

CITY OF PACIFICA

CALIFORNIA

ADOPTED BUDGET

FISCAL YEAR 2010-2011

**CITY OF PACIFICA, CALIFORNIA
2010-2011 ADOPTED BUDGET**

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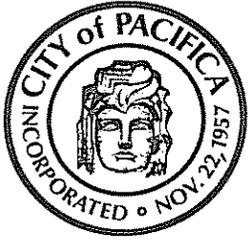
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City Manager
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**Budget Summary
Fiscal Year 2010-2011**

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 the City of Pacifica Annual 2010-2011 Operating and Redevelopment Budget. The budget was adopted on June 14, 2010. The General Fund operating budget for 2010-2011 is \$ 26,381,893 an increase of 3.79% from the projected fiscal 2009/10 year budget. The General Fund FY 2010-2011 budget is balanced budget, utilizing \$2.9 million in contingency/operating reserves to bridge the shortfall. The shortfall is comprised of an ongoing structural deficit and the significant loss of revenue due to economic conditions. The General Fund contingency/operating reserve is projected to begin FY 2010-11 at \$4,561,751 and end with \$1,650,137 (5.8% of the annual General Fund expenditures).

The approved budget also includes:

| | |
|-------------------------------------|----------------------------|
| CAPITAL PROJECT FUNDS: | |
| Street Construction Fund | 2,217,555 |
| Highway 1 Improvement Fund | 810,575 |
| Aircraft Noise Project Fund | 0 |
| General Capital Improvement Fund | 654,803 |
| Sewer Facility Fund | 4,691,714 |
| Manor Drive Improvement Fund | 555,600 |
| Parks/Playfields Improvement Fund | 208,050 |
| PB&R - R. Davies Trust | 169,150 |
| TOTAL CAPITAL PROJECT FUNDS: | <u>\$9,307,447</u> |
| OTHER OPERATING FUNDS: | |
| Fire Assessment Fund | 627,667 |
| Supplemental Law Enforcement Fund | 0 |
| Gas Tax Maintenance Fund | 1,340,299 |
| NPDES Stormwater Fund | 133,371 |
| Planned Local Drainage Fund | 159,000 |
| WWTP Operations & Maintenance Fund | 14,291,941 |
| TOTAL OTHER OPERATING FUNDS: | <u>\$16,552,278</u> |
| TOTAL ALL FUNDS: | <u>\$54,241,618</u> |

The budget process began in April with the first of two budget work sessions. The City Council reviewed the General Fund and all other operating funds and gave staff direction to utilize reserves for the projected \$2.9 million shortfall. The use of reserves to bridge the budget deficit conforms with the City's recently adopted Five-Year Financial Plan that was developed by the Financing City Services Task Force.

Five Year Financial Plan

The Financing City Services Task Force was originally created by the City Council in September 2008 to work on replacement revenue for the Fire Assessment that expired in June 2009. Their initial work culminated in a Sales Tax Measure presented to the voters in May 2009. When the measure was not

approved by the voters, the City Council adopted a revised July 2009 mission for the Task Force that set out the following objectives:

- Work with staff to review service levels and expenditures;
- Explore ways to reduce costs and achieve efficiencies in City operations;
- Examine revenues and explore the need for additional or revised methods to finance City services;
- Develop and recommend to the City Council a Five Year Financial Plan that will incorporate the results of the Task Force's review of expenditures and revenues and establish a method for resolving the structural deficit.

The Task Force, representing a variety of community members, met twice a month beginning in August 2009 and issued its report in April 2010. The report and task force recommendations were adopted by the City Council in May. The recommended approach reduces the structural deficit of the City over a five-year period. Included are reductions in expenditures through negotiated savings in personnel costs and increased revenues that will be presented to voters. It should be noted that the report also contains two additional approaches – one a departmental percentage reduction to services and a second that involves staff reductions (layoffs). These options were developed and approved should the recommended approach not achieve the intended deficit reduction goal. The preferred option moves the City away from a structural deficit and by year four (FY 2013-2014) of the Plan the deficit should be eliminated and the City will begin rebuilding a reserve. The Task Force will meet annually over the next five years to analyze the progress that has been made and assess whether additional recommendations to the Council are needed to continue progress on resolving the structural deficit.

Budget

As presented, the FY 2010-2011 budget, reflects a 3.79% increase from the prior projected budget. City departments reduced expenditures by cutting supplies and services and eliminating vacant positions and conversely absorbed salary and benefit increases from existing labor contracts. Should there be additional reductions in revenue or increases in expenditures (emergency, disaster or litigation), the City will need to reassess the financial plan options.

The FY 2010-2011 budget, mirrors the five year financial plan. Revenue projections are conservative, reflecting the continued economic climate. Increases in expenditures reflect the City's obligations to honor existing labor contracts and the labor contract increases from early 2010. The budget, per the Five Year Financial Plan, does not include personnel increases for labor units that have contracts that are expiring in June 2010.

The final budget document totals do not vary from those presented at the budget work sessions.

The following is a summary of each of the departmental budgets:

- City Council – Total budget \$158,826
- City Manager/City Clerk – Total budget \$541,666
- Human Resources – Total budget \$489,456
- City Attorney – Total budget \$612,063
- Finance Department – Total budget \$1,261,792
- Police Department – Total budget \$9,834,070
- Fire Department – Total budget \$5,792,791
- Planning and Building Department – Total budget \$1,255,489
- Public Works – Total budget \$2,486,784
- Parks, Beaches and Recreation – Total budget \$3,729,919
- Non-Departmental – Total budget \$2,219,919
 - Special Studies: \$150,000 (General Plan)
 - Community Services: Resource Center \$83,000 and Visitor Center \$10,000
 - Pacifica Community Television: \$54,899
 - County Library: \$95,500 Extra Hours
 - Contracts: \$12,000 League of Cities, \$4,000 Farmers Market, \$600 ICLEI, \$15,000 HEART, \$3,000 Community Clean Ups, \$1,000 Smart Silicon Valley, \$30,000 Fee Study, \$2,000 SMCAT, \$1,500 Cable Monitoring, \$7,000 Sales Tax Monitoring and \$8,320 SB 90 Reimbursements
 - Animal Control: \$227,758

Projected General Fund revenues are decreasing. The following is a summary of significant changes to Fiscal Year 2010-2011 Revenues:

Property Tax - The current economic climate has had a significant impact on prior projections in the growth of property taxes. The City at one point several years ago projected 8-13% increases in property taxes but the economy has slowed. At this time, on the advice of the County Assessor, the City is projecting no increase or decrease in property tax revenue nor any "one time" adjustments as were received in 2009/10.

Other Taxes

Sales Tax is found in two sections – sales tax and "Supplemental Property Tax in Lieu of Sales Tax". The budget projects sales tax revenue to increase slightly as consumer spending appears to have leveled off and the City anticipates an increase in revenue from the state in supplemental property tax in-lieu (returning to a 2007/08 level).

Transient Occupancy Tax revenue is projected to return to FY 2008/09 levels.

Intergovernmental Revenues - this revenue group consists of revenues that the City receives directly from other government agencies in the form of entitlements or grants. Intergovernmental revenues are uncertain at this time as the State is looking at every possible revenue source. Budget projections are unchanged from the prior year, which was conservative.

Current Service Charges – the change in revenues in this area are primarily due to economic conditions. Building, planning and business related fees are projected to increase slightly. The administrative service charge, per the cost allocation study that was adopted by the City Council in 2007, reflects the direct costs of General Fund personnel to the Wastewater function.

Recreation Fees – these program fees are budgeted to increase. The increase is a result of the projected fall reopening of the Oceana aquatics programs. Overall, the Parks, Beaches and Recreation department recuperates approximately 75% of its total expenditures for programs through fees.

Childcare Fees - The revenue projection has decreased over the previous year due to changes in programming and potential cuts in childcare grants with the State.

Seniors-in-Action Fees are also budgeted to decrease with less funding in special programs.

The coming year marks the first year of implementation of the Five Year Financial Plan. All of the City's labor contracts will expire and be re-negotiated, two of three revenue measures will be presented to voters or property owners and the City of Pacifica will continue to explore options for consolidation of services with neighboring cities

Respectively submitted,



Stephen A. Rhodes
City Manager

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA
ADOPTING OPERATING AND CAPITAL BUDGETS FOR FY 2010-2011**

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

SECTION 1. Adoption of Budget

The City of Pacifica budget for FY 2010-2011, as submitted to the City Council on June 14, 2010, is hereby adopted as the budget for the City of Pacifica for FY 2010-2011. The appropriations for the General Fund Departments and other Funds shall be set forth as follows:

| | <u>Adopted Budget 2010-2011</u> |
|--|-------------------------------------|
| GENERAL FUND: | |
| City Council | 158,826 |
| City Manager's Office | 541,666 |
| Human Resources | 489,465 |
| City Attorney's Office | 612,063 |
| Finance Department | 1,261,792 |
| Police Department | 9,834,070 |
| Fire Department | 5,792,791 |
| Planning & Economic Development | 1,255,489 |
| Public Works - Field Services | 2,486,784 |
| Parks, Beaches & Recreation Department | 3,729,919 |
| Non-Departmental (includes transfers) | <u>2,219,028</u> |
| TOTAL GENERAL FUND: | <u>28,381,893</u> |
| CAPITAL PROJECT FUNDS: | |
| Street Construction Fund | 2,217,555 |
| Highway 1 Improvement Fund | 810,575 |
| Aircraft Noise Project Fund | 0 |
| General Capital Improvement Fund | 654,803 |
| Sewer Facility Fund | 4,691,714 |
| Manor Drive Improvement Fund | 555,600 |
| Parks/Playfields Improvement Fund | 208,050 |
| PB&R - R. Davies Trust | <u>169,150</u> |
| TOTAL CAPITAL PROJECT FUNDS: | <u>9,307,447</u> |
| OTHER OPERATING FUNDS: | |
| Fire Assessment Fund | 627,667 |
| Supplemental Law Enforcement Fund | 0 |
| Gas Tax Maintenance Fund | 1,340,299 |
| NPDES Stormwater Fund | 133,371 |
| Planned Local Drainage Fund | 159,000 |
| WWTP Operations & Maintenance Fund | <u>14,291,941</u> |
| TOTAL OTHER OPERATING FUNDS: | <u>16,552,278</u> |
| TOTAL ALL FUNDS: | <u>54,241,618</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.

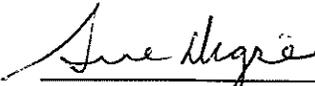
SECTION 4. Transfers of Funds Between Funds

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.

* * * * *

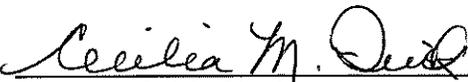
Passed and adopted at a meeting of the City Council of the City of Pacifica held on the 14th day of June 2010, by the following vote:

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



 Sue Digre, Mayor

APPROVED AS TO FORM:



 Cecilia M. Quick, City Attorney

ATTEST:



 Kathy O'Connell, City Clerk

RESOLUTION NO. 02-2010

**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 2010-2011**

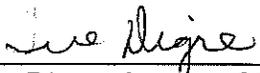
WHEREAS, there has been submitted to the Agency Board a budget for the operation of Redevelopment Agency and Housing Authority programs and functions for the Fiscal Year 2010-2011, and there have been submitted to the Agency Board a preliminary budget for the capital expenditures related to Redevelopment Agency programs and activities for the Fiscal Year 2010-2011; 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 24, 2009, the amount of \$254,500 be fixed as the amount necessary to meet agency operating fiscal year 2010-2011 requirements, and the amount of \$65,750 be fixed as the amount necessary to meet the Agency's Housing Authority fiscal year 2010-2011 requirements, and that the same is hereby approved, confirmed and adopted.

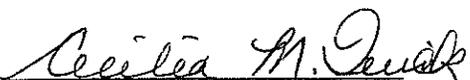
PASSED AND ADOPTED at a City of Pacifica Redevelopment Agency meeting, held on May 24, 2010 by the following vote:

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



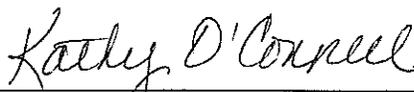
Sue Digre, Agency Chairperson

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 2010-2011 proposed budget was presented to Council for consideration and adoption on June 14, 2010.

MAJOR FUNDS SUMMARIES:

General Fund: Revenues for fiscal year 2010-2011 for the General Fund, including transfers-in for both restricted and unrestricted, are estimated to be \$25,470,279 representing a 6.63% increase over the adopted 2009-2010 budget. Expenditures for fiscal year 2010-2011 for the General Fund, including transfers-out for both restricted and unrestricted, are estimated to be \$28,381,893 representing a 5.26% increase over the adopted 2009-2010 budget, with a fund balance projection of \$2,887,465, including both restricted and unrestricted.

Sewer Fund Operations: Revenues for fiscal year 2010-2011 for the Sewer Fund Operations, including transfers in for both restricted and unrestricted, are estimated to be \$11,620,000, a 2.58% increase from the adopted budget of 2009-2010. Expenditures for fiscal year 2010-2011 for the Sewer Fund Operations, including transfers out for both restricted and unrestricted, are estimated to be \$14,291,941, representing an 18.61% increase over the adopted 2009-2010 budget. Fund balance of the Sewer Fund Operations at the end of fiscal year 2010-2011 is estimated at \$9,773,957.

Gas Tax Fund: Revenues for fiscal year 2010-2011 for the Gas Tax Fund, including transfers-in for both restricted and unrestricted, are estimated to be \$1,167,000 representing a 7.54% increase from the adopted 2009-2010 budget. Expenditures for fiscal year 2010-2011 for the Gas Tax Fund, including transfers-out for both restricted and unrestricted, are estimated at \$1,340,299 representing a 48.22% increase from the adopted 2009-2010 budget. Fund balance at the end of fiscal year 2010-2011 is anticipated to be \$135,353.

Street Construction Fund: Revenues for fiscal year 2010-2011 are projected at \$1,626,500 representing a 20.87% decrease over fiscal year 2009-2010. Expenditures for fiscal year 2010-2011 are budgeted at \$2,217,555, representing a 16.36% decrease from the adopted 2009-2010 budget. Fund balance at the end of fiscal year 2010-2011 is projected to be \$2,647,327.

Capital Improvement Fund: Estimated revenues for fiscal year 2010-2011 for the Capital Improvement Fund, including transfers for both restricted and unrestricted, are \$261,872 representing a 51.49% decrease from the adopted 2009-2010 budget. Expenditures for Fiscal year 2010-2011 are estimated at \$654,803 resulting in a 10.22% decrease in expenditures from the adopted 2009-2010 budget. Fund Balance at the end of fiscal year 2010-2011 for both unrestricted and restricted balances is estimated at \$599,268.

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 2010-2011**

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 9.25% sales tax rate. This revenue source is approximately 5% 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 38% 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 7% of general fund revenues.

Vehicle-in-Lieu - This revenue is generated by vehicle registration fees. This revenue source is approximately 9% 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 but does not yet seem to be recovering from the economic downturn. This revenue source is approximately 1% 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 1% of general fund revenues.

