

# *City of Pacifica California*



## *Adopted Budget Fiscal Year 2008-2009*

**CITY OF PACIFICA, CALIFORNIA  
2008-2009 ADOPTED BUDGET**

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City Manager  
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## ***Budget Summary Fiscal Year 2008-2009***

### **MESSAGE FROM THE CITY MANAGER**

Honorable Mayor, Members of the City Council and Citizens of Pacifica:

On behalf of the Management Team and the Finance Department staff, I am pleased to present to you the City of Pacifica Annual 2008-2009 Operating and Redevelopment Budget. This budget was adopted on June 9, 2008. The General Fund operating budget for 2008-2009 is \$27,410,015, an increase of 14.55% from the previous fiscal year budget. The General Fund budget as adopted is a balanced budget, utilizing \$2.511 million in contingency/operating reserves to bridge a shortfall. The shortfall is comprised of a loss of \$700,000 of revenue due to economic conditions, \$804,000 in one time expenditures (General Plan update \$714,000, \$70,000 solid waste franchise RFP and \$20,000 Section 125 plan revision) and increased personnel costs. The General Fund contingency/operating reserve is projected to begin FY 2008-09 at \$6,412,233 and end with \$3,901,651 (14.23% of the annual General Fund expenditures). The total City budget for all funds, including the Enterprise Fund and the Redevelopment Agency, is \$47,862,285.

The budget process began in April with two study sessions. The City Council reviewed the General Fund and all other operating funds and gave staff direction regarding the projected \$2.7 million shortfall. City Council directed staff to include annual contributions to community groups and organizations. The third and final budget work session was on May 21, 2008 and included an updated revenue projection and a discussion regarding the City's implementation of a voluntary reduced work hour and separation program. Although the City had no voluntary separations under the program, three reduction in work hour requests were accepted for a savings of \$3,000. The budget also includes two (2) police officer positions, six (6) months of a police corporal position and a firefighter position and one (1) ranger position which were frozen in the prior year.

#### **Expenditures**

All departments reflect an increase in costs from fiscal year 2007/08 to 2008/09. The increases are due to negotiated salary and benefit increases as well as several one-time projects.

City Council – Total budget: \$141,600. The increase (3.47% over the prior year) is attributed to a change in benefit distribution.

City Manager – Total budget: \$519,500. The increase (21.75% over the prior year) is for the additional cost of an election (\$40,000) and the full funding of the position of City Manager.

Human Resources – Total budget \$438,740. The increase (16.6% over the prior year) reflects the additional one time cost of the Section 125 plan revisions and legal services for labor negotiations.

City Attorney – Total budget \$994,800. The increase (33.87% over the prior year) reflects ongoing contractual legal costs as well anticipated litigation costs.

Finance Department – Total budget \$1,193,490. The increase (18.4% over the prior year) is attributed to the one time cost of the solid waste RFP process of \$70,000.

Police Department – Total budget \$9,327,500. The increase (11.35% over the prior year) can be attributed to the first full year of funding of a third Captain and corrections in dispatcher staffing from a prior year.

Fire Department – Total budget \$5,476,350. The increase (8.1% over the prior year) for negotiated salary and benefit increase.

Planning and Building Department – Total budget \$1,182,025. The increase (13.47% over prior year) which reflects the transfer of an employee into this department.

Public Works – Total budget \$1,748,075. The increase (13.71% over the prior year) that includes the full funding of a ranger position and public works director.

Parks, Beaches and Recreation – Total budget \$3,795,320. The increase (8.54% over the prior year) for negotiated increases in salary and benefits.

Non-Departmental – Total budget \$2,592,615. Covers those expenditures that are not directly related to a specific General Fund department, as well as transfers to other operating funds of the City. This budget reflects the following:

|   |                     |                                     |
|---|---------------------|-------------------------------------|
| Special Studies: \$713,515              | General Plan Update | SB 90 monitoring - \$8,320          |
| Sales Tax monitoring: \$7,000           |                     | Cable franchise monitoring: \$1,500 |
| SAMCAT membership: \$2,000              |                     | Development Fees study: \$30,000    |
| Sustainable Silicon Valley: \$1,000     |                     | Community Clean Up: \$3,000         |
| HEART: \$15,000                         |                     | ICLEI: \$600                        |
| Farmers Market: \$4,000                 |                     | Visitor Center: \$10,000            |
| Resource Center: \$83,000               |                     | Community Youth: \$5,000            |
| Animal Control Contract: \$205,000      |                     | Library Services: \$160,000         |
| Pacifica Community Television: \$53,550 |                     | PERS Actuarial \$8,000              |
| Employment Risk Insurance \$115,000     |                     |                                     |

## **Revenue**

Projected General Fund revenues are decreasing. The current economic climate has had a significant impact on prior projections in growth of property taxes. The City over the past several years has projected 8-13% increases in property taxes but with the slowing economy, the City's property tax revenue may increase only 2%.

*Sales tax* is now shown in two categories. Sales tax and the new "Supplemental Property Tax in Lieu of Sales Tax". The new category is the result of 25% of the sales tax revenue being shifted for distribution to the City at the time of property tax distribution in April and December. Sales tax revenue is projected to decrease as consumer spending drops and the City anticipates less revenue from the state in supplemental property tax in-lieu.

*Transient Occupancy Tax* revenue is projected to increase due to continued collection of delinquent taxes. Without the delinquencies, transient occupancy tax would be unchanged.

*Public Safety Sales Tax* from Proposition 172 fluctuates with the economy. The City will receive this revenue via the County and the distribution is based on a complex formula that is not tied to the point of sale like regular sales tax.

*Intergovernmental Revenues* consists of revenues that the City receives directly from other government agencies in the form of entitlements or grants. Intergovernmental revenues are projected to decrease, as State grants and funding are uncertain. The State will continue to collect and disburse vehicle license fees by paying local agencies .65%, which is collected from vehicle owners and then will "backfill" the remaining 1.35% through a shift in property taxes.

*Current Service Charges* reflect a decrease due to the slowing economy. Building, planning and business related fees are projected to decrease. The overall current service charges reflect an increase due to an enterprise fund administrative service charge and a new fee for rental of a city trailer to a private provider for housing ambulance personnel. The administrative service charge, per the 2007 Council adopted cost allocation study, reflects the direct costs of General Fund personnel to the Wastewater function.

*Recreation Fees* given economic conditions may remain flat. Overall, the Parks, Beaches and Recreation department recuperates approximately 76% of its total expenditures on programs. *Childcare Fees* are projected to be up by 11% to \$1,088,000 due to new grants to support expanded programming. *Seniors-in-Action Fees* are also budgeted to increase by 13% to \$85,700.

Fiscal year 2008-2009 is the final year of the community supported *Fire Assessment* funding that provides six firefighter base salaries and benefits as well as revenue for the eventual purchase of a new replacement fire engine.

The coming year will be challenging given the down turn of the economy and the continued demand for quality municipal services.

Respectfully submitted,



Stephen A. Rhodes  
City Manager

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA  
ADOPTING OPERATING AND CAPITAL BUDGETS FOR FY 2008-2009**

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

**SECTION 1.            Adoption of Budget**

The City of Pacifica budget for FY 2008-2009, as submitted to the City Council on June 9, 2008, is hereby adopted as the budget for the City of Pacifica for FY 2008-2009. The appropriations for the General Fund Departments and other Funds shall be set forth as follows:

|  | <u>Adopted Budget<br/>2008-2009</u> |
|--|-------------------------------------|
| <b>GENERAL FUND:</b>                   |                                     |
| City Council                           | 141,600                             |
| City Manager's Office                  | 519,500                             |
| Human Resources                        | 438,740                             |
| City Attorney's Office                 | 994,800                             |
| Finance Department                     | 1,193,490                           |
| Police Department                      | 9,327,500                           |
| Fire Department                        | 5,476,350                           |
| Planning & Economic Development        | 1,182,025                           |
| Public Works - Field Services          | 1,748,075                           |
| Parks, Beaches & Recreation Department | 3,795,320                           |
| Non-Departmental (includes transfers)  | <u>2,592,615</u>                    |
| <b>TOTAL GENERAL FUND:</b>             | <u>27,410,015</u>                   |
| <b>CAPITAL PROJECT FUNDS:</b>          |                                     |
| Street Construction Fund               | 2,602,718                           |
| Highway 1 Improvement Fund             | 2,078,900                           |
| Aircraft Noise Project Fund            | 0                                   |
| General Capital Improvement Fund       | 713,256                             |
| Sewer Facility Fund                    | 508,000                             |
| Manor Drive Improvement Fund           | 513,200                             |
| Parks/Playfields Improvement Fund      | 21,800                              |
| PB&R - R. Davies Trust                 | <u>377,100</u>                      |
| <b>TOTAL CAPITAL PROJECT FUNDS:</b>    | <u>6,814,974</u>                    |
| <b>OTHER OPERATING FUNDS:</b>          |                                     |
| Fire Assessment Fund                   | 951,400                             |
| Supplemental Law Enforcement Fund      | 0                                   |
| Gas Tax Maintenance Fund               | 1,167,500                           |
| NPDES Stormwater Fund                  | 115,400                             |
| Planned Local Drainage Fund            | 3,000                               |
| WWTP Operations & Maintenance Fund     | <u>11,399,996</u>                   |
| <b>TOTAL OTHER OPERATING FUNDS:</b>    | <u>13,637,296</u>                   |
| <b>TOTAL ALL FUNDS:</b>                | <u>47,862,285</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.

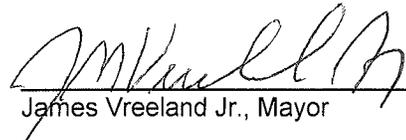
SECTION 4. Transfers of Funds Between Funds

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 9th day of June 2008, by the following vote:

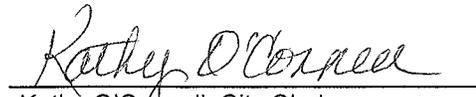
|                          |                                      |
|--------------------------|--------------------------------------|
| AYES, Councilmembers:    | DeJarnatt, Digre, Lancelle, Vreeland |
| NOES, Councilmembers:    | None                                 |
| ABSENT, Councilmembers:  |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

  
 \_\_\_\_\_  
 James Vreeland Jr., Mayor

APPROVED AS TO FORM:

  
 \_\_\_\_\_  
 Cecilia M. Quick, City Attorney

ATTEST:

  
 \_\_\_\_\_  
 Kathy O'Connell, City Clerk

**RESOLUTION NO. 02-2008**

**A RESOLUTION OF THE CITY OF PACIFICA REDEVELOPMENT AGENCY  
ADOPTING THE OPERATING BUDGETS FOR THE REDEVELOPMENT  
AGENCY GENERAL FUND AND HOUSING AUTHORITY FUND FOR FISCAL  
YEAR 2008-2009**

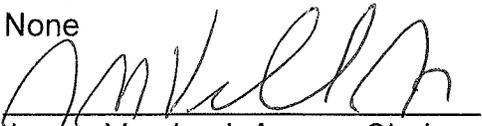
**WHEREAS**, there has been submitted to the Agency Board a budget for the operation of Redevelopment Agency and Housing Authority programs and functions for the Fiscal Year 2008-2009, and there have been submitted to the Agency Board a preliminary budget for the capital expenditures related to Redevelopment Agency programs and activities for the Fiscal Year 2008-2009; 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

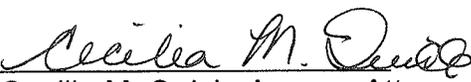
Agency Members May 27, 2008, the amount of \$375, 969 be fixed as the amount necessary to meet agency operating fiscal year 2008-2009 requirements, and the amount of \$17,000 be fixed as the amount necessary to meet the Agency's Housing Authority fiscal year 2008-2009 requirements, and that the same is hereby approved, confirmed and adopted.

**PASSED AND ADOPTED** at a City of Pacifica Redevelopment Agency meeting, held on May 27, 2008 by the following vote:

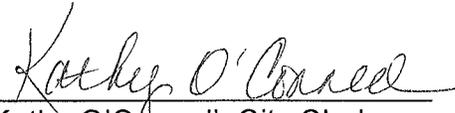
|          |                 |                                      |
|----------|-----------------|--------------------------------------|
| AYES,    | Agency Members: | DeJarnatt, Digre, Lancelle, Vreeland |
| NOES,    | Agency Members: | None                                 |
| ABSENT,  | Agency Members: | Hinton                               |
| ABSTAIN, | Agency Members: | None                                 |

  
James Vreeland, Agency Chairperson

**APPROVED AS TO FORM:**

  
Cecilia M. Quick, Agency Attorney

**ATTEST:**

  
Kathy O'Connell, City 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 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. 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 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 June. The fiscal year 2008-2009 proposed budget was presented to Council for consideration and adoption on June 9, 2008.

### **MAJOR FUNDS SUMMARIES:**

**General Fund:** Revenues for fiscal year 2008-2009 for the General Fund, including transfers-in for both restricted and unrestricted, are estimated to be \$24,899,433 representing a 1.04% increase over the adopted 2007-2008 budget. Expenditures for fiscal year 2008-2009 for the General Fund, including transfers-out for both restricted and unrestricted, are estimated to be \$27,410,015 representing a 14.55% increase over the adopted 2007-2008 budget, with a fund balance projection of \$7,099,744, including both restricted and unrestricted.

**Sewer Fund Operations:** Revenues for fiscal year 2008-2009 for the Sewer Fund Operations, including transfers in for both restricted and unrestricted, are estimated to be \$11,410,000, up from the adopted budget of 2007-2008 by 17.29%. Expenditures for fiscal year 2008-2009 for the Sewer Fund Operations, including transfers out for both restricted and unrestricted, are estimated to be \$11,399,996, representing a 17.66% increase over the adopted 2007-2008 budget. Fund balance of the Sewer Fund Operations at the end of fiscal year 2008-2009 is estimated at \$12,445,588.

**Gas Tax Fund:** Revenues for fiscal year 2008-2009 for the Gas Tax Fund, including transfers-in for both restricted and unrestricted, are estimated to be \$779,000 representing a .256% decrease from the adopted 2007-2008 budget. Expenditures for fiscal year 2008-2009 for the Gas Tax Fund, including transfers-out for both restricted and unrestricted, are estimated at \$1,167,500 representing an 8.97% decrease from the adopted 2007-2008 budget. Fund balance at the end of fiscal year 2008-2009 is anticipated to be (\$660,697).

**Street Construction Fund:** Revenues for fiscal year 2008-2009 are projected at \$2,297,326 representing a 41.55% increase over fiscal year 2007-2008. Expenditures for fiscal year 2008-2009 are budgeted at \$2,602,718, representing a 17.53% decrease from the adopted 2007-2008 budget. Fund balance at the end of fiscal year 2008-2009 is projected to be \$1,617,116.

**Capital Improvement Fund:** Estimated revenues for fiscal year 2008-2009 for the Capital Improvement Fund, including transfers for both restricted and unrestricted, are \$692,372 representing a 47.38% decrease from the adopted 2007-2008 budget. Expenditures for Fiscal year 2008-2009 are estimated at \$713,256 resulting in an 82.3% decrease in expenditures from the adopted 2007-2008 budget. Fund Balance at the end of fiscal year 2008-2009 for both unrestricted and restricted balances is estimated at \$1,318,206.

**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 2008-2009**

**REVENUE ASSUMPTIONS**

The Administrative Services Director prepares the upcoming year's revenue projections and reviews these projections with the City Manager. The Administrative Services 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.