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## **FINAL REPORT**

# INITIAL FISCAL ANALYSIS OF THE PROPOSED INCORPORATION OF SAN MARTIN

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## I. INTRODUCTION

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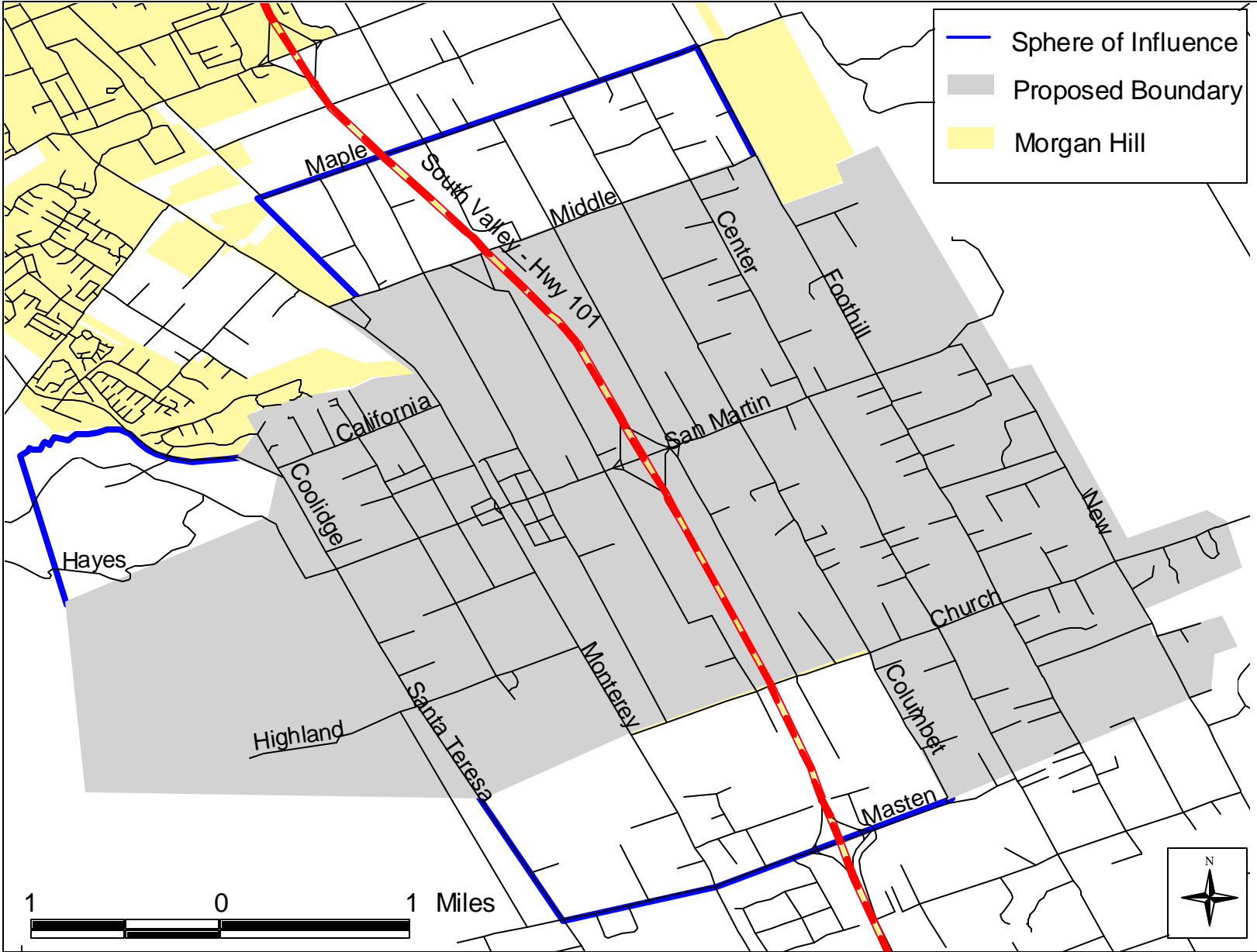
This report presents an Initial Fiscal Analysis (IFA) of the incorporation of San Martin as proposed by the San Martin Neighborhood Alliance (SMNA), a citizen group that is currently considering the pursuit of an incorporation petition. The IFA provides an initial evaluation of cityhood feasibility and potential impacts on the County. The IFA is intended to serve as a “fatal flaw” analysis of incorporation feasibility, to recommend ways to improve feasibility, and to identify issues requiring further research as part of a formal Comprehensive Fiscal Analysis (CFA) required by law, if the incorporation process moves forward. The requirement for the CFA is established in the Cortese/Knox Local Government Reorganization Act of 2000 (California Government Code Section 56000 et seq.) at Section 56800 (herein the “Statute”).

As currently proposed, the proposal would incorporate in the range of approximately 6,700 acres within Santa Clara County, nestled between the City of Morgan Hill to the north and the City of Gilroy to the south. Highway 101 runs through the proposed boundaries with an interchange at San Martin Avenue, providing access to the City’s primary commercial area. San Martin is composed predominantly of single-family residential units and a supporting commercial area.

**Figure 1** depicts the proposed incorporation boundary. This 6,700-acre area is home to approximately 5,800 residents, and includes the CordeValle Resort and Golf Club, and Clos LaChance Winery in the western portion of the City. Creating city boundaries is a policy decision involving many factors such as fiscal feasibility, community identity, and orderly land use patterns. A more inclusive city may have merit from the LAFCO perspective, including such general policies as avoiding enclaves substantially surrounded by cities and providing efficient, rational public services and accountability.

If an incorporation petition is submitted to LAFCO, a CFA would provide LAFCO with information necessary to make the determinations required by the statutes. LAFCO has the authority to approve, deny, or modify the incorporation proposal (as defined in the petition) and must in all cases impose specific terms and conditions regarding the transition of governance to a municipality. If LAFCO approves the proposal, and if no formal majority protest as specified in the law occurs, an election would be held. Majority voter approval is required to create the incorporated City of San Martin.

**Figure 1**  
**Proposed Incorporation Boundary**



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Financial feasibility is a key finding that must be made by LAFCO; however, LAFCO itself is instrumental in determining financial feasibility since it imposes conditions that directly affect costs and revenues accruing to the new City. These conditions include the following:

- Timing of incorporation (date of the election and the effective date of the new City).
- Boundaries of the new City.
- Property tax transfer.
- Mitigation terms and conditions related to “fiscal neutrality.”
- Related governmental boundary changes, such as dissolutions of or detachments from special districts.

## **METHODOLOGY**

This IFA has been prepared in cooperation with SMNA, Santa Clara County, and other local service providers. The IFA is a preliminary study conducted in advance of proceeding with incorporation.

The IFA is based on a municipal budget model and forecast. Revenue estimates are based on specific mandated formulas (property tax), the development schedule (sales tax), and estimates of population growth (motor vehicle license fees). Costs estimates are based both on expected increases in the population, as well as on the incremental need for additional City staff. The increased need for City staff is based on population growth, adjusted to allow for efficiencies in the provision of services expected for cities of this size.

The analysis evaluates the feasibility of a new City government, taking into account the land use buildout possible given limits on natural resources such as water supply, the legal requirements imposed by LAFCO (terms and conditions), the proposed municipal government, and a projection of municipal costs and revenues. The analysis also evaluates the potential impacts of incorporation upon agencies presently providing services to San Martin (e.g., Santa Clara County).

Data and assumptions in the municipal budget model reflect review and analysis conducted by the Consultant in cooperation with SMNA, Santa Clara County, and other service providers. Cost information reflects the budget numbers for the 2001-2002 fiscal year. The actual 2002-2003 budget numbers, once they become available, would need to be used for a CFA, assuming LAFCO approval is sought in the 2003-2004 fiscal year.

The IFA includes a “sensitivity analysis,” an effort to test the impacts of variations in key assumptions or data upon the base cost and revenue assumptions. This analysis is necessary because of the uncertainty regarding a number of key assumptions, e.g.,

growth rates and amount of new development. This sensitivity analysis has been conducted to provide SMNA with information to assist in determining if and how it pursues an incorporation petition.

## **ISSUES REQUIRING FURTHER RESEARCH**

A CFA will initiate a process whereby the County and other affected agencies are required to provide information necessary to complete the CFA. It is anticipated that the CFA process, and further data collection, research and analysis, will result in changes to the results presented in this preliminary analysis. Specific items identified in this initial analysis likely to require further review include:

- **Auditor's Ratio.** For a CFA, the County Auditor is required to document the Auditor's Ratio, which determines the transfer of property tax. The Auditor's Ratio used in this analysis is based on a review of the County budget and the Consultant's judgment.
- **Cost Analysis.** A few of the departmental costs assumed in the IFA are based on average Countywide cost estimates instead of on the County's current level and cost of service specific to the San Martin area (e.g., sheriff services). For the CFA, it will be important to access more detailed data regarding these departmental costs.
- **Revenue Analysis.** There are revenue estimates in the IFA that are based on per capita County costs or on revenues from comparable cities (e.g., franchise fees, fines and penalties). These revenue estimates, where possible, will be refined in the CFA.
- **Revenue Neutrality.** While the current analysis indicates no adverse fiscal impact upon the County, further analysis and further changes could produce a different result.

Other factors could also effect the conclusions presented herein including economic trends and the State budget crisis. For example, transient occupancy tax from the newly opened CordeValle Resort could increase as the business matures, or due to improved market conditions, or motor vehicle license tax revenue distributed to local governments could be reduced by the State.

## II. CONCLUSIONS

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### **FEASIBILITY OF INCORPORATION**

#### **1. *San Martin can be financially feasible as a city.***

The conclusion that a City of San Martin can be financially feasible is based upon the results of the Municipal Budget Model and forecast completed as a part of this analysis. The new city is able to accrue revenues and establish an initial fund balance as the County continues to fund services in the first year. While the City experiences a significant deficit in its second year of operation due to repayment of first-year services to the County, the City generates increasing surpluses with each additional year. It is important to note that the City's second year deficit is entirely covered by its first-year fund balance. Although the City is feasible, it generates marginal surpluses in the first four to five years of operation and does not establish sufficient reserves in those first years, as called for by the State Office of Planning and Research incorporation guidelines.

**Table 1** shows the estimated costs by major municipal function and revenues available to the new City government. The municipal General Fund surplus (annual revenues minus annual expenditures) is projected to be approximately \$1,500 by its third full year of operation, which is assumed to be 2006–2007, and \$183,000 by its tenth year of operation (2013-2014). The fund balance after the first year is approximately \$1.4 million, an amount sufficient to cover the deficit in the second year.

The decrease in operating surplus in the eighth year of City operation is due primarily to a drop in motor vehicle license tax. The tax distributed to the new City by the State is based on the City's proxy population (three times registered voters) for the first seven years of operation. The proxy population, in this case, is greater than the projected population in the first seven years of operation. As a result, in the eighth year of City operation, when the actual population is used to estimate revenues accruing to the City, the revenue receipts fall.

In the third year of City operation, the Road Fund nearly breaks-even. Further research as a part of the CFA would need to be conducted regarding the road maintenance service being provided to the area by the County, and its associated cost.

The IFA budget includes a contingency set-aside of five percent annually, in addition to any available annual fund balances; this contingency could help to cover unanticipated costs, or road maintenance costs, and/or be applied towards capital improvements.

**Table 1**  
**Summary of Revenues and Expenses (All figures in Constant 2003\$)**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Fiscal Year									
	2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>General Fund Revenues</b>										
Property Taxes	\$876,394	\$905,929	\$939,493	\$972,169	\$1,002,523	\$1,035,278	\$1,072,137	\$1,108,181	\$1,141,982	\$1,178,262
Sales Tax	\$535,423	\$546,225	\$629,025	\$641,700	\$654,628	\$667,814	\$753,046	\$768,201	\$783,659	\$799,426
Transient Occupancy Tax	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Real Property Transfer Tax	\$30,889	\$31,880	\$32,928	\$33,969	\$35,035	\$36,128	\$37,281	\$38,429	\$39,605	\$40,810
Franchise Fees	\$85,841	\$86,901	\$87,975	\$89,062	\$90,162	\$91,276	\$92,403	\$93,545	\$94,700	\$95,870
Planning Fees	\$114,683	\$151,499	\$177,942	\$178,748	\$179,557	\$180,371	\$181,188	\$182,010	\$182,835	\$183,665
Public Works/Eng. Fees	\$18,191	\$18,282	\$18,374	\$18,465	\$18,558	\$18,651	\$18,744	\$18,838	\$18,932	\$19,026
Fines and Penalties	\$18,023	\$18,246	\$18,471	\$18,699	\$18,930	\$19,164	\$19,401	\$19,641	\$19,883	\$20,129
State Motor Vehicle License Fees	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$354,773	\$359,156	\$363,592
Investment Earnings	<u>\$22,579</u>	<u>\$23,374</u>	<u>\$24,826</u>	<u>\$25,312</u>	<u>\$25,778</u>	<u>\$26,271</u>	<u>\$27,526</u>	<u>\$27,086</u>	<u>\$27,658</u>	<u>\$28,258</u>
<b>Total</b>	\$2,280,457	\$2,360,770	\$2,507,470	\$2,556,558	\$2,603,606	\$2,653,387	\$2,780,160	\$2,735,703	\$2,793,410	\$2,854,039
<b>General Fund Expenses</b>										
City Council	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
Elections	\$0	\$5,717	\$0	\$5,859	\$0	\$6,005	\$0	\$6,154	\$0	\$6,307
City Manager	\$90,585	\$158,197	\$182,986	\$183,901	\$184,821	\$185,745	\$186,673	\$187,607	\$188,545	\$189,488
City Clerk	\$68,750	\$54,007	\$54,202	\$54,398	\$54,595	\$54,793	\$54,992	\$55,191	\$55,392	\$55,594
City Attorney	\$100,000	\$102,000	\$104,040	\$106,121	\$108,243	\$110,408	\$112,616	\$114,869	\$117,166	\$119,509
Finance	\$111,780	\$112,339	\$201,258	\$202,264	\$203,275	\$204,292	\$205,313	\$206,340	\$207,371	\$208,408
Administrative Services	\$67,500	\$67,838	\$78,403	\$78,795	\$79,189	\$79,585	\$79,983	\$80,383	\$80,785	\$81,189
Police	\$0	\$1,141,934	\$1,167,600	\$1,193,844	\$1,220,677	\$1,248,114	\$1,276,167	\$1,304,851	\$1,334,179	\$1,364,167
Animal Control	\$0	\$38,714	\$39,388	\$40,074	\$40,772	\$41,482	\$42,204	\$42,939	\$43,687	\$44,447
Planning	\$152,910	\$276,998	\$312,257	\$313,330	\$239,410	\$240,494	\$241,584	\$242,679	\$243,780	\$244,887
Public Works Administration	\$72,765	\$73,129	\$73,494	\$73,862	\$74,231	\$74,602	\$74,975	\$75,350	\$75,727	\$76,106
Office Rent/Supplies	\$104,700	\$64,700	\$78,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700
Insurance	\$23,910	\$63,707	\$69,610	\$70,054	\$68,637	\$69,847	\$70,716	\$71,972	\$72,880	\$74,184
Contingency	\$39,850	\$106,179	\$116,016	\$116,757	\$114,396	\$116,411	\$117,860	\$119,953	\$121,467	\$123,640
Repayment of First-Year Services	<u>\$0</u>	<u>\$1,441,180</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total</b>	\$860,749	\$3,734,636	\$2,505,954	\$2,521,959	\$2,470,945	\$2,514,476	\$2,545,784	\$2,590,988	\$2,623,679	\$2,670,626
<b>General Fund Operating Surplus (Deficit)</b>	\$1,419,708	(\$1,373,866)	\$1,516	\$34,599	\$132,661	\$138,911	\$234,376	\$144,715	\$169,731	\$183,413
<b>Cum. General Fund Surplus (Deficit)</b>	\$1,419,708	\$45,842	\$47,357	\$81,956	\$214,617	\$353,527	\$587,903	\$732,619	\$902,349	\$1,085,762
Mitigation Payment										
<b>Net Balance after Mitigation Payment</b>										

-----TO BE DETERMINED-----

**Table 1**  
**Summary of Revenues and Expenses (All figures in Constant 2003\$s)**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Fiscal Year									
	2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>Road Fund Revenues</b>										
Gas Taxes	<u>\$191,464</u>	<u>\$191,257</u>	<u>\$191,053</u>	<u>\$190,854</u>	<u>\$190,658</u>	<u>\$190,466</u>	<u>\$190,278</u>	<u>\$150,738</u>	<u>\$152,305</u>	<u>\$153,898</u>
<b>Total</b>	\$191,464	\$191,257	\$191,053	\$190,854	\$190,658	\$190,466	\$190,278	\$150,738	\$152,305	\$153,898
<b>Road Fund Expenditures</b>										
Road Maintenance	\$0	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500
Repayment of First-Year Services	<u>\$0</u>	<u>\$38,814</u>	<u>\$38,814</u>	<u>\$38,814</u>	<u>\$38,814</u>	<u>\$38,814</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total</b>	\$0	\$202,314	\$202,314	\$202,314	\$202,314	\$202,314	\$163,500	\$163,500	\$163,500	\$163,500
<b>Road Fund Operating Surplus (Deficit)</b>	\$191,464	(\$11,058)	(\$11,261)	(\$11,461)	(\$11,656)	(\$11,848)	\$26,778	(\$12,762)	(\$11,195)	(\$9,602)

A revenue neutrality mitigation payment to the County is not shown. As currently estimated, the difference between revenues transferred and expenditures transferred from the County does not result in an adverse impact on the County General Fund.

**2. *Municipal service levels will be at least equal to existing levels.***

Municipal services are funded in the IFA at a level that approximates existing service levels. In some instances service levels may improve qualitatively despite little or no difference in expenditure; for example, with a planning department located within the community, residents will have more convenient access to these services as well as a greater degree of local control. In other instances, actual expenditures are assumed to be higher; for example, the cost of police protection provided through the contract with the County Sheriff exceeds existing expenditures, primarily due to the provision of additional officers for traffic enforcement.

**3. *The feasibility of incorporation is sensitive to assumptions regarding tax-generating uses.***

The rate of future growth and development can affect the future finances of the City. The IFA has tested a scenario in which population growth is decreased by approximately 50 percent to an annual rate of 0.75 percent to determine the sensitivity of the conclusions to this variable; the analysis indicates that the City experiences deficits in Years 2 and 3, and then generates annual increasing surpluses, resulting in a significant cumulative fund balance by Year 10.

This analysis also assumes 25,000 square feet of new taxable retail uses are developed within the City boundaries in both Years 3 and 7, resulting in a total of 50,000 square feet of new retail development by Year 10. If this development were not to occur, the City would continue to generate an annual deficit in Year 2, followed by several years of small, marginal annual deficits.

Given the current State fiscal crisis and the potential for the State to reduce the motor vehicle in-lieu tax distributed to local jurisdictions, the effect of reducing this revenue source was also evaluated. If the motor vehicle in-lieu tax were reduced by 50 percent, the new City would experience a significant annual deficit in the second year and additional deficits ranging from \$10,000 to \$220,000 in subsequent years of operation. Based on the most current information from the California League of Cities, the State has agreed not to reduce motor vehicle license tax revenue to local governments. The State will increase motor vehicle license fees, instead of redirect monies from municipalities, to help ameliorate the State's current fiscal crisis.

**4. There are various ways in which economic development could be promoted, resulting in improved financial feasibility of a new City of San Martin.**

There are several important factors that can improve the feasibility of a new City of San Martin, including increasing the amount of tax revenue generated from development within the proposed boundaries (i.e., sales tax revenue from retail development or transient occupancy tax from hotels); the financing of capital improvements that help to facilitate tax growth (i.e., sewer infrastructure and/or road improvements that encourage new revenue-generating development in the town core); the timing of incorporation relative to the timing of new proposed development; and a voter registration drive. The following describes in more detail each of these influencing factors:

- **Amount of commercial development.** The IFA assumes that 50,000 square feet of retail space are developed in the City over the ten-year period. If additional commercial development (e.g., retail or hotel development) could be encouraged within the town core or other commercial planning areas of the proposed City, the financial outlook of the new City would improve. In addition, new or expanding businesses, that have the potential of generating additional, new sales within the City, could be encouraged to occupy existing commercial buildings. **Appendix I** provides information on existing businesses within the San Martin Market Area,<sup>1</sup> with particular attention paid to the type and size of retail establishments. Despite its small size, San Martin is home to a diversity of businesses including manufacturing, local serving retail, agricultural-related, and service-oriented businesses.

Based on an assessment of existing retail businesses, there may be potential for an additional family restaurant and/or local café serving both local residents and employees. In addition, there may be support for small-scale specialty shops including an apparel and accessory store or gift and card shop. The Clos LaChance Winery also presents an opportunity for attracting additional wineries to western San Martin and creating a local destination for visitors traveling through San Martin on Highway 101. San Martin's close proximity to Silicon Valley, the Monterey Bay Area region, and direct access into the Central Valley make the City a competitive location for attracting additional industrial and/or ag-related manufacturing businesses.

- **Capital improvements.** Financial and political support for new capital improvements that help to facilitate new commercial development within the town core, such as sewer and/or transportation infrastructure, could improve the City's financial feasibility. In particular, the funding of sewer infrastructure that connects to the City of Gilroy's treatment facility or to a

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<sup>1</sup> Based on zip code 95046. Zip code boundaries do not correspond exactly with proposed incorporation boundaries.

new treatment plant may increase the competitiveness of San Martin in capturing additional commercial and industrial development in designated commercial and industrial planning areas.

- **Timing of incorporation.** The timing of incorporation in relation to the timing of new development can also influence city feasibility. The feasibility of the new City could improve, once the area has a greater tax base; ideally, incorporation would occur prior to, but in anticipation of, new commercial development. It is important to note that the new City would have to mitigate any adverse fiscal impact on the County if revenues transferred, including sales tax, exceed the costs transferred to the new City from the County upon incorporation.
- **Voter registration drive.** Revenue from state subventions (i.e., motor vehicle in-lieu tax and gas tax) distributed to the City by the State in the first seven years of cityhood depends on the proxy population (three times registered voters) within the City. As a result, if voter registration increases within the proposed boundaries, revenue from state subventions will also increase, providing additional revenue to the City in its first years of operation. A voter registration drive could be held to encourage local voter registration.

## **FISCAL IMPACTS UPON OTHER AGENCIES**

### **1. *The incorporation of San Martin would not have an adverse impact on Santa Clara County.***

The revenues transferred to the new City do not exceed the expenditures transferred. As defined in Government Code Section 56815 and calculated in this analysis, the difference between revenues transferred and expenditures transferred does not result in an adverse impact on the County General Fund based on 2001-2002 projected costs and revenues. Based on current estimates, there would be no need for mitigation payments (and/or other agreement provisions that mitigate the impacts) as required by the statute. The analysis shows a positive County General Fund and Road Fund impact of approximately \$33,000 and \$120,000, respectively. The revenue neutrality calculation is further discussed in **Chapters V and VI**.

Given the surplus likely to accrue to the County Road Fund upon incorporation, the County may be willing to help offset the City Road Fund's annual deficit. This potential arrangement should be explored further in a CFA and in discussions with the County.

**2. *Other agencies serving the San Martin area will not be significantly affected by the incorporation.***

The IFA assumes other public and private agencies serving the San Martin area, including the Fire District, School Districts, the Water Districts, and utility providers, will not be significantly affected by the incorporation. Growth in San Martin, whether the area is incorporated or not, will affect demand for services from these districts. It is assumed that school and most other service provider expenditures and revenues will remain the same whether or not the area incorporates.

## **REORGANIZATION IMPACTS**

No special district reorganizations are assumed in the IFA. LAFCO may, at its discretion, include special district changes as a part of its approval.

### **III. THE INCORPORATION PROPOSAL**

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#### **PROPOSAL FOR INCORPORATION**

The following sections describe the San Martin municipal government as assumed by SMNA and the consultants. If incorporation proceeds, these terms will be refined further as a part of the application and LAFCO review process.

#### **NAME OF THE NEW CITY**

The name of the new City is assumed to be “San Martin.”

#### **FORM OF GOVERNMENT**

San Martin is assumed to be incorporated as a General Law city under the Constitution of the State of California. The proposed form of the new city would be the “Council/Manager” form common to small and mid-sized cities throughout the State. Under the Council/ Manager form, a five-person City Council, elected at-large, would retain a City Manager who would be responsible for the day-to-day operations of the City with an appointed City Clerk.

#### **CITY BOUNDARY**

**Figure 1** depicts the preliminary municipal boundary proposed for San Martin. This boundary option includes residential uses, the existing commercial district, the CordeValle Resort and Golf Club, and the Clos LaChance Winery. If SMNA proceeds with a formal incorporation petition, the City boundaries, as presented in the IFA, can be altered.

#### **REORGANIZATION**

No special district reorganizations are assumed for this analysis.

#### **SERVICE LEVELS**

This IFA presumes and reflects municipal expenditures that maintain existing municipal service levels. The proposed service levels are discussed in **Chapter IV**.

## **EFFECTIVE DATE**

This IFA assumes July 1, 2005 as the effective date, assuming a successful November 2004 election. Depending on the time required to initiate the LAFCO process, it may be necessary to extend this timeline.

## **GANN LIMIT**

Local agencies in California that receive proceeds of taxes are required to have a limit on how much tax money they can spend. It is called the Gann Limit.

Under State law, the LAFCO resolution of approval and the ballot question before the voters must identify a provisional Gann Limit. Following incorporation, the city council will place on a future ballot a permanent Gann Limit for voter approval.

## **NEW TAXES**

The IFA assumes no new taxes will be imposed by the city and shows that no new municipal taxes are required.

## **CAPITAL IMPROVEMENTS**

It is assumed that the city council initially will adopt all impact fee ordinances currently enforced by the County to ensure a continual flow of existing fee revenues. While this IFA addresses issues of fiscal feasibility, it has not evaluated the need for, or financing of, future capital improvements except to assume ongoing funding resulting from existing dedications and fees currently charged by the County and adopted by the new City.

## IV. PUBLIC SERVICES PLAN AND COST ASSUMPTIONS

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A municipal Public Service Plan was developed to assess the feasibility of incorporation. **Table 2** presents a list of existing and proposed municipal services in San Martin. The Public Service Plan is preliminary, reflecting the SMNA's informal incorporation proposal and judgment of the Consultant. In actuality, decisions made by LAFCO, the future San Martin City Council, and the Board of Supervisors will determine how public services are provided in San Martin.

As with all new cities, the municipal government in San Martin will evolve over time. Initially, many services are likely to be provided by contract with the County or other entities. Over time, these services may be provided directly by the City. Upon its incorporation the City of San Martin could become responsible for the following municipal services currently provided by either Santa Clara County or County-governed special districts.

The following services are assumed to be the responsibility of the City initially; the City could provide additional types of services in the future:

- City Council to make policy, and to advocate for the community
- City Administration, Finance, and Legal Counsel
- Police Protection including traffic law enforcement
- Public Works (including engineering, road and local drainage maintenance, street lighting, parks and other maintenance)
- Land Use Planning and Regulation, and Building Inspection Services
- Animal Control

The following paragraphs describe the municipal services provided by the new City. Actual levels of service would be established by the City Council through the budget process. Cost projections are based on estimates of the service costs that the new City would incur because of its responsibility to provide certain public services. Level of service and staffing decisions reflect the judgment of the Consultant based on current service levels, services and staffing suggested by SMNA, and staffing and expenditure levels for cities of comparable size. Detailed cost assumptions are included in **Appendix II**. **Appendix III** provides information regarding the revenues and expenditures of comparable cities.

**Table 2  
Municipal Service Providers – Existing and Proposed  
San Martin Incorporation Analysis**

Service	Service Provision		
	Present Provider	After Incorporation	Method
<b>General Government</b>			
Governing Board	Santa Clara County	New City	City Council
Manager	Santa Clara County	New City	City Staff
Attorney	Santa Clara County	New City	Contract
Finance/Clerk/Administrative Services	Santa Clara County	New City	City Staff
<b>Public Protection</b>			
Law Enforcement	Santa Clara County	New City	Contract with County Sheriff
Traffic Control/Accident Investigation	California Highway Patrol	New City	Contract with County Sheriff
Fire Protection	South Santa Clara County Fire District	No Change	As is currently provided
Ambulance	South Santa Clara County Fire District	No Change	As is currently provided
Animal Control	Santa Clara County	New City	Contract with County
Vector Control and Mosquito Abatement	Vector Control District	No Change	As is currently provided
<b>Land Use and Planning</b>			
Regulation & Planning	Santa Clara County	New City	City Staff
<b>Community Services</b>			
Recreation Programs	Santa Clara County	No Change	As is currently provided
Regional Parks/Open Space	Santa Clara County/ S.C. Open Space Authority	No Change	As is currently provided
Local Parks	n/a (no local parks)	n/a	n/a
Library	Santa Clara County Library District Gilroy and Morgan Hill Branches	No Change	As is currently provided
<b>Public Works/Public Utilities</b>			
Public Works Administration	Santa Clara County	New City	City Staff
Roads, Bridges, Signals, Drainage	Santa Clara County	New City	Contract with County
Domestic Water	Santa Clara Valley Water District, West San Martin Water Works, San Martin County Water District	No Change	As is currently provided
Waste Water Treatment/Disposal	n/a (septic systems utilized)	n/a	n/a
Solid Waste Management/Disposal	South Valley Disposal & Recycling	No Change	As is currently provided
Flood Control & Conveyance Drainage	Santa Clara Valley Water District	No Change	As is currently provided
Street Lighting	Santa Clara County	New City	City Staff
Building Inspection	Santa Clara County	New City	Contract with County
<b>Public Education</b>			
K-12 Grade Levels	Gilroy and Morgan Hill Unified School District	No Change	As is currently provided
College	Gavilan Community College	No Change	As is currently provided
<b>Other Services</b>			
Electricity	Pacific, Gas & Electric	No Change	Franchise Agreement w/New City
Gas	Pacific, Gas & Electric	No Change	Franchise Agreement w/New City
Cable Television	AT&T Broadband Service	No Change	Franchise Agreement w/New City
Public Transit	Valley Transit Authority	No Change	As is currently provided

Sources: Santa Clara County and Economic & Planning Systems

The following sections provide an overview of the city departments. Salary levels are assumed to increase at 0.5 percent per annum in real terms (unless otherwise noted). Actual salaries would depend on the negotiation of employment contracts and city staffing practices. Other costs generally include supplies and materials and would vary by year depending on need. The method of service provision, staffing levels, and contract services are illustrative; actual methods may include some variation of in-house staff and contract services. The City Council ultimately would determine the method of service provision based on consideration of numerous factors including cost and availability of contractors.

## **CITY COUNCIL**

The City Council would be the governing body of the City and would include five council members. The City Council would hire a City Manager and City Attorney, make service and budget decisions, enter into agreements with other governmental entities, and regulate land use within the City boundaries and represent the community.

The unincorporated area is governed by the Board of Supervisors. The proposed City of San Martin falls within the first Supervisorial District. Incorporations commonly increase local involvement in government because citizens gain more direct access and ballot box control over local elected officials, and through these elected officials, the land use, public service, and taxation decisions that affect their lives.

The IFA assumes that council members would be paid a minimal monthly stipend, and other travel and membership costs would be incurred. The actual stipend will be decided as part of the City's formal budgetary process. The "membership" expenses include membership in organizations such as the League of California Cities and other professional organizations. The "travel/meeting" expenses include costs related to conference and meeting attendance.

## **CITY ADMINISTRATION AND FINANCE**

The City would be administered by a City Manager and a professional staff, including a Finance Director. Administrative and service decisions would be focused on the City Manager, who would carry out the policy directives of the City Council. Specific activities of Administration and Finance include a City Clerk and elections, budget preparation and administration, personnel, and contract administration.

### CITY MANAGER'S OFFICE

The City Manager's Office, responsible for overseeing City operations, would include a part-time City Manager, and a part-time secretary in the first year of operation. The City Manager position would become full-time in the second year, while the secretary position would become full-time in the third year of operation.

### FINANCE DEPARTMENT

The Finance Department, responsible for financial oversight and budgeting, would include a part-time Finance Manager, secretarial/clerical staff person, and accounting technician in the first year. The Finance Manager and secretary become full-time in the second year of operation, while the accounting technician remains part-time.

### ADMINISTRATIVE SERVICES

Administrative Services includes human resources functions and information services. The latter is assumed to be provided by contract initially.

### CITY ATTORNEY

The City initially will contract with an attorney or municipal law firm to provide legal expertise. The cost of this expertise, set to \$100,000 annually beginning the initial year, is assumed to increase at 2 percent per annum, in real terms. This amount should provide adequate amounts to deal with city start-up costs.

### CITY CLERK'S OFFICE

The City Clerk's Office, responsible for a number of City record-keeping and administrative duties, will include a part-time City Clerk starting in the first year of operation. Other costs include the cost of legal notices as well as supplies and materials.

## **POLICE PROTECTION**

At present, the County provides law enforcement services, and the California Highway Patrol provides traffic control services. After incorporation, the City will contract with the County Sheriff Department to provide both law enforcement and traffic control services. Police protection is one of the most important responsibilities of municipal government and typically the most costly for small cities. It is assumed that police protection will be provided initially by a contract with the Santa Clara County Sheriff's Department.

The County Sheriff's Department did not provide costs or service levels specifically for the San Martin area. Consequently, the Consultant assumed the Sheriff's existing cost per sworn officer of approximately \$170,000 for patrol, fiscal and records division services, and a small increase in the existing Countywide level of service, from 1.0 to 1.1 sworn officers per 1,000 residents. The increase in staffing accounts for the provision of new traffic enforcement duties. If a CFA is conducted, it will be important for the Sheriff's Department to provide the Consultant with a contract cost including indirect costs associated with departmental overhead, and the cost of providing local traffic enforcement.

No significant initial start-up costs will be necessary, since the County Sheriff is currently equipped to serve the area. The new city would be eligible for various grants; however, it is assumed that any grants received would be utilized to purchase equipment or services over and above the level shown in the budget, due to typical grant funding "maintenance of effort" requirements and restricted uses.

## **PUBLIC WORKS/ENGINEERING**

The Public Works Department would provide engineering services to the City and would manage capital improvement and maintenance activities. The major activities would include maintenance for roads and landscaping as well as conducting engineering review of development proposals. Most likely, much of the engineering, building inspection, and maintenance activity would be conducted by the County through a contract; after the expiration of the contract, the City could continue to contract with the County, increase its in-house staff, and/or utilize private consulting engineers and contractors. At the direction of the City Manager and City Council, the Public Works Director/City Engineer would coordinate with the County Public Works Department including the County Surveyor. The Public Works Department is assumed to include a part-time Public Works Director, and part-time secretarial support.

## **ROAD MAINTENANCE**

The IFA assumes a \$5,000 per road mile maintenance cost for repair and maintenance of pavement, hardscape repairs, drainage, and a few traffic signals, based on a review of other cities and rural counties comparable to the San Martin area. **Appendix IV** presents the results of this comparison. The proposed boundaries of San Martin do not include street lighting, and landscaping. The County's current average maintenance cost per road mile in the unincorporated area exceeds the \$5,000 per road mile cost, but includes the cost of street lighting and landscaping. It is likely that the actual cost of providing service to San Martin is lower than the Countywide average cost of service in the unincorporated area. The actual costs of providing road maintenance to San Martin by the County, in particular, should be explored further in a CFA. The analysis assumes that the County would continue to provide services under contract to the City.

## NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM

The City will be responsible for implementing a variety of programs in accordance with Phase 2 of the National Pollution Discharge Elimination System. Minimum program requirements could include public education and outreach on storm water impacts, public involvement/participation, illicit discharge detection and elimination, construction site storm water runoff control, post construction storm water management in new development and redevelopment, and pollution prevention and “good housekeeping” for municipal operations. Cost estimates for this program are being developed by the County for southern portions of the County, and are likely to be shared among the South County jurisdictions. Costs are not expected to be high through such a cooperative program, although the City may also implement additional pollution control and monitoring measures, depending on funding availability and priorities.

## BUILDING INSPECTION SERVICES

The Building Inspection Department would provide plan review, permit issuance, building construction and file-keeping services for San Martin. Building inspection is assumed to be initially provided through a contract with Santa Clara County under the auspices of the City’s Public Works Administration. Annual building inspection costs would vary based upon development activity. It is assumed for the new City that 100 percent of the total cost of building inspection would be recovered through permit and plan check fees. As a result, no revenues or expenditures for building inspection services are shown in the City budget.

## **PLANNING AND COMMUNITY DEVELOPMENT**

The existing County Zoning Ordinance most likely will be adopted as land use policy by the first City Council. It is assumed that beginning in its second year, the City would begin to develop a new general plan and zoning ordinance. Consultant contracts would be used for these services. A Planning Commission would be appointed and would begin to update the General Plan and supporting planning documents and policies.

## PLANNING DEPARTMENT

### **Functions and Staffing**

The Planning Department is responsible for General Plan preparation, code enforcement, and development services. General Plan preparation will occur during the early years of the City’s operation, and code enforcement will be ongoing, most intensively prior to buildout. The IFA includes consultant costs related to General Plan preparation. Based on the comparable cities, 75 percent of department costs are recovered through charges for services. This has been assumed for the new City as well.

The level of staffing is based on the level of service provided by other comparable cities of similar size throughout California. The Department is assumed to include the following staff positions by the third year of operation:

<b>Positions</b>	<b>FTEs</b>
Planning Director	1
Planners	1
Counter Technicians	0.5
Secretary/Clerical	0.5

### **Other Costs**

It is assumed that planning consultants will play a significant role in General Plan preparation as well as providing other consulting services over time. Mapping reproduction costs are associated with General Plan preparation and other City needs for maps. Actual costs will depend on the extent of use and implementation of a GIS system and the exact geographic boundaries covered. The Planning Commission expense includes costs related to the preparation of the General Plan and Code Enforcement, including costs such as materials and supplies, report production, travel, and meetings.

### **Affordable Housing and Economic Development**

The City could coordinate with the County until completion of the County's current contracts. Depending on the ultimate size of the new city, it could choose to handle these functions (e.g., administering HUD programs, facilitating housing development). If handled in-house, various grants programs for housing would cover administration related costs.

## **ANIMAL CONTROL**

At present, the County provides animal control and shelter services to the unincorporated community of San Martin. A portion of these costs is covered by charges for services and animal license fees. After incorporation, the IFA assumes the City will contract with the County for these services. It was assumed that the per capita cost to the City of contracting these services would be based on the level of service currently being provided to the area. The actual cost will depend upon a variety of factors that include inflation, employee "cost of living" increases, and State mandates for animal retention and the spaying/neutering of all dogs and cats adopted from the shelter. The estimated per capita cost was applied to the existing and new population within the proposed incorporation areas to determine the costs of animal control.

## **OTHER CITY EXPENDITURES**

### OFFICE RENT AND SUPPLIES

The new City will require office space, supplies, and equipment to conduct its operations. It is expected that the City will rent workspace for its staff and for a council chamber. The number of City staff during the period of this study is expected to stabilize at about 10 persons. Space rental cost estimates are based on the assumption that the City will rent sufficient space for 13 persons to include space for contract employees and a 2,000-square-foot space for the council chamber, for a total of approximately 4,500 square feet. Rent is assumed to be \$0.55 per square foot per month. Annual supplies and initial computer and furnishing costs are estimated using an average cost per employee method.

### INSURANCE

The City will carry insurance. Insurance costs were estimated at about three percent of total General Fund expenses, excluding non-departmental costs.

### CONTINGENCY

A number of unforeseen costs may occur that will have to be borne by the City. The cost estimates include a contingency allowance estimated at five percent of total General Fund costs to account for unforeseen costs or cost increases above the projected amounts in the IFA budget. If the contingency funds are not required, they could provide a reserve that could be strategically applied to specific purposes, e.g., capital improvements.

### COUNTY REPAYMENT

The County will most likely continue to provide a number of services to the City for the first fiscal year of City operation after incorporation, as provided by State laws. Services that will continue to be provided most likely will include sheriff, animal control, land use planning and code enforcement, and road maintenance. It is assumed the County will request repayment of its first year expenses to provide services. The costs are assumed to be repaid by the City in the second year of operation. The City has the option to repay the County over a five-year period in accordance with State law. Depending on the timing of the accrual of certain revenue sources, the City may receive a credit against the initial year's service cost equal to any revenue retained by the County.

## REVENUE NEUTRALITY MITIGATION PAYMENTS

This IFA does not include any assumptions regarding revenue neutrality mitigation payments. As currently proposed, the San Martin incorporation proposal would not result in an adverse impact on the County.

## PUBLIC FACILITIES

Major public facilities such as all dedicated County roads would be conveyed to the new City. For any additional facilities that are constructed by the City, additional capital and maintenance costs would be incurred.

## **LOCAL GOVERNMENT SERVICES NOT PROVIDED BY THE CITY**

A variety of other services, including fire protection, parks and recreation, public utilities, water, flood control, library, public health, and environmental health, will continue to be provided by existing service providers. The City may wish to improve or enhance these services over time through cooperative arrangements with existing agencies or businesses.

## LIBRARY

Library service is provided to residents of San Martin by the Santa Clara County Library District. Local residents use both the Morgan Hill and Gilroy Branch Libraries. It is assumed there is no change to library service.

## PARKS AND RECREATION

Currently, there are no local County operated park and recreation facilities within either of the proposed incorporation boundaries. The Santa Clara Park and Recreation Department operates and maintains various regional parks, as well as open space in the San Martin area. For purposes of this analysis, it is assumed that there is no change in the current provision of park services. At some point, the City may want to construct additional park or recreation facilities, e.g., through the use of the funds available after payment of all service costs (and any mitigation or other payments to the County). Additional operating costs will be incurred for new facilities that have not been estimated in this analysis.

## FIRE PROTECTION

The South Santa Clara County Fire District provides fire protection to the unincorporated areas of Gilroy, Morgan Hill and San Martin. The District also provides emergency response services, e.g., medical services and swift water rescue. There are three fire stations throughout the Morgan Hill, San Martin and Gilroy areas. San Martin is protected by Station 2, located in Gilroy. The South Santa Clara County Fire Protection District would continue to provide fire protection services to the proposed boundaries of San Martin. The IFA assumes no change to the provision of fire protection services to the incorporation area.

## **V. MUNICIPAL REVENUE ESTIMATES**

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The IFA evaluates a City of San Martin as proposed by SMNA, elaborated upon as necessary by the Consultant. This Fiscal Analysis is based upon a Municipal Budget Model that reflects a hypothetical City budget during its first ten years of municipal operations.

Data and assumptions used in the model are realistic, and insofar as possible, represent what could occur following incorporation. However, the structure of the municipal government and decisions reflecting staffing, level of service, and funding are ultimately at the discretion of the City Council. Key features of the Fiscal Analysis include the following:

- Revenue projections are based upon the revenues that can be expected by the City following incorporation. The specific amounts of these new revenues were estimated by considering current and expected development, State laws, and procedures affecting the levy and distribution of local government revenues, and tax-sharing formulas imposed by State law.
- The analysis is presented in “constant dollars,” that is, dollars of constant 2003 purchasing power. In actuality, inflation will affect both costs and revenues during the projection period. “Constant dollar” percentage increases were included in budget line items to reflect increases in costs above general inflation.

### **GROWTH AND DEVELOPMENT**

The population of the community of San Martin is assumed to grow at approximately 1.25 percent per year based on the Bay Area Council of Governments growth estimates for the San Martin census tracts. It is also assumed that additional commercial uses are developed within the 10-year time frame including two 25,000-square-foot projects, developed by the third and seventh year of operation. The “Sensitivity Analysis” section of this report describes the implications of faster rates of residential and commercial growth.

### **REVENUE ASSUMPTIONS**

#### **PROPERTY TAX**

The property tax transfer from the County to the new City will be determined in accordance with Government Code, Section 56810, as amended. This statute requires that property tax base and increment factor be created in the following manner:

- (a) Determine the percentage of property taxes in the County's budget of "revenues available for general purposes." For this analysis, this amount was estimated by the County Auditor-Controller's Office. Property taxes total \$288 million, and total revenues available for general purposes total \$260 million, to produce an "auditor's ratio" of approximately 52.5 percent.
- (b) Determine the existing net County cost of providing municipal services to the area to be incorporated in the year prior to the LAFCO action. In San Martin, these services could include sheriff, animal control, land use planning and enforcement, and general government services. Net costs were determined based upon County budget.
- (c) Multiply [a] times [b]. This amount becomes the property tax revenue base transferred to the new City in the first year of operations. A City Tax Allocation Factor (TAF) was estimated based on this amount (inflated to the first year of the City) and an estimate of the total property tax generated within the City's boundaries in the first year of City operations. In the following years, this TAF is then applied to the increase (increment) in the City's total property tax base to estimate the increase in property tax revenues accruing to the City.

The property tax increment represents the annual increase in the total property tax generated. It is derived by subtracting estimates of the total property tax generated in the current fiscal year from total property tax generated in the prior year. The application of the TAF to the property tax increment indicates the City's share of the additional property tax revenues. This share is then added to the City's prior year property tax revenue allocation to estimate the City's current year revenues. The total property tax generated within the City's boundaries is estimated based on total assessed value. Total assessed value is determined by the market value of new development and the presence and turnover of existing development.

The property tax calculations used in the Municipal Budget Model do not model tax delinquencies or prior year accounts, although they do include the "supplemental" roll, which includes changes in assessed value that occur only during the year.

## SALES TAX

Estimates of the sales tax accruing to the new City are based on actual sales tax data provided by the County including an estimate of "unallocated sales tax." Estimates of new sales tax are estimated based on assumptions regarding the amount of new retail development assumed for San Martin, and retail sales per square foot.

"Unallocated taxable sales" include taxable sales unrelated to retail permits within the incorporation area boundaries. These sales include mail order and Internet sales and are distributed Statewide proportionate to situs sales tax. These taxable sales were estimated as a proportion of the allocable taxable sales in the City based on the County's

current ratio. A two percent real growth increase in sales tax (above inflation) is assumed.

### TRANSIENT OCCUPANCY TAX

TOT revenues are based on estimates of current County revenues. Upon incorporation, the same eight percent rate would apply to hotel revenues within the new City.

### PROPERTY TRANSFER TAX

Property transfer tax revenues accruing to the City are based on the assessed value of units sold and the tax rate accruing to the City of \$0.55 per 1,000 of assessed value. The assessed value that sells each year includes the sale of existing and new development. It was assumed that six percent of existing residential units and two percent of commercial assessed value turn over every year. No transfer tax is assumed for new commercial development, assuming that most commercial property is built and held for investment purposes, or is owner-occupied.

### FRANCHISE FEES

Franchise fees that are collected in the area include cable, electric, gas, and refuse collection. The fees were projected based on per capita estimates derived from existing County revenues.

### PLANNING REVENUES

Based on the estimates from comparable cities, revenues from the provision of planning, including zoning permit fees, are assumed to offset 75 percent of the costs of providing these services excluding the costs of General Plan development. This assumes the City charges more in fees than is currently being charged by the County. Based on the County budget, the County recovers approximately 55 percent of its Planning Department costs through planning fees.

## PUBLIC WORKS / ENGINEERING

Fees can be charged for a variety of activities conducted by the Public Works Department. Based on standard charge to cost ratios in other cities, it is assumed that about 25 percent of costs could be recouped through charges for services.

## FINES AND PENALTIES

The average fines and penalties per resident accruing to the City were based on an EPS estimate from similar analysis.

## STATE MOTOR VEHICLE LICENSE TAX

The State Motor Vehicle License Tax accruing to the City was based on the current per capita tax allocation, the proxy population during the first seven full years of City operation (plus the first partial year), and the projected population in the years following the seventh full year. The per capita State Motor Vehicle License Tax accruing to the City is based on information for 2002-2003 from the State Controller's Office. In actuality, this rate will change over time. The current rate is used as a best estimate. The proxy population equals three times the number of registered voters in the first year of City operations and remains constant over time. The proxy population, in this case, is greater than the projected population in the first seven years of operation. As a result, in the eighth year of City operation, when the actual population is used to estimate revenues accruing to the City, the revenue receipts fall.

## INVESTMENT EARNINGS

Investment earnings will be accumulated on one percent of annual revenues. This assumes earnings from reserve and fund balances. The IFA assumes a one percent average annual earnings; the actual earnings may vary from year to year.

## ROAD FUND

### **Gas Tax**

Gas taxes are the primary source of Road Fund revenues. The City would receive gas tax revenues via a number of different highway user taxes. The State Controllers Office provided current estimates of lump sum and per capita rates that would accrue to the City. The per capita rates were applied to the projected population and added to the annual lump-sum payments to estimate the gas tax revenues accruing to the City each year.

## **Grants**

As part of the CFA, further research could be conducted regarding grants that could be available to the Road Fund.

## **SENSITIVITY ANALYSIS**

The feasibility of incorporation is sensitive to assumptions regarding tax-generating uses. The rate of future growth and development can affect the future finances of the City. The IFA has tested a scenario in which population growth is decreased by approximately 50 percent to an annual rate of 0.75 percent to determine the sensitivity of the conclusions to this variable; the analysis indicates that the City experiences deficits in Years 2 and 3, and then generates annual increasing surpluses, resulting in a significant cumulative fund balance by Year 10.

This analysis also assumes 25,000 square feet of new taxable retail uses are developed within the City boundaries in both Years 3 and 7, resulting in a total of 50,000 square feet of new retail development by Year 10. If this development were not to occur, the City would continue to generate an annual deficit in Year 2, followed by several years of small, marginal annual deficits.

Given the current State fiscal crisis and the potential for the State to reduce the motor vehicle in-lieu tax distributed to local jurisdictions, the effect of reducing this revenue source was also evaluated. If the motor vehicle in-lieu tax were reduced by 50 percent, the new City would experience a significant annual deficit in the second year and additional deficits ranging from \$10,000 to \$220,000 in subsequent years of operation. Based on the most current information from the California League of Cities, the State has agreed not to reduce motor vehicle license tax revenue to local governments. The State will increase motor vehicle license fees, instead of redirect monies from municipalities, to help ameliorate the State's current fiscal crisis.

## **VI. IMPACTS UPON EXISTING AGENCIES**

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A variety of services, including the court system, public health, social services, fire protection, water supply, flood control, library and environmental health services, will continue to be provided by existing service providers. The City may wish to improve or enhance these services over time through cooperative arrangements with existing agencies or businesses.

### **SANTA CLARA COUNTY**

The incorporation of San Martin would change the operating budget of Santa Clara County in both the short term and long term. In general, Santa Clara County would lose revenue but would also realize a reduction in expenditures. In the case of San Martin, an adverse fiscal impact on the County would not be expected to occur because the revenue-producing aspects of the proposed area (e.g., property tax base and sales tax base) do not exceed the costs of services provided to the area. In the Road Fund, expenditures transferred also exceed revenues transferred to the new City by approximately \$120,000. Given the surplus likely to accrue to the County Road Fund upon incorporation, the County may be willing to help offset the City Road Fund's annual deficit. This potential arrangement should be explored further in a CFA and in discussions with the County.

The concern for fiscal impacts of incorporations is reflected in the Cortese Knox Local Government Reorganization Act at Section 56815 established the noted "revenue neutrality" standard. The exact language of the statute, at Section 56815(a), is "similar exchange"; at 56815(b) the exact language is "substantially equal." These terms refer to revenues and costs subsequently defined in sub-sections (1) and (2). Revenues are those "revenues currently received by the local agency. . ." that would "accrue to the local agency receiving the affected territory." Costs are "expenditures currently made by the local agency. . .for services which will be assumed by the local agency receiving the affected territory." In the case of San Martin, the proposed incorporation would not have an adverse impact on the County's General Fund budget, and, as a result, would not require a mitigation payment from the new City.

### **SHORT-TERM FISCAL IMPACT UPON SANTA CLARA COUNTY**

The short-term fiscal effect upon Santa Clara County government from services provided in the initial (transition) year of the City is assumed to be compensated by payments for services and by payments made as a part of the State-allowed repayment for first-year services. It is assumed the repayment for first year County services is made to the County in the second year of operation. The City has the option to repay the County over a five-year period in accordance with State law.

## REVENUE NEUTRALITY

This IFA has estimated the potential impacts on the County, as summarized in **Table 3**. Principles related to the definition of revenue neutrality, and the approach to establishing mitigation payments, can be discussed and negotiated. For purposes of this analysis, the cost reductions to the County are based upon the County's 2001-2002 costs of service estimated for the purpose of the property tax transfer calculation. The revenue reductions to the County are estimated based on the 2001-2002 revenues shifted from the County to the City.

## **SOUTH SANTA CLARA COUNTY FIRE PROTECTION DISTRICT**

The South Santa Clara County Fire Protection District would continue to provide fire protection services to the proposed boundaries of San Martin currently within their respective boundaries. The IFA assumes no change to the provision of fire protection services to the incorporation area. According to the District, there are no wildland fire protection State Responsibility Areas within the District affected by the incorporation proposal.

## **OTHER AGENCIES AND DISTRICTS**

Other agencies serving the incorporation area, including park districts, school districts, and water districts, and electrical, natural gas and telephone utilities, will not be significantly affected by the incorporation. Growth in San Martin, whether the area is incorporated or not, will affect demand for services from these public and private agencies.

- **Santa Clara Valley Water District.** The Santa Clara Valley Water District (SCVWD) provides water to Santa Clara County as a wholesaler to local water providers. SCVWD also provides flood protection. No change in this District is proposed or has been assumed.
- **West San Martin Water Works, Inc.** West San Martin Water Works, Inc. is a CPUC-Regulated Water company that provides water for residents living west of Monterey Road. No change in this District is proposed or has been assumed.
- **San Martin County Water District.** The San Martin County Water District supplies water to the area of San Martin east of Monterey Road. No change in this District is proposed or has been assumed.

**Table 3**  
**Change in Revenues and Expenses to Santa Clara County**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	FY 2001/2002	Notes
<b><u>General Fund Revenues and Expenditures</u></b>		
<b>Revenues Transferred to the City</b>		
Property Taxes	\$757,006	
Transient Occupancy Tax	\$125,000	
Sales Tax	\$535,423	includes unallocated sales
Real Property Transfer Tax	\$19,125	
Franchise Fees	\$82,737	
Law Enforcement Revenues	\$0	no loss of grants
Animal Control	\$14,358	
Planning Revenues	<u>\$261,312</u>	
<b>Subtotal</b>	\$1,794,961	
<b>Expenditures for Services Transferred to the City (1)</b>		
General Government	\$13,022	
Animal Control	\$57,809	
Land Use Planning & Enforcement	\$511,660	
Sheriff	<u>\$1,245,608</u>	
<b>Subtotal</b>	\$1,828,099	
<b>County Surplus or (Deficit)</b>	\$33,138	
<hr/>		
<b><u>County Road Fund</u></b>		
<b>Revenues Transferred to the City</b>		
Gas Tax: Highway User Tax 2106c	<u>\$43,152</u>	
<b>Subtotal</b>	\$43,152	
<b>Expenditures for Services Transferred to the City</b>		
Road Maintenance	\$163,500	
<b>Net County Road Fund Gain or (loss)</b>	<u>\$120,348</u>	

(1) Includes indirect cost allocation

- **South Valley Disposal & Recycling, Inc.** The South Valley Disposal & Recycling, Inc. provides solid waste management and recycling services to the businesses and residents of San Martin and surrounding areas. No change in this District is assumed.
- **The Santa Clara County Open Space Authority.** The Authority covers many cities in Santa Clara County as well as unincorporated areas. The Authority's purposes include preserving open space and creating greenbelts between communities. No change is assumed.
- **Santa Clara County Vector Control District.** The Vector Control District (VCD) provides services to abate mosquitoes, to assist the public in resolving problems with rodents, wildlife and insects of medical significance. The VCD provides services to residents within Santa Clara County. No change in this District is assumed.
- **Loma Prieta Resource Conservation District.** The Loma Prieta Resource Conservation District is a Resource Conservation District (RCD) that serves the San Martin Area. The RCD is a special district of the state of California set up to provide information on and assistance with soil and water conservation. No change in this District is assumed.
- **Bay Area Air Quality Management District.** This District was created to develop and enforce regulations for the control of air pollution within its jurisdiction, which includes Santa Clara County. No change in this District is assumed.



**Economic &  
Planning Systems**

*Real Estate Economics*

*Regional Economics*

*Public Finance*

*Land Use Policy*

## APPENDIX I

# ECONOMIC DEVELOPMENT ASSESSMENT

**Table I-1  
Major Local Employers  
San Martin Incorporation Analysis**

<b>Employer</b>	<b>Business Type</b>	<b>Commercial Classification</b>	<b>Number of Employees</b>
Nature Quality Inc	Canned & Frozen Foods	Manufacturing	200
CordeValle	Membership Sports & Recreation Clubs	Services	200
Philip Services Corp	Refuse Systems	Transportation, Communications & Utilities	79
South County Social Svc Dept	Social, HR & Income Maintenance Programs	Public Administration	55
Lone Star Landscape Inc	Landscape Counseling & Planning	Agriculture, Forestry, and Fishing	50
West Coast Engineering	Engineering Services	Services	45
San Martin School	Elementary & Secondary School	Services	40
San Martin Mushroom Inc	Fresh Fruits & Vegetables	Wholesale Trade	38
Santa Clara County Roads Dept	Legislative Bodies	Public Administration	33
Cacique USA	Dairy Products	Manufacturing	30
San Martin Veterinary Hospital	Veterinary Services for Animal Specialties	Agriculture, Forestry, and Fishing	25
B & D Mushrooms Inc	Food Crops Grown Under Cover	Agriculture, Forestry, and Fishing	25
Camping World	Recreational Vehicle Dealers	Retail Trade	25
South County Retirement Home	Nursing and Personal Care Facilities	Services	22
Polytron Corp	Business Consulting Services	Services	20
Peterson Tractor Co	Construction & Mining (except petroleum) Machinery & Equipment	Wholesale Trade	20
Regional Farms Inc	Ornamental Floriculture and Nursery Products	Agriculture, Forestry, and Fishing	20
Clos LaChance Wines	Wines, Brandy, and Brandy Spirits	Manufacturing	20
Subtotal			947
Other			1,536
<b>Total</b>			<b>2,483</b>

Sources: InfoUSA data based on zip code 95046, which may not align exactly with proposed city boundaries, and Economic & Planning Systems.

**Table I-2  
San Martin Retail Establishments  
San Martin Incorporation Analysis**

<b>Retail</b>	<b>Business Type</b>	<b>Sales Volume/Assets</b>	<b>Employees</b>
Apparel and Accessory Stores			
Filice's Western Store	Shoe Store	\$1,000,000-\$2,500,000	10 - 19
Auto Dealers & Gas Service Station			
Camping World	Recreational Vehicle Dealers	\$10,000,000-\$20,000,000	20 - 49
San Martin Exxon	Gasoline Service Stations	\$2,500,000-\$5,000,000	5 - 9
Ultramar Inc	Gasoline Service Stations	\$1,000,000-\$2,500,000	5 - 9
Union Jack	Motor Vehicle Dealers (Used Only)	<\$500,000	1 - 4
ALF Auto Wreckers	Auto and Home Supply Stores	<\$500,000	1 - 4
Karlee Enterprises Inc	Motorcycle Dealers	<\$500,000	1 - 4
Building Material/Garden Supply/Mobile Homes			
Nursery Outlet	Retail Nurseries, Lawn and Garden Supply Stores	\$1,000,000-\$2,500,000	10 - 19
Power Equipment Co	Retail Nurseries, Lawn and Garden Supply Stores	\$1,000,000-\$2,500,000	10 - 19
A Plus Windows	Lumber and Other Building Materials	\$1,000,000-\$2,500,000	5 - 9
Mt Green Nursery	Retail Nurseries, Lawn and Garden Supply Stores	\$500,000-\$1000,000	1 - 4
Select Auto Glass	Paint, Glass, and Wallpaper Stores	\$500,000-\$1000,000	1 - 4
Freddie Sanchez Hardwood Floor	Lumber and Other Building Materials	\$500,000-\$1000,000	1 - 4
Aki Nursery	Retail Nurseries, Lawn and Garden Supply Stores	<\$500,000	1 - 4
Garage Doors Etc	Lumber and Other Building Materials	<\$500,000	1 - 4
Battaglia Ranch	Retail Nurseries, Lawn and Garden Supply Stores	<\$500,000	1 - 4
A-1 Saw & Lawn Mower	Retail Nurseries, Lawn and Garden Supply Stores	<\$500,000	1 - 4
Eating and Drinking Places			
Dreyer's Grand Ice Cream	Eating Places	<\$500,000	10 - 19
San Martin Meats & Deli	Eating Places	<\$500,000	10 - 19
San Martin Cafe	Eating Places	<\$500,000	5 - 9
El Patio Mexican Deli	Eating Places	<\$500,000	1 - 4
Food Stores			
Rocca's Market	Grocery Stores	\$1,000,000-\$2,500,000	5 - 9
Pen Bay Foods Inc	Grocery Stores	\$500,000-\$1,000,000	5 - 9
LJB Farms	Fruit and Vegetable Markets	\$500,000-\$1000,000	1 - 4
San Martin Drive In Market	Grocery Stores	\$500,000-\$1000,000	1 - 4
Avila's Market	Grocery Stores	<\$500,000	1 - 4
Mama's Mart	Grocery Stores	<\$500,000	1 - 4
Uesugi Farms Inc	Fruit and Vegetable Markets	<\$500,000	1 - 4
Gourmet Country	Miscellaneous Food Stores	<\$500,000	1 - 4
Home Furniture/Furnishings/Equipment			
Superior Information	Computer and Computer Software Stores	\$1,000,000-\$2,500,000	1 - 4
Integrated Manufacturing Svc	Computer and Computer Software Stores	\$500,000-\$1000,000	1 - 4
DATA Image	Computer and Computer Software Stores	<\$500,000	1 - 4
George the Dish Man	Radio, Television, and Consumer Electronic Stores	<\$500,000	1 - 4
Elektron Appliance Svc	Household Appliance Stores	<\$500,000	1 - 4
Miscellaneous Retail			
Balloons Buy Lisa	Gift, Novelty, and Souvenir Shops	<\$500,000	1 - 4
St Catherine's Community Store	Used Merchandise Stores	<\$500,000	1 - 4
Shaklee Distributor	Direct Selling Establishments	<\$500,000	1 - 4
Engraving Co	Miscellaneous Retail Stores (Not Elsewhere Classified)	<\$500,000	1 - 4
Issa	Miscellaneous Retail Stores (Not Elsewhere Classified)	<\$500,000	1 - 4
Kessler Hay & Horses	Sporting Goods Stores and Bicycle Shops	<\$500,000	1 - 4

Sources: InfoUSA data based on zip code 95046, which may not align exactly with proposed city boundaries, and Economic & Planning Systems.

**Table I-3  
Commercial Establishments by Business Type  
San Martin Incorporation Analysis**

Commercial Classification	Establishments		Employees	
	Number	Percent	Number	Percent
Services	79	32%	558	31%
Construction	43	18%	117	7%
Retail Trade	40	16%	196	11%
Agriculture	23	9%	176	10%
Wholesale Trade	17	7%	152	9%
Manufacturing	15	6%	295	17%
Transportation, Communications & Utilities	12	5%	131	7%
Public Administration	7	3%	130	7%
Finance & Insurance & Real Estate	6	2%	13	1%
Non-Classified	3	1%	17	1%
<b>Total</b>	<b>245</b>	<b>100%</b>	<b>1,782</b>	<b>100%</b>

Sources: InfoUSA data based on zip code 95046, which may not align exactly with proposed city boundaries, and Economic & Planning Systems.



**Economic &  
Planning Systems**

*Real Estate Economics*

*Regional Economics*

*Public Finance*

*Land Use Policy*

## APPENDIX II

### BUDGET MODEL

**Initial CFA Model  
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**Table 1**  
**Summary of Revenues and Expenses (All figures in Constant 2003\$s)**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Fiscal Year									
	2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>General Fund Revenues</b>										
Property Taxes	\$876,394	\$905,929	\$939,493	\$972,169	\$1,002,523	\$1,035,278	\$1,072,137	\$1,108,181	\$1,141,982	\$1,178,262
Sales Tax	\$535,423	\$546,225	\$629,025	\$641,700	\$654,628	\$667,814	\$753,046	\$768,201	\$783,659	\$799,426
Transient Occupancy Tax	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Real Property Transfer Tax	\$30,889	\$31,880	\$32,928	\$33,969	\$35,035	\$36,128	\$37,281	\$38,429	\$39,605	\$40,810
Franchise Fees	\$85,841	\$86,901	\$87,975	\$89,062	\$90,162	\$91,276	\$92,403	\$93,545	\$94,700	\$95,870
Planning Fees	\$114,683	\$151,499	\$177,942	\$178,748	\$179,557	\$180,371	\$181,188	\$182,010	\$182,835	\$183,665
Public Works/Eng. Fees	\$18,191	\$18,282	\$18,374	\$18,465	\$18,558	\$18,651	\$18,744	\$18,838	\$18,932	\$19,026
Fines and Penalties	\$18,023	\$18,246	\$18,471	\$18,699	\$18,930	\$19,164	\$19,401	\$19,641	\$19,883	\$20,129
State Motor Vehicle License Fees	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$354,773	\$359,156	\$363,592
Investment Earnings	<u>\$22,579</u>	<u>\$23,374</u>	<u>\$24,826</u>	<u>\$25,312</u>	<u>\$25,778</u>	<u>\$26,271</u>	<u>\$27,526</u>	<u>\$27,086</u>	<u>\$27,658</u>	<u>\$28,258</u>
<b>Total</b>	\$2,280,457	\$2,360,770	\$2,507,470	\$2,556,558	\$2,603,606	\$2,653,387	\$2,780,160	\$2,735,703	\$2,793,410	\$2,854,039
<b>General Fund Expenses</b>										
City Council	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
Elections	\$0	\$5,717	\$0	\$5,859	\$0	\$6,005	\$0	\$6,154	\$0	\$6,307
City Manager	\$90,585	\$158,197	\$182,986	\$183,901	\$184,821	\$185,745	\$186,673	\$187,607	\$188,545	\$189,488
City Clerk	\$68,750	\$54,007	\$54,202	\$54,398	\$54,595	\$54,793	\$54,992	\$55,191	\$55,392	\$55,594
City Attorney	\$100,000	\$102,000	\$104,040	\$106,121	\$108,243	\$110,408	\$112,616	\$114,869	\$117,166	\$119,509
Finance	\$111,780	\$112,339	\$201,258	\$202,264	\$203,275	\$204,292	\$205,313	\$206,340	\$207,371	\$208,408
Administrative Services	\$67,500	\$67,838	\$78,403	\$78,795	\$79,189	\$79,585	\$79,983	\$80,383	\$80,785	\$81,189
Police	\$0	\$1,141,934	\$1,167,600	\$1,193,844	\$1,220,677	\$1,248,114	\$1,276,167	\$1,304,851	\$1,334,179	\$1,364,167
Animal Control	\$0	\$38,714	\$39,388	\$40,074	\$40,772	\$41,482	\$42,204	\$42,939	\$43,687	\$44,447
Planning	\$152,910	\$276,998	\$312,257	\$313,330	\$239,410	\$240,494	\$241,584	\$242,679	\$243,780	\$244,887
Public Works Administration	\$72,765	\$73,129	\$73,494	\$73,862	\$74,231	\$74,602	\$74,975	\$75,350	\$75,727	\$76,106
Office Rent/Supplies	\$104,700	\$64,700	\$78,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700
Insurance	\$23,910	\$63,707	\$69,610	\$70,054	\$68,637	\$69,847	\$70,716	\$71,972	\$72,880	\$74,184
Contingency	\$39,850	\$106,179	\$116,016	\$116,757	\$114,396	\$116,411	\$117,860	\$119,953	\$121,467	\$123,640
Repayment of First-Year Services	<u>\$0</u>	<u>\$1,441,180</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total</b>	\$860,749	\$3,734,636	\$2,505,954	\$2,521,959	\$2,470,945	\$2,514,476	\$2,545,784	\$2,590,988	\$2,623,679	\$2,670,626
<b>General Fund Operating Surplus (Deficit)</b>	\$1,419,708	(\$1,373,866)	\$1,516	\$34,599	\$132,661	\$138,911	\$234,376	\$144,715	\$169,731	\$183,413
<b>Cum. General Fund Surplus (Deficit)</b>	\$1,419,708	\$45,842	\$47,357	\$81,956	\$214,617	\$353,527	\$587,903	\$732,619	\$902,349	\$1,085,762
Mitigation Payment										
<b>Net Balance after Mitigation Payment</b>										

-----TO BE DETERMINED-----

**Table 1**  
**Summary of Revenues and Expenses (All figures in Constant 2003\$s)**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Fiscal Year									
	2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>Road Fund Revenues</b>										
Gas Taxes	<u>\$191,464</u>	<u>\$191,257</u>	<u>\$191,053</u>	<u>\$190,854</u>	<u>\$190,658</u>	<u>\$190,466</u>	<u>\$190,278</u>	<u>\$150,738</u>	<u>\$152,305</u>	<u>\$153,898</u>
<b>Total</b>	\$191,464	\$191,257	\$191,053	\$190,854	\$190,658	\$190,466	\$190,278	\$150,738	\$152,305	\$153,898
<b>Road Fund Expenditures</b>										
Road Maintenance	\$0	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500
Repayment of First-Year Services	<u>\$0</u>	<u>\$38,814</u>	<u>\$38,814</u>	<u>\$38,814</u>	<u>\$38,814</u>	<u>\$38,814</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total</b>	\$0	\$202,314	\$202,314	\$202,314	\$202,314	\$202,314	\$163,500	\$163,500	\$163,500	\$163,500
<b>Road Fund Operating Surplus (Deficit)</b>	\$191,464	(\$11,058)	(\$11,261)	(\$11,461)	(\$11,656)	(\$11,848)	\$26,778	(\$12,762)	(\$11,195)	(\$9,602)

**Table A-1  
Demographic Assumptions, Fiscal Year 2001/2002  
San Martin Incorporation Analysis  
San Martin IFA**

<b>Item</b>	<b>Amount</b>
<b><u>Proposed City</u></b>	
Population (1)	5,790
Registered Voters (2)	2,722
Voters as % of Pop.	47%
Housing Units	1,683
City-Maintained Lane Miles (3)	33
<b><u>Santa Clara County</u></b>	
Unincorp. Pop. (4)	100,473
Incorporation Pop. (4)	<u>1,619,092</u>
Total County Pop.	1,719,565
Uninc. Assessed Value	9.20 billion
Total Assessed Value	199.83 billion

(1) Census 2000 and EPS estimate

(2) Based on voter registration data for the unincorporated area.

(3) Estimate of lane miles provided by Public Works Department 5/03

(4) Department of Finance, 1/1/2002

**Table A-2**  
**General Assumptions**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

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Item	Amount	
Dollars Discounted to Fiscal Year (FY)	2002	
Inflation (Discount) Rate	2.0%	
<u>EPS Estimate of Assessed Value</u>		
Assessed Value per Dwelling Unit (existing) (1)	\$344,296	
Assessed Value of Resid., FY2001-02 (1)	\$579,542,627	80%
Assessed Value of Comm., FY2001-02 (2)	<u>\$144,885,657</u>	<u>20%</u>
Total Assessed Value for FY2001-02 (3)	\$724,428,283	100%
<u>Average Market Value by Land Use (4)</u>		
Detached (dwelling unit)	\$650,000	
Retail (square foot)	\$120	
Hotel (square foot)	\$150	
Other Commercial (square foot)	\$70	

---

- (1) EPS estimate of residential assessed value includes single-family and multi-family units. Based on average assessed value per residential unit for San Martin Census Designated Place (CDP).
- (2) Based on residential and commercial distribution in assessed value for the San Martin CDP.
- (3) Based on average per unit assessed value for San Martin CDP.
- (4) EPS estimate

**Table A-3**  
**Development Schedule**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Note	Existing	Calendar Year												
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Development Schedule</b>															
New Residential Development															
Detached (dwelling unit)		0	21	21	21	22	22	22	22	23	23	23	24	24	24
Attached (dwelling unit)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total New Units		0	21	21	21	22	22	22	22	23	23	23	24	24	24
New Non-Residential Dev. (Sq. Ft.)															
Retail (square foot)		0	0	0	0	0	25,000	0	0	0	25,000	0	0	0	0
Hotel		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Commercial		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total New Sq. Ft.		0	0	0	0	0	25,000	0	0	0	25,000	0	0	0	0
Cumulative New Sq. Ft. (2000+)			0	0	0	0	25,000	25,000	25,000	25,000	50,000	50,000	50,000	50,000	50,000
<b>Cumulative New Development Entire City</b>															
Residential Development															
Detached (dwelling unit)		1,683	1,704	1,725	1,746	1,768	1,790	1,812	1,834	1,857	1,880	1,903	1,927	1,950	1,975
Attached (dwelling unit)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Dwelling Units		1,683	1,704	1,725	1,746	1,768	1,790	1,812	1,834	1,857	1,880	1,903	1,927	1,950	1,975
New Non-Residential Dev. (Sq. Ft.)															
Retail (square foot)		0	0	0	0	0	25,000	25,000	25,000	25,000	50,000	50,000	50,000	50,000	50,000
Hotel		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Commercial		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Res. Dev. Sq. Ft.		0	0	0	0	0	25,000	25,000	25,000	25,000	50,000	50,000	50,000	50,000	50,000

**Table A-4**  
**Population Projections**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Note	Calendar Year													
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Population Projections</b>															
New Population			72	72	73	74	75	76	77	78	79	80	81	82	83
Cumulative Population		5,790	5,862	5,934	6,008	6,082	6,157	6,233	6,310	6,388	6,467	6,547	6,628	6,710	6,792
Cumulative Registered Voters		2,722	2,755	2,789	2,824	2,858	2,894	2,930	2,966	3,002	3,039	3,077	3,115	3,154	3,192
Proxy Population (1)		--	--	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367

(1) Proxy population is three times the estimated number of registered voters at the time of incorporation. Proxy population is the "official population" used to determine the distribution of State revenues during the first seven years after incorporation.

**Table A-5**  
**Assessed Value Calculation - All Figures in \$000's**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Fiscal Year												
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-2010	2010-11	2011-12	2012-13	2013-14
<u>Assessed Value of Existing Development</u>													
Resid. Assessed Value in City (Constant \$000's) (1)	\$579,543	\$591,133	\$616,742	\$643,033	\$670,023	\$697,726	\$726,161	\$755,343	\$785,289	\$816,018	\$847,547	\$879,895	\$913,080
Comm. Assessed Value in City (Constant \$000's) (1)	\$144,886	\$144,886	\$144,886	\$144,886	\$144,886	\$144,886	\$147,886	\$147,886	\$147,886	\$147,886	\$150,886	\$150,886	\$150,886
(less total existing redevelopment) (2)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$724,428	\$736,019	\$761,628	\$787,919	\$814,908	\$842,612	\$874,046	\$903,228	\$933,175	\$963,904	\$998,433	\$1,030,781	\$1,063,965
<u>Assessed Value of New Development</u>													
A.V. from New Development (Constant \$000's)													
Detached (dwelling unit)	\$0	\$13,516	\$13,683	\$13,852	\$14,023	\$14,196	\$14,371	\$14,549	\$14,729	\$14,911	\$15,095	\$15,281	\$15,470
Attached (dwelling unit)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Apartment (dwelling unit)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retail (square foot)	\$0	\$0	\$0	\$0	\$0	\$3,000	\$0	\$0	\$0	\$3,000	\$0	\$0	\$0
Hotel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Commercial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Resid. A.V. from New Dev. (Constant \$000's)	\$0	\$13,516	\$13,683	\$13,852	\$14,023	\$14,196	\$14,371	\$14,549	\$14,729	\$14,911	\$15,095	\$15,281	\$15,470
Comm. A.V. from New Dev. (Constant \$000's)	\$0	\$0	\$0	\$0	\$0	\$3,000	\$0	\$0	\$0	\$3,000	\$0	\$0	\$0
(less total new redevelopment) (2)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$13,516	\$13,683	\$13,852	\$14,023	\$17,196	\$14,371	\$14,549	\$14,729	\$17,911	\$15,095	\$15,281	\$15,470
Cum. Resid. A.V. from New Dev. (Constant \$000's)	\$0	\$13,516	\$27,198	\$41,050	\$55,073	\$69,269	\$83,640	\$98,189	\$112,918	\$127,828	\$142,923	\$158,204	\$173,674
Cum. Comm. A.V. from New Dev. (Constant \$000's)	\$0	\$0	\$0	\$0	\$0	\$3,000	\$3,000	\$3,000	\$3,000	\$6,000	\$6,000	\$6,000	\$6,000
(less total new redevelopment) (2)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$13,516	\$27,198	\$41,050	\$55,073	\$72,269	\$86,640	\$101,189	\$115,918	\$133,828	\$148,923	\$164,204	\$179,674
<u>Total Assessed Value (Existing &amp; New Development)</u>													
Cumulative Resid. A.V. (Constant 2000 \$000's)	\$579,543	\$604,649	\$630,425	\$656,885	\$684,045	\$711,922	\$740,532	\$769,892	\$800,018	\$830,929	\$862,642	\$895,176	\$928,550
Cumulative Comm. A.V. (Constant 2000 \$000's)	<u>\$144,886</u>	<u>\$144,886</u>	<u>\$144,886</u>	<u>\$144,886</u>	<u>\$144,886</u>	<u>\$147,886</u>	<u>\$147,886</u>	<u>\$147,886</u>	<u>\$147,886</u>	<u>\$150,886</u>	<u>\$150,886</u>	<u>\$150,886</u>	<u>\$150,886</u>
Subtotal	\$724,428	\$749,535	\$775,310	\$801,771	\$828,931	\$859,808	\$888,418	\$917,777	\$947,904	\$981,815	\$1,013,528	\$1,046,062	\$1,079,435
(less total redevelopment)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$724,428	\$749,535	\$775,310	\$801,771	\$828,931	\$859,808	\$888,418	\$917,777	\$947,904	\$981,815	\$1,013,528	\$1,046,062	\$1,079,435

- (1) Residential assumes increase of 2%  
no real increase in comm'l assessed value assumed
- (2) No redevelopment areas within the proposed boundaries

**Table B**  
**Annual Revenue Estimate (All figures in Constant 2003\$s)**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Note (1)	Fiscal Year									
		2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>General Fund Revenues</b>											
Property Taxes	1	\$876,394	\$905,929	\$939,493	\$972,169	\$1,002,523	\$1,035,278	\$1,072,137	\$1,108,181	\$1,141,982	\$1,178,262
Sales Tax	2	\$535,423	\$546,225	\$629,025	\$641,700	\$654,628	\$667,814	\$753,046	\$768,201	\$783,659	\$799,426
Transient Occupancy Tax	3	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Real Property Transfer Tax	4	\$30,889	\$31,880	\$32,928	\$33,969	\$35,035	\$36,128	\$37,281	\$38,429	\$39,605	\$40,810
Franchise Fees	5	\$85,841	\$86,901	\$87,975	\$89,062	\$90,162	\$91,276	\$92,403	\$93,545	\$94,700	\$95,870
Planning Fees	6	\$114,683	\$151,499	\$177,942	\$178,748	\$179,557	\$180,371	\$181,188	\$182,010	\$182,835	\$183,665
Public Works/Eng. Fees	7	\$18,191	\$18,282	\$18,374	\$18,465	\$18,558	\$18,651	\$18,744	\$18,838	\$18,932	\$19,026
Fines and Penalties	8	\$18,023	\$18,246	\$18,471	\$18,699	\$18,930	\$19,164	\$19,401	\$19,641	\$19,883	\$20,129
State Motor Vehicle License Fees	9	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$354,773	\$359,156	\$363,592
Investment Earnings	10	<u>\$22,579</u>	<u>\$23,374</u>	<u>\$24,826</u>	<u>\$25,312</u>	<u>\$25,778</u>	<u>\$26,271</u>	<u>\$27,526</u>	<u>\$27,086</u>	<u>\$27,658</u>	<u>\$28,258</u>
<b>Total General Fund Revenues</b>		\$2,280,457	\$2,360,770	\$2,507,470	\$2,556,558	\$2,603,606	\$2,653,387	\$2,780,160	\$2,735,703	\$2,793,410	\$2,854,039
<b>Road Fund Revenues</b>											
Gas Taxes	11	\$191,464	\$191,257	\$191,053	\$190,854	\$190,658	\$190,466	\$190,278	\$150,738	\$152,305	\$153,898
<b>Total Road Fund Revenues</b>		\$191,464	\$191,257	\$191,053	\$190,854	\$190,658	\$190,466	\$190,278	\$150,738	\$152,305	\$153,898

(1) Reference Notes are included in Figure B-1.

**Table B-1**  
**Revenue Estimate Notes**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Ref #	Item	Assumption	Fiscal Year									
			2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>General Fund</b>												
1	Property Tax	See Figures A-5 and B-2										
	Total Property Tax @ 1% of AV		\$8,017,706	\$8,289,310	\$8,598,079	\$8,884,177	\$9,177,772	\$9,479,037	\$9,818,146	\$10,135,279	\$10,460,619	\$10,794,354
	Property Tax Increment		\$0	\$271,605	\$308,769	\$286,098	\$293,595	\$301,264	\$339,109	\$317,133	\$325,340	\$333,735
	Subtotal		\$0	\$271,605	\$308,769	\$286,098	\$293,595	\$301,264	\$339,109	\$317,133	\$325,340	\$333,735
	Property Tax Increment to City:	See Fig B-2										
	From County	10.45% TAF	\$0	\$28,382	\$32,265	\$29,896	\$30,680	\$31,481	\$35,436	\$33,139	\$33,997	\$34,874
	From Special Districts	0.00% TAF	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total	10.45% TAF	\$0	\$28,382	\$32,265	\$29,896	\$30,680	\$31,481	\$35,436	\$33,139	\$33,997	\$34,874
	Gross Property Tax to City											
	Base		\$837,827	\$837,827	\$866,209	\$898,474	\$928,370	\$959,050	\$990,531	\$1,025,967	\$1,059,107	\$1,093,104
	Share of Tax Increment		\$0	\$28,382	\$32,265	\$29,896	\$30,680	\$31,481	\$35,436	\$33,139	\$33,997	\$34,874
	Total		\$837,827	\$866,209	\$898,474	\$928,370	\$959,050	\$990,531	\$1,025,967	\$1,059,107	\$1,093,104	\$1,127,978
	Property Tax Increment: Supplemental Role @50% of AV of New Dev.		\$7,149	\$7,237	\$7,327	\$8,985	\$7,509	\$7,602	\$7,695	\$9,358	\$7,887	\$7,984
	Prop. Tax Inc. to City: Suppl Role @4% of Tax due to turnover		\$33,513	\$34,648	\$35,939	\$37,135	\$38,362	\$39,621	\$41,039	\$42,364	\$43,724	\$45,119
	Property Tax to City Prior to Tax Admin. Fees		\$878,489	\$908,094	\$941,740	\$974,490	\$1,004,921	\$1,037,754	\$1,074,702	\$1,110,829	\$1,144,715	\$1,181,082
	Less Prop. Tax Admin. Fees	0.25% of gross A.V.	(\$2,095)	(\$2,166)	(\$2,246)	(\$2,321)	(\$2,398)	(\$2,476)	(\$2,565)	(\$2,648)	(\$2,733)	(\$2,820)
	Net General Fund Property Tax to City		\$876,394	\$905,929	\$939,493	\$972,169	\$1,002,523	\$1,035,278	\$1,072,137	\$1,108,181	\$1,141,982	\$1,178,262
2	Sales Tax	1%										
	New Cum. Retail Sq. Ft.	See Figure A-3	\$250	\$0	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500	\$125,000	\$125,000	\$125,000
	Retail Sales Tax	base=	\$470,288	\$470,288	\$470,288	\$470,288	\$470,288	\$470,288	\$470,288	\$470,288	\$470,288	\$470,288
	Subtotal		\$470,288	\$470,288	\$532,788	\$532,788	\$532,788	\$532,788	\$595,288	\$595,288	\$595,288	\$595,288
		2% real increase	\$470,288	\$479,694	\$551,788	\$562,823	\$574,080	\$585,561	\$659,773	\$672,968	\$686,427	\$700,156
	Unallocated Sales Tax	15.0%	\$70,543	\$71,954	\$82,768	\$84,424	\$86,112	\$87,834	\$98,966	\$100,945	\$102,964	\$105,023
	(less) State admin charge	1.0%	(\$5,408)	(\$5,422)	(\$5,531)	(\$5,547)	(\$5,564)	(\$5,581)	(\$5,693)	(\$5,712)	(\$5,733)	(\$5,753)
	Total Sales Tax (General Fund)		\$535,423	\$546,225	\$629,025	\$641,700	\$654,628	\$667,814	\$753,046	\$768,201	\$783,659	\$799,426
3	Transient Occupancy Tax	base=	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
4	Property Transfer Tax	residential commercial										
	Turnover of prior year base	6.0% 2%										
	Rate per \$1,000 market value	\$0.55										
	Base Resid A.V. fiscal year (constant \$000's)		\$656,885	\$684,045	\$711,922	\$740,532	\$769,892	\$800,018	\$830,929	\$862,642	\$895,176	\$928,550
	Prop. Tran. Tax from turnover of existing resid. units		\$21,677	\$22,573	\$23,493	\$24,438	\$25,406	\$26,401	\$27,421	\$28,467	\$29,541	\$30,642
	Base Comm'l A.V. fiscal year (constant \$000's)		\$144,886	\$144,886	\$147,886	\$147,886	\$147,886	\$147,886	\$150,886	\$150,886	\$150,886	\$150,886
	Prop. Tran. Tax from turnover of existing comm'l		\$1,594	\$1,594	\$1,627	\$1,627	\$1,627	\$1,627	\$1,660	\$1,660	\$1,660	\$1,660
	Prop. Tran. Tax from new residential development		\$7,618	\$7,713	\$7,808	\$7,904	\$8,002	\$8,101	\$8,201	\$8,302	\$8,405	\$8,508
	Total Property Transfer Tax		\$30,889	\$31,880	\$32,928	\$33,969	\$35,035	\$36,128	\$37,281	\$38,429	\$39,605	\$40,810

**Table B-1**  
**Revenue Estimate Notes**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Ref #	Item	Assumption	Fiscal Year									
			2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
5	Franchise Fees	\$1,435,608 Cnty FY 01-02 \$14.29 fee per resident	\$85,841	\$86,901	\$87,975	\$89,062	\$90,162	\$91,276	\$92,403	\$93,545	\$94,700	\$95,870
6	Planning Fees											
	% of planning costs recaptured by fees (exc. General Plar	75%	\$114,683	\$151,499	\$177,942	\$178,748	\$179,557	\$180,371	\$181,188	\$182,010	\$182,835	\$183,665
7	Public Works/Engineering Fees											
	% of costs recaptured by fees	25%	\$18,191	\$18,282	\$18,374	\$18,465	\$18,558	\$18,651	\$18,744	\$18,838	\$18,932	\$19,026
8	Fines and Penalties											
	Per capita est. from EPS	\$3.00	\$18,023	\$18,246	\$18,471	\$18,699	\$18,930	\$19,164	\$19,401	\$19,641	\$19,883	\$20,129
9	State Motor Vehicle License Fees											
	Relevant population for calculation		8,367	8,367	8,367	8,367	8,367	8,367	8,367	6,547	6,628	6,710
	Per capita fees	\$54.19	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$453,434	\$354,773	\$359,156	\$363,592
10	Investment Earnings											
	Subtotal General Fund revenues, excl. invest. earnings		\$2,257,879	\$2,337,396	\$2,482,643	\$2,531,246	\$2,577,828	\$2,627,116	\$2,752,634	\$2,708,617	\$2,765,752	\$2,825,781
	% of General Fund revenues	1%										
	Subtotal Interest Earnings		\$22,579	\$23,374	\$24,826	\$25,312	\$25,778	\$26,271	\$27,526	\$27,086	\$27,658	\$28,258
<b>Road Fund</b>												
11	Road Fund - Gas Taxes											
	Highway User Tax 2105	Per Capita	\$6.23	\$52,129	\$52,129	\$52,129	\$52,129	\$52,129	\$52,129	\$40,787	\$41,291	\$41,801
	Highway User Tax 2106 (a)	Per Year	\$4,800	\$4,706	\$4,614	\$4,523	\$4,434	\$4,348	\$4,262	\$4,179	\$4,097	\$3,938
	Highway User Tax 2106 (c)	Per Capita	\$7.34	\$61,388	\$61,388	\$61,388	\$61,388	\$61,388	\$61,388	\$61,388	\$48,031	\$48,624
	Highway User Tax 2107	Per Capita	\$8.05	\$67,358	\$67,358	\$67,358	\$67,358	\$67,358	\$67,358	\$67,358	\$52,702	\$53,353
	Highway User Tax 2107.5 (c)	Per Year	\$6,000	<u>\$5,882</u>	<u>\$5,767</u>	<u>\$5,654</u>	<u>\$5,543</u>	<u>\$5,434</u>	<u>\$5,328</u>	<u>\$5,223</u>	<u>\$5,121</u>	<u>\$5,021</u>
	Total Gas Taxes		\$191,464	\$191,257	\$191,053	\$190,854	\$190,658	\$190,466	\$190,278	\$150,738	\$152,305	\$153,898

**Table B-2**  
**Calculation of Property Tax Transfer**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

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**A. Transfer of Tax Base**

1. Total Expenditures Subject to Transfer	\$1,441,180
2. County Auditor's Ratio 2001-02	52.53%
3. Property Tax Base Transferred from County	\$757,006

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**B. Calculation of Tax Allocation Factor (TAF)**

1. Assessed Value (FY 2001/2002):	\$724,428,283
Assessed Value (FY 2004/2005):	\$801,770,573
Change from fy01-02 to fy04-05	10.7%
2. Total Property Tax Collected '04-05 (@1% AV):	\$8,017,706
3. Property Tax Base Transferred from County:	\$757,006
Base Transfer * change from fy01-02 to fy04-05	\$837,827
4. Total Tax Base Transferred 2004-05	\$837,827
5. Implied Tax Allocation Factor (#4/#2)	10.45%

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**Table B-3**  
**County Property Tax as a Percentage of Revenue (FY 2002)**  
**Available for General Purposes**  
**San Martin IFA**

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**Item**

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**PROPERTY TAX REVENUE**

Current Secured	\$227,215,807
Current Unsecured	\$43,579,436
St Aid For Hoptr	\$3,692,249
Delinquencies	\$4,995,211
Aircraft Taxes	\$1,758,289
Property Tax Prior Unsecured	(\$2,824)
Property Tax Unitary	\$6,727,365

**Total** **\$287,965,533**

**OTHER GENERAL PURPOSE REVENUE**

**General Purpose Revenues**

Rent: Land and Buildings	\$2,341,073
Sales and Use Tax	\$3,677,727
Transient Occupancy Tax	\$307,298
Franchise	\$1,435,608
Commision	\$100,000
Fines and Forfeitures	\$3,929,293
Interest Revenue	\$21,866,619
State Motor Vehicle-In-Lieu-Taxes	\$160,020,905
State Open Space Subvention	\$375,661
Property Tax Collection Fee	\$5,073,974
Real Property Transfer	\$14,805,708
Tobacco Settlement	\$21,795,740
Other Fines	\$24,299,440
Miscellaneous Revenue	\$230,817

**Subtotal General Purpose Revenues** **\$260,259,863**

**Total Net Revenue Available for General Purposes** **\$548,225,396**

Prop. Tax as % of General Purpose Revenues 52.53%

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**Table B-4**  
**Inputs to Calculation of Property Tax Transfer**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

<b>Department/Function</b>	<b>Cost FY 01-02</b>	<b>Indirect Cost (5)</b>	<b>Cost including Indirects</b>	<b>Offsetting Revenue</b>	<b>Net Cost</b>
General Government (1)	\$13,022	\$0	\$13,022	\$0	\$13,022
Animal Control (2)	\$50,851	\$6,959	\$57,809	\$14,358	\$43,451
Land Use Planning & Enforcement (3)	\$475,422	\$36,239	\$511,660	\$261,312	\$250,348
Sheriff Department (4)	<u>\$1,112,489</u>	<u>\$133,119</u>	<u>\$1,245,608</u>	<u>\$111,249</u>	<u>\$1,134,359</u>
<b>Total</b>	<b>\$1,651,783</b>	<b>\$176,316</b>	<b>\$1,828,099</b>	<b>\$386,919</b>	<b>\$1,441,180</b>

(1) General Government includes Board of Supervisors, Clerk of the Board, County Executive, County Counsel, Purchasing, General Services, Personnel, Tax Collector, County Clerk/Recorder.

(2) Costs based on per capita estimates. Offsetting revenues include revenues from animal licenses and shelter services.

(3) Costs based on per capita estimates. Offsetting revenues include revenues from charges for service and planning permits.

(4) Cost allocation based on Sheriff's current ratio of sworn officers per 1,000 and applicable expenditure per sworn officer.

(5) Indirect cost allocation based on A-87 charges from the FY 03-04 County Cost Allocation Plan.

**Table C**  
**Expenditure Estimate (All figures in Constant 2003\$s)**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	Note (1)	Fiscal Year									
		2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>GENERAL FUND EXPENDITURES</b>											
City Council	1	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
Elections	2	\$0	\$5,717	\$0	\$5,859	\$0	\$6,005	\$0	\$6,154	\$0	\$6,307
City Manager	3	\$90,585	\$158,197	\$182,986	\$183,901	\$184,821	\$185,745	\$186,673	\$187,607	\$188,545	\$189,488
City Clerk	4	\$68,750	\$54,007	\$54,202	\$54,398	\$54,595	\$54,793	\$54,992	\$55,191	\$55,392	\$55,594
City Attorney	5	\$100,000	\$102,000	\$104,040	\$106,121	\$108,243	\$110,408	\$112,616	\$114,869	\$117,166	\$119,509
Finance	6	\$111,780	\$112,339	\$201,258	\$202,264	\$203,275	\$204,292	\$205,313	\$206,340	\$207,371	\$208,408
Administrative Services	7	\$67,500	\$67,838	\$78,403	\$78,795	\$79,189	\$79,585	\$79,983	\$80,383	\$80,785	\$81,189
Police	8	\$0	\$1,141,934	\$1,167,600	\$1,193,844	\$1,220,677	\$1,248,114	\$1,276,167	\$1,304,851	\$1,334,179	\$1,364,167
Animal Control	9	\$0	\$38,714	\$39,388	\$40,074	\$40,772	\$41,482	\$42,204	\$42,939	\$43,687	\$44,447
Planning	10	\$152,910	\$276,998	\$312,257	\$313,330	\$239,410	\$240,494	\$241,584	\$242,679	\$243,780	\$244,887
Public Works Administration	11	\$72,765	\$73,129	\$73,494	\$73,862	\$74,231	\$74,602	\$74,975	\$75,350	\$75,727	\$76,106
Non-Departmental											
Office Rent/Supplies	12	\$104,700	\$64,700	\$78,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700
Insurance	13	\$23,910	\$63,707	\$69,610	\$70,054	\$68,637	\$69,847	\$70,716	\$71,972	\$72,880	\$74,184
Contingency	14	\$39,850	\$106,179	\$116,016	\$116,757	\$114,396	\$116,411	\$117,860	\$119,953	\$121,467	\$123,640
Repayment of First-Year Services	15	\$0	\$1,441,180	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total General Fund Expenditures</b>		\$860,749	\$3,734,636	\$2,505,954	\$2,521,959	\$2,470,945	\$2,514,476	\$2,545,784	\$2,590,988	\$2,623,679	\$2,670,626
<b>ROAD EXPENDITURES</b>											
Road Maintenance	16	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500
County Loan Repayment	17	\$0	\$38,814	\$38,814	\$38,814	\$38,814	\$38,814	\$0	\$0	\$0	\$0
<b>Total Road Fund Expenditures</b>		\$163,500	\$202,314	\$202,314	\$202,314	\$202,314	\$202,314	\$163,500	\$163,500	\$163,500	\$163,500

**Table C-1**  
**Expenditure Estimate Notes**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Ref. Item	Department/Program	Estimating Cost Factor	Cost Factor	Fiscal Year										
				2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10	
1	City Council Expenses	Persons	5											
	Stipend	Per month	\$300	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
	Expenses (travel, meetings)	\$5,000		\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
	Memberships	\$5,000		<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>
	City Council Expenses			\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
2	Elections													
	<i>Assumes only general elections</i>	\$2.00 per reg. voter		\$0	\$5,717	\$0	\$5,859	\$0	\$6,005	\$0	\$6,154	\$0	\$6,307	
3	City Manager		See Figure C-2	\$90,585	\$158,197	\$182,986	\$183,901	\$184,821	\$185,745	\$186,673	\$187,607	\$188,545	\$189,488	
4	City Clerk		See Figure C-2	\$68,750	\$54,007	\$54,202	\$54,398	\$54,595	\$54,793	\$54,992	\$55,191	\$55,392	\$55,594	
5	City Attorney -- Contracted Service	\$100,000	Real Incr. 2%	\$100,000	\$102,000	\$104,040	\$106,121	\$108,243	\$110,408	\$112,616	\$114,869	\$117,166	\$119,509	
6	Finance		See Figure C-3	\$111,780	\$112,339	\$201,258	\$202,264	\$203,275	\$204,292	\$205,313	\$206,340	\$207,371	\$208,408	
7	Administrative Services		See Figure C-3	\$67,500	\$67,838	\$78,403	\$78,795	\$79,189	\$79,585	\$79,983	\$80,383	\$80,785	\$81,189	
8	Police													
		1.1 sworn officers/1,000 residents												
		\$169,000 /sworn officer												
	Initial Year Contract Cost	\$1,116,831	including traffic enforcement											
	Subtotal		Real Inc. 1.0%	\$0	\$1,141,934	\$1,167,600	\$1,193,844	\$1,220,677	\$1,248,114	\$1,276,167	\$1,304,851	\$1,334,179	\$1,364,167	
	<i>Based on Sheriff Department's FY01-02 existing level of service plus additional officers for traffic enforcement</i>													
9	Animal Control													
		\$6.30	Charge per capita, net of revenue											
			Real Inc. 0.5%	\$0	\$38,714	\$39,388	\$40,074	\$40,772	\$41,482	\$42,204	\$42,939	\$43,687	\$44,447	
10	Planning		See Figure C-4	\$152,910	\$276,998	\$312,257	\$313,330	\$239,410	\$240,494	\$241,584	\$242,679	\$243,780	\$244,887	
						\$237,257								
11	Public Works													
	Administration		See Figure C-5	\$72,765	\$73,129	\$73,494	\$73,862	\$74,231	\$74,602	\$74,975	\$75,350	\$75,727	\$76,106	

Table C-1 (cont.)  
Expenditure Estimate Notes  
San Martin Incorporation Analysis  
San Martin IF A

Ref. Item	Department/Program	Estimating Cost Factor	Cost Factor	Fiscal Year										
				2004-05 0	2005-06 1	2006-07 2	2007-08 3	2008-09 4	2009-2010 5	2010-11 6	2011-12 7	2012-13 8	2013-14 9	
12	Office Rent/Supplies													
	FTEs (Includes 3 additional spaces for contractual employees to use)													
	Finance, Planning, Public Works Depts.			5.00	5.50	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
	City Manager and City Clerk Offices			<u>1.50</u>	<u>2.00</u>	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>
	Subtotal			6.50	7.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
	Plus Contractual per Dept (police, building insp.)			<u>1.00</u>	<u>2.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>
	Total FTE			7.50	9.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
	Total FTE Costs			564,290	742,507	902,600	906,550	835,520	839,510	843,521	847,551	851,601	855,671	
	Staff Capacity Required			13	13	13	13	13	13	13	13	13	13	13
	Office Space Required	200 sqft/employee		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
	Council Chamber	2,000 sqft		<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
	Total Space			4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
	Total Rent	\$0.55 /sqft/month		\$29,700	\$29,700	\$29,700	\$29,700	\$29,700	\$29,700	\$29,700	\$29,700	\$29,700	\$29,700	\$29,700
	Annual Supplies	\$2,000 per FTE		\$15,000	\$19,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
	Initial Computers, and Furnishings	\$8,000 per FTE		<u>\$60,000</u>	<u>\$16,000</u>	<u>\$24,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	Total Rent and Supplies			\$104,700	\$64,700	\$78,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700	\$54,700
13	Insurance	3% of GF expenses (exc. insurance & contingency)		\$23,910	\$63,707	\$69,610	\$70,054	\$68,637	\$69,847	\$70,716	\$71,972	\$72,880	\$74,184	
14	Contingency	5% of total GF expenses		\$39,850	\$106,179	\$116,016	\$116,757	\$114,396	\$116,411	\$117,860	\$119,953	\$121,467	\$123,640	
15	Repayment, 1st year costs (see Prop tax transfer)	6%		\$0	\$1,441,180	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total 1st yr costs	\$1,441,180 excludes road maintenance												
	Less 1st Year's PTax Rev.	<u>\$0</u>												
	Subtotal	\$1,441,180												
	Loan Repayment	5 years												
	See Table B-3													
Road Fund														
16	Road Fund Costs													
	32.70 Miles of road													
	\$5,000 Average maintenance cost per road mile			<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>
	Total Costs			\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500	\$163,500
17	Amortization of first year (see note 15 for terms)		\$163,500		\$38,814	\$38,814	\$38,814	\$38,814	\$38,814	\$38,814				

**Table C-2  
City Manager and City Clerk Cost Estimates  
San Martin Incorporation Analysis  
San Martin IFA**

Ref. Item	Description	Assumptions		Fiscal Year									
				2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>City Manager Office</b>													
<i>City Manager</i>													
	Annual Salary	\$90,000	Real Inc.	0.5%	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Benefits			35%	\$45,000	\$90,450	\$90,902	\$91,357	\$91,814	\$92,273	\$92,734	\$93,198	\$93,664
	Subtotal				\$15,750	\$31,658	\$31,816	\$31,975	\$32,135	\$32,295	\$32,457	\$32,619	\$32,782
					\$60,750	\$122,108	\$122,718	\$123,332	\$123,948	\$124,568	\$125,191	\$125,817	\$126,446
													\$127,078
<i>Administrative Secretary - FTE</i>													
	Annual Salary	\$32,000	Real Inc.	0.5%	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Benefits			35%	\$16,000	\$16,080	\$32,321	\$32,482	\$32,645	\$32,808	\$32,972	\$33,137	\$33,303
	Subtotal				\$5,600	\$5,628	\$11,312	\$11,369	\$11,426	\$11,483	\$11,540	\$11,598	\$11,656
					\$21,600	\$21,708	\$43,633	\$43,851	\$44,071	\$44,291	\$44,512	\$44,735	\$44,959
													\$45,183
	Personnel Subtotal				\$82,350	\$143,816	\$166,351	\$167,183	\$168,019	\$168,859	\$169,703	\$170,552	\$171,404
	Other Costs -Materials & Supplies			10%	\$8,235	\$14,382	\$16,635	\$16,718	\$16,802	\$16,886	\$16,970	\$17,055	\$17,140
													\$17,226
	<b>Total City Manager Office Expenses</b>				\$90,585	\$158,197	\$182,986	\$183,901	\$184,821	\$185,745	\$186,673	\$187,607	\$188,545
													\$189,488
<b>City Clerk Office</b>													
<i>City Clerk - FTE</i>													
	Annual Salary	\$50,000	Real Inc.	0.5%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Benefits			35%	\$25,000	\$25,125	\$25,251	\$25,377	\$25,504	\$25,631	\$25,759	\$25,888	\$26,018
	Subtotal				\$8,750	\$8,794	\$8,838	\$8,882	\$8,926	\$8,971	\$9,016	\$9,061	\$9,106
					\$33,750	\$33,919	\$34,088	\$34,259	\$34,430	\$34,602	\$34,775	\$34,949	\$35,124
													\$35,299
	Other Costs												
	Legal Notices	\$15,000	Real Inc.	0%	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	Other Costs			15%	\$20,000	\$5,088	\$5,113	\$5,139	\$5,165	\$5,190	\$5,216	\$5,242	\$5,269
	Subtotal Other Costs				\$35,000	\$20,088	\$20,113	\$20,139	\$20,165	\$20,190	\$20,216	\$20,242	\$20,269
													\$20,295
	<b>Total City Clerk Office Expenses</b>				\$68,750	\$54,007	\$54,202	\$54,398	\$54,595	\$54,793	\$54,992	\$55,191	\$55,392
													\$55,594

**Table C-3  
Finance Department Cost Estimates  
San Martin Incorporation Analysis  
San Martin IFA**

Ref. Item	Description	Assumptions		Fiscal Year										
				2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10	
<b>Finance Department</b>														
<i>Finance Manager - FTE</i>														
	Annual Salary	\$68,000	Real Inc.	0.5%	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Benefits			35%	\$34,000	\$34,170	\$68,682	\$69,025	\$69,370	\$69,717	\$70,066	\$70,416	\$70,768	\$71,122
	Subtotal				\$11,900	\$11,960	\$24,039	\$24,159	\$24,280	\$24,401	\$24,523	\$24,646	\$24,769	\$24,893
					\$45,900	\$46,130	\$92,720	\$93,184	\$93,650	\$94,118	\$94,589	\$95,062	\$95,537	\$96,015
<i>Accounting Technician - FTE</i>														
	Annual Salary	\$40,000	Real Inc.	0.5%	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Benefits			35%	\$20,000	\$20,100	\$40,401	\$40,603	\$40,806	\$41,010	\$41,215	\$41,421	\$41,628	\$41,836
	Subtotal				\$7,000	\$7,035	\$14,140	\$14,211	\$14,282	\$14,354	\$14,425	\$14,497	\$14,570	\$14,643
					\$27,000	\$27,135	\$54,541	\$54,814	\$55,088	\$55,364	\$55,640	\$55,919	\$56,198	\$56,479
<i>Secretary/Clerical - FTE</i>														
	Annual Salary	\$30,000	Real Inc.	0.5%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Benefits			35%	\$15,000	\$15,075	\$15,150	\$15,226	\$15,302	\$15,379	\$15,456	\$15,533	\$15,611	\$15,689
	Subtotal				\$5,250	\$5,276	\$5,303	\$5,329	\$5,356	\$5,383	\$5,409	\$5,437	\$5,464	\$5,491
					\$20,250	\$20,351	\$20,453	\$20,555	\$20,658	\$20,761	\$20,865	\$20,969	\$21,074	\$21,180
	Personnel Subtotal				\$93,150	\$93,616	\$167,715	\$168,553	\$169,396	\$170,243	\$171,094	\$171,950	\$172,809	\$173,673
	Other Costs		20%		\$18,630	\$18,723	\$33,543	\$33,711	\$33,879	\$34,049	\$34,219	\$34,390	\$34,562	\$34,735
	<b>Total Finance Department Expenses</b>				\$111,780	\$112,339	\$201,258	\$202,264	\$203,275	\$204,292	\$205,313	\$206,340	\$207,371	\$208,408
<b>Administrative Services</b>														
<i>Human Resources - FTE (or contract initially)</i>														
	Annual Salary	\$50,000	Real Inc.	0.5%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Benefits			35%	\$25,000	\$25,125	\$25,251	\$25,377	\$25,504	\$25,631	\$25,759	\$25,888	\$26,018	\$26,148
	Subtotal				\$8,750	\$8,794	\$8,838	\$8,882	\$8,926	\$8,971	\$9,016	\$9,061	\$9,106	\$9,152
					\$33,750	\$33,919	\$34,088	\$34,259	\$34,430	\$34,602	\$34,775	\$34,949	\$35,124	\$35,299
<i>Information Services - FTE (or contract initially)</i>														
	Annual Salary	\$50,000	Real Inc.	0.5%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Benefits			35%	\$25,000	\$25,125	\$25,251	\$25,377	\$25,504	\$25,631	\$25,759	\$25,888	\$26,018	\$26,148
	Subtotal				\$8,750	\$8,794	\$8,838	\$8,882	\$8,926	\$8,971	\$9,016	\$9,061	\$9,106	\$9,152
					\$33,750	\$33,919	\$34,088	\$34,259	\$34,430	\$34,602	\$34,775	\$34,949	\$35,124	\$35,299
	Other Costs		30%		\$0	\$0	\$10,227	\$10,278	\$10,329	\$10,381	\$10,433	\$10,485	\$10,537	\$10,590
	<b>Total Administrative Services</b>				\$67,500	\$67,838	\$78,403	\$78,795	\$79,189	\$79,585	\$79,983	\$80,383	\$80,785	\$81,189

**Table C-4  
Planning Department Cost Estimates  
San Martin Incorporation Analysis  
San Martin IFA**

Ref. Item	Description	Assumptions	Fiscal Year									
			2004-05 1	2005-06 2	2006-07 3	2007-08 4	2008-09 5	2009-2010 6	2010-11 7	2011-12 8	2012-13 9	2013-14 10
<b>Planning Department</b>												
<b>Planning Director - FTE</b>												
				0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Annual Salary	\$68,000 Real Inc.	0.5%	\$34,000	\$68,340	\$68,682	\$69,025	\$69,370	\$69,717	\$70,066	\$70,416	\$70,768
	Benefits	35%		\$11,900	\$23,919	\$24,039	\$24,159	\$24,280	\$24,401	\$24,523	\$24,646	\$24,769
	Subtotal			\$45,900	\$92,259	\$92,720	\$93,184	\$93,650	\$94,118	\$94,589	\$95,062	\$95,537
<b>Planners (senior, associate) - FTE</b>												
				0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Annual Salary	\$48,000 Real Inc.	0.5%	\$24,000	\$24,120	\$48,481	\$48,724	\$48,967	\$49,212	\$49,458	\$49,705	\$49,954
	Benefits	35%		\$8,400	\$8,442	\$16,968	\$17,053	\$17,139	\$17,224	\$17,310	\$17,397	\$17,484
	Subtotal			\$32,400	\$32,562	\$65,450	\$65,777	\$66,106	\$66,436	\$66,768	\$67,102	\$67,438
<b>Counter Technicians</b>												
				0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Annual Salary	\$38,000 Real Inc.	0.5%	\$19,000	\$19,095	\$19,190	\$19,286	\$19,383	\$19,480	\$19,577	\$19,675	\$19,773
	Benefits	35%		\$6,650	\$6,683	\$6,717	\$6,750	\$6,784	\$6,818	\$6,852	\$6,886	\$6,921
	Subtotal			\$25,650	\$25,778	\$25,907	\$26,037	\$26,167	\$26,298	\$26,429	\$26,561	\$26,694
<b>Secretary/Clerical - FTE</b>												
				0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Annual Salary	\$30,000 Real Inc.	0.5%	\$15,000	\$15,075	\$15,150	\$15,226	\$15,302	\$15,379	\$15,456	\$15,533	\$15,611
	Benefits	35%		\$5,250	\$5,276	\$5,303	\$5,329	\$5,356	\$5,383	\$5,409	\$5,437	\$5,464
	Subtotal			\$20,250	\$20,351	\$20,453	\$20,555	\$20,658	\$20,761	\$20,865	\$20,969	\$21,074
	Personnel Subtotal			\$124,200	\$170,951	\$204,530	\$205,553	\$206,580	\$207,613	\$208,651	\$209,695	\$210,743
<b>Other Costs</b>												
	Planning Consultants (inc. Gen'l Plan)	Real Inc.	0%	\$0	\$75,000	\$75,000	\$75,000	\$0	\$0	\$0	\$0	\$0
	Planning Consultants (other)		0%	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	Mapping Reproduction	\$7,500 Real Inc.	0%	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
	Planning Commission Expense	\$5,000 Real Inc.	0%	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
	Miscellaneous Other Costs	5% of personnel costs		\$6,210	\$8,548	\$10,227	\$10,278	\$10,329	\$10,381	\$10,433	\$10,485	\$10,537
	Other Cost Subtotal			\$28,710	\$106,048	\$107,727	\$107,778	\$32,829	\$32,881	\$32,933	\$32,985	\$33,037
	<b>Total Planning Department Expenses</b>			\$152,910	\$276,998	\$312,257	\$313,330	\$239,410	\$240,494	\$241,584	\$242,679	\$243,780

**Table C-5  
Public Works Department Cost Estimates  
San Martin Incorporation Analysis  
San Martin IFA**

Ref. Item	Description	Assumptions		Fiscal Year										
				2002-03 1	2003-04 2	2004-05 3	2005-06 4	2006-07 5	2007-08 6	2008-09 7	2009-10 8	2010-11 9	2011-12 10	
<b>Public Works Department</b>														
<i>Public Works Director - FTE (or contract initially)</i>														
	Annual Salary	\$68,000	Real Inc.	0.5%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Benefits		35%		\$34,000	\$34,170	\$34,341	\$34,513	\$34,685	\$34,859	\$35,033	\$35,208	\$35,384	\$35,561
	Subtotal				<u>\$11,900</u>	<u>\$11,960</u>	<u>\$12,019</u>	<u>\$12,079</u>	<u>\$12,140</u>	<u>\$12,200</u>	<u>\$12,261</u>	<u>\$12,323</u>	<u>\$12,384</u>	<u>\$12,446</u>
					\$45,900	\$46,130	\$46,360	\$46,592	\$46,825	\$47,059	\$47,294	\$47,531	\$47,768	\$48,007
<i>Secretary/Clerical - FTE</i>														
	Annual Salary	\$30,000	Real Inc.	0.5%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Benefits		35%		\$15,000	\$15,075	\$15,150	\$15,226	\$15,302	\$15,379	\$15,456	\$15,533	\$15,611	\$15,689
	Subtotal				<u>\$5,250</u>	<u>\$5,276</u>	<u>\$5,303</u>	<u>\$5,329</u>	<u>\$5,356</u>	<u>\$5,383</u>	<u>\$5,409</u>	<u>\$5,437</u>	<u>\$5,464</u>	<u>\$5,491</u>
					\$20,250	\$20,351	\$20,453	\$20,555	\$20,658	\$20,761	\$20,865	\$20,969	\$21,074	\$21,180
	Personnel Subtotal				\$66,150	\$66,481	\$66,813	\$67,147	\$67,483	\$67,820	\$68,159	\$68,500	\$68,843	\$69,187
	Other Costs		10%		\$6,615	\$6,648	\$6,681	\$6,715	\$6,748	\$6,782	\$6,816	\$6,850	\$6,884	\$6,919
	<b>Total Public Works Department Expenses</b>				\$72,765	\$73,129	\$73,494	\$73,862	\$74,231	\$74,602	\$74,975	\$75,350	\$75,727	\$76,106

**Table 3**  
**Change in Revenues and Expenses to Santa Clara County**  
**San Martin Incorporation Analysis**  
**San Martin IFA**

Item	FY 2001/2002	Notes
<b><u>General Fund Revenues and Expenditures</u></b>		
<b>Revenues Transferred to the City</b>		
Property Taxes	\$757,006	
Transient Occupancy Tax	\$125,000	
Sales Tax	\$535,423	includes unallocated sales
Real Property Transfer Tax	\$19,125	
Franchise Fees	\$82,737	
Law Enforcement Revenues	\$0	no loss of grants
Animal Control	\$14,358	
Planning Revenues	<u>\$261,312</u>	
<b>Subtotal</b>	\$1,794,961	
<b>Expenditures for Services Transferred to the City (1)</b>		
General Government	\$13,022	
Animal Control	\$57,809	
Land Use Planning & Enforcement	\$511,660	
Sheriff	<u>\$1,245,608</u>	
<b>Subtotal</b>	\$1,828,099	
<b>County Surplus or (Deficit)</b>	\$33,138	
<hr/>		
<b><u>County Road Fund</u></b>		
<b>Revenues Transferred to the City</b>		
Gas Tax: Highway User Tax 2106c	<u>\$43,152</u>	
<b>Subtotal</b>	\$43,152	
<b>Expenditures for Services Transferred to the City</b>		
Road Maintenance	\$163,500	
<b>Net County Road Fund Gain or (loss)</b>	<u>\$120,348</u>	

(1) Includes indirect cost allocation



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## APPENDIX III

### REVENUES AND EXPENDITURES OF COMPARABLE CITIES

**Table III-1  
City Revenue Comparison FY 2002-2003  
San Martin Incorporation Analysis**

City	Population	Property Tax			Sales Tax		
		Total	Per Capita	% of SM	Total	Per Capita	% of SM
Gilroy	43,935	\$3,242,529	\$74	48%	\$10,289,739	\$234	229%
Morgan Hill	34,785	\$1,902,692	\$55	36%	\$4,600,000	\$132	129%
Villa Park	6,164	\$998,000	\$162	106%	\$200,000	\$32	32%
Del Mar	4,499	\$2,082,316	\$463	303%	\$1,626,188	\$361	354%
Cloverdale	7,381	\$846,000	\$115	75%	\$460,000	\$62	61%
Cotati	6,861	\$337,162	\$49	32%	\$1,057,500	\$154	151%
Hollister	36,338	\$1,025,000	\$28	18%	\$3,500,000	\$96	94%
San Martin (1)	6,157	\$939,493	\$153	100%	\$629,025	\$102	100%

(1) Based on 2006-2007 fiscal year.

Sources: 2001-2002 City Budgets and Economic & Planning Systems

**Table III-1  
City Revenue Comparison FY 2002-2003  
San Martin Incorporation Analysis**

City	Population	Franchise Fees			TOT			Total General Fund Revenue		
		Total	Per Capita	% of SM	Total	Per Capita	% of SM	Total	Per Capita	% of SM
Gilroy	43,935	\$844,689	\$19	135%	\$1,004,383	\$23	113%	\$22,921,178	\$522	128%
Morgan Hill	34,785	\$983,797	\$28	198%	\$873,000	\$25	124%	\$15,359,291	\$442	108%
Villa Park	6,164	\$150,000	\$24	170%	na	na	na	\$2,090,250	\$339	83%
Del Mar	4,499	\$170,000	\$38	264%	\$1,831,740	\$407	2005%	\$7,517,681	\$1,671	410%
Cloverdale	7,381	\$147,300	\$20	140%	\$27,000	\$4	18%	\$3,421,385	\$464	114%
Cotati	6,861	\$203,045	\$30	207%	na	na	na	\$2,835,238	\$413	101%
Hollister	36,338	\$1,150,000	\$32	221%	\$130,000	\$4	18%	\$15,041,810	\$414	102%
San Martin (1)	6,157	\$87,975	\$14	100%	\$125,000	\$20	100%	\$2,507,470	\$407	100%

(1) Based on 2006-2007 fiscal year.

Sources: 2001-2002 City Budgets and Economic & Plar

**Table III-2  
City Expenditure Comparison FY 2002-2003  
San Martin Incorporation Analysis**

City	Population	Police			Planning		
		Total	Per Capita	% of SM	Total	Per Capita	% of SM
Gilroy	43,935	\$11,068,091	\$252	133%	\$470,083	\$11	28%
Morgan Hill	34,785	\$5,630,912	\$162	85%	\$1,373,416	\$39	102%
Villa Park	6,164	\$853,620	\$138	73%	\$123,751	\$20	52%
Del Mar	4,499	\$1,873,737	\$416	220%	\$598,969	\$133	345%
Cloverdale	7,381	\$1,810,240	\$245	129%	\$1,232,460	\$167	433%
Cotati	6,861	\$2,037,025	\$297	157%	\$289,728	\$42	110%
Hollister (1)	36,338	\$4,948,726	\$136	72%	\$533,844	\$15	38%
San Martin (2)	6,157	\$1,167,600	\$190	100%	\$237,257	\$39	100%

(1) Planning Department budget for Hollister is based on the Community Development Department.

(2) Based on 2006-2007 fiscal year. The Planning Budget excludes General Plan Consultant services for comparison purposes.

Sources: 2001-2002 City Budgets and Economic & Planning Systems

Table III-3  
City General Fund Expenditure Comparison FY 2002-2003  
San Martin Incorporation Analysis

City	Population	Total General Fund Expenditure		
		Total	Per Capita	% of SM
Gilroy	43,935	\$26,519,791	\$604	153%
Morgan Hill	34,785	\$15,958,276	\$459	116%
Villa Park	6,164	\$3,261,215	\$529	134%
Del Mar	4,499	\$6,887,236	\$1,531	388%
Cloverdale	7,381	\$4,306,710	\$583	148%
Cotati	6,861	\$3,538,194	\$516	131%
Hollister	36,338	\$15,004,975	\$413	105%
San Martin (1)	6,157	\$2,430,954	\$395	100%

(1) Based on 2006-2007 fiscal year. The General Fund excludes General Plan Consultant services for comparison purposes.

Sources: 2001-2002 City Budgets and Economic & Planning Systems

**Table III-4  
Police Expenditure and Service Level Comparison FY 2002-2003  
San Martin Incorporation Analysis**

City	Population	Police				
		Expenditure	Expend./Capita	Sworn Officers	Expen/Officer	Officer/Thous. Pop
Gilroy	43,935	\$11,068,091	\$252	59	\$187,595	1.3
Morgan Hill	34,785	\$5,630,912	\$162	32	\$175,966	0.9
Villa Park	6,164	\$853,620	\$138	4	\$213,405	0.6
Del Mar	4,499	\$1,873,737	\$416	4	\$468,434	0.9
Cloverdale	7,381	\$1,810,240	\$245	12	\$150,853	1.6
Cotati	6,861	\$2,037,025	\$297	13	\$156,694	1.9
Hollister	36,338	\$4,948,726	\$136	39	\$126,890	1.1
San Martin (1)	6,157	\$1,167,600	\$190	7	\$169,000	1.1

(1) Based on 2006-2007 fiscal year.

Sources: 2001-2002 City Budgets and Economic & Planning Systems



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## APPENDIX IV

# ROAD MAINTENANCE COSTS OF COMPARABLE CITIES

**Table IV-1  
Road Maintenance Service and Cost Comparison FY 2002-2003  
San Martin Incorporation Analysis**

<b>City</b>	<b>Population</b>	<b>Road Maintenance Exp.</b>	<b>Road Miles</b>	<b>Per Road Mile Expenditure</b>	<b>Street Lighting &amp; Landscaping</b>
Yuba County	60,960			\$4,000	None
San Benito County	55,921	\$1,728,924	385	\$4,491	None
Oakley	26,157	\$739,000	164	\$4,520	None; Special District
Hollister	36,338	\$646,000	132	\$4,909	None; Special District
San Martin (1)	6,157	\$163,500	33	\$5,000	None

(1) Population based on 2006-2007 fiscal year. IFA assumes \$5,000 per road mile based on city comparison.

Sources: 2002-2003 City Budgets and Economic & Planning Systems