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 city

❖ Statewide generalizations often mask trends among sub-groups
Taxes

✓ Charges which pay for public services, facilities that provide general benefits. No need for direct relationship between a taxpayer’s benefit and tax paid.
✓ Cities may impose any tax not otherwise prohibited by state law. (Gov Code § 37100.5)
✓ The state has reserved some 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 local government, is a tax except:
✓ User Fees: for a privilege/benefit, service/product *
  Planning permits, street closure permits, parking permits, user fees, copying fees, recreation
✓ Regulatory Fees: regulation, permits, inspections *
  Permits for regulated commercial activities (e.g., dance hall, bingo, card room, check cashing, massage parlor, firearm dealers, etc.); fire, health, environmental, safety permits; pet license
✓ Rents: charge for entrance, use or rental of government property
  Facility/room rental, equipment rental, on/off-street parking, tolls, franchise, park/zoo/museum admission, tipping fees, golf fees, etc
✓ Penalties for illegal activity, etc.
  Parking fines, late payment fees, interest charges and other charges for violation of the law.
✓ Charges imposed as a condition of property development
  Construction permits, development impact fees, etc.
✓ Assessments and property related fees imposed per Cal Const Article XIII D. (Prop218)
✓ A payment that is not “imposed by a local government”
  Includes payments made by voluntary contract/agreement not otherwise “imposed” by a government.

*Fee may not exceed reasonable costs.
• Service/product/benefit may not be provided to those not charged.
## 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 taxes of any taxpayer, two-thirds of each house of the Legislature ...or majority of statewide voters.</td>
<td>Statewide majority voter approval</td>
<td>Majority of each house.</td>
<td></td>
</tr>
</tbody>
</table>

### California City Revenues

- **Taxes**: 14%
- **Fees**: 7%
- **State/Fed Aid**: 2%
- **Rents, penalties**: 3%
- **Other**: 36%

*Source: Author's computations from California State Controller 2014-15 data. Does not include the City/County of San Francisco.*
Typical Full Service City:

- **Property Tax**
- **Sales & Use Tax**
- **Utility User Tax**
- **BusnLic Tax**
- **Hotel Tax**
- **Franchises**
- **Other**

Revenues vs Expenditures:

- **Revenues**
- **Expenditures**

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**

Counties have:

- More mandates,
- Less discretionary $,
- More vulnerable to state budgetary action
**Property Tax**

- An *ad valorem* tax imposed on real property and tangible personal property.
- Maximum 1% rate (Article Xllla) 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**

Typical city resident

- **City** 21%
- **Local Schools** 45%
- **County** 27%
- **Special Districts** 7%

*Includes Property Tax in-lieu of VLF*

**Shares Vary!**

- Non-full service cities: portions of city shares go to special districts (e.g. fire).
- Pre-Prop13 tax rates.

*Source: Author's computations from Board of Equalization and State Controller data.*
For taxable sales in unincorporated areas, the local 1% rate goes to the county.

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>1.0000</td>
</tr>
<tr>
<td>County TDA</td>
<td>0.2500</td>
</tr>
<tr>
<td>Proposition 172</td>
<td>0.5000</td>
</tr>
<tr>
<td>County Realignment</td>
<td>1.5625</td>
</tr>
<tr>
<td>State General Fund</td>
<td>3.9375</td>
</tr>
<tr>
<td>Total base rate</td>
<td>7.25%</td>
</tr>
</tbody>
</table>

*Speaking of Tax Measures*
March 2020 Local Fiscal Measures
Measures on Ballots

239 tax & bond measures

March 2020 Local Fiscal Measures
Measures on Ballots: City, County and Special Districts

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March 2020 Local Fiscal Measures
Proposed Measures: City, County and Special Districts

- Majority-vote general tax
- Open, inclusive citizen engagement: budget/financial plans
- Compare with your neighbors
- Pick one – avoid same-ballot pile-on
- Get good advice: legal, polling, prep, campaign
Critically Needed Transportation Funding Arrives: SB1: The Road Repair and Accountability Act of 2017

The Road Repair and Accountability Act of 2017

SB 1 Restored Lost Purchasing Power for the Gas Tax

Source: Governor’s Proposed 2018-19 Budget Summary Figure INT-06
Unsustainable / intractable employee compensation, esp. public safety pension, retiree health care.

Risky financing schemes.

Over-reliance on land development revenue.

Over-reliance on redevelopment revenues.

Unsustainable / intractable employee compensation.

Unsustainable decline in core revenues.

Ceding of management and policy choices to others.

Fear and Denial.

Toxic Relationships.
NEW EDITION - NOW AVAILABLE

An essential resource for anyone involved in local government finance in California.

Up-to-date information on local fees, taxes, charges and intergovernmental revenue for local governments including laws, court decisions, state tax rates and allocation formulas.

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✔ Relevant history and issues
✔ Legal references
✔ Definitions of terms
✔ Capital financing and cost recovery
✔ Detailed guidance for calculating a Gann Appropriations Limit

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