



4,730,000	4,971,000	4,900,057	4,900,057	4,910,074
2,200,000	2,200,000	2,222,072	2,100,077	2,200,000
4,254,220	3,269,240	3,351,078	3,231,871	4,870,191
2,483,320	2,554,791	2,556,040	2,505,799	2,617,969
4,798,519	4,666,207	4,666,207	4,666,207	4,779,552



Revenue Measure Options

January 2016

5,161,749	5,299,024	5,299,029	5,298,826	1,379,915
417,259	487,259	487,259	306,371	445,132
12,838,011	12,259,268	12,262,283	12,262,247	12,399,419
25,504,047	24,503,798	24,656,361	24,648,361	28,708,896
188,466,148	185,814,282	189,595,222	189,590,422	185,779,379
30,821,996	28,734,193	29,186,923	29,133,432	28,042,778 ¹



Introduction

- Current Tax Rates in Long Beach
- Tax Measure Types - General vs. Special
- Tax Measure Options
- Considerations
- Next Steps



Current Tax Rates

- Property Tax: City receives 22 cents of every property tax dollar, or \$735 for a home assessed at \$350,000
- UUT Tax: 5 percent. For example, a combined utility bill of \$150 per month (\$1,800/year) equals \$90 per year in tax
- Sales Tax: 1 percent of 9 percent total. City receives \$0.01 for every \$1.00 spent in Long Beach, or \$68 based on per capita taxable sales of \$6,800
- Transient Occupancy Tax: 12 percent for the occupancy of a hotel room, or \$18 for \$150 a night
- Real Property Transfer Tax: 55 cents per \$1,000 sales price, equates to \$192.50 for a \$350,000 assessed home
- Business License Tax: Varies, but for a retail store with 5 employees the cost is \$385.40



General Tax vs. Special Tax

	General Election (City April Primary or City June Run-Off)		Special Election (Any other election, including State and Federal November elections)	
Initiative	Council Vote	Electorate Vote	Council Vote	Electorate Vote
General Tax for General Purposes	Majority Vote (5 members) to put on the ballot	Majority Vote (50%+1)	Unanimous vote declaring fiscal emergency and Majority Vote to put on the ballot	Majority Vote (50%+1)
Special Tax for Specified Purposes	Majority Vote (5 members) to put on the ballot	Two Thirds Vote	Majority Vote (5 members) to put on the ballot	Two Thirds Vote

Note: There are exceptions (e.g. Transaction & Use Tax requires two thirds vote of Council even if it is for general purposes and Parcel Tax is always a special tax even if it is for general purposes.) So need to consult with the City Attorney's office for any specific proposals.



Tax Measure Options

- Parcel Tax
- Utility User Tax - Existing & Potential
- Local Sales & Use Tax (Transaction & Use Tax)
- Business License Tax
- Oil Barrel Tax
- Oil Severance Tax
- Transient Occupancy Tax
- Parking Tax
- Real Property Transfer Tax
- Admissions Tax
- Funding Mechanisms for Infrastructure



Parcel Tax

- Based on fee per parcel, not valuation of property
- Parcel fee may vary by type of parcels (i.e. single family, multi-family residential, commercial, professional, industrial)
- May be designed to exempt certain classes or types of property and can include a sunset provision and/or an annual CPI adjustment
- A tax levied on property, other than the property tax, is considered a special tax and always requires a **two-thirds majority** vote of the electorate

For Illustrative Purposes:

Annual Parcel Fee (Residential)	Annual Parcel Fee (Commercial)	New Revenue (Approx.)*
\$50	\$0.0366 / sq ft	\$13.8 million
\$100	\$0.0732 / sq ft	\$27.5 million
\$120	\$.0878 / sq ft	\$33.1 million

*Projection is based on the 2008 Measure I assumptions (Not passed)



Existing Utility User Tax (UUT)

- Long Beach UUT is imposed on the consumption of utility services
- Current UUT rate is 5 percent, generating \$38.6 million in FY 15
 - Electric Users Tax - \$20.5M
 - Telephone Users Tax - \$11.4M
 - Gas Users Tax - \$3.0M
 - Water User Tax - \$3.7M
- In 2000, Long Beach voters passed Measure J, which decreased UUT rates by 5 percent, phased in over five years
- This reduction eliminated 50 percent of the City's UUT revenue, which would have resulted in an additional \$38.6 million in FY 15



Existing Utility User Tax *(cont'd)*

For Illustrative Purposes:

Increase	Tax Per \$100	New Revenue (Est.)
1.00%	\$1.00	\$ 7.7 million
2.00%	\$2.00	\$15.4 million
3.00%	\$3.00	\$23.2 million

Can be a General or Special Tax, if dedicated for a specific use.

UUT Rate Comparison	
City	Rate
Los Angeles	9.3%
San Francisco	7.5%
Oakland	7.5%
Sacramento	7.2%
Santa Ana	5.5%
Long Beach	5.0%
San Jose	4.7%
San Diego	-
Fresno	-
Bakersfield	-
Anaheim	-



Potential Utility User Taxes

- Additional UUT may be imposed on the consumption of sanitary sewer, refuse collection, and cable television services
- Revenue potential at the current 5 percent UUT rate varies greatly by service type

For Illustrative Purposes:

- Sewer Tax - \$800k
- Refuse & Recycling Collection (excl. private haulers) - \$2.1M
- Cable Television Tax - \$5.0M

Can be a General or Special Tax, if dedicated for a specific use.



Local Sales & Use Tax

- A sales and use tax is levied on the sale, storage, use or consumption of tangible personal property
- The current sales tax rate in Long Beach is 9.00 percent, split with the State (6.50 percent), LA County MTA (1.50 percent), and Long Beach (1.0 percent)
- In FY 15, Long Beach received \$59.4M in revenue from Sales & Use tax
- Per State law, City could add on a “Transaction and Use Tax” of up to 1 percent, which works generally the same as the Sales and Use Tax; however there are differences so the figures below are rough approximations.

For Illustrative Purposes:

Increase	Tax Per \$100	New Revenue (Est.)
0.25%	\$0.25 (25¢)	\$12 million
0.50%	\$0.50 (50¢)	\$24 million
1.00%	\$1.00 (100¢)	\$48 million

Can be a General or Special Tax, if dedicated for a specific use. However, in either case it requires a two-thirds vote of the City Council to put on the ballot.



Local Sales & Use Tax - FY 14 Rates

Sales Tax Rate Comparison	
City	Rate
Oakland	9.5%
Los Angeles	9.0%
Long Beach	9.0%
San Francisco	8.8%
San Jose	8.8%
Sacramento	8.5%
Fresno	8.2%
Anaheim	8.0%
San Diego	8.0%
Santa Ana	8.0%
Bakersfield	7.5%

Local Communities	
City	Rate
Bellflower	9.0%
Cerritos	9.0%
Compton	9.0%
Lakewood	9.0%
Long Beach	9.0%
Paramount	9.0%
Signal Hill	9.0%
Huntington Beach	8.0%
Seal Beach	8.0%

Increased Rates in LA County	
City	Rate
Avalon	9.5%
Commerce	9.5%
Culver City	9.5%
El Monte	9.5%
Inglewood	9.5%
Santa Monica	9.5%
South El Monte	9.5%
La Mirada	10.0%
Pico Rivera	10.0%
South Gate	10.0%



Business License Tax

- Currently, Long Beach charges a Business License Tax that varies by type of business, with an annual CPI adjustment
- Other cities charge license taxes on wide variety of bases and increments, making comparisons difficult
- In FY 15, the business license tax generated \$12.7 million to the General Fund
- An increase of \$50 per current business license account could generate approx. \$1.5 million annually

Can be a General or Special Tax, if dedicated for a specific use.



Oil Barrel Tax

- The City currently taxes oil production by volume (barrel tax) at the following rates/split:
 - 15¢ per barrel for general purposes
 - 28¢ per barrel (as of June 2014), plus CPI index for Public Safety (Prop. H)
- Citywide 13.3 million barrels were produced in FY 15, generating \$5.7 million for General Fund and Prop H
- Different cities use different indices to calculate their barrel taxes
- Every 10¢ increase in the City's current tax rate would generate approx. \$1.3 million

Can be a General or Special Tax, if dedicated for a specific use.



Oil Severance Tax

- A value-based oil tax, or oil severance tax, is based on a percentage of the actual sale price of oil or on a rate from a published price index
- To achieve an equivalent \$5.0 million by a means of a value-based tax, the City would need to institute a tax of 0.65 percent (based on the FY 15 average sales price of \$57.96/barrel using a monthly barrel price index)
- Only the city of Culver City is known to be assessing a severance tax, at a rate of 1.80 percent

For illustrative Purposes:

Severance Tax Comparison	
% Tax	Revenue
0.50%	\$3.9M
0.65%	\$5.0M
1.00%	\$7.7M
1.50%	\$11.6M
2.00%	\$15.4M

* Based on FY 15 production totals

Can be a General or Special Tax, if dedicated for a specific use.



Transient Occupancy Tax (TOT)

- Known as the hotel bed tax, it is paid for the occupancy of a room
- The current rate is 12 percent; effective rate of 15 percent in the downtown area if self-imposed business license surcharge is included
- TOT generated \$23.9 million in revenue in FY 15, with \$17.2 million going to the General Fund. Every 1 percent increase in the rate would generate \$1.4M to the General Fund

TOT Rate Comparison	
City	Rate
Anaheim	15.0%
Los Angeles	14.0%
Santa Monica	14.0%
Long Beach	12.0%
Torrance	11.0%
Huntington Beach	10.0%
Newport Beach	10.0%

Can be a General or Special Tax, if dedicated for a specific use.



Parking Tax

- Tax levied on public and private lots located in the City, based on a percentage of total parking revenues or number of spaces
 - Does not include on-street metered parking
- Long Beach does not currently have a parking tax
- Parking lot operators would be required to collect the tax from parking lot occupants and remit the collections to the City
- Annual revenue to be generated from a 10 percent tax on City-owned parking lots is roughly estimated at \$1.7 million
 - Revenues generated from privately owned lots is difficult to project, but could account for up to 50 percent of total Parking Tax revenues

Can be a General or Special Tax, if dedicated for a specific use.



Parking Tax (cont'd)

Parking Tax Rate Comparison	
<u>City</u>	<u>Rate</u>
San Francisco*	25.0%
Los Angeles*	10.0%
Oakland**	10.0%
Anaheim	0.0%
Bakersfield	0.0%
Fresno	0.0%
Long Beach	0.0%
Sacramento	0.0%
San Diego	0.0%
San Jose	0.0%
Santa Ana	0.0%
<i>*Excludes on-street and residential parking</i>	
<i>**Excludes City-owned parking meters</i>	

- A total of 25 cities in California levy a Parking Lot Tax



Real Property Transfer Tax

- Charge that is applied to the transfer of ownership of real property
- Current transfer tax is \$1.10 per \$1,000 sales price of which the County retains 55¢ and Long Beach retains 55¢
- Currently, the City receives approx. \$1.7M per year
- State law sets the transfer at 55¢ per \$1,000 sales price for all general law cities. As a charter city, Long Beach retains the discretion to set its transfer tax
- However, if the fee is increased, the County retains the full original \$1.10 and the City would receive the rest
- Thus, to double the current annual revenue of \$1.7M to \$3.4M, the City tax would need to be \$2.20 per \$1,000

Can be a General or Special Tax, if dedicated for a specific use.



Real Property Transfer Tax (*cont'd*)

Real Property Transfer Tax Fee			
Cities	City Rate	County Rate	Per \$1000 Total
San Francisco	\$ 25.00	\$ 1.10	\$ 26.10
Oakland	\$ 15.00	\$ 1.10	\$ 16.10
Los Angeles	\$ 4.50	\$ 1.10	\$ 5.60
San Jose	\$ 3.30	\$ 1.10	\$ 4.40
Sacramento	\$ 2.75	\$ 1.10	\$ 3.85
Anaheim	\$ 0.55	\$ 0.55	\$ 1.10
Bakersfield	\$ 0.55	\$ 0.55	\$ 1.10
Fresno	\$ 0.55	\$ 0.55	\$ 1.10
Long Beach	\$ 0.55	\$ 0.55	\$ 1.10
San Diego	\$ 0.55	\$ 0.55	\$ 1.10
Santa Ana	\$ 0.55	\$ 0.55	\$ 1.10



Admissions Tax

- Can be levied as a gross receipts tax charged for entry to specific entertainment, sporting, recreational, and/or amusement activities, or can be imposed on a consumer on a “per ticket” basis for the privilege of attending a show, performance or exhibit. Can be extended to include gym memberships, spas, etc.
- This type of tax is often found in cities with major sporting venues or amusement areas (e.g., San Francisco, Pasadena, Pomona)

Cities with Admissions Taxes:

City	Tax	Revenue*
Avalon	4%	\$351,000
Indian Wells	9%	1,211,000
Pasadena (Rose Bowl)	Variable	272,000
Pomona (Amusement Ride Tax)	2¢ per ride	196,000
San Francisco (Stadiums)	Variable	2,435,000
Santa Cruz	5%	2,029,000

* For FY 13, californiacityfinance.com

Can be a General or Special Tax, if dedicated for a specific use.



Funding Mechanisms for Infrastructure

- General Obligation Bonds (GOs)
 - Ad valorem tax (property tax) applies to assessed value of taxable property
 - Bonds can finance only acquisition or improvement of real property
 - Strong credit = Lower bonding costs
 - Requires 2/3rd vote of the City Council and the electorate
- Other Financing Sources
 - Community Facility District (CFD)- must tie to new development
 - Assessment District - must tie to the benefit of the real property from the improvement or service
 - Lease Revenue Bonds - currently used on a case by case basis for financing infrastructure and equipment



Considerations for Tax Measures

Parcel Tax (New)

- Predictable and reliable
- Usually viewed as another form of property tax

Utility User Tax (Increase and/or New)

- Relatively large tax base
- Based on commodities, some of which are in decline

Local Transaction & Use Tax (Increase)

- May affect consumer shopping habits
- Sensitive to economic conditions - grows in a strong economy and declines in a recession

Business License Tax (Increase)

- Revenue increase relatively small compared to other options

Oil Taxes

- Perceived to impact very few taxpayers directly
- May result in decreasing oil production in Long Beach



Considerations for Tax Measures *(cont'd)*

Transient Occupancy Tax (Increase)

- Increase could be detrimental to convention bookings and tourism
- Revenue increase relatively small compared to other options

Parking Tax (New)

- Few private parking lots; revenue relatively small for private lots
- Could have high costs to administer

Real Property Transfer Tax (Increase)

- Implementation benefits the County at the cost of the property owner
- Revenue increase relatively small compared to other options

Admissions Tax (New)

- Could be detrimental to special events booking and participation
- Revenue increase relatively small compared to other options

Funding Mechanisms for Infrastructure

- Limited to real property acquisition and improvements



Next Steps

- Should the City Council wish to proceed with a ballot measure:
 - Decide on measure type and tax amount
 - Develop ballot measure language
 - Determine timing of ballot measure
- The next general election for the City is the April 12, 2016 Primary. However, filing deadline is January 15, 2016.
- The following general election is the June 7, 2016 Run-off election:
 - Adopt a resolution in February to meet March 11, 2016 filing date
 - Depending on the measure, it would require a simple majority vote or a two-thirds vote of the City Council
- The November 8, 2016 election would be considered a special election for the City
 - Adopt a resolution in July to meet August 12, 2016 filing date
 - Depending on the measure, it would require a simple majority vote of the City Council for a special tax, a two thirds vote of City Council for a Transaction and Use Tax, or a unanimous vote of Council and declaration of fiscal emergency for a general tax



Next Steps

- Cost depends on timing, other issues on the ballot and if City or the County conduct the election.
 - City Conducts:
 - No additional costs if general election with Citywide candidates on the ballot. This is not the case in 2016
 - \$1.6 million for Special Election if only City measure on the ballot
 - \$900,000 to expand the June election to all Nine Districts
 - County Conducts:
 - June or November Election: \$565,000 for the June election and \$433,000 for the November election
 - Cost for Special Election if only City measure on the ballot has not been explored



1,760,000	1,074,000	1,000,000	1,000,000	1,040,074
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