

Boosting Local Budgets: Leveraging Sales Tax and Lesser-known Revenue Streams

THURSDAY, APRIL 10, 2025 | 11:30 AM – 1:00 PM

THANK YOU FOR JOINING US!



Host & Moderator

MELISSA KUEHNE

*Director of Enterprise Programs and Special Projects
Institute for Local Government*



WEBINAR OVERVIEW

Welcome & Introductions

Presentation on Boosting Local Budgets from:

- Bobby Young, Director of Client Services, HdL Companies
 - Connor Duckworth, Client Advisor, HdL Companies
 - Bret Prebula, City Manager, City of Suisun City
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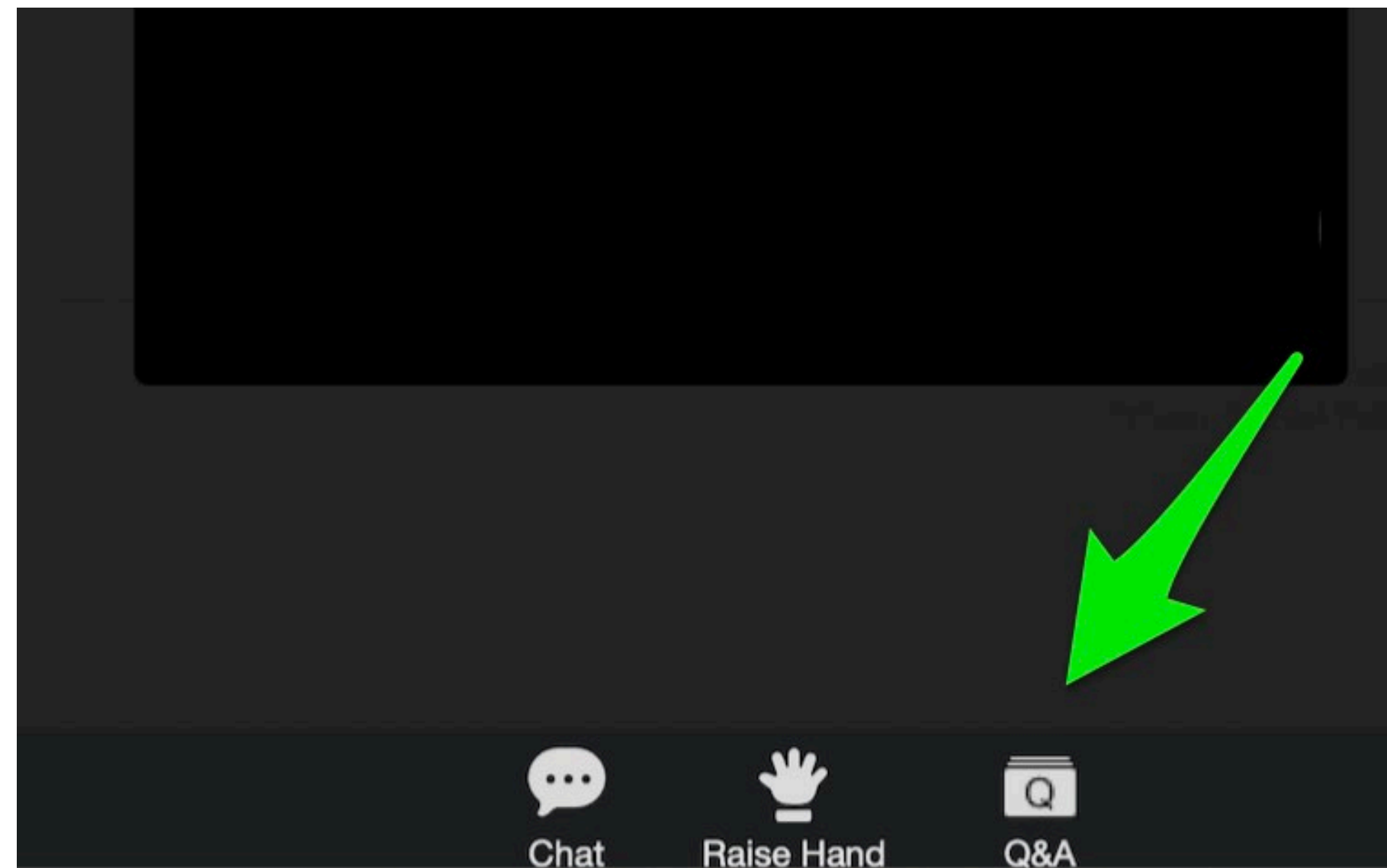
Audience Q&A

Wrap Up & Adjourn

We welcome your written questions and comments in the Q&A throughout the webinar

TECH OVERVIEW & HOUSEKEEPING

- All webinar participants will be on **MUTE** for the duration of the event.
- Please type any questions for into the **Q&A BOX** at any time during the session.



- A recording of the session will be available shortly after the webinar.

ABOUT ILG

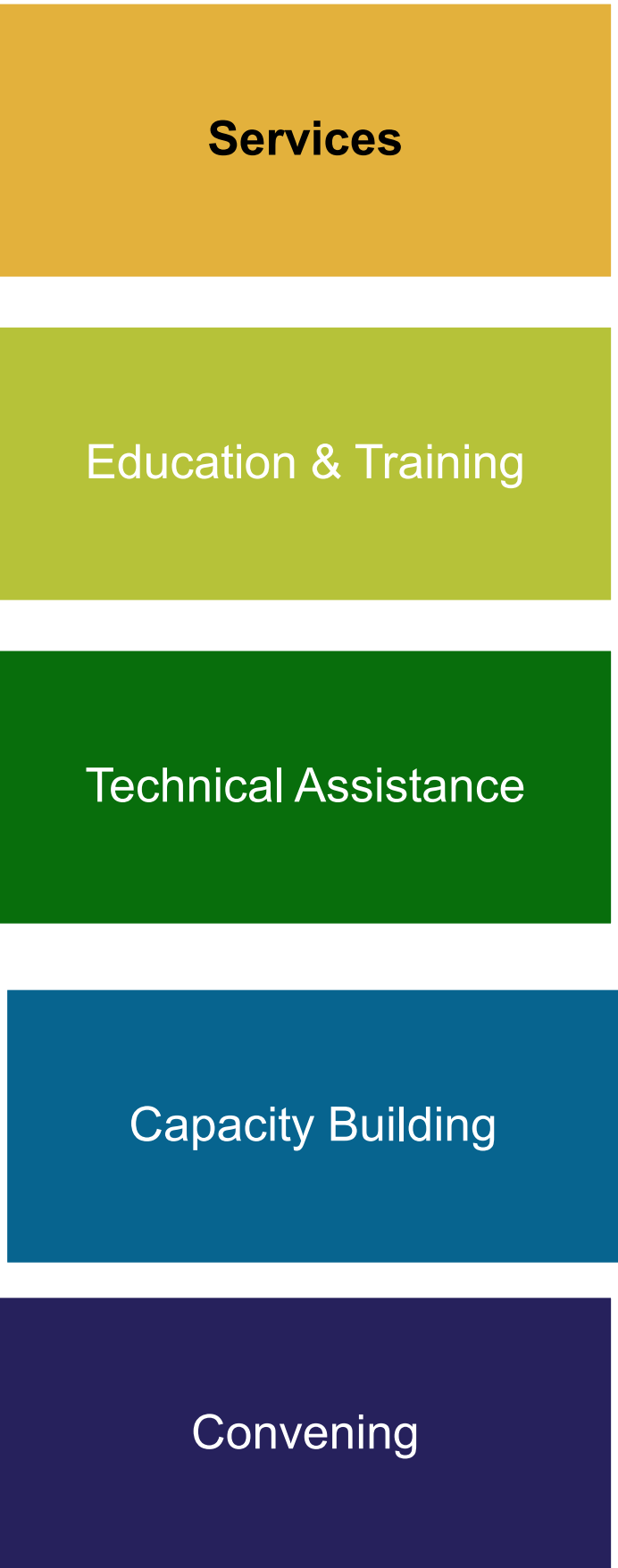
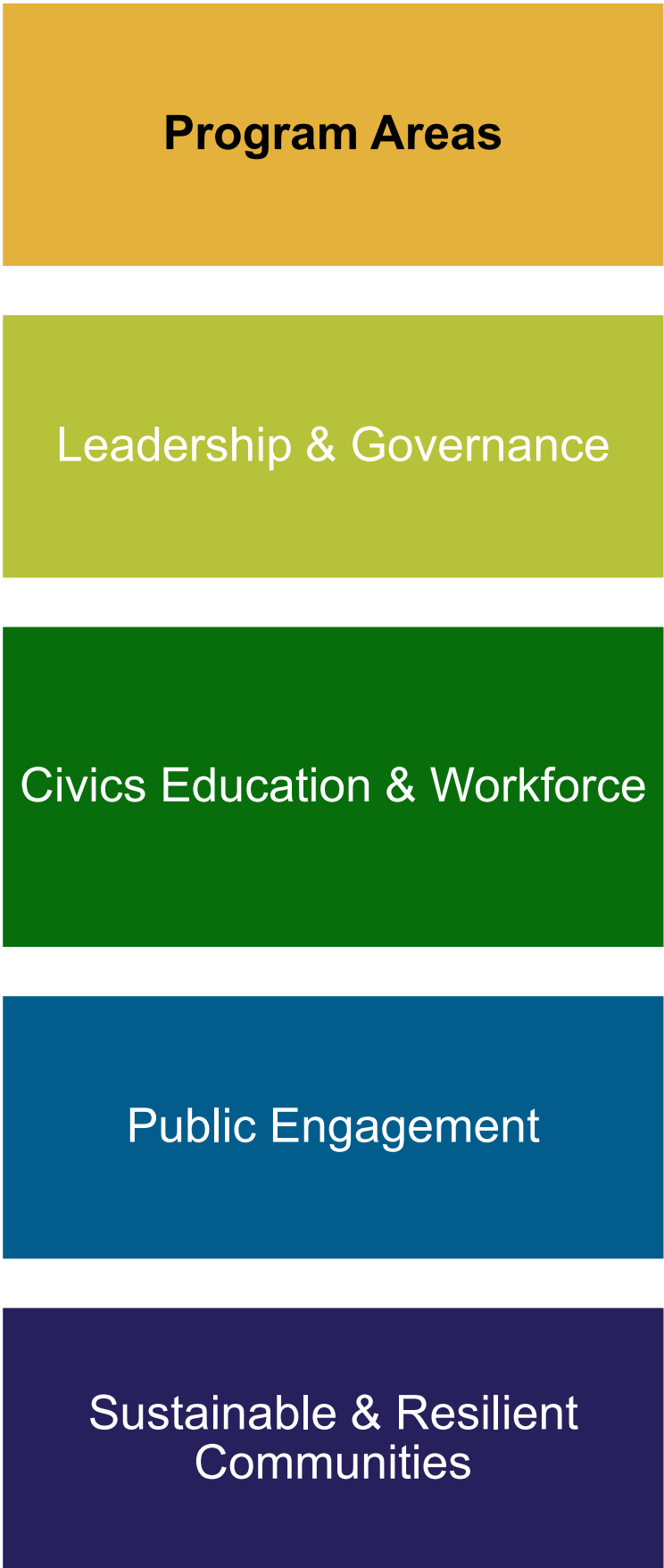
NON-PROFIT, NON-PARTISAN AND HERE TO HELP

- The Institute for Local Government is the non-profit training and education affiliate of three statewide local government associations
- Together with our affiliates, we serve over 2,500 local agencies – cities, counties and special districts
- We provide practical and easy-to-use resources so local agencies can effectively implement policies on the ground



**California Special
Districts Association**
Districts Stronger Together

ILG'S PROGRAMS AND SERVICES



Our mission is to help local government leaders **navigate complexity, increase capacity & build trust** in their communities

TODAY'S PRESENTERS



BOBBY YOUNG
Director of Client Services
HdL Companies



CONNOR DUCKWORTH
Client Advisor
HdL Companies



BRET PREBULA
City Manager
City of Suisun City



ABOUT HdL COMPANIES

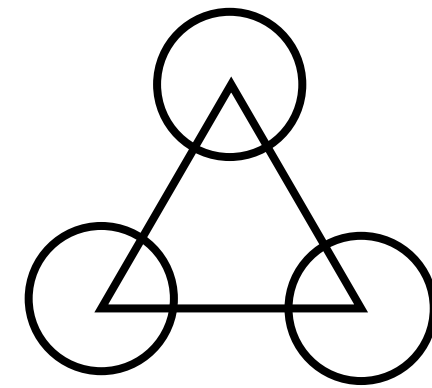
**PROUD
TO SERVE**

CITIES, COUNTIES &
SPECIAL DISTRICTS
FOR

40+ YEARS

100%

**EMPLOYEE
OWNED**



TRIFECTA

Superior service
Increased revenue
Decreased costs



COMPLIANCE

HdL helps clients reduce risk
by keeping current with
ever-changing legislation



RESULTS

Average city growth
rates are ~3%,
HdL clients are 2x that!

900+

Municipal
Clients

\$4billion+

Recovered
revenue

99.6%

Avg. Client
Retention



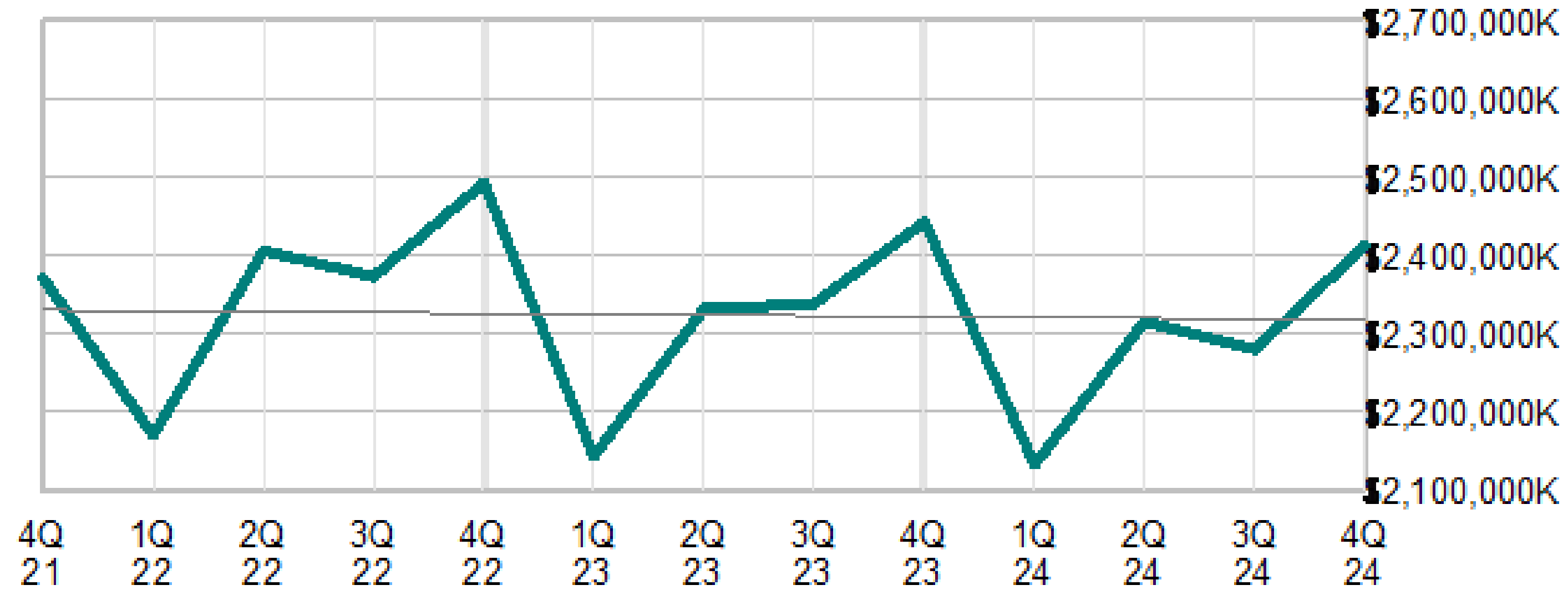
4th Quarter 2024 Statewide Results

Major Industry Group	4Q 2024
Autos & Transportation	-1.3%
Building & Construction	-4.1%
Business & Industry	0.9%
Food & Drugs	-4.5%
Fuel & Service Stations	-14.0%
General Consumer Goods	-2.4%
Restaurants & Hotels	1.4%
Pools	4.0%
Total	-1.2%
<i>Dec. Projection</i>	<i>-1.6%</i>

Region	4Q 2024
Sacramento Region	2.2%
Bay Area	-0.5%
Central Coast	-0.9%
Sierras	-1.3%
Southern California	-1.5%
San Joaquin Valley	-3.1%
Far North	-3.8%

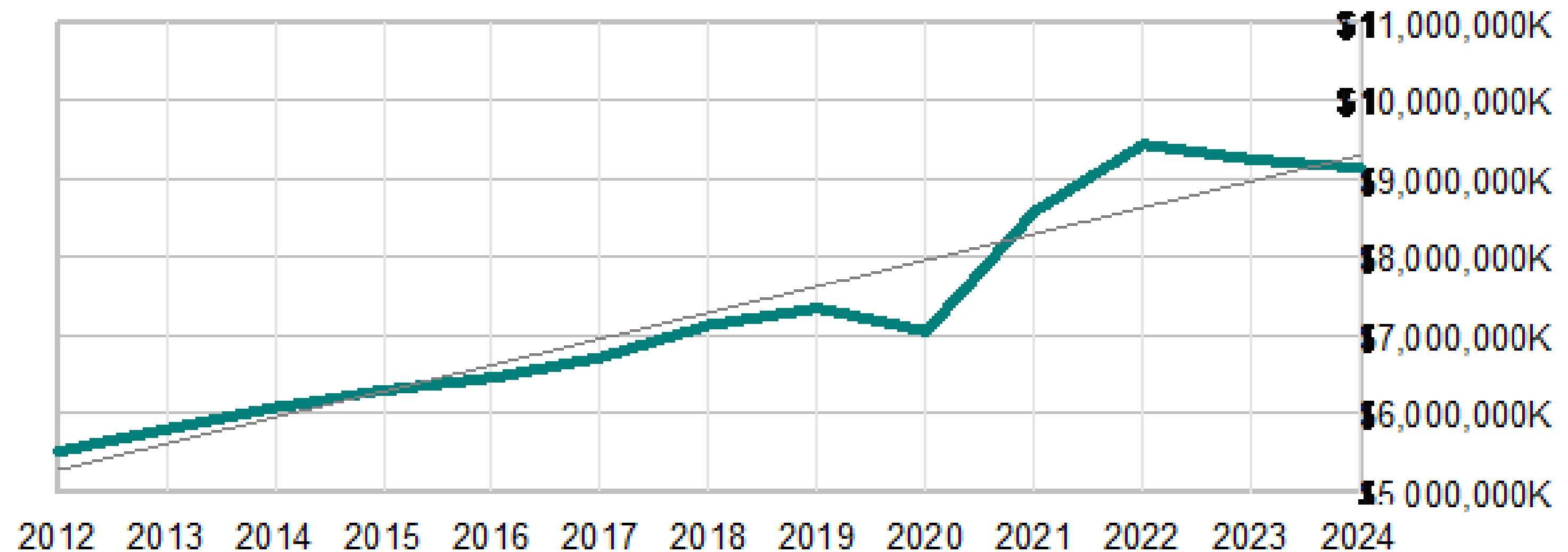


Statewide Sales Tax Trends



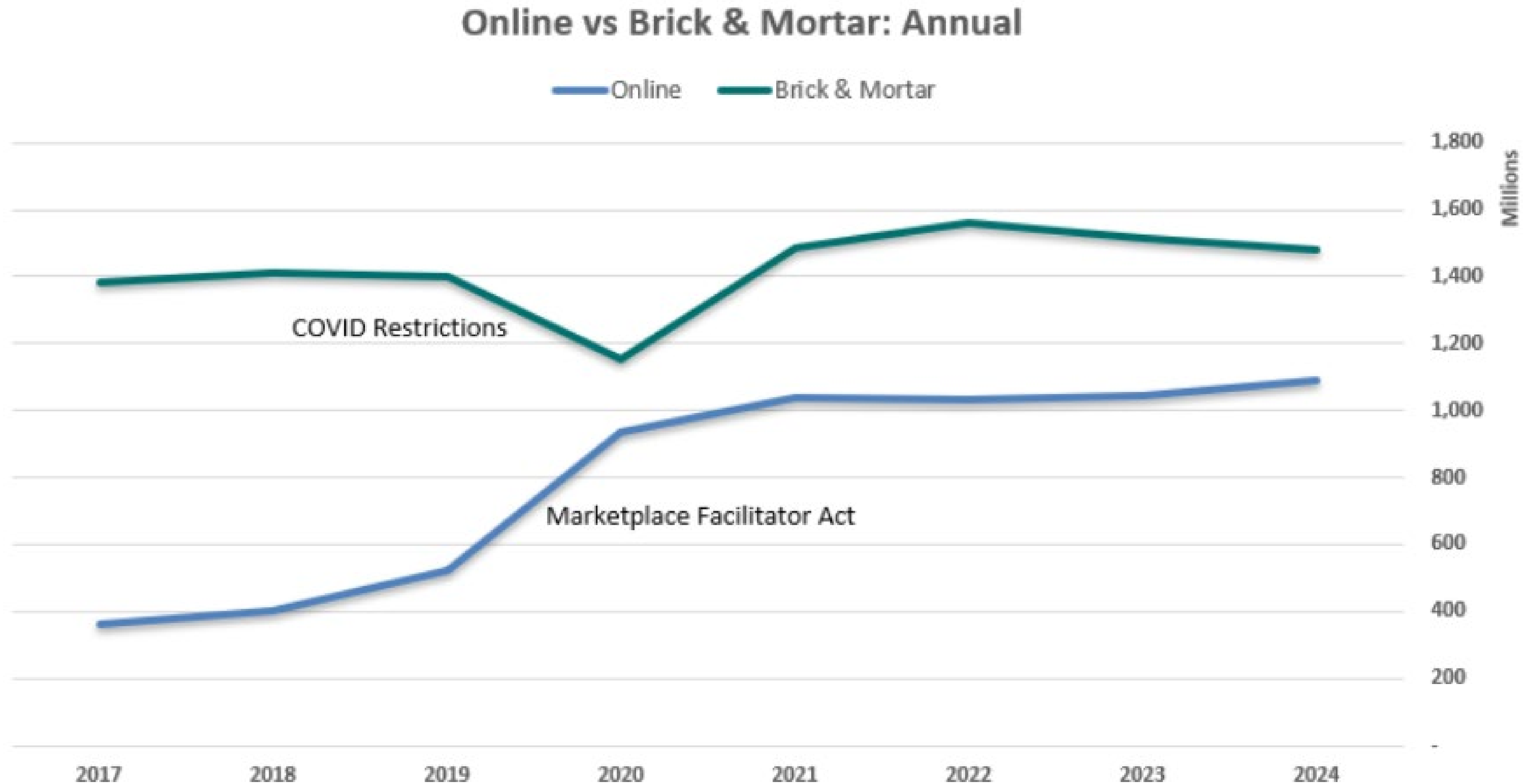
Quarterly
Results

Calendar
Year
Results



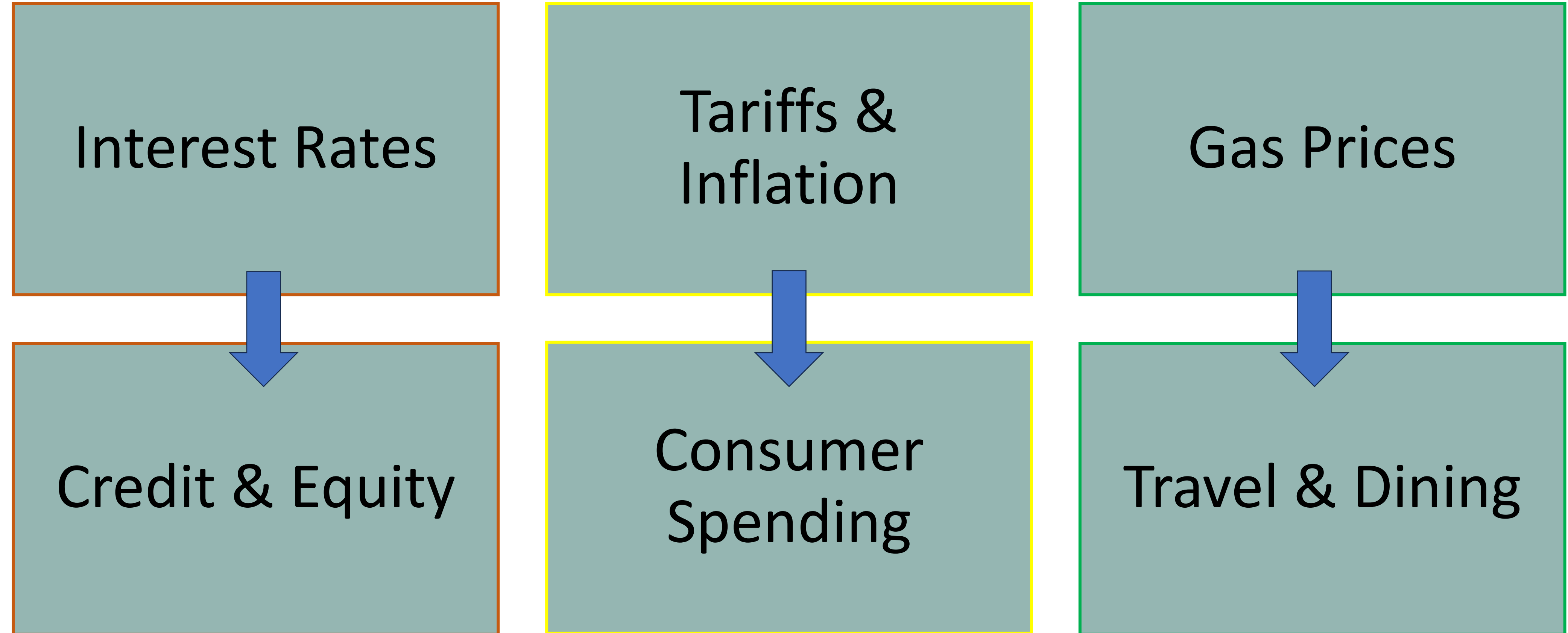


Consumers Looking For Value





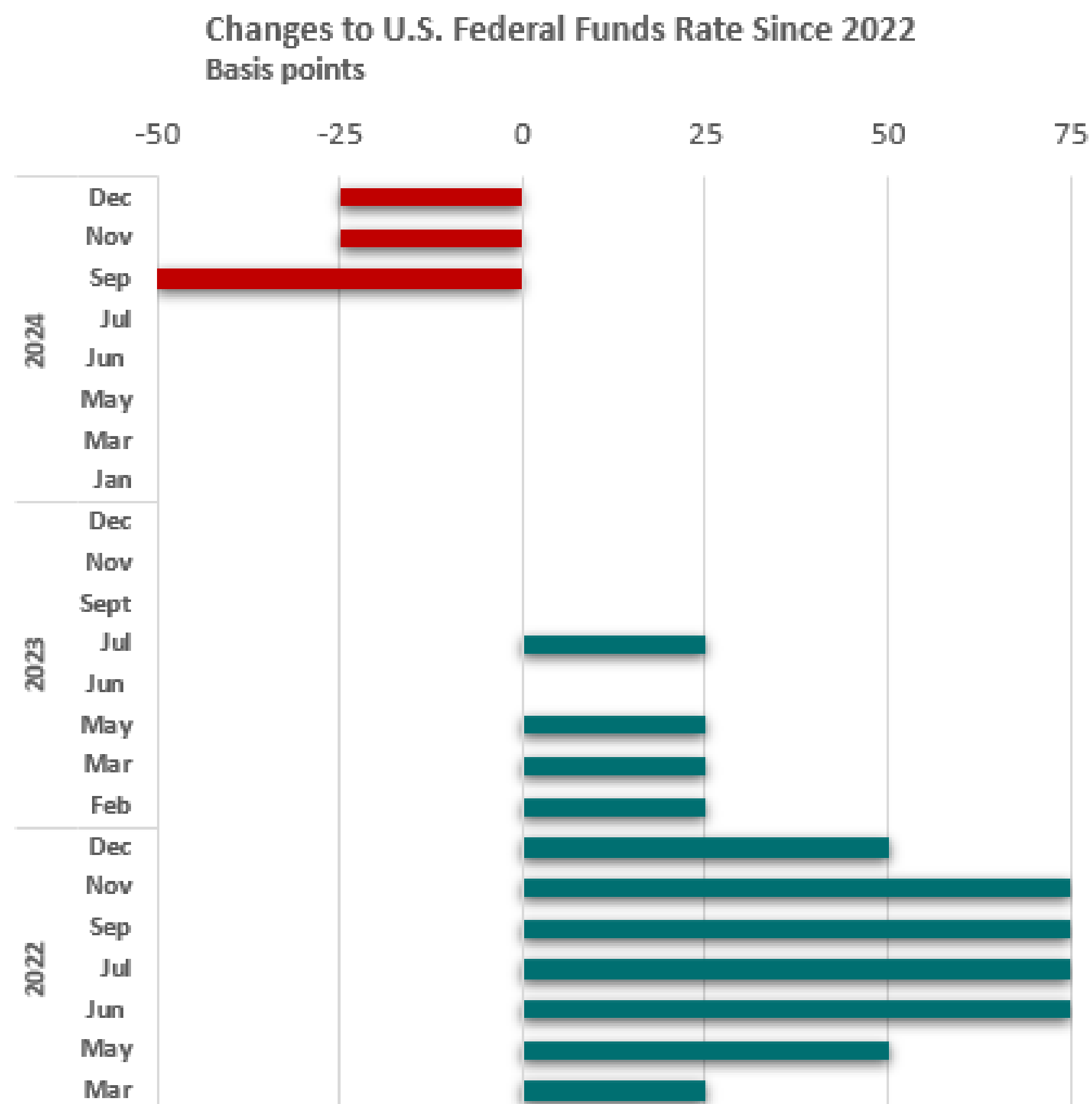
Statewide Forecast Considerations





Interest Rates

FOMC maintains their target range for the federal funds rate at 4.25% – 4.5%.



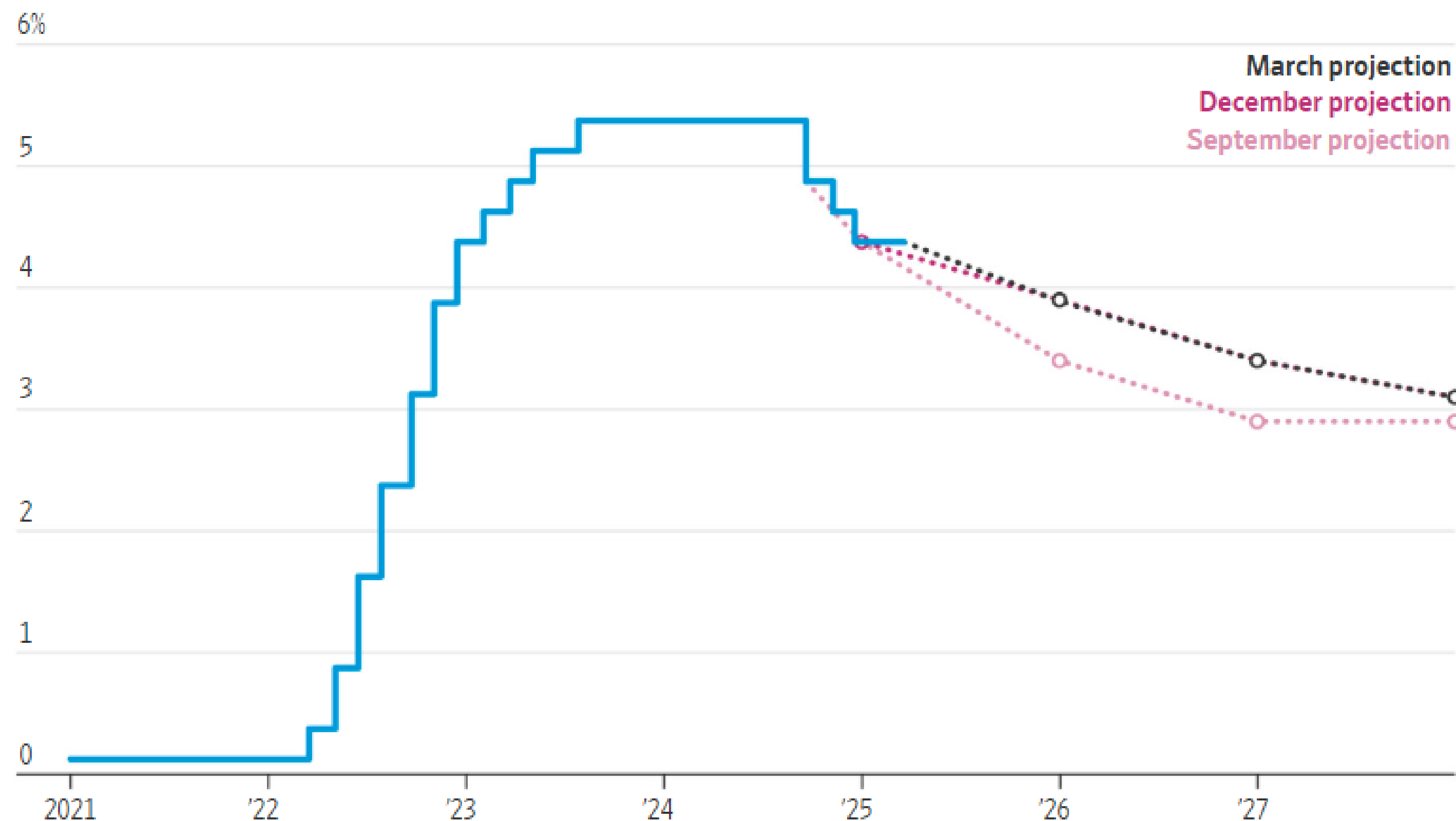
- Will focus on assessing incoming data and the evolving outlook
- Information the committee is watching
 - Labor Market Conditions
 - Inflation pressure & expectations
 - Financial & international developments



Federal Funds Rate Target

Federal-funds rate target

With evolution of projections



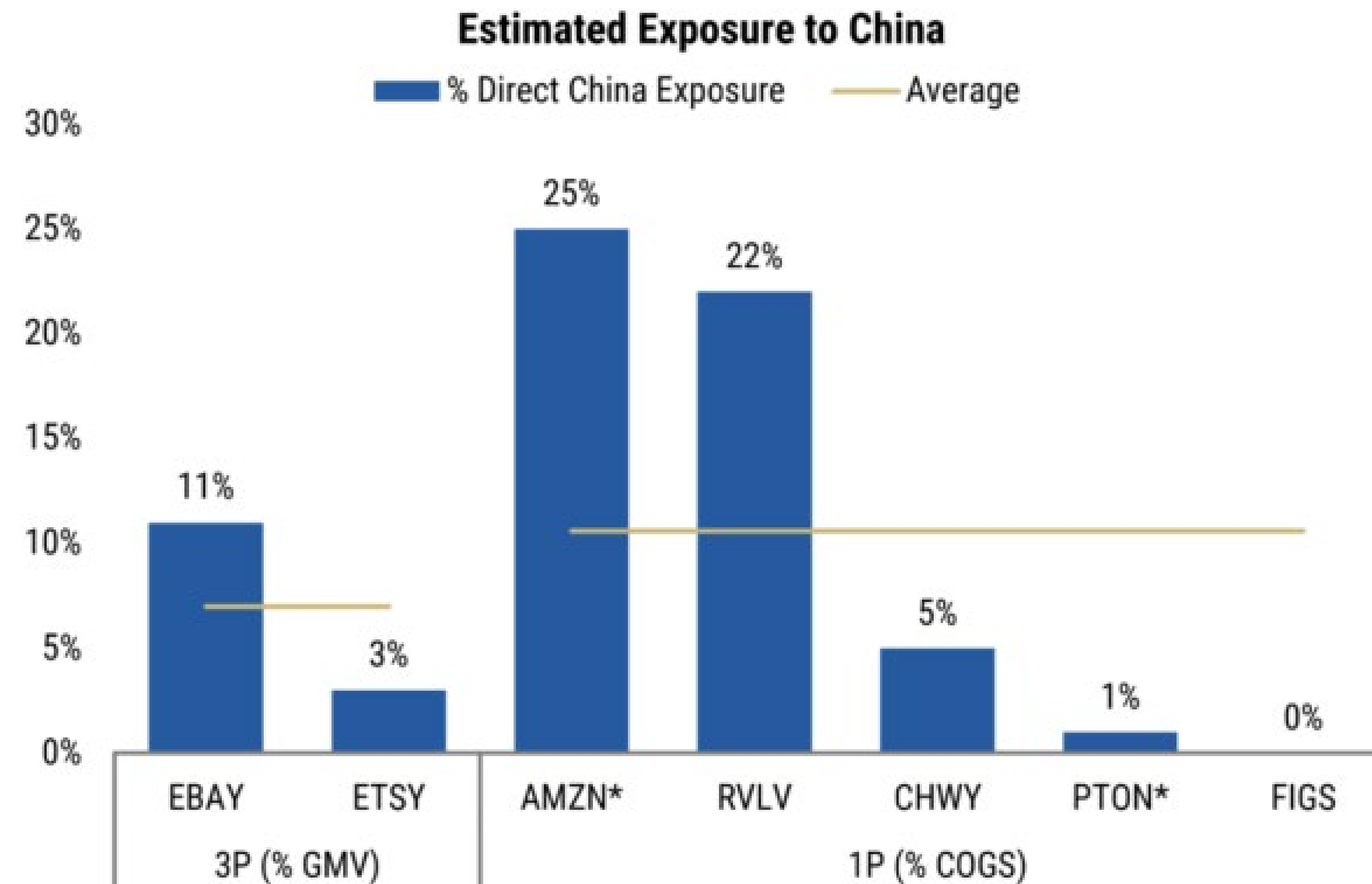
Note: Chart shows Fed officials' median projections for the midpoint of the target range at year-end. March projections for year-end 2025, 2026 and 2027 were unchanged from projections made in December.

Source: Federal Reserve



Tariffs & eCommerce

Exhibit 1: Our eComm coverage exposure to China-based cost of revenue (import costs) ranges from 0% to 25%



PTON is connected fitness COGS only, for AMZN 1P is merchandise COGS only

Source: Company Data, Morgan Stanley Research

(Chart via Morgan Stanley)



Tariff Uncertainty

What? Where?? When???

PRODUCT	COUNTRY/REGION	RATE
Alcoholic Beverages	European Union	200%
Automobiles	Global	25%+
Blanket Tariffs/Reciprocal Tariffs	China, European Union, BRICS Nations, Russia, Nations buying oil from Venezuela	20% to Unknown
Computer Chips	Global	25%+
Goods Not USMCA Compliant	Canada, Mexico	25%
Lumber	Global	Unknown
Steel and Aluminum	Global	25%



How Will Tariffs Affect Sales Tax?

- What proposed tariffs will actually be enacted and at what time?
- What will future Congressional Bill(s) entail?
- How will California and local consumers respond?
 - “Discretionary Spending” items vs “Demand Spending” items



Autos: A familiar, yet unfamiliar feeling

Boosting tax receipts (like Covid!)

- Higher prices!
- Lower inventory/less bargaining leverage
- Dealers sell only highly optioned vehicles

Hurting tax receipts (unlike Covid)

- Unlike Covid, no increased liquidity and government payments boosting consumers in the face of rising prices (in fact, the opposite)
- Economic uncertainty and trade uncertainty
 - Risk of retaliatory tariffs also impacting investment and supply chains
- Wealth effect has been dissipating



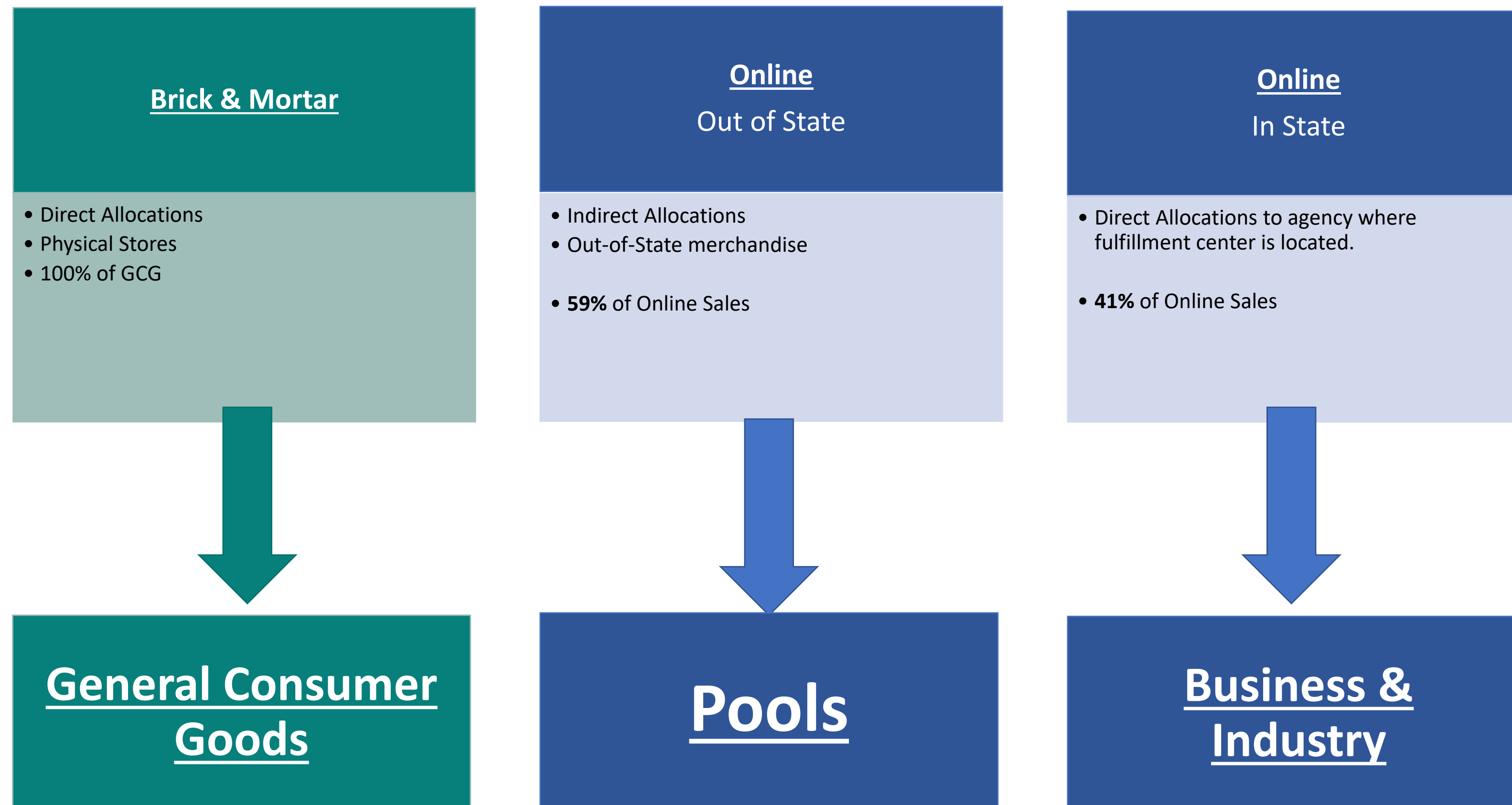
Tariff Concern for General Consumer Goods

- Possible impact on electronics, home furnishing, apparel, personal care products, pet supplies, furniture, toys & games
- **Not expecting significant negative impact**
- Shoppers will continue looking for deals both online and in the stores they choose to shop at



General Consumer Goods

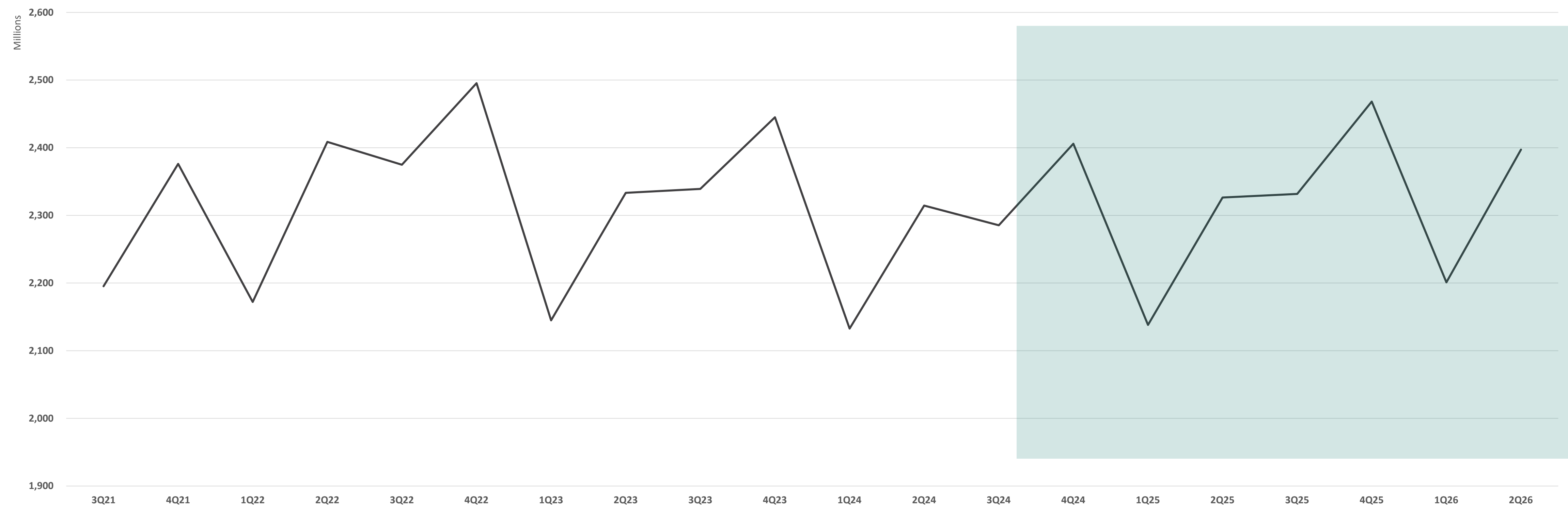
Where are they allocated?





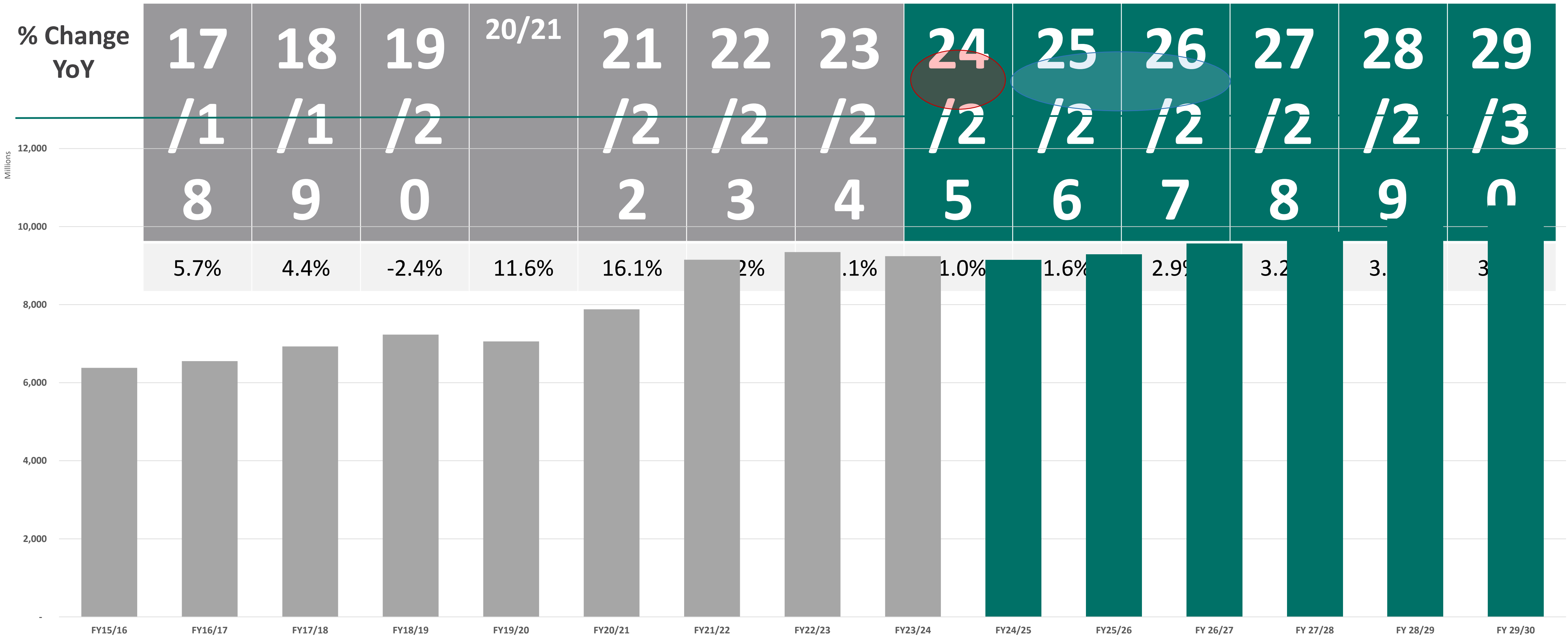
HdL Statewide Trend

% Change YoY	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
	8.2%	5.1%	-1.2%	-3.1%	-1.4%	-1.9%	-0.5%	-0.7%	-2.5%	-1.2%	-0.1%	-0.1%	1.1%	1.1%	1.9%	2.3%
Fiscal Year Change	2.2%				-1.1%				-1.0%				1.6%			





HdL Statewide Trend – Annual Outlook





Recap Forecast Considerations

- Interest rates for long-term financing (homes and cars) and accessibility to equity in properties
- **Tariff impacts and consumer response**
- Stock Market changes relative to high-end consumers
- **Has “demand spending” reached its bottom**
- Next 6 months could be pivotal



AB 2854 Update


COMPLIANCE DUE APRIL 30, 2025

Mandates that local agencies report tax revenue sharing agreements

- Each agency required to report to CDTFA annually – even if they do not have any tax revenue sharing agreements to report
- Required to maintain a visible hyperlink to the webpage with this published information on local agency homepage
- CDTFA will email a link to the reporting form, will come from Jservices@cdtfa.ca.gov
- CDTFA will also have information in your City's BOX (CDTFA Portal) – if you need access email Harmeen.Grewal@cdtfa.ca.gov

POLL – WHERE DOES YOUR HIGHEST REVENUE TAX BASE COME FROM?

- Sales tax
- Property tax
- Business license tax
- Transient occupancy tax
- Utility users tax
- Cannabis tax
- Other



Regulatory vs. Non-Regulatory

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Types of Revenue Sources

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Presentation Overview

- Regulatory vs Non-Regulatory
 - What's the Difference?
- Types of Revenue Sources
 - BL, TOT, UUT, Cannabis, and more
- Collecting Challenges
 - Staff time, budget, lack of information
- Ways to Increase Revenue and Accountability
 - Marketplace assistance, audits, administration services, tax studies



Regulatory vs. Non-Regulatory

Definition

- A regulatory decision relates to a regulatory responsibility, duty or power, which the council has been given by legislation. The decision can be enforced against individuals under legislative authority.
- A non-regulatory decision is simply one that does not relate to a regulatory responsibility, duty or power.



Definition Source - <https://governance.aucklandcouncil.govt.nz/10-how-council-decisions-are-made/the-types-of-decisions-the-council-makes/regulatory-and-non-regulatory-decisions/>



Regulatory vs Non-Regulatory

Regulatory

- Approximately 10-15% of agencies have a regulatory business tax code
- Fees can be defined in the municipal code, but often not listed
 - Can only be increased by approval of City Council/Board of Supervisors
- Typically cost recovery
- Often used with a fee schedule
- Most Community Development, Public Works, and other non-fiduciary departments have regulatory fees or permits associated
- Can be challenged in court on grounds for forceable action



Regulatory vs. Non-Regulatory

Non-Regulatory

- 85-90% of municipalities
- Tax imposed in municipal code
 - Can only be raised or reduced by voters
- Fiduciary only for revenue generating purposes
- No major teeth for enforcement
- Often gets confused with regulator aspects of other departments
 - Permits, Applications, Issuance of Certificates, State Law





Types of Revenue Sources

Taxes We Know About

- Sales Tax – State 6%, County, & Local
- Property Tax – County & Local, Park In Lieu, Mello-Roos
- Most agencies have bulk of revenue in these two taxes
- Dictated by economy and market
 - Has the economy taken a hit? Inflation? Lower wages?
 - Is your agency built out? No room for additional growth
 - Younger vs. older communities
 - Coastal vs. inland



Types of Revenue Sources

Fees

- BL Application/Renewal Fees
- Permits
 - Community Development
 - Home Occ., Conditional Use Permit, Temporary Use
 - Public Works
 - Encroachment, Excavation, Street/Sidewalk/Stormwater
 - Sidewalk Vendor, Tobacco, Massage, STR, Alarm
- Landlord Rental Unit Registration
- Citations
- Fire Inspection
- Utility Billing – Water, Trash, Sewer, Ambulance



The Other Taxes

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The Other Taxes

Business Licensing

- ~ 3-10% of revenues
- Flat tax, Employee-based, Gross receipts
- Is your tax fair and equitable?
- Regulatory fees attached – local & state
- Typically lowest rate of return
 - Large data entry & staff time
 - Revenues vary based on tax





The Other Taxes

Transient Occupancy Tax (TOT)

- Revenue varies based on city makeup
- Tax on visitors
 - Increasing won't fix major budget shortfalls
- Hotels/Motels
 - Corporate chain vs mom and pop
 - Easy to collect
- Short Term Rentals (STR)
 - Does your agency have an ordinance?
 - Compliance vs. tax
 - Time consuming





Types of Revenue Sources

The Other Taxes

- Business Licensing
- Transient Occupancy Tax
 - Hotels/Motels, Short Term Rentals
- Utility User Tax/Franchise Fees
 - Electric, Gas, Cable, Phone, Trash
- Cannabis Tax
 - Retail, Cultivation, Manufacturing, Microbusiness
- Parking Tax
- Business Improvement Districts (BIDs)





The Other Taxes

Utility Users Tax (UUT)

- About 2/3 of agencies have this tax
- Tax on electrical, water, gas, communications
- Ranges from <\$1 to six figures
 - Time consuming
- Franchise fees





The Other Taxes

Cannabis Tax (CBT)

- Retail, cultivation, manufacturing, microbusiness, delivery
- Legality vs morality
- Revenue vs regulation
- Cash based
- Revenue trends





The Other Taxes

Business Improvement Districts (BIDs)

- Additional tax levied on business
 - Usually coincides with business license renewal
 - Downtown area, tourist district, special assessment area
- TBID – levied on TOT
- Wine District
- Managed by government agency or district
 - Funding used to help beautify area or market region



Challenges Facing Municipalities

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Collecting Challenges

Most Common Roadblocks

- Our department doesn't have enough time or resources
 - Hire an experienced vendor who can assist
 - Continuity in service without the worry of staffing turnover
- Our budget doesn't afford us the opportunity
 - Don't let that be the stopping point; engage vendors to see if the additional revenue collections can offset the contract
- I've never done this before or not knowledgeable enough
 - Don't reinvent the wheel; look for those with success stories and dig into their process/vendors utilized
- I'm not aware of the opportunities out there
 - Ask your listserve groups of your colleagues; Again DON'T REINVENT THE WHEEL!

Ways to Increase Revenue and Accountability

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Ways to Increase Revenue & Accountability

Most Common Solutions

- Hire a third-party expert to assist
 - Better ROI – increased revenue and customer support; decreased fixed costs & consistency in service levels
- Start a discovery/compliance or audit program
 - There is a lot of revenue you don't even know your missing!
- Reallocate resources
 - Offload data entry
 - Full administration services including processing applications/renewals/payments
 - Never worry about new legislation headaches again
- Explore a revenue study





The Other Taxes

Miscellaneous Taxes

- Parking Tax
- Sugar Tax
- Excess Litter Tax
- Admissions Tax
- Vacant Parcel Tax
- Other Misc. Taxes



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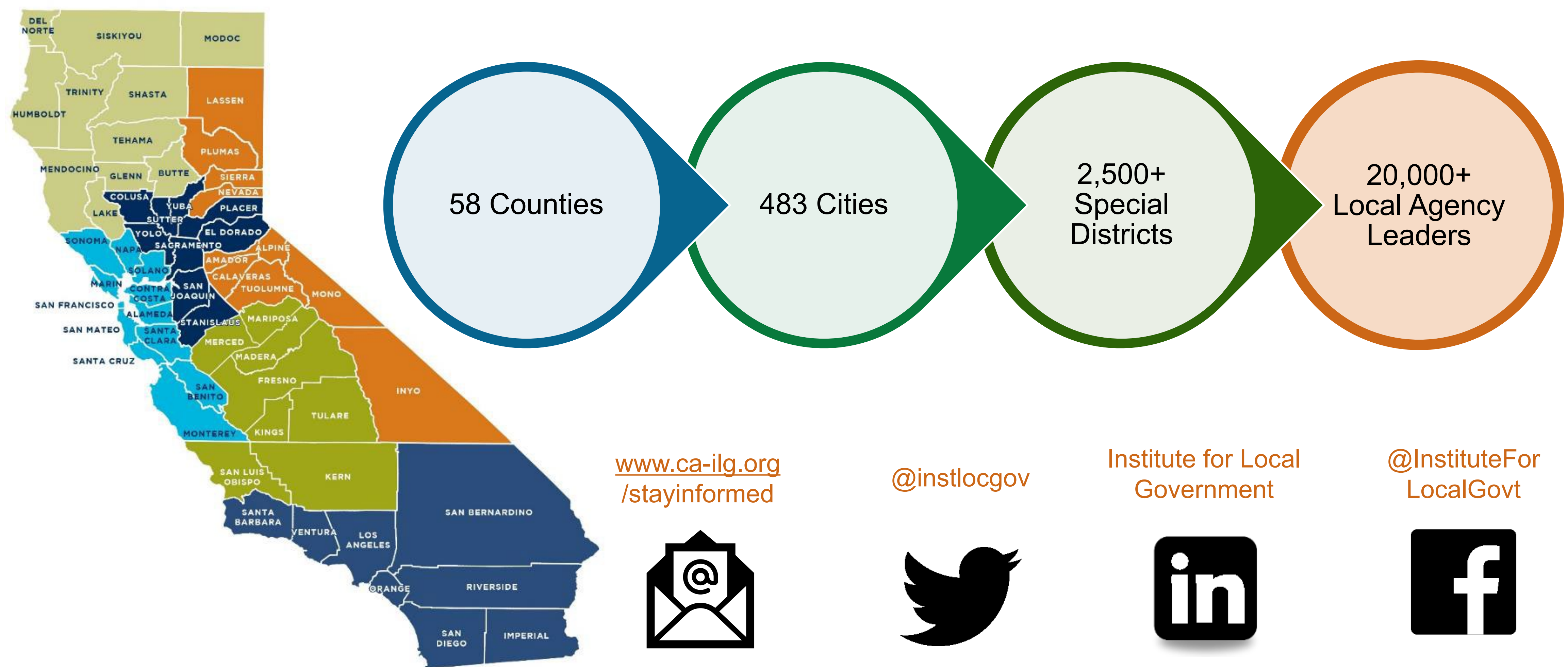
Thank you!

AUDIENCE Q&A

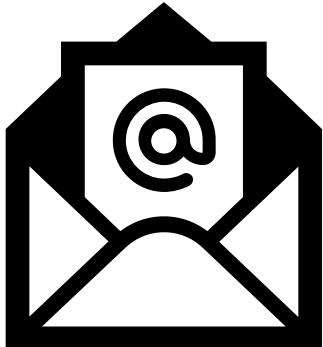
What questions or comments do you have for us?



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RECORDING AVAILABLE SOON



The recorded presentation and materials will be shared electronically with all attendees a few days after the webinar.



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