# General Fund Revenues

General Fund revenues include property taxes, sales and use taxes, transient occupancy taxes (TOT), fees, permits and other charges, and a host of miscellaneous revenues.

## General Fund Revenue Overview

Projected General Fund revenues for FY 2005/06 amount to $208,606,731, which represents an increase of $13,550,724 or 6.9% from Adopted FY 2004/05 revenues. The increase is primarily related to a projected increase in local taxes (including property, sales and use, and transient occupancy taxes), and an increase in charges for services.

The Budget Division is responsible for forecasting major General Fund revenues. TOT projections are based on analysis and trending of each of the City's hotels (both occupancy and average daily rates) plus a projection of new hotel construction. Sales and use tax projections are based on analysis of each sales tax sector in the City, plus a review of current economic data. Property tax projections are based on an analysis of Orange County's parcel information, including a projection of the impact of new construction on total property valuations. Motor vehicle license fee projections are based on estimates provided by the State of California Department of Finance. All revenue projections include an analysis of economic forecasts generated by selected universities within the region.

Two significant events occurred at the state level during 2004 that affect the General Fund revenue sources of Anaheim and of every other California city:

1. In March 2004, California voters approved the Governor's budget measure which called for (among other things) the implementation of the "Triple Flip" to generate a dedicated revenue stream for bond repayment. As a result, one-quarter of Anaheim's sales tax revenues (which we project to be $14,963,480 for fiscal year 2005/06) has been re-directed by the state, and has been replaced with an equal amount of property tax revenues. Because the basis for the calculation of this replacement revenue continues to be the amount of sales generated in Anaheim, the City is recording this replacement revenue in the sales tax category.

2. Motor vehicle license fees (VLF), which has historically been a major revenue source for Anaheim, has been permanently reduced and replaced with an equal amount of property tax revenue. This action was part of the state's 2004 budget act, and it has the effect of permanently shifting revenues (which we project to be $18,819,783 for fiscal year 2005/06) from the VLF category to the property tax category. The effects of this action on each of these categories are further explained under "Property Taxes" and under "Motor Vehicle License Fees" later in this section.

In 1992, the State of California enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties and special districts). The State did this by instructing county auditors to shift the allocation of local property tax revenues from local government to "educational revenue augmentation funds" (ERAF), directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. During the time period since 1992, the state has provided some funding to local governments that it considers mitigation of ERAF. However, nearly all of these funds are earmarked for particular purposes and represent only a fraction of the funds lost. For fiscal years 2004/05 and 2005/06, the City will contribute $3.7 million in addition to the ongoing, annual ERAF contribution.

**Lease Payment Measurement Revenues**

In 1997, the Anaheim Public Financing Authority issued lease revenue bonds to finance the construction of improvements in the Anaheim Resort. The amount of each lease payment to be made by the City under the lease agreement is measured by Lease Payment Measurement Revenues (LPMR), which in general means an amount equal to the sum of the following will be transferred into a debt service fund:

1) 3% of the 15% TOT rate (i.e. 20% of the City's total TOT revenue) for all hotel properties in the City, excluding Disney properties;
2) 100% of the TOT and 100% of the sales tax revenues from all Disney properties over the 1995 base (adjusted annually by the CPI change) with a minimum 2% increase;
3) 100% of the City's property tax revenues from Disney properties in excess of the 1995 base property tax amount (adjusted annually by the CPI change) with a minimum 2% increase.

The following pages detail General Fund revenues by category, and review the assumptions for its four major revenue sources:

Transient Occupancy Taxes
Sales Tax and Use Taxes
Property Taxes
Motor Vehicle License Fees