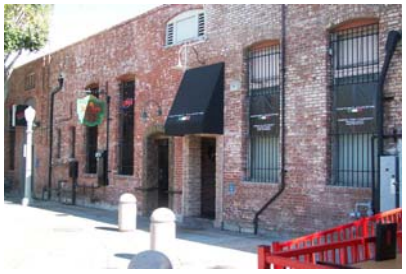
CITY OF FULLERTON

DOWNTOWN RESTAURANT OVERLAY DISTRICT— CITY REVENUES AND COSTS



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STAFF PREFACE

Acknowledgements

This audit covered a wide range of topics, from sales tax revenue to maintenance issues. Without the active cooperation and participation of staff from several departments, it would have been impossible for the analysis team to compile all the information needed to give the City Manager and City Council an accurate picture of downtown's revenues and costs.

In particular, we would like to thank Glenn Steinbrink, Dianna Fenton, and Phyllis Garrova from Administrative Services for giving us the vast majority of the report's revenue data. They also went out of their way to explain the intricacies of the sales and property tax systems. Rob Zur Schmiede and Ramona Castaneda supplied us with the Redevelopment Agency's revenue data. Captain Greg Mayes and his staff gave us the Police Department's crime statistics, despite the added difficulty of dealing with a new computerized tracking system. Division Chief Julie Kunze coordinated gathering the Fire Department's data, and Sarah Kissell compiled it into a comprehensive and user-friendly report. Both Kirke Warren and Jay Eastman from Community Development were very helpful, supplying us with permit and code enforcement activity. Yelena Voronel in Engineering took on the laborious task of calculating the costs of downtown's capital improvement projects. Within our own department, Maintenance Services, we would like to thank Water Division Superintendent Steve Garten for agreeing to review the draft of the report and making suggestions to make it more readable. We also appreciate the support of Maintenance Services' Director Bob Savage, who fully supported us during the time the audit took from our regular duties. Finally, we thank City Manager Chris Meyer, for entrusting such an important and wide-ranging report to us, and for his guidance and support during the audit process.

Statement of Conformance & Qualifications

The methods used in this study were applied in accordance with the United States General Accounting Office's Generally Accepted Government Auditing Standards, 2003 revision.

The lead member of the audit team holds the Certified Government Auditing Professional (CGAP) designation from the Institute of Internal Auditors. He has been conducting and managing performance and related audits since 1992. The team's second member has been doing audits since 2001. Both the lead and second team member are members of the Association of Local Government Auditors (ALGA). The team's third member is an Administrative Intern whose routine assignments include research for audit reports and training in audit procedures.

The Audit Team

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DOWNTOWN RESTAURANT OVERLAY DISTRICT-
CITY REVENUES AND COSTS

EXECUTIVE SUMMARY

At the City Manager's request, the analysis team reviewed the revenues and costs associated with the City's downtown Restaurant Overlay District (ROD). The team reviewed data from the Administrative Services, Engineering, Police, Fire, Maintenance Services, and Community Development Departments.

The study covers the revenues and costs from all of the businesses in the ROD, with special emphasis on restaurants. In some cases, it was impossible to make a direct connection between costs/revenue and restaurants (e.g. there is no reliable way to determine property tax income from restaurants). However, the evidence presented in this report indicates the following:

- Costs to service-based departments such as Police, Fire, and Maintenance Services, have increased since 2002 and will probably continue to increase;

- Gross revenues reported by some restaurants are inconsistent with their sales tax and business license tax board payments;

- Evidence suggests most of the increased costs can be linked to nighttime restaurant and bar activity.

- Overall, costs in the ROD exceed revenues by approximately $935,000 per year; this disparity is likely to continue into the foreseeable future.

SECTION I. INTRODUCTION

In 2002, the City Council approved a Restaurant Overlay District (ROD) in the downtown Central Business District. The District exempted most restaurants from parking restrictions normally applied to eating establishments. The District sped the permit process for restaurants because they were no longer required to obtain a Conditional Use Permit for parking space exemptions. Downtown restaurants were exempted because, although there are many public parking spaces in the area, they are not necessarily near a given restaurant site, nor is there room to add parking near most of downtown's historic buildings. In late 2006, the City Council approved expanding the District to include newly acquired property near the northwest corner of Chapman Avenue and Harbor Boulevard, plus the area around the Transportation Center.

As the number of downtown restaurants has increased, so has automotive and pedestrian traffic, especially at night. Fullerton's downtown is becoming one of the most popular nighttime destinations in the greater Los Angeles area. The downtown night-time population can swell to 4,000 people, even on weeknights.

While the restaurants in the District are an important element of the downtown's revitalization, they have also put increasing demands on City services. For example, calls for Police assistance to quell fights and other public disturbances have been increasing. Other businesses have been complaining about trash and human waste late night bar patrons leave on their properties; the large night-time crowds have greatly increased the need for trash and waste clean-up by Maintenance Services.

In light of the continuing issues within the Restaurant Overlay District, the City Manager directed staff to conduct a study of the costs and revenues related to supporting the businesses in the District, including restaurants.

SECTION II. PURPOSE

The purpose of this study is to determine the relationship between the costs to the City for activities supporting downtown businesses and the revenue received from those businesses. The report will examine overall costs and revenues as well as those costs and revenues specific to restaurants.

SECTION III. SCOPE

The analysis team included the following elements in the study:

- Sales tax received from downtown restaurants and other businesses
- Business registration revenue
- Estimated property tax revenues
- Any other revenue from permits or other activities
- Maintenance costs associated with the overlay district
- Public safety costs associated with downtown and restaurant activity
- Development services costs (e.g. Community Development and Engineering Services) for downtown restaurants and other businesses

SECTION IV. METHODOLOGY

The methods used in this study were applied in accordance with the United States General Accounting Office's Generally Accepted Government Auditing Standards, 2003 revision.

Each department supplied its own cost data to the analysis team, and arrived at those costs through its specific internal cost accounting methods. Except for the costs reported by Maintenance Services (the team's home department), cost information was un-audited.

Unless otherwise noted, costs for fiscal year 2006-2007 are projected through June 30, 2007.

SECTION FIVE: REVENUE

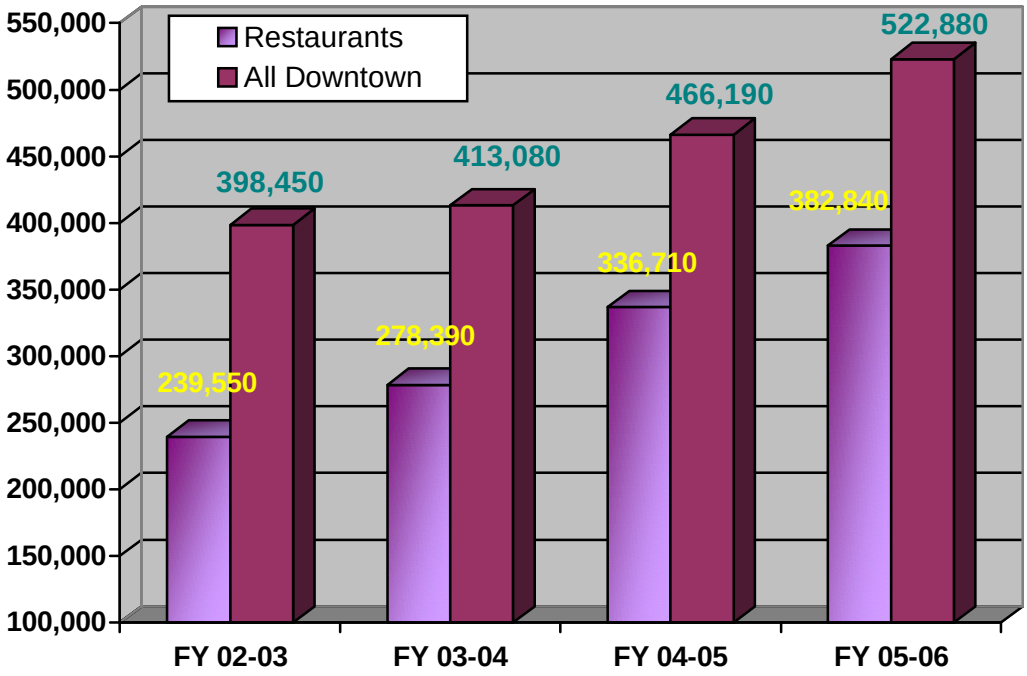
SECTION V. REVENUES

According to a list provided by the Treasurer's Office, there are at least 49 restaurants, bars, or other food establishments in the downtown area[1]; or about 26% of the 188 total sales-tax generating businesses. Establishments range from fast-food chain stores to nationally-recognized gourmet restaurants. Since the Overlay District was established, the number of restaurants has increased.

V-A. Sales Tax

According to a report from the City Treasurer's Office, all of the businesses in the Restaurant Overlay District generated $522,880 in sales tax revenue to the City in fiscal year 2005-2006[2]; of that amount, restaurants contributed $382,840, or 74%. For purposes of comparison, $522,880 is the equivalent sales tax revenue from a medium to large retail store. Since fiscal year 2002-2003, sales tax revenue from restaurants has climbed steadily:[3]

Chart 1: Restaurant Sales Tax Revenue by Fiscal Year



As the number of restaurants has increased, sales tax revenue has as well. Restaurants are the single highest sales tax contributors in the overlay zone.

Sales tax from district restaurants has stayed steady in relation to City-wide sales tax revenue, as shown in Table One. The downtown area as a whole has contributed an average of three percent of the City's sales tax for the last four fiscal years, while restaurants have contributed two percent. Overall sales tax has increased 19%, from $15,725,000. to $18,647,000; downtown restaurant sales tax income has increased 60%, from $239,550 to $382,840.

[1] City of Fullerton Treasurer's Report of Sales Tax Accounts for the Downtown Geo Area, Third Quarter 2006
[2] City of Fullerton Treasurer's Report of Sales Tax Accounts for the Downtown Geo Area, Third Quarter 2006
[3] City of Fullerton Treasurer's Report of Sales Tax Accounts for the Downtown Geo Area, Selected Fiscal Years

Table One: Sales Tax Comparisons

		ALL DOWNTOWN		RESTAURANTS	
	CITY-WIDE SALES TAX[4]	AMOUNT	PERCENT	AMOUNT	PERCENT
FY 2002-03	15,725,000	398,450	3%	239,550	2%
FY 2003-04	16,291,000	413,080	3%	278,390	2%
FY 2004-05	17,108,000	466,190	3%	336,710	2%
FY 2005-06	18,647,000	522,880	3%	382,840	2%
	67,771,000	1,800,600	3%	1,237,490	2%

V-A.1 Sales Tax Discrepancies

Despite the increasing sales tax revenue, there appears to be discrepancies in the amount of sales tax paid by some restaurants. Since both business registration taxes and sales tax payments are based on gross receipts, there should be a rough correlation between increased gross receipts and tax income. However, based on the gross income reported to the City for business registration purposes, it appears some establishments may be over or under reporting their income to the Board of Equalization for sales tax purposes.

Generally, the City receives one percent of a business's gross earnings as sales tax income. However, some restaurants reported substantial differences in gross sales and relative sales tax income. For example, through the third quarter of 2006, one restaurant reported gross earnings to the City for Business Tax purposes, of $1,034,076, and paid $8,171 in sales tax (about .8 percent). Another restaurant reported $1,021,515 and paid $10,681, or about one percent. On the other hand, a different restaurant reported $1,000,000 in receipts, but paid $19,509 in sales tax, or nearly two percent. Another reported $1,883,049 and paid $18,718, or the correct amount of one percent.

Complicating the issue is the relationship between restaurants and what types of services are subject to sales tax. For example, while strictly take-out service is not taxable, if an eating establishment provides tables and chairs, the food is taxable whether or not it is consumed on the premises. Cold food to go is not taxable if an establishment has no tables and chairs. If the food is heated, it is taxable whether there are tables and chairs or not.

The City's Treasurer's Office has identified at least 11 downtown restaurants that have significant discrepancies between gross receipts and sales tax income. The only agency with the authority to audit a business for sales tax issues is the State Board of Equalization, and it will perform forensic audits only upon complaint, and then only if it finds sufficient cause.

Based on the information available, the analysis team believes the City may not be collecting the correct amount of sales tax from some food service establishments. However, there is too much variation in the data to make a definitive statement on which restaurants may be involved, and without access to financial records, it is impossible to investigate further.

[4] City of Fullerton Comprehensive Annual Financial Reports (CAFR) for selected fiscal years

V-B. Property Tax

The Restaurant Overlay District lies within the Redevelopment Agency's Central Project Area (see map in Appendix A). Therefore, all property tax beyond the base year of 1974 goes to the Agency. As you can see on the map, the Agency's Project Area is much larger than the restaurant district; staff estimates the restaurant area comprises about 15% of the project Area.

The Redevelopment Agency gave the analysis team the projected property tax revenue for Project Area Two for the current and next two fiscal years:

Table Two : Redevelopment Property Tax Revenue

FISCAL YEAR	FY 2006-07	FY 2007-08	FY 2008-09
REVENUE	6,364,630	6,746,090	7,083.390

Without a parcel-by-parcel audit within the Project Area, the property tax income from the businesses within the Overlay District cannot be determined. However, a very rough estimate can be derived by pro-rating the Project Area's total revenue by the percentage the District occupies. The District comprises about 15% of the Project Area, so 15% of the property tax revenue can be attributed to the District:

Table Three: Estimated Restaurant District Property Tax Revenue

FISCAL YEAR	FY 2006-07	FY 2007-08	FY 2008-09
15% OF TOTAL REVENUE	954,630	1,011,910	1,062,510

Bear in mind the estimate is based only on the percentage of the Restaurant District's area and does not take into account land use or other factors. If the City Council or City Manager believe a parcel-by-parcel audit is needed, the Redevelopment Agency can request one from its tax consultant; the Agency estimates the cost to be between $4,000 and $5,000.

Under state Redevelopment law, property tax revenue in Redevelopment areas cannot be used to defray public safety or maintenance costs, except at Agency-owned facilities such as the train station. Therefore, regardless of the true property tax collected with the restaurant district, almost none of the amount can be used for City operational costs.

The analysis team tried to use the County of Orange's tax roll information to get more detailed property tax information on District businesses. The County's data does not provide the detail needed to make an accurate estimation of property tax revenue; although the County has information for each parcel, property tax bills include other assessments such as flood control and sanitation, which the City does not receive. In addition, many of the downtown parcels are owned by one entity and leased to several tenants; the portion paid by a given tenant cannot be determined, and is probably part of the monthly lease payment.

V-C. Business Registration Revenue

The City Treasurer's Office supplied the analysis team with business registration revenue for fiscal years 2004-2005 though February 2007. The report included revenue from all businesses, including restaurants. The analysis team separated the restaurants from the other businesses and totaled the income, as shown in Table Four below:

Table Four: Business Registration Revenue

Fiscal Year	Restaurants	Other Business	Total
FY 2004-05	4,610	6,390	11,000
FY 2005-06	4,840	7,310	12,150
FY 2006-07 Y-T-D	3,320	5,400	8,720
TOTAL	12,770	19,100	31,870

V-D. Fire Permit Revenue

Fire Department revenue is generated by permits for inspections and special events. The Fire Department provided downtown revenue data for the past three calendar years:

Table Five: Fire Revenue History

Type of Business	CY 2004	CY 2005	CY 2006	TOTAL
Church	1,500	1,570	1,640	4,710
Other	1,040	590	830	2,460
Restaurant	6,430	6,370	6,780	19,580
TOTAL	**8,970**	**8,530**	**9,250**	**26,750**

Of the total $26,750, restaurants have accounted for 73% of the revenue, or $19,580.

V-E. Engineering Department Revenue

The Engineering Department's revenue comes from two sources: monthly encroachment leases from some restaurants, and permit and plan check fees. Lease fees total $19,440 annually, and there has been $2,190 in permit fee revenues in the past year, for a total of approximately $21,630.

V-F. Revenue Summary

Based on the information available, typical annual revenue from the Restaurant Overlay District is approximately $1,521,120, as shown in Table Six below:

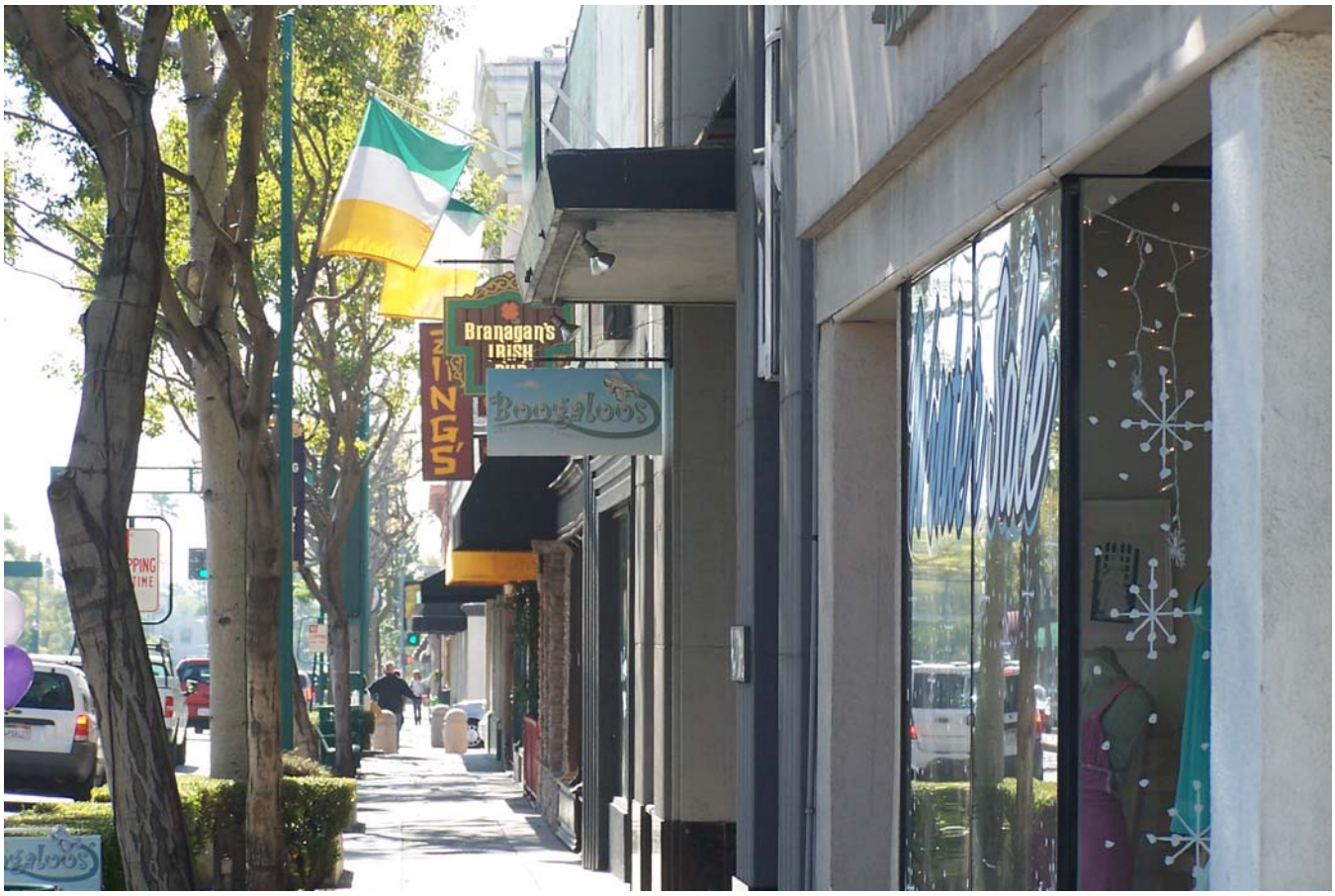
Table Six: Revenue Summary

Revenue Type	All District Businesses	District Restaurants
Sales Tax	522,880	382,840
Property Tax	954,630	Unknown
Business Registration*	13,080	4,980
Fire Permits	8,900	6,530
Engineering Fees	21,630	19,440
TOTAL	1,521,120	413,790

* Projected through the end of FY 06-07

There may be other minor revenues, such as the $100 per year FOG fee, special event permits, and other one-time fees, generated by downtown businesses, but for the purposes of this study, the revenue shown in Table Six should give a reasonably accurate picture of the City's major income sources.

SECTION SIX: CITY COSTS



SECTION VI. COSTS

At least four City Departments incur regular and recurring costs in the Restaurant District: Police, Fire, Maintenance Services, and Community Development. While most costs cannot be directly attributed to restaurants, certain trends in costs, service calls, and the type of service requested suggest the restaurants are driving an overall increase in the City's costs.

The following sections provide department-by-department cost details.

VI-A. Police

According to the Police Department, the department responded to 1,153 calls in calendar year 2006 within the Restaurant Overlay District. Most of the calls occurred at night. The calls by type were:

Table Seven: Downtown Crimes by Type

Description	Number of Reported Crimes
Crimes Against Persons	133
DUI or Drunk in Public	124
Vandalism	91
Traffic Accidents	53
Hit & Run	39
Grand Theft	33
Car Theft	26
Weapons Possession	15
All Other Crimes*	639
Total	**1,153**

* Includes bank and other business robberies, arrests on warrants, shoplifting, property theft, etc.

The Police Department provided the analysis team with hours and costs for calls in the District, from fiscal year 2004-2005 through fiscal year 2006-2007. According to the department, both hours and costs have increased over the three years, as shown in Charts Two and Three below:

Chart Two: Police Hours Spent in Restaurant Overlay District

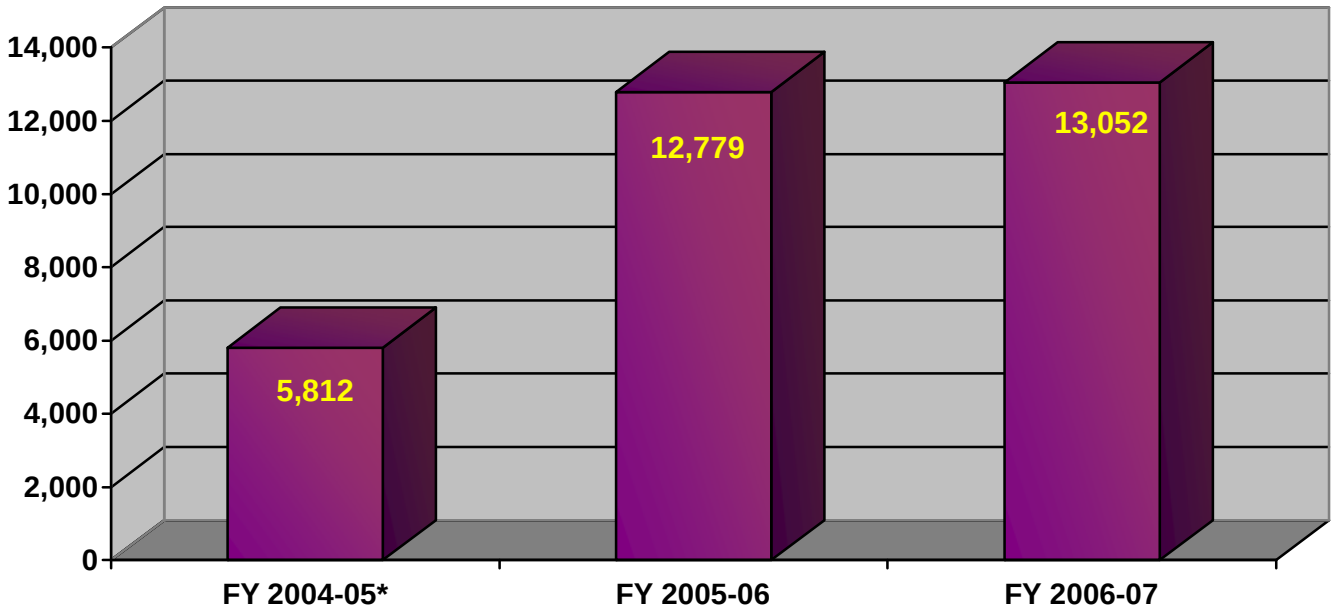
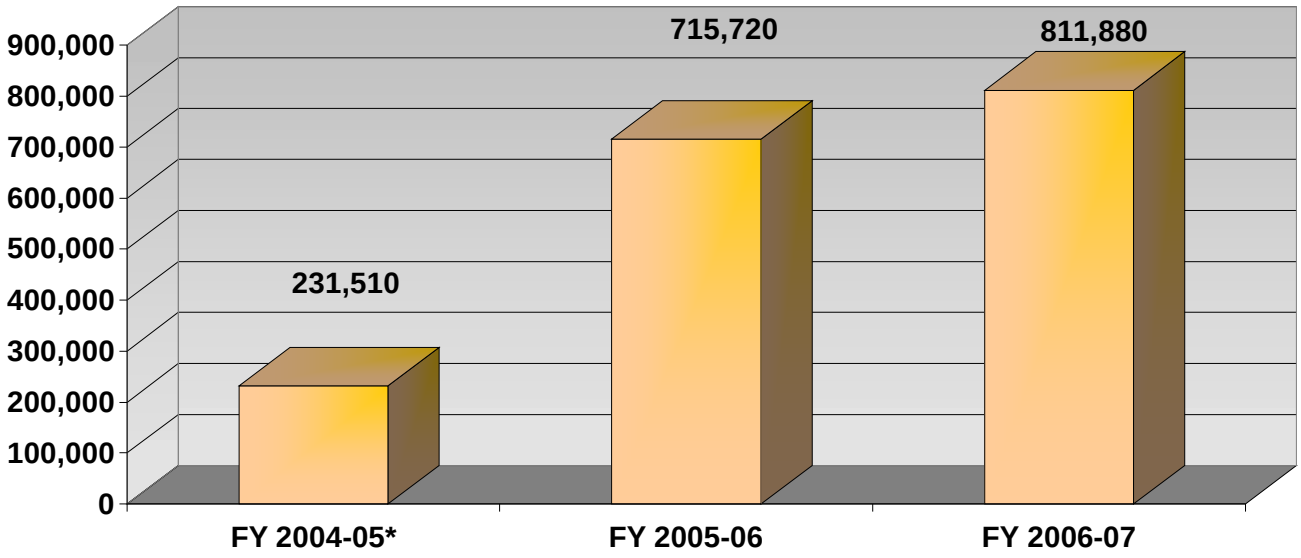


Chart Three: Police Costs in the Restaurant District



* Only partial costs and hours data were available for fiscal year 2004-05

The Police Department has seen a steady increase in hours and costs in downtown responses. In its proposed budget for fiscal years 2007-2009, the department is requesting funding for four additional officers to respond to downtown calls. If approved by the City Council, this will increase the department's costs by at least $412,240 in FY 2007-08, based on current Police Officer salaries and benefits. This figure does not include overtime, specialty pay, extra vehicles or special equipment and supplies.

Photo 1: Graffiti in a downtown business doorway

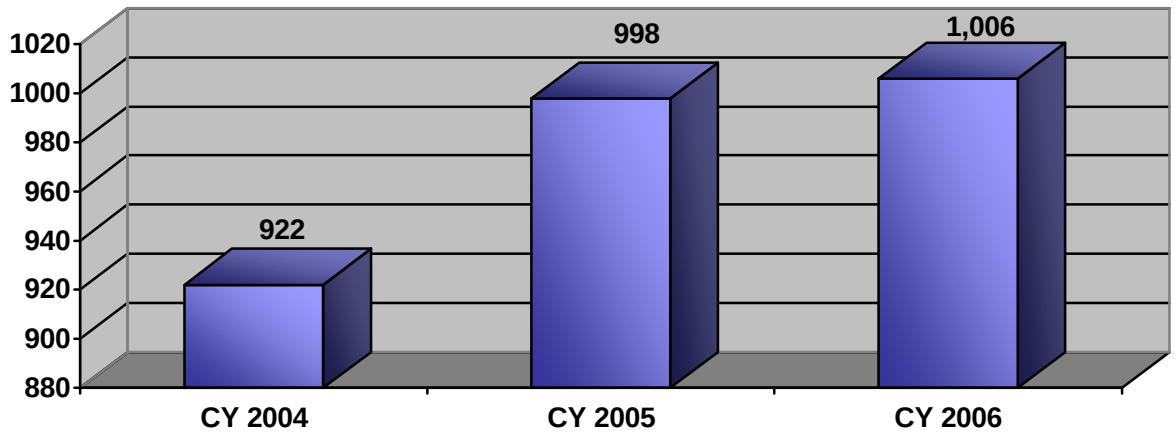
VI-B. Fire Department

The Fire Department was able to isolate the incident calls, inspections, and permit activity in the downtown area. The department was able to provide data for calendar years 2004, 2005, and 2006.

VI-B.1 Calls

As you can see in the chart below, the number of all types of calls has risen from 922 in 2004 to 1006 in 2006, an increase of nine percent.

Chart Four: Downtown Fire Assistance Calls



Not all of the calls can be attributed to downtown development in general, not to restaurants in particular. However, the increase can be at least partially explained by the increase in restaurants. In 2004, the Fire Department received 84 calls for medical problems caused by intoxication or assaults. In 2006, the number of such calls increased to 126, a 50% increase. Call detail is shown in the table below:

Table Eight: Fire Assistance Call History

	Number of Calls		
Call Type	**CY 2004**	**CY 2005**	**CY 2006**
Medical Aid for Assault or Intoxication	84	95	126
City Properties	113	100	94
Fires	26	24	32
General Medical	244	258	244
Non-medical public assistance	120	150	142
Residential Medical Aid	244	276	281
Traffic Accident Medical Aid	91	95	87
TOTAL	**922**	**998**	**1,006**

As you can see, calls for medical aid related to intoxication and assault have steadily increased. It is reasonable to assume these calls are directly related to restaurants and bars rather than any of the other downtown businesses.

Besides the number of calls, the Fire Department was able to estimate its costs for each type of response, as shown in the table below:

Table Nine: Fire Assistance Call Cost History

	Cost		
Call Type	**CY 2004**	**CY 2005**	**CY 2006**
Medical Aid for Assault or Intoxication	21,000	23,750	40,950
City Properties	28,250	25,000	30,550
Fires	6,500	6,000	10,400
General Medical	61,000	64,500	79,300
Non-medical public assistance	30,000	37,500	46,150
Residential Medical Aid	61,000	69,000	91,250
Traffic Accident Medical Aid	22,750	23,750	28,350
TOTAL	**230,500**	**249,500**	**326,950**

In the past three years, the Fire Department has spent a total of $806,950 on downtown call response. While all costs have increased, the cost of responding to intoxication and assault calls has increased the most, nearly doubling in three years, from $21,000 to $40,950.

VI-B.2 Inspections and Occupancy Checks

In the past three years, the Fire Department has performed 496 inspections and 244 occupancy checks. The Fire Department inspects all businesses for proper fire and life safety preparation, and checks certain establishments to ensure they are not exceeding their safe occupancy limits.

The number and cost of business inspections are shown in the table below;

Table Ten: Business Inspections 2004-2006

Facility Type	No. of Inspections	Cost
General Business	272	27,200
City Property	12	1,200
Other (e.g. non-profits)	113	11,300
Residential (apartments, etc.)	47	4,700
Restaurants	52	5,200
TOTAL	**496**	**49,600**

During the same three-year period, the Fire Department spent 244 hours performing occupancy limit checks at a cost of $23,930, or $98.07 per hour (occupancy checks on some businesses must be performed after normal working hours and therefore are paid at overtime rates).

VI-B.3 Summary of Fire Department Costs

Over the past three years, the Fire Department has spent $880,480 on call response, business inspections, and occupancy checks in the downtown area:

Table Eleven: Three-year Fire Department Cost Summary	
Call Response	806,950
Business Inspections	49,600
Occupancy Checks	23,930
TOTAL	**880,480**

VI-C. Maintenance Services

The Maintenance Services Department's management system tracks the labor, material, and equipment costs of the department's field operations. The system tracks costs by location, (for example, City Hall has a unique location numbers so the maintenance costs at City Hall can be isolated).

Employees report their time at 16 locations within the Restaurant Overlay District. The locations include four downtown parking structures, six parking lots, two buildings, and four other unique locations. A list of locations is included in Appendix B.

To be sure the costs were limited to the restaurant district, the analysis team excluded the costs of maintaining the Plummer parking structure, the parking lots next to the train station, and the Amtrak station and platform/bridge structure.

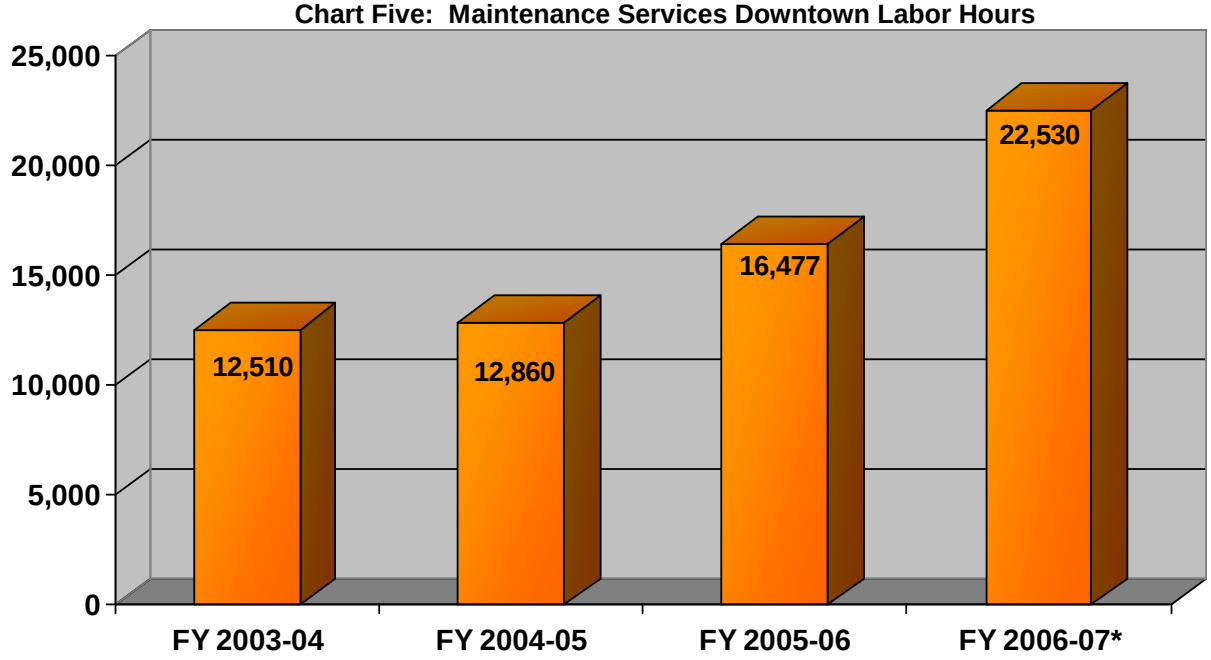
Examples of services provided to the District include:

- Daily street cleaning
- Daily trash pick-up in parking lots and planters
- Parking lot sweeping
- Streetlight maintenance and repair
- Early morning steam pressure washing
- Painting streets and public parking lots
- Special event support
- Daily parking structure cleaning

Photo 2: A member of the new pressure washing crew cleans a downtown driveway

The analysis team reviewed the labor hours and costs spent in the downtown area from fiscal year 2003-2004 through January 2007. The data show increasing labor hours each year, as shown in Chart Five below.

Chart Five: Maintenance Services Downtown Labor Hours



The City Council first approved the Restaurant Overlay District in October 2002, seven months before fiscal year 2003-04 began. To see what, if any, effect the district may have had on demand for service, the analysis team used fiscal year 2000-01 as a baseline for comparison. In 2000-01, Maintenance spent 7,627 hours in the downtown area; by 2003-04, hours increased 64% to 12,510, and then another 80% between 2003-04 and 2006-07 to 22,530.

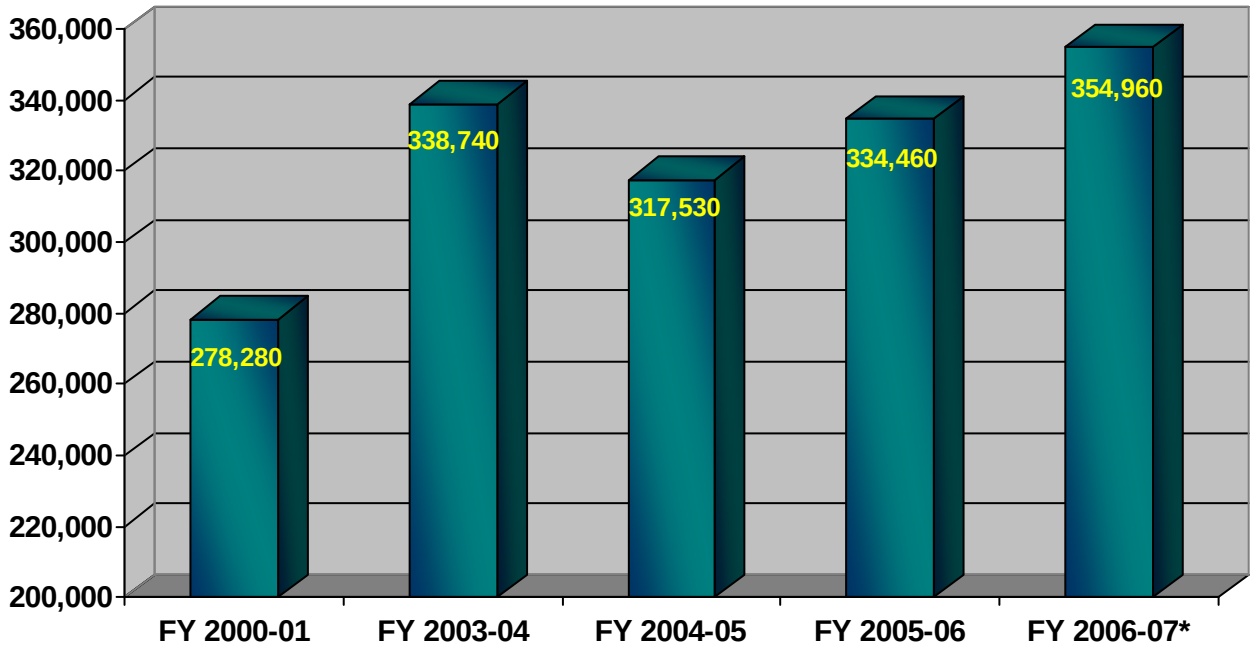
In terms of actual employees, Maintenance used 3.67 full-time equivalent (FTE) positions is FY 2000-01. If the current trend continues, Maintenance will commit 10.8 FTE's to the district by the end of this fiscal year.

VI-C.1 Maintenance Costs

In the 2000-01 baseline year, Maintenance spent $278,280 downtown. By FY 2003-04, the cost increased to 338,740 (22%) and is projected to increase to $354,960 by the end of FY 2006-07. All of the increases cannot be attributed to inflation. The costs for FY 2006-07 do not reflect in their entirety the recent addition of a steam pressure washing crew. Regular pressure washing began in January 2007. By the end of January, crews had cleaned more than 37,000 square feet at a cost of approximately $6,000, but there is not enough cost history to make an accurate projection of a full year's costs. The cost trends are shown in Chart Six below:

The costs shown in Chart Six do not include departmental overhead such as managers' time and support costs, nor do they show contract services costs. The costs are only for direct labor and the associated equipment and material.

Chart Six: Downtown Maintenance Costs



If you compare the data in Charts Five and Six, you may notice costs have not increased at the same rate as labor hours. This is due to the increased use of part-time Laborers, especially by the Landscape Division. Part-time employees cost substantially less than regular employees on an hourly basis.

VI-D. Community Development

Most Community Development downtown activity results from code enforcement complaints. The Neighborhood Preservation Division tracks complaints by address. The Division's supervisor reviewed the complaint logs for the past year and discovered 27 location-specific complaints in the ROD. The breakdown is shown in Table Twelve below:

Table Twelve : Neighborhood Preservation Complaints

Type	Number
Trash Bin Areas (Overflow, smell, etc.)	2
Housing	1
Miscellaneous	6
Noise	6
NPDES-related	2
Non-permitted use	3
Property Maintenance Issues	2
Improper Signs	1
Trash Container Related	3
Vehicle Issues	1
TOTAL	**27**

The Neighborhood Preservation Supervisor stated his division has received many more complaints regarding bars and noise, but the complaints were not associated with a specific business and were therefore not logged into the complaint system.

The Supervisor estimated the cost of investigating and resolving the 27 tracked complaints at $8,200, including overtime for night-time inspections.

VI-E. Engineering Department—Capital Improvement Projects

One of the City's largest cost categories includes the capital improvement projects completed or in progress in the downtown area. According to the Engineering Department, $4,203,500 has been spent on 12 projects in the downtown area since 1998, for an average of $467,060 per year. (please see Attachment C for the Project List). The total cost of these projects exceeds $20 million—the Transportation Center parking expansion alone will exceed $14 million.

VI-F. Summary of City Expenses

Table Thirteen summarizes the City's expenses for a one-year period in the Restaurant Overlay District:

Table Thirteen : One-Year Restaurant District Cost Summary

Department	Cost	Period
Police	811,880	FY 2006-07
Fire	326,950	CY 2006
Maintenance Services	354,960	FY 2006-07
Community Development	8,200	CY 2006
Engineering/CIP	467,060	FY 2006-07 (Average)
Total	**1,969,050**	

The costs shown in Table Thirteen represent each department's best estimate of its costs and services in the Restaurant Overlay District. Based on previous years' costs, the analysis team believes it is safe to assume service demands and costs will continue to increase for at least the next three to five years.

Although it is difficult in most cases to make a causal connection between the City's increasing costs and the influx of restaurants, there is strong circumstantial evidence this is the case. For example, calls to the Police and Fire Departments for public intoxication are clearly related to the presence of bars and restaurants. Also, the Police Department reported the majority of if its downtown calls come in at night, when most retail businesses are closed and food establishments are most crowded. Maintenance Services' downtown labor hours have increased substantially since the ROD was established in 2002.

SECTION SEVEN: CONCLUSION

Section VII. CONCLUSIONS

VII-A. City Revenue and Cost Comparison

As reported in Table Six, typical annual revenue from downtown businesses has been estimated at $1,516,380, with at least $413,790 being generated by restaurants. However, $954,630 of the overall revenue is property tax, which goes to the Redevelopment Agency rather than the City's General Fund, and cannot be used for routine operational costs, resulting in net income to the City of $561,750.

Table Thirteen shows the City spends approximately $5,709,490 per year in the downtown area, including capital project costs. Operating costs, less capital, total $1,501,990.

Although it may appear the City's costs and revenues roughly offset each other ($1,521,120 in revenue versus $1,969,050 in operating costs), once Redevelopment Agency revenue is factored out, the City's operating costs exceed revenue by approximately $935,500 per year, as shown in Table Fourteen below:

Table Fourteen: Analysis of City Revenues and Costs

	Revenues	Expenditures	Net Difference
Overall Revenue	1,521,120		
Less Property Tax to Agency	(954,630)		
Net City Revenue	566,490		
Total City Costs		1,969,050	
Less Capital		(467,060)	
Net Operating Costs		1,501,990	
Difference Between Net Revenue and Net Operating Costs			(935,500)

It is impossible to determine how much of the costs can be attributed to restaurants within the downtown overlay district. However, circumstantial evidence indicates restaurants are a major factor in the downtown area's costs. The evidence includes:

- Police calls have increased, and the types and times of calls are typically associated with restaurant and bar activity, (e.g. public intoxication, fights, etc.);
- Fire calls have increased as well, with a significant increase in medical problems associated with intoxication;
- Maintenance Services' costs have steadily increased since the ROD's inception in 2002.

VII-B. Conclusion

Without detailed audit information, the analysis team cannot determine the exact difference between City costs and revenues in the Restaurant Overlay District. However, the evidence presented in this report indicates the following:

- Costs to service-based departments such as Police, Fire, and Maintenance Services, have increased since 2002 and will probably continue to increase. Four new police officer positions will add approximately $412,000 to downtown's costs, and the full cost of daily pressure washing has not been determined;

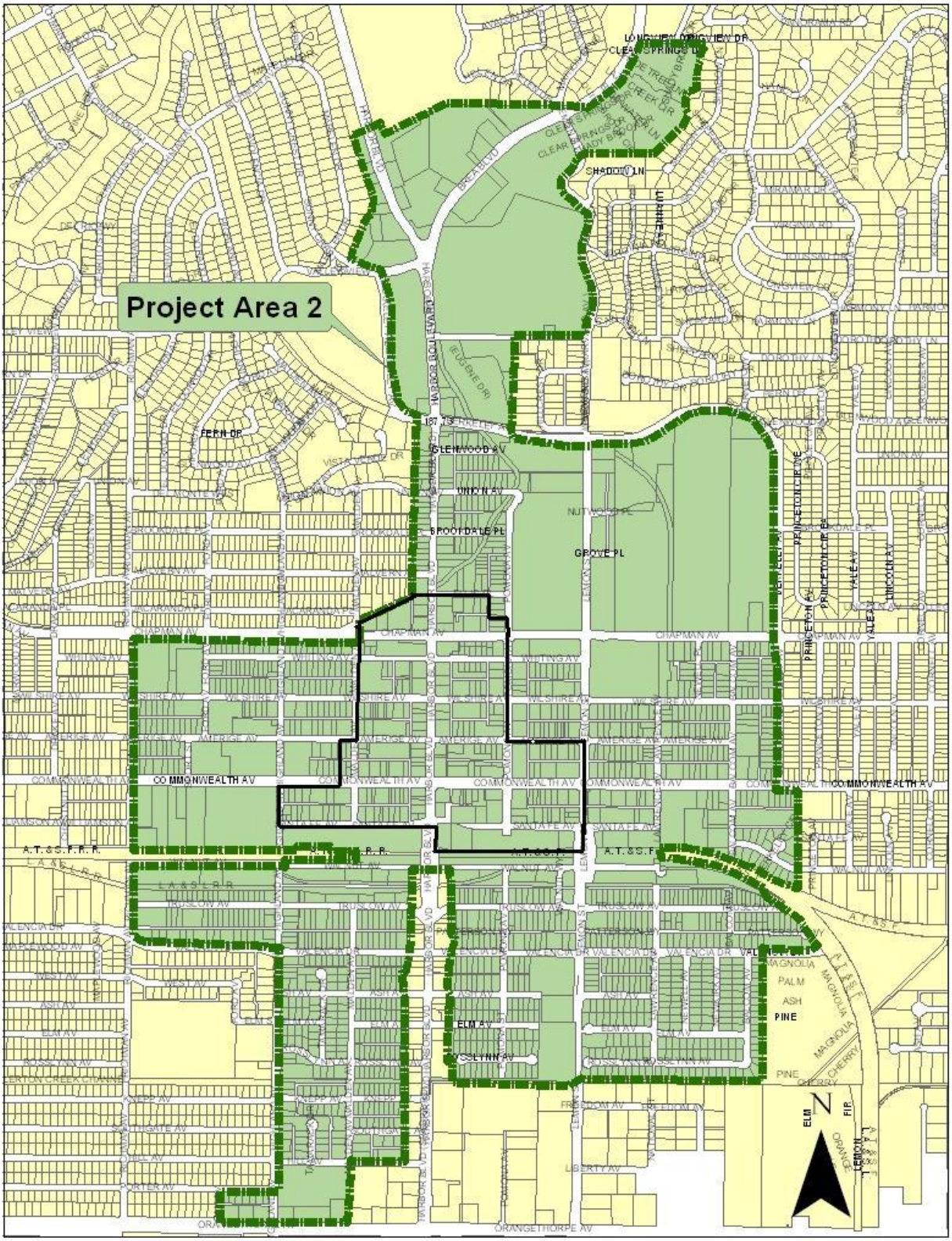
- Gross revenues reported by some restaurants are inconsistent with their sales tax and business license payments;

- Most of the increased costs suggest a strong link to restaurant and bar activity.

There can be no doubt Fullerton's downtown restaurants have been a major factor in the area's continued vitality. Creating the Restaurant Overlay District recognized the importance of food establishments to the downtown's success. With that success, however, have come increasing costs for cleaning, crime prevention and suppression, and fire service calls.

The analysis team can only report on the verifiable evidence it has obtained. Only the City Council and City Manager can decide if the costs are acceptable in relation to benefits restaurants have brought to downtown Fullerton.

APPENDIX A: RESTAURANT DISTRICT AS PART OF REDEVELOPMENT AREA TWO



APPENDIX B: MAINTENANCE SERVICES DOWNTOWN SERVICE LOCATIONS

M.S. PROJECT NUMBER	DESCRIPTION
7743	SOCO DISTRICT
7777	CBD
7780	WILSHIRE PROM. STRUCTURE
7783	RTC PARKING STRUCTURE
7791	WILSHIRE PARKING STRUCTURE.
7829	PLAZA PARK
7860	MUSEUM CENTER
7863	SPAGHETTI FACTORY
7867	MORGAN PARKING STRUCTURE
7997	JUDY LYNN PARKING LOT
7998	FULLERTON HARDWARE PARKING LOT
7999	ELLIS PARKING LOT
8000	BACK ALLEY BAR PKG. LOT
8001	ANGELO & VINCI'S LOT
8002	STUBRICK'S PARKING LOT
8003	CENTURY 21 PARKING LOT

APPENDIX C:
Capital Improvement Projects in Downtown
1998 - Present

Project #	Project Name	Approximate Project Cost
4287	West Chapman Parking Lot	$ 414,000.00
4278	SOCO District Improvements	$ 2,108,000.00
4278	SOCO Electrical Panel Conversion	$ 71,500.00
4283	Building Demo at 511 N. Pomona	$ 37,000.00
4285	Building Demo at 127 & 129 W. Chapman	$ 56,000.00
4283	Building Demo at 515 & 501 N. Pomona	$ 20,000.00
5361	Water Improvements for SOCO District	$ 177,000.00
6139	Trash Enclosure Modification in CBD Parking lot north of Amerige	$ 20,000.00
4249	129 West Santa Fe Parking Lot	$ 88,000.00
	Santa Fe Reconstruction from Harbor to Malden	$ 875,000.00
4264	Transportation Center Downtown Area Trash Enclosure	$ 22,000.00
4239	Transportation Center Parking Expansion	$ 315,000.00
Total		**$ 4,203,500.00**

Note: Project cost includes construction contract amount plus approximate costs for design, contract administration, and contingencies (total 25% of the construction contract amount)