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DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
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SACRAMENTO, CA
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June 12, 1991

916-449-5454

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: In Lieu Franchise Fee Increase

SUMMARY

The Proposed Operating Budget includes an increase in the rate of the In Lieu Franchise fee. This report provides details on the proposed increase.

BACKGROUND

The In Lieu Franchise fee was introduced in the Proposed 1989-90 Operating Budget. The fee provides a return to the General Fund for the use of City property by the City's enterprise funds. This fee is similar to fees imposed on private companies using City property. In 1989-90, the fee was imposed at 7% of user fee revenues on all City enterprise funds with the exception of the Solid Waste Fund.

FINANCIAL

The 1991-92 Operating Budget proposes an increase in the rate of the In Lieu Franchise fee from 7% to 10% of City enterprise user fees, with the exception of Solid Waste. The increase will generate \$1.8 million to the General Fund. The rate increase will correspondingly impact the average monthly City utility bill by \$0.94 or about 2%. The following exhibit details the impact of the In Lieu Franchise fee increase on City utility bills and the cost to each enterprise fund.

EFFECT OF INCREASED IN LIEU FRANCHISE FEES							
Fund	1991-92 Franchise Revenue Rate 7%	1991-92 Franchise Revenue Rate 10%	Franchise Revenue Increase	Proposed Monthly With Out Franchise Increase	Proposed Monthly With Franchise Increase	Proposed Monthly With Franchise Increase	% Incr.

UTILITY ENTERPRISE FUNDS							
Water	1,393,000	1,962,000	569,000	\$10.23	\$.31	\$10.54	3.0%
Sewer	563,000	794,000	231,000	\$6.77	\$.30	\$7.07	4.4%
Storm	1,285,000	1,811,000	526,000	\$8.73	\$.33	\$9.06	3.8%
Solid Waste	N/A	N/A	N/A	\$9.59	N/A	\$9.59	
Lawn & Garden	N/A	N/A	N/A	\$4.76	N/A	\$4.76	
Regional Sanitation	N/A	N/A	N/A	\$7.95	N/A	\$7.95	

Subtotal	3,241,000	4,567,000	1,326,000	\$48.03	\$.94	\$48.97	2.0%

OTHER ENTERPRISE FUNDS							
Parking	621,000	876,000	255,000				
*Community Center	339,000	393,000	54,000				
Golf	278,000	392,000	114,000				
Marina	70,000	99,000	29,000				

Subtotal	1,308,000	1,760,000	452,000				

Total	4,549,000	6,327,000	1,778,000				
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* Adjusted for T.O. TAX							

Several options to reduce the budget deficit were examined in the development of the Proposed Budget. The In Lieu Franchise fee was selected because the rate affects both commercial and residential City utility users; is imposed on non-utility enterprise funds whose users are area-wide; requires no computer systems changes to implement; and has virtually no handling costs. Alternative revenue sources which were considered but not recommended, are listed in the Proposed Budget page F-13.

POLICY ISSUES

The City must adopt a balanced budget. The proposed increase in the In Lieu Franchise fee provides an additional \$1.8 million to the General Fund. The City Council may elect to:

1. Adopt the In Lieu rate increase; or
2. Substitute another equivalent revenue source; or
3. Reduce proposed expenditures by an equivalent amount; or
4. Combine alternatives to maintain a balanced budget.

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RECOMMENDATION

This report is for Council information. It is recommended that the City Council review this report and adopt a 10% In Lieu Franchise fee on City enterprise user fees excluding Solid Waste, as part of the Approved Budget adopting resolution.

Respectfully submitted,


Margaret Freeman
Revenue Manager

APPROVED FOR COUNCIL INFORMATION:


WALTER J. SLUPE
City Manager

June 12, 1990
All Districts

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