

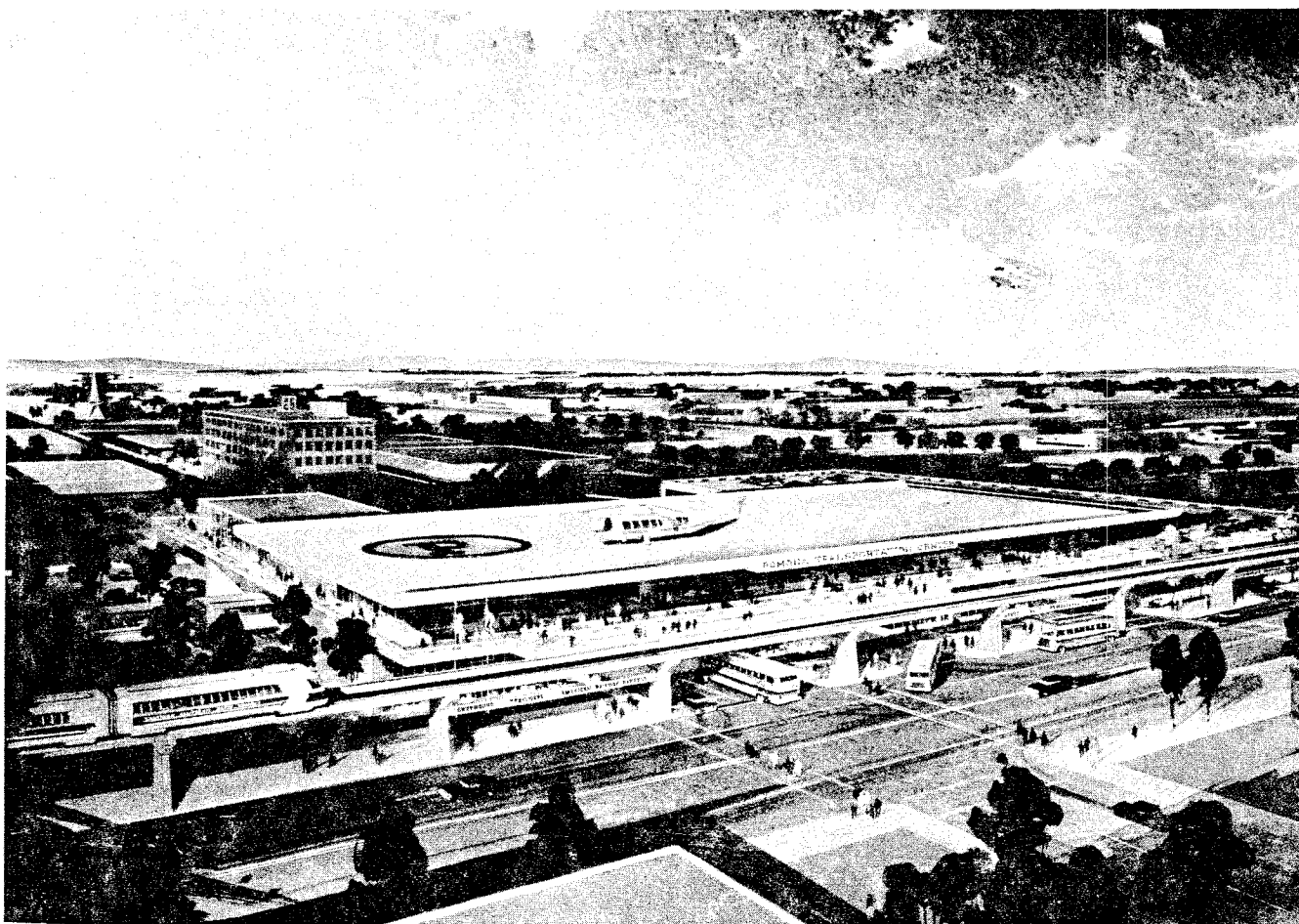
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# ANNUAL REPORT OF FINANCIAL TRANSACTIONS

Concerning

*Cities of California*

*Fiscal Year 1966-67*



HOUSTON I. FLOURNOY  
State Controller

**COVER . . .**

Pioneering in transportation and in the development of a central transportation terminal to serve Pomona and Pomona Valley has been a by-word in Pomona down through the years. The architect's drawing dramatically portrays the terminal, planned in several phases, for all forms of transportation—municipal and national bus lines, regional rapid transit system, railroad and car rental agencies. The heliport will eventually service direct flights to all major cities in southern California. It will take a traveler all of ten minutes to travel from Pomona to a heliport in downtown Los Angeles.

## NOTE

The information listed herein has been extracted from reports prepared by city fiscal officers; such reports, in most instances, are not subject to audit by the State Controller.

A comprehensive analysis of revenues and expenditures as to comparability of cities is of questionable validity without due consideration to the existence of variations in accounting methods and practices as well as qualitative and quantitative differences in services rendered. In an analysis of that type, it is advisable that referral be made to the cities involved for determination if such factors might have a bearing on the material under consideration.

In cooperation with the League of California Cities, the California Society of Certified Public Accountants and many city fiscal officers, this issue as well as the ones for the eight preceding fiscal years represents a major revision in the annual reporting of city financial transactions. Due to the revision this report is not comparable in many aspects to reports pertaining to periods prior to Fiscal Year 1958-59.

The classifications and titles follow the basic pattern of the "Chart of Accounts for California Cities" prepared by the California Committee on Municipal Accounting. Where applicable the definitions of accounts are as defined by the National Committee on Governmental Accounting.

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## INTRODUCTION

At the close of the fiscal year ended June 30, 1967 California cities numbered 399. These cities, exclusive of city-owned enterprises and bond funds, received revenue of \$1,670,702,433 and expended \$1,643,045,673 for cost of government.

During the same period, city-owned enterprises consisting of such services as water, electricity, gas, sewers, airports, bus systems, harbors, cemeteries, hospitals, parking districts and housing received income of \$635,079,538 and incurred expenses of \$493,959,901; in addition, these enterprises also expended \$110,918,803 for capital outlays.

Also for the same period the aggregate expenditures from bond funds of cities and city-owned enterprises amounted to \$223,451,793.

General city revenues of \$1,670,702,433 represented an increase of \$116,942,151 or nearly 8 percent over that of the previous year.

### GENERAL CITY—REVENUES

	<i>1965-66</i>	<i>1966-67</i>	<i>Increase</i>
Taxes			
General Property Taxes.....	\$526,381,421	\$573,753,156	\$47,371,735
Franchise Taxes.....	15,013,578	16,762,681	1,749,103
Sales and Use Taxes.....	275,334,448	292,023,893	16,689,445
Other Non-Property Taxes.....	21,398,874	32,701,750	11,302,876
Licenses and Permits.....	82,956,512	85,626,346	2,669,834
Fines and Penalties.....	54,957,087	54,203,980	(753,107)
Use of Money and Property.....	63,070,203	71,682,923	8,612,720
From Other Agencies.....	288,715,267	298,694,585	9,979,318
Current Service Charges.....	135,005,535	155,723,578	20,718,043
Other Revenue			
Sale of Property.....	10,201,058	8,819,728	(1,381,330)
From City-Owned Enterprises.....	63,290,795	63,993,912	703,117
From Non-Governmental Sources.....	368,793	391,084	22,291
Other.....	17,066,711	16,324,817	(741,894)
<b>Total</b> .....	<b>\$1,553,760,282</b>	<b>\$1,670,702,433</b>	<b>\$116,942,151</b>

### GENERAL CITY REVENUE—AS A PERCENT OF THE TOTAL

	<i>1965-66</i>	<i>1966-67</i>
Taxes		
General Property Taxes.....	33.88	34.34
Franchise Taxes.....	.97	1.00
Sales and Use Taxes.....	17.72	17.48
Other Non-Property Taxes.....	1.38	1.96
Licenses and Permits.....	5.34	5.13
Fines and Penalties.....	3.54	3.24
Use of Money and Property.....	4.06	4.29
From Other Agencies.....	18.58	17.88
Current Service Charges.....	8.69	9.32
Other Revenue		
Sales of Property.....	.65	.53
From City-Owned Enterprises.....	4.07	3.83
From Non-Governmental Sources.....	.02	.02
Other.....	1.10	.98
<b>Total</b> .....	<b>100.00</b>	<b>100.00</b>

General city revenue from locally imposed taxes amounted to \$915,241,480 or nearly 55 percent of the total. The second largest source of funds was from federal, state and county governments which aggregated \$298,694,585 or approximately 18 percent of the total.

The majority of grants received from other governmental agencies are restricted as to purposes for which they may be expended. The vehicle in lieu tax may be used only for law enforcement, regulation and control of highway traffic and any other state purpose. Gasoline tax grants may be expended only for the construction and maintenance of streets, roads, and highways and the acquisition of rights-of-way. For the most part, federal and county grants are reserved exclusively for specific purposes. As the City of San Francisco also performs the function of a county government the revenue structure for that city includes approximately 56 million dollars from state and federal sources for county purposes.

## REVENUE FROM OTHER GOVERNMENTAL AGENCIES

	1965-66	1966-67
Trailer Coach Licenses .....	\$1,236,172	\$1,366,667
Alcoholic Beverage Fees .....	9,417,406	8,969,870
Vehicle in lieu Taxes .....	91,507,828	93,465,497
Gasoline Taxes .....	103,500,275	105,234,563
Other State Grants .....	30,542,774	30,315,357
County Grants .....	17,677,246	21,259,659
Federal Grants .....	33,733,858	36,976,077
Other in lieu of Taxes .....	1,099,708	1,106,895
<b>Total</b> .....	<b>\$288,715,267</b>	<b>\$298,694,585</b>

Another segment of city revenues which is restrictive in use pertains to money received from fines and forfeitures as a result of violations of the State Vehicle Code. Specifically, such money may be used only for "traffic signs, signals and other traffic control devices, the maintenance thereof, equipment and supplies for traffic law enforcement and traffic accident prevention, and for the maintenance, improvement or construction of public streets, bridges and culverts within such city, but such fund shall not be used to pay the compensation of traffic or other police officers."

### FINES AND PENALTIES

	1965-66	1966-67
Vehicle Code Fines .....	\$41,690,617	\$41,865,836
Other Court Fines .....	11,910,531	11,010,885
Other Penalties .....	1,355,939	1,327,759
<b>Total</b> .....	<b>\$54,957,087</b>	<b>\$54,203,980</b>

Many city-owned enterprises have been financed for acquisition and improvement purposes through the issuance of bonds, a number of such bonds being purely revenue, i.e. the debt service to the bond holder is dependent (insofar as the bond agreements are concerned) solely on the sufficiency of revenue generated by the enterprise.

Another large segment of bonds for enterprise purposes are also self-liquidating from enterprise revenue; however, such bonds which are also secured by an unlimited property tax authorization are considered as general obligation bonds of the city. In the case of the latter, the debt service amounts provided by the enterprise for such bonds are considered as a revenue contribution from the enterprise and a subsequent general city expenditure for debt service. Of the total revenue received by the cities as contributions from enterprises it is estimated that approximately one-half is considered as being within this category.

Many cities levy a tax on the occupancy of a room in any lodging. This tax more commonly known as a hotel-motel bed tax does not apply if the period of occupancy is for more than 30 days. A number of chartered cities levied a tax on cigarettes which was in addition to local and state sales taxes. This tax will be phased out in favor of a new cigarette tax levied and collected by the state and shared with all cities.

### OTHER NON-PROPERTY TAXES

	1965-66	1966-67
Room Occupancy Tax .....	\$8,712,914	\$11,281,773
Cigarette Tax .....	11,010,961	18,675,667
Other .....	1,674,999	2,744,310
<b>Total</b> .....	<b>\$21,398,874</b>	<b>\$32,701,750</b>

During the year under review all cities except two with negligible sales transactions, had a local sales tax ordinance in effect. The \$292,023,893 reported by cities from the source constituted approximately 17 percent of total revenues. Dollarwise, as well as from the standpoint of being unrestrictive as to expenditure purpose, it is second only to property taxes in importance. During the last eleven years, the relationship of sales tax revenue to property tax revenue has remained fairly constant; for the year under review sales taxes amounted to nearly 34 percent of the total of both sales and property taxes, representing a property tax rate equivalent of \$0.96 on \$100 of assessed valuation.

General city expenditures during Fiscal Year 1966-67 amounted to \$1,643,045,673 an increase of \$138,349,109 or 9 percent over that of the prior year. Of the total expenditures, \$1,342,546,582 or 82 percent was for Current Expenses, \$201,253,264 or 12 percent was for Fixed Assets (Capital Outlays) and \$99,245,827 or 6 percent for Debt Service.

#### GENERAL CITY—EXPENDITURES

	1965-66	1966-67	Increases
General Government			
Departmental	\$225,713,688	\$249,895,565	\$24,181,877
Non-Departmental			
Debt Service—Interest	28,857,918	30,216,684	1,358,766
Debt Service—Principal	70,802,281	69,029,143	(1,773,138)
Retirement	99,840,017	112,040,494	12,200,477
Other	54,069,958	66,661,048	12,591,090
Public Safety			
Police Protection	231,551,023	250,816,052	19,265,029
Fire Protection	164,918,985	177,769,336	12,850,351
Other Protection	29,122,052	30,175,572	1,053,520
Public Works			
Engineering and Administration	47,250,891	51,877,051	4,626,160
Streets, Storm Drains and Street Lighting	228,173,059	252,588,110	24,415,051
* Sewers and Sewage Disposal	32,384,530	31,380,711	(1,003,819)
Waste Collection and Disposal	47,142,429	53,671,037	6,528,608
Other	15,344,797	14,969,537	(375,260)
Health	30,757,084	33,161,166	2,404,082
Libraries	40,300,986	43,059,623	2,758,637
Parks and Recreation	144,855,422	154,522,383	10,166,961
Aid to Other Governmental Funds and Units			
City-owned Enterprises	12,655,696	20,153,954	7,498,258
Other	1,455,748	1,058,207	(397,541)
<b>Total</b>	<b>\$1,504,696,564</b>	<b>\$1,643,045,673</b>	<b>\$138,349,109</b>

\* See Table 15b for sewer enterprise expenditures.

#### GENERAL CITY EXPENDITURES—AS A PERCENT OF THE TOTAL

	1965-66	1966-67
General Government		
Departmental	15.00	15.21
Non-Departmental		
Debt Service—Interest	1.92	1.84
Debt Service—Principal	4.71	4.20
Retirement	6.64	6.82
Other	3.59	4.06
Public Safety		
Police Protection	15.39	15.26
Fire Protection	10.96	10.82
Other Protection	1.94	1.84
Public Works		
Engineering and Administration	3.14	3.16
Streets, Storm Drains and Street Lighting	15.16	15.37
Sewers and Sewage Disposal	2.15	1.91
Waste Collection and Disposal	3.13	3.27
Other	1.02	.91
Health	2.04	2.02
Libraries	2.68	2.62
Parks and Recreation	9.59	9.40
Aid to Other Governmental Funds and Units		
City-owned Enterprises	.84	1.23
Other	.10	.06
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The bonded indebtedness of cities as of June 30, 1967 was \$1,994,781,860 of which \$1,047,380,907 represented a revenue bond classification. General obligation bonds of \$947,400,953 represented less than 4 percent of the assessed valuation of cities.

## BONDED INDEBTEDNESS

1944-45 .....	\$436,187,000
1949-50 .....	609,249,000
1954-55 .....	790,725,000
1959-60 .....	1,351,667,000
1964-65 .....	1,803,615,040
1965-66 .....	1,893,479,371
1966-67 .....	1,994,781,860

Although chartered cities may establish their own limitation on bonded indebtedness, the large majority of them are the same as general law cities which are limited by the provisions of Section 43605 of the Government Code which states:

"A city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section 'indebtedness' means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city."

For reporting purposes a general obligation bond is one which is secured by the taxing power of a city. In general practice many such bonds are redeemed through revenue not directly derived from property taxes, i.e. revenue from other sources such as sales taxes or generated through enterprise activities is used in lieu of a direct property tax for debt service. The impact of this procedure, however, has the same effect as a direct property tax as the net result is the reduction of available revenue which would otherwise apply against property tax needs for other purposes. For the year under review the debt service requirement was equivalent to a \$0.33 property tax rate.

City-owned enterprise income of \$635,079,538 represented an increase of \$44,920,933 or 8 percent, over that of the prior year. Expenses of \$493,959,901 were \$29,535,087 or 6 percent, higher than the previous period. Expenditures for fixed assets (capital outlays) amounted to \$110,918,803 a decrease of \$23,004,662 under the prior year.

## CITY-OWNED ENTERPRISES

	<i>Water</i>	<i>Electric</i>	<i>Gas</i>
Operating Revenue .....	\$201,358,708	\$273,357,707	\$21,736,481
Operating Expense .....	144,920,337	199,191,157	18,076,435
Non-operating Income .....	10,183,040	2,290,474	1,188,118
Non-operating Expense .....	10,436,632	14,907,205	1,077,446
Net Income .....	56,184,779	61,549,819	3,770,718
Contribution from General City .....	982,805	--	--
Contribution to General City .....	22,886,907	28,203,636	2,786,982
Current Year Capital Outlays * .....	47,467,515	33,624,305	1,918,670
Revenue Bonds Redeemed or Matured .....	8,665,000	21,690,000	--
Other Payments .....	4,229,000	--	--
	<i>Airports</i>	<i>Bus Systems</i>	<i>Sewers</i>
Operating Revenue .....	\$40,900,787	\$28,795,069	\$15,072,194
Operating Expense .....	24,281,335	39,231,429	10,584,873
Non-operating Income .....	4,168,670	308,300	468,875
Non-operating Expense .....	1,527,318	221,730	2,432,213
Net Income .....	19,260,804	(10,349,790)	2,523,983
Contribution from General City .....	976,455	10,898,260	390,474
Contribution to General City .....	7,092,925	333,961	1,846,115
Current Year Capital Outlays * .....	5,889,471	1,380,314	3,804,875
Revenue Bonds Redeemed or Matured .....	1,016,000	--	958,000
		<i>Harbors</i>	<i>Parking</i>
Operating Revenue .....		\$21,308,153	\$4,573,366
Operating Expense .....		13,983,943	2,362,228
Non-operating Income .....		2,312,480	1,179,090
Non-operating Expense .....		3,474,969	1,929,809
Net Income .....		6,161,721	1,460,419
Contribution from General City .....		6,118,910	554,724
Contribution to General City .....		162,082	467,381
Current Year Capital Outlay * .....		15,771,664	751,896
Revenue Bonds Redeemed or Matured .....		1,270,000	956,000
G.O. Bonds of Districts Redeemed .....		--	146,429