

California Society of Municipal Finance Officers
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The Coleman Report

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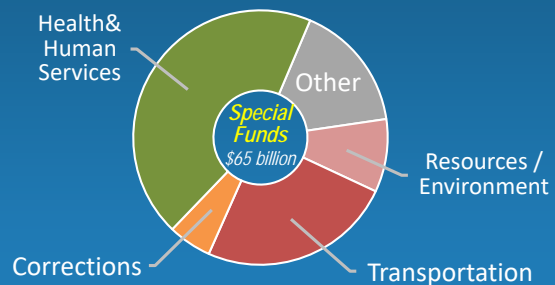
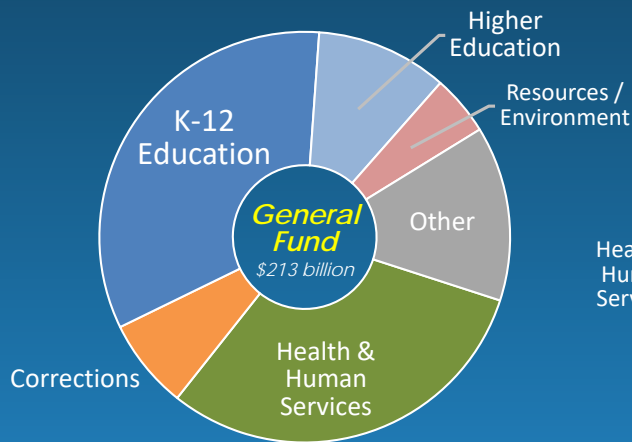
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The California Local Government Finance Almanac



California State Spending Plan Governor's Proposed Budget 2022-23



Local Fiscal Outlook

Governor's Proposed Budget 2022-23

- **Property Tax**

- ✓ Solid growth to continue. Watch sales. CPI = 2 percent.
- ✓ Prop 8 Value Reductions - business properties – delayed, immediate effect is countywide.
- ✓ Property Tax In Lieu of VLF – changes with change in jurisdiction AV

- **Sales Tax**

Different strokes – sectors, jurisdictions

Location effects of shift to online sales

- ✓ Out-of-state to countywide pools
- ✓ Instate to seller location
- ✓ Transactions and Use Tax to destination
- ✓ SoDakota v Wayfair: big improved collections – masking other things

- **Hotel Tax**

- ✓ Most impacted by COVID19
- ✓ Gateway regions (SF Bay Area, LA, San Diego, Orange) still down ~10%-15%
- ✓ Others fully recovered or better.



Local Streets and Roads Revenues



Local \$ to HUTA

Str&Hwy2103
Previously price-based
Gasoline Excise Tax
reset to @17.3¢ on 7/1/19

Now 18.7 ¢

inflation adjusted annually July 1

Str&Hwy2104-2108
Base rate
Gasoline Excise Tax 18¢

Now 19.4 ¢

inflation adjusted annually July 1

Local \$ to RMRA & grants

Gasoline Excise Tax +12¢

Now 13.0 ¢

inflation adjusted annually July 1

Transportation Improvement Fee
\$25 to \$175/year
depending on auto value

Now \$27-192

inflation adjusted annually January 1

Diesel Excise Tax
+20¢/gal

Now 22.0 ¢

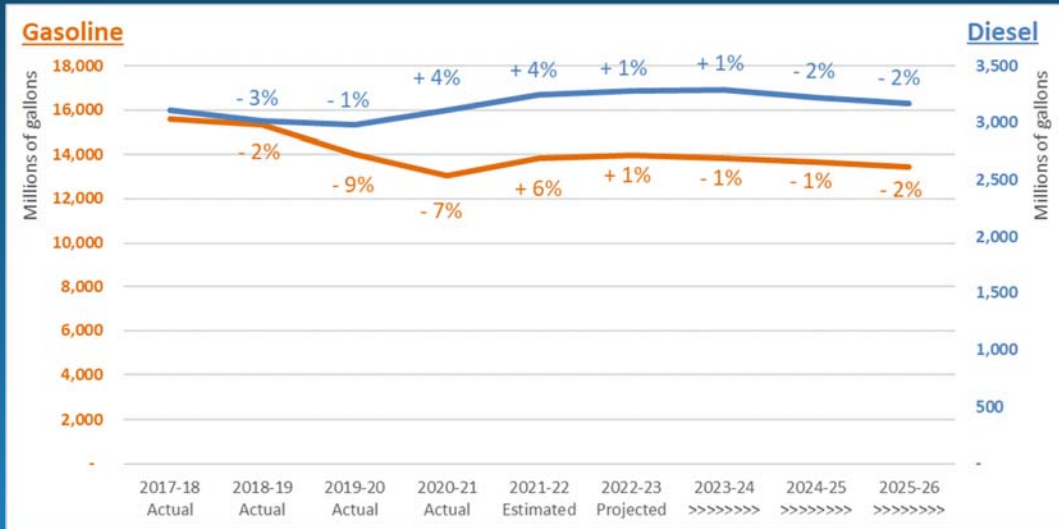
inflation adjusted annually July 1

ZEV Registration Fee
\$100/yr on 2020 models / later

inflation adjusted annually July 1



Fuel Consumption



Fuel and Registration Tax Increases

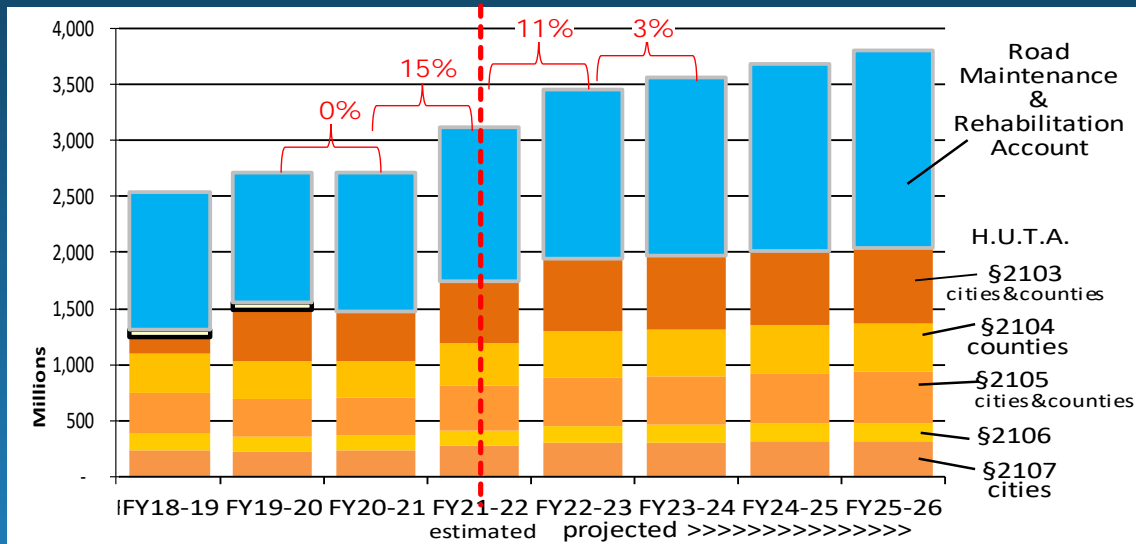


Calif. Gasoline Excise Tax per gallon	
Effective Date	Total
July 1, 2019	\$ 0.473
July 1, 2020	\$ 0.505
July 1, 2021	\$ 0.511
July 1, 2022 est	\$ 0.541

Calif. Diesel Excise Tax per gallon	
Effective Date	Total
July 1, 2019	\$ 0.360
July 1, 2020	\$ 0.385
July 1, 2021	\$ 0.389
July 1, 2022 est	\$ 0.411

Vehicle Registration Tax (Transportation Improvement Fee)				
Vehicle Value	Jan 2018	Jan 2020	Jan 2021	Jan 2022
0 - \$4,999	\$ 25	\$ 27	\$ 27	\$ 28
\$5,000 - \$24,999	\$ 52	\$ 54	\$ 55	\$ 56
\$25,000 - \$34,999	\$ 105	\$ 107	\$ 110	\$ 112
\$35,000 - \$59,999	\$ 157	\$ 161	\$ 165	\$ 168
\$60,000 & over	\$ 183	\$ 188	\$ 192	\$ 196

Local Streets and Roads \$ to Cities and Counties



ARPA State and Local Fiscal Relief Funds (SLFRF) Use of Funds – the Four Categories

- A.** to respond to the public health emergency or negative economic impacts associated with the COVID19 emergency
assist households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality
- B.** to support essential workers
premium pay to eligible workers
- C.** to backfill a reduction in revenue since 2018-19
- D.** for water, sewer (incl. wastewater), or broadband infrastructure.

Revenue Loss: Big Improvements in the Final Rule!

1. “Standard Allowance” revenue loss option of \$10 million (for full performance period)
 - Must choose \$10m standard allowance OR calculation ... one-time irrevocable choice
2. May calculate revenue loss on **fiscal year** or calendar year.
3. **Must** exclude tax changes (cuts or increases) adopted after January 6, 2022 from the revenue calculation.
4. **May** exclude tax changes (cuts and increases) adopted prior to Jan 6, but since “the beginning of the public health emergency” January 27, 2020.
 - If you choose to exclude, must exclude ALL tax changes.
5. May exclude or include utilities.
6. Must still
 - include state intergovernmental revenue, such as HUTA/RMRA road funds,
 - calculate revenue loss in aggregate,
 - use FY2018-19 as the base year.



Eligible Uses of Section “C” Qualified SLFRF

Once qualified as revenue loss, Category C funds may be expended on ...

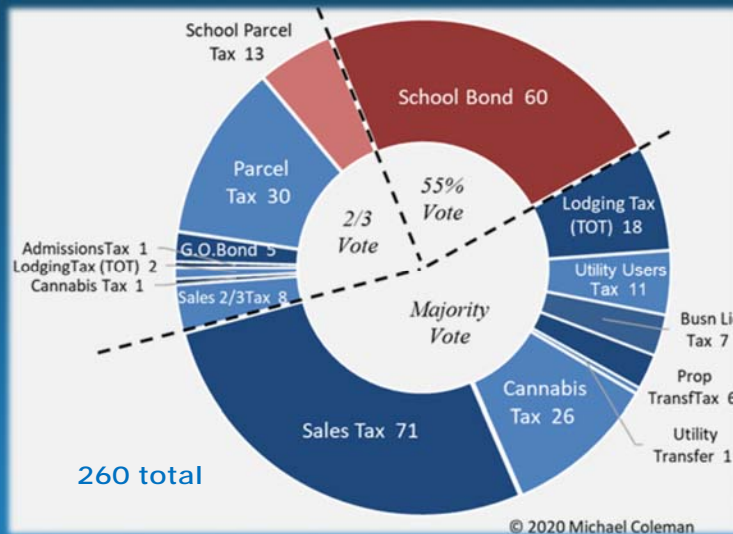
“Government services” that directly provide services or aid to citizens

Limitations:

1. To cover costs incurred March 3, 2021-December 31, 2024;
2. Must be obligated by Dec 31, 2024, expended by Dec 31, 2026;
3. May not spend funds on pension deposits;
4. May not be used to replenish rainy day funds, financial reserves, etc.;
5. May not be used for debt obligations;
6. May not be used as non-Federal Match for other Federal Programs.



Local Tax & Bond Measures November 2020

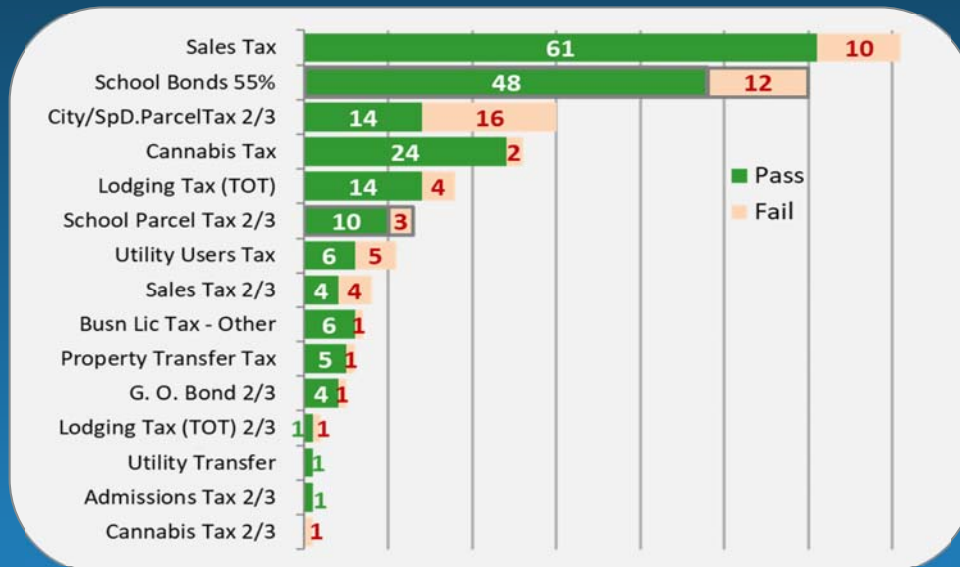


Local Tax & Bond Measure Results November 2020



	<u>Total</u>	<u>Pass</u>	<u>Passing%</u>
City General Tax (Majority Vote)	132	109	83%
County General Tax (Majority Vote)	8	8	100%
City Special Tax or G.O. bond (2/3 Vote)	14	6	43%
County Spec. Tax, G.O. bond (2/3 Vote)	8	5	63%
Special District	25	13	52%
School Parcel Tax 2/3	13	10	77%
School Bond 55%	60	48	80%
Total	260	199	77%

Local Tax & Bond Measure Results November 2020



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



Franchise Fees



- *Jacks v. City of Santa Barbara (2017 Calif Supreme Court)*: city's franchise fee on Southern California Edison was not a tax requiring voter approval. However, fees for use of government property must prove some reasonable relationship to the value of the rights the franchise confers.
- *Zolly v. Oakland*: appellate court in March 2020 found a lack of a relationship between the fees and the solid waste franchise rights.
- ❖ **California Constitution (Proposition 26)**: Charges for use of government property do not require cost justification that fees for services, benefits or regulatory programs do.

Tolls, other Charges for Use of Government Property



- *Howard Jarvis Taxpayers Association v. Bay Area Toll Authority*. S.F. Court of Appeal found \$3 toll increase approved by voters in 2018 was not a tax, but a charge for use of government property, not subject to cost of service limit.
- ❖ Decision includes a lengthy footnote disagreeing with *Zolly** saying *Zolly* erred to apply the cost-of-service standard to a charge for use of property.

*March 2020 SF Court of Appeal, *Zolly v Oakland*.

Utility Users Taxes



City of Torrance v. Southern California Edison Co. (2021)

- Utilities may not net out cap and trade credits against customer bills for calculation of UUT.

Utility Users Taxes and Utility Transfers



Wyatt v. City of Sacramento (SCOC April 2021)

- After Proposition 218, Sacramento voters approved 11% general fund transfers from water, sewer, storm drainage, and solid waste enterprises.
- Wyatt argued Proposition 218 forbids all general UUTs on utilities funded by property related fees.
- Court found Utility Transfers and UUTs on water, sewer, garbage services are legal if voter approved.

Lejins v. City of Long Beach (Court of Appeal, December 2021)

- Lejins challenged voter-approved General Fund Transfer (tax) on water and sewer, arguing Prop.218 (Article XIII D) prohibits a fee or charge “upon any parcel of property or upon any person as an incident of property ownership” for general purposes.
- Appeals court found the general fund transfer unconstitutional and invalid.