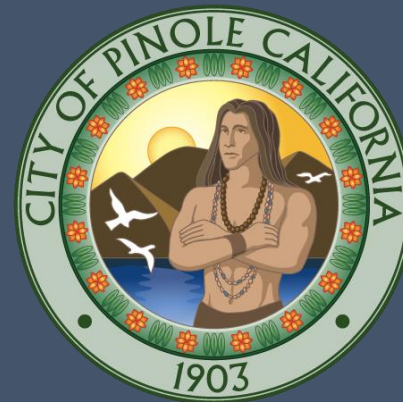


City of Pinole

Overview of City Revenues

Special City Council Meeting
March 29, 2022



Staff Recommendation

City Council to receive a report which will provide an overview of City revenues, focusing on tax revenues.

Background

Brief History

- Prior to 1978, property tax was the largest source of general purpose revenue for most cities (followed by sales tax); tax rates were set by city councils and controlled at the local level
- Proposition 13 (1978) – constrained local governments' ability to raise property taxes
 - Property tax rates capped at 1% of full market value
 - Assessment growth capped at 2% of property value, Consumer Price Index (CPI) growth, whichever is less
- Following the enactment of Proposition 13 and other revenue limiting propositions, local governments have relied increasingly upon other revenue sources to finance local services, notably:
 - General-purpose taxes (business license tax, transient occupancy tax, utility users' tax)
 - Special assessments (landscape and lighting districts)
 - Property-related taxes (parcel taxes)

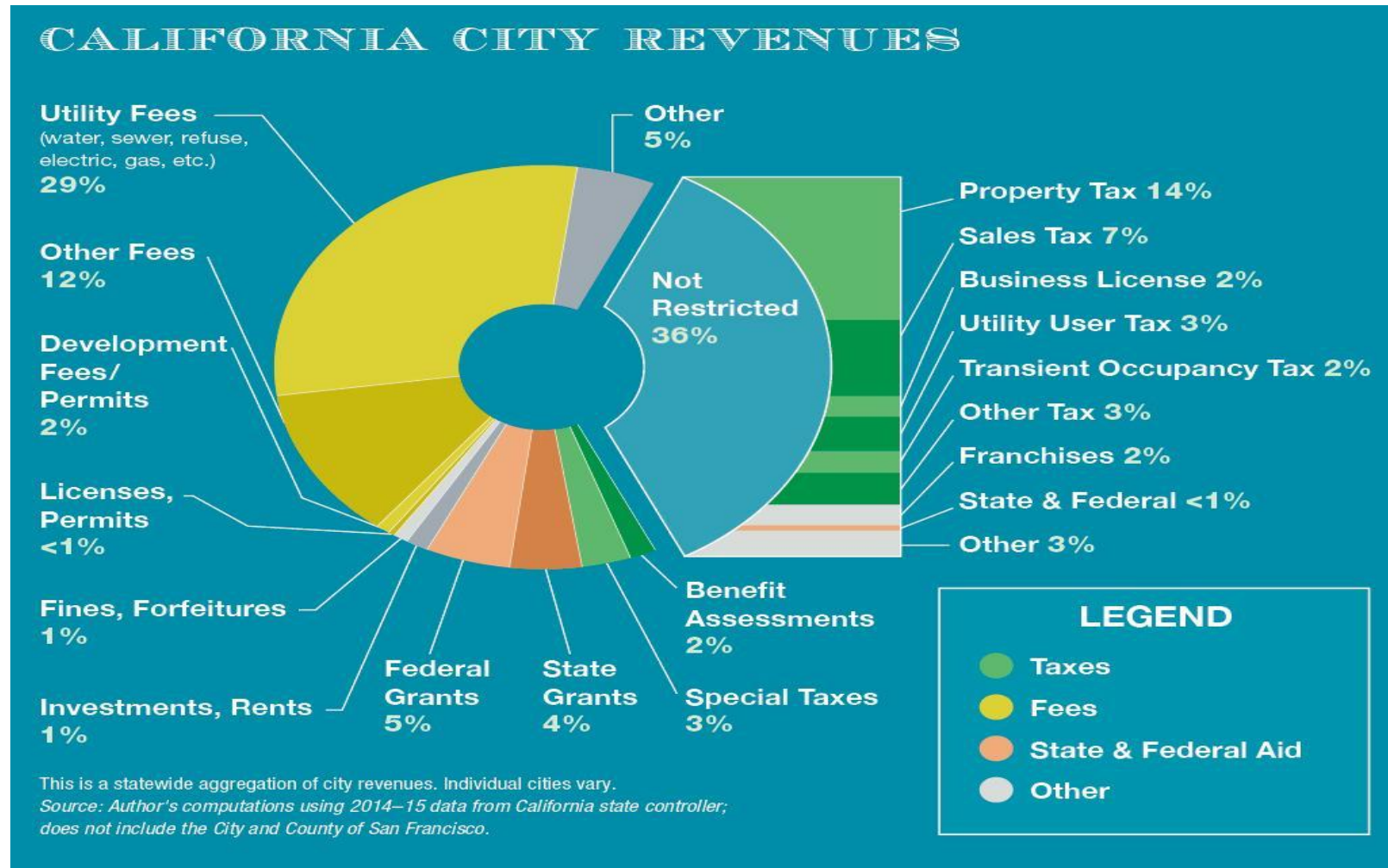
Pinole's Add-on Tax Measures

Year	Tax Measure	Purpose
1975	Business License Tax	General purpose
1986	Transient Occupancy Tax	General purpose
1991	Transient Occupancy Tax amended	Increased tax from 8% to 10%, general purpose
1998	Utility Users' Tax	General purpose
2004	Utility Users' Tax extended	General purpose
2006	Measure S 2006 Sales Tax	To provide adequate staff and service levels, to maintain staff in the Police Department to address the significant increase in crime since the expansion of the Pinole Vista Shopping Center and the opening of Richmond Parkway in 1995, and to maintain public facilities such as roadways, storm drains and other water control and discharge infrastructure in a first class manner.

Pinole's Add-on Tax Measures

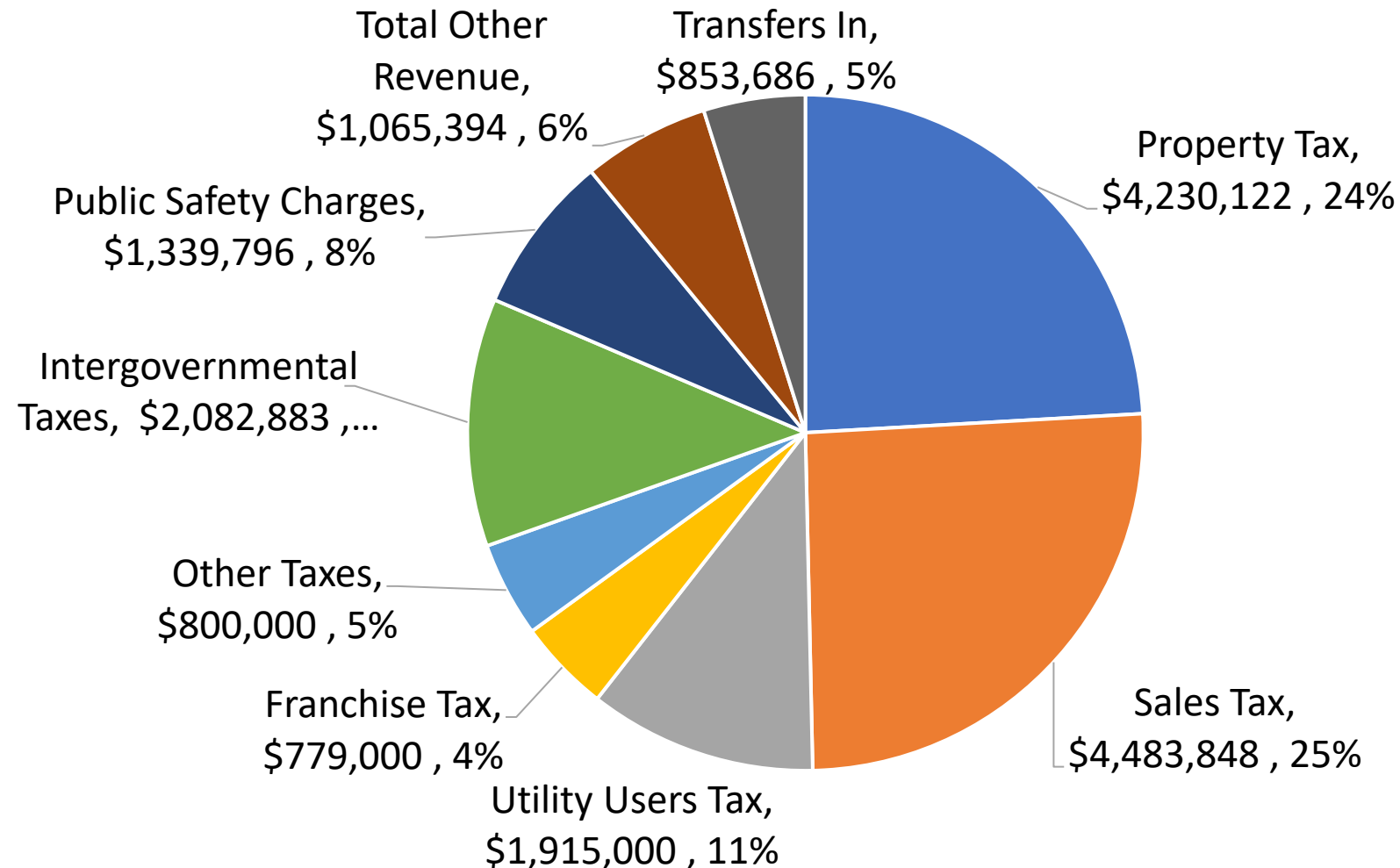
Year	Tax Measure	Purpose
2012	Utility Users' Tax extended	Without raising current tax rates, and to maintain a high quality of life and essential local public services to the residents of Pinole, shall an ordinance be adopted to continue the existing Utility Users Tax of eight percent for an additional eight years, until December 31, 2020, keeping this locally generated revenue in Pinole.
2014	Measure S 2014 Sales Tax	To maintain essential police and fire services, to prevent the reduction in maintenance of City parks and streets, and to prevent the reduction of youth, family and senior recreational services.
2018	Utility Users' Tax extended indefinitely	To maintain City services including Police and Fire protection, 9-1-1 emergency services, park maintenance and repair, youth and senior recreation services, other community services, and for unrestricted general revenue purposes.

General Composition of California City Revenues



Where Pinole's Revenues Come From

FY 2021/22 General Fund Revenue Budget: \$17,549,729



Tax and Fee Defined

- Tax – Imposed by a government without the taxpayer receiving any direct benefits, such as a sales tax or property tax
 - No direct link between the payment and the degree of benefit provided to the individual payer;
 - Benefits are generally community-wide
 - Involuntary
- Fee – Applied for the use of a service by the individual/business and provides a direct benefit to the payer, such as a building permit or recreation participation fee
 - Direct link between the fee and the benefit received by the payer
 - Voluntary

General and Special Taxes

General Tax – Imposed for general governmental purposes, proceeds are generally deposited in the General Fund.

- Sources
 - Property Tax
 - Sales & Use Tax
 - Utility Users' Tax
 - Business License Tax
 - Transient Occupancy Tax
 - Intergovernmental Tax
- Uses
 - Police services
 - Fire services
 - Park, road, and facility maintenance
 - Other general purposes

Special Tax – Imposed and collected/earmarked for a special purpose and deposited in a separate account.

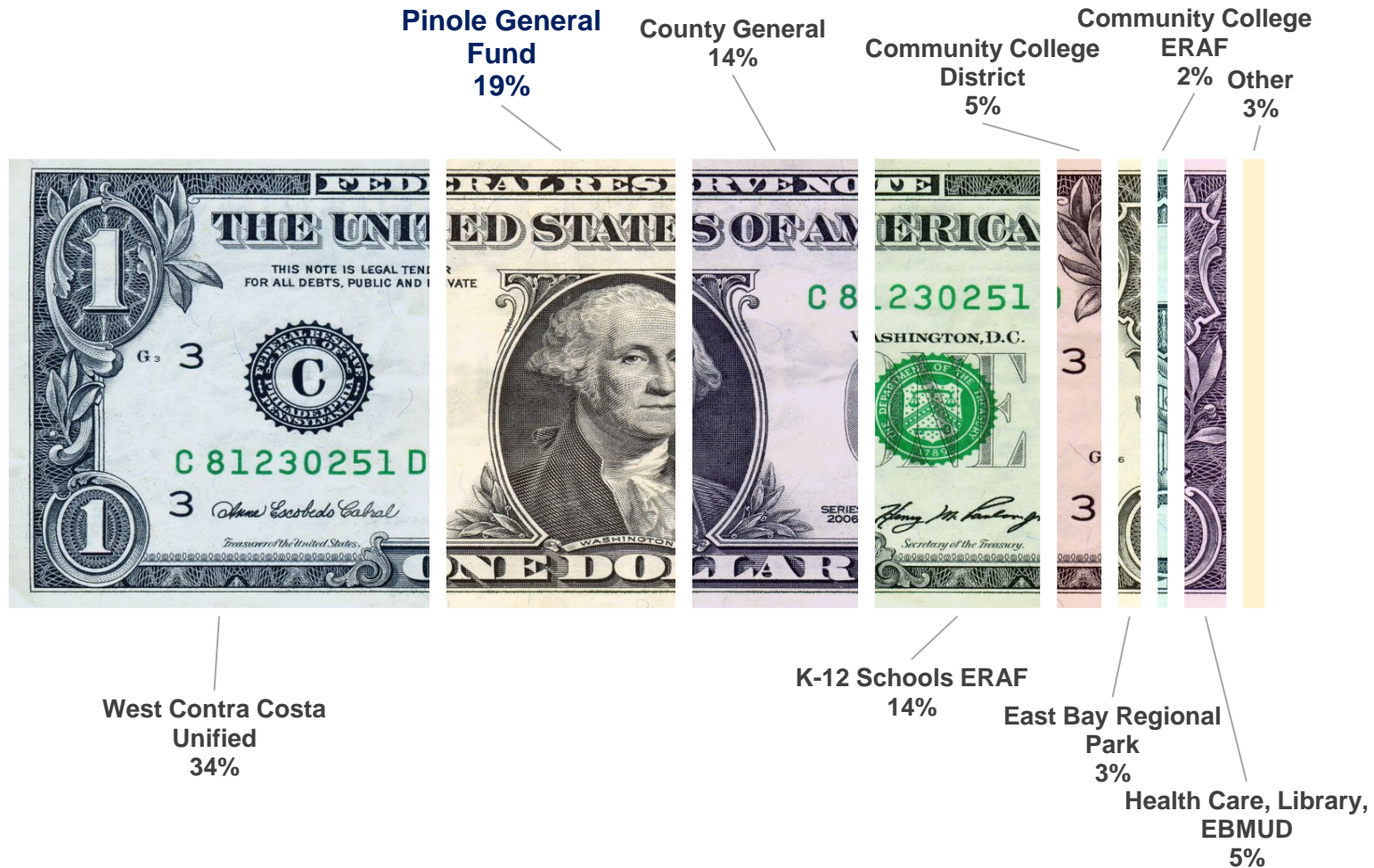
- Sources
 - Property tax assessment on business property owners in the Pinole Valley Landscape and Lighting District
- Uses
 - Maintenance and improvements within the District

Property Tax

Property Tax Overview

- Ad valorem (value-based) tax imposed on real property and tangible personal property
- The fixed statutory rate is 1% of assessed valuation
 - Values based on the 1975 property values with subsequent increases limited to 2% or Consumer Price Index (CPI) growth, whichever is less
- Pinole receives 19% of the 1% of assessed valuation

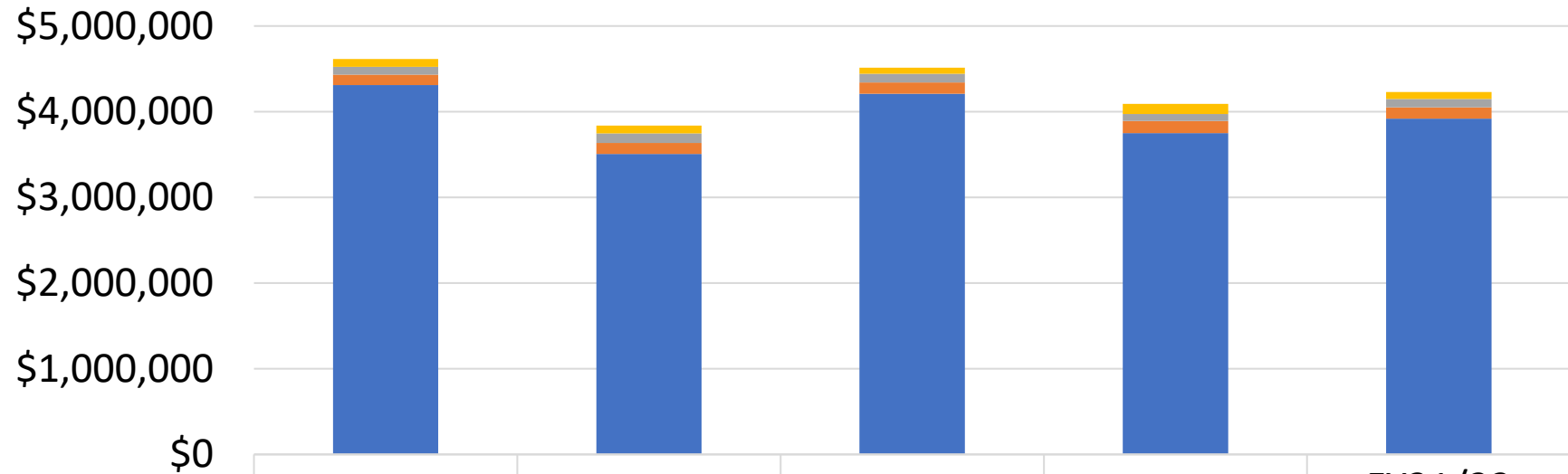
Property Tax Breakdown



Property Tax Components

- Secured – land and improvements, buildings and other structures upon which a lien can be placed
 - Regular
 - Redevelopment Property Tax Trust Fund (RPTTF)/Successor Agency Pass-thru
- Unsecured – tenant-owned personal or business property that cannot be secured by a lien
- Supplemental – reassessment of real property, effective when there is a change in the ownership or new construction is completed
- Real Property Transfer Tax – imposed on the transfer of ownership in real estate

Property Tax Fiscal Trends



■ Property Transfer Tax	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22 Proj
■ Supplemental Property Tax	90,328	91,954	70,764	119,254	81,000
■ Unsecured Property Tax	92,596	108,873	103,054	81,095	100,000
■ Secured Property Tax	120,404	130,431	132,783	139,907	130,000
	4,311,869	3,505,909	4,208,155	3,751,089	3,919,122

Sales & Use Tax

Sales & Use Tax Overview

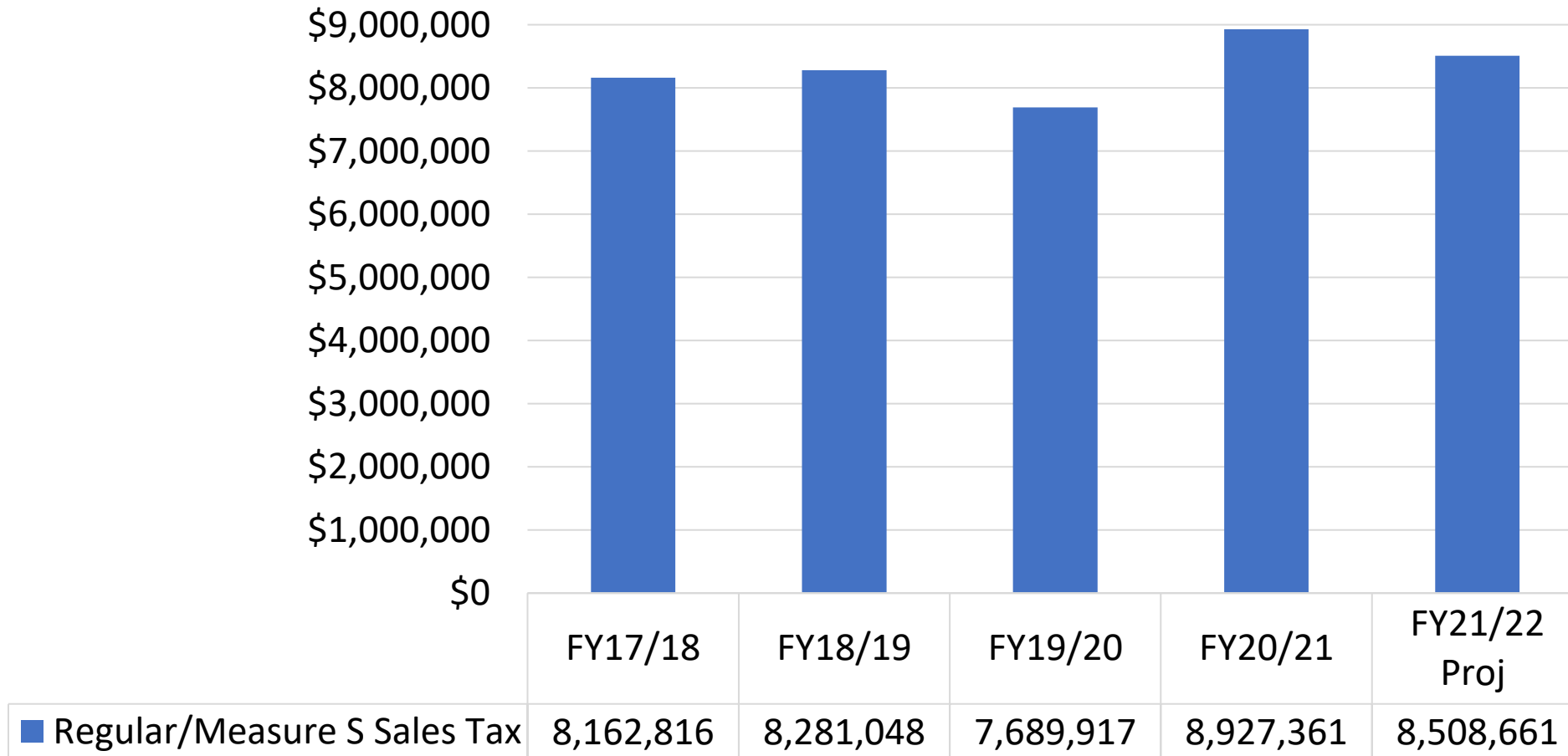
- A tax applied to all retail sales of goods and merchandise, except those exempted by law
- Use tax generally applies to the storage, use, or other consumption in California of goods purchased from retailers in other states
- Pinole's tax rate is 9.75%
- Pinole enacted two local measures--Measure S 2006 (0.5%) and Measure S 2014 (0.5%), no sunset date

Sales & Use Tax Breakdown

- Pinole Sales Tax – 9.75%



Sales & Use Tax Fiscal Trends



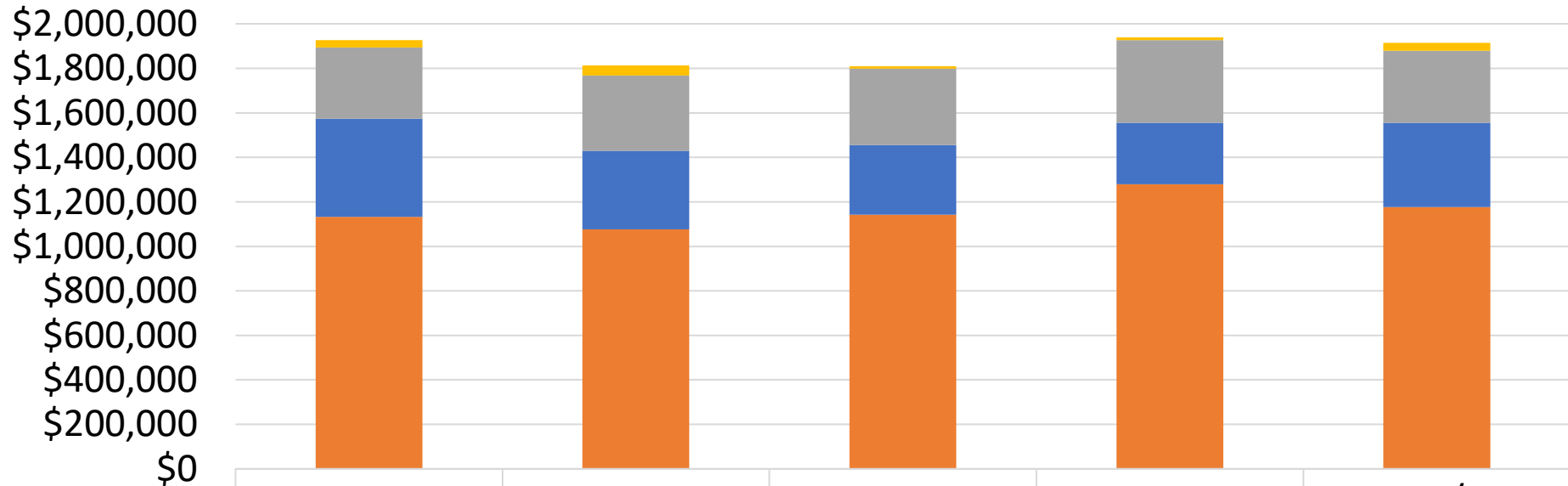
Utility Users' Tax

Utility Users' Tax (UUT) Overview

- An 8% tax levied on the consumption of electricity, gas, and telecommunications
 - UUT can be levied on: electricity; gas; telecommunications; water; sewer; sanitation; cable
- No sunset date
- Aligns with 8% average UUT of neighboring communities
- California agencies that levy UUT:

	Cities	Counties	Special District*	Total	Calif Population covered
Number with UUT	158	4	1	163	54.0%
Telephone UUTs	150	4	0	154	49.5%
Electricity	156	4	1	161	52.7%
Gas	156	4	1	161	52.7%
Cable TV	92	1	0	93	22.8%
Water	85	1	1	87	24.7%
Sewer	14	1	1	16	2.7%
Garbage	13	0	1	14	1.3%

Utility Users' Tax (UUT) Fiscal Trends



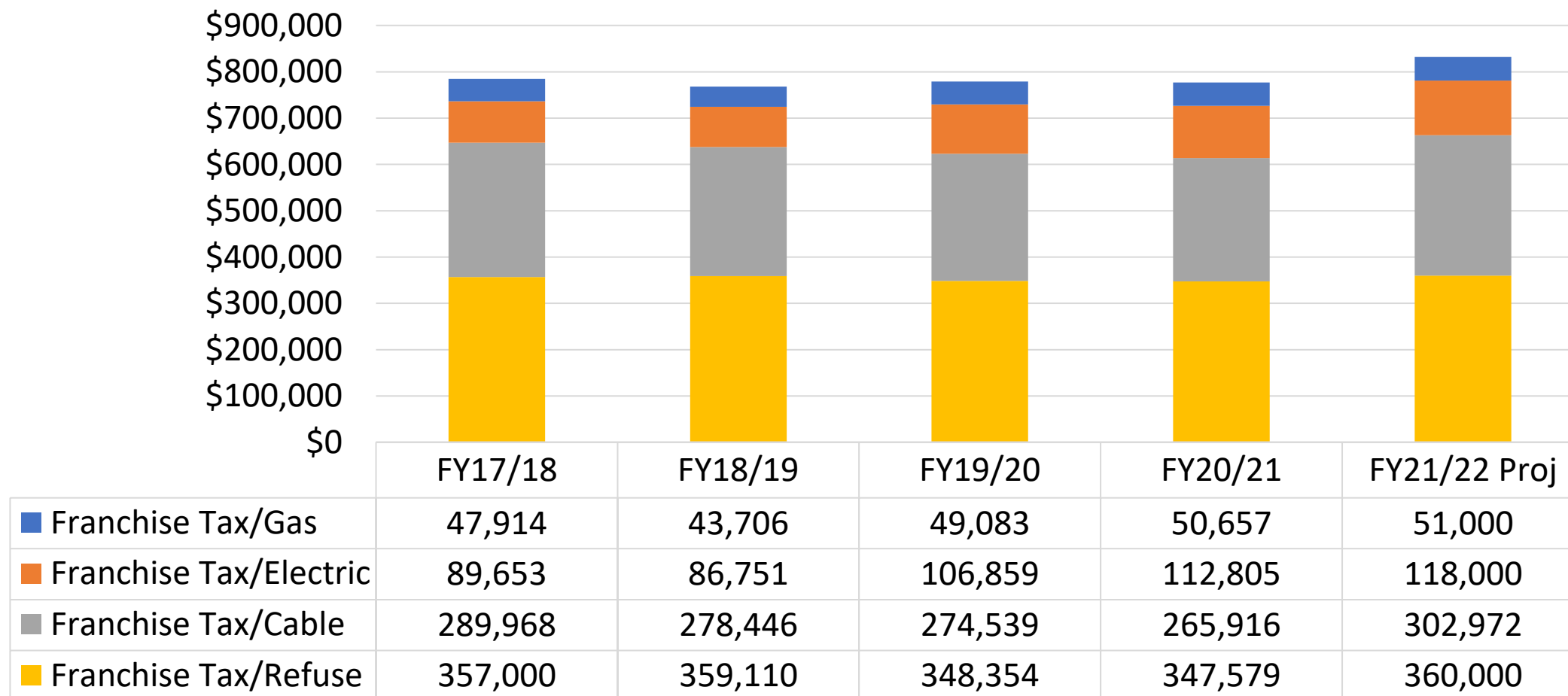
■ UUT/Mobile TS	33,129	44,615	11,339	12,669	35,000
■ UUT/Gas	319,478	339,087	342,860	371,275	324,000
■ UUT/Telecommunication	441,652	352,227	313,524	275,841	379,000
■ UUT/Electricity	1,132,538	1,076,915	1,142,109	1,279,941	1,177,000

Franchise Tax

Franchise Tax Overview

- Agreed-upon fee paid to a municipality from a franchisee for the use of city streets and rights-of-way
- Franchise Agreements
 - Electric (PG&E) (1960) – use for transmitting and distributing electricity
 - Gas (PG&E) (1960) – to install, maintain and use pipes for transmitting and distributing gas
 - Cable (Comcast) – State franchise, that includes Pinole, for the provision of video services
 - Sanitation (Republic Services) – exclusive right to collect and dispose of all solid waste within the City until 6/30/25, rates adjusted annually on 1/1 by the change in the CPI

Franchise Tax Fiscal Trends

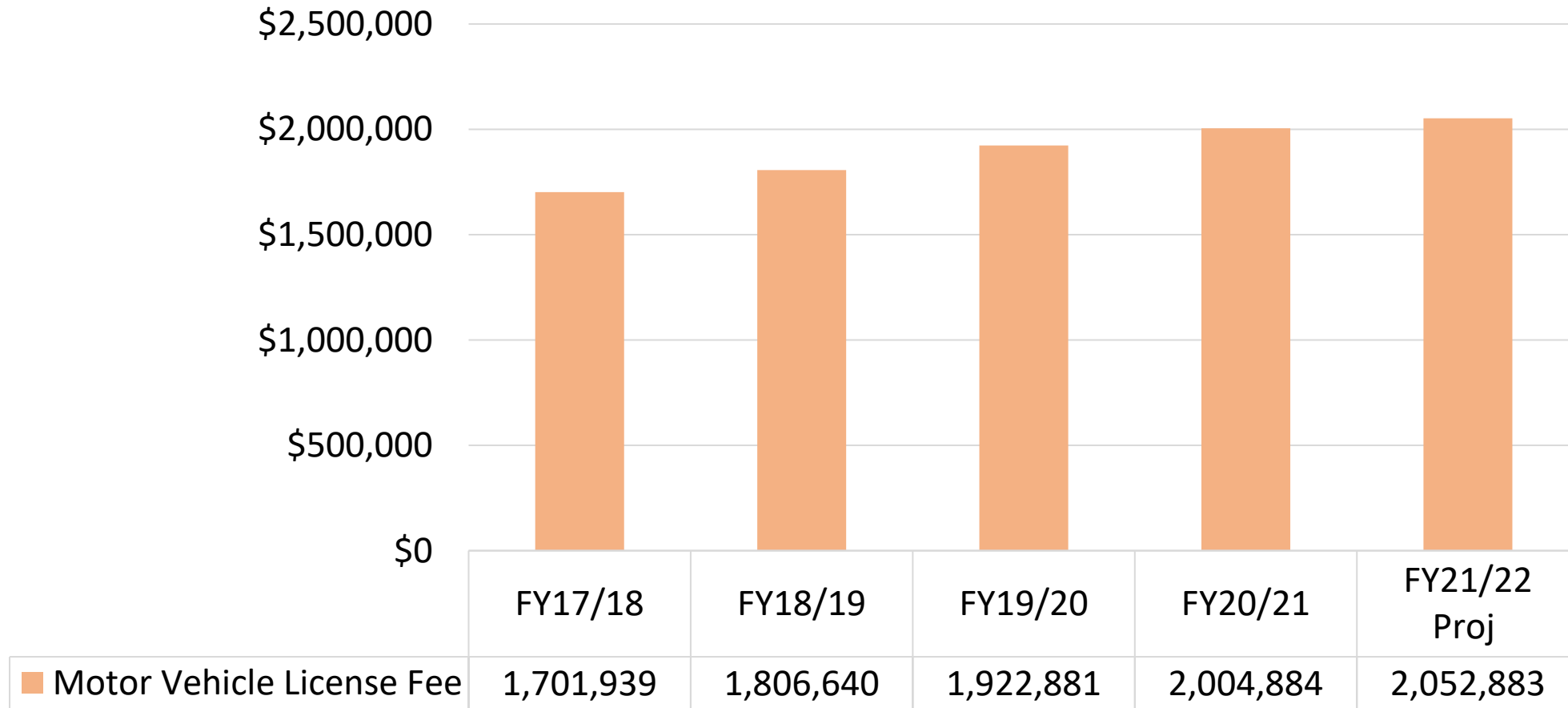


Intergovernmental Taxes

Motor Vehicle License Fee (VLF) Overview

- A tax on the ownership of registered motor vehicles which takes the place of taxation of this personal property. The City's share (an intergovernmental transfer) of VLF is levied, collected, and apportioned by the State
- Imposed “in lieu” of local property taxes

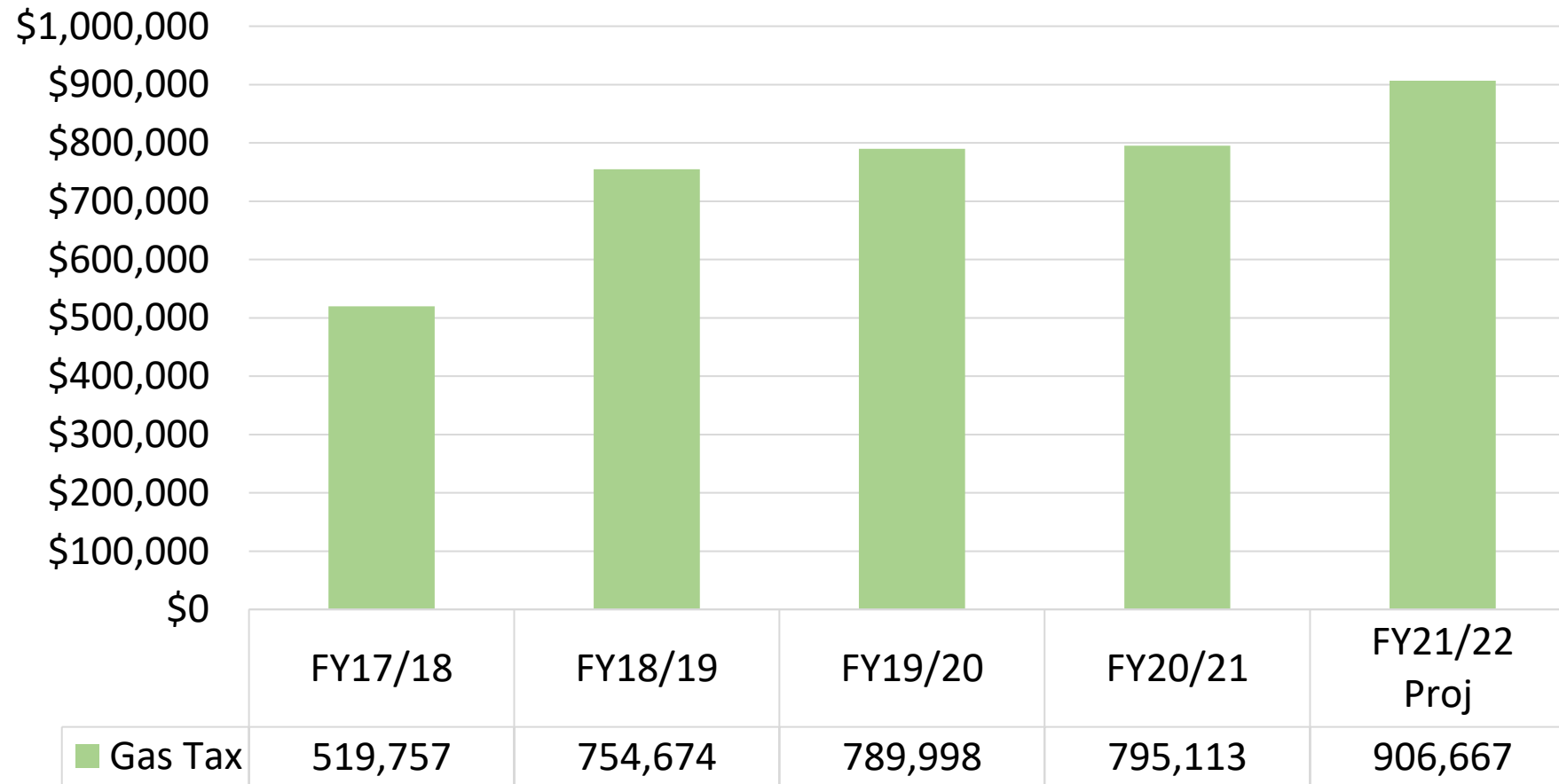
Motor Vehicle License Fee (VLF) Fiscal Trends



Gas Tax Overview

- A tax generated from the Highway Users Tax (HUTA) which imposes an excise tax on gasoline and diesel fuel sales. The City's share (an intergovernmental transfer) of gas tax is levied, collected, and apportioned by the State
- Special purpose funds
 - Used for maintenance and improvement of public streets/roads, public mass transit corridors, and related public facilities

Gas Tax Fiscal Trends

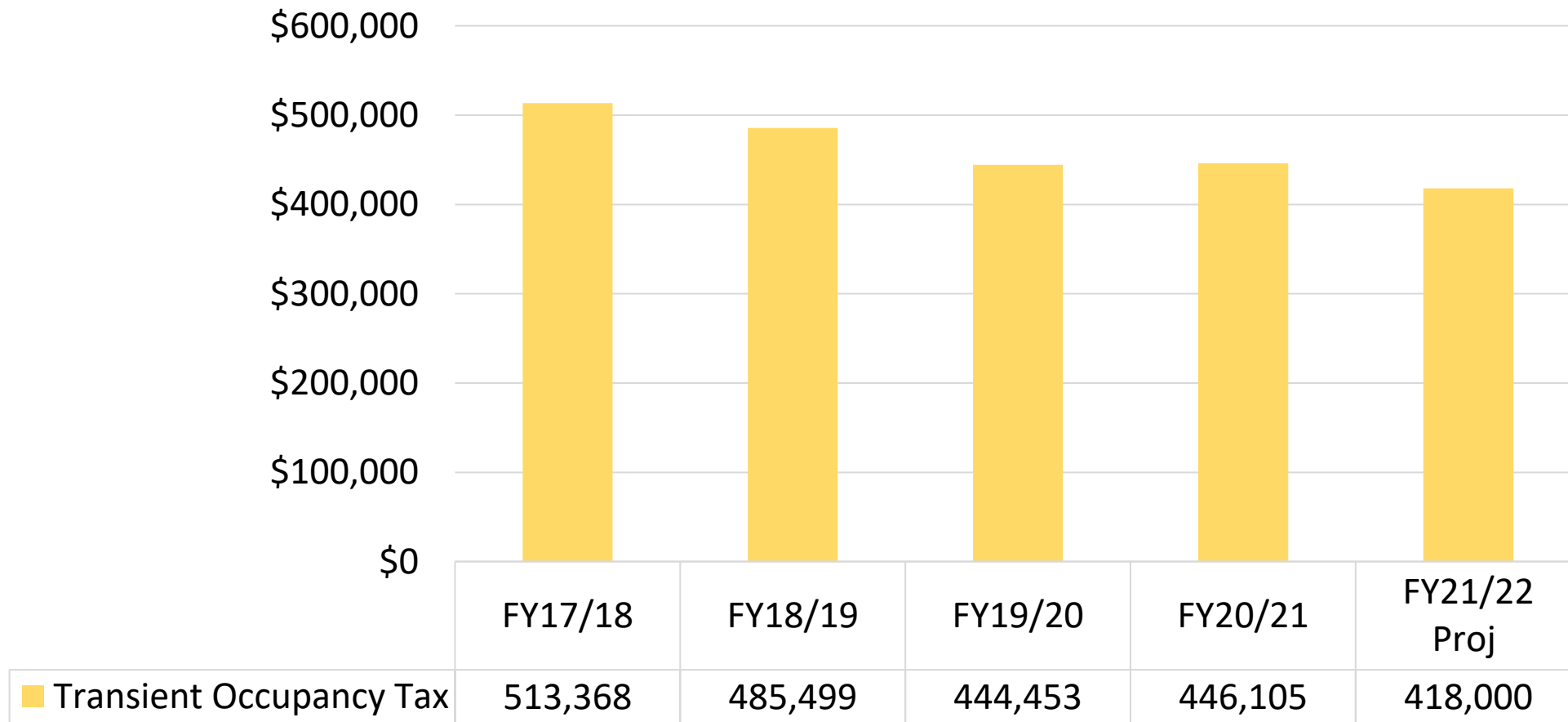


Other Taxes

Transient Occupancy Tax (TOT) Overview

- A 10% tax levied by the City for the privilege of occupying quarters on a transient/short-term basis
- Imposed upon persons staying 30 days or less in a motel or lodging facility
- No sunset date
- Aligns with 10% average TOT of neighboring communities

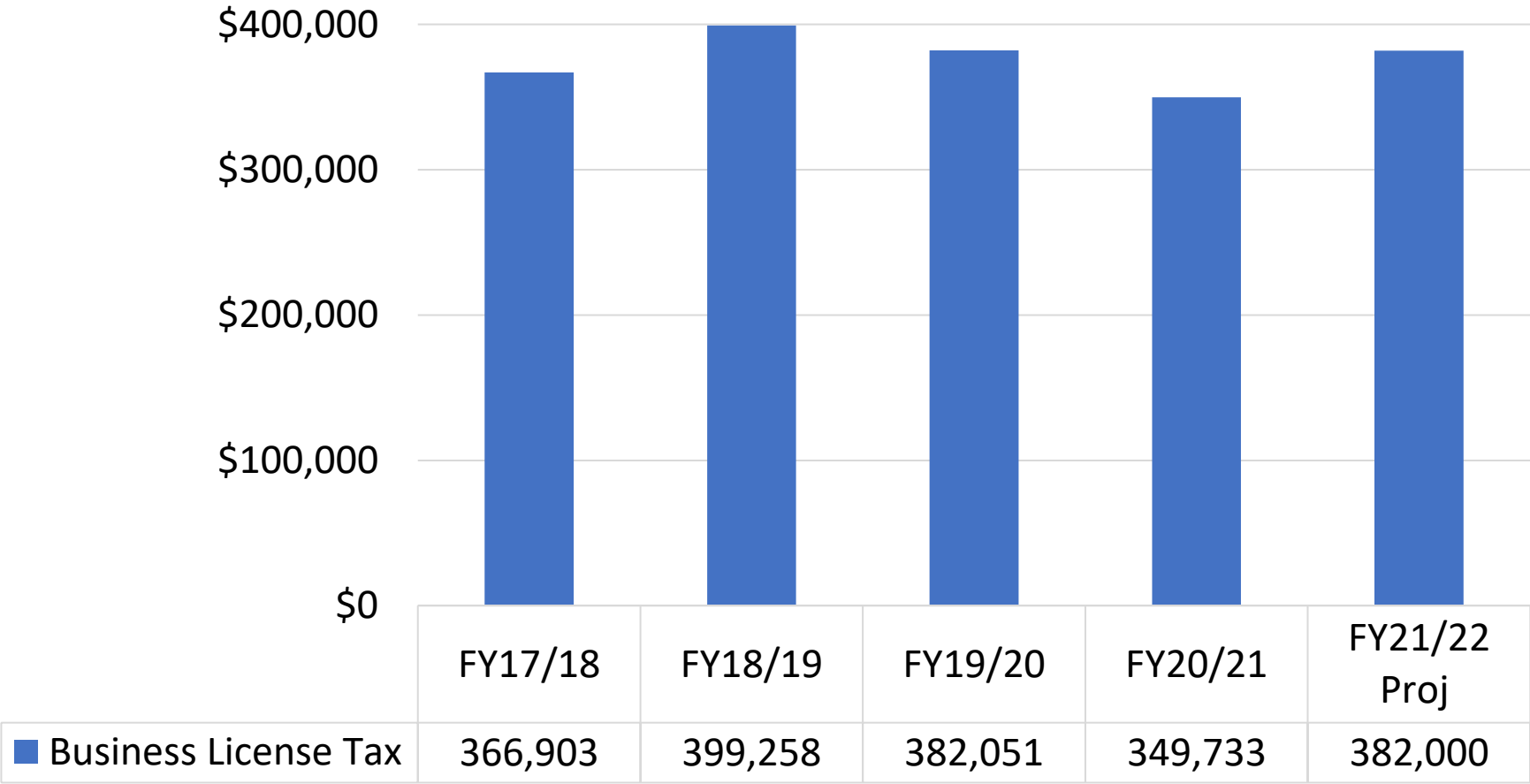
Transient Occupancy Tax (TOT) Fiscal Trends



Business License Tax Overview

- Assessed on all businesses doing business within City limits
- Pinole's tax is computed based on a flat tax of per year (currently \$152) combined with a variable tax component based on number of employees engaged in each business
- Increases as CPI increases by 5%
- Rate structures vary among neighboring communities

Business License Tax Fiscal Trends



Thank you

Questions/Comments