



CITY OF PINOLE

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Dear Pinole Resident:

I wish I was writing to you under better circumstances. Unfortunately, we find ourselves in the same situation as all of our neighboring communities – facing the challenges of providing local municipal services with severely reduced revenues. In fact, we are in a somewhat unique position when compared to most of our neighbors, as we still operate our own municipal Fire department as well as Police, Public Works, Recreation and Administration.

Although we passed a one-half cent sales tax measure in November 2006 (Measure S), designed to enhance public safety and public works functions, today we are struggling to pay for basic levels of services. We have seen our Measure S revenues go from initial receipts of \$1,585,644 in fiscal year 2007/08 to \$1,362,000 projected for fiscal year 2010/11. Because this is a sales tax, as consumer spending decreases so does our revenue. On top of that, we've experienced an overall reduction to our General Fund revenue from \$12,155,430 in 2007/08 to \$11,118,613 projected for 2010/11. As with our neighbors, the primary reductions we've experienced in the General Fund are sales taxes and property taxes. Again, these resources are driven by the overall economic climate. As we know, the Great Global Recession has created challenging financial conditions for all of us, both professionally and personally.

One of the most significant fiscal issues we currently face is the important extension of the Utility Users Tax (UUT), which will be on the November 2nd ballot as Measure "S". Like many cities and counties, Pinole has a UUT to fund our important basic municipal services. Funds have been used to staff public safety, including Police and Fire, and other important City services like the Senior Center, the Youth Center, and maintenance of streets and parks.

The UUT is not a new tax. Currently our UUT revenue is around \$2.1 million and makes up approximately 19.4% of the City's annual General Fund budget. Although we have already made almost \$4 million dollars in reductions to services, including Police and Fire, and we may need further reductions, without the UUT the City of Pinole will definitely be forced to eliminate essential services. This will have a further negative effect on the Police and Fire departments, Recreation and Youth programs, and Public Works, causing more services to be cut and additional positions eliminated.


We are asking you to do two things with the passage of Measure S in November. First, we are asking that you extend the life of the UUT another eight years. The UUT is currently set to sunset in December 2012. We are asking for the extension now so that we can establish a plan for providing services with the knowledge that we will have this vital revenue source through 2020. Second, we are asking that you add water service to the list of utilities

covered by the UUT. We estimate the individual impact on an average water bill to be around one dollar. So while it's not a large expense, it is expected to generate between \$175,000 and \$200,000 annually in increased revenue for the City.

Enclosed is a Frequently Asked Questions flyer about the UUT. For more information on the Utility Users Tax and Measure S, please visit the City's website at www.ci.pinoles.ca.us. If you would like to speak to me about this you can reach me directly at (510) 724-8933, or you can reach Assistant to the City Manager Michelle Fitzer at (510) 741-3864. We are happy to chat with you about City business and the UUT.

These are difficult times. But I'm confident that we will all come together and do what is necessary to support each other, as we always do. I look forward to hearing from you in the near future and working together for the betterment of Pinole!

Sincerely,


Belinda B. Espinosa
City Manager



City of Pinole Utility Users Tax Frequently Asked Questions - 2010

Q: What is the Utility Users Tax?

A: Like many cities and counties, Pinole has a Utility Users Tax (UUT) to fund important basic municipal services. The tax was last put into effect in 2004 and collected at a rate of 8% on electricity, gas, and telephone services. The tax will expire in December 2012, unless the voters of Pinole decide to extend it. Voting "Yes" on Measure S will renew the Utility Users Tax at its current rate and will terminate the tax in an additional eight years, December 2020. Voting "Yes" on Measure S will also add water to the utilities on which the UUT will be collected. Voting "No" on Measure S will not extend the tax, will not add water service, and Pinole will lose over 19% of its current General Fund budget, which will require further substantial reductions in services and programs, including public safety.

Q: What have the funds be spent on?

A: Funds have been used to finance General Fund City services that are highly desired by our citizens such as public safety, recreation, and public works. Historically, the City spent UUT monies to support Pinole Police and Fire operations, the Swim Center, Youth Center, Senior Center, and street repairs. The Utility Users Tax is a general tax that goes into the City's General Fund. At this time, about 73% of the General Fund budget goes directly for Police and Fire protection services.

Q: Who must pay the Utility Users Tax?

A: All utility users in Pinole pay the tax to the utility service suppliers. The funds are collected by the utility then deposited into the City's General Fund. It is paid only on electricity, gas, and telephone services. Again, a "Yes" vote on Measure S will expand this list to include water service.

Q: Who is exempt from paying the Utility Users Tax?

A: Exemptions from the tax are made for low-income residents, recipients of veterans/survivors pension benefits and recipients of certain governmental aid. Exemptions can be filed with the City's Finance Department at (510) 724-9823.

Q: How much is the tax?

A: The tax is currently and would continue to be 8% of the charges made to the utility user by the service supplier. The average daily tax for all of these utilities for a Pinole household is estimated to be about fifty cents.

Q: How big a piece of the General Fund is the Utility Users Tax?

A: The Utility Users Tax revenue of \$2.13 million in Fiscal Year 2009/2010 is 19.4% of the total General Fund budget. There are three main sources of revenue to the General Fund: sales tax (26%), property tax (15%), and utility users tax (19.4%).

Q: What happens if the Measure does not pass?

A: Pinole would lose over 19% of its General Fund budget or about \$2.13 million. A \$2.13 million loss in revenue, on top of the \$4 million reduction to the General Fund already experienced over the last two years would further severely affect all of our public services, including Recreation, Public Works, and both areas of public safety. These reductions are in addition to the current service reductions at City Hall, Public Works, and the Fire Department necessitated by the elimination of 31 staff positions over the last two years.

Q: Is the tax regularly going up?

A: Since the tax was adopted in 1991, it has been set between 7% and 8%, with a one year reduction to 6.4% in 2002 during the California energy crisis. The tax is not set up to increase over the next eight years. The City Council conducts annual reviews on the Utility Users Tax rate and has never increased it, but has lowered the rate twice.

Q: What factors led to the City placing the Measure S on the ballot?

A: Even though every effort has been made to reduce General Fund expenses, because General Fund revenues from property and sales taxes have significantly declined over the last two years due to the unprecedented economic climate, the Utility Users Tax is vital. The fact that Pinole's General Fund is so substantially dependent on the Utility Users Tax to fund public safety means that the critical need for the revenue from this tax cannot be overstated. Also, the Utility Users Tax is not subject to State take-aways, whereas sales and property taxes are. As we know, the State has taken the Redevelopment Agencies property tax revenue totaling \$4.1 million in just fiscal year 2009/10 and 2010/11.

Q: Why add water to the taxed utilities?

A: With the severe reductions of around 20% to the City's primary General Fund revenues of property and sales taxes, we need to look for ways to replace lost funding. Adding water service to the UUT is expected to increase the City's General Fund revenue by between \$175,000 and \$240,000 each year, depending on the number of qualified exemptions. Since the UUT is set to expire every eight years, this provides a temporary source of additional revenue during this time when it is desperately needed. Voters will have the opportunity to decide whether or not to extend the UUT again in 2020.

Q: How do I know that the City spends its funds wisely?

A: The City of Pinole is one of the most efficient full service cities in the County. Although we have had to borrow money from the Redevelopment Agency over the last three years to balance the General Fund budget, we have made significant reductions to staffing and services, totaling over \$4 million, to enable us to bring a balanced budget forward for fiscal year 2010/11. Our annual budget and the Consolidated Annual Financial Report are both available on the City's website. The budget outlines the revenues we receive and the expenditures by department. You can see that we are running a full service city on very limited resources. In addition, we encourage those interested to view the June 15, 2010 budget hearing at which we discussed the City's financial condition. The link to that meeting can be found at http://pinole.granicus.com/ViewPublisher.php?view_id=2.

Q: Where can I get more information?

A: For more information on the Utility Users Tax, refer to the City's website at www.ci.pinole.ca.us or contact Michelle Fitzer, Assistant to the City Manager, at 510-741-3864, 2131 Pear Street, Pinole, California 94564, or by e-mail at mfitzer@ci.pinole.ca.us.

Remember, the last day to register to vote is October 18th. Election Day is November 2, 2010. Get the facts - be an informed, educated voter.