

*The Economics of Land Use*



## Draft Report

# ANNEXATION ANALYSIS OF NORTH PACHECO AREA

Prepared for:

City of Martinez

Prepared by:

Economic & Planning Systems, Inc.

*Economic & Planning Systems, Inc.  
2501 Ninth Street, Suite 200  
Berkeley, CA 94710  
510 841 9190 tel  
510 841 9208 fax*

*Berkeley  
Sacramento  
Denver*

**[www.epsys.com](http://www.epsys.com)**

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# 1. INTRODUCTION

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This report presents a fiscal analysis of the potential annexation of the North Pacheco area (annexation area) to the City of Martinez. Currently, the County of Contra Costa provides municipal services including sheriff protection, public works, and road maintenance to the unincorporated area. The division of property taxes, and potentially sales taxes, from the area would be governed by a Tax Sharing Agreement to be negotiated between the City and the County. The City would also receive other revenues from the area to help in funding the municipal services that would transfer to City responsibility.

This analysis evaluates the potential annual fiscal impacts of the annexation on the City's General Fund budget. It compares the costs to provide services to the North Pacheco area to the annual revenues that could be generated to the City. The impacts of capital facility and infrastructure funding are not included in this analysis. The methodology is summarized in this report, and detailed calculations and assumptions are further documented in **Appendix A**. All results are expressed in 2008 dollars.

The impacts of the potential annexation area are considered at two time periods: immediately after annexation and at buildout of vacant parcels. The time period until buildout will depend on future market conditions and City actions, such as potential redevelopment. The fiscal estimates in this analysis could change as a result of policy changes, actual service demands, and economic conditions. Given the magnitude of the potential annexation, the City will need to negotiate a tax sharing agreement with the County, which could include a sharing of sales tax; the current analysis assumes the distributions specified in the Master Property Tax Transfer Agreement for Allocation of Property Tax between the County of Contra Costa and City of Martinez.<sup>1</sup>

## Key Findings

### **1. Following annexation, General Fund expenditures required to serve the North Pacheco area will exceed the revenues generated from this area.**

Net revenues generated from the annexation area would not be sufficient to fund additional public services. The shortfall for the North Pacheco area is \$33,000 after allocating a portion of a new police hire to the balance of the City, since only a portion of the officer's time is likely to be required in the annexation area. **Table 1** illustrates the impacts. The North Pacheco area has a commercial base; however, sales tax revenues have declined significantly in recent years from \$190,000 annually to the 2008 amount of approximately \$50,000. The area also has a large number of calls for police service.

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<sup>1</sup> Resolution 241-80 §99 (d).

**Table 1**  
**General Citywide Revenues and Expenditures at Annexation**  
**North Pacheco Annexation Study; EPS #19024**

Item	North Pacheco		Total
	Area A	Area B	
<b>Revenues</b>			
Property Tax	\$8,641	\$4,870	<b>\$13,510</b>
Property Tax In Lieu of VLF	\$0	\$0	<b>\$0</b>
Sales and Use Tax (1)	na	na	<b>\$50,000</b>
Motor Vehicle In-Lieu VLF (2)	\$4,729	\$2,027	<b>\$6,756</b>
Business Licenses	\$2,147	\$190	<b>\$2,336</b>
Franchise Fees	\$2,491	\$1,052	<b>\$3,543</b>
Document Transfer Tax	\$1,250	\$651	<b>\$1,901</b>
Highway User Taxes (Gas Taxes)	na	na	<b>\$2,357</b>
Prop 172 Proceeds	<u>na</u>	<u>na</u>	<b>\$1,350</b>
Total Revenues	na	na	<b>\$81,754</b>
<b>Expenditures</b>			
Public Works (1)	na	na	<b>\$114,866</b>
Police (3)	<u>na</u>	<u>na</u>	<b>\$0</b>
Total Expenditures	na	na	<b>\$114,866</b>
<b>Net Impact</b>	<b>na</b>	<b>na</b>	<b>(\$33,112)</b>

(1) Allocation between subareas is not estimated.

(2) Assumes the citywide average of \$6.77 per capita with additional \$50 per capita for new annexation.

(3) It is assumed that the City would initially utilize the existing staff, although an additional 1/2 a police officer may be required before eventually hiring a new full-time officer. This is assumed to occur one to two years after the annexation occurs and is subject to evaluation of calls for service, crime rates, and effectiveness of future prevention efforts.

Sources: City of Martinez and Economic & Planning Systems, Inc.

**2. The fiscal shortfalls will decrease as new growth occurs in North Pacheco and will exceed the level of expenditures at buildout.**

New revenues from future growth will reduce the funding gap after annexation and potentially result in net fiscal benefits to the City. As the buildout of North Pacheco occurs, the General Fund revenues will likely exceed the costs associated with the annexation area. The fiscal benefit at buildout is estimated at \$68,000 as shown in **Table 2**.

**3. Additional annexation benefits could be realized by the City to the extent that the costs could be minimized or revenues increased.**

For instance, recent sales tax revenues in North Pacheco have been weak and are estimated at \$50,000 a year. If a new major retailer could be located in the area or if the prior sales tax of \$190,000 a year could be achieved, the annexation would result in higher fiscal benefits to the City with revenues exceeding costs assuming no sales tax sharing between the City and the County.

The area currently generates \$11,000 in property taxes to County Service Area P-6 for sheriff protection (assessments are noted in #4). The analysis does not show this revenue transferring to the City upon annexation; however, this issue is subject to decisions to be made by LAFCO and should also be discussed as part of negotiations with the County regarding the sharing of property taxes from the area.

**4. Annexed properties will contribute towards repayment of City park bonds.**

Existing and new development in the annexed area would contribute towards repayment of recently issued park bonds. Upon annexation, these payments could contribute \$12,000<sup>2</sup> towards reducing the burden upon other City taxpayers and/or could help to reduce the total years required for repayment of the bonds.

**5. Redevelopment in North Pacheco offers the potential to improve the infrastructure, landscaping, and economic potential of the area, and creates an additional 160 jobs.**

However, if a redevelopment area is created, growth in property tax revenues to the City from the area would be reduced compared to the estimates shown because of the diversion of property taxes to fund capital improvements, until the redevelopment area is terminated.

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<sup>2</sup> Assumes \$34/\$100,000 assessed value.

**Table 2**  
**General Citywide Revenues and Expenditures At Buildout**  
**North Pacheco Annexation Study; EPS #19024**

Item	North Pacheco		Total
	Area A	Area B	
<b>Revenues</b>			
Property Tax	\$18,032	\$71,970	<b>\$90,002</b>
Property Tax In Lieu of VLF	\$6,457	\$42,639	<b>\$46,921</b>
Sales and Use Tax (1) (2)	\$124,000	\$4,000	<b>\$60,000</b>
Motor Vehicle In-Lieu VLF (3)	\$4,729	\$2,027	<b>\$6,756</b>
Business Licenses	\$5,799	\$190	<b>\$5,989</b>
Franchise Fees	\$2,781	\$11,668	<b>\$14,448</b>
Document Transfer Tax	\$1,929	\$5,137	<b>\$7,066</b>
Highway User Taxes (Gas Taxes)	na	na	<b>\$9,665</b>
Prop 172 Proceeds	<u>na</u>	<u>na</u>	<b><u>\$5,535</u></b>
Total Revenues	na	na	<b>\$246,382</b>
<b>Expenditures</b>			
Public Works (1)	na	na	<b>\$114,866</b>
Police (1)	na	na	<b>\$126,435</b>
(less) Citywide Benefit (4)	<u>na</u>	<u>na</u>	<b><u>(\$63,218)</u></b>
Total Expenditures	na	na	<b>\$178,084</b>
<b>Net Impact</b>	<b>na</b>	<b>na</b>	<b>\$68,299</b>

(1) Allocation between subareas is not provided.

(2) The estimate is conservative; reflects a potential net of sales tax sharing agreement with the County.

(3) Assumes the citywide average of \$6.77 per capita with additional \$50 per capita for new annexation.

(4) While it is likely that one full-time police officer would be hired before buildout, it is assumed that about 1/2 an officer would be required as the result of the Pacheco area annexation, while the remaining 1/2 officer would be a citywide benefit and is not attributed to the annexation.

Sources: City of Martinez and Economic & Planning Systems, Inc.

## 2. PROJECT DESCRIPTION

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The City of Martinez is located in central Contra Costa County and is home to 36,000 residents. The City is surrounded by unincorporated areas, two of which—North Pacheco and Alhambra Valley/Stonehurst—are being considered for annexation to the City. Both areas proposed for the annexation are located within the City’s urban limit line and are currently served by Contra Costa County. This report pertains to the North Pacheco annexation. The analysis for the Alhambra Valley/Stonehurst area is provided under separate cover.

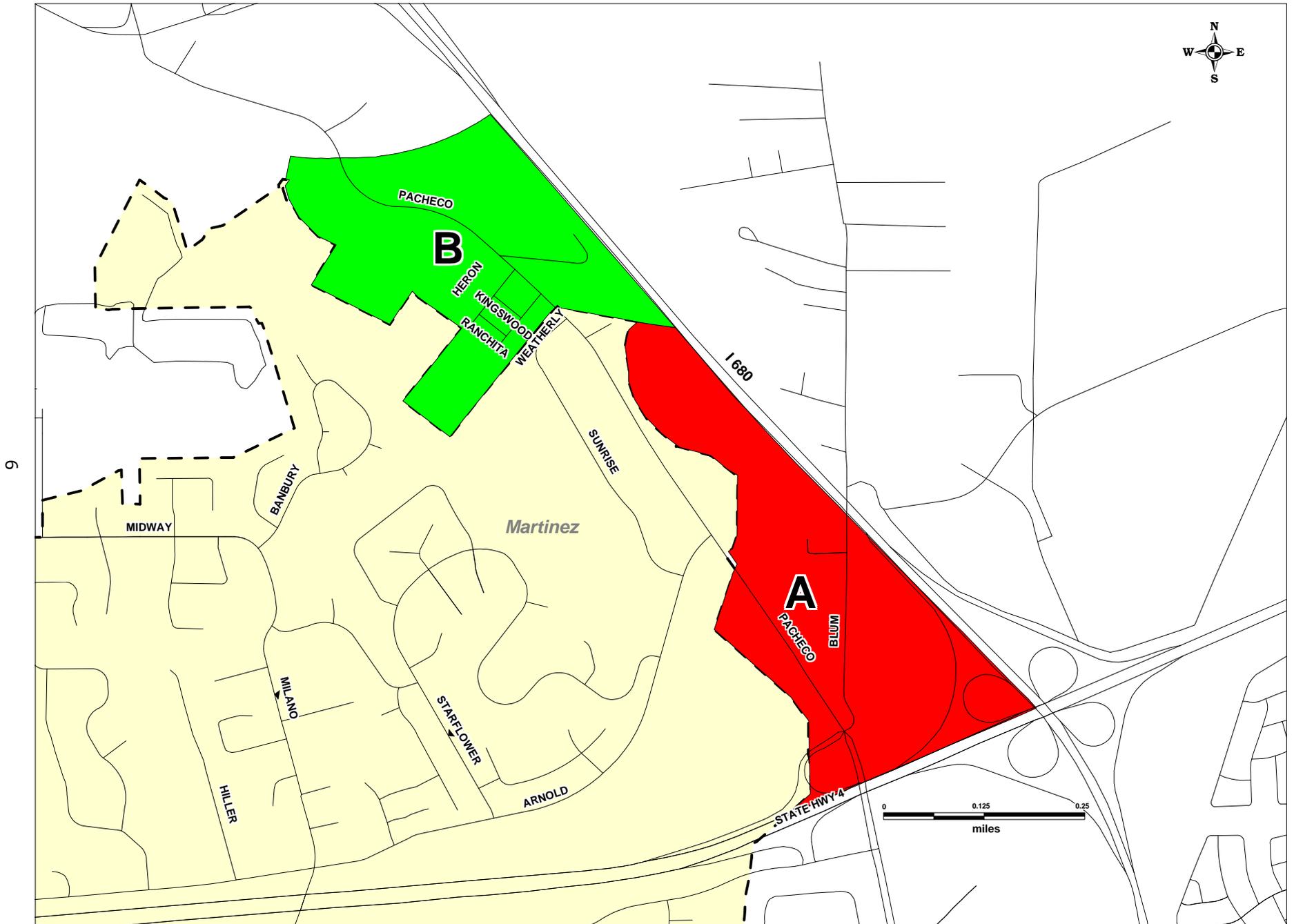
### North Pacheco

North Pacheco is located at the intersection of Interstate 680 and Highway 4 and is adjacent to the City’s eastern edge (see **Figure 1**). The area serves as a gateway to Martinez. Annexation potentially could facilitate economic revitalization and visual improvement once annexed. The City could focus its enforcement efforts on the area to potentially reduce the high volume of public safety calls currently received from the area which are handled by the County Sheriff’s Office.

North Pacheco consists of a range of land uses including commercial, industrial, and residential development. Older residential development includes an apartment building, while more recent residential development has been occurring on single-family lots. The area has a population of about 120 residents and an assessed value of \$34.6 million (see **Table 3**). North Pacheco is also estimated to include about 51,000 square feet of commercial space with approximately 100 employees (see **Table 4**). By buildout, the area is projected to increase to 490 residents and 130,000 square feet of commercial uses that will support approximately 250 total employees. The analysis assumes reuse of underutilized parcels and potential new office development.

Several new residential subdivisions are currently under development and will likely build out over the next several years. While North Pacheco may potentially become a redevelopment area, this analysis does not evaluate potential impacts of redevelopment designation. Redevelopment could support densification of existing uses, as well as new development and infrastructure.

Figure 1. Proposed North Pacheco Annexation Area



**Table 3  
Proposed Annexation Areas Description  
North Pacheco Annexation Study; EPS #19024**

Item	North Pacheco		
	Area A	Area B	Total
<b>2009 Total</b>			
Residential Parcels			
Occupied	35	15	<b>50</b>
Vacant	<u>3</u>	<u>152</u>	<u>155</u>
Total	38	167	<b>205</b>
Commercial Parcels			
Occupied	18	2	<b>20</b>
Vacant	<u>4</u>	<u>0</u>	<u>4</u>
Total	22	2	<b>24</b>
Other Parcels			
Land	0	0	<b>0</b>
Unbuildable Vacant	0	1	<b>1</b>
Miscellaneous (1)	<u>5</u>	<u>25</u>	<u>30</u>
Total	5	26	<b>31</b>
Total Parcels	65	195	<b>260</b>
Population (2)	83	36	<b>119</b>
Assessed Value			
Residential (per unit)			
Occupied	\$272,050	\$382,481	<b>\$305,179</b>
Vacant	\$76,994	\$37,130	<b>\$37,901</b>
Commercial (per parcel)			
Occupied	\$548,088	\$100,965	<b>\$503,376</b>
Vacant	\$160,425	na	<b>\$160,425</b>
Total Assessed Value	\$22,727,537	\$11,830,533	<b>\$34,558,070</b>
<b>Buildout Total (3)</b>			
Residential Parcels			
Occupied	38	167	<b>205</b>
Vacant	<u>0</u>	<u>0</u>	<u>0</u>
Total	38	167	<b>205</b>
Commercial Parcels			
Occupied	22	2	<b>24</b>
Vacant	<u>0</u>	<u>0</u>	<u>0</u>
Total	22	2	<b>24</b>
Other Parcels			
Land	0	0	<b>0</b>
Unbuildable Vacant	0	1	<b>1</b>
Miscellaneous (1)	<u>5</u>	<u>25</u>	<u>30</u>
Total	5	26	<b>31</b>
Total Parcels	65	195	<b>260</b>
Population (2)	90	397	<b>488</b>
Total Occupied Assessed Value (4)	\$35,951,762	\$99,036,089	<b>\$134,987,851</b>
(less) Value Lost to New Development (5)	<u>(\$872,681)</u>	<u>(\$5,643,716)</u>	<u><b>(\$6,516,398)</b></u>
New Assessed Value	\$35,079,080	\$93,392,373	<b>\$128,471,453</b>

(1) Include public, nonprofit and other miscellaneous uses.

(2) An average citywide population of 2.38 per household is assumed.

(3) Assumes that all vacant parcels and developable land will be developed.

(4) Market value of new residential units are assumed to be 50% above current average assessed values; new commercial development is assumed to average \$150 per square foot applied to 6 occupied commercial parcels with the area of 5.75 acres in Area A identified as underutilized and assumed to be redeveloped with potential net new addition of up to 80,000 square feet.

(5) Reflects the assessed value of currently vacant parcels assumed to be developed and occupied by buildout.

Sources: City of Martinez, GIS, and Economic & Planning Systems, Inc.

**Table 4**  
**Proposed Annexation Areas Commercial Space Description**  
**North Pacheco Annexation Study; EPS #19024**

Item	North Pacheco		Total
	Area A	Area B	
<b>2009 Total</b>			
Commercial Parcels			
Occupied	18	2	<b>20</b>
Vacant	<u>4</u>	<u>0</u>	<u>4</u>
Total	22	2	<b>24</b>
Existing Commercial Space (sq.ft.) (1)	47,020	4,156	<b>51,176</b>
Employment (2)	94	8	<b>102</b>
<b>Buildout Total (3)</b>			
Commercial Parcels			
Occupied	22	2	<b>24</b>
Vacant	<u>0</u>	<u>0</u>	<u>0</u>
Total	22	2	<b>24</b>
Commercial Space (sq.ft.) (4)	127,020	4,156	<b>131,176</b>
Employment (2)	254	8	<b>262</b>

(1) This estimate is conservative as estimates are not available for many parcels.

(2) Assumes an average employment density of 500 square feet per employee.

(3) Assumes that all vacant parcels and developable land will be developed.

(4) Includes 6 occupied underutilized commercial parcels in Area A assumed to be redeveloped with potential net new addition of up to 80,000 square feet.

Sources: City of Martinez, GIS, and Economic & Planning Systems, Inc.

### 3. REVENUES

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This chapter summarizes key revenues that will be generated as annexation occurs. Revenues at annexation and buildout are shown in **Tables 1 and 2**, with the City's budget summary and estimating factors shown in **Table A-1**. Additional details regarding assumptions and calculations are included in **Appendix A**.

#### Property Tax

Property tax based on 1.0 percent of assessed value is currently collected by Contra Costa County. The City of Martinez will share in a portion of the County's tax share based on a Property Tax Transfer Agreement to be negotiated between Contra Costa County and the City; the analysis assumes the distributions specified in the Master Property Tax Transfer Agreement for Allocation of Property Tax between the County of Contra Costa and City of Martinez,<sup>3</sup> whereby the City would receive 22.85 percent of the County's current property tax base from the area.

In addition, the City is assumed to share 45.69 percent of the County's 19 percent tax share from future assessed value growth, resulting in a City share of approximately 9 percent from future growth. This allocation of base tax and increment translates into the City's overall tax capture of about 7.2 percent of total property tax at buildout.

The property tax calculations are displayed in **Tables A-2 and A-3**. New residential values are assumed to range between \$408,000 and \$574,000 per unit and new commercial values are assumed at \$150 per square foot.

Property taxes and assessed values are based on 2008-09, which generally increased slightly by comparison to the prior year. It is likely that the 2009-10 property tax revenues will decline relative to the assumptions in the current analysis.

#### Property Tax In-Lieu of Vehicle License Fees

Recent changes in the State budget converted a significant portion of Motor Vehicle License Fee (VLF) subventions, previously distributed by the State based on a per-capita formula, into property tax distributions. These distributions increase over time based on assessed value growth, though the increase in assessed value in the initial year of annexation would not be reflected in the citywide assessed value formula. Although the City's Property Tax In-Lieu of VLF does not increase because of the initial bump in assessed value, State Law does provide an allocation of VLF based on the population of the annexed areas. The City will receive \$50 per capita based on an allocation determined by State legislation (AB 1602). The annual amount will change depending on the growth in Statewide VLF and population.

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<sup>3</sup> Resolution 241-80 §99 (d).

In future years, increased values in the annexation area will contribute to growth in citywide assessed value; this growth will result in additional property tax in-lieu of VLF to the City, as shown in **Table A-3**.

VLF proceeds<sup>4</sup> will also be generated as a result of the population added by the annexation. The initial amount allocated to the City is based on a per-capita amount of \$6.77 per resident.

## **Sales Tax**

Sales tax revenues will be generated to the City by the commercial space located within the annexation area. Given the established nature of existing retail patterns, the annexation will not result in new sales tax revenues from the annexation area residents. About \$50,000 in sales tax is assumed to be generated from the North Pacheco area based on the County estimate (see **Table A-4**). North Pacheco has historically generated higher sales taxes, as much as \$190,000 a year. Sales tax revenues are likely to increase slightly from new population growth as the area builds out over time, though this impact is not considered in this analysis.

A decrease in recent years in the sales tax proceeds generated in North Pacheco reflects the economic downturn and reduction in consumer spending. In addition, RV sales, a major generator of sales tax in the area, have been particularly hit because of rising gasoline prices. Future sales tax generated in the area may be higher if the economy returns to the prior levels and/or new retail development occurs.

## **Business License Tax**

Business license tax is a general tax on businesses within a local jurisdiction. For estimating purposes, the fiscal analysis uses a "per-employee" approach based on total jobs in Martinez; the resulting factor is multiplied by the estimated employment total for the North Pacheco area.

## **Franchise and Other Fees**

Annexation of North Pacheco will result in additional revenue to the City through franchise fees and license, permit, and other fees, as well as fines and forfeitures. A service population approach is used to estimate these revenues.

## **Document Transfer Tax**

Martinez receives a document transfer tax of \$0.55 per \$1,000 of transferred value upon sale of a property. The analysis estimates the tax based on the existing assessed values upon annexation and projected assessed values at buildout. The City will receive the tax upon sale of the newly developed units, as well as the resale of built space. The resale of built space is assumed to occur every ten years, on average, or about 10 percent annually.

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<sup>4</sup> Called Motor Vehicle in Lieu of VLF in the City's budget.

## Other Revenues

Services funded by fees and/or provided by other agencies will continue after annexation. Mt. View Sanitary District will continue wastewater service to the North Pacheco annexation area. These services, or future changes to service, are assumed to have no impact on the City's General Fund.

The analysis does not assume special assessments and parcel taxes revenues from Countywide districts, including the County Service Area P-6 (sheriff protection) and County Service Area L-100 (lighting) after annexation. However, the City could explore the transfer of assessments which currently total about \$11,000 and less than \$3,000 for CSA P-6 and CSA L-100 respectively.

The transfer of property tax from CSA P-6 and CSA L-100 should be discussed further with LAFCO and with the County as part of property tax transfer negotiations. These revenues are estimated to amount to less than \$5,000 annually.

A landscape and lighting district, LL 2 Zone 75, exists in the area; the assessment is approximately \$10 per year per parcel and generates about \$2,000 annually. It is assumed that the assessments would continue, although it may be necessary for the City to create a mechanism to assure that the assessments are properly accounted.

## 4. EXPENDITURES

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This chapter summarizes the key public costs for services that will be required as annexation occurs. This analysis applies the “case study” approach and is based on interviews with the City’s departments. The costs are shown in **Table 1**.

Currently, municipal services are provided by Contra Costa County. Following the annexation, municipal services, such as police, community development, and public works, will be provided by Martinez. In some cases, the City services will replace the current assessments, such as the County Service Area P-6 (sheriff protection), County Service Area L-100 (lighting) and LL 2 Zone 75 (landscape). Other services, such as County Health and Human Services, will continue to be provided by the County. Other agencies will also continue to provide services, including wastewater service provided by special districts.

### **General Government**

The City’s General Government includes City Council, City Clerk, City Treasurer, City Manager, City Attorney, and Economic Development. The potential annexation is assumed to have no significant impact on the General Government costs.

### **Administrative Services**

The Administrative Services Department consists of Administration, Finance, Personnel, and Information Systems and is charged with the overall administration of the City’s programs. The potential annexation is assumed to have no impact on the Administrative Services Department costs.

### **Public Works**

The Public Works Department is responsible for the City’s maintenance, fleet management, water system treatment, and parking meter collection functions. Maintenance of roadways will include routine maintenance, striping and signs, storm drain, nuisance abatement and street sweeping, as well as resurfacing and reconstruction that will be necessary as roads age.

It is assumed that annual costs based on the square feet of road surface in the annexation area will be incurred by the City. These costs are based on the optimum target level of maintenance which currently may not be consistently achieved by the City.

A portion of the public works cost estimates associated with pothole repair is excluded from the analysis as these costs are assumed to be covered by pavement and road maintenance costs. In addition, a portion of the road maintenance expenditure is assumed to be offset by Highway User taxes (Gas Taxes), as shown in **Table A-5**. Overhead and administration are not included in the costs.

## Police Services

Upon annexation, police service responsibility would be transferred from the County Sheriff's Office to the City's Police Department. The current level of City staffing may initially provide capacity to handle calls from North Pacheco upon annexation, although demand from the annexation area is expected to eventually require additional personnel support based on evaluation of calls for service, and future crime rates and prevention efforts. The City's Police Department already handles a share of the existing calls for service. Between April and September 2008, the County Sheriff received 172 calls from the North Pacheco area.

The analysis assumes the hiring of one officer within about one to two years after the annexation based on the calls for service from North Pacheco and the City's familiarity with the area, although only half of the officer's time would actually be required to serve the area, according to the City Police Department. The remaining 50 percent of the cost and staff capacity is shown as a benefit to the rest of the City. The timing and need for the additional staff would depend on the outcome of a concentrated enforcement and crime reduction efforts in the area.

A portion of Police Department costs associated with annexation is assumed to be offset by the Proposition 172 proceeds, which is a statewide sales tax dedicated to public safety. Police service costs are shown in **Table A-6**. No increases in service demands are projected, as it is anticipated that existing needs can be met by the initial increase in staff, and service calls potentially can be reduced over time.

## Community and Economic Development

The Community and Economic Development Department is responsible for managing the City's Planning, Engineering, and Community Services/Recreation functions. The costs associated with Community Development are assumed to have no impact on the General Fund as the majority of expenditures will be offset by fees.

## Other Services

### Fire Protection

Fire prevention and emergency services are provided by the Contra Costa County Fire Protection District (CCCFPD) to the potential annexation area and the City of Martinez. Fire services are not affected by the annexation.

### Water

The Contra Costa Water District is assumed to continue its provision of treated water to the North Pacheco area. The Contra Costa Water District also serves other areas in Pacheco, the east part of Martinez, Clayton, Clyde, Concord, Port Costa, and parts of Brentwood and Pleasant Hill.

## **Wastewater**

Mt. View Sanitary District will continue service to the North Pacheco annexation area. The service of this special district is assumed to have no impact on the City's General Fund.

APPENDIX A:  
FISCAL IMPACTS



**Table A-1  
Budget Summary and Estimating Factors  
North Pacheco Annexation Study; EPS #19024**

<b>Item</b>	<b>FY2008-09 Budget</b>	<b>Allocation Factor</b>
<b>General Fund Revenues</b>		
Property Tax	\$7,169,946	Tables A-2 and A-3
Property Tax In Lieu of VLF	\$2,522,970	Table A-3
Sales and Use Tax	\$3,829,699	Table A-4
Motor Vehicle In-Lieu VLF	\$244,800	\$6.77 per capita (1)
Transient Occupancy Tax	\$275,706	- not impacted
Business Licenses	\$520,200	\$22.83 per employee
Franchise Fees	\$1,395,000	\$29.34 per service population
Document Transfer Tax	\$286,761	\$0.55 of \$1,000 in value
Water System In-Lieu Tax	<u>\$391,492</u>	- not impacted
Subtotal	\$16,391,774	
License, Permit, and Fees	\$684,000	\$14.39 per service population
Fines and Forfeits	\$303,000	\$6.37 per service population
Intergovernmental	\$553,350	- not impacted
Charges for Service	\$746,500	- not impacted
Use of Money and Property	\$396,000	- not impacted
Other Revenue (2)	<u>\$162,300</u>	- not impacted
Subtotal	\$2,845,150	
<b>Total Revenues</b>	<b>\$19,236,924</b>	
<b>General Fund Expenditures</b>		
General Government (3)	\$1,108,835	- not impacted
Administrative Services	\$822,509	- not impacted
Public Works	\$3,927,141	Table A-5
Police	\$10,307,758	Table A-6
Community and Economic Development (4)	\$2,956,508	- not impacted
Non-Departmental (5)	<u>\$1,261,099</u>	- not impacted
<b>Total Expenditures</b>	<b>\$20,383,850</b>	
<b>Net</b>	<b>(\$1,146,926)</b>	
<b>Other Sources of Funds</b>		
Highway User Taxes	\$724,500	Table A-5
Prop 172 Proceeds	<u>\$410,000</u>	Table A-6
Subtotal	<b>\$1,134,500</b>	

Note: excludes operating and capital transfers.

(1) City would receive additional \$50 per capita based on AB1602.

(2) Includes water system admin fee, solid waste, maps and publications, interest payment on loan, miscellaneous revenue, refunds, and rebates, workers comp/liability rebate, restitution, damage and recoveries, and donations and contributions.

(3) Includes City Council, City Clerk, City Treasurer, City Manager, City Attorney, and Economic Development.

(4) The Economic Development portion of the department's budget is included under the General Government costs.

(5) Includes General Services, Franchise, Contingencies, and Retiree Benefits.

Sources: City of Martinez and Economic & Planning Systems, Inc.

**Table A-2**  
**Property Tax and Property Tax In Lieu of VLF Calculation**  
**North Pacheco Annexation Study; EPS #19024**

Item	Assumption / Factor	North Pacheco		Total
		Area A	Area B	
<b>Baseline Property Tax Revenue</b>				
Base Assessed Value (current value)		\$22,727,537	\$11,830,533	<b>\$34,558,070</b>
Property Tax	1.0% of base assessed value	\$227,275	\$118,305	<b>\$345,581</b>
Existing County Tax (1)		\$37,823	\$21,317	<b>\$59,139</b>
City Share (2)	22.85% of the existing County tax	\$8,641	\$4,870	<b>\$13,510</b>
<b>New Property Tax to the City</b>		<b>\$8,641</b>	<b>\$4,870</b>	<b>\$13,510</b>

(1) Based on the proposed areas' share of the total AV for each TRA; Area B consists of two separate TRAs; post ERAF.

(2) Based on the Master Property Tax Transfer Agreement for Allocation of Property Tax between Contra Costa County and the City of Martinez.

Sources: City of Martinez; Contra Costa County Auditor's Office; and Economic & Planning Systems, Inc.

**Table A-3**  
**Property Tax and Property Tax In Lieu of VLF Calculation**  
**North Pacheco Annexation Study; EPS #19024**

Item	Assumption / Factor	North Pacheco		Total
		Area A	Area B	
<u>Baseline Property Tax Revenue</u>				
Base Assessed Value (current value)		\$22,727,537	\$11,830,533	<b>\$34,558,070</b>
Property Tax	1.0% of base assessed value	\$227,275	\$118,305	<b>\$345,581</b>
Existing County Tax (1)		\$37,823	\$21,317	<b>\$59,139</b>
City Share (2)	22.85% of the existing County share	\$8,641	\$4,870	<b>\$13,510</b>
<u>Tax Increment Property Tax Revenue (1)</u>				
Assessed Value Gross Increment (at buildout)		\$12,351,543	\$81,561,839	<b>\$89,754,183</b>
Property Tax	1.0% of AV increment	\$123,515	\$815,618	<b>\$897,542</b>
County Tax Share (1)		16.6%	18.0%	
City TAF (2)	45.69% of the County tax share	\$9,392	\$67,100	<b>\$76,492</b>
<b>Net New Property Tax to the City</b>		<b>\$18,032</b>	<b>\$71,970</b>	<b>\$90,002</b>
<u>Property Tax In Lieu of VLF</u>				
Existing Property Tax in Lieu of VLF		\$2,522,970	\$2,522,970	<b>\$2,522,970</b>
Citywide Assessed Value (3)		\$4,826,097,584	\$4,826,097,584	<b>\$4,826,097,584</b>
% Increase in Assessed Value		0.26%	1.69%	<b>1.86%</b>
<b>Net New Property Tax In Lieu of VLF</b>		<b>\$6,457</b>	<b>\$42,639</b>	<b>\$46,921</b>

(1) Based on the proposed areas' share of the total AV for each TRA; Area B consists of two separate TRAs; post ERAF.

(2) Based on the Master Property Tax Transfer Agreement for Allocation of Property Tax between Contra Costa County and the City of Martinez.

(3) FY 2008-09 total tax rate base and the base assessed value of the proposed annexation areas combined.

Sources: City of Martinez; Contra Costa County Auditor's Office; and Economic & Planning Systems, Inc.

**Table A-4**  
**Sales Tax Calculations**  
**North Pacheco Annexation Study; EPS #19024**

Item	North Pacheco		Total
	Area A	Area B	
<b>2009 Total</b>			
Existing Commercial Space (sq.ft.) (1)			51,176
Taxable Sales (2)	Retail sales allocation between subareas is not considered in this analysis.		\$5,002,454
Sales Tax to the City (3)			\$50,000
<b>Buildout Total</b>			
Commercial Space (sq.ft.) (4)			61,625
Taxable Sales (2)			\$6,023,833
Sales Tax to the City (3)			\$60,000

(1) This estimate is conservative as estimates are not available for many parcels.

(2) Assumes 50% of commercial space generates taxable sales with an average of about \$195 per square foot in taxable sales.

(3) Assumes 1.0% to the City's General Fund; rounded. The \$50,000 revenue total provided by the County for the North Pacheco area, based on the recent year's data.

(4) Excludes 80,000 square feet associated with potential redevelopment of underutilized parcels to office space.

Sources: City of Martinez, Contra Costa County, GIS, and Economic & Planning Systems, Inc.

**Table A-5  
Public Works Annual Cost Estimate  
North Pacheco Annexation Study; EPS #19024**

Expenses	North Pacheco		Total
	Area A	Area B	
<b>2009 Total</b>			
Pavement			\$81,180
Annual Stripings/Signs			\$22,200
Road Maintenance			\$2,100
Storm Drain			\$1,500
Nuisance Abatement			\$5,500
Street Sweeping			<u>\$2,386</u>
<b>Total Public Works Expenditure</b>			<b>\$114,866</b>
<b>Revenues</b>	The Public Works allocation between the subareas in North Pacheco is not estimated.		
Highway User Taxes (Gas Taxes) (1)			2,357
<b>Buildout Total</b>			
Total Public Works Expenditure (2)			<b>\$114,866</b>
<b>Revenues</b>			
Highway User Taxes (Gas Taxes) (1)			9,665

(1) Includes Highway User Tax 2105, 2106, and 2107 proceeds based on the City's FY2008-09 budget per capita estimate of \$19.81.

(2) Assumed to be unchanged from the annexation period.

Sources: City of Martinez, and Economic & Planning Systems, Inc.

**Table A-6**  
**Police Department Service and Cost Estimate**  
**North Pacheco Annexation Study; EPS #19024**

Item	Citywide Total	North Pacheco		
		Area A	Area B	Total
Sworn Officers	39			
Cost per Sworn Officer (1)	\$126,435			
Officers per 1,000 Population	1.1			
<b>2009 Total</b>				
Population				<b>119</b>
Project-Related Officer Increase (2)				<b>0.00</b>
Total Project Cost				<b>\$0</b>
<b>Revenues</b>				
Prop 172 Proceeds (3)	\$410,000			<b>\$1,350</b>
Citywide Benefit (4)				<b>\$0</b>
<b>Buildout Total</b>				
Population				<b>488</b>
Project-Related Officer Increase (2)				<b>1.00</b>
Total Project Cost				<b>\$126,435</b>
<b>Revenues</b>				
Prop 172 Proceeds (3)	\$410,000			<b>\$5,535</b>
(minus) Citywide Benefit (4)				<b>\$63,218</b>

(1) Provided by the Martinez Police Department.

(2) Based on the interview with the City's Police Department, the current level of staffing is assumed to be sufficient to cover additional service demand from annexation, though an additional officer would eventually be hired.

(3) Based on the citywide per capita distribution in FY2008-09 budget.

(4) While it is likely that one full-time police officer would be hired due to the current beat structure and staffing levels, it is assumed that about 1/2 an officer would be required as the result of the Pacheco area annexation, while the remaining 1/2 officer would be a citywide benefit and is not attributed to the annexation. It is also assumed that no additional police cost would be incurred as the areas are built out.

Sources: City of Martinez Budget and Economic & Planning Systems, Inc.

**Table A-7**  
**Citywide 2008 General Assumptions and Data**  
**North Pacheco Annexation Study; EPS #19024**

Item	Amount	Sources
Housing Units	14,953	DOF
Occupied Households	14,649	DOF
Population	36,144	DOF
Persons/Household	2.4	DOF
Jobs (1)	22,789	ABAG 2007
Service Population (2)	47,538	DOF/ABAG 2007

(1) Estimates 2008 employment based on the annual growth rate of 1.5% between 2005 to 2010.

(2) Calculated by adding total residential population and half of total employment. It represents a measure of public service demand in which employees are given one-half the weight of residents because of more limited service requirements.

Sources: Department of Finance (2008), ABAG *Projections 2007*, and Economic & Planning Systems, Inc.