Cities Vary
… and so do their finances

- Geography: proximity, climate, terrain, access
- Community Character / Vision: Land use
- 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.

Who decides?
- Statewide voters / Constitution
- State law / Legislature
- Local voters
- Local law / City Council

Who collects? & enforces payment?

How's it allocated?
- situs; pooled/population, etc.

What is the $ used for?
- general, water, roads, parks etc.

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
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)

<table>
<thead>
<tr>
<th></th>
<th>TAX-General</th>
<th>TAX-Parcel or Special ( earmarked )</th>
<th>G.O.BOND (w/tax)</th>
<th>Fee / fine / rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>City / County</td>
<td>Majority voter approval</td>
<td>Two-thirds voter approval</td>
<td>Two-thirds voter approval</td>
<td>Majority of the governing board.*</td>
</tr>
<tr>
<td>Special District</td>
<td>n/a</td>
<td>Two-thirds voter approval</td>
<td>Two-thirds voter approval</td>
<td>Majority of the governing board.*</td>
</tr>
<tr>
<td>K-14 School</td>
<td>n/a</td>
<td>Two-thirds voter approval ( parcel tax )</td>
<td>55% voter approval*</td>
<td>Majority of the governing board.*</td>
</tr>
<tr>
<td>State</td>
<td>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.</td>
<td>Statewide majority voter approval</td>
<td>Majority of each house.</td>
<td></td>
</tr>
</tbody>
</table>
California’s Tax Revenue Structure

STATE
- **Personal Income**: $60.8B
- **Corporate**: $8.5B
- **Other state**: Sales&Use: $34.3B

LOCAL
- **Local SalesTax, TrUT**: $11.6B
- **VehLicFee(Tax)**: $1.9B
- **Motor Veh Fuel**: $7.2B

$16B offsets state costs for schools

70% to local schools and counties, for state programs provided locally

Locally imposed sales taxes - collected by state BOE, - allocated to cities & counties

*Not shown: user fees, franchises and other misc revenues

California City Revenues

- **Taxes**: general benefits/services, general - majority vote, special (earmarked) - 2/3
- **Fees**: user fees, regulatory fees
- **State/Federal Aid**
- **Rents, penalties**
- **Other**

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.
California County Revenues

- **Property Tax**: 22%
- **Federal Grants & Aid**: 20%
- **State Grants & Aid**: 32%
- **Service Fees**: 15%
- **State Grants**: 1%
- **Sales Tax**: 1%
- **Other Taxes**: 4%
- **Fines, Forfeitures, Interest, Rents**: 1%
- **Other**: 2%

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

**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**
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

<table>
<thead>
<tr>
<th></th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>21%</td>
</tr>
<tr>
<td>County</td>
<td>27%</td>
</tr>
<tr>
<td>Special Districts</td>
<td>7%</td>
</tr>
<tr>
<td>Local Schools</td>
<td>45%</td>
</tr>
</tbody>
</table>

Shares Vary!

- Non-Full service cities: portion of city shares go to special districts (e.g. fire).
- Pre-prop13 tax rates.

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

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

** ¼% Proposition 30 state sales tax effective 1/1/2013 expires 12/31/2016

City* 1%*
Prop30**
State General Fund 4.1875%
County Realignment 1.5625%
County Transportation 1/4%
Add-On Transactions & Use (varies)

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

- The population is aging
  - Spending on taxable items declines with age

- Consumer spending growth is in:
  - Housing
  - Healthcare
  - Food
  - Entertainment
  - Education

- Tax growth is concentrating in distribution centers
- Major amounts kicked back to corporations - not to public services

Some taxable goods being replaced by non-taxed digital equivalents:
- Computer software
- Music
- Movies
- Games
- Books

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 (ILC)


- Government Finance Officers Association GFOA.com

- The California Municipal Finance Almanac
  - www.CaliforniaCityFinance.com