

# What Planners Need to Know About City Finance *Today*

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*CaliforniaCityFinance.com*  
The California Local Government Finance Almanac



## 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 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

# Fees and the Rest

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

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 licenses
- ✓ **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.

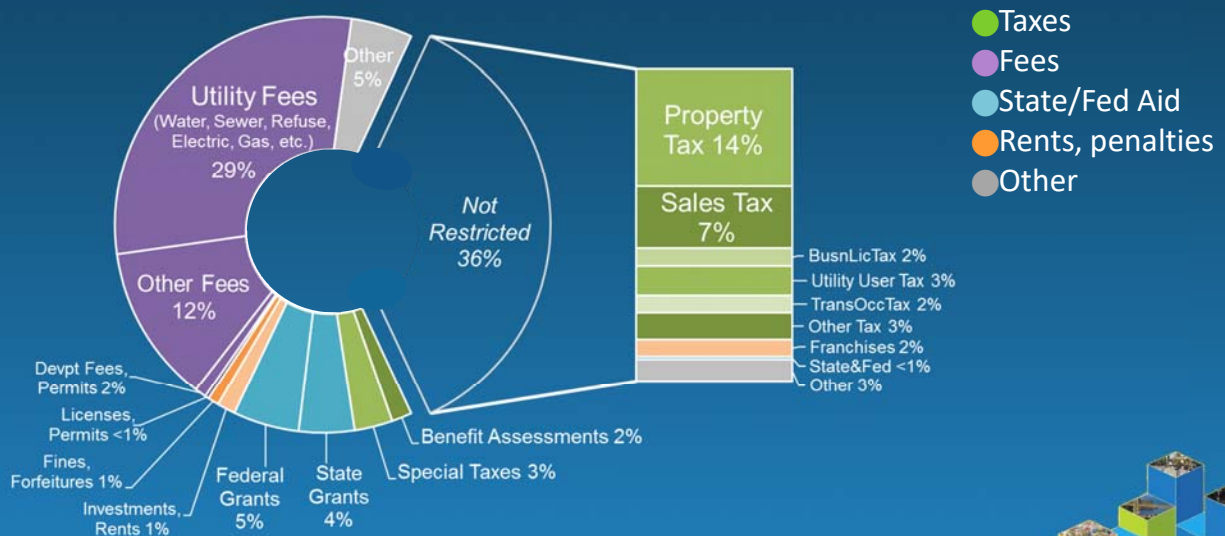
\* Fee may not exceed reasonable costs.  
♦ Service/product/benefit may not be provided to those not charged.

# Taxes and Fees/etc. Approval Requirements

(California Constitution)

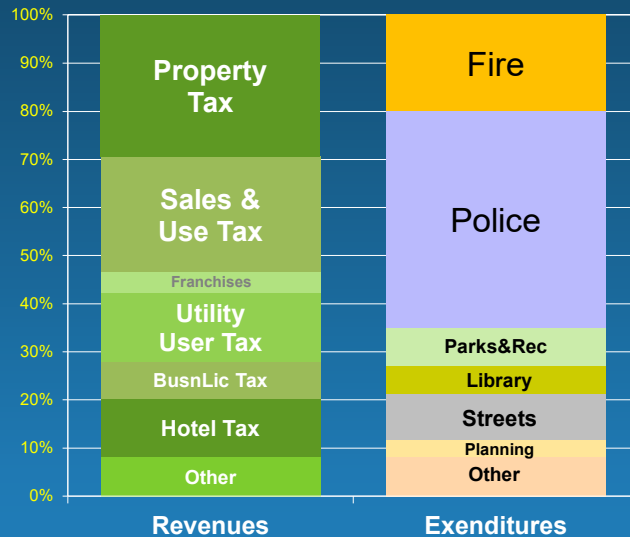
	TAX- General	TAX- Parcel or Special (earmarked)	G.O.BOND (w/tax)	Fee / fine / rent
City / County	Majority voter approval	Two-thirds voter approval	Two-thirds voter approval	Majority of the governing board.*
Special District	n/a	Two-thirds voter approval	Two-thirds voter approval	Majority of the governing 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 taxes of any taxpayer, two-thirds of each house of the Legislature ...or majority of statewide voters.		Statewide majority voter approval	Majority of each house.

## California City Revenues



# Discretionary Revenues and Spending

## Typical Full Service City



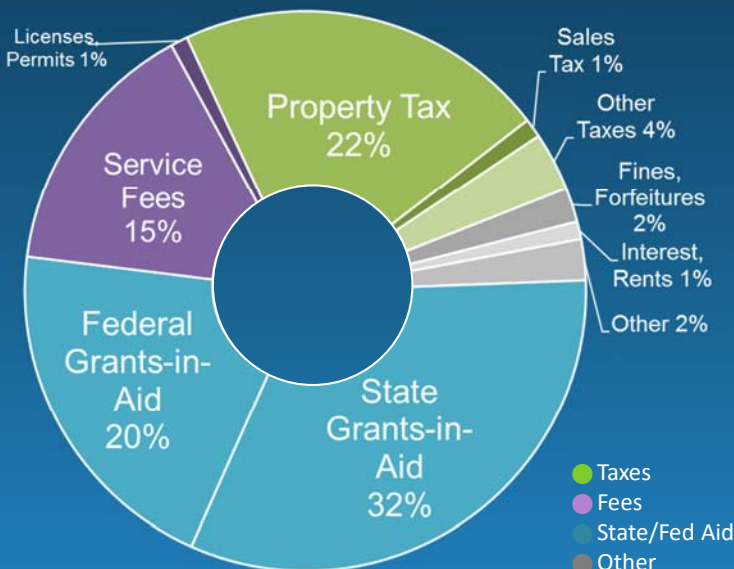
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Source: Coleman Advisory Services computations from State Controller reports

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# 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

Counties have

- more mandates,
- less discretionary \$, and
- are more vulnerable to state budgetary action

Source: Author's computations from California State Controller 2014-15 data. Includes the City/County of San Francisco.

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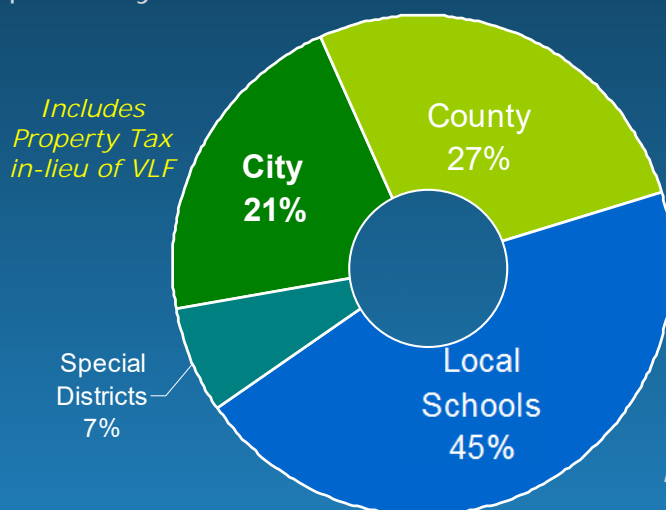
# Property Tax



- ✓ 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

Typical city resident



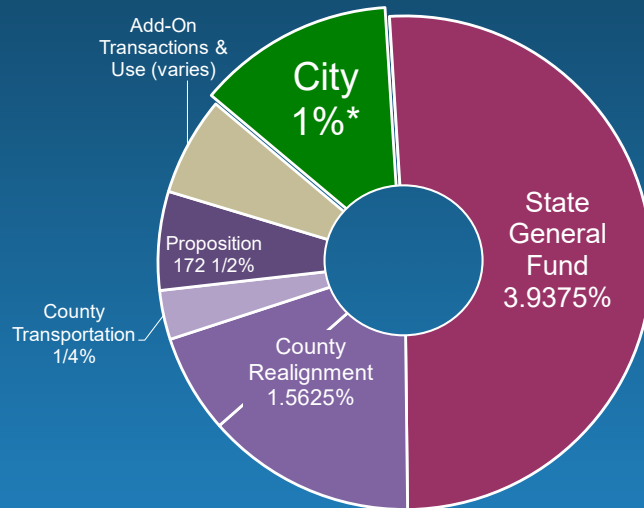
### Shares Vary!

- ✓ Non-full service cities: portions 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.*

Source: Author's computations from Board of Equalization and State Controller data.

# Where Your Sales Tax Goes



City*	1.0000
County TDA	0.2500
Proposition 172	0.5000
County Realignment	1.5625
State General Fund	3.9375
Total base rate	7.25%

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

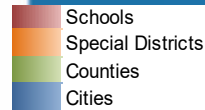
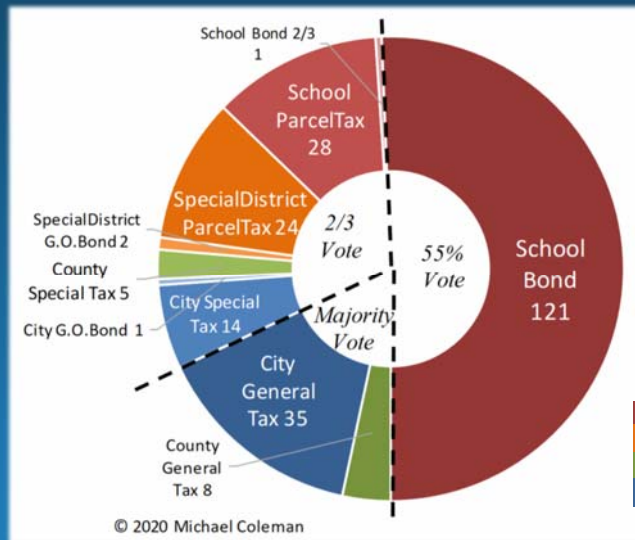
## Speaking of Tax Measures



# March 2020 Local Fiscal Measures

## Measures on Ballots

239  
tax & bond  
measures

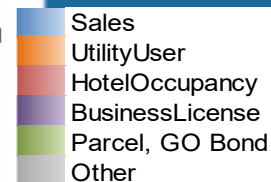
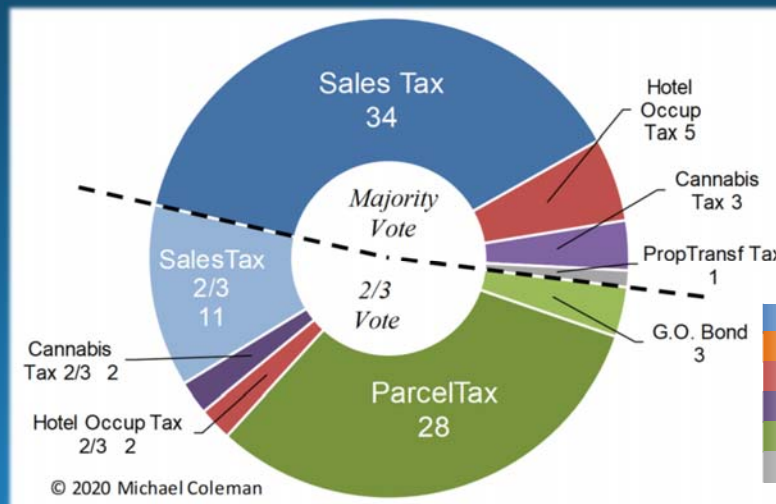


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# March 2020 Local Fiscal Measures

## Measures on Ballots: City, County and Special Districts



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# March 2020 Local Fiscal Measures

## Proposed Measures: City, County and Special Districts



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## Local Tax Measures – Best Practices

- ✓ 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



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# Critically Needed Transportation Funding Arrives: SB1: The Road Repair and Accountability Act of 2017

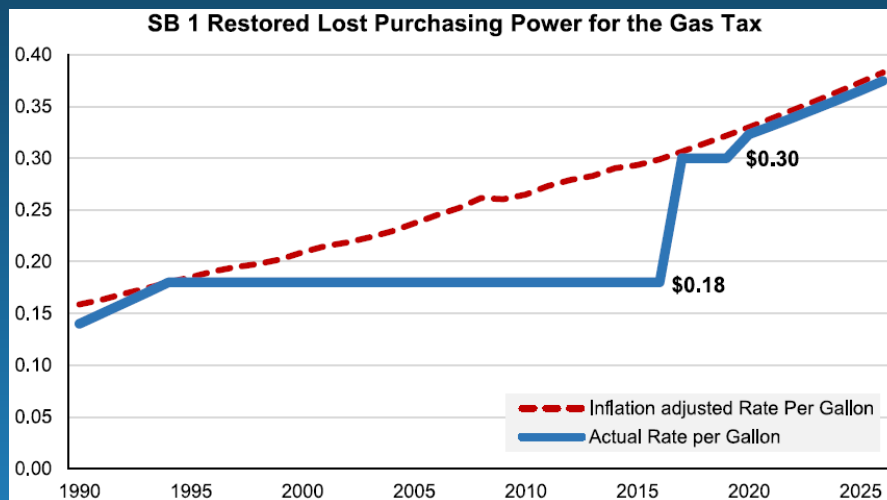


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## The Road Repair and Accountability Act of 2017



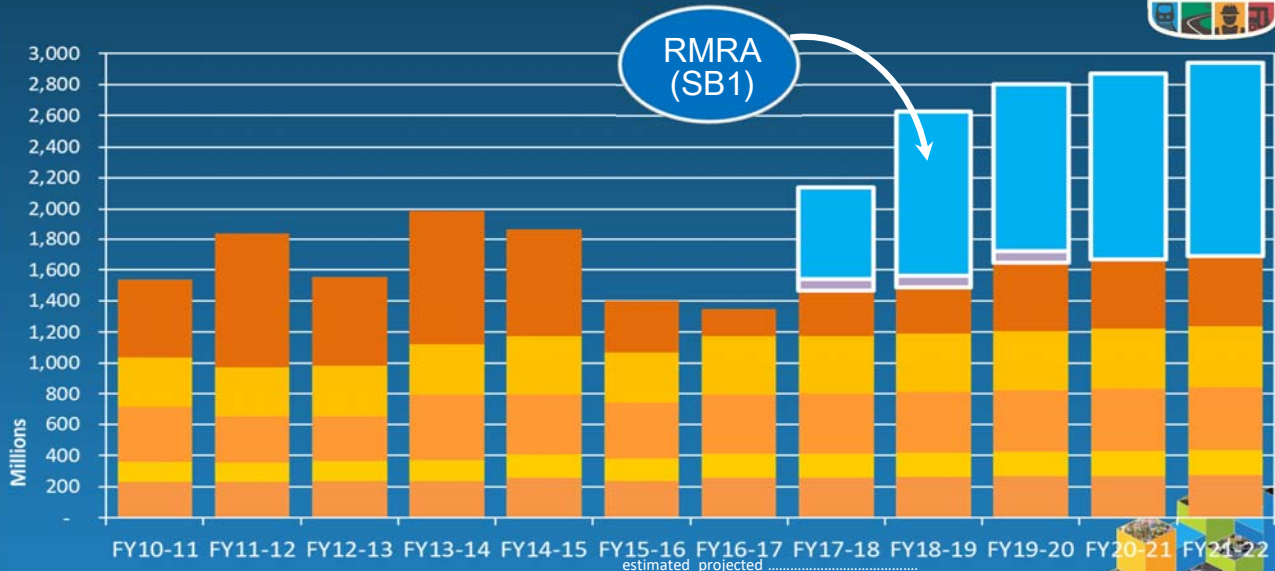
Source: Governor's Proposed 2018-19 Budget Summary Figure INT-06

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# Local Streets and Roads Revenues



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# Bad Brew in Troubled Cities



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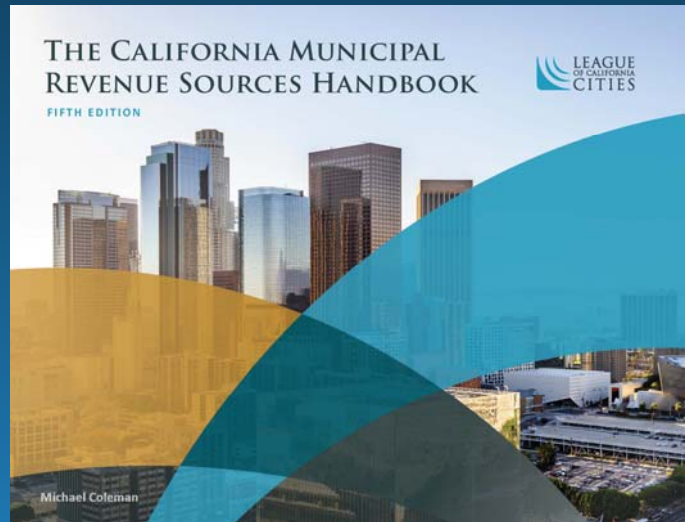
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## NEW EDITION - NOW AVAILABLE

*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.

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



<https://www.cacities.org/publications>

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