	4,630	4,730	4,830	4,930	5,040
14-15 Cost	4,000										
Growth Rate	2.1%										
Capital Outlay											
Computer Hardware		2,090	-	-	-	-	2,300	-	-	-	-
14-15 Cost	2,000										
Growth Rate	2.1%										
Replace. Cycle (Yrs)	5										
Financial Software		10,000	-	-	-	-	-	-	-	-	-
TOTAL		$ 150,045	$ 165,540	$ 169,030	$ 172,590	$ 176,220	$ 182,240	$ 183,730	$ 187,600	$ 191,550	$195,590

PUBLIC WORKS – ROAD MAINTENANCE

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
Contract Road Maintenance - Personnel		$ -	$ 77,770	$ 79,430	$ 81,120	$ 82,850	$ 84,620	$ 86,420	$ 88,260	$ 90,140	$ 92,060
14-15 Cost	73,000										
Growth Rate	2.1%										
Contract Road Maintenance - Supplies and Overhead		-	92,150	94,110	96,120	98,170	100,260	102,400	104,580	106,810	109,090
14-15 Cost	86,500										
Growth Rate	2.1%										
Contract Snow Plowing - Personnel		-	90,550	92,480	94,450	96,460	98,520	100,620	102,760	104,950	107,190
14-15 Cost	85,000										
Growth Rate	2.1%										
Contract Snow Plowing - Fleet Maintenance		-	38,880	39,710	40,560	41,420	42,300	43,200	44,120	45,060	46,020
14-15 Cost	36,500										
Growth Rate	2.1%										
TOTAL		$ -	$ 299,350	$ 305,730	$ 312,250	$ 318,900	$ 325,700	$ 332,640	$ 339,720	$ 346,960	$ 354,360

PUBLIC WORKS – OTHER

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Public Works Director		$ 10,555	$ 129,320	$ 132,040	$ 134,810	$ 137,640	$ 140,530	$ 143,480	$ 146,490	$ 149,570	$ 152,710
14-15 Cost	90,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Supplies & Services											
County Contract NPDES Program Implementation		-	13,850	14,150	14,450	14,760	15,070	15,390	15,720	16,050	16,390
14-15 Cost	13,000										
Growth Rate	2.1%										
Contract for AB 939 Requirements		505	510	513	536	553	569	585	588	592	595
Cost Per Resident	0.53										
Population	See Below										
Shared Traffic Signal Operating Costs		-	3,690	3,770	3,850	3,930	4,010	4,100	4,190	4,280	4,370
13-14 Actual Cost	3,464										
Growth Rate	2.1%										
Capital Outlay											
Computer Hardware & Software		4,170	-	-	-	-	4,600	-	-	-	-
14-15 Cost	4,000										
Growth Rate	2.1%										
Replace. Cycle (Yrs)	5										
TOTAL		$ 15,230	$ 147,370	$ 150,473	$ 153,646	$ 156,883	$ 164,779	$ 163,555	$ 166,988	$ 170,492	$ 174,065
Notes											
Projected Population	943	954	962	968	1,012	1,043	1,074	1,104	1,110	1,116	1,122

COMMUNITY DEVELOPMENT

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Community Development Director		$ 31,665	$129,320	$ 132,040	$ 134,810	$ 137,640	$ 140,530	$ 143,480	$ 146,490	$ 149,570	$ 152,710
14-15 Cost	90,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Associate Planner		-	86,210	88,020	89,870	91,760	93,690	95,660	97,670	99,720	101,810
14-15 Cost	60,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Supplies & Services											
Contract Building/Code Enforcement		-	31,960	32,640	33,340	34,050	34,780	35,520	36,280	37,050	37,840
14-15 Cost	30,000										
Growth Rate	2.1%										
Contract Engineering/Surveying		-	45,810	46,790	47,790	48,810	49,850	50,910	51,990	53,100	54,230
14-15 Cost	43,000										
Growth Rate	2.1%										
Contract Planning		-	42,610	43,520	44,450	45,400	46,370	47,360	48,370	49,400	50,450
14-15 Cost	40,000										
Growth Rate	2.1%										
Contract Technical/GIS Support		-	5,330	5,440	5,560	5,680	5,800	5,920	6,050	6,180	6,310
14-15 Cost	5,000										
Growth Rate	2.1%										
Cost Allocation for O/H and Admin		-	89,790	91,700	93,650	95,650	97,690	99,770	101,900	104,070	106,290
14-15 Cost	84,287										
Growth Rate	2.1%										
General Plan/EIR Preparation			250,000	250,000							
Zoning Code Preparation					100,000						
Travel & Membership		-	1,600	1,630	1,660	1,700	1,740	1,780	1,820	1,860	1,900
14-15 Cost	1,500.00										
Growth Rate	2.1%										
Capital Outlay											
Computer Hardware & Software		6,260	-	-	-	-	7,000	-	-	-	-
14-15 Cost	6,000										
Growth Rate	2.1%										
Replace. Cycle (Yrs)	5										
TOTAL		$ 37,925	$682,630	$ 691,780	$ 551,130	$ 460,690	$ 477,450	$ 480,400	$ 490,570	$ 500,950	$ 511,540

Note: Costs for General Plan, EIR, and Zoning Code preparation are based upon estimates from LAFCO's consultant.

COMMUNITY DEVELOPMENT (CONTINUED)

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Fees		$ -	$ 323,980	$ 330,840	$ 337,840	$ 345,000	$ 352,300	$ 359,750	$ 367,370	$ 375,140	$ 383,070
13-14 Revenue	$ 179,277										
% of Costs Offset	75.16%										
TOTAL		-	323,980	330,840	337,840	345,000	352,300	359,750	367,370	375,140	383,070

PARKS AND RECREATION

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
TCPUD Contract		$ -	$ 31,400	$ 32,070	$ 32,750	$ 33,450	$ 34,160	$ 34,890	$ 35,630	$ 36,390	$ 37,170
14-15 Cost	29,476										
Growth Rate	2.1%										
Capital Outlay											
Capital Reserve Fund	2,947.60	-	3,140	3,207	3,275	3,345	3,416	3,489	3,563	3,639	3,717
Rate	10%										
TOTAL		$ -	$ 31,400	$ 32,070	$ 32,750	$ 33,450	$ 34,160	$ 34,890	$ 35,630	$ 36,390	$ 37,170

ANIMAL CONTROL

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
County Animal Control Contract		$ -	$ 11,690	$ 12,010	$ 12,830	$ 13,500	$ 14,200	$ 14,900	$ 15,310	$ 15,720	$ 16,150
14-15 Cost Estimate	10,758										
Base Cost Growth Rate	2.1%										
Per Capita Adjustment	see below										
Supplies		-	2,840	2,920	3,120	3,280	3,450	3,620	3,720	3,820	3,920
14-15 Base Cost	2,613										
Base Cost Growth Rate	2.1%										
Per Capita Adjustment	see below										
Cost Allocation for O/H and Admin		-	1,660	1,710	1,830	1,920	2,020	2,120	2,180	2,240	2,300
14-15 Base Cost	1,531										
Base Cost Growth Rate	2.1%										
Per Capita Adjustment	see below										
Capital Outlay											
TOTAL		$ -	$ 16,190	$ 16,640	$ 17,780	$ 18,700	$ 19,670	$ 20,640	$ 21,210	$ 21,780	$ 22,370
Notes											
Projected Population	943	954	962	968	1,012	1,043	1,074	1,104	1,110	1,116	1,122

LAW ENFORCEMENT

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
Contract with County Sheriff (Patrol)		$ -	$1,259,090	$ 1,293,170	$1,381,340	$1,453,740	$1,529,580	$1,604,890	$1,648,320	$ 1,692,930	$1,738,740
14-15 Cost	1,158,449										
Growth Rate	2.1%										
Per Capita Adjustment	see below										
Contract with County Sheriff (Traffic)		95,990	98,910	101,580	108,510	114,200	120,150	126,070	129,480	132,980	136,580
14-15 Cost	91,000										
Growth Rate	2.1%										
Per Capita Adjustment	see below										
Direct & Indirect Support		46,928	193,410	198,640	212,190	223,310	234,960	246,520	253,200	260,050	267,090
14-15 Cost	177,948										
Growth Rate	2.1%										
Per Capita Adjustment	see below										
Capital Outlay											
TOTAL		$ 142,918	$1,551,410	$ 1,593,390	$1,702,040	$1,791,250	$1,884,690	$1,977,480	$2,031,000	$ 2,085,960	$2,142,410
Notes											
Projected Population	943	954	962	968	1,012	1,043	1,074	1,104	1,110	1,116	1,122

FIRE PROTECTION

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
Contract with CalFire		$ 152,160	$ 155,400	$ 158,720	$ 162,100	$ 165,550	$ 169,080	$ 172,680	$ 176,360	$ 180,120	$ 183,960
Acreage subject to Cont	5,662										
Cost per acre	$23.01										
Admin Costs	11.97%										
Growth Rate	2.1%										
Capital Outlay											
TOTAL		$ 152,160	$ 155,400	$ 158,720	$ 162,100	$ 165,550	$ 169,080	$ 172,680	$ 176,360	$ 180,120	$ 183,960

NON-DEPARTMENTAL

Item Detail and Assumptions		Transition 7/1/2016	12 Month Period Beginning 7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
LAFCo Fees		$ 580	$ 590	$ 600	$ 610	$ 620	$ 630	$ 640	$ 650	$ 660	$ 670
14-15 Cost	569										
Growth Rate	2.1%										
Insurance		99,900	138,000	162,500	180,300	186,700	192,300	197,700	203,000	229,800	242,500
2.5% of General Fund Revenue											
IT Support Contract		15,300	15,600	15,900	16,200	16,500	16,900	17,300	17,700	18,100	18,500
14-15 Cost	15,000										
Growth Rate	2.1%										
City Hall Rent, Utilities, Maintenance		57,100	58,800	60,600	62,400	64,300	66,200	68,200	70,200	72,300	74,500
Total Leased Area (sf)	2,500										
Lease Rate	1.37										
Expense Ratio	35%										
14-15 Cost	55,485										
Growth Rate	3.0%										
Capital Outlay											
Office Furnishings		10,000									
TOTAL		$ 182,880	$ 212,990	$ 239,600	$ 259,510	$ 268,120	$ 276,030	$ 283,840	$ 291,550	$ 320,860	$ 336,170
Notes											
Projected Population	943	954	962	968	1,012	1,043	1,074	1,104	1,110	1,116	1,122