

Building
a Healthy Financial
Foundation *through*
Revenue
Diversification

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Ethics

Collaborative Governance

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Building a Healthy Financial Foundation through Revenue Diversification

To some degree, every community is asking:

- How can we do more with less?
- How can we stretch our dollars to meet our essential needs?
- How do we build a healthy financial foundation that will serve our community now and in the future?

Local agencies can address these concerns by diversifying their revenue sources to finance community services. By creating multiple sources of revenue flows they can achieve an optimal mix of revenue sources and an optimal mix of revenue bases by revenue source. The goal is not to maximize revenue collection for its own sake, but to develop revenue diversification strategies that are consistent with and contribute to the overall policy goals and priorities of the agency and the community it serves.

For example, a business license tax that applies various tax rates to all types of businesses in a community is more diverse than a business license tax that applies only to selected types of businesses, and/or that overly relies upon a small set of relatively higher tax rates applied to some businesses for most of the business license tax revenue. The goals of revenue diversification include:

- Increasing the probability that sufficient revenues will be generated to sustain current services and service levels;

- Achieving greater economic equity and efficiency by spreading the “burden” of financing local services among a broader base of taxpayers and fee payers and by using the lowest possible tax or fee rates;
- Greater ability to avoid fiscal crisis due to fluctuations in the normal economic cycle, legal challenges, and political action because different revenue sources respond in different ways and over different time periods to such fiscal crises; and
- An increased ability to generate revenue to finance increased spending that may be necessary due to judicial decisions or legislative demands, natural disasters, or changes in public demands or service priorities.

While all of these goals may not be achievable in every case, public finance professionals believe that revenue diversification is, nevertheless, desirable. For example, the Government Finance Officers Association has adopted the concept of revenue diversification as one of its recommended best practices (see box).

Local Agency Revenue Sources

Since the adoption of Proposition 13 in 1978, California’s fiscal system has not provided local agencies a great deal of control over their finances. Proposition 13 largely replaced local agencies’ authority to raise local property taxes

Government Finance Officers Association Best Practices in Public Budgeting

Practice 4.6

Practice: A government should adopt a policy that encourages a diversity of revenue sources.

Rationale: All revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation, or business cycle effects, and impact on tax and rate payers. A diversity of revenue sources can improve a government’s ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.

Greater proportions of

local budgets are increasingly composed of restricted revenues that are earmarked for specific purposes by the state or local voters.

with a countywide one percent rate. Later, Propositions 62 and 218 further limited local authority to impose other taxes and certain types of fees.

As a result, greater proportions of local budgets are increasingly composed of restricted revenues that are earmarked for specific purposes by the state or local voters. Discretionary revenue—the primary source of funds for police, fire, parks, and libraries (among other services)—is harder to come by, making it difficult for local agencies to make adjustments to their budgets as circumstances change.

Currently, about two-thirds of revenues in most cities are restricted to specific purposes. For example, service charges (like water and garbage charges) pay for particular services. Local taxes (property, sales and use, utility user, and others) comprise most of the remaining unrestricted “general revenues” that may be used for local priorities or new programs.¹

State-Controlled Revenues

A large portion of most local agency budgets is derived from four taxes that are collected at the state or county level and distributed to local agencies according to state-legislated formulas:

Property Tax. The property tax is an ad valorem (value-based) tax imposed on real (and tangible personal) property. The tax is capped at 1 percent of the property’s assessed value during the 1975-76 baseline year and may not be raised by more than 2 percent per year.² Property can be reassessed when it is sold or when improvements are made.³ The revenues are collected by counties and allocated among cities, counties, school districts, and special districts. The tax is allocated based upon the taxing agency’s tax rate prior to the adoption of Proposition 13.⁴

Sales and Use Tax. The sales tax is imposed on retailers for the privilege of selling tangible personal property in California.⁵ The use tax is like the sales tax except that it is imposed on the user of a product purchased out of state and delivered for use in California.⁶ Although the basic sales tax rate is 7.25 percent, the tax actually comprises state sales and use tax and a local sales and use tax.⁷ The local sales and use tax (most often 1 percent) goes to the “site” of the sale, which is the city or county (unincorporated area) in which the sale occurs.⁸

Vehicle License Fee. The vehicle license fee is imposed by the state on the ownership of a registered vehicle in place of taxing vehicles as personal property. California’s Constitution requires that vehicle license fee revenue (based upon a rate of 0.65 percent) go to cities and counties.⁹ Since 1948, the vehicle license fee rate had been 2 percent. In 1998, the Legislature and governor began cutting the fee, backfilling the loss to cities and counties with a like amount of state general fund money. In 2004, the state reduced the rate to 0.65 percent and replaced the state general fund backfill to cities and counties with additional revenues collected via the property tax roll (see paragraph below). The vehicle license fee is collected by the state Department of Motor Vehicles.¹⁰ Most vehicle license fee revenue goes to fund county health and welfare programs (75 percent) and state administrative charges (14 percent). The allocation to cities is on the basis of population and provides about 1 percent of general revenues to the average city budget.¹¹

Vehicle License Fee Swap. In fiscal year 2004–05, cities and counties began receiving additional revenues via the property tax roll to replace vehicle license fee revenue that was cut when the state repealed the state general fund backfill

for the reduction in the vehicle license fee.¹² Beginning in fiscal year 2005–06, this revenue grows with the change in gross assessed valuation of taxable property in the jurisdiction from the prior year.¹³ These “in-lieu” allocations are in addition to a city’s “normal” property tax apportionments¹⁴

Gas Tax. The state imposes an 18-cent per gallon tax on gasoline for research, planning, construction, improvement and maintenance of public streets, highways, and mass transit.¹⁵ A portion of this amount is distributed to local agencies based on population and another portion is distributed to counties based on the number of registered vehicles.¹⁶

Locally-Controlled Taxes

Local agencies may impose additional taxes that are subject to the voter approval requirements included in Propositions 13 and 218. Such taxes are classified as either “general” or “special.” A “general tax” may be used for any public purpose—the funds are fully discretionary and may be deposited into the general fund. A majority vote of the electorate is required to impose, increase, or extend a general tax.

On the other hand, a “special tax” is a tax imposed for a specific purpose. For example, many county transportation authorities impose an additional half of one percent to the local sales tax rate that is specifically designated for transportation projects (see below). A two-thirds majority of voters is required to add, increase, or extend a tax for a specific purpose.

There are a variety of commonly imposed local taxes, including:

Parcel Tax. A special non-ad valorem (non-value based) tax on parcels of property generally based on

either a flat per-parcel rate or a variable rate depending on the size, use, or number of units on the parcel. Parcel taxes require two-thirds voter approval and are imposed for any number of purposes, including funding police and fire services, neighborhood improvement and revitalization, and open space protection.¹⁷

Sales Tax. Additional transaction and use taxes may be imposed with voter approval (majority for general purposes, two-thirds for specific purposes) up to a maximum set by state law. These measures typically add a certain amount—like a cent or a fraction of a cent—to the sales tax rate.

Business License Tax. A tax imposed on businesses for the privilege of conducting business, usually levied as a general tax. The amount of the tax is often based on the number of employees, square footage or gross sales.

Transient Occupancy Tax. A tax charged on the rental of a room for less than 30 days in a hotel, inn, or other lodging facility. Rates range from 4 to 15 percent of the cost of the lodging. In nearly all cases, these are adopted as general taxes.

Utility User Tax. A tax levied on the users of various utilities, like telephones, electricity, gas, water, or cable television. Utility user rates vary from 1 to 11 percent.

Document Transfer Tax. An excise tax on the transfer of interests in real estate. Counties are authorized to tax at a rate of 55 cents per \$500 of the property value. Cities may impose the tax at one half of this amount, which is credited to the payment of the county tax.

Locally-Raised Fees

A fee is a charge imposed for a service or facility provided directly to an individual or to moderate any negative effects of an activity on the community. Fees fall into four general categories:

- User fees charged for using an agency service.
- Development fees charged to mitigate against the impacts of development on community facilities and infrastructure.
- Regulatory fees charged to support the regulation of specific activities or industries. Examples include fees charged to alcoholic beverage sale licensees to address public nuisances associated with those sales or landfill assessments to reduce illegal waste disposal.
- Property-related fees.

A fee may not exceed the estimated cost (including overhead or administration costs) of providing the service. For example, when a local agency provides water and sewer service, the rate that it may charge must be based on a calculation of the actual costs of providing the service to residents.

Proposition 218 created a special subset of fees called “property-related fees.” These are fees that are imposed as an “incident of property ownership.” In other words, the mere ownership of property is the basis for imposing the fee. Proposition 218 procedural requirements apply to all property-related fees. To impose a property-related fee, the agency must first hold a public hearing. At the hearing, a majority of affected owners can stop the fee by filing written protests. If no protest is filed, the agency must still conduct an election, unless the fee is imposed

for sewer, water, or refuse collection services. Otherwise, a majority vote of the property owners of the property subject to the fee, or at the option of the agency, a two-thirds vote of the general electorate, is required to impose the fee.

Rents, Royalties and Concessions

Agencies may receive revenue through rental or use of agency property. For example, agencies may collect royalties from natural resources taken from agency property, sell advertisements in agency publications or receive a percentage of net profits from concessionaires operating on agency property.¹⁸

Fines, Forfeitures and Penalties

Cities and counties determine bail amounts for violations of their codes¹⁹ and they may establish and retain civil penalties for local code violations.

Local Benefit Assessments

Benefit assessments are charges for public improvements or services that provide a specific benefit to property within a predetermined area. Each parcel or business in the area is charged according to the benefit received from the improvement. California has a number of laws that permit the establishment of benefit assessment districts. Some laws allow for bond financing; other laws levy assessments.

A property can only be subject to a benefit assessment if it is specially benefited by the improvements to be financed. Properties that are generally benefited may not be charged. For example, if the purpose of the assessment is to landscape a center

median, only those properties likely to benefit by fronting the street with the center median could be included in the assessment district. Claiming that all properties in a community would benefit based upon beautification of the community would merely be evidence of a general benefit. A new assessment requires the approval of a majority of the property owners who return mailed ballots through an assessment ballot proceeding. Voting is weighed in accordance with the amount of the assessment.²⁰

Tools for Achieving Revenue Diversity

Despite the sweeping changes Proposition 218 made in the way that local agencies manage and control their revenues, elected officials still have an important decision-making role on revenues. Agencies can still recover costs through user fees and development review and impact fees. They also can set fines for violations of local laws. Many agencies took a close look at these alternatives in the wake of the recession of the mid-1990's. However, with the passage of time, it is important to revisit them and make sure that these basic diversity management tools are up to date and still reflect local policy objectives.

The Policy Framework

It is important to periodically revisit setting fees and charges, including development review and impact fees.

- Have they been updated on a regular basis?
- Are the underlying policies justifying them are still valid?
- Have cost of living increases been accounted for?

Consider the following four factors when determining cost-recovery levels and setting user fees:

1. Community-wide Versus Special Benefit. To the extent that services are not paying for themselves through the collection of fees, they are being subsidized by taxes and other general-purpose revenues. It may be appropriate to subsidize some services; however, each agency's governing body should determine which services should be subsidized and which should not.

- It may be appropriate to subsidize youth or senior recreation programs, but it may not be appropriate to subsidize adult recreation programs.
- It may be appropriate to subsidize appeals to ensure that constituents have access to due process, but it may not be appropriate to subsidize inspections for development.

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User Fees

Public agencies have authority to impose fees, charges and rates for services and facilities they provide. Use of these revenues is limited to paying for the service for which the fees are collected. Examples include plan checking fees or recreation class fees. The fee amount may not exceed the cost of providing the service but may include overhead, capital improvements and debt service.

If there are areas where user fees should appropriately fund service costs – but they aren't – then this means that general-purpose revenues are being used instead. The result is reduced capacity to achieve other high-priority goals that can only be funded through general-purpose revenues, like police, fire and streets – which are among the most important (and most costly) services that agencies deliver.

Setting user fees is not simply a cost accounting exercise, although having good analytical data is an essential part of the process. It is fundamentally a policy decision by elected officials that determines which of services will be paid from general purpose revenues (primarily taxes), and which will be funded from user fees.

In setting user fees, agencies should ask themselves four key policy questions:

1. ***What does it cost to provide various services?*** The true cost includes both direct and indirect costs (such as accounting, payroll, legal services, building maintenance, insurance, information technology, program administration and use of equipment and facilities).
2. ***Are these costs reasonable?*** If revenues are not recovering costs, are fees too low? Not necessarily. Maybe costs are too high. Accordingly, agencies should not only account for their costs, but demonstrate that their costs are reasonable. Strategies for doing this include comparing administrative and support service staffing levels with those of similar communities with similar service levels. A consultant may provide a credible, independent assessment of this issue.
3. ***What are current cost recovery levels?*** How much revenue do current fees generate compared with these costs?
4. ***What fee changes are necessary to implement the agency's cost recovery policies?*** Fee-setting belongs in the policy arena. Either fees should be increased (or decreased) to achieve policy goals, or the policy should be revised, recognizing that doing so may result in lower cost recovery levels, and mean less general-purpose revenues for other critical services that do not have similar cost recovery options.

Establishing a policy framework is advisable before starting a comprehensive cost of services analysis. The policy can always be changed to account for unintended results, and it will be easier to deal with them at a policy level if the foundation and framework can be articulated first.

Every local agency will have a different policy approach, and there is no one “right” policy.

Development Impact Fees

Development impact fees are imposed to pay for improvements and facilities required to serve new development.

- Development impact fees cover one-time capital improvements. Procedures for imposing, accounting for, and using development impact fees are regulated by state statute.
- The ordinance or resolution establishing the fee must explain the connection (nexus) between type of development and fee.
- The amount of the fee must not exceed the cost of building the improvements for which the fee is imposed.

Another policy question to address is the degree of financial responsibility that new development should bear to cover the facility costs necessary to serve it. The answer isn't necessarily full cost recovery in all cases; the point is to be clear about when general-purpose revenues will be used for this, and when they won't. See, for example, the policy adopted by the city of San Luis Obispo:

Capital improvements will be financed primarily through user fees, service charges, assessments, special taxes or developer agreements when benefits can be specifically attributed to users of the facility. Accordingly, development impact fees should be created and implemented at levels sufficient to ensure that new development pays its fair share of the cost of constructing necessary community facilities, unless the community chooses to help pay the cost for a certain development to obtain community-wide benefits.

Under this “community-wide” provision, San Luis Obispo exempts impact fees for affordable housing built by the housing authority or similar non-profit agencies, and for private sector units in excess of its inclusionary housing requirements.

If an agency chooses to exempt certain development from impact fees (like affordable housing), then the agency is either a) creating an unfunded element of its impact fee program, or b) to some extent (and there are limits here) the agency is asking other development to “subsidize” the costs of infrastructure that stem from development that provides community-wide benefit. Given the restrictions on how impact fees are to be set, there are policy implications for choosing how these costs are to be borne across varying types of development.

Every local agency will have a different policy approach, and there is no one “right” policy – but the policy should be clear.

Fines, Forfeitures and Penalties

Cities and counties receive a share of fines collected and bail moneys forfeited following conviction of a misdemeanor or infraction committed within their boundaries.²¹ Vehicle-related fines and parking meters rates can also diversify the revenue mix.

Generally, vehicle-related fines fall into two categories:

1. Fines issued for violations under the California Vehicle Code.²²
2. Fines issued under local law through the municipal code.

The state sets vehicle code fine amounts and local jurisdictions cannot change them. However, local jurisdictions can set fine amounts for violations of local law.

Typical local violations include:

- Parking meter violations for exceeding the time paid for.
- Leaving an automobile vehicle on the street that where it prevents scheduled street sweeping.
- Parking in a designated area without a permit.
- Disobeying signs.
- Parking in a red zone.
- Leaving a vehicle in a spot in excess of time allowed.

Periodically, it is prudent to compare fine amounts with those charged in surrounding communities. Setting fines too low encourages undesired behaviors, like interfering with street cleaning and parking in inappropriate locations.

Likewise, achieving the desired level of vehicle turnover at metered parking spaces may require a look at the rates charged in nearby jurisdictions. This ensures that business customers have convenient access to businesses, and advances other public policy goals, like reducing vehicle trips and encouraging alternative transportation.

2. Service Recipient Versus

Service Driver. The concept of service recipient versus service driver should also be considered. The applicant for a building permit is not the primary beneficiary of the agency's development review efforts. However, the applicant is the driver of development review costs, and as such, recovering costs from the applicant is appropriate.

3. Effect of Pricing on the

Demand for Services. The level of cost recovery and related pricing of services can significantly affect the demand and subsequent level of services provided.

- Full or high cost recovery ensures that the agency is providing services for which there is genuinely a market that is not overly stimulated by artificially low prices.

- Conversely, high cost recovery reduces delivery of services to lower income groups. Having high cost recovery for services that are specifically targeted to low-income groups may undermine the policy objectives of providing the service.

4. Feasibility of Collection and

Recovery. Although a high level of cost recovery may be appropriate for specific services, it may be impractical or too costly to establish a system to identify and charge the user. Accordingly, the feasibility of assessing and collecting charges should also be considered in developing user fees, especially if significant program costs will be financed from that source.

Regular Updates

Periodic review of rates, fees and charges is a critical component of an effective cost-recovery program, but a comprehensive annual analysis may be too time-consuming and costly for the modest changes that might result from one year to the next. Another approach is to prepare a comprehensive cost of services analysis at least every five years, with annual changes in the interim based on changes in the consumer price index.

- The public will better accept small annual increases than double-digit rate hikes every five years.
- Waiting too long to adjust fee levels increases the risk that the general fund will subsidize increased costs in the intervening years.

Top Five Things to Know about Evaluating Service Charges

- Fees may not produce revenues that exceed the reasonable cost of providing the service.

- Cost-recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs and organization-wide support costs, such as accounting, legal services, information technology, vehicle maintenance and insurance.
- The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
- Rate structures should be sensitive to the market for similar services as well as to smaller, infrequent users of the service.
- A unified approach should be used in determining cost-recovery levels for various programs based on the factors discussed above.

Factors Favoring Limited Cost-Recovery

Factors that favor low cost-recovery levels — those services that should be funded primarily through general-purpose tax revenues — include the following:

- There is no intended relationship between the amount paid and the benefit received. Examples include subsidized housing for low-income families or special fares for children and seniors.
- Collecting fees is not cost effective or will significantly impact efficient service delivery.
- There is no intent to limit the use of (or entitlement to) the service. Examples include most social service programs, public safety emergency response services and access to neighborhood and community parks.

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To distribute indirect costs in a logical and consistent manner to all services requires a cost allocation plan.

- The service is nonrecurring, generally delivered on a “peak demand” or emergency basis, cannot reasonably be planned for on an individual basis and is not readily available from a private sector source. Most public safety services fall into this category.
- Collecting fees would discourage compliance with regulatory requirements. For example, high cost recovery for landfill disposal may encourage illegal dumping on streets and vacant lots.
- High cost recovery for small-scale licenses or registration (pets, bicycles) may encourage evasion and increase enforcement costs.

Factors Favoring Full Recovery of Agency Costs

- The service is similar to services provided through the private sector.
- Other private or public sector alternatives could or do exist for the delivery of the service.
- For equity or demand management purposes, it is intended that there be a direct relationship between the amount paid and the level and cost of the service received.
- The use of the service is specifically discouraged. Police response to disturbances or false alarms might fall into this category.
- The service is regulatory in nature, and voluntary compliance is not expected to be the primary method of detecting failure to meet regulatory requirements. Building permit, plan check and subdivision review fees for large projects fall into this category.

Indirect Cost Allocation Plan

Fees should be based on the total cost of providing services, regardless of whether the goal is full or partial cost recovery. In addition to direct costs, this means including indirect costs as well in determining the total cost. These include accounting, legal services, purchasing, insurance, building maintenance, technology support and the use of equipment and facilities. These also include departmental indirect costs for program management, support and oversight.

To distribute indirect costs in a logical and consistent manner to all services requires a cost allocation plan. This plan should not only be used in determining costs associated with general fund services like building permits and recreation programs, but also in determining appropriate reimbursement transfers to the general fund from enterprise funds (and other funds where applicable) for these indirect services. As with user fees, this plan must be updated on a regular basis.

Making Comparisons with Other Communities

In setting fees, collect and consider information on the amount of fees charged by other communities for similar services. However, fee surveys should never be the sole or primary criteria in setting fees, because many factors affect how and why other communities set their fees. For example:

- What level of cost recovery is their fee intended to achieve? If your fee is \$100 and theirs is \$75, perhaps the difference is simply that your cost-recovery goal is 100 percent and theirs is 75 percent.

- What costs have been considered in computing their fees? Even if your cost-recovery goals are otherwise the same, perhaps they are considering only direct costs.
- When was the last time their fees were comprehensively evaluated? Do they adjust their fees on an ongoing basis? If not, theirs may be significantly out of date.
- What level of service do they provide compared with your service or performance standards? If you provide a higher level of service, your costs — and related fees — are likely to be higher.
- Is their rate structure significantly different than yours and what is it intended to achieve? Anyone who has ever tried to carefully compare planning permit fees knows that getting an “apples to apples” comparison is very difficult because every agency does it differently.

Ultimately, local agencies should set their financial management policies based on their unique circumstances.

Timing Is Everything

When should agencies look at whether the desired share of general-purpose revenues is being offset by other revenue sources?

On one hand, there are advantages to introducing the results of fee studies outside of the budget process, where they can be dispassionately viewed on their own philosophical merits. On the other hand, there are advantages to presenting the results as an integral part of the budget process to make clear the trade-offs between policy goals and revenue goals.

Suppose, for example, that increasing engineering fees from 45 percent to full cost recovery will generate the funds needed to remodel the kitchen in the Senior Center. If they stay at 45 percent, this won't be possible (at least not in this budget cycle). In short, by using general-purpose revenues to offset the cost of services where higher fees could reasonably be set, other important programs and projects that can only be funded from general-purpose revenues simply won't happen.

There may be very compelling reasons why the costs of delivering certain services should not be fully recovered from those using (or driving) them; but the consequences of this policy should be clear. This message may be easier to communicate when the real-world benefits are clear and compelling.

It can be helpful to step back once all the fees, taxes, assessments and fines are established to see how they impact the “average” person. From the perspective of the average person, whether paying a fee or a tax, the money is still comes out of the same checking account. In deciding whether to increase fees, agencies should consider the impact of increasing fees on its ability to support the non-fee supported areas of local government. In other words, all of the fee and cost-recovery policies need to be consistent with and contribute to the overall policy goals and priorities of the agency.

Resources for Further Reading

League of California Cities, *Securing Voter Approval of Local Revenue Measures* (1999)

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FOOTNOTES

¹ Paul G. Lewis & J. Fred Silva, *Growth Challenges and Local Government Finance: A Primer for the Sacramento Valley*, (September 2001) (available at www.ppic.org), at 5; Michael Coleman, *A Primer on California City Finance*, at 7 (www.californiacityfinance.com/FinancePrimer05.pdf).

² Cal. Const. art. XIII A, § 1(a); Cal. Rev. & Tax. Code §§ 95 and following.

³ Cal. Const. art. XIII A, § 2(a).

⁴ Cal. Const. art. XIII A, § 1(a); Cal. Rev. & Tax. Code §§ 95 and following.

⁵ Cal. Rev. & Tax. Code § 7202(h)(1).

⁶ *Id.*

⁷ California State Board of Equalization, *California City and County Sales and Use Tax Rates*, (July 1, 2006) (www.boe.ca.gov/pdf/pub71.pdf).

⁸ Cal. Rev. & Tax. Code § 7202.

⁹ Cal. Const. art. XI, § 15.

¹⁰ Michael Coleman, *VLF Facts: A Primer on the Motor Vehicle In-Lieu Tax, the Car Tax Cut and Backfill*, (March 2004) (www.californiacityfinance.com).

¹¹ Michael Coleman, *A Primer on California City Finance*, at 6 (www.californiacityfinance.com/FinancePrimer05.pdf).

¹² Michael Coleman, *The VLF for Property Tax Swap of 2004: Facts for Local Officials* (rev. October 2006) (www.californiacityfinance.com/VLFswapNtakeFAQ.pdf).

¹³ *Id.*

¹⁴ Michael Coleman, *A Primer on California City Finance*, at 6 (www.californiacityfinance.com/FinancePrimer05.pdf).

¹⁵ Cal. Sts. & High. Code §§ 2100 and following.

¹⁶ Cal. Sts. & High. Code §§ 2106, 2107.

¹⁷ *See* Cal. Const. art. XIII D, § 3.

¹⁸ Cal. Const. art. XI, § 7 (giving cities reasonable exercise of police power); Cal. Const. art. XI, § 9 (giving cities authority to provide for certain “public works” including transportation, light, water, heat, and power).

¹⁹ League of California Cities, *Municipal Revenue Sources Handbook* (2001).

²⁰ The ballots are weighted according to the dollar value of their proposed assessments (the equivalent of one vote per dollar). Thus, the vo

²¹ Cal. Penal Code §§ 1463.002, 1463.001(b)(3).

²² *See* Cal. Veh. Code §§ 40200 and following.

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Bill Statler

*Director of Finance and Information Technology
City of San Luis Obispo*

Bob Begun

*City Treasurer
City of Capitola*

Viki Copeland

*Finance Director
City of Hermosa Beach*

Anil Gandhi

*Finance Director
City of West Hollywood*

Maureen M. Lennon, CCMT

*Finance Director/City Treasurer
City of Pacifica*

Ted Marconi

*Director of Finance
City of Mt. Shasta*

Paul Navazio

*Finance Director
City of Davis*

Warren Shafer

*Interim Director of Redevelopment Services
City of Poway*

INSTITUTE FOR LOCAL GOVERNMENT

1400 K Street

Sacramento, CA 95814

(916) 658-8208

Fax: (916) 444-7535

www.ca-ilg.org

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