



City of Pleasant Hill

# BUDGET in BRIEF

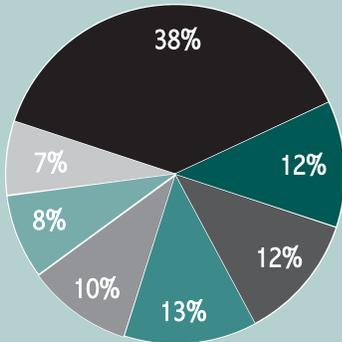
## FISCAL YEAR 2007/2008

Pleasant Hill has a budget just like any other successful business. This report will provide you with an overview of the City's major revenues, expenditures and operating reserves for the current fiscal year that began on July 1, 2007.

## REVENUES

Total City revenues are forecast at \$24,305,004. Of this amount, the majority or \$19,956,415 (82%) is general fund revenues. The general fund is the operating fund of the City and accounts for all financial transactions except those that must legally be accounted for in another fund. Although there are many different revenues that flow into the general fund, six revenues make up 88% of the total.

Fiscal Year 2007/2008  
General Fund Revenues



■ Sales taxes	\$7,652,245
■ All others	\$2,321,014
■ Property taxes	\$2,344,914
■ Motor vehicle in-lieu	\$2,692,380
■ Business license tax	\$2,015,710
■ Franchise fees	\$1,559,524
■ Transient lodging tax	\$1,370,628

### Sales Tax

Sales tax is the City's largest revenue source. Of the 8.25% sales tax collected in Pleasant Hill, the State Board of Equalization pays 6% to the State, 1% to Pleasant Hill and 1.25% to other governmental agencies. For every hundred dollars spent in Pleasant Hill, \$8.25 in taxes are collected. Of the \$8.25, only \$1 is returned to the City. The amount of sales tax forecast, \$7.6 million, would pay for the salaries and most of the benefits (excluding overtime and healthcare premiums) of the Police Department.

Every sales tax dollar is divided and distributed as follows:



### Vehicle License Fees (VLF)

Referred to as the motor vehicle in-lieu fee, this fee is charged on all registered vehicles. The in-lieu term indicates that it is used instead of taxing vehicles as personal property. Of the total VLF, 81.25% is apportioned to cities and counties and the state keeps 18.75%. Since the fees are distributed on a per capita basis, increases in local vehicle sales do not always translate into higher local fees. This important revenue source has been a hot political issue over the past several years. **The amount forecast, \$2.7 million, would fund the remainder of the Police Department, Animal Control and Computer Services budget.**



## Property Tax



When Pleasant Hill incorporated in 1961, the incorporation election promised that there would be no additional City property tax levied. After California voters passed Proposition 13 in 1978, property taxes were limited to 1% of the full market value of the property. Since the City did not levy any property taxes before 1977, and because of the constraints placed upon raising property taxes by Proposition 13, there was a very real revenue inequity between Pleasant Hill and neighboring cities.



To rectify this imbalance, the State passed legislation that provided “No Property Tax” cities with up to 7% of the property taxes collected in their city limits. Pleasant Hill is now considered a “Low Property Tax” city and receives about 5% of the property taxes paid by our businesses and residents. By comparison, other cities receive as much as 12% of the property tax collected within their city limits. For Pleasant Hill, the amount forecast, \$2.3 million, would fund the Finance, Community Services, Human Resources, Risk Management, and Municipal Buildings budgets.

## Business License

Businesses pay the City a tax to help pay for municipal services such as street and pothole repairs, sign and traffic light maintenance. The City licenses 3,450 businesses with a Pleasant Hill address, and 1,800 contractors who do work in the City but are not sited here. The majority of businesses pay their tax based upon gross sales. Increased sales will generate higher business license taxes since the tax is calculated on the gross sales volume of merchandise. **The amount forecast, \$2.0 million, could fund the Community Planning and Engineering budgets.**

## Franchise Fees

Franchise fees are rents paid by utility companies or private businesses to use City right-of-way. Right-of-way is the landowner's permission to locate utility lines or operate vehicles on or adjacent to city maintained streets. The City has franchise agreements with PG&E, Comcast Cable TV service, and Pleasant Hill Bayshore Disposal (Allied Waste Services) that allows these companies to operate on public land in order to provide their services. **The amount forecast, \$1.6 million, would pay for the salaries and benefits of the Maintenance Division.**



## Transient Occupancy Tax (TOT)

Known as the hotel tax, TOT is a 10% charge on top of the room rate. TOT is collected by hotel operators and paid to the City quarterly. Summerfield Suites, Marriott Courtyard, Marriott Residence Inn, Best Western and Extended Stay America are some of the hotels that pay this tax. The amount forecast, \$1.3 million, could pay for the annual street maintenance program.

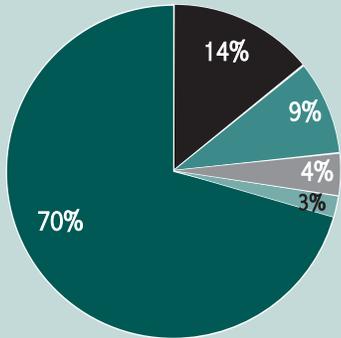


## All Others

There are numerous "other" revenues that are consolidated under this category. Examples include: permits (encroachment, building, plumbing, electrical, etc.), interest income, utility users tax, zoning fees and fines.

# EXPENDITURES

Total City expenditures are forecast at \$24,235,940. General fund expenditures of \$20,459,345 pay for personnel costs, services and supplies, debt service and capital projects.



## Fiscal Year 2007/2008 General Fund Expenditures

Personnel Costs	\$14,340,297
Services and Supplies	\$2,834,526
Capital Improvements	\$1,827,450
Debt Service	\$745,532
Non-Departmental	\$711,540

## Personnel

(\$14.3 million or 70% of all general fund expenditures)

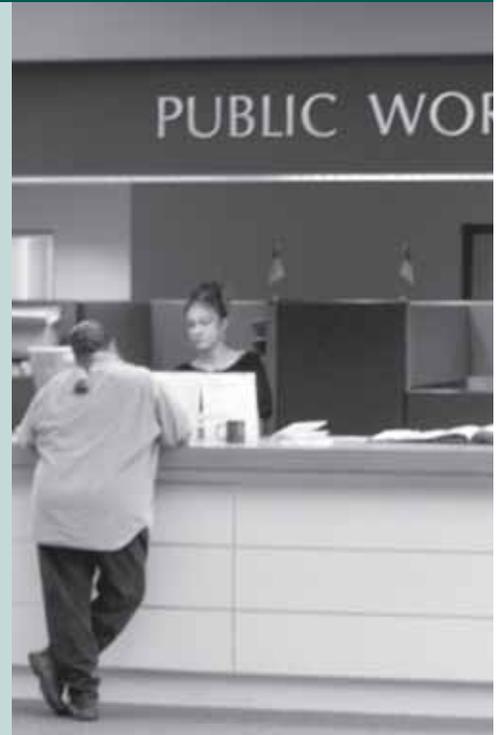
Personnel costs include salary and fringe benefits for our 134 employees. This budget anticipates savings of \$618,000 from vacant positions due to a hiring freeze. In order to pay for significantly higher pension and medical costs, the City has been downsizing the organization. The savings from vacant positions lessens the need to use reserves to help balance the budget.

The largest department is Police Services, which has 68.5 authorized positions of which 30 are police officers. The second largest department is Public Works and Community Development, which has 40 employees of which 13 are maintenance workers. All of our employees are covered by collective bargaining agreements that define what the salary and benefits are for each bargaining group. Total personnel costs are controlled by two factors: the collective bargaining agreements and the City Council authorized positions list. The only way to decrease personnel expenditures would be through layoffs or not filling budgeted positions. Currently seven full-time and one part-time position are vacant as the result of resignation or retirement. Not filling these positions has been a conscious effort towards decreasing City expenditures without resorting to layoffs.

## Services and Supplies

(\$2.8 million or 14% of the City General Fund)

The most significant cost in this category is insurance, which runs \$423,000 per year. The City's utility bill (gas and electric, telephone, water and sewer), adds up to \$319,400. One other line item that exceeds \$100,000 is \$528,400 for consultant and contractual services. This represents service contracts for equipment, and paying for specialized services for projects that are beyond employee expertise, i.e., litigation specialists, independent financial auditors and specialized plan check services.



## Capital Outlay/Capital Improvements

(\$1.8 million or 9% of the City General Fund)

This budget is for the purchase of computers, vehicles, street resurfacing and pothole repair.



## Debt Service

(\$745,532 or 4% of the City General Fund)

This budget provides for debt service payments on the City Hall and the Police Services buildings. This debt will be retired in 2016.

## Non-Departmental

(\$711,540 or 3% of the City General Fund)

Included in this category are budgets to pay for unused sick leave and vacation when employees retire or resign, overnight training conferences and a contractual obligation for sales tax audit services. This contract provides for an ongoing audit of sales tax collections by the State Board of Equalization. Use of this consultant has helped to recover \$2.79 million in misallocated sales taxes over the past 14 years. Misallocations are normally the result of Pleasant Hill not receiving the proper credit for sales taxes collected within city limits.

# FUND BALANCE

As of June 30, 2007, the projected general fund unreserved fund balance is \$9.9 million. With a general fund appropriation of \$20.5 million, reserves represent 50% of the annual appropriation. This percentage is far higher than in most cities. The reason Pleasant Hill needs such high cash reserves is due to the dependence on sales taxes for 38% of the total general fund revenues. If there were a recession or the City suffered the loss of one or more of the major retailers, Pleasant Hill's financial condition would be significantly affected. Historically, when expenditures exceed revenues, the City Council has avoided employee layoffs by drawing down its reserves. Conversely, when revenues have exceeded expenditures, the City has built up reserves.

The City Council has designated \$8.3 million of unreserved fund balance of the general fund for contingency purposes. This designation is intended to limit the future use of reserves to the difference between the \$9.9 million the City projects at June 30, 2007 and the \$8.3 million estimated as a reasonable level of reserves needed to provide a safe cushion. State budget problems, lower sales tax revenues, higher retirement, health care, utility and petroleum costs will force the City to use some of the reserves for the next two years to balance the budget. However, an official action of the City Council could authorize further use.

City staff will examine all options before recommending the use of additional reserves below the \$8.3 million level. All city departments are continually looking for ways to increase revenues and decrease expenditures.

## Final Remarks

The employees of the City of Pleasant Hill are proud to serve the residents, businesses and guests of the city. Using the financial resources provided to them, they wisely provide quality public service each and every day. If you have any questions about the information presented in this Budget In Brief, contact the Interim Director of Finance, Mary McCarthy, by calling 671-5231 or by e-mail at [mmccarthy@ci.pleasant-hill.ca.us](mailto:mmccarthy@ci.pleasant-hill.ca.us).

