



FREE WEBINAR

RECOVERY OR RELAPSE?

Tools to Help Local Governments
Navigate the Financial Realities
of COVID

WEDNESDAY, JUNE 9
2:00 PM

HOSTED BY

 INSTITUTE FOR
LOCAL GOVERNMENT™

WWW.CA-ILG.ORG



Thank You for Joining!

Webinar Host & Moderator

Melissa Kuehne

Senior Program Manager
Institute for Local Government



Webinar Overview

The COVID-19 pandemic has challenged many local government revenues and budgets. As California begins to reopen, local agencies are assessing their options to be able to continue to provide essential services and programming.

This webinar will share an update on the state of local government finances and learn about creative options available to local governments to bolster revenues. This webinar will discuss tax measures, EIFDs, and other available tools to help local governments continue to navigate into the future.

Today's Agenda

Welcome & Logistics

Presentations by:

- **Bobby Young**, Principal, HdL Companies
- **Tim Seufert**, Managing Director, NBS
- **Pat West**, Former City Manager, City of Long Beach

Panel Discussion

Q&A

Upcoming Webinars & Wrap Up

How to Ask a Question During the Webinar

- All webinar participants will be on MUTE during the entire call.
- Please TYPE any questions into the question box at any time during the webinar.
- The moderator will read your questions during the question period at the end of the webinar.



Non-Profit, Non-Partisan & Here to Help

ILG is the non-profit training and education affiliate of...



**California Special
Districts Association**
Districts Stronger Together



We provide practical and easy-to-use resources so local agencies can effectively implement policies on the ground.

ILG's Programs & Services

Program Areas

Leadership & Governance

Civics Education & Workforce

Public Engagement

Sustainable Communities



Services

Education & Training

Technical Assistance

Capacity Building

Convening

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

Today's Presenters

Bobby Young
Principal
HdL Companies



Tim Seufert
Managing Director
NBS



Pat West
Former City Manager, City
of Long Beach





Bobby Young

Mr. Young has over 20 years of local government experience. Prior to joining HDL, he served the City of Costa Mesa for 13 years, the last 5 as Finance Director. He has also spent time as an external auditor of government and non-profit entities specializing in assessment and documentation of internal controls and annual review and preparation of client's Comprehensive Annual Financial Report (CAFR). He's been an active member in municipal affairs with both the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO), and holds a Bachelor's degree from California State University, Fullerton in Accounting.

◎ Clients include cities, counties, and special districts

◎ 99% client retention rate

◎ Services:

- *Sales Tax & Transaction Use Tax*
- *Property Tax*
- *Economic Development*
- *Cannabis Management*
- *Tax and Fee Administration*
 - *Business License*
 - *TOT & Short-term Rental*
 - *Utility User & Franchise Fee Tax*

ABOUT HdL Companies

HdL[®] Companies



FEDERAL ECONOMIC RESPONSE

Multiple stimulus and relief packages to sustain/maintain the economy

- Families First Coronavirus Response Act (FFCRA) – March 2020
- CARES Act – with Payroll Protection Program (PPP) – March 2020
- \$900 billion attached to the Omnibus Budget Bill – December 2020
- American Rescue Plan Act (ARPA) – March 2021



TRICKLE DOWN EFFECT

- #1 = Additional **\$600/week unemployment** payments, later extended but reduced to \$400/week
- #2 = **\$1,200/per person, \$500/child cash payments**
- #3 = Mortgage forbearance for 6+ months
- #4 = Additional **\$600/per person**
- #5 = Additional **\$1,400/per person** in the ARPA being distributed – no data yet



STATEWIDE 13 QUARTER TREND

Sales Tax by Major Industry Group

State & County Pools

General Consumer Goods

Count: 570,682

Autos And Transportation

Count: 85,518

Business And Industry

Count: 376,480

Restaurants And Hotels

Count: 134,967

Building And Construction

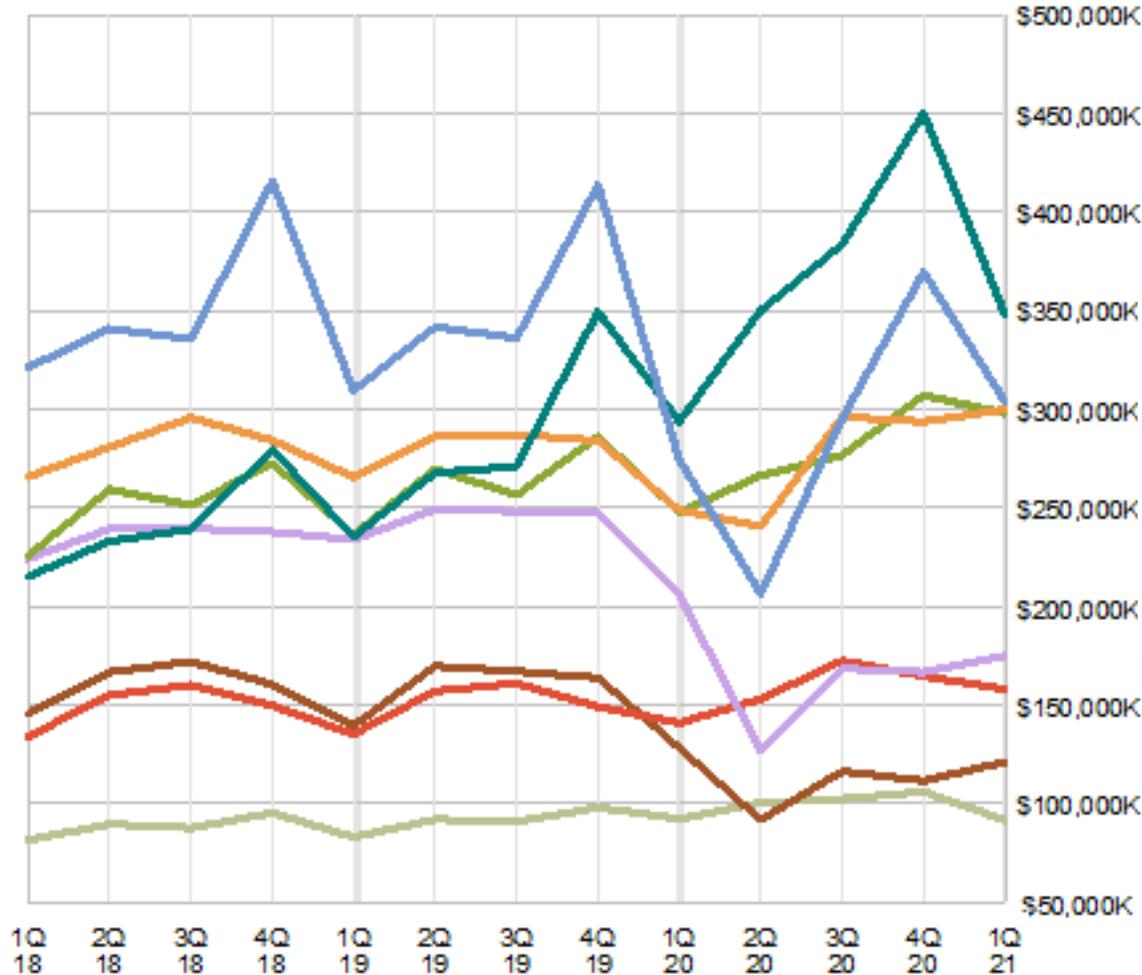
Count: 39,805

Fuel And Service Stations

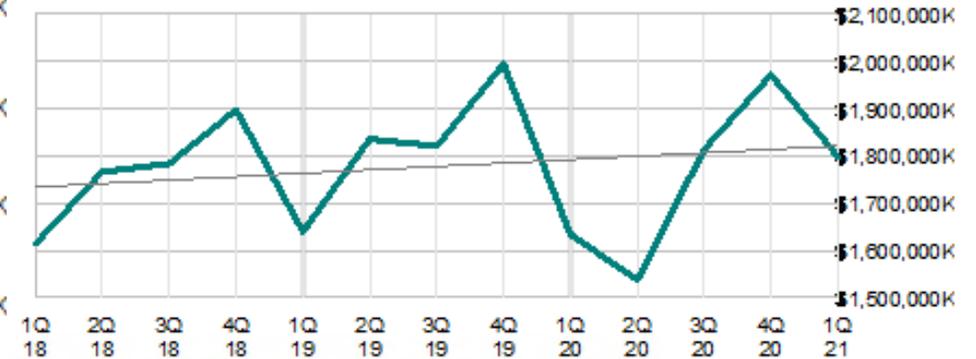
Count: 14,729

Food And Drugs

Count: 44,996



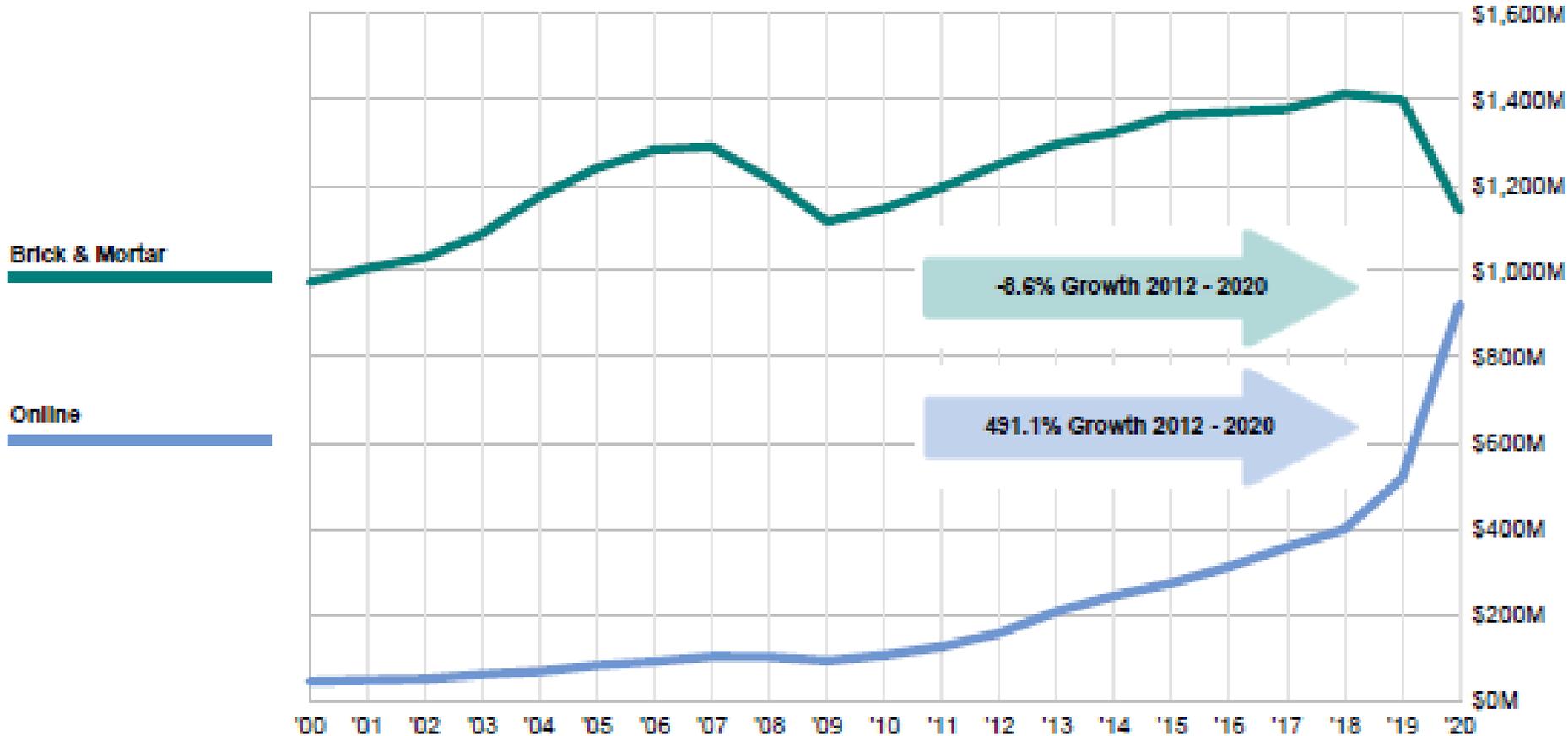
BRADLEY-BURNS SALES AND USE TAX





BRICK & MORTAR VS ONLINE COMPARISON

Local 1% Sales Tax by Calendar Year



Points of Interest

SEPT 2012 – AB 155
OOS Retailers

APR 2019 – AB 147
OOS Online Retailers

OCT 2019 – AB 147
w/Marketplace Facilitators

MAR 2020 – Pandemic &
Shelter-In-Place

Online = Fulfillment Centers and Countywide Use Tax Pool Allocations



FY 2021-22 SALES TAX CONSIDERATIONS

- The pandemic enhanced the growth of online sales activity vs traditional brick and mortar
- Restaurants and gas stations are the next to rebound
- Building and business to business activity should stay steady
- Auto sales (including RVs and toys) could have been a bubble – Summer 2021 will tell the story



WHAT'S HAPPENED... PROPERTY TAXES

- While FY 20-21 assessed values were already in when shelter-in-place began, supplemental assessments impacted
- Median home values have increased with homes still selling quickly in metropolitan areas
- Homeowners moving from metropolitan areas to rural/mountain areas, values have begun to increase there as well
- California residential building permits remain steady as shortage of available housing continues
- More dramatic growth could be expected in rural/less developed regions with legislative housing mandates





FY 2021-22 PROPERTY TAX CONSIDERATIONS

- Assessed values that were enrolled on January 1, 2021 reflecting Calendar Year 2020 activity have now been set
- Annual inflation factor 1.01036 (based on Oct 2019 to Oct 2020) = lower than prior years – WATCH
- Commercial properties could be impacted more as remote work continues forcing the business community to re-evaluate



WHAT'S HAPPENED... Transient Occupancy Tax (TOT) & Short-Term Rentals (STR)

- Shelter-in-place, lack of foreign & business travelers, social distancing, minimal vacation travel – all greatly impacted the industry
- Hotels not able to stay open taken over by local governments to house homeless during pandemic





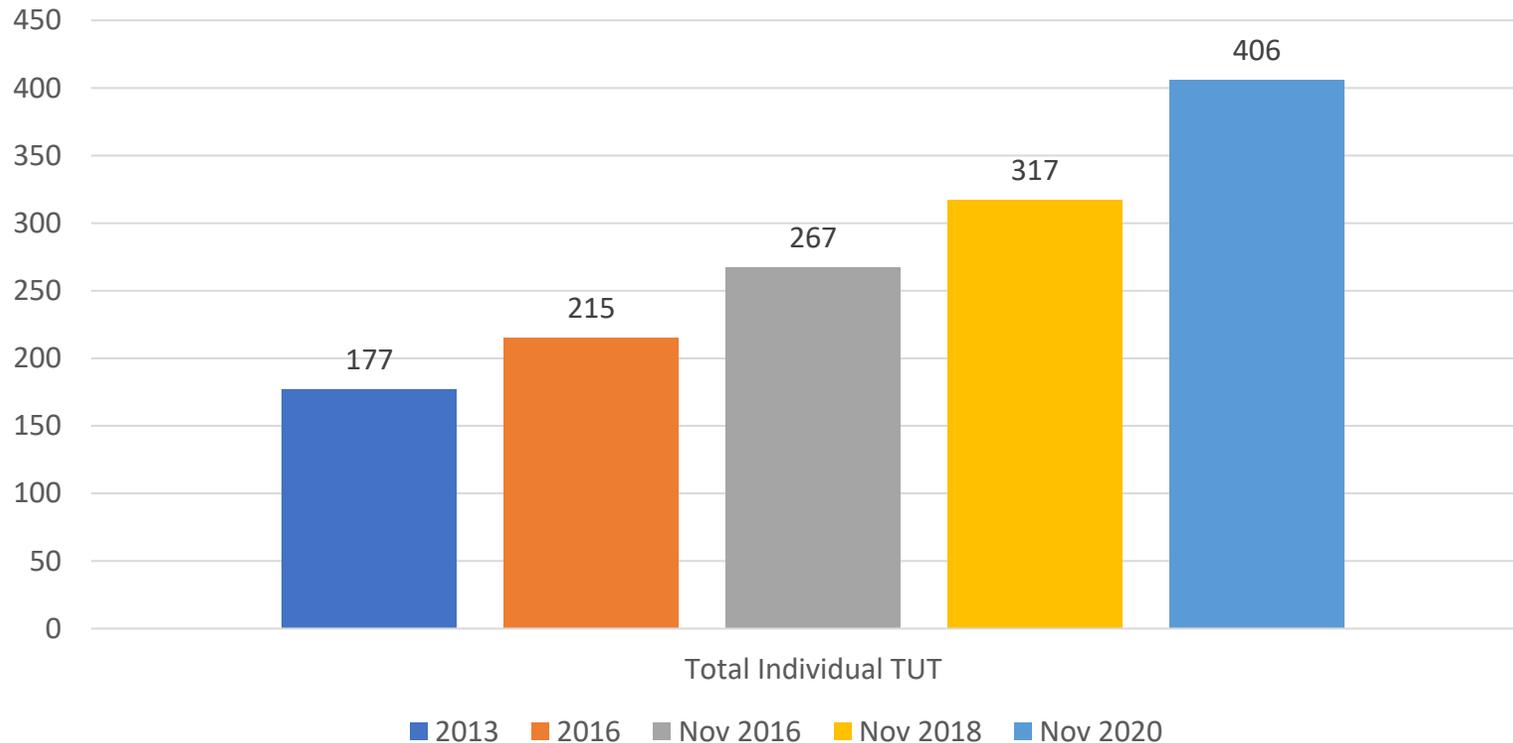
FY 2021-22 TOT & STR CONSIDERATIONS

- Greater distribution of vaccine will mean more summer travel on the horizon
- Per night hotel rates on the rise and limited-no vacancy in highly desirable areas (coastal & mountain regions)
- STRs even more popular for travelers and owners
- Amusement Parks and Convention Centers likely to fully reopen in Fall 2021



POTENTIAL NEW SALES TAX REVENUE

NUMBER OF TUT DISTRICTS ARE INCREASING



Approximately 95% of the state's population live in one or more transactions and use tax district

GENERAL VS SPECIFIC TAX - General

7285.9 - The governing body of any city may levy, increase, or extend a transactions and use tax for general purposes at a rate of 0.125 percent or a multiple thereof, if the ordinance proposing that tax is approved by a ***two-thirds vote of all members of that governing body*** and the tax is approved by a ***majority vote of the qualified voters*** of the city voting in an election on the issue.



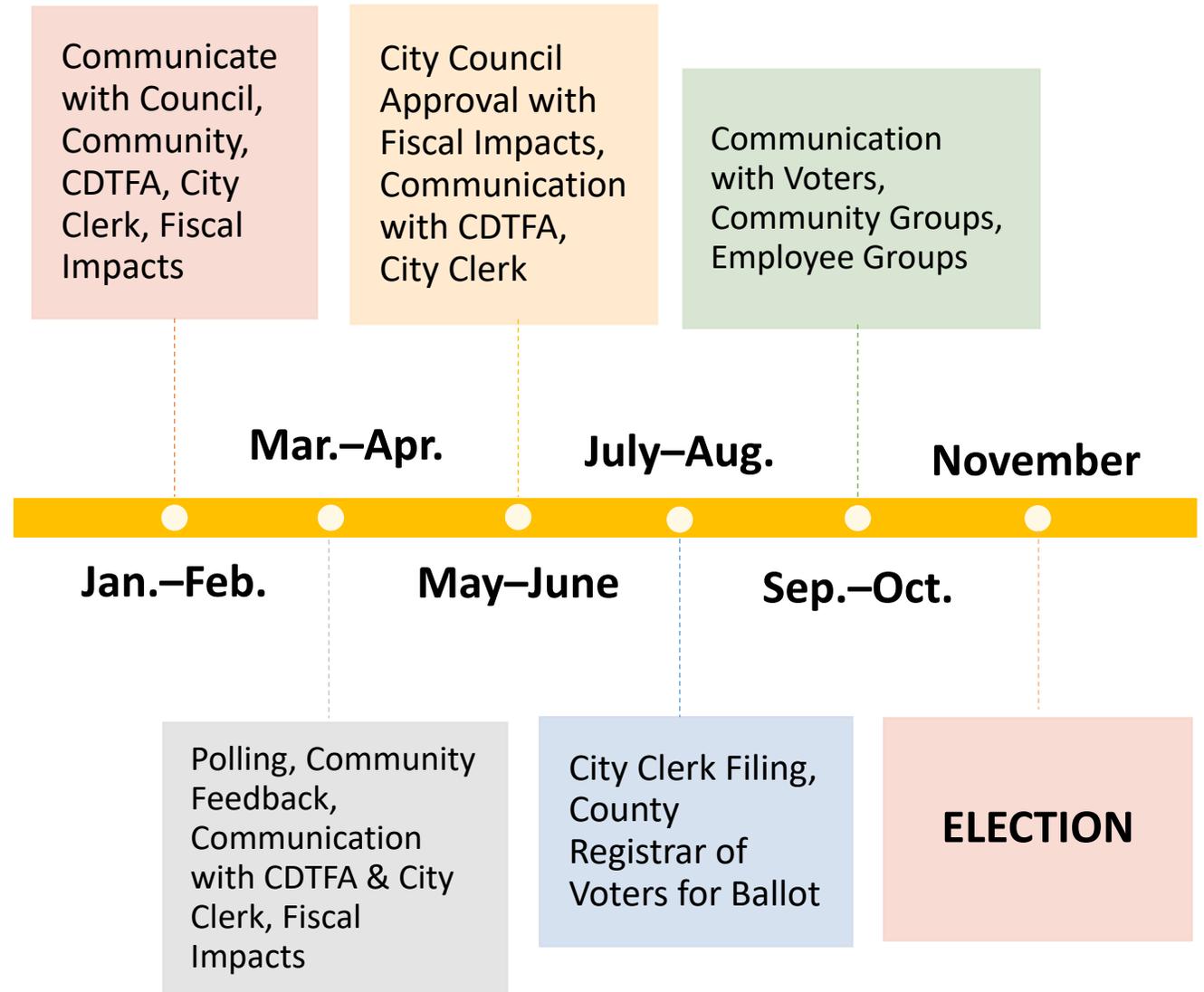
GENERAL VS SPECIFIC TAX - Specific

7285.91 - ...for the purpose for which it is established,

The ordinance proposing that tax is approved by a ***two-thirds vote of all members of the governing body*** and is subsequently approved by a ***two-thirds vote of the qualified voters*** of the city voting in an election on the issue



EXAMPLE CALENDAR OF EVENTS



SUCCESS !?!?!?

- Approved tax measure will go into effect the first calendar quarter 110 days after the adoption of the ordinance
 - November 2022 approval
 - **April 1, 2023 effective date**
 - First monthly advances begin June 2023 – first full year FY 23-24





AMERICAN RESCUE PLAN ACT (ARPA) - 2021

- \$1.9 trillion in federal stimulus funding nationwide – includes \$350 billion in state and local funding - \$8 billion to California cities
- Broad range of pandemic related spending possibilities & significant flexibility on how best to allocate within communities
- Entitlement cities (population of 50,000 or more) will get direct funding from the Federal Government
- Non-entitlement cities (population of less than 50,000) will get their allocation from State of California



AMERICAN RESCUE PLAN ACT (ARPA) - 2021

- Balance short and long term priorities
- Revenue loss for local governments
- Targeted assistance to business sectors such as food service, tourism, travel and hospitality
- Establish grant or loan programs to help small businesses recover
- Affordable housing, homelessness, infrastructure investment and technology enhancements



Recovery or Relapse

Tools to Help Local Governments Navigate Financial Realities of COVID

Tim Seufert

June 9, 2021

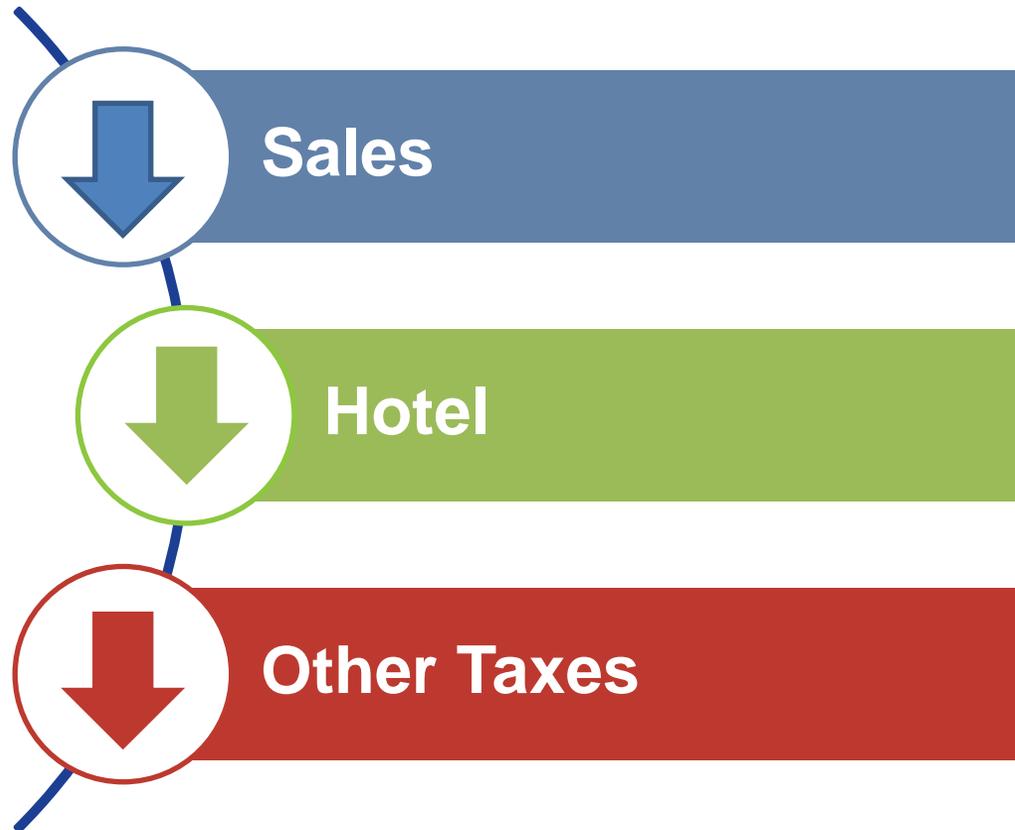


Why are you here?

Some local governments are looking good!



Challenges with Many Local Governments



AND

- Changes in infrastructure/
core operations
- Chula Vista v. Sandoval
RDA decision?
- Others?

Options? Consider this 5 Step Plan

1. Update your cost allocation plan
2. Update all fees, and adopt relevant new ones
3. Consider general and special taxes
4. Research SFD (Special Financing Districts) options
5. Understand your fiscal and development impacts

Developing Cities, Counties & Districts

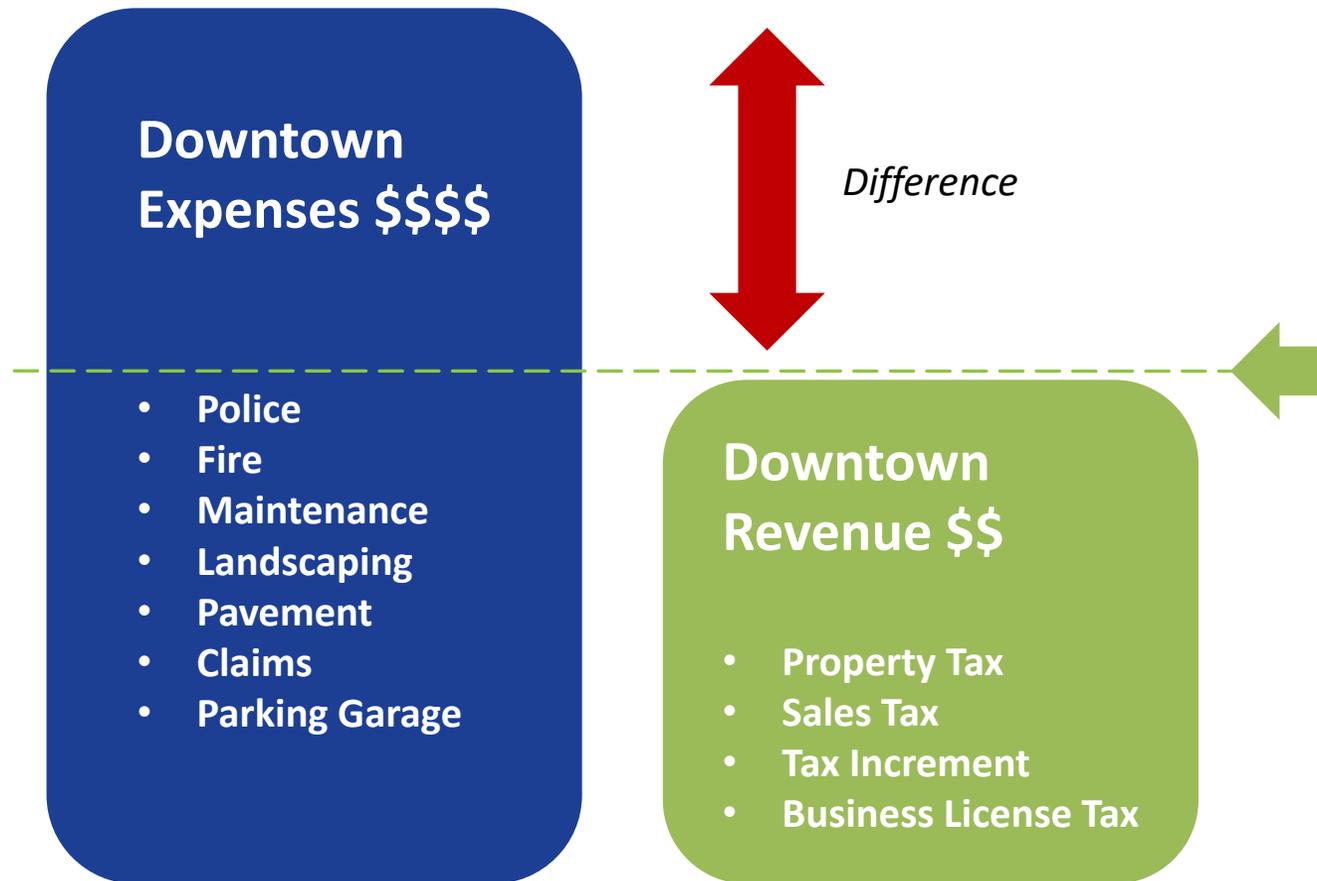
- Enhanced Infrastructure Fin Districts (EIFD)
- Fiscal Impact Analysis (FIA)
- Community Facilities Districts (CFDs)
- Parcel Taxes
- Assessment Districts
- Property-related Fees
- Development Impact/Capacity Fees
- Review of CDD/PW 'user' fees

A Developing and Redeveloping City

- “Raw land” developments > CFDs (and/or ADs)
- “Islands” needing infrastructure > Assessment Districts
- Core Downtown > FIA, CFDs, EIFD, etc.



Redeveloping Downtown



A Revenue-Challenged City

- Hotel/sales taxes way down
- RDA revenues down
- CFD for public safety
- Increases in general fees
- Increase in storm drain property-related fee



A Developing City with Annexations

- Fiscal Impact Analysis (FIA)
- Negotiations with County
- Landowner perspectives



A Changing City

- Impacts of changes in economics
- Fee study update
- New fees to be added



A Complicated Situation – a Growth CSD

- Impacts of development
- “Turf” challenges with County and other districts/service providers
- Development Impact Fees
- CFD for park and fire services





Recovery or Relapse?

**Institute of
Local Government**
June 9, 2021

What a Year!



Recovery or Relapse?

Time to Reboot and Recharge

- **Reopening City Halls:** Can't just go back to business as usual
 - Take time to address the past year
 - **Elected Officials**
 - **Managers**
 - **Front Line Staff**
 - **The Public**
 - **The Private Sector**
 - Everyone has had a unique experience that will impact how we go forward
- 

Some of you have done crazy innovative things during COVID



Santa Clarita:

Bought a 93,000 sq ft
Ice Rink Facility.

“The Ice Station”



Bellflower:

Self Certification Building
Permit Process



Paramount:

Overlying Covenant
Agreements replacing CUPs
for small business



Watts:

Watts Works, a very, very low-income modular housing development; 26 units on 6,000 sq ft



San Pedro:

**Ports of Call major
Infrastructure on the move**



Downey:

More infrastructure:
Remodeled **Arts Theater**,
Remodeled **Library**, New
Fire Station



Long Beach:

Over 100 Parklets; Took back operation of the **Queen Mary** and its 40 adjacent acres



ARPA

Dollars;

Have a Plan

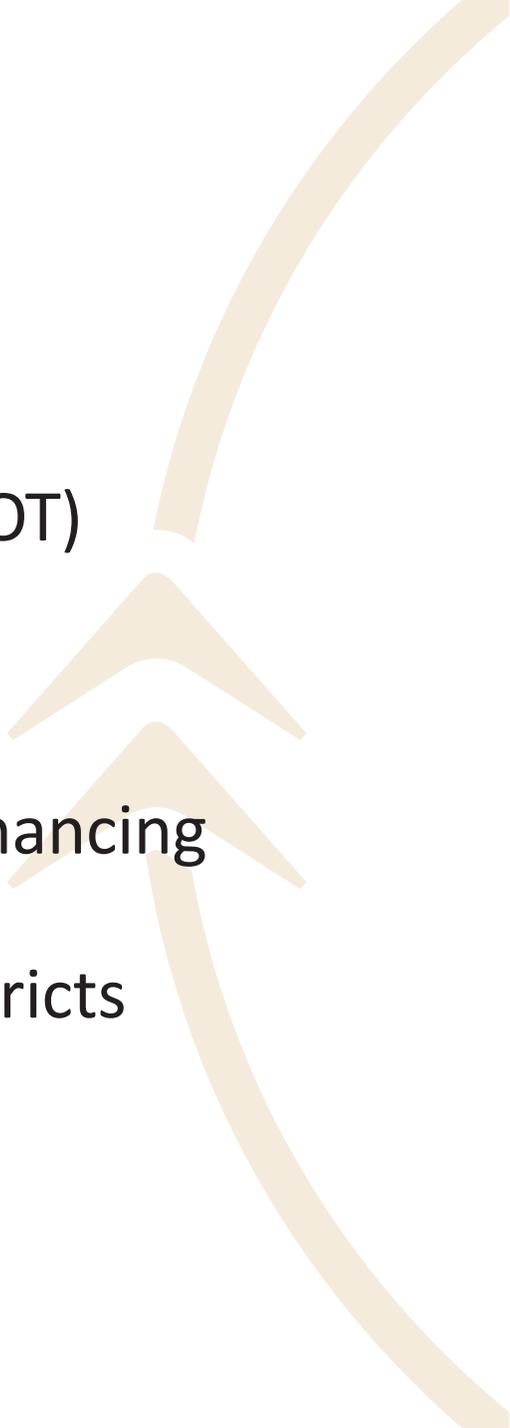
- Stimulate Short Term Demand
- **Hard Hit Industries and Households**
 - Vaccine Incentives
 - Increase Local Procurement
 - Buy and Dine Local Campaigns
 - Focus on Leisure, Hospitality and Retail
 - Process plan check and permits quickly

Have a Long Run Strategy

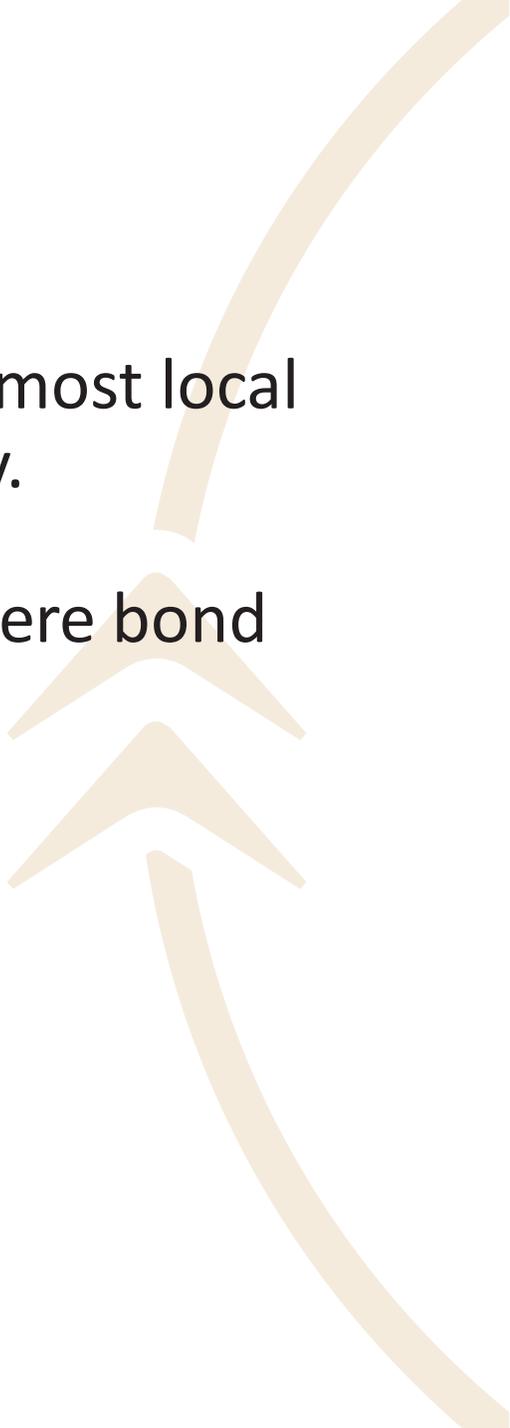
- Economic Development
- Workforce Development
- Infrastructure Investment
- Digital Inclusion
- Business Retention
and Expansion



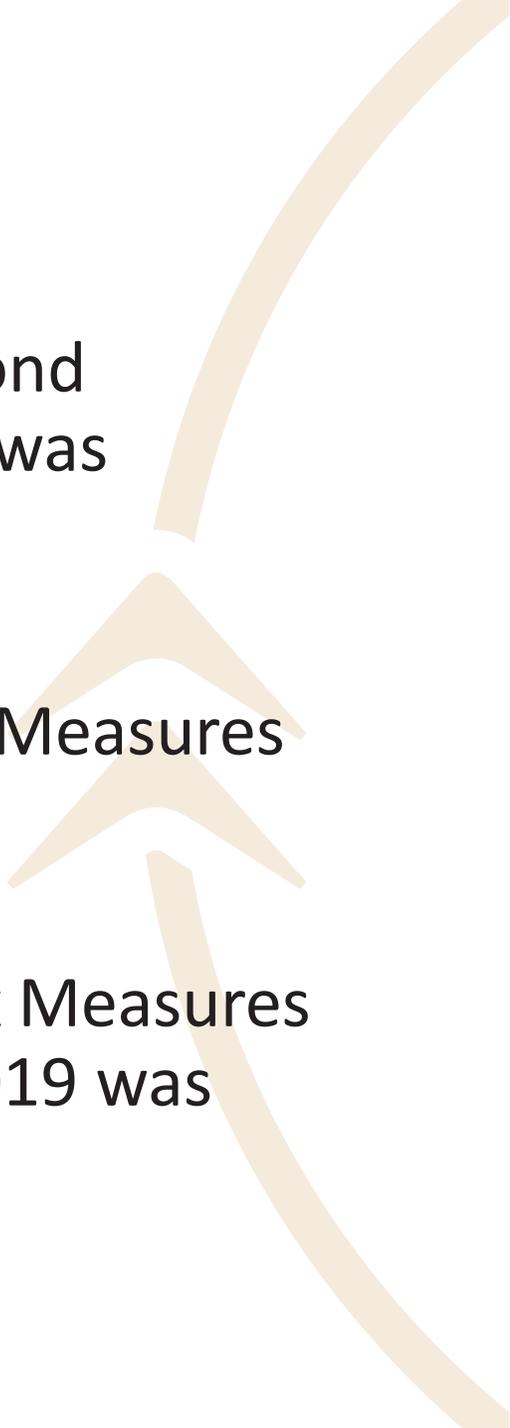
Financial Tools

- Sales Tax
 - Transient Occupancy Tax (TOT)
 - Utility Users Tax (UUT)
 - Parcel Tax
 - Pension Bonds
 - Enhanced Infrastructure Financing
 - Districs (EIFD)
Business Improvement Districts
- 

Look to the Ballot

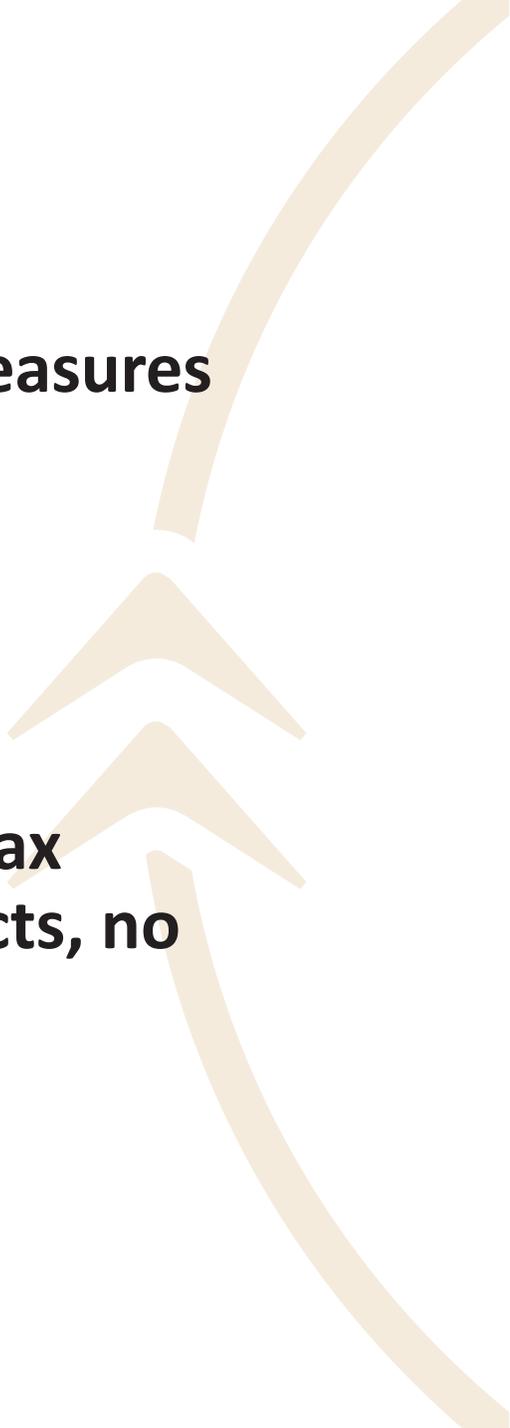
- In California, 2020 saw the most local measures in recent memory.
 - 2020: **293** (237 or 81% were bond or tax measures)
 - 2018: **158**
 - 2016: **149**
 - 2014: **145**
 - 2012: **134**
 - 2010: **108**
- 

2020: California Appetite for Tax Measures Declines

- **Not Good**
 - Voter approval of School Bond Measures from 2008-2019 was 75%.
In 2020 it fell to **36.1%**
 - Voter approval of Sales Tax Measures from 2014-2019 was 76%.
In 2020 it fell to **53.3%**.
 - Voter approval of Parcel Tax Measures (need 66.6%) from 2003-2019 was 57.5%.
In 2020 it fell to **35.2%**.
- 

2020 Local Measures:

LA County vs Orange County

- **LA County: 22 Sales Tax Measures (25% of LA's 88 cities)**
 - 14 passed; 8 failed
 - **2 Hotel Tax (TOT)**
 - 1 passed; 1 failed
 - **Orange County: 11 Parcel Tax Measures (all school districts, no Sales Tax Measures)**
 - 2 passed; 9 failed
- 

Overlooked Financial Tool

- **Business Improvement Districts:**

- Private sector initiates a tax upon themselves to improve the environment of the business district.
 - Business License Fees
 - Property Tax Fees
 - * For economic development, clean teams, arts and entertainment, public safety, special events...
- Usually found on successful business corridors or districts (DTLA, DTLB, West Hollywood, Santa Monica, Hollywood, Chinatown...)
- Over 1,000 across USA
- LA County has 50 with revenues over \$200,000. LB has 8. NYC has 76

Panel Discussion





Upcoming Webinars

FREE WEBINAR

WILDFIRE RISK & RESILIENCE

USING DATA TO MITIGATE RISK FOR THE MOST VULNERABLE POPULATIONS

THURSDAY, JUNE 10
10:00 - 11:30 AM

HOSTED BY:  IN PARTNERSHIP WITH:  NATIONAL LEAGUE OF CITIES  HEADWATERS ECONOMICS

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 TACKLING CALIFORNIA'S **HOUSING CRISIS**

A FREE WEBINAR SERIES FOR LOCAL GOV'T STAFF & ELECTED OFFICIALS



ABOUT THE SERIES

California's housing crisis is growing. While local governments do not build housing units, local officials play an integral role in land use and housing decisions that set the stage for housing development.

This new series from ILG will help city and county leaders better navigate complex housing issues. Experts will tackle timely topics like land use and housing, legal regulations and parameters, and community engagement.

REGISTRATION IS FREE!

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This series is hosted by the Institute for Local Government with funding from the California Department of Housing and Community Development.

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