

Revenue Detail

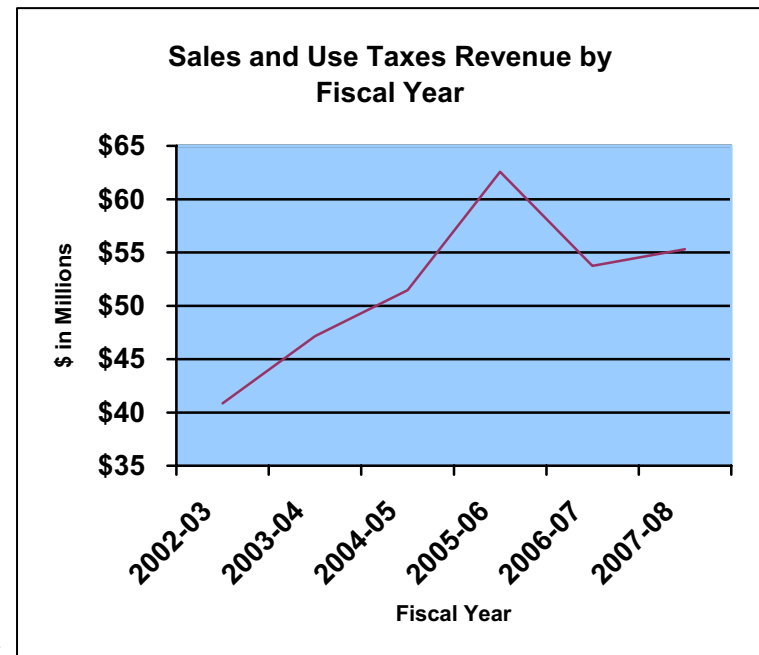
City of Ontario

Explanation of Major Revenue Sources

The City receives a multitude of revenues from many sources, most of which must be accounted for separately and their identity kept intact. Revenue projections in the Adopted 2008-09 Budget are estimated using historical information, data collected from the Office of the Governor, the State Controller, the State Department of Finance, the League of California Cities, the San Bernardino County Auditor-Controller's Office, and numerous financial advisors. Utilizing historical revenue data, a general sense of the economic status of the local community, and other indicators noted above, the City's budget staff produces a reasonably good, yet financially conservative picture of the near future.

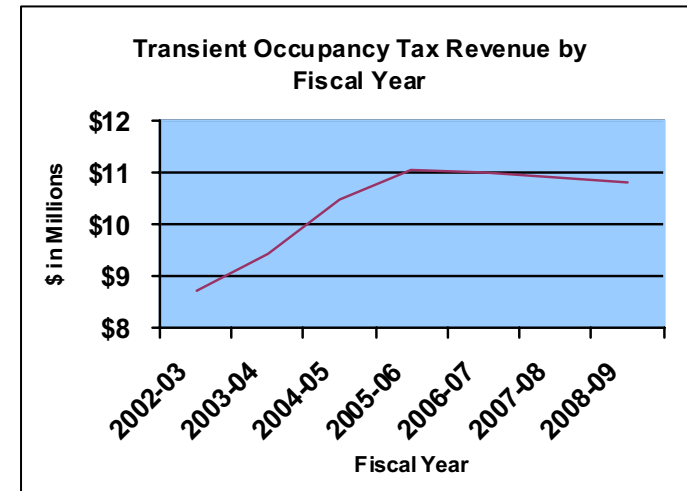
General Fund

Sales and Use Taxes – In accordance with the California Revenue and Taxation Code, the State of California imposes a 7.75% Sales and Use Tax on all taxable sales. The City, in turn, receives from the State 1.0% of the taxable sales within the City. Sales tax is the City's largest revenue source—representing **40.4%** of the total General Fund revenues. The City's aggressive economic development efforts in recent years have contributed to business enterprises of all sizes locating in Ontario, bringing with them additional sales tax revenue as well as jobs. New businesses migrating to Ontario contribute not only to retail sales, but in direct sales to the public by non-retail outlets such as construction contractors, manufacturing and distribution firms that generate significant sales tax revenue for the City. The City's sales tax base is expected to contract for Fiscal Year 2008-09 due to the continued slowing of the housing and construction markets, the dramatic rise in fuel and oil prices, and increase in job losses, all of which have led to reduced consumer confidence and accordingly, reduced consumer spending in the Inland Empire and Ontario. These impacts have most dramatically impacted the City's sales tax categories of new automobiles purchases and retail sales, the two of which comprise the majority of Ontario's sales tax base. Consumer spending has also been limited by those homeowners who have previously cashed-out their equity and now have less money for future purchases of goods and services. The sales tax revenue



projection of **\$56,390,000** for Fiscal Year 2008-09 represents a **decrease of 13.4%** compared to the City's projected FY 2007-08 amount of \$65 million.

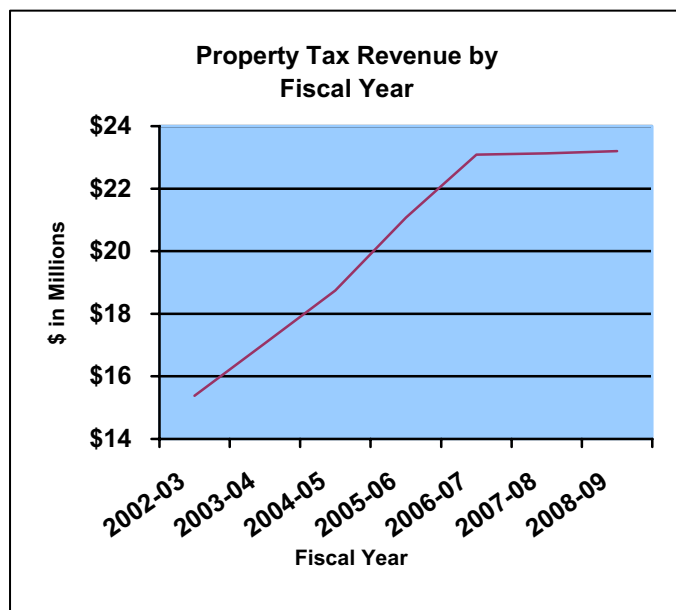
Transient Occupancy Tax – Section 3-6.03 of the Ontario Municipal Code authorizes the City to levy a tax for the privilege of occupying lodgings on a transient basis. The tax is assessed at a rate of 11.75% of the rent charged by the operator. The estimated Transient Occupancy Tax (TOT) revenue for Fiscal Year 2008-09 is \$10,800,000, which represents **7.7%** of the total General Fund revenues. TOT revenue is projected to increase slightly when compared to the 2007-08 Adopted Budget of \$10,350,000, but **represents a decline when compared to the FY 2007-08 projection amount of \$10,900,000**. An ancillary impact of the collapsed housing market and overall economy is a reduction of all spending including business travel, which has resulted in slowed growth in occupancy tax revenues. Compounding the effects of the travel industry in general, Ontario's TOT base is at risk from the new hotels coming online in surrounding communities.



Business Licenses – Section 3-1 of the Ontario Municipal Code authorizes the City to levy a license tax on all businesses operating in the City. The license tax is based on either a flat tax or a graduated gross receipt basis depending on the type of business. The estimated Business License revenue of **\$5,250,000** for Fiscal Year 2008-09 makes up approximately **3.8%** of the total General Fund revenues and represents a **4.8%** increase compared to the 2007-08 Adopted Budget. Due to the reporting nature and timing of gross receipts which serve as the basis for the determination of business license taxes due, it is thought that the impacts from the economy have not yet been seen but will start being reflected in the following fiscal year. Accordingly, it will be critical to further enhance collections efforts and verification procedures.

Parking Tax – Section 3-8.01 of the Ontario Municipal Code authorizes the City to levy a tax for rental of parking spaces within the City. The tax is assessed at a rate of \$1.75 per vehicle/day or 12.5% of the monthly parking charge. The City's Parking Tax revenue projection of **\$5,400,000** for Fiscal Year 2008-09 is relatively flat compared to FY 2007-08 projections, but is a decrease compared to Fiscal Year 2006-07 actual of \$5.5 million. The impact of the declining housing market and overall economy, the latter of which has led to higher fuel costs, airline ticket costs, and reduced airline flights, is projected to reduce business and leisure travel, which will slow growth in parking tax revenues. The Parking Tax revenue for Ontario accounts for **3.9%** of the total General Fund revenues.

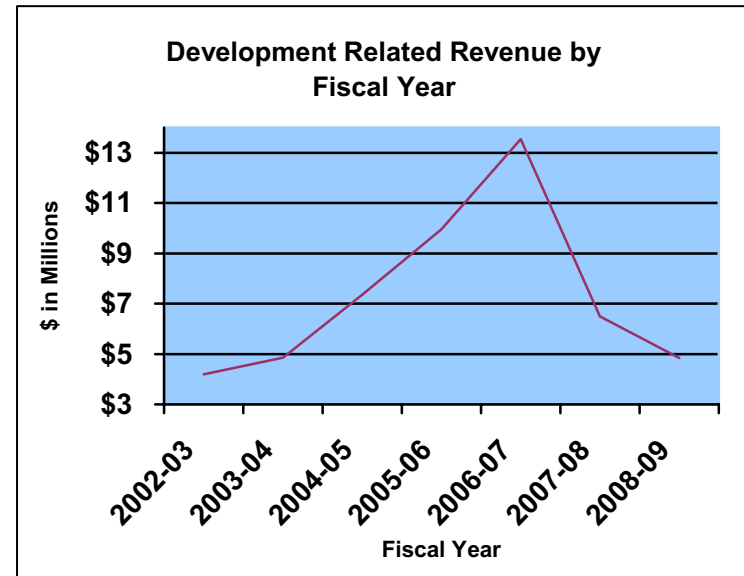
Motor Vehicle License Fee – California Revenue and Taxation Code imposes an annual license fee equivalent to .65% of the market value of motor vehicles in lieu of local property taxes. Approximately 80% of the revenues collected are divided between cities and counties and are apportioned on the basis of population. The State Controller’s estimated apportionment payable to cities and counties is based on population growth, vehicle sales volume changes, and values of new vehicles. The 2008-09 projected motor vehicle license revenue of **\$900,000** represents a reduction of approximately **22%** compared to the FY 2007-08 Adopted Budget estimate of \$1,148,000, as well as a reduction of 11.5% compared to the Fiscal Year 2006-07 actual amount of \$1,016,916. It should be noted that Fiscal Year 2005-06 receipts of almost \$4 million included the State’s repayment of the VLF gap loan of \$2.8 million in July 2006 – more than a year in advance of the originally scheduled payment date of August 2007. In past fiscal years, the State of California reduced vehicle registration fees but replaced this loss in revenue to cities with State General Fund monies (“back-fill”). The current State Budget proposal incorporates the state pact with local governments and does not include this “back-fill” reimbursement to cities. Instead, cities will receive additional property tax from the County equal to the “back-fill” amount.



Property Taxes – The valuation of property within the City is determined by the San Bernardino County Tax Assessor. The County levies a base tax at the rate of one percent (1%) of the assessed valuations. Approximately 14.5% of the base one percent levy is allocated to the City. The Fiscal Year 2008-09 estimate for property tax revenue is **\$36,300,000**, which includes the projected VLF “back-fill” reimbursement of \$13.1M from the State through Property Tax revenues. Backing out the approximate \$13.1 million State VLF reimbursement, the City’s Property Tax revenue estimate is \$23.2M – a gain of 9.8% over the FY 2007-08 Adopted Budget, but is literally flat compared to the Fiscal Year 2006-07 actuals of approximately \$23.0 million (not including the \$11.6 million for VLF “back-fill”). With the continued collapse of the housing market, the future growth in assessed values, and ensuing property tax revenue, these taxes are projected to be on the decline for the next several years. Including the State Vehicle License Fee Swap revenue, property taxes contribute **26%** to the total General Fund revenue.

Franchise Fees – The City imposes fees on gas, electric, and cable television companies operating within the City. The fees range from .5% to 5% of gross receipts derived from business activities conducted within the City. Estimated Franchise Fees revenue of **\$2,600,000** for Fiscal Year 2008-09 represents **1.9%** of total General Fund revenues and reflects a gain of 15.1% over the Fiscal Year 2007-08 Adopted Budget of \$2.2 million as utility companies adjust their rates to cover expenditure increases.

Development Related Revenues – The City charges fees for permits and/or services for development related activities. The City’s location advantages have increased demand for industrial and office real estate in recent years. Similarly, the City’s annexation of part of the “Ag Preserve” was attractive to homebuilders. However, the housing market collapse and construction downturn has dramatically affected the growth in development, in both the more established areas of the City and in the New Model Colony. Accordingly, the 2008-09 revenue projection of **\$4,846,919** for Development Related Revenues reflects a **substantial decrease of approximately 53.8%** compared to the FY 2007-08 Adopted Budget. Development Related Revenues represent **3.5%** of the total General Fund Revenues. When the housing market picks up, and healthy development resumes in the New Model Colony, the City anticipates a return to positive growth in Development Related Revenues.



Interest and Rentals – The City pools its available cash from various funds and invests in financial instruments as allowed by the City’s investment policy approved by the City Council. Earnings are allocated to various funds on the basis of the proportionate cash balances in each fund. The projected Interest Revenue was based on a conservative rate of return (2.5%) on the City’s portfolio, a rate lower than in the past due to the current economic market trends. The 2008-09 revenue projection of **\$3,529,604** for Interest and Rentals reflects an increase of **18.8%** compared to the 2007-08 Adopted Budget. It should be noted that the amount budgeted for Fiscal Year 2007-08, \$2,972,280, was low as a result of the use of pooled cash to fund capital projects. Interest and Rentals comprise approximately **2.5%** of the total General Fund Adopted Budget for 2008-09.

Reimbursables – This category of revenue includes the recovery of personnel and overhead costs that are allocated to various agencies. Examples of reimbursable activities include providing fire dispatch service to neighboring cities and administrative functions provided by the City to the Ontario Redevelopment Agency. Also included in this category are various reimbursements for

Police, Fire, and Library services. The 2008-09 revenue projection of **\$6,387,580** reflects a **reduction of 7.8%** from the 2007-08 Adopted Budget amount of \$6.9 million, and represents **4.6%** of General Fund Revenues.

Other Funds

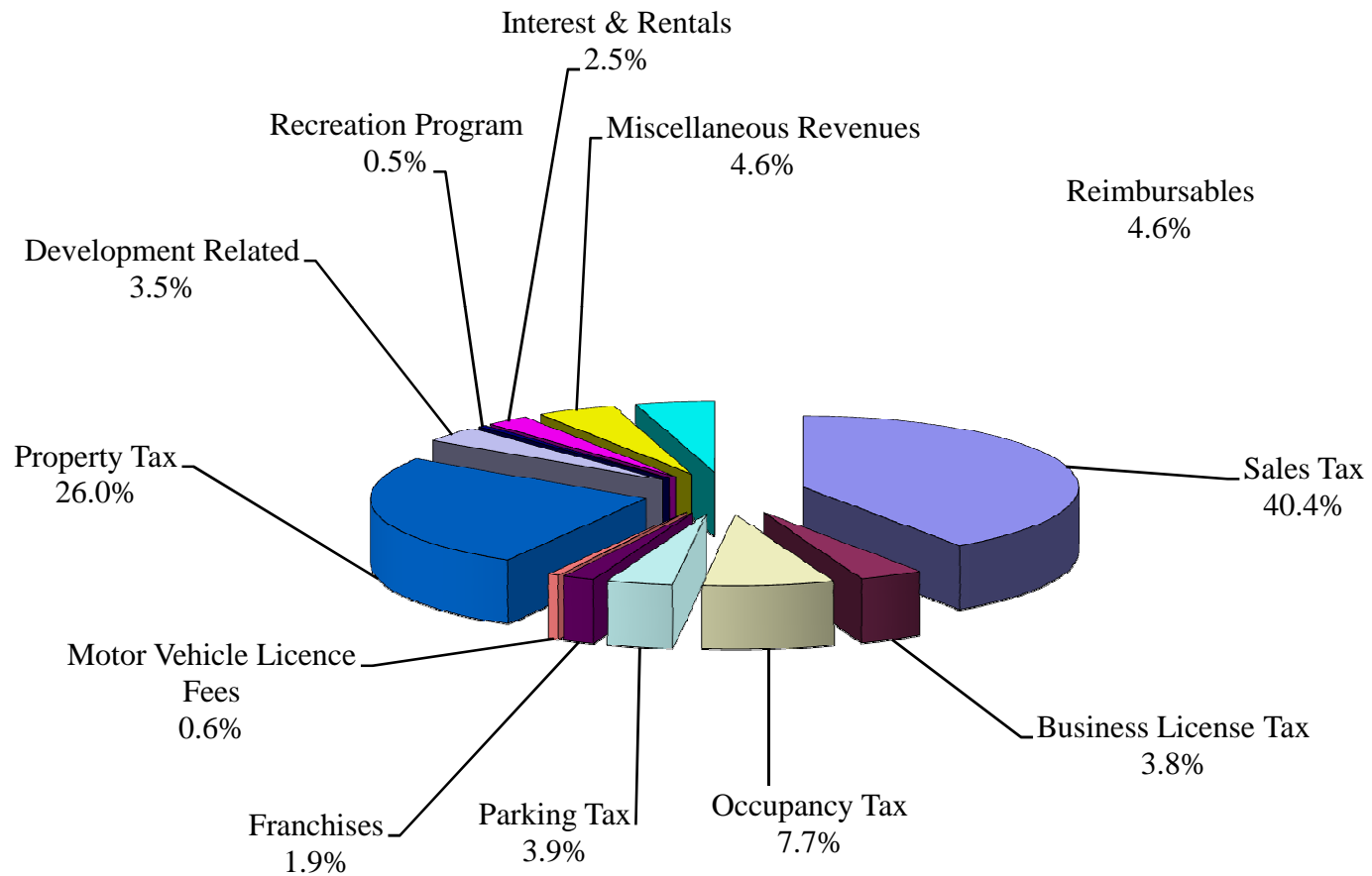
Grants - The City receives various grant funds primarily from the federal government and the State of California. These grants include funding for various programs such as housing rehabilitation; front-line law enforcement equipment and related support services; police technology capital expenditures; construction of new streets and traffic signals; and noise insulation and property acquisition near the Ontario International Airport. Total Grants revenues, projected to be **\$3,712,579**, are expected to decrease **1.1%** compared to the 2007-08 Adopted Budget.

Charges for Services - The City imposes service charges or fees on the user of specific services such as water, sewer, and refuse. Charges for Services revenues are projected to increase due to increased demand for municipal services as a result of population growth and business development.

Gas Tax - The State of California assesses a tax on gasoline purchases as authorized by Sections 2105, 2106, 2107, and 2107.5 of the California Streets and Highway Code. A portion of this tax is allocated to Cities based on a per capita formula. The City's use of these funds is limited to the maintenance, rehabilitation, or improvement of public streets. The City's anticipated State allocation of Gas Tax revenues for FY 2008-09 is **\$5,810,419**, of which approximately **\$2.77 million** is related to the State Proposition 1B Bonds. When factoring out the Prop 1B funds, Gas Tax revenues are projected to increase by **8.3%**, due in part to the escalating price of fuel.

Tax Increment - The Ontario Redevelopment Agency receives the portion of the ad valorem property taxes resulting from increases in the assessed valuation within the redevelopment project areas over the base year assessed valuation. As required by California Health & Safety Code Sections 33334.2 and 33334.3, 20% of the gross tax increment is set aside in a Low & Moderate Income Housing Fund to be used to increase, improve, or preserve the supply of low & moderate income housing. Due primarily to commercial and industrial growth anticipated in the City, Tax Increment Revenues for Fiscal Year 2008-09 are projected to be approximately **\$47,604,421**, a strong growth of **18.6%** over the 2007-08 Adopted Budget of \$40,138,118. With the continued slowing of the housing and commercial markets, the future growth in assessed values and the ensuing tax increment revenue are also projected to slow down.

City of Ontario
General Fund Revenues
Total - \$139,501,373



City of Ontario
General Fund Revenue Summary
2008-09 Adopted Budget

	2005-06 Actual	2006-07 Actual	2007-08 Adopted Budget	2007-08 Current Budget	2008-09 Adopted Budget	% Change to Adopted Budget 2007-08
Sales Tax	\$ 62,576,477	\$ 64,180,674	\$ 55,600,000	\$ 55,600,000	\$ 56,390,000	1.4%
Business License Tax	5,206,797	5,595,149	5,010,000	5,010,000	5,250,000	4.8%
Occupancy Tax	11,068,749	11,013,014	10,350,000	10,350,000	10,800,000	4.3%
Parking Tax	5,736,120	5,529,102	5,000,000	5,000,000	5,400,000	8.0%
Franchises	2,337,806	2,561,379	2,258,000	2,258,000	2,600,000	15.1%
Motor Vehicle Licence Fees	3,961,553	1,016,916	1,148,000	1,148,000	900,000	-21.6%
Property Tax	32,142,296	34,722,414	32,757,000	32,757,000	36,300,000	10.8%
Development Related	9,956,992	13,541,419	10,485,883	10,925,210	4,846,919	-53.8%
Recreation Program	647,685	614,376	609,129	609,129	643,000	5.6%
Interest & Rentals	3,490,491	7,996,258	2,972,280	2,972,280	3,529,604	18.8%
Miscellaneous Revenues	7,001,146	7,656,330	6,337,880	6,337,880	6,454,270	1.8%
Reimbursables	5,582,065	6,444,611	6,926,641	6,019,230	6,387,580	-7.8%
TOTAL GENERAL FUND REVENUE	<u>\$ 149,708,178</u>	<u>\$ 160,871,642</u>	<u>\$ 139,454,813</u>	<u>\$ 138,986,729</u>	<u>\$ 139,501,373</u>	0.0%

City of Ontario
2008-09 Total Revenue by Fund

		2005-06	2006-07	2007-08	2007-08	2008-09	% Change to
		Actual	Actual	Adopted	Current	Adopted	Adopted
				Budget	Budget	Budget	Budget
							2007-08
CITY OF ONTARIO							
<u>General</u>							
001	General Fund	\$ 149,708,178	\$ 160,871,642	\$ 139,454,813	\$ 138,986,729	\$ 139,501,373	0.0%
Total General		\$ 149,708,178	\$ 160,871,642	\$ 139,454,813	\$ 138,986,729	\$ 139,501,373	0.0%
<u>Special Revenue</u>							
002	Quiet Home Program	\$ 8,542,935	\$ 20,931,070	\$ 8,119,182	\$ 19,095,050	\$ 19,041,205	134.5%
003	Gas Tax	3,712,461	4,760,654	3,663,151	3,663,151	5,810,419	58.6%
004	Measure I	2,890,148	2,956,909	3,378,332	3,378,332	3,027,132	-10.4%
005	Measure I Valley Major Project	-	-	-	1,800,000	-	0.0%
007	Park Development	411,407	4,077,977	769,809	769,809	1,175,965	52.8%
008	C.D.B.G	3,195,207	3,759,763	5,957,533	5,800,313	3,169,092	-46.8%
009	HOME Grants	916,240	182,871	5,072,859	5,072,859	4,045,520	-20.3%
010	Asset Seizure	374,803	376,758	44,093	44,093	28,110	-36.2%
012	Park-Interest	48,023	-	-	-	-	0.0%
013	A.D. Administration	149,987	252,205	247,992	247,992	195,011	-21.4%
014	Mobile Source Air	223,062	235,661	28,275	28,275	221,242	682.5%
015	General Fund Grants	2,166,188	1,625,907	3,753,600	5,451,347	3,712,579	-1.1%
018	Dangerous Buildings	86,085	78,526	60,000	60,000	65,752	9.6%
019	Parkway Maintenance	534,426	549,402	573,166	573,166	578,096	0.9%
021	Storm Drain Dist.	1,229	3,053	2,471	2,471	1,447	-41.4%
070	Street Light Maintenance	271,961	397,741	415,150	415,150	451,180	8.7%
076	Facility Maintenance	43,189	-	-	-	-	0.0%
077	Storm Drain Maintenance	1,250,774	1,418,100	1,899,462	1,899,462	1,377,205	-27.5%
114	Historic Preservation	201,210	45,012	14,830	14,830	6,272	-57.7%
119	NMC Public Services	494,896	1,949,650	45,733	45,733	68,481	49.7%
Total Special Revenue		\$ 25,514,232	\$ 43,601,259	\$ 34,045,638	\$ 48,362,033	\$ 42,974,708	26.2%
<u>Capital Project</u>							
016	Ground Access	\$ 1,702,556	\$ 1,511,831	\$ 3,687,039	\$ 6,788,916	\$ 2,149,356	-41.7%
017	Capital Projects	1,778,937	43,724,181	35,000,000	37,975,617	-	-100.0%
051	CFD #5 Freeway Interchange	32,374	-	-	-	-	0.0%
101	Law Enforcement Impact	299,353	372,596	42,301	42,301	29,543	-30.2%

City of Ontario
2008-09 Total Revenue by Fund

		2005-06	2006-07	2007-08	2007-08	2008-09	% Change to
		Actual	Actual	Adopted Budget	Current Budget	Adopted Budget	Adopted Budget 2007-08
102	Fire Impact	609,697	5,400,196	2,300,464	4,362,917	122,059	-94.7%
103	OMC Street Impact	3,045,378	3,111,102	323,693	589,643	357,631	10.5%
104	OMC Water Impact	894,017	1,010,114	137,489	137,489	141,209	2.7%
105	OMC Sewer Impact	471,285	424,913	60,161	60,161	54,540	-9.3%
106	Solid Waste Impact	177,978	208,578	21,096	21,096	11,987	-43.2%
107	General Facility Impact	503,649	548,348	60,035	60,035	63,332	5.5%
108	Library Impact	717,599	75,454	8,335	8,335	13,280	59.3%
109	Public Meeting Impact	31,017	116,402	8,071	8,071	12,708	57.5%
110	Aquatic Impact	4,380	15,915	996	996	1,678	68.5%
111	OMC Storm Drainage Impact	4,161,996	2,912,160	446,830	446,830	348,919	-21.9%
112	Species Habitat Impact	276,025	15,918	12,178	12,178	4,863	-60.1%
113	Fiber Impact	2,937,157	133,845	3,867,112	6,236,464	-	-100.0%
115	NMC Street Impact	323,295	1,284,353	3,600,000	6,195,000	67,936	-98.1%
116	NMC Water Impact	2,511,643	30,988,177	7,414,831	17,762,953	157,426	-97.9%
117	NMC Sewer Impact	20,054	133,421	-	3,000,521	3,596	0.0%
118	NMC Storm Drainage Impact	2,065,514	2,252,289	-	-	55,823	0.0%
120	Affordability In-Lieu	-	331,931	4,991	4,991	17,709	254.8%
121	Community Events Center	-	618,754	2,700,000	2,700,000	-	-100.0%
501	CFD No.9-Edenglen	2,545	56,185	100,000	100,000	178,310	78.3%
502	CFD No.10-OAT	-	46,841	100,000	100,000	-	-100.0%
503	CFD No.11-Armada	-	4,750	100,000	100,000	-	-100.0%
504	CFD No.12-Ontario Festival	-	-	100,000	100,000	1,875	-98.1%
505	CFD No.13-Commerce Center	-	-	100,000	100,000	387,423	287.4%
Total Capital Project		\$ 22,566,449	\$ 95,298,252	\$ 60,195,622	\$ 86,914,514	\$ 4,181,203	-93.1%
<u>Enterprise</u>							
024	Water Operating	\$ 32,499,512	\$ 38,247,324	\$ 39,103,691	\$ 39,103,691	\$ 46,580,410	19.1%
025	Water Capital	2,747,929	4,613,198	9,867,400	9,867,400	46,852,868	374.8%
026	Sewer Operating	12,503,275	14,414,961	14,605,000	14,605,000	15,773,302	8.0%
027	Sewer Capital	(34,802)	767,209	548,493	548,493	301,885	-45.0%
029	Solid Waste	28,462,091	32,752,655	34,060,515	34,060,515	35,615,958	4.6%
031	Solid Waste Facilities	5,441	29,741	24,052	24,052	13,975	-41.9%
Total Enterprise		\$ 76,183,446	\$ 90,825,087	\$ 98,209,151	\$ 98,209,151	\$ 145,138,398	47.8%

City of Ontario
2008-09 Total Revenue by Fund

		2005-06	2006-07	2007-08	2007-08	2008-09	% Change to
		Actual	Actual	Adopted	Current	Adopted	Adopted
				Budget	Budget	Budget	Budget
							2007-08
<u>Internal Service</u>							
032	Equipment Services	\$ 9,542,573	\$ 11,295,480	\$ 11,419,809	\$ 11,419,809	\$ 11,566,726	1.3%
033	Self Insurance	6,747,137	7,760,100	8,774,934	8,774,934	8,892,149	1.3%
034	Information Technology	7,565,042	9,019,218	9,424,200	9,424,200	9,588,898	1.7%
Total Internal Service		\$ 23,854,752	\$ 28,074,798	\$ 29,618,943	\$ 29,618,943	\$ 30,047,773	1.4%
<u>Pension Trust</u>							
099	Other Post Employment Benefits	\$ 68,275	\$ 1,147,844	\$ 1,043,518	\$ 1,043,518	\$ 9,317,121	792.9%
Total Pension Trust		\$ 68,275	\$ 1,147,844	\$ 1,043,518	\$ 1,043,518	\$ 9,317,121	792.9%
TOTAL CITY FUNDS		\$ 297,895,332	\$ 419,818,883	\$ 362,567,685	\$ 403,134,888	\$ 371,160,576	2.4%
<u>ONTARIO REDEVELOPMENT AGENCY</u>							
<u>Debt Service</u>							
054	RDA Project 2 Debt Service	\$ 3,408,244	\$ 4,032,402	\$ 3,568,059	\$ 3,568,059	\$ 4,277,760	19.9%
059	RDA Guasti Debt Service	141,795	98,065	174,723	174,723	462,757	164.9%
062	RDA Ctr City Debt Service	1,880,065	2,105,206	1,680,311	1,680,311	2,229,934	32.7%
063	RDA Project 1 Debt Service	28,004,803	29,609,837	26,614,021	26,614,021	30,589,831	14.9%
064	RDA Cimarron Debt Service	1,264,197	1,336,401	1,274,279	1,274,279	1,479,639	16.1%
Total Debt Service		\$ 34,699,104	\$ 37,181,912	\$ 33,311,393	\$ 33,311,393	\$ 39,039,921	17.2%
<u>Capital Project</u>							
039	Redevelopment Agency	\$ 40,459	\$ 93,370	\$ 84,511	\$ 84,511	\$ 48,784	-42.3%
040	RDA Project Area No. 2	8,785	129,119	117,563	117,563	83,282	-29.2%
041	RDA Guasti Project Area	465	1,005	699	699	2,191	213.4%
043	RDA Project Area No. 1	3,347,444	35,046,656	206,827	206,827	60,000	-71.0%
044	RDA Cimarron Project Area	3,493	19,359	1,500	1,500	9,375	525.0%
061	RDA Center City	201,994	347,638	369,529	369,529	111,145	-69.9%
066	Housing Set Aside	28,085,129	11,035,684	9,574,660	9,574,660	9,996,885	4.4%
Total Capital Project		\$ 31,687,768	\$ 46,672,830	\$ 10,355,289	\$ 10,355,289	\$ 10,311,662	-0.4%
TOTAL ONTARIO REDEVELOPMENT AGENCY		\$ 66,386,872	\$ 83,854,742	\$ 43,666,682	\$ 43,666,682	\$ 49,351,583	13.0%

City of Ontario 2008-09 Total Revenue by Fund						
	2005-06 Actual	2006-07 Actual	2007-08 Adopted Budget	2007-08 Current Budget	2008-09 Adopted Budget	% Change to Adopted Budget 2007-08
<u>ONTARIO HOUSING AUTHORITY</u>						
048 Ontario Housing Authority	11,006,154	7,170,294	12,948,383	13,107,162	4,071,854	-68.6%
TOTAL ONTARIO HOUSING AUTHORITY	<u>\$ 11,006,154</u>	<u>\$ 7,170,294</u>	<u>\$ 12,948,383</u>	<u>\$ 13,107,162</u>	<u>\$ 4,071,854</u>	-68.6%
 GRAND TOTAL ALL FUNDS	 <u><u>\$ 375,288,359</u></u>	 <u><u>\$ 510,843,919</u></u>	 <u><u>\$ 419,182,750</u></u>	 <u><u>\$ 459,908,732</u></u>	 <u><u>\$ 424,584,013</u></u>	 1.3%

