

All About Municipal Revenues

Michael Coleman

Fiscal Policy Advisor
CSMFO / League of Calif Cities
coleman@muniwest.com
CaliforniaCityFinance.com
530.758.3952

Lloyd deLlamas

ldellamas@hdlcompanies.com
www.hdlcompanies.com
909.861.4335

Tim Seufert

tseufert@nbsgov.com
www.nbsgov.com
800.434.8349



California Society of
Municipal Finance Officers
Annual Conference

Cities Vary ... and so do their finances

- ✓ Geography: proximity, climate, terrain, access
- ✓ Community Character / Vision: Land use
Bedroom? Industrial? Tourist? Rural? etc.
- ✓ Size – urban / rural
- ✓ Governance / service responsibilities
full service city - vs.- not full service

❖ *Statewide generalizations often mask trends among sub-groups*



The Mechanics of Government Revenue

Who pays?

*visitors, residents,
businesses, etc.*

What rate /
base?

*\$per gallon, % per price,
depreciated value, etc.*

How's it
allocated?

*situs;
pooled/population,
etc.*

What is the \$
used for?

*general, water,
roads, parks etc.*

Who decides?

- o *Statewide voters /
Constitution*
- o *State law / Legislature*
- o *Local voters*
- o *Local law / City Council*

Who collects?
& enforces
payment?



Taxes

- ✓ Charges which pay for public services and facilities that provide general benefits. No need for a direct relationship between a taxpayer's benefit and the tax paid.
- ✓ Cities may impose any tax not otherwise prohibited by state law. (Gov Code § 37100.5)
- ✓ The state has reserved a number of taxes for its own purposes including:
 - cigarette taxes, alcohol taxes, personal income taxes.
- ✓ General & Special
 - General Tax - revenues may be used for any purpose.
 - Majority voter approval required for new or increased local tax
 - Special Taxes - revenues must be used for a specific purpose.
 - 2/3 voter approval required for new or increased local tax
 - Parcel tax - requires 2/3 vote



Fees and the Rest

California Constitution per
Prop218(1996, Prop26(2010), etc.

Any levy, charge or exaction of any kind imposed by a California government, is a **tax** except:

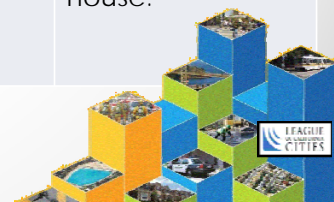
- **User Fees and Assessments:** for a privilege/benefit, service/product
Planning permits, development fees, parking permits, user fees, copying fees, recreation classes, etc.
- **Regulatory Fees:** regulation, permits, inspections
Permits for regulated commercial activities (e.g., dance hall, bingo, card room, check cashing, taxicab, peddlers, catering trucks, massage parlor, firearm dealers, etc.); fire, health, environmental, safety permits; police background checks; pet licenses; bicycle licenses.
- **Rents:** charge for entrance, use or rental of government property
Facility/room rental fees, room rental fees, equipment rental fees, on and off-street parking, tolls, franchise, park entrance, museum admission, zoo admission, tipping fees, golf green fees, etc
- **Penalties** for illegal activity, fines and forfeitures, etc.
Parking fines, late payment fees, interest charges and other charges for violation of the law.
- **A payment that is not *imposed* by government**
Includes payments made pursuant to a voluntary contract or other agreement that are not otherwise "imposed" by a government's power to coerce.



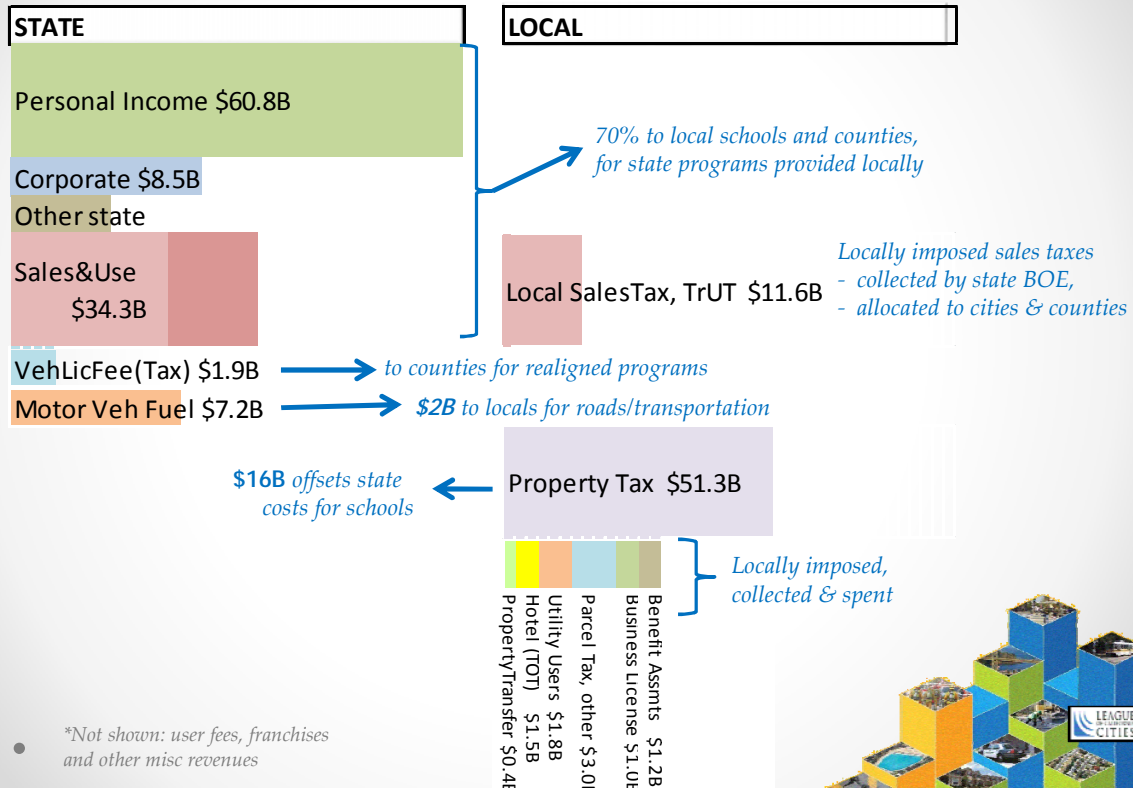
Taxes and Fees/etc. Approval Requirements (California Constitution)



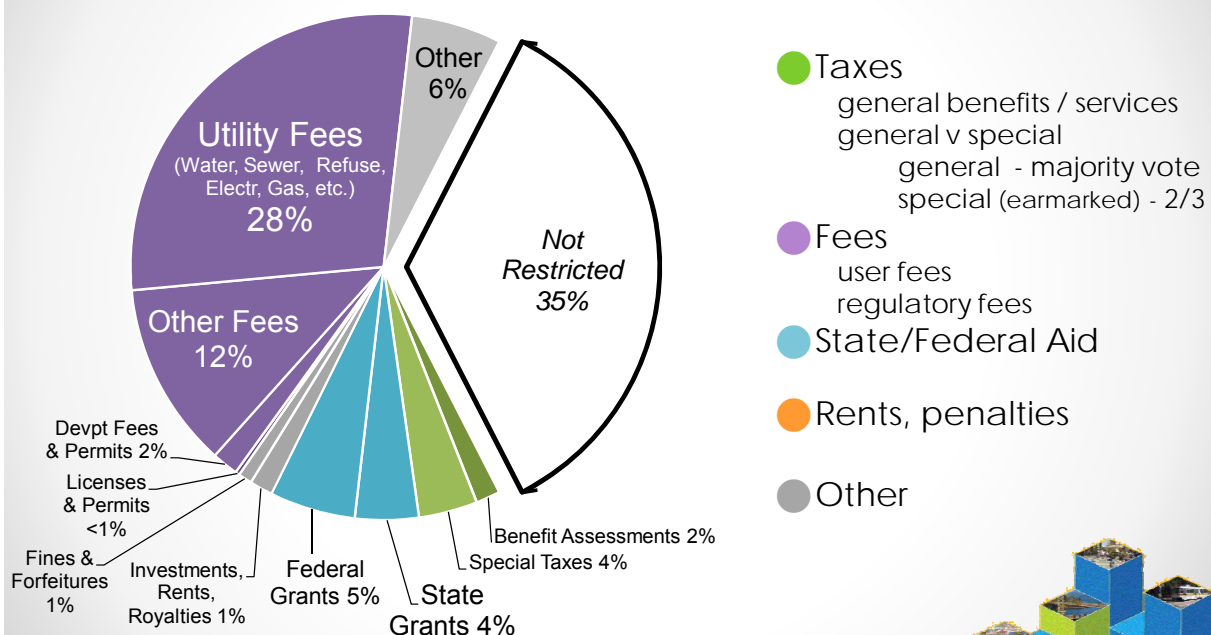
	TAX- General	TAX- Parcel or Special (earmarked)	G.O.BOND (w/tax)	Fee / fine / rent
City / County	Majority voter approval	Two-thirds voter approval	Two-thirds voter approval	Majority of the governing board.*
Special District	n/a	Two-thirds voter approval	Two-thirds voter approval	Majority of the governing board.*
K-14 School	n/a	Two-thirds voter approval (parcel tax)	55% voter approval*	Majority of the governing board.*
State	For any law that will increase the taxes of any taxpayer, two-thirds of each house of the Legislature ...or approval of majority of statewide voters.		Statewide majority voter approval	Majority of each house.



California's Tax Revenue Structure



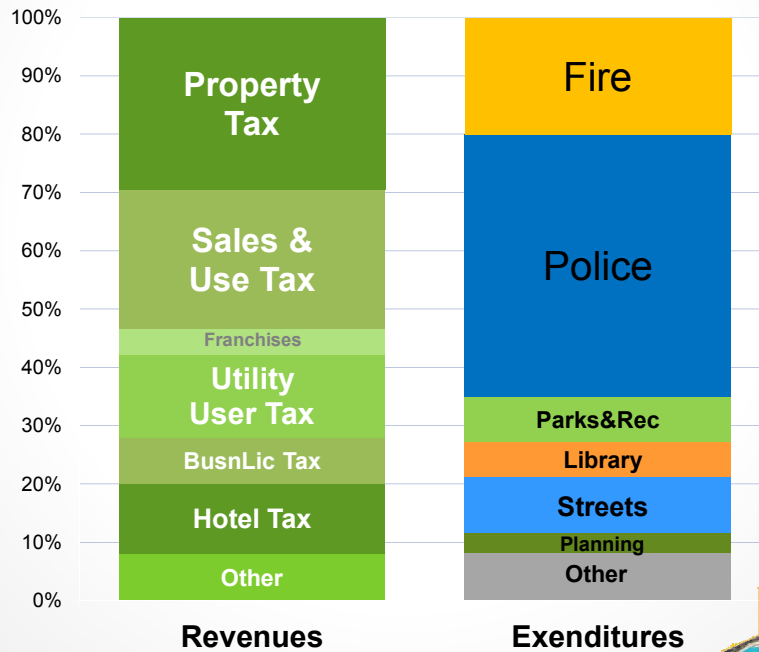
California City Revenues



Source: CaliforniaCityFinance.com computations from data from California State Controller (revenues). Does not include data from the following cities that failed to report: Beaumont, Hawthorne, Imperial, La Habra, Lindsay, Placerville, Stockton, Taft, and Westmorland.

Discretionary Revenues and Spending

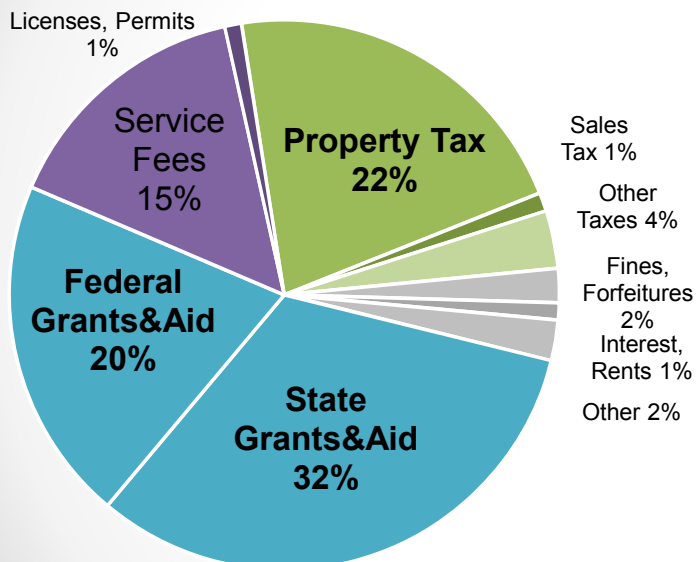
Typical Full Service City



Source: Coleman Advisory Services computations from State Controller reports



California County Revenues



Counties are hybrid local/state

- state/federal programs: Aid to families (CalWORKS), food stamps, foster care, In-Home Support Services (IHSS), alcohol & drug treatment.
- countywide services: jails, courts, elections, property tax collection & allocation.
- "city" services to unincorporated areas

Source: CaliforniaCityFinance.com computations from data from California State Controller.



Property Tax

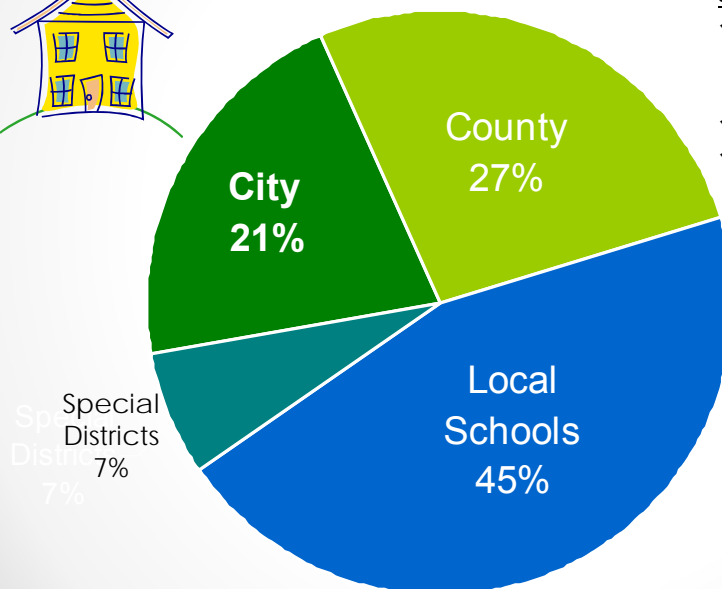


- ✓ An *ad valorem* tax imposed on real property and tangible personal property
- ✓ Maximum 1% rate (Article XIII A) of assessed value, plus voter approved rates to fund debt
- ✓ Assessed value capped at 1975-76 base year plus CPI or 2%/year, whichever is less
- ✓ Property that declines in value is reassessed to the lower market value.
- ✓ Reassessed to current full value upon change in ownership (with certain exemptions)
- ✓ Allocation: shared among cities, counties and school districts according to state law.



•

Where Your Property Tax Goes

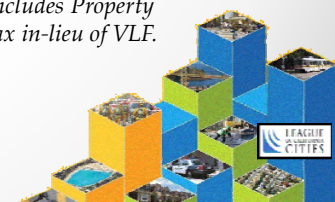


Shares Vary!

- ✓ Non-Full service cities: portion of city shares go to special districts (e.g. fire)
- ✓ Pre-prop13 tax rates
- ✓ Everyone gets Prop-Tax In Lieu of VLF shares – except new cities since 2004.

Typical homeowner in a full service city not in a redevelopment area.

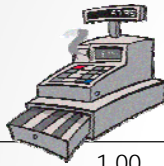
Includes Property Tax in-lieu of VLF.



Source: Coleman Advisory Services computations from Board of Equalization and State Controller data.

•

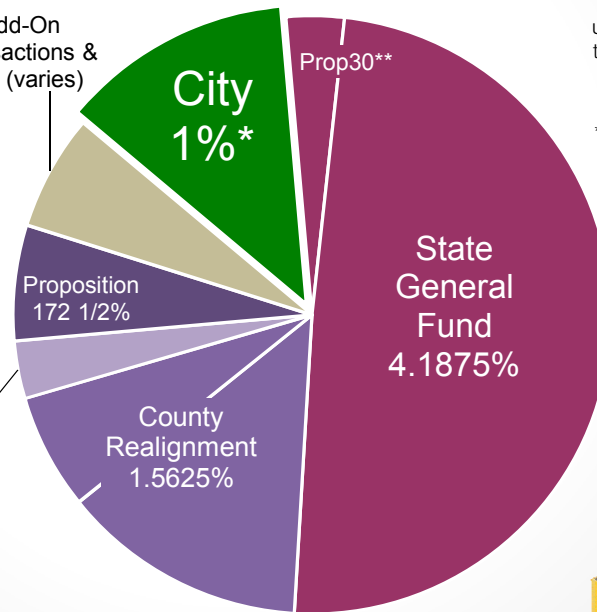
Where Your Sales Tax Goes



City*	1.00
Co Transp	0.25
Prop172	0.50
Co Realign	1.5625
State GF	3.9375
Prop30	0.25
Total Base	7.50%

Add-On
Transactions &
Use (varies)

County
Transportation
1/4%



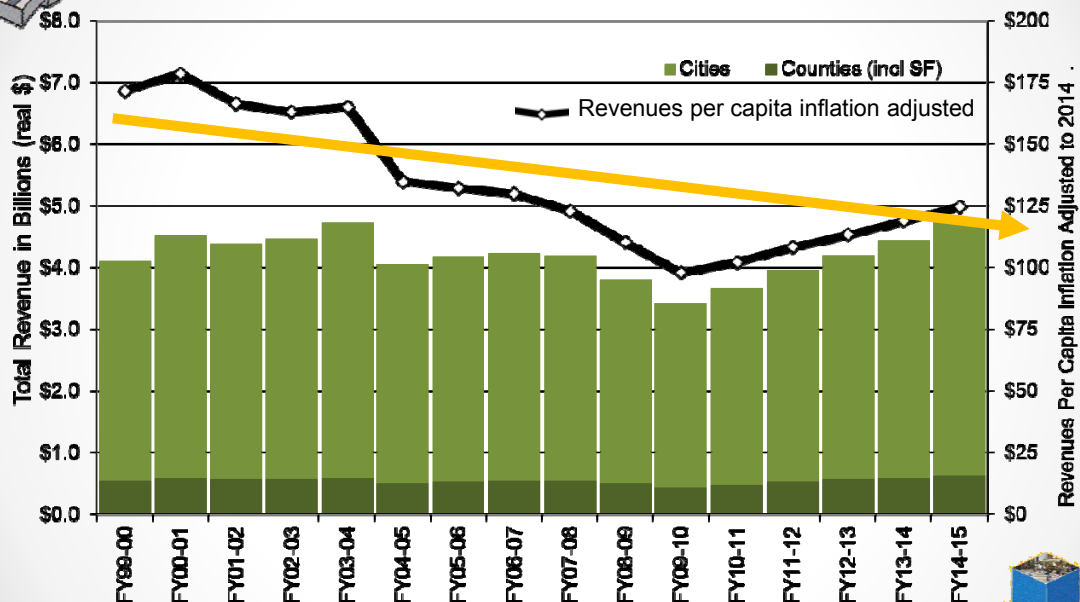
* For taxable sales in unincorporated areas, the local 1% rate goes to the county.

** 1/4% Proposition 30 state sales tax effective 1/1/2013 expires 12/31/2016

* Local 1% rate includes 1/4% Triple Flip reimbursement.



Sales Tax Collections

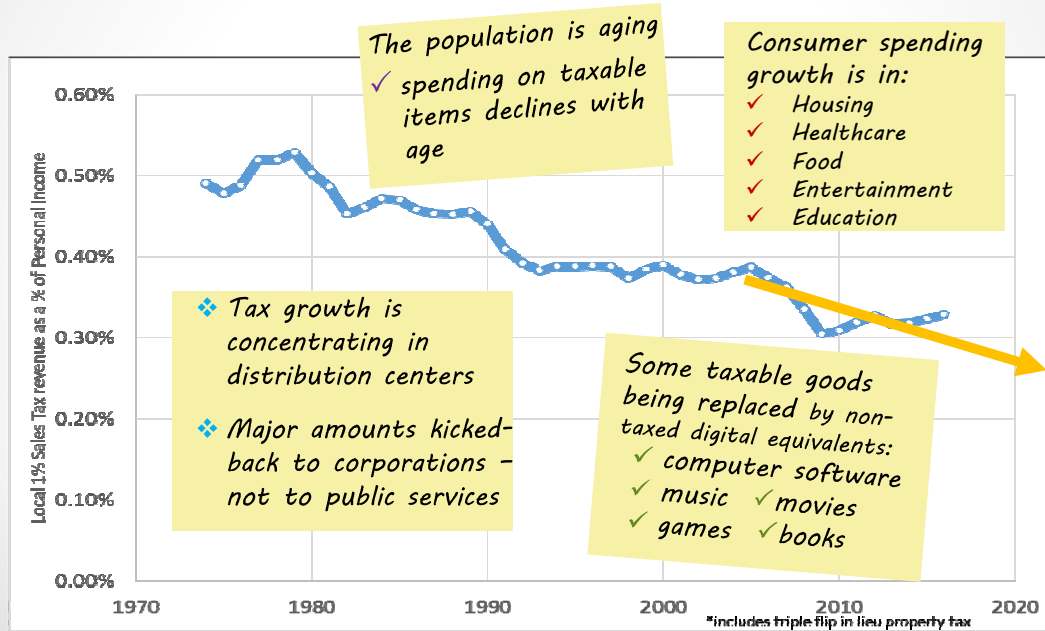


Source: California State Board of Equalization (Sales Tax), CA Dept of Finance (Population), CA Dept of Industrial Relations (Unemployment)




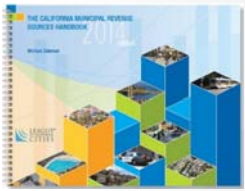



Local 1% Sales Tax Revenue as a Percent of Personal Income



Source: California State Board of Equalization (Sales Tax), US Dept of Commerce Bureau of Economic Analysis (California Personal Income)

Resources

- ✓ League of California Cities
 - ✓ City Advocate Weekly Regional Managers
 - ✓ League Alerts Conferences / Seminars
- ✓ Institute for Local Government (ILG) 
- ✓ Michael Coleman, The California Municipal Revenue Sources Handbook, 2014 Edition. 
- ✓ Coleman, Hampian, Multari, & Statler, Guide to Local Government Finance in California. Solano Press. 
- ✓ *Government Finance Officers Association GFOA.com*
- ✓ *The California Municipal Finance Almanac*
www.CaliforniaCityFinance.com

