

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 2004/05 amount to \$195,077,943, which represents an increase of \$10,804,710 or 5.9% from Adopted FY 2003/04 revenues. The increase is primarily related to a projected increase in transient occupancy tax, new and increasing fees, and a reduction in net transfers.

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 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.

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. When fully implemented, one-quarter of Anaheim's sales tax revenues will be re-directed by the State, to be replaced with an equal amount of property tax revenues. Because the basis for the calculation of this replacement revenue will continue to be the amount of sales generated in Anaheim, the City will record this replacement revenue in the sales tax category.

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, directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. 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 FY 2004/05, the city's contribution to ERAF is projected to increase materially compared to FY 2003/04 in accordance with the Governor's budget.

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:

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- 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.

An understanding of the LPMR is important to the reader. Without this understanding, the large increase in TOT revenues (as an example) would be viewed out of context.

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