

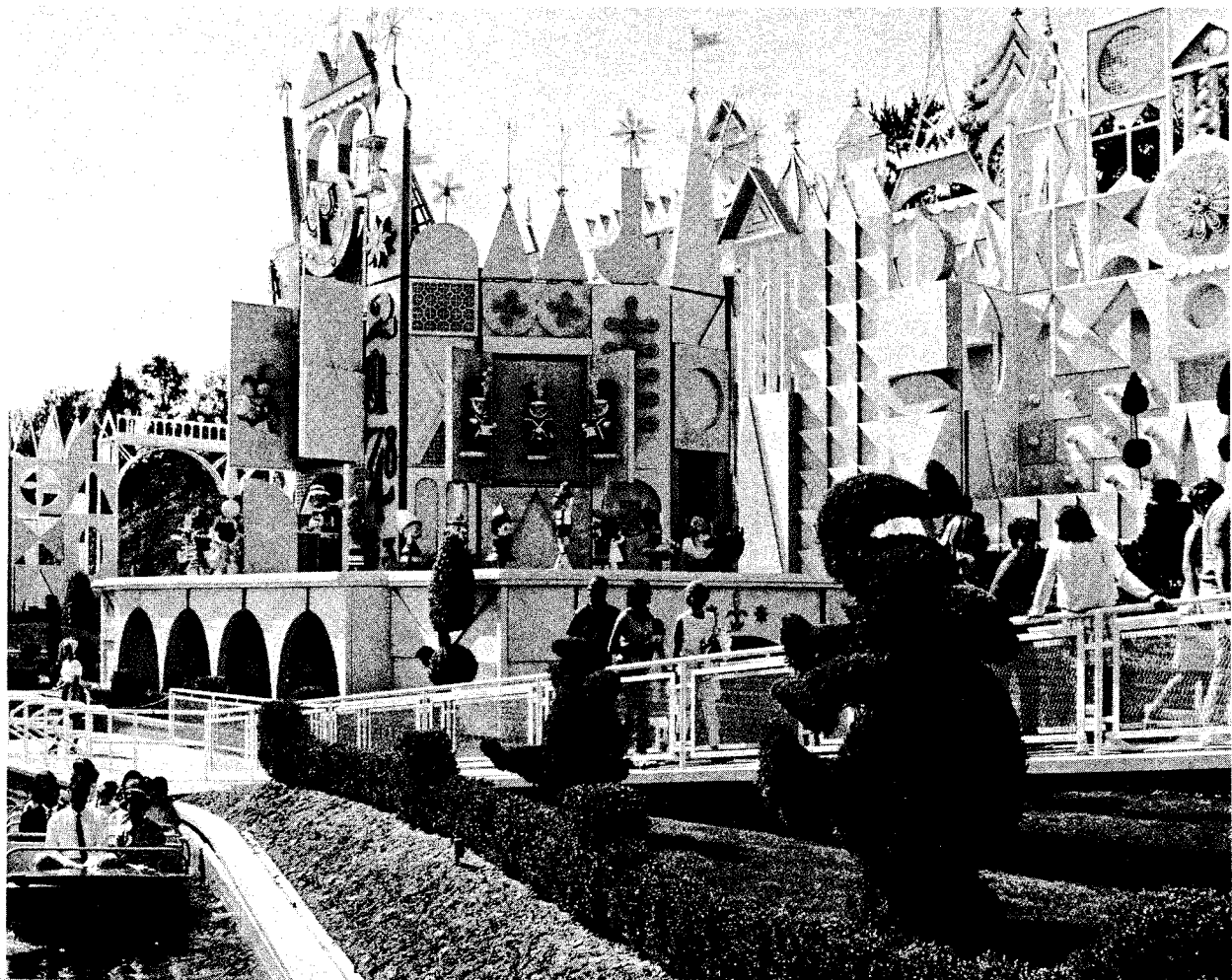
# ANNUAL REPORT OF FINANCIAL TRANSACTIONS

98579  
(2)

Concerning

## *Cities of California*

*Fiscal Year 1969-70*



**STON I. FLOURNOY**  
State Controller

## 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.

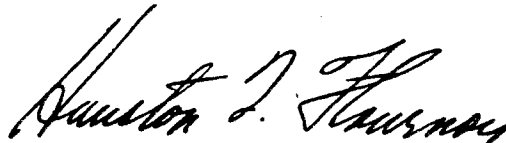
In cooperation with the League of California Cities, the California Society of Certified Public Accountants and many city fiscal officers, this issue as well as the ones for a number of preceding fiscal years represents a major revision in the annual reporting of city financial transactions. Due to the 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.

## FOREWORD

Property taxes levied by cities in the immediate preceding fiscal year represented a 5 percent increase over the prior period. At that time credit for holding the levy to this modest increase was given to the newly enacted homeowners and business inventories exemptions which had been brought about by the legislature. In this instance the state reimburses the cities for the loss of tax revenue by reason of these exemptions.

During this year however, California cities levied property taxes applicable to the 1970-71 year in the amount of 757 million dollars, an increase over fiscal year 1969-70 of nearly 9 percent. Obviously, the reimbursed exemption approach is not the total answer to the problems of either the property taxpayers or the cities.



HOUSTON I. FLOURNOY  
State Controller

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## INTRODUCTION

At the close of the fiscal year ended June 30, 1970 California cities numbered 404. The cities, exclusive of city-owned enterprises and bond funds, received revenue of \$2,271,915,694 and expended \$2,258,931,458 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 \$802,587,388 and incurred expenses of \$648,913,148; in addition, these enterprises also expended \$137,112,873 for capital outlays.

Also for the same period the aggregate expenditures from bond funds of cities and city-owned enterprises amounted to \$302,486,997.

General city revenue of \$2,271,915,694 represented an increase of \$188,561,831 or 9 percent over that of the previous year.

### GENERAL CITY—REVENUE

	<i>1968-69</i>	<i>1969-70</i>	<i>Increase</i>
<b>Taxes</b>			
General Property Taxes.....	\$666,612,089	\$700,408,147	\$33,796,058
Sales and Use Taxes.....	342,164,353	370,293,149	28,128,796
Transient Lodging Taxes.....	18,576,118	20,869,680	2,293,562
Franchise Taxes.....	18,402,920	20,028,312	1,625,392
Business License Taxes.....	63,798,429	70,225,084	6,426,655
Property Transfer Taxes.....	5,467,377	4,934,392	(532,985)
Other Non-Property Taxes.....	55,069,526 *	48,145,513	(6,924,013)
License and Permits.....	40,504,662 *	41,367,555	862,893
Fines and Penalties.....	55,789,760	61,382,893	5,593,133
Use of Money and Property.....	93,857,729	108,595,963	14,738,234
From Other Agencies.....	420,019,042	496,334,861	76,315,819
Current Service Charges.....	189,113,718	206,332,966	17,219,248
<b>Other Revenue</b>			
Sale of Property.....	11,019,810	12,330,040	1,310,230
From City-Owned Enterprises.....	77,454,569	77,568,707	114,138
From Non-Governmental Sources.....	2,183,298	5,137,314	2,954,016
Other.....	23,320,463	27,961,118	4,640,655
<b>Total.....</b>	<b>\$2,083,353,863</b>	<b>\$2,271,915,694</b>	<b>\$188,561,831</b>

\* Reclassified for comparability.

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

	<i>1968-69</i>	<i>1969-70</i>
<b>Taxes</b>		
General Property Taxes.....	32.00	30.83
Sales and Use Taxes.....	16.42	16.30
Transient Lodging Taxes.....	.89	.92
Franchise Taxes.....	.88	.88
Business License Taxes.....	3.06	3.09
Property Transfer Taxes.....	.26	.22
Other Non-Property Taxes.....	2.65	2.12
Licenses and Permits.....	1.95	1.82
Fines and Penalties.....	2.68	2.70
Use of Money and Property.....	4.50	4.78
From Other Agencies.....	20.16	21.85
Current Service Charges.....	9.08	9.08
<b>Other Revenue</b>		
Sale of Property.....	.53	.54
From City-Owned Enterprises.....	3.72	3.41
From Non-Governmental Sources.....	.10	.23
Other.....	1.12	1.23
<b>Total.....</b>	<b>100.00</b>	<b>100.00</b>

General city revenue from locally imposed taxes amounted to \$1,234,904,277 or 54 percent of the total. The second largest source of funds was from federal, state and county governments which aggregated \$496,334,861 or 22 percent of the total.

As the major segment of revenue, general property taxes for city purposes in the Fiscal Year 1969-70 amounted to \$700,408,147, an increase of \$33,796,058 or 5 percent.

## GENERAL PROPERTY TAXES

	Amount	Percentage Increase Over Prior Year	As a Percent of Total Revenue
1960-61	\$383,535,765	8.19	37.26
1961-62	410,213,592	6.96	37.37
1962-63	446,581,695	8.87	37.28
1963-64	466,200,258	4.39	35.63
1964-65	487,547,813	4.58	34.02
1965-66	526,381,421	7.97	33.88
1966-67	573,753,156	9.00	34.34
1967-68	609,608,121	6.25	32.46
1968-69	666,612,089	9.35	32.00
1969-70	700,408,147	5.07	30.83

Historically, the majority of grants received from other governmental agencies have been restricted as to purposes for which they may be expended. These controls have been removed in the case of motor vehicle in lieu taxes, trailer coach fees and cigarette taxes which may now be spent for any local purpose. Gasoline tax grants may be expended only for the construction and maintenance of streets, roads, 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 some 86 million dollars from state and federal sources for county purposes.

Alcoholic beverage license fees per Section 25761 of the Business and Professions Code are apportioned in the proportion that the amount of fees collected in each city and county bears to the total amount collected throughout the state.

Cigarette taxes per Section 30462 of the Revenue and Taxation Code to be apportioned are divided between cities and counties in the proportion that local sales tax distributed to each city and each county bears to the total of such local sales tax distributed in the previous calendar quarter. Fifty percent of the city's share is allocated in the proportion that the local sales tax revenue of each city bears to the total sales tax revenue of all the cities and the remaining fifty percent is allocated in the proportion that the population of each city bears to the total population of all the cities.

Motor vehicle license fees per Section 11003 of the Revenue and Taxation Code to be apportioned are divided equally between cities and counties. The allocation to cities is in the proportion that the population of each bears to the population of all cities.

Trailer coach fees per Section 11003.1 of the Revenue and Taxation Code are apportioned as follows: If the trailer coach is located in a city and any school district the allocation is one-third to the city, one-third to the school district, and one-third to the county. If located outside a city the allocation is one-half to the school district and one-half to the county.

Homeowners and business inventories property tax relief funds are a reimbursement from the state to all local agencies for the loss of property tax revenues by reason of homeowners and business inventories exemptions.

### REVENUE FROM OTHER GOVERNMENTAL AGENCIES

	1968-69	1969-70
Trailer Coach Licenses	\$1,529,763	\$1,984,963
Alcoholic Beverage Fees	9,917,244	8,572,219
Vehicle In Lieu Taxes	104,556,354	108,643,413
Gasoline Taxes	120,731,308	129,807,676
Cigarette Taxes	60,648,274	59,828,606
Homeowners—State		28,013,554
Business Inventories—State		5,425,439
Other State Grants	39,055,453	58,552,030
County Grants	28,018,502	29,532,264
Federal Grants	53,867,115	64,417,641
Other In Lieu Taxes	1,695,029	1,557,047
<b>Total</b>	<b>\$420,019,042</b>	<b>\$496,334,861</b>

Another segment of city revenue 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

	1968-69	1969-70
Vehicle Code Fines-----	\$42,760,481	\$46,449,863
Other Court Fines-----	12,859,358	14,635,483
Other Penalties-----	169,921	297,547
<b>Total-----</b>	<b>\$55,789,760</b>	<b>\$61,382,893</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 bondholder 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 city as contributions from enterprises it is estimated that approximately one-half is considered as being within this category.

During the prior year a new source of revenue made its debut. This is a tax on users of utility services which is levied as a percentage of the billing charge. A survey indicates that in most of the cities which levies this tax, it applies to gas, electricity and telephone services and in some instances to cable television. The rates vary but in most instances are 5 percent.

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. Another source of revenue was derived from a tax on the sales of real property; the rate being \$0.55 per \$500 of sale value. If the situs of the sale is in an unincorporated area or within a city which has not enacted such a tax, all of the proceeds accrues to the county. Where the situs of the sale is within a city which has also enacted the tax, the proceeds are shared equally by the city and the county.

#### OTHER NON-PROPERTY TAXES

	1968-69	1969-70
Utility Users Tax-----	\$22,073,319	\$38,113,793
Alcoholic Beverage Tax (special)-----	4,248,263	6,935,550
Sales Tax (special)-----	25,556,623	-0-
Other Taxes-----	3,191,321	3,096,170

Note: Room Occupancy and Property Transfer Taxes now shown as separate revenue items were previously included in this group of Other Non-Property Taxes.

During the year under review all cities had a local sales tax ordinance in effect. The \$370,293,149 reported by cities from this source constituted 16 percent of total revenue. Dollarwise, as well as from the standpoint of being unrestrictive as to expenditure purpose, it is second only to property taxes in importance. For a number of years, the relationship of sales tax revenue to property revenue has remained fairly constant; for the year under review sales taxes amounted to nearly 35 percent of the total of both sales and property taxes, representing a property tax rate equivalent of \$1.04 on \$100 of assessed valuation.

#### REVENUE FROM LOCAL SALES TAXES

	Sales Taxes as a Percent of Total Sales and Property Taxes	Sales Taxes Percentage Increase Over Prior Year	Sales Taxes as a Property Tax Equivalent on \$100 of Assessed Valuation
1960-61-----	33.4	4.9	\$0.92
1961-62-----	33.3	6.4	.91
1962-63-----	33.3	9.2	.94
1963-64-----	34.1	8.2	.96
1964-65-----	34.7	7.1	.99
1965-66-----	34.3	6.4	.97
1966-67-----	33.7	6.1	.96
1967-68-----	34.6	10.5	.98
1968-69-----	33.9	5.9	.99
1969-70-----	34.6	8.2	1.04