

ALL YOU WANTED TO KNOW ABOUT MUNICIPAL REVENUES

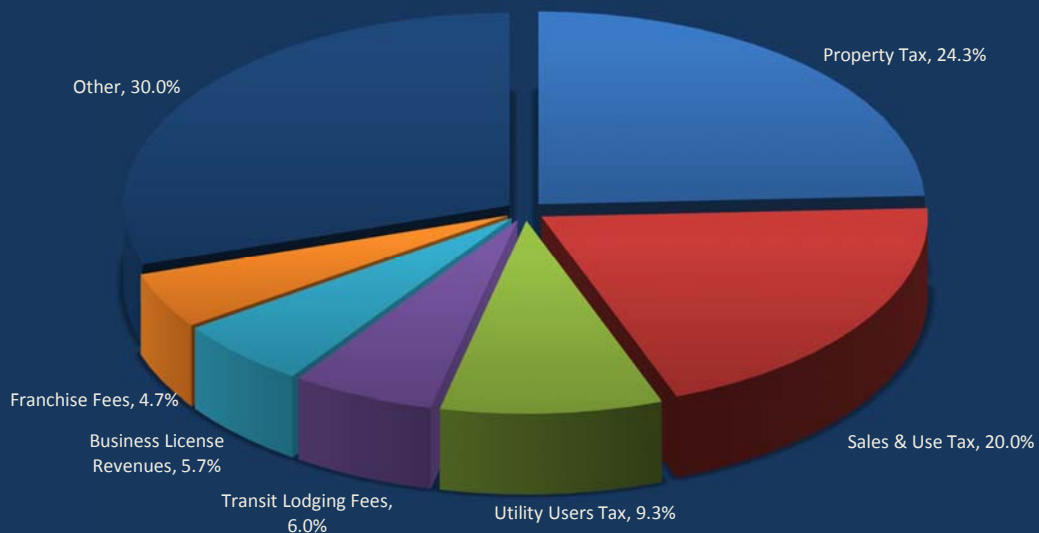


February 17, 2015
California Society of Municipal Finance Officers



LOCAL GOVERNMENT GENERAL REVENUES

California State Controller's Report 2011-12



Property Tax

1% of Assessed Value Plus.....

- + Debt and retirement bonds approved by voters before 1978.
- + Annual water obligations incurred by Water Districts via 1960 voter approved State Water Project.
- + General Obligation bonds approved by voters after 1986 (Proposition 46).



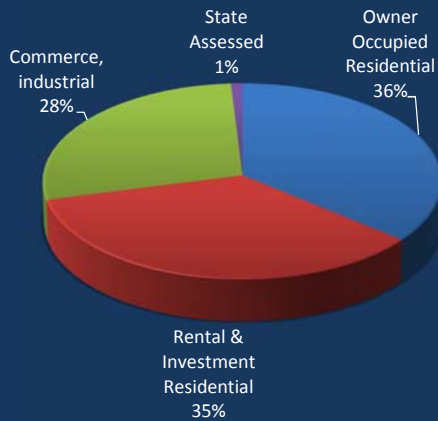
Property Tax Valuation

1975-76 cash value (or most recent purchase price) Plus:

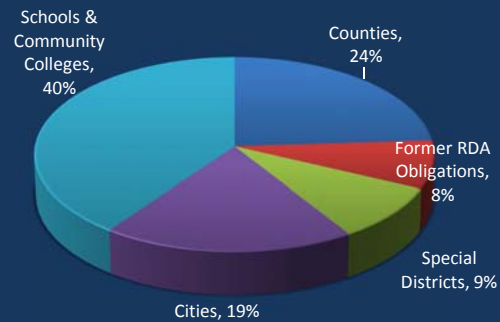
- + Value of subsequent improvements and assessed personal property.
- + CPI growth (capped at 2% annually).



Where It Came From - 2013-14



Where It Went - 2013-2014



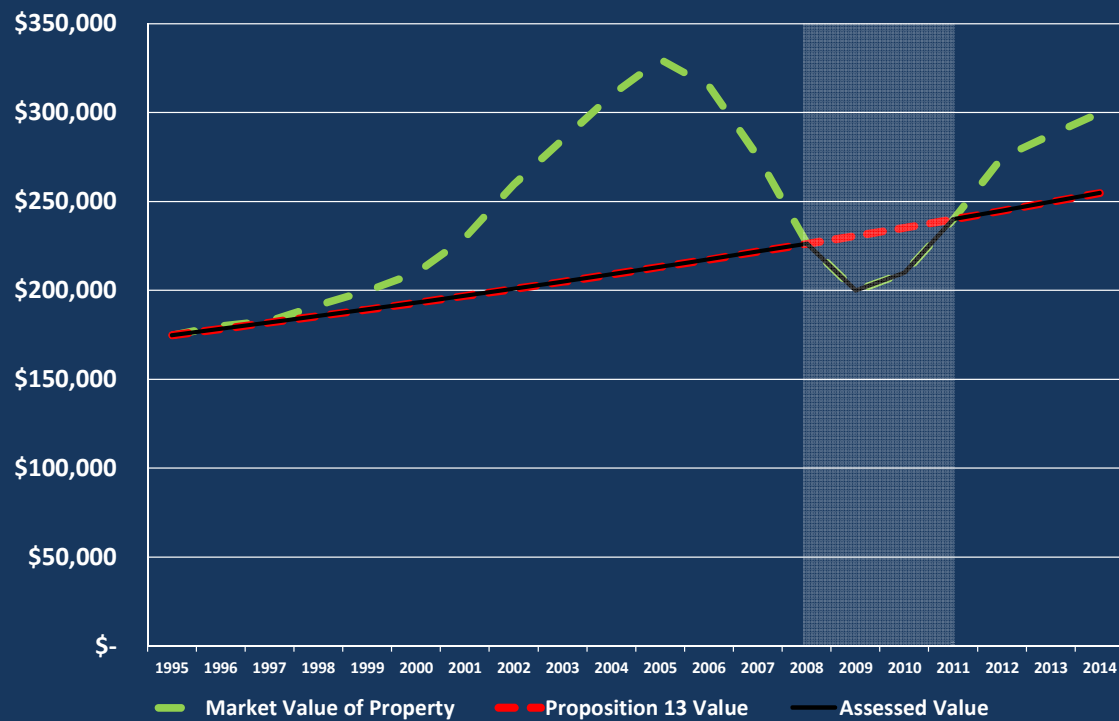
Source: Legislative Analyst



Forecasting Property Tax Revenues

- 1. 1.998% CCPI for 2015-16.
- Remember that Revenues from the Supplemental Tax Rolls and Appeal Reductions Are Pooled.
- Calculate new Construction, transfers of ownership, capital investment in business equipment and personal property.
- Estimate degree and amount of Recaptured Previous Proposition 8 Assessor Reductions.

Proposition 8 Recovery



Percent of Single Family Residential Valuation Recaptured





Maximizing Property Tax Revenues

- Proper coding of Tax Rate Areas (TRAs).
- Proper Coding of Unsecured Personal Property.
- Proper Identification of Possessory Interests.
- Communicate new development to County Assessor.
- Evaluation of Teeter Option.



Sales, Use and Transactions Taxes...

- One Cent Local Tax (Point of Sale)
 - County State and Allocation Pools
 - State Administrative Fees
 - Triple Flip Deduction/Reimbursement
 - County Bite
- Transactions Tax Overrides (Point of Purchase)
- Proposition 172 Public Safety (Via Counties)



Exemption Creep



EXEMPTION CREEP...

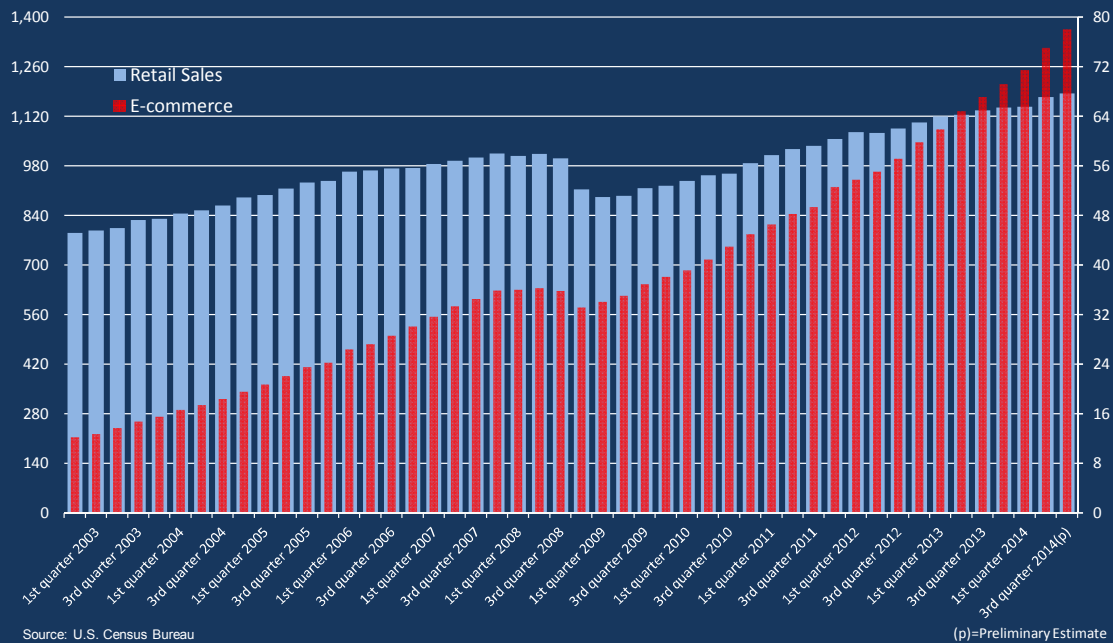
ADMISSION CHARGES
AIRCRAFT LEASES (FOREIGN)
AIRCRAFT SALES (FOREIGN)
ALTERATION OF GARMENTS
ALTERNATE ENERGY PROJECT
ANIMAL LIFE, FEED, SEEDS
ART TRANSFERS (ENTERTAINMENT)
ART WORKS
AUXILIARY SVCS TO MUSEUMS
BLOOD STORAGE UNITS
BRACELETS - POW
"BUDDY POPPIES"
CA GOLD MEDALLIONS
CA SCIENCE CENTER
CARBON DIOXIDE
CASH DISCOUNTS
CHARITABLE ORGANIZATIONS
COGENERATION TECHNOLOGY
COMMON CARRIERS
COMPONENTS - RAILROAD
CONSTRUCTION OUTSIDE CA
CONSUMER COOPERATIVES
CONTAINERS
CREDIT - TAX TO OTHER STATES
CUSTOM COMPUTER PROGRAMS
DELIVERY TO EXPORT PACKERS
DEMONSTRATION AND DISPLAY
DIESEL AND USE FUEL TAX
DIESEL FUEL - FARM & FOOD PROC
DONATIONS
ENDANGERED ANIMALS/PLANTS
EXCISE TAX ON FUEL
FACTORY BUILT HOUSING
FACTORY BUILT SCHOOL BLDGS
FARM EQUIPMENT
FEDERAL EXCISE TAXES
FINANCE CHARGES
FOOD PRODUCTS
FOOD - VENDING MACHINES

FOOD STAMP PURCHASES
FOREIGN GOVERNMENTS
FRIENDS OF LIBRARY
FUEL - ORGANIC
FUEL - AIR COMMON CARRIERS
FUNGIBLE GOODS
GAS, ELECTRICITY, WATER, STEAM
GROUND CONTROL STATIONS
HAY PRODUCERS
HEALTH/SAFETY MATERIALS
HOT FOOD - AIR CARRIERS
ICE OR DRY ICE
INDIAN TRIBAL TAXES
INSTALLATION LABOR
INTANGIBLE PERSONAL PROP
INTERSTATE/FOREIGN COMMERCE
LEASE OF MOTION PICTURES
LEASE, CERTAIN PROP EXCLUDED
LEASES OF MOBILE TRANS EQUIP
LEASES OF MOBILE HOMES
LEASES OF OCCASION. SALE PROP
LEASES PROPERTY - TAX PAID
LOANS TO CUSTOMERS
LOCAL TAXES
LODGING
MAILING LISTS
MASS COMMUTING VEHICLES
MASTER RECORDS & TAPES
MEALS TO ELDERLY/DISABLED
MEALS BY INSTITUTIONS
MEALS, ELDERLY CONDO
MEALS, LOW -INCOME ELDERLY
MEDICAL ID TAGS
MEDICAL HEALTH INFORMATION
MEDICATED FEED & WATER
MONETIZED/NON BULLION & COINS
MOTION PICTURE PROD PARTNERS
MOTION PICTURE PROD SVCS
MOTOR VEHICLE FUEL

MOTOR VEHICLE FEES & TAXES
MUSEUMS
NEW MOBILE HOMES
NEW TRAILERS
NEW VEHICLES - FOREIGN RES
NEW VEHICLES - OUT OF STATE
NEWSPAPERS/PERIODICALS
NONPROFIT - KID'S CLOTHES
NONPROFIT - AUCTION
NONPROFIT - HANDCRAFTED
NONPROFIT - THRIFT STORE
NONPROFIT - VETERANS' ORG
NONPROFIT - VETERAN MEALS
OCCASIONAL SALE - BUSINESS
OCCASIONAL SALES
OXYGEN DELIVERIES
PARENT-TEACHER ASSOC.
PARENT COOP NURSERY SCH
PASSENGER VEHICLES
PERIODICALS
PET ADOPTION
POLLUTION CONTROL
POULTRY LITTER
PRESCRIPTION MEDS
PRINTED SALES MATERIAL
PRINTING MATERIALS
PROFESSIONAL HEALTH SVCS
PROPERTY LOANED - EDUC
PUBLIC PASSENGER VEHIC
PURCHASES - FOREIGN CTRY
PURCHASES FROM UNITED STS
RACEHORSE BREEDING
RAIL FREIGHT CARS
REAL PROPERTY
RELIGIOUS ORGANIZATIONS
RENTAL RECEIPTS - OUT OF CA
RENTAL - HOUSE FURNITURE
RENTAL - LINEN SUPPLIES
RETURNED MERCHANDISE

SALE & LEASEBACK ARRANGE
SALES FOR RESALE
SAN DIEGO AEROSPACE MUSEUM
SCHOOL YEARBOOKS
SECURITIES
SERVICES
SPACE FLIGHT PROPERTY
STATE GOVERNMENTS
STORAGE & USE
STUDENT MEALS
TAX-PAID PURCHASES RESOLD
TELEPHONE LINES/POLES
TELEPRODUCTION EQUIP
TIMBER HARVESTING EQUIP
TRAILERS - NEW OR USED
TRANSPORTATION CHARGES
TRANSPORTATION OF LANDFILL
TRAVEL ACCOMMODATIONS
UNITED STATES SALES
USE OF PROPTY HELD FOR SALE
USED FLOATING HOMES
USED MOBILE HOMES
VEHICLE MODS - HANDICAPPED
VEHICLES LOANED TO NIVERSITY
VEHICLES PURCHASED OUT OF A
VEHICLES SOLD TO FAMILY
VEHICLES SOLD TO FOREIGN RES
VEHICLES SOLD TO LESSEE
VEHICLES - SAME OWNER
VENDING MACHINE SALES
VENDING MACHINE SALES - FOOD
VESSELS
VETERINARIANS
WATER COMMON CARRIERS
WATERCRAFT
WHEELCHAIRS & WALKERS
WORTHLESS ACCOUNTS
YOUTH ORGANIZATIONS

Percentage Growth in E-Commerce Sales versus Total Retail Sales (Billions of Dollars)



Sales and Use Tax Allocated To:

- 🌐 Where Sales office or order desk located.
- 🌐 If order out of State, where in-state inventory maintained.
- 🌐 Tax on equipment that is leased, purchased from out of state, affixed to buyer's property or where seller has no permit is distributed via County and State allocation pools.
- 🌐 If out-of-state transaction over \$500,000 and there is no in-state inventory, to jurisdiction of purchase.

Transactions Tax Overrides

- 🌐 Tax collected only from Jurisdiction's businesses and residents:
 - Vehicles, Vessels, Aircraft registered to district.
 - Merchandise shipped into district from out-side pays. Merchandise shipped from inside to outside does not.
 - Walk-In Retail matches sales tax.
- 🌐 Retailers without In-district Nexus not obligated to collect tax.

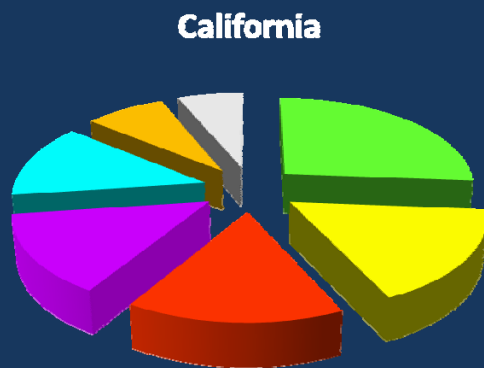


BOARD OF EQUALIZATION Local Government Allocation Methodology

- 🌐 Taxpayer has 30 days at the end of the quarter to file return.
- 🌐 BOE requires at least 6 weeks to process 1,800,000 returns.
- 🌐 BOE “advances” revenue via monthly payments based on 90% of prior year’s comparable quarter plus CPI adjustment:

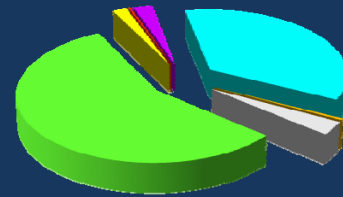
Receipts from October Through December Sales			
December	January	February	March
30%	30%	40%	Clean Up Payment + Advance for April

Forecasting Sales Tax – Economists Don't Live in Your Neighborhood

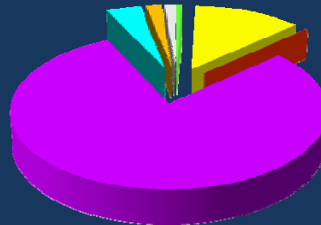


- General Consumer Goods
- Business & Industry
- Autos & Transportation
- Fuel & Service Stations
- Restaurants & Hotels
- Building & Construction
- Food & Drugs

A



B

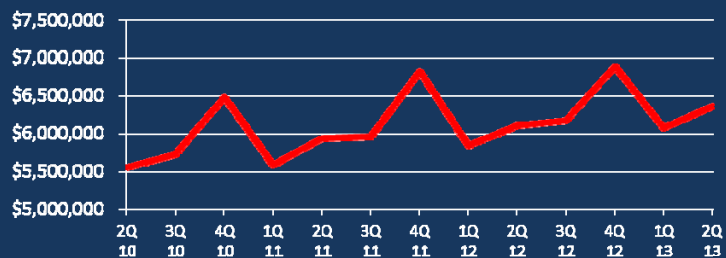


C

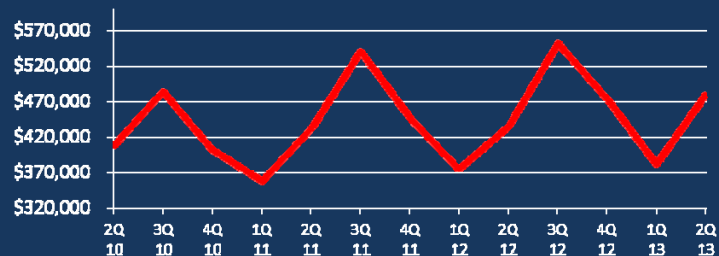


Different Bases – Different Issues:

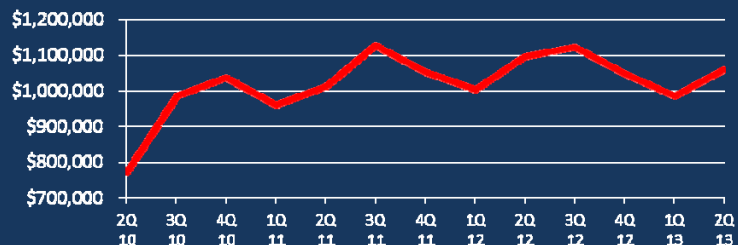
Regional Retail



Tourist Town



Industrial Tax Base



Budget Projections

Step #1 - Factor for One Time Events

- 🧩 Retroactive Taxpayer Refunds/audit levies.
- 🧩 Use Tax from One-time Purchases.
- 🧩 BOE Fund Transfers.
- 🧩 BOE Accounting Corrections.
- 🧩 Late and Double-up Payments.
- 🧩 Triple Flip True Ups.
- 🧩 Misallocations (Regardless if In Your favor).



Budget Projections

Step #2 – Factor in Future Changes

- 🧩 New or Coming businesses.
- 🧩 Closing or dying businesses.
- 🧩 New Competition from outside of Jurisdiction.
- 🧩 Short-term Capital Projects (Use Tax).
- 🧩 Changes in Tax Law and Regulations.
- 🧩 Shift of Tax to On-line Fulfillment Centers or use tax allocation pools.



Budget Projections

Step #3 – Forecast By Economic Segment

Autos & Transportation... Building & Construction...
Business & Industry... Food & Drugs... Fuel & Service
Stations... General Consumer Goods... Restaurants &
Hotels... Receipts from County Allocation Pools.



The Triple Flip

- 🧩 Flip #1 – 0.25% of local sales tax confiscated to guarantee 2005 Budget Deficit Bonds.
- 🧩 Flip #2 – Cities and Counties reimbursed from Property tax taken from School Educational Revenue Augmentation Funds(ERAF).
- 🧩 Flip #3 – School ERAF replaced with State General Revenues.



Triple Flip 2015-16 Wind Down

The end is near...They say...Could be...Maybe.....

- 🧩 Current Plan is to Retire Bonds in Mid 2015.
- 🧩 Triple flip deduction first three quarters of 2015-16, final quarter to be full one percent.
- 🧩 Final “True up” in first half of 2016.
- 🧩 Accrual of 2Q15 clean-up with final true up will create onetime “bubble” in 2015-16 budget.



Maximizing Sales and Use Tax Revenues

🧩 Sales Tax.....

Accurate coding of sales offices and order desks, “over the counter” transactions vs. installation sales, warehouses.

🧩 Use Tax.....

Out-of-State purchases over \$500,000, Construction contracts exceeding \$5 million, Direct Payment Permits.

🧩 Economic Development Tool.....

Track who is growing and may need expansion room, Analyze market voids, Identify leveraging opportunities.





Maximizing Business License Revenues

🌐 Simple/Transparent/Equitable.....

Periodic review & update of classifications, Review & rebalance fees,
Build in CPI increases.

🌐 Consistent and Equal Enforcement.....

Track unlicensed businesses, Follow-up on delinquencies
Verify exemption claims.

🌐 Make It Easy on Taxpayer.....

On-line applications and renewals, Log in for emergency contact
updates, free listing on City Business Directory.



Maximizing Utility Users Tax

🌐 154 Cities – rates of 1% to 11%Gas, water, sanitation, electricity, telecommunications

🌐 Constantly evolving technology – need to keep ordinances current with changing times.

🌐 Key audit concerns:

- All city users properly identified and captured.
- All charges included & levied in-line with city ordinances.
- Subpoenas often required particularly for telecommunications data.





Maximizing Transient Occupancy Tax

🌍 Three Year Audit Cycles

- Miscoded or understated fees & charges
- Accurate reporting of exemptions and comps

🌍 Update Ordinances with Changing Times

- Collaborative Economy (Airbnb, homeaway, onefinestay, etc.)
- Online travel companies (Expedia, Orbitz, Hotwire, etc.)



Maximizing Franchise Fees

- 🌍 Proper coding of City Boundaries.
- 🌍 Proper reporting of all sources of revenues – Franchisee & affiliate companies.
- 🌍 Track utility easements – gas, water, electric, oil.





The Bottom Line.....

- 🌐 Keep pace with evolving business concepts and trends through periodic review and rebalancing.
- 🌐 Consistent, thorough and transparent, monitoring & enforcement.
- 🌐 Keep it simple...easy to comply, easy to enforce.



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