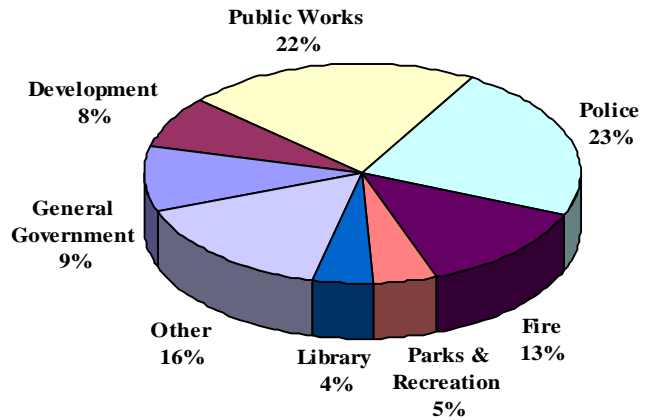


GENERAL FUND

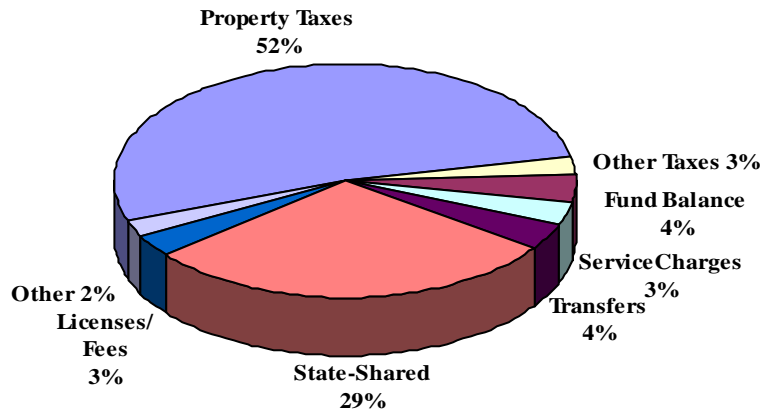
The General Fund is the general operating fund of the Town and is used to account for all revenues and expenditures except those required to be accounted for in another fund. The fund is established at the inception of a government and exists throughout the government's life.

General Fund Expenditures



Total \$49,247,000

General Fund Revenues



GENERAL FUND BUDGET SUMMARY

EXPENDITURES

	2004-05 Actual	2005-06 Original Budget	2005-06 Revised Budget	2005-06 Estimated	2006-07 Adopted Budget	% Change from 2005-06
General Government	3,763,510	4,292,558	4,670,483	4,586,912	4,651,220	8.4%
Development	2,933,995	2,785,814	3,033,095	2,905,392	3,876,611	39.2%
Public Works	10,110,982	10,973,426	11,184,655	10,848,158	10,678,039	-2.7%
Public Safety	15,342,852	16,407,943	16,886,383	16,689,375	17,674,019	7.7%
Leisure	4,118,714	4,460,888	4,543,579	4,514,162	4,532,699	1.6%
Non-Departmental	5,265,236	7,433,371	8,594,576	8,499,786	7,834,412	5.4%
Total	41,535,289	46,354,000	48,912,771	48,043,785	49,247,000	6.2%

REVENUES

	2004-05 Actual	2005-06 Original Budget	2005-06 Revised Budget	2005-06 Estimated	2006-07 Adopted Budget	% Change from 2005-06
General Revenues:						
Property Taxes	23,008,047	25,005,280	25,005,280	25,007,980	25,713,000	2.8%
Other Tax and Licenses	1,245,028	1,047,000	1,047,000	1,235,000	1,235,000	18.0%
State-Shared Revenues	13,977,746	12,787,400	13,032,285	13,926,153	14,396,403	12.6%
Interest on Investments	289,699	131,200	188,200	354,000	404,512	208.3%
Other Revenues	478,278	323,500	1,125,684	1,115,300	306,600	-5.2%
Grants	424,002	424,432	442,565	464,502	423,832	-0.1%
Charges for Services	1,633,254	1,674,959	1,689,959	1,650,280	1,558,959	-6.9%
Licenses/Permits/Fines	1,683,296	1,584,350	1,700,350	1,744,154	1,531,572	-3.3%
Transfers/Other Sources	1,998,520	1,860,886	1,860,886	1,720,832	1,798,122	-3.4%
Appropriated Fund Balance*	(3,202,581)	1,514,993	2,820,562	825,584	1,879,000	24.0%
Total	41,535,289	46,354,000	48,912,771	48,043,785	49,247,000	6.2%

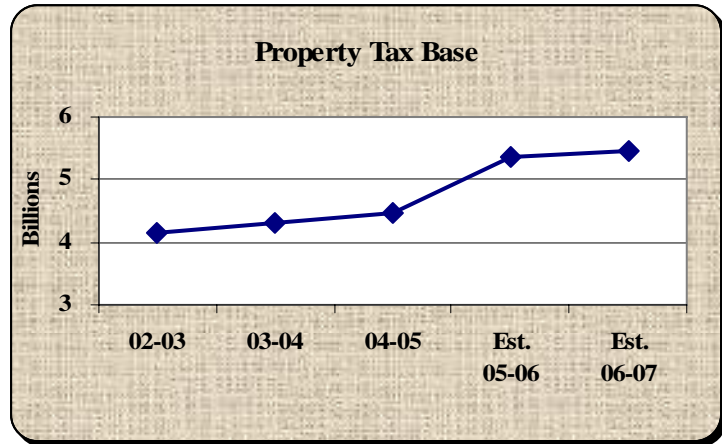
* Included in department summaries with General Revenues

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Property Tax Base and Tax Levy

The estimated tax base for the 2006-07 is about \$5.46 billion, and increase of \$160 million or 3% over the tax base in 2005-06 of about \$5.3 billion. At a tax base level of \$5.46, each 1 cent of the tax rate would generate about \$546,000. The General Fund tax rate of 47.4 cents on this base would generate about \$25.6 million in property tax revenue.



Other Local Taxes

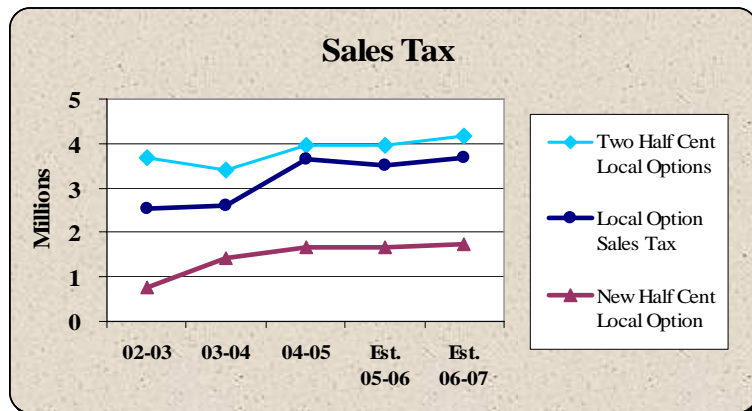
Cable franchise revenues represent a tax of 5% on local Time Warner gross receipts. We expect revenues to be about \$500,000 in the current year and remain at the same level next year.

Revenue from the 3% Hotel/Motel occupancy tax is expected to total about \$700,000 in 2005-06 and 2006-07.

State-Shared Revenues

Sales Taxes

Sales tax revenue from the 1% sales tax based on Orange County receipts, the two ½% sales taxes based on State-wide collections and the ½% based on a combination of State and county collections are expected to be higher than estimated in the current year. We estimate that the two State-wide ½% taxes will increase from the previous year estimates of \$1.99 million and \$1.97 to \$2.09 million and \$2.07 million, respectively; the 1% tax will increase from the previous estimate of \$3.49 million to \$3.66 million; and the combined ½% tax will increase from \$1.65 to \$1.73 million.



GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Combined, the sales tax is estimated to be \$9.56 million, a \$455,000 or 5% growth over 2005-06 estimates.

Utility Franchise Tax

Utility franchise taxes are derived from a 3% tax on gross revenues from public utilities in each jurisdiction, and are collected by the State for distribution to cities and towns. We estimate that utility franchise fee distributions will meet the current year budget of \$2,056,000 and will be the same next year. Because the fees are dependent upon utility charges, they are affected by weather conditions and can vary from year to year.

Motor Fuel Taxes (known as Powell Bill funds)

Motor fuel tax revenue is based on receipts of 1¾ cents of the State gasoline tax allocated to local governments, based on population and local street mileage in each jurisdiction. This revenue totaled \$1,482,000 in 2005-06, or about \$9,000 more than the previous year. For the current year, we anticipate revenues will increase to \$1,492,000.

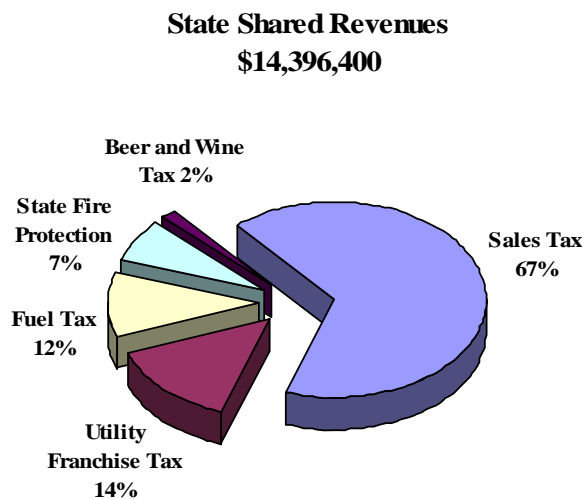
State Fire Protection Funds

We anticipate no change this year in the level of State Fire Protection Funds, totaling \$1,063,000. If State Fire Protection Funds were to increase, we would recommend that this increased funding be used to hire additional firefighters.

Beer and Wine Taxes

Assuming full receipt of the Beer and Wine tax revenue normally distributed in May to cities and counties, we estimate allocations from this source of about \$225,000 for the current year.

In summary, we estimate State-shared revenues would total about \$14,396,000 for the year.



GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Other Revenue Sources

Grants

This category of revenue includes certain recurring grant amounts from local and State grants totaling about \$424,000 for 2006-07. Beginning in 2004-05, we began using a separate Grants Fund for non-recurring grants.

Local grants include appropriations from Orange County to supplement the Town's Parks and Recreation programs and the Town's Library. Both supplements have remained constant over the last three years. We expect the 2006-07 appropriation from the County to remain at \$83,700 for the Parks and Recreation supplement and \$249,000 for the Library supplement. The State appropriation for Library services is budgeted at \$36,000, \$2,000 less than budgeted in 2005-06.

Charges for Services

This category of revenue reflects various fees and charges for a variety of services and programs offered by the Town, and totals \$1,559,000, a reduction of about \$116,000 overall from the original budget for 2005-06. The primary reasons for the reduction, even though some revenues are expected to increase, are reduced revenues as a result of closing the Community Center for major renovations (\$61,000) and a lowered projection for commercial garbage collection fees (\$64,000). When we raised commercial garbage fees for 2005-06, we anticipated that some customers would switch to private contractors, and more did so than we projected.

The 2006-07 budget includes a new concept plan reviews fee of \$300, which is expected to yield additional revenue of \$4,200 in 2006-07.

Licenses/Permits/Fines & Forfeitures

Revenue from most licenses, permits, and fines, including privilege licenses and vehicle licenses, are expected to remain about the same as budgeted in 2005-06, with the exception of special use permits. Because of major developments making submissions in 2005-06, we anticipate an increase in special use permits in the current year with estimated revenues of about \$189,000, with a drop in revenues in 2006-07 to about \$72,000. Total receipts from licenses, permits, fines and forfeitures are expected to be about \$1.7 million in 2005-06 and \$1.5 million in 2006-07.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Interest on Investments

The General Fund share of all interest earned on the Town's investments is recorded in this category. Interest rates have been increasing since 2003-04. For 2006-07, we estimate interest revenue of \$340,000, an amount that is the same as in the current year budget. While rates increase, we anticipate that our cash balances will decrease as debt service payments increase. We anticipate interest earning to increase for capital projects as we receive debt proceeds, although those earnings are captured in other funds.

Miscellaneous, Transfers, Net Assets (Fund Balance)

Miscellaneous Revenues

The primary miscellaneous revenues include the sale of cemetery lots and equipment, court cost reimbursements, and donations. Miscellaneous revenues are expected to total about \$326,000 for 2005-06 and \$307,000 for 2006-07, for reduced revenues of \$19,000. We began an electronic on-line auction process for sales of equipment and vehicles this year. We had an unusually large number of assets available for sale and have exceeded our budget projections for the sales. However, we will have fewer assets available for sale in 2006-07.

Transfers and Charges

This category reflects amounts transferred from other Town funds to the General Fund, primarily to recover administrative and indirect costs from other Town enterprise funds and services. For 2006-07, these include estimates of \$227,000 from Parking Enterprise Funds, \$573,000 from the Stormwater Management Fund, and \$954,000 from the Transportation Enterprise Fund. These transfers also include a contribution of \$45,000 from the Library Gift Fund for Library purposes.

Fund Balance

This appropriation represents a use of net assets (fund balance) for general operations. In accord with Town financial policies and practices, this amount is approximately equal to the expected surplus in budgeted revenues each year, and the under-spending of budgeted appropriations each year, totaling about \$800,000 for the last ten years. We have raised the amount to \$1 million for 2006-07. In addition, we have recommended that the reserve of State Fire Protection funds of \$114,000 from 2005-06 and a portion, \$765,000, in underestimated sales tax revenues be included as a special use of fund balance.

Summary of Revenues

In summary, we have budgeted General Fund revenues for 2006-07, including the use of \$1,000,000 carried forward from 2005-06 and the one-time use of \$879,000 from sales tax revenues and fire protection, for total revenues of \$49.2 million.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

The table below shows comparative estimates of total General Fund revenues for the current year and next year.

	05-06 Budget as Amended	05-06 Estimated	06-07 Adopted
Property Taxes	25,005,000	25,008,000	25,713,000
Other Taxes	1,047,000	1,235,000	1,235,000
Licenses/Permits	1,700,000	1,744,000	1,531,000
Shate-Shared	13,032,000	13,926,000	14,396,000
Grants	443,000	465,000	442,000
Service Charges	1,690,000	1,650,000	1,541,000
Interest	188,000	354,000	405,000
Other	1,126,000	1,115,000	307,000
Interfund Transfers	1,861,000	1,721,000	1,798,000
Fund Balance	2,821,000	826,000	1,879,000
Total	48,913,000	48,044,000	49,247,000

(Rounded to nearest thousand.)

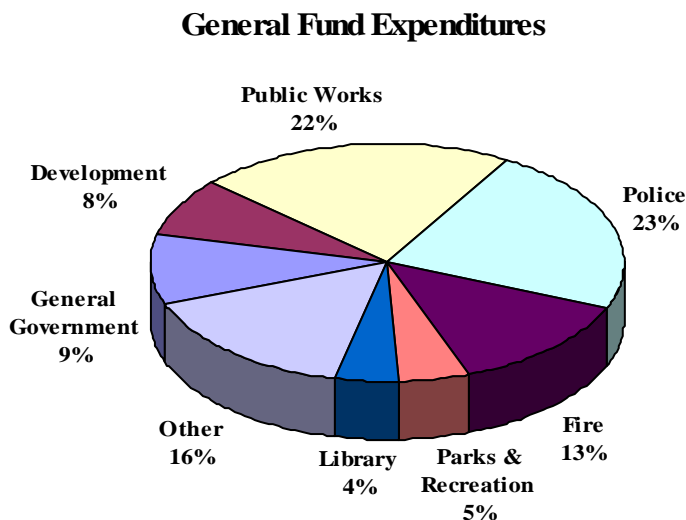
GENERAL FUND

Major Expenditures - Descriptions and Estimates

The General Fund provides basic services for Town citizens including police and fire protection, public works services, general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$49,247,000 for the 2006-07 budget year.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$11.1 million and Fire Department expenditures of about \$6.7 million.



The Public Works Department is the second largest single department in the General Fund at about \$10.9 million, including services for solid waste collection, maintenance of streets, drainage, landscaping and grounds, and maintenance for Town properties.

The combined Police, Fire and Public Works services comprise about 58% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$2.4 million, Library services of \$2.2 million, General Governmental activities (Administration, Finance, Information Technology, Human Resources and Legal) totaling about \$4.7 million, and Development activities (Planning, Engineering and Inspections) totaling about \$3.9 million. The traffic division of Public Works was transferred to the Engineering Department and is the primary cause of the increase in development activities relative to other costs.

Non-departmental expenditures total \$7.8 million. The largest non-departmental expenditure in the budget is for debt service, including debt service on existing bonds and for the Town Operations Center, all totaling \$5 million in 2006-07, excluding the possible General Obligation Bond issuance in fall of 2006. Non-departmental expenditures include transfers for capital improvements of \$1,275,250 and other miscellaneous transfers of \$34,000. About \$822,000 is included in the 2006-07 budget for investments in other

GENERAL FUND

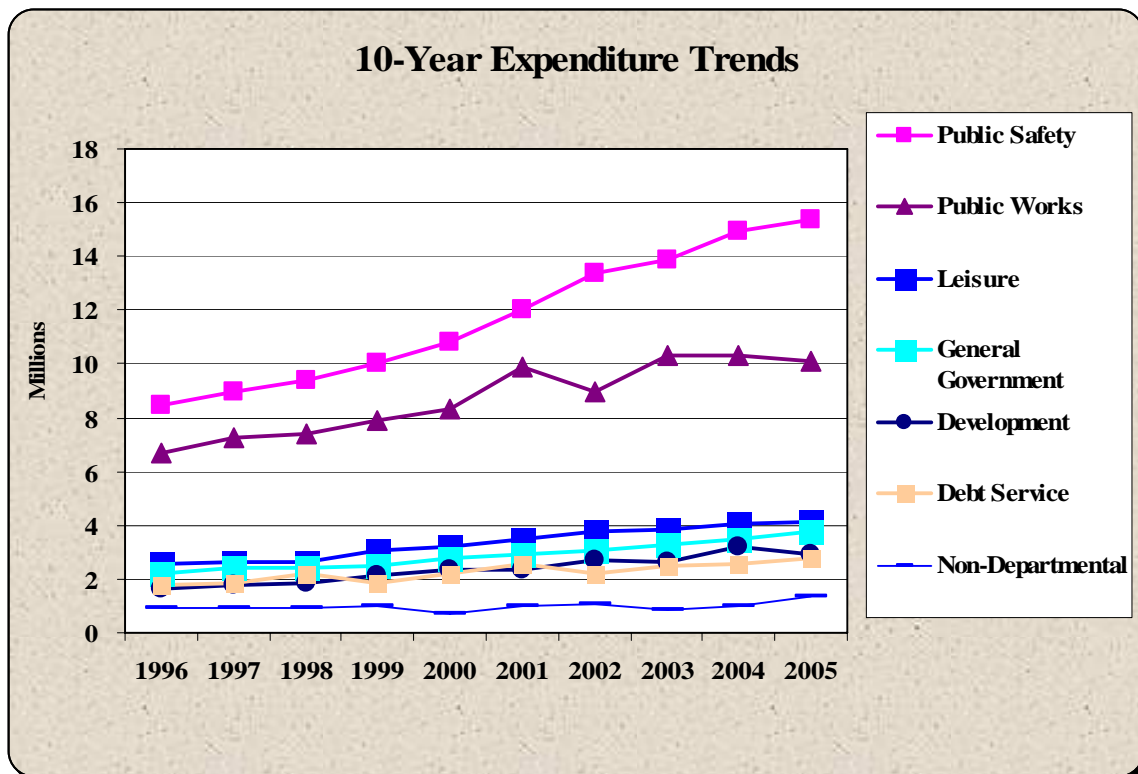
Major Expenditures - Descriptions and Estimates

agencies in support of human services, visitor services and tourism, cultural and arts programs, economic development and development of affordable housing as recommended by the Council. The budget for liability and property insurance totals \$394,000.

The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.

EXPENDITURES

	2004-05 Actual	2005-06 Original Budget	2005-06 Revised Budget	2005-06 Estimated	2006-07 Adopted Budget	% Change from 2005-06
Personnel	26,870,511	29,328,380	29,264,365	28,549,231	30,943,161	5.5%
Operating Costs	14,458,997	16,921,620	19,383,347	19,235,159	18,235,839	7.8%
Capital Outlay	205,781	104,000	265,059	259,395	68,000	-34.6%
Total	41,535,289	46,354,000	48,912,771	48,043,785	49,247,000	6.2%



GENERAL FUND
EXPENDITURES BY DEPARTMENT

	2004-05 Actual	2005-06 Original Budget	2005-06 Revised Budget	2005-06 Estimated	2006-07 Adopted Budget	% Change from 2005-06
General Government						
Mayor/Council	361,836	335,366	384,073	339,072	339,078	1.1%
Manager/Clerk	1,072,013	1,148,746	1,168,669	1,162,339	1,304,475	13.6%
Human Resources	551,515	641,809	654,729	645,084	722,440	12.6%
Finance	923,272	1,068,397	1,099,637	1,092,775	1,127,561	5.5%
Information Technology	611,832	841,826	1,100,364	1,090,728	886,936	5.4%
Town Attorney	243,042	256,414	263,011	256,914	270,730	5.6%
Subtotal	3,763,510	4,292,558	4,670,483	4,586,912	4,651,220	8.4%
Development						
Planning	1,131,970	1,043,076	1,053,589	1,021,453	1,111,824	6.6%
Inspections	758,653	750,389	778,556	776,578	782,598	4.3%
Engineering	1,043,372	992,349	1,200,950	1,107,361	1,982,189	99.7%
Subtotal	2,933,995	2,785,814	3,033,095	2,905,392	3,876,611	39.2%
Public Works	10,110,982	10,973,426	11,184,655	10,848,158	10,678,039	-2.7%
Public Safety						
Police	9,770,102	10,490,472	10,554,729	10,513,967	11,104,515	5.9%
Fire	5,572,750	5,917,471	6,331,654	6,175,408	6,569,504	11.0%
Subtotal	15,342,852	16,407,943	16,886,383	16,689,375	17,674,019	7.7%
Leisure						
Parks and Recreation	2,139,872	2,394,950	2,460,137	2,430,720	2,318,466	-3.2%
Library	1,978,842	2,065,938	2,083,442	2,083,442	2,214,233	7.2%
Subtotal	4,118,714	4,460,888	4,543,579	4,514,162	4,532,699	1.6%
Non-Departmental	5,265,236	7,433,371	8,594,576	8,499,786	7,834,412	5.4%
General Fund Total	41,535,289	46,354,000	48,912,771	48,043,785	49,247,000	6.24%