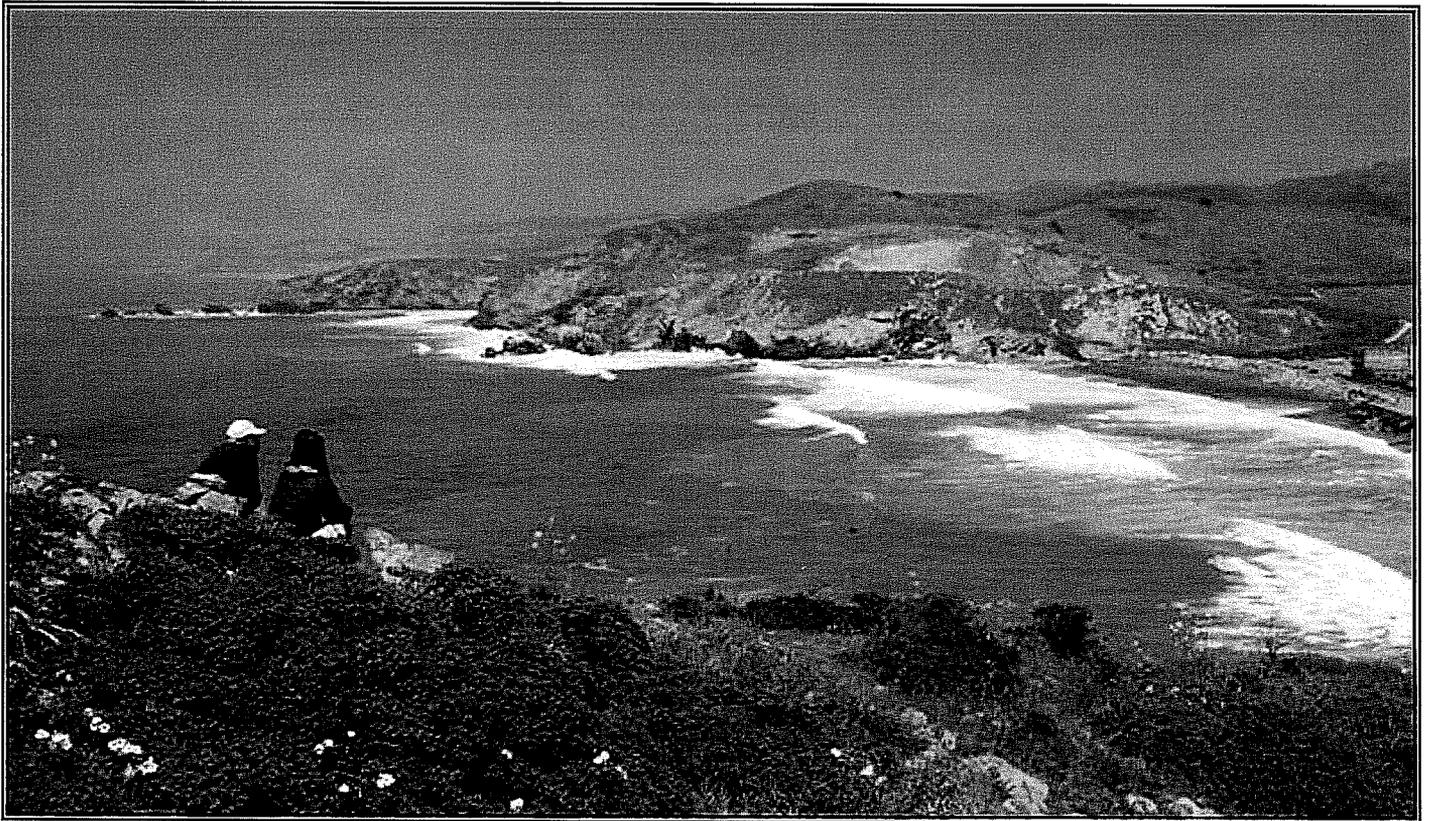


# *City of Pacifica California*



## *Adopted Budget Fiscal Year 2006-2007*

**CITY OF PACIFICA, CALIFORNIA  
2006-2007 ADOPTED BUDGET**

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CITY OF PACIFICA, CALIFORNIA  
2006-2007 ADOPTED BUDGET

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# *City of Pacifica Budget Summary Fiscal Year 2006-2007*

## **MESSAGE FROM THE CITY MANAGER**

Honorable Mayor and Members of the City Council:

We are pleased to present the Adopted 2006-2007 Budget for the City of Pacifica. This document will contain a preliminary projected status review of the performance of the 2005-2006 budget as well as highlights of the 2006-2007 adopted budget. The goals of the budget process are to identify fiscal year services to be provided to our community and to decide how revenues to the City will be used. Because of the slow recovery in the local economy, revenues have been impacted for a prolonged period of time and have placed limitations on our ability to provide the quality of services that are desired by the public. The City's ability to provide the quality of services is directly impacted by available revenue resources. However, fiscal year 2005-2006 demonstrated the second year of a stronger California economy and stronger local housing market, which is reflected in the fiscal year 2005-2006 revenue projections.

Pacifica's fiscal year 2006-2007 budget was adopted on June 26 and is close to a structurally balanced budget for the first time after several very challenging years. The General Fund budget for fiscal year 2006-2007 is \$25,084,245. The total City budget for all funds, including the Enterprise Fund and the RDA funds, is \$43,833,924.00. The City's General Fund fiscal year 2006-2007 budget has only a negligible \$94,000 structural deficit, down from a \$1,200,000 structural deficit in fiscal year 2005-2006. Structural deficit simply means that expenditures are greater than revenues, not allowing for one-time monies, such as the sale of property. However, our revenue growth is dependent on a healthy economy and we are forced to consider revenue consequences from the closure of Devil's Slide from April 5, 2006 to August 4, 2006. The closure of this major stretch of Highway One between the City of Pacifica and Half Moon Bay will impact at least two of our major revenue sources; sales tax and transient occupancy tax.

The City Council hosted four budget study sessions in order to receive community input on the budget issues and to develop a meaningful plan to provide the services desired by the taxpayers within the scope of the resources available. The Budget Study Session discussions were a genuine benefit to the Staff and beneficial for the Council and Community to better understand the issues that require solutions, and to encourage discourse regarding problems and solutions facing our community. It is of the utmost importance that stakeholders participate in the process and understand the reasons that decisions are made and the anticipated outcomes from those decisions.

### **Budget Study Session Dates**

<b>April 5, 2006</b>	<b>Department Goals</b>
<b>May 3, 2006</b>	<b>General Fund</b>
<b>May 16, 2006</b>	<b>General Fund</b>
<b>May 31, 2006</b>	<b>Enterprise &amp; Capital</b>
<b>June 26, 2006</b>	<b>Adoption of Budget</b>

The City Council hosted and worked closely with the Community during a Strategic Plan process to identify priorities from the community that could be considered during the budget study process. During these sessions, there were discussions that resulted in the following ten overall goals of the City.

1. Preserve and enhance Pacifica's natural resources and open space to ensure an ecologically vibrant community

2. Evaluate land use issues to ensure that the goals, policies and programs of the General Plan reflect the community's vision and mission
3. Maintain, modernize and beautify the City's infrastructure and facilities
4. Broaden and enhance local revenues to provide stable, reliable and sufficient revenue sources
5. Foster a vibrant business climate
6. Promote cultural arts and community services
7. Enhance economic development which emphasizes sustainable urban development, increase public sector revenue, increased investment in the community, and positively impacts the physical environment and quality of life
8. Maintain a safe community that is prepared for emergencies
9. Provide efficient & cost effective city government and excellent customer service and administration
10. Implement measure that improve traffic congestion and enhance safety

The fiscal year 2006-2007 budget has addressed many of these overall goals as they relate to economic growth, vibrant community, environmental improvements and infrastructure improvements.

There were no staffing reductions required to balance the budget, as a matter of fact, the City Council approved adding two positions; one being a structural engineer in the Public Works Department; as well as an assistant planner for the Planning Department. These positions will supplement the current lean staffing and accommodate more expedient and efficient service in those departments. Additionally, fiscal year 2006-2007 is the third year of the community supported Fire Assessment funding allowing the City to fully staff both fire stations with full staffing.

### **The Budget**

The budget document includes a listing of departmental accomplishments from the preceding fiscal year and goals for fiscal year 2006-2007. Development of the fiscal year 2006-07 budget began in February 2006. The initial step in this process was the dissemination of information and forms to City staff while the Finance Department prepared revenue projections.

Revenue projections are essential to preparing a credible budget proposal and are the basis for approving expenditures. In the waning tenuous fiscal environment, we continue our constant vigilance in watching for changing trends and staying current with State politics.

The budget was balanced this year using less than \$100,000 from surplus revenue from the fiscal year 2005-2006 budget. There was over \$1.1 million in un-budgeted, extraordinary revenue from the County for excess Education Relief Augmentation Fund (ERAF) payments over the past five years. The preliminary budget numbers were presented to the City Council in the four study sessions mentioned above. The City Council decided to utilize this one-time surplus for one-time project spending, such as the purchase of a long-overdue financial/human resources software system as well as funding for a consultant study considering expanding the RDA. It is projected that the structural imbalance for the next two years will be insignificant; but growing back close to \$1.2 million if the Fire Assessment is not

renewed in fiscal year 2008-2009. It is the job of the City Manager to be a voice for the values of fiscal conservatism, taking extreme care with public money by avoiding imprudent risks.

That spending philosophy shows not only in the spending and revenue recommendations to the City Council, but also in the financial management policies that are implemented. Perhaps the Administration's most important role is to provide public accountability. The budget document should explain to the citizens how their money is being spent. It is our goal to provide a user-friendly budget document that clearly explains sources and uses of public funds.

On June 26, 2006, the City Council approved the fiscal year 2006-2007 General Fund expenditure budget of \$25,084,245, 4.65% higher than the fiscal year 2005-2006 budget. This will be discussed in more detail later in this document.

**The following is an overview of fiscal year 2005-2006 General Fund projected revenues and expenditures:**

**Fiscal Year 2005-2006 Comparison  
Projected Revenues and Expenditures  
To Budget**

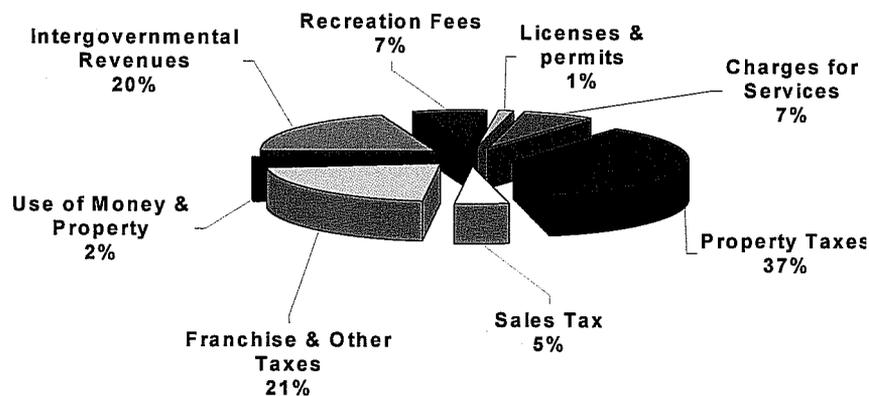
	Amended Budget	Projected	Difference
Revenues	\$23,754,175	\$25,614,443	\$1,860,268
Expenditures	\$24,017,502	\$24,410,495	(\$ 392,993)
Net Over (Under)			\$1,467,275

**Notable changes to fiscal year 2005-2006 revenues and expenditures are discussed below:**

Revenues are projected to come in \$1,860,268 over budget. The most substantial difference between budgeted and projected revenue was an unanticipated ERAF refund in two distributions of \$953,502 and \$220,433. Going forward, the passage of Proposition 1A during fiscal year 2004-2005 prevents the State from any further takeaways beginning in fiscal year 2006-2007 without 2/3 vote of the legislators.

On the expenditure side, the budget is projected to come in approximately \$392,993 over budget. The majority of the overage is attributable to overtime in the Fire Department. The net result of the fiscal year 2005-2006 budget is a *projected* surplus in the amount of \$1,467,275. This number will very likely change when the audited actual dollars are entered into the financial reports. The chart below demonstrates the sources of General Fund revenue.

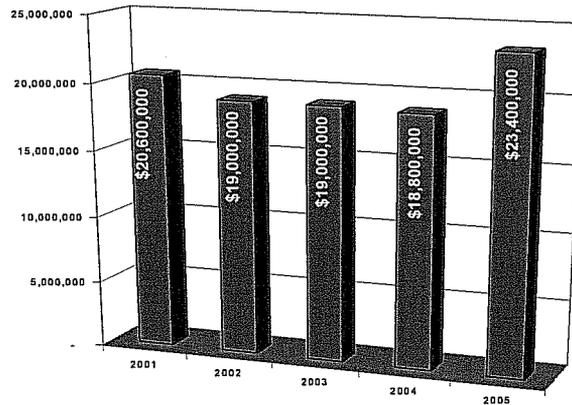
**General Fund Revenue Sources**



## GENERAL FUND REVENUES 2006-2007:

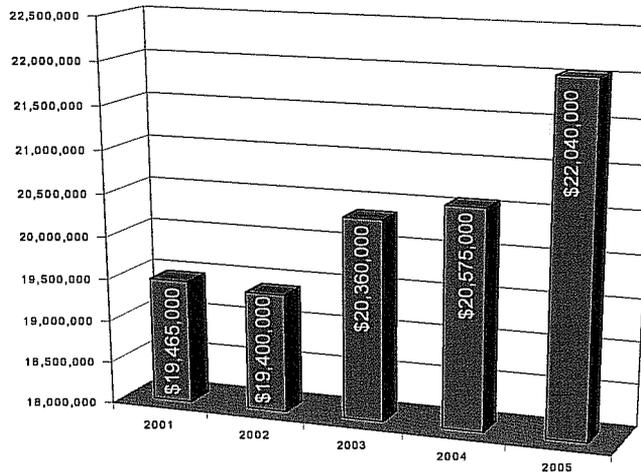
General Fund revenue sources are shown above. Overall, revenues are expected to increase by approximately \$1.2 million or 5.22% over prior year budget amount. This figure does include transfers-in from the Fire Assessment Fund. There are no other one-time revenue amounts included in the budget. This is the third year of the Fire Assessment funds, which supplement the general fund for the cost of firefighters' salaries and benefits in the amount of \$870,000. An additional \$100,000 was budgeted in the new Fire Assessment fund for small fire fighting equipment replacement and a reserve for vehicle replacement as needed. For the life of the Fire Assessment, tax revenue can only be utilized for three specific fire department costs: firefighter salaries; benefits; and fire fighting equipment including vehicles.

### General Fund Revenue 5-Year History



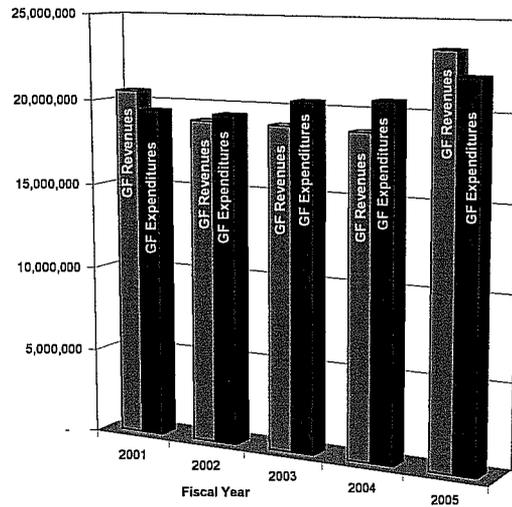
The five year history shown above demonstrates that the City's General Fund revenue for fiscal years ending 2002, 2003 and 2004 remained relatively flat, with a considerable increase in fiscal year ending 2005, which was also the first year of the Fire Assessment funding.

### General Fund Expenditure 5-Year History



The five year history shown above demonstrates a 7% increase in General Fund expenditures between fiscal years 2003-2004 and 2004-2005.

## Comparison General Fund Expenditures to Revenue 5- Year History

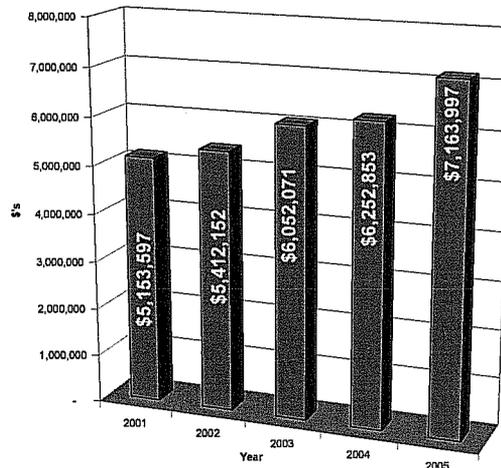


The five year history of General Fund Expenditures shown above demonstrates that after three years of structural deficit spending, fiscal year ending 2005 ended with revenues higher than expenditures. However, this was due to one time revenues, such as sale of property and ERAF refund.

The following explanations will cover each revenue group with emphasis on revenues that are showing a substantial change, up or down.

**PROPERTY TAX** - As the general economy has continued to rebound over the past fiscal year, the housing market also continued to be active with prices increasing with virtually every sale. However, we are conservatively increasing Property Tax and Property Transfer Tax revenue projections for the upcoming year due to the continued increases in mortgage rates and the cool down in the housing market. Overall, this revenue group accounts for \$8,220,000 or 37% of the total General Fund revenue. Based on information from the County of San Mateo, we are estimating an overall increase of 8% in property tax revenue. Property Tax revenue has been increasing consistently over the past five years as seen in the chart below.

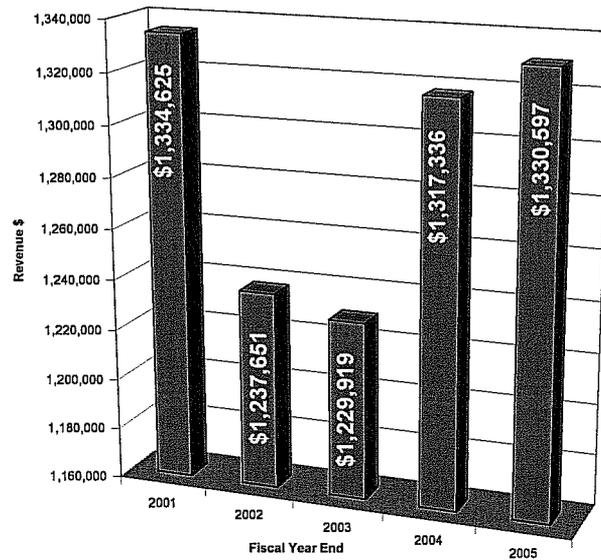
### Property Tax 5-Year History



## OTHER TAXES

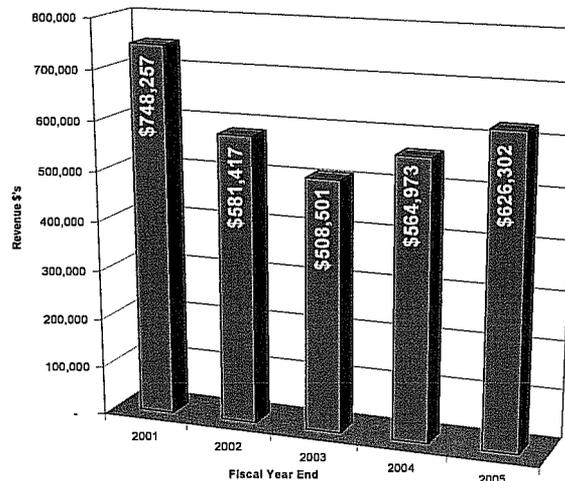
**Sales Tax** is now broken out to add “Supplemental Property Tax in Lieu of Sales Tax”, resulting in 25% of the sales tax revenue being shifted for distribution with the property tax revenue twice per year. This has added to cash flow issues, which we are monitoring carefully. Sales tax revenue is projected to increase by approximately \$100,000 in fiscal year 2006-2007, to \$1,420,000. Sales tax revenue has been fairly flat with a deviation of around \$100,000 as seen in the two recession fiscal years ending 2002 and 2003.

### Sales Tax 5-Year History



**Transient Occupancy Tax (TOT)** revenue is projected to increase by approximately 20% in fiscal year 2006-2007, but mostly due to a delinquent amount that is due from one of the hotels. We have taken into consideration the closing of Devil’s Slide in our projections. TOT revenue took a downturn during the recession years, but is gaining strength again.

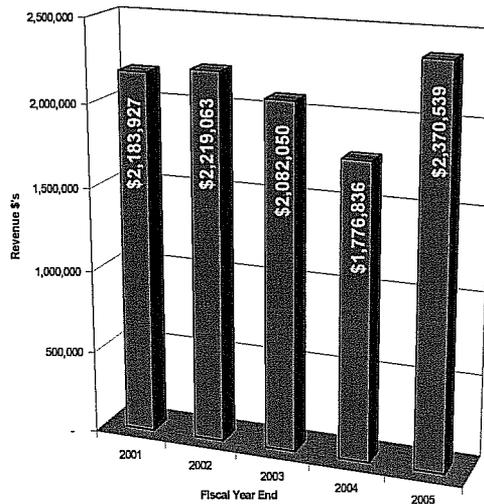
### Transient Occupancy Tax 5-Year History



**Public Safety Sales Tax** is revenue derived from Proposition 172 and is paid directly to the County. The distribution to cities is based on a complex formula and not tied to the point of sale like regular sales tax.

**INTERGOVERNMENTAL REVENUE** - This group consists of revenues that the City receives directly from other government agencies in the form of entitlements or grants. Intergovernmental revenues are projected to increase approximately \$800,000 or 21%, directly related to the anticipated increase in vehicle license fee revenue. The single largest budgeted revenue in this section, shown in the chart below, is Vehicle License Fees (\$3.2 million), a portion of which is no longer available for the State of California to “borrow” since the passage of Proposition 1A. This revenue line item is “split” into another line item called “supplemental property tax in-lieu of VLF”. The State will continue to pay local agencies the .65%, which is collected from the vehicle owners; but will “backfill” the remaining 1.35% via payments in conjunction with the property tax distributions twice per year. This timeliness diversion will also cause cash flow issues, which again are being closely monitored.

**Vehicle License Fee 5-Year History**



**CURRENT SERVICE CHARGES** - This revenue group includes charges for services that are tied to new construction and improvements, administrative services provided to the Wastewater treatment plant, and revenue generated by the paramedic program. This group is projected to increase by 2.45% or about \$35,000. This group of revenues represents 7% of total general fund revenue.

**RECREATION FEES** - These Program Fees overall are projected to be down by 2.33% to \$523,500.

**Seniors-in-Action Fees** are also budgeted flat at \$67,000.

**Childcare Fees** are projected to be up by about 3% to \$928,000. The revenue projection remains conservatively flat for fiscal year 2006-2007.

**USE OF MONEY & PROPERTY** - This is not a large General Fund revenue group (\$412,000 or 2% of total revenues). Interest rates have begun to climb consistently and we anticipate less demand for major project output as well as an influx of litigation cost refunds to realize greater investment yield. Parks, Beaches & Recreation (PB&R) continues strong rental of city facilities and expects to continue doing the same into next year.

**OPERATING TRANSFERS IN** - This group includes resources collected by other Funds (due to regulations or statutes) and then transferred to the General Fund to support specific activities. We have budgeted a transfer-in from the new Fire Assessment in the amount of \$870,000 as explained above; and also included a transfer-in from the Enterprise Fund of \$200,000 to reimburse the general fund for the purchase of the Esplanade property, which is mitigation to offset fees from the State Water Control Board.

**GENERAL FUND EXPENDITURES 2006-2007:**

The following will detail major changes in each department and the associated cause:

**City Council** - The expenditure budget is up 14% to \$133,200 and includes \$10,000 for the 50<sup>th</sup> Anniversary celebration.

**City Manager** - This budget reflects a decrease to \$506,300, down 37% and includes a decrease in staff costs related to sharing the administrative clerk position with the Human Resources Department and a decrease because the previous year included a settlement payment to a terminated employee from the City Manager's office.

**City Attorney** - This budget has decreased down to \$1,165,400 or (6%) and includes \$810,000 in contractual legal fees for litigation matters.

**Human Resources** - This budget is increasing to \$459,400 or 22% to allow for consultant costs for MOU negotiations as well as shared staffing costs with the City Manager.

**Fire Department** - This budget reflects an increase to \$5,742,900 or 7%. This increase is in large part a result of benefit cost increases as well as the new Workers Compensation insurance policy.

**Planning and Economic Development Department** - This budget reflects an increase to \$982,700 or 14%, which includes a new Assistant Planner position.

**Public Works** - This department shows an increase to \$1,595,000 or 25%. The increase resulted from the shifting of 1.5 employees back into the General Fund from the Gas Tax Fund and the Street Construction Fund and the addition of a new position of Structural Engineer.

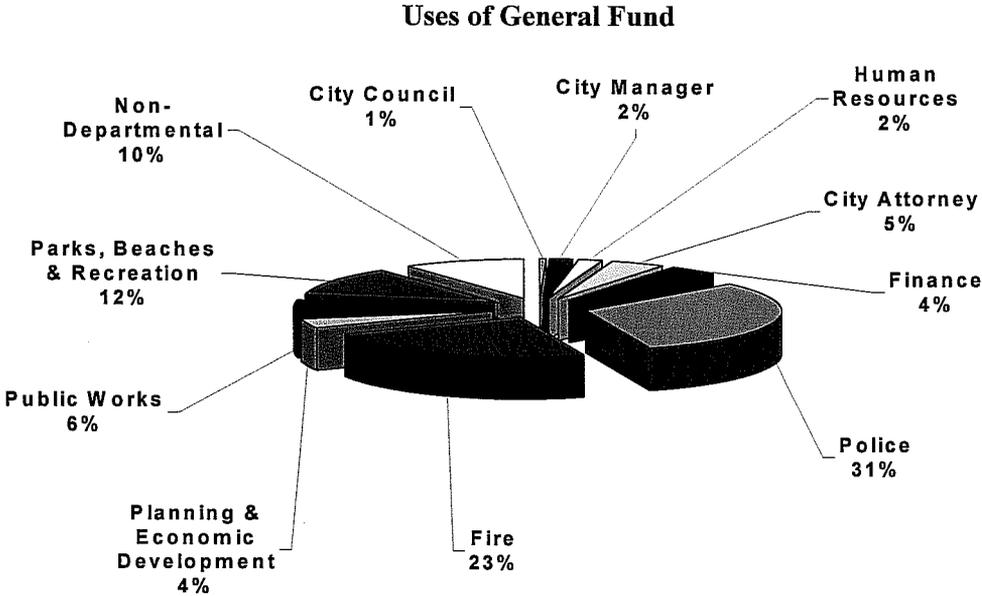
**Finance Department** - Overall increase for all divisions to \$1,032,900 or 5%. Finance includes Payroll, Accounts Payable, Accounts Receivable, Information Technology and Business Registration.

**Police Department** - The Police budget reflects an increase to \$7,953,200 or 9%. This increased budget can be attributable to increased benefit costs as well as a substantial portion of the cost of the new Worker's Compensation insurance policy.

**Parks, Beaches and Recreation** - This budget is increasing to \$3,027,000 or 2%, remaining virtually status quo.

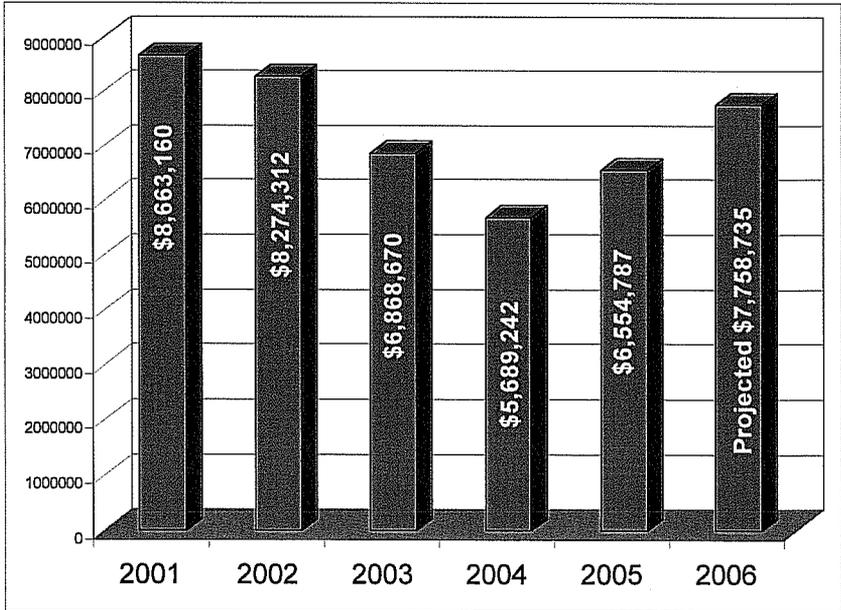
**Non-Departmental** - This budget covers those expenditures that are not directly related to a specific General Fund department, such as animal control fees, county charges, contributions to community groups, debt service, and transfers to other operating funds of the City. This budget will decrease to \$2,486,300 or (9%). Within this account, the City Council continued support of the Chamber of Commerce in the amount of \$10,000 with an additional \$30,000 for advertising to help mitigate the impact of the Devil's Slide closure. The City Council also chose to once again demonstrate a strong partnership with the Library community by contributing \$165,000 in support from this budget. In addition, the City Council supported the Resource Center in its third year of transition to independence, demonstrating their strong commitment to subsidize services for our most needy residents and ensuring that homeless prevention programs and other services to the needy are supported by this budget.

They also continued support to the Youth Service Bureau in the amount of \$10,000 for fiscal year 2006-2007. These are both organizations that reach out to provide services to the citizens of the community. The chart below demonstrates general fund uses by percentage.



**General Fund Balance** - The projected fund balance at the end of fiscal year 2005-2006 is \$7,758,735. Five year history of General Fund Balance is shown below. This graph demonstrates that the City's budget was working with a structural deficit and had to utilize fund balance in the aftermath of the recession years, but has rebounded over the past two years.

**General Fund Balance 5-Year History**



## **OTHER FUNDS:**

### **Special Revenue Funds**

**Fire Assessment Tax** - This tax was approved by the voters in March, 2004 and placed on the property tax bill for the first year of distribution in December 2004 and April 2005. Fiscal year 2006-2007 is the third year of the assessment revenue, with a sunset after year five.

**Supplemental Law Enforcement Services Fund** - Fiscal Year 1996-97 was the first year of this program. The State allocates a set amount each year, at the discretion of the legislature, to provide funding to support front line police activities. The 2006-2007 expenditure budget is \$137,100, 13% higher than the previous fiscal year.

**Gas Tax Maintenance Fund** - This Fund is mandated to track Gas Taxes. In prior years, a portion of the funds were transferred to the General Fund to support the Street Maintenance function, and the remainder stayed in the Gas Tax Maintenance Fund for construction or additional maintenance programs. In Fiscal year 2006-2007 1.5 full time equivalent street maintenance employee costs have been moved out of the Gas Tax Fund and back into the General Fund. The budget for fiscal year 2006-2007 totals \$1,265,300, approximately 14% higher than the previous fiscal year.

**National Pollution Discharge Elimination System (NPDES)** - This Fund is required to track revenues and expenditures tied to this federally mandated program. The program has been funded through assessments on the tax rolls, but since the passage of Prop 218, we cannot increase this revenue source without a vote of the taxpayers. Because we currently are raising only about \$170,000 to \$175,000, it is not prudent to take it to a special election vote. This budget is increasing 21% to \$363,000, and is subsidized by a loan from the General Fund. This increase is due to increased cost of operations due to State mandated performance requirements, and an increase in personnel assigned to this fund. A Countywide tax was approved in fiscal year 2005-2006 that will bring about \$30,000 into this fund based on \$4.00 per vehicle registered in the City.

**Planned Local Drainage Fund** - This Fund is increasing from \$33,000 to \$206,000 using funding from the previous fiscal year that was not spent. This project should be completed in fiscal year 2006-2007.

### **CAPITAL PROJECT FUNDS:**

**Street Construction Fund** - The fiscal year 2006-2007 budget of \$2,738,375 represents an increase of 60% over the previous fiscal year, but as with all capital project funds, there is very little, if any, relationship between Capital Project budgets from year to year. Projects currently in the budget that are not completed by year-end will automatically have their remaining budget rolled forward.

**Highway 1 Improvement Fund** - This Fund is responsible for funding street related capital projects along the Highway 1 corridor. The fiscal year 2006-2007 budget is \$1,067,900, the majority of which is rolled over from the previous fiscal year unspent appropriations. The bulk of this budget is for the San Pedro Creek Bridge and the Calera Parkway.

**Manor Drive Improvement** - The City approved a project to improve the overpass intersections at Manor and Highway One. This project was completed in fiscal year 2005-2006 with no new budget authority for fiscal year 2006-2007.

**Aircraft Noise Project** - This is a noise insulation program funded by the Federal Government and San Francisco International Airport. \$207,000 is allocated for payment in full of the retention once the project receives the notice of completion.

**General Capital Improvement Fund** - This fund accounts for the revenues and expenditures related to capital projects of a general nature, which are not tied to a special fund. As with other Capital Project Funds, the annual budget can fluctuate greatly from year to year. Fiscal year 2006-2007 has a new budget authority of \$347,800. Projects in this fund are almost wholly supported by grants.

**Parks/Playfields Capital Fund** - This fund accounts for design and construction costs related to the development of City parks. The budget in the amount of \$95,000 is the balance for the Skate Park project.

**R. Davies Trust** - This is a new fund dedicated to park improvement projects with a budget of \$555,000.

#### **DEBT SERVICE FUNDS:**

**Debt Service Fund** - The fiscal year 2006-2007 budget for this fund is \$424,000, which represents the refunded debt service payments on three debt issues. The City refinanced the \$5,000,000 Certificate of Participation (COP) from 1999; \$6,000,000 of COP from 2000 for construction of a new Police Station, and the \$2,630,000 COP from fiscal year 2002-03 to finish the Police Station. The City also issued an additional \$2,000,000, which will be used for infrastructure improvements. The City will take some initial savings during the first two years of the term.

#### **INTERNAL SERVICE FUNDS:**

**Self-Funded Dental Fund** - We have had five consecutive years of favorable claims history. Total estimated expenditures are projected to be \$138,000, the same as the prior year. We are not projecting any large increase or decrease in claims for the next year.

**Workers' Compensation Fund** - The last few years have rendered reasonable claims history. This fund covers workers compensation claims, excess insurance, and cost of our outside administrator. The City has joined a pool participating in a workers compensation program. The cost to participate is \$722,000 this year. These costs are charged through payroll and transferred to this fund for coverage.

**General Liability Fund** - This self-insured fund is \$310,000, down up from \$433,000 the previous fiscal year. There will be no transfers from the general fund this year. The City has increased its general liability insurance from \$15,000,000 to \$20,000,000. Funding is from premiums charged to the General Fund and the Sewer Fund. Expenditures in this fund include pool premiums, excess coverage premiums, outside professional services, and self-retention claims payments. Overall costs have remained relatively stable over the past several years.

**Motor Pool Operations Fund** - Expenditures are decreasing from \$746,000 to \$694,000, a decrease of 7%. Costs for vehicle maintenance should remain pretty much status quo during the upcoming year, although gasoline prices have impacted this budget negatively.

**Motor Pool Replacement Fund** - The budget is \$638,000, which includes \$300,000 for the purchase of one PB&R van and two Fire vehicles.

#### **ENTERPRISE FUNDS:**

**Wastewater Treatment Plant** - The plant's budget for next year is reflecting an increase of 3.6% to \$8,800,000.

**Sewer Facility Construction Fund** - The budget for 2006-2007 is \$1,500,000 of new budget authority compared to \$783,000 the previous fiscal year. There are numerous continuing projects planned for the wastewater treatment plant.

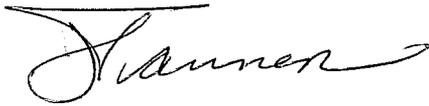
**REDEVELOPMENT AGENCY:**

The RDA budget for 2006-2007 is budgeted at \$407,000 and includes \$127,100 for debt service for partial payment to the General Fund. The remaining debt to the General Fund will continue to accrue interest expense and will be repaid as the tax increment from the RDA project area grows. There is a pass-through in the amount of \$4,100 that goes directly to North Coast County Water District. Additionally, the State has shifted \$9,100 from the RDA for Education Relief Augmentation Fund (ERAF).

**RDA Housing** - The Redevelopment Agency Housing Fund gets 20% of tax increment revenue set-aside for housing programs anywhere in the City. This 20% is calculated before the pass-through is implemented. As tax increment revenues grow so will the dollar amount of the 20% set-aside.

In conclusion, it is with pleasure that we can say that the City was able to maintain its service levels and complete a number of projects during the last fiscal year. We are confident that we can meet the challenges before us and continue to make significant operational improvements with the support of the City Council and the continued diligence of innovative and motivated staff, as well as an actively involved community.

Respectfully submitted,



Joseph M. Tanner  
City Manager

Respectfully submitted,



Maureen M. Lennon  
Finance Director/City Treasurer

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA  
ADOPTING OPERATING AND CAPITAL BUDGETS FOR FY 2006-2007**

The City Council of the City of Pacifica hereby resolves as follows:

**SECTION 1.                    Adoption of Budget**

The City of Pacifica preliminary budget for FY 2006-2007, as submitted to the City Council on June 26, 2006, is hereby adopted as the budget for the City of Pacifica for FY 2006-2007. The appropriations for the General Fund Departments and other Funds shall be set forth as follows:

	<u>Adopted Budget 2006-2007</u>
<b>GENERAL FUND:</b>	
City Council	133,180
City Manager's Office	506,292
Human Resources	459,443
City Attorney's Office	1,165,363
Finance Department	1,032,886
Police Department	7,953,155
Fire Department	5,742,939
Planning & Economic Development	982,737
Public Works - Field Services	1,595,077
Parks, Beaches & Recreation Department	3,026,916
Non-Departmental (includes transfers)	<u>2,486,255</u>
<b>TOTAL GENERAL FUND:</b>	<u>25,084,244</u>
<b>CAPITAL PROJECT FUNDS:</b>	
Street Construction Fund	2,589,975
Highway 1 Improvement Fund	1,067,889
Aircraft Noise Project Fund	207,064
General Capital Improvement Fund	347,859
Sewer Facility Fund	1,506,940
Manor Drive Improvement Fund	-0-
Parks/Playfields Improvement Fund	95,000
PB&R - R. Davies Trust	<u>555,000</u>
<b>TOTAL CAPITAL PROJECT FUNDS:</b>	<u>6,369,727</u>
<b>OTHER OPERATING FUNDS:</b>	
Fire Assessment Fund	1,018,000
Traffic Safety Fund	-0-
Supplemental Law Enforcement Fund	137,126
Gas Tax Maintenance Fund	1,265,325
NPDES Stormwater Fund	363,076
Planned Local Drainage Fund	206,000
WWTP Operations & Maintenance Fund	<u>8,818,325</u>
<b>TOTAL OTHER OPERATING FUNDS:</b>	<u>11,807,852</u>
<b>TOTAL ALL FUNDS:</b>	<u>43,261,822</u>

SECTION 2. Transfers of Funds Between Departments

The City Council of the City of Pacifica may, by simple motion and second, passed by affirmative vote of three (3) members, transfer funds between departments as set forth in the departmental budget summaries.

SECTION 3. Transfers of Funds Within Departments

The City Manager may, by his written instructions, transfer funds between object classifications within a department as set forth in the budget details. A copy of such instruction shall be provided to each Council member.

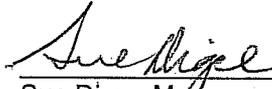
SECTION 4. Transfers of Funds Between Funds

Transfers of funds between funds as shown in the budget summary shall be made as expenditures warrant such transfers. Other transfers may be made by City Council Resolution adopted by affirmative vote of three (3) members.

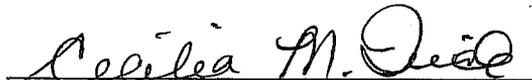
\* \* \* \* \*

Passed and adopted at a meeting of the City Council of the City of Pacifica held on the 26th day of June 2006, by the following vote:

AYES, Councilmembers:	Lancelle, Hinton, DeJarnatt & Digre
NOES, Councilmembers:	None
ABSENT, Councilmembers:	Vreeland
ABSTAIN, Councilmembers:	None

  
Sue Digre, Mayor

APPROVED AS TO FORM:

  
Cecilia M. Quick, City Attorney

ATTEST:

  
Kathy O'Connell, City Clerk

**RESOLUTION NO. 01-2006**

**A RESOLUTION OF THE AGENCY BOARD OF THE  
CITY OF PACIFICA REDEVELOPMENT AGENCY ADOPTING THE  
OPERATING BUDGETS FOR THE REDEVELOPMENT AGENCY GENERAL FUND  
AND HOUSING AUTHORITY FUND FOR FISCAL YEAR 2006-2007**

**WHEREAS**, there has been submitted to the Agency Board a preliminary budget for the operation of Redevelopment Agency and Housing Authority programs and functions for the Fiscal Year 2006-2007, and there has been submitted to the Agency Board a preliminary budget for the capital expenditures related to Redevelopment Agency programs and activities for the Fiscal Year 2006-2007; and

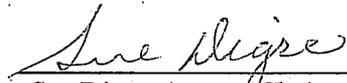
**WHEREAS**, the Agency Board held meetings to review the proposed RDA operating and capital budget and Housing Authority budget; and the Agency Board took action to accept the proposed RDA budget; and

**NOW, THEREFORE, BE IT RESOLVED** by the Agency Board that as of June 26, 2006, the amount of \$406,700 be fixed as the amount necessary to meet agency operating fiscal year 2006-2007 requirements, and the amount of \$17,000 be fixed as the amount necessary to meet the Agency's Housing Authority fiscal year 2006-2007 requirements, and that the same is hereby approved, confirmed and adopted.

**PASSED AND ADOPTED** this 26th day of June, 2006, by the following roll call vote:

<b>AYES:</b>	Agency Members:	Lancelle, Hinton, DeJarnatt & Digre
<b>NOES:</b>	Agency Members:	None
<b>ABSENT:</b>	Agency Members:	Vreeland
<b>ABSTAIN:</b>	Agency Members:	None

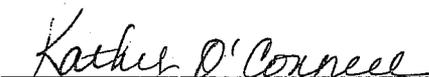
**APPROVED:**

  
Sue Digre, Agency Chairperson

**APPROVED AS TO FORM:**

  
Cecilia M. Quick, City Attorney

**ATTEST:**

  
Kathy O'Connell, Agency Board Clerk

## **BASIS OF BUDGET PREPARATION AND MAJOR FUNDS SUMMARIES**

The City of Pacifica budget contains the revenues, appropriations and other financial information pertaining to all City operating and capital budgets, including capital improvement projects. These funds are accounted for using the modified accrual basis of accounting. The City's budget goals are to achieve a balanced budget in the General Fund with revenues equal to or greater than expenditures. Guidance is provided to the departments prior to preparation of department budgets on economic outlook and parameters for funding.

Budget preparation involves several stages: 1) Preparing and updating revenue projections; 2) developing budget guidelines; 3) requesting estimates from departments; 4) reviewing departmental estimates for accuracy; and 5) conducting Council budget Study Sessions to decide what to recommend for funding; and finally adoption of the budget. To assist departments with the preparation of the budget requests, the departments are presented with an Excel budget detail worksheet, which is completed and returned to the Finance Department for review. The City Manager directs the staff in budget guidelines, which are essentially policy statements that provide the departments with a sense of the budgetary environment for the forthcoming year. After receipt of departmental proposals, the City Manager reviewed each submission and made necessary cuts to attempt to balance the budget with respect to projected revenue levels.

The City has no formal written policy for fund balance of the General Fund; however, historically the City has put into practice the maintenance of a restricted and un-appropriated fund balance of approximately 10% of the General Fund Operating Budget. The General Fund operating reserve balance as of the end of fiscal year 2006-2007 is projected to be \$2,244,231, representing approximately 10% of General Fund operating expenditures for 2006-2007. The total General Fund balance as of the end of fiscal year 2006-2007 is projected to be \$7,668,310 representing 30% of the General Fund Operating budget for 2006-2007.

The City maintains a policy limiting annual debt obligation to less than 5% of total expenditures. The City also maintains a policy that Cost of Services fees are reviewed annually and adjusted to match costs where applicable. The City of Pacifica has an Investment Policy that has been certified by the Association of Public Treasurers, U.S. & Canada.

**Budgetary Control** is maintained through monthly reports of revenue and expenditure accounts. The Council is provided with a bi-monthly financial status report reviewing year-to-date expenditure and revenue positions as compared to budget. A mid-year budget review and adjustment process is completed each January and submitted to the Council for review and approval. Total appropriations within a fund may only be increased with Council approval. This review precedes preparation of a new budget. Budgetary adjustments are only considered within the framework of the adopted budget and the City Council's directions, goals and policies. The City Council appropriates the funds necessary to meet operating activities and capital budgets are based on estimates of municipal needs for the fiscal year. The Departments prepare a work program, which is usually submitted to the City Council for review and discussion in March. The City Council usually receives the proposed budget in late May and schedules the necessary public study sessions to review the recommendations. Following the Council's review, a public hearing is held and the budget is usually adopted in late June. The fiscal year 2006-2007 proposed budget was presented to Council for consideration and adoption on June 26, 2006.

### **MAJOR FUNDS SUMMARIES:**

**General Fund:** Revenues for fiscal year 2006-2007 for the General Fund including transfers-in for both restricted and unrestricted, are estimated to be \$24,993,820 representing a 5.22% increase over the adopted 2005-2006 budget. Expenditures for fiscal year 2006-2007 for the General Fund including transfers-out for both restricted and unrestricted, are estimated to be \$25,084,244 representing a 4.25% increase over the adopted 2005-2006 budget, with a fund balance projection of \$7,668,310 including both restricted and unrestricted.

**Sewer Fund Operations:** Revenues for fiscal year 2006-2007 for the Sewer Fund Operations including transfers in for both restricted and unrestricted, are estimated to be \$8,820,000, up from the adopted budget of 2005-2006 by 3.61%. Expenditures for fiscal year 2006-2007 for the Operation Sewer Fund including transfers out for both restricted and unrestricted, are estimated to be \$8,818,325, representing a 0.81% increase over the adopted 2005-2006 budget. Fund balance at the end of fiscal year 2006-2007 is estimated at \$14,375,221 and is \$1,675 more than the fund balance at the end of 2005-2006.

**Gas Tax Fund:** Revenues for fiscal year 2006-2007 for the Gas Tax Fund, including transfers-in for both restricted and unrestricted, are estimated to be \$1,141,200 representing a 17.77% increase from the adopted 2005-2006 budget. Expenditures for fiscal year 2006-2007 for the Gas Tax Fund including transfers-out for both restricted and unrestricted, are estimated at \$1,265,325 representing a 16.91% increase from the adopted 2005-2006 budget. Fund balance at the end of fiscal year 2006-2007 is anticipated to be \$(67,571).

**Street Construction Fund:** Revenues for fiscal year 2006-2007 are projected at \$1,575,000 representing a 74.42% increase over fiscal year 2005-2006. Expenditures for fiscal year 2006-2007 are budgeted at \$2,738,375, representing a 60% increase from the adopted 2005-2006 budget. Fund balance at the end of fiscal year 2006-2007 is projected to be \$2,058,020.

**Capital Improvement Fund:** Estimated revenues for fiscal year 2006-2007 for the Capital Improvement Fund, including transfers for both restricted and unrestricted, are \$1,305,000 representing a 64.5% decrease from the adopted 2005-2006 budget. Expenditures for Fiscal year 2006-2007 are estimated at \$347,859 resulting in a 93.7% decrease in expenditures from the adopted 2005-2006 budget. Fund Balance at the end of fiscal year 2006-2007 for both unrestricted and restricted balances is estimated at (\$758,740).

**Basic Accounting:** The City's accounting system is maintained on a fund basis in accordance with governmental accounting standards. Each fund is considered a separate accounting entity with a self-balancing set of accounts that record assets, liabilities, fund equity, revenue and expenditures. All governmental funds are budgeted and accounted for using the modified accrual basis of accounting, which recognizes revenues when they become susceptible to accrual, i.e. measurable and available. Expenditures are recognized when the fund liability is incurred.

**CITY OF PACIFICA  
FISCAL BUDGET 2006-2007**

**REVENUE ASSUMPTIONS**

The Finance Director prepares the upcoming year's revenue projections and reviews these projections with the City Manager. The Finance Director estimates and forecasts revenues based on a combination of current trends, historical performance and anticipated changes to current projections. Using these forecasts, together with other local issues, assumptions are made about the economy and its resulting effects on certain individual revenue sources.

Non-recurring revenues that are anticipated are forecasted separately and scheduled only for the year or years in which they are anticipated. Certain revenue sources are limited in use by law or local policy, such as: Gasoline taxes, development charges, transient occupancy tax, fees for services, and grants. Forecasts of expenditures for public street construction and other capital improvements are identified separately for comparison with their restricted revenue sources.

Unlike appropriations, many key revenues projections are not subject to direct control by the City. For instance, Property Tax revenues vary with real estate values, and building activity revenue is affected by Building Permits and plan check fees. Sales Tax and Transient Occupancy Tax (TOT) revenues are subject to the economic cycles of businesses in the community and tourism.

The majority of the City's General Fund revenues is produced from a small number of sources, e.g.: property tax, vehicle license fees, sales tax, business registration, fees for services, and transient occupancy tax.

**DESCRIPTION OF MAJOR GENERAL FUND REVENUE SOURCES**

**Sales Tax** - Sales Tax is collected by the State Board of Equalization against tangible items. The local portion is returned to the city and county based on where the sale was made. The City considers the historical rate of change and economic conditions in forecasting future revenue. The City receives 1% of the local 8.25% sales tax rate. This revenue source is approximately 5.7% of general fund revenues.

**Property Taxes** - Property Tax revenue is collected and distributed by the County of San Mateo based on applying the constitutionally limited tax rate of 1% to the assessed value of certain secured and unsecured properties as determined by the County Assessor. The City's share of this property tax revenue is approximately 12%, less the rebate back to the state for ERAF. The City of Pacifica and the County of San Mateo have entered into a Teeter agreement, whereby the City receives 100% of its share of the taxes assessed, with the County retaining all delinquent penalties and interest collected. This revenue source is approximately 33% of general fund revenues.

**Fees for Services** - Cost of Services fees are revised on an annual basis based on a comprehensive review of actual costs and increased by the consumer price index each year. This revenue source is approximately 6% of general fund revenues.

**Vehicle-in-Lieu** - This revenue is generated by vehicle registration fees. This revenue source is approximately 14% of general fund revenues.

**Transient Occupancy Tax** - The City has a tax rate of 10% on room revenues paid to hotels within the City. The tax is paid by the guests staying at these accommodations and remitted by the hotels to the City on a monthly or quarterly basis. This revenue source has stabilized and seems to be recovering from the economic downturn. This revenue source is approximately 3.6% of general fund revenues.

**Business Registration Tax** - This revenue is generated by a registration tax paid by all businesses operating within the City. This revenue source is approximately 2% of general fund revenues.

WORKSHEET ON FUND BALANCES - 07/01/2006

No.	Fund Name	Fund Balance 2003-2004	Fund Balance 2004-2005	Projected Revenues 2005-2006	Projected Expenditures 2005-2006	Projected Fund Balance 2005-2006	Projected Revenues 2006-2007	Projected Expenditures 2006-2007	Projected Fund Balance 2006-2007	
01	General Fund	\$ 5,689,242	\$ 6,554,787	\$ 25,614,443	\$ (24,422,870)	\$ 7,746,360	\$ 24,993,820	\$ (25,084,245)	\$ 7,655,935	
<b>Special Revenue Funds</b>										
06	Traffic Safety Fund	-	-	-	-	-	-	-	-	
07	S.L.E.S. Fund	111,528	73,586	100,000	(127,850)	45,736	100,000	(137,126)	8,610	
* 08	Fire Assessment Fund	-	77,484	1,020,400	(1,018,000)	79,884	1,020,400	(1,018,000)	82,284	
10	Gas Tax Maintenance Fund	89,211	27,604	929,600	(900,650)	56,554	1,141,200	(1,265,325)	(67,571)	
16	NPDES Stormwater Fund	54,010	5,244	191,600	(297,015)	(100,171)	207,200	(363,076)	(256,047)	
19	Planned Local Drainage Fund	210,850	215,009	-	(150)	214,859	5,000	(206,000)	13,859	
	Sub-Total - Special Revenue Funds	465,599	398,927	2,241,600	(2,343,665)	296,862	2,473,800	(2,989,527)	(218,865)	
05	Trust and Agency Fund	270,901	270,901	-	-	270,901	-	-	270,901	
18	Enterprise Fund	14,628,545	14,561,613	8,525,000	(8,803,067)	14,283,546	8,820,000	(8,818,325)	14,285,221	
<b>Capital Project Funds</b>										
09	Street Construction Fund	3,967,057	3,322,030	1,122,000	(1,222,635)	3,221,395	1,575,000	(2,738,375)	2,058,020	
12	Highway 1 Improvement Fund	354,758	384,326	242,400	(74,320)	552,406	2,040,000	(1,067,889)	1,524,517	
14	Manor Drive Improvement Fund	625,127	639,621	224,000	-	863,621	40,000	-	903,621	
15	Aircraft Noise Project Fund	313,092	431,246	445,000	(674,175)	202,071	-	(207,064)	(4,993)	
22	General Capital Impr. Fund	(471,344)	(844,987)	1,841,689	(2,445,583)	(1,448,881)	1,995,000	(347,859)	198,260	
26	Parks/Playfield Capital Fund	15,134	149,024	79,000	(400,020)	(171,996)	95,000	(95,000)	(171,996)	
27	PB&R - R. Davies Trust	-	-	-	-	-	4,005,000	(555,000)	3,450,000	
	Sub-total - Capital Project Funds	4,803,824	4,081,260	3,954,089	(4,816,733)	3,218,616	9,750,000	(5,011,187)	7,957,429	
38	Disaster Accounting Fund	-	-	-	-	-	-	-	-	
* 40	Debt Service Fund	378,983	378,525	1,106,480	(1,099,857)	385,148	816,400	-	1,201,548	
<b>Internal Service Funds</b>										
65	Self-Funded Dental Plan	167,439	195,839	140,000	(138,000)	197,839	140,000	(138,000)	199,839	
* 66	Self-Insurance Fund (W/C)	(749,077)	(535,798)	562,000	(347,000)	(320,798)	722,000	(722,000)	(320,798)	
67	Self-Insurance Fund (Liab)	434,178	(279,726)	431,000	(333,000)	(181,726)	310,000	(310,000)	(181,726)	
	Sub-Total - Internal Service Funds	(147,460)	(619,685)	1,133,000	(818,000)	(304,685)	1,172,000	(1,170,000)	(302,685)	
* 71	Motor Pool Operations Fund	54,917	64,417	730,500	(831,029)	(36,112)	703,188	(694,188)	(27,112)	
* 72	Motor Pool Replacement Fund	1,757,661	1,578,778	628,000	(900,000)	1,306,778	638,130	(638,130)	1,306,778	
	Sub-Total - Motor Pool Funds	1,812,578	1,643,195	1,340,500	(1,355,857)	1,270,666	1,341,318	(1,332,318)	1,279,666	
90	Redevelopment Agency Fund	(2,615,398)	(2,077,827)	189,953	(356,900)	(2,165,300)	196,900	(406,700)	(2,375,100)	
92	Low Moderate Housing	402,379	452,249	48,020	(17,000)	-	49,225	(17,000)	32,225	
	TOTAL	\$ 25,286,814	\$ 25,191,697	\$ 44,105,065	\$ (44,016,949)	\$ 25,002,115	\$ 49,564,238	\$ (44,812,302)	\$ 29,754,051	

\* These funds are internal service resulting in fund transfers and do not represent additional revenues from outside sources.

**CITY OF PACIFICA  
SEVEN YEAR TRENDS & PROJECTIONS  
GENERAL FUND**

Major Sources & Uses	2004-05 Audited	2005-06 Projected	2006-2007 Proposed	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
<b>Revenue Sources</b>							
Property tax	\$ 7,163,997	\$ 7,920,933	\$ 8,220,000	\$ 7,490,000	\$ 8,014,300	\$ 8,415,015	\$ 8,835,766
Sales tax	1,330,597	1,100,000	1,100,000	1,133,000	1,166,990	1,202,000	1,238,060
Franchise Tax	1,421,984	1,465,000	1,470,000	1,514,100	1,559,523	1,606,309	1,654,498
Other taxes	2,438,021	3,170,000	3,300,000	3,399,000	3,500,970	3,605,999	3,714,179
Licenses & permits	368,211	308,500	331,600	341,548	351,794	362,348	373,219
Use of Money & Property	306,855	410,000	412,000	424,360	437,091	450,204	463,710
Intergovernmental	3,601,291	4,744,585	4,472,045	4,606,206	4,744,393	4,886,724	5,033,326
Services Charges	3,056,540	1,910,100	1,989,200	2,048,876	2,110,342	2,173,653	2,238,862
Other Revenue	1,396,541	3,595,325	2,538,975	2,100,000	2,163,000	2,227,890	2,294,727
Transfers In (includes Fire Assess)	2,361,000	990,000	1,160,000	990,000	990,000	90,000	90,000
Subtotal	23,445,037	25,614,443	24,993,820	24,047,090	25,038,403	25,020,141	25,936,346
				1.03			
<b>Uses</b>							
CITY COUNCIL	120,751	\$ 122,700	\$ 133,180	135,178	139,233	143,410	147,712
CITY MANAGER'S OFFICE	482,777	695,000	\$ 506,292	513,886	529,303	545,182	561,538
HUMAN RESOURCES	318,833	421,825	\$ 459,443	466,335	480,325	494,735	509,577
CITY ATTORNEY'S OFFICE	2,048,794	1,410,900	\$ 1,165,363	1,182,843	1,218,329	1,254,879	1,292,525
FINANCE DEPARTMENT	800,168	917,150	\$ 1,032,886	1,048,379	1,079,831	1,112,225	1,145,592
POLICE DEPARTMENT	6,858,143	7,352,075	\$ 7,953,155	8,072,452	8,314,626	8,564,065	8,820,987
FIRE DEPARTMENT	5,197,402	5,815,008	\$ 5,742,939	5,829,083	6,003,956	6,184,074	6,369,596
PLANNING AND BUILDING	833,780	939,675	\$ 982,737	997,478	1,027,403	1,058,225	1,089,971
PUBLIC WORKS	946,158	1,163,210	\$ 1,595,077	1,619,003	1,667,573	1,717,601	1,743,365
PARKS, BEACHES & REC.	2,899,177	2,919,917	\$ 3,026,916	3,072,320	3,164,489	3,259,424	3,357,207
NON-DEPARTMENTAL	1,584,407	2,665,410	\$ 2,486,255	1,561,255	1,608,093	1,656,336	1,706,026
	\$ 22,090,331	\$ 24,422,870	\$ 25,084,244	\$ 24,498,213	\$ 25,233,160	\$ 25,990,155	\$ 26,744,095
Surplus/Deficit	1,354,707	1,191,573	(90,424)	(451,123)	(194,757)	(970,014)	(807,750)
Ending Fund Balance	6,554,787	7,746,360	7,655,936	7,204,813	7,010,056	6,040,043	5,232,293
<b>Operating Fund Reserve included</b>	<b>1,944,231</b>	<b>2,244,231</b>	<b>2,244,231</b>	<b>2,244,231</b>	<b>2,244,231</b>	<b>2,244,231</b>	<b>2,244,231</b>
Operating Reserve %	8%	9%	9%	9%	9%	9%	9%