TAXES

The tax raising authority of cities has been severely limited for many years. Proposition 13 enacted in 1978 amended the California Constitution and imposed new restrictions and requirements on the taxing powers of cities. Court decisions rendered over the next several years interpreted Proposition 13 and resulted in additional changes in city practices. Proposition 218 enacted in 1996 further restricted the ability to levy taxes and fees.

General taxes are adopted by an ordinance or resolution passed by a majority vote of the legislative body unless another method is required by local charter or specific statute. Local agencies adopting new or increased taxes or assessments must also comply with the notice requirements which are now part of the Ralph M. Brown Act.

In 1986 Proposition 62 was enacted. Under the provision of this statutory initiative, all cities may levy or increase general taxes (so long as the tax is not based on the value of the property) if the measure is passed by two-thirds of the legislative body and a majority of voters voting in an election. Applying to both charter and general law cities, Proposition 62 also requires that taxes be proposed by ordinance or resolution and include the type of tax, the tax rate, and the method of collection. A subsequent California appellate court decision invalidated the voter approval requirement for cities.

Special taxes (defined as taxes imposed for a specific purpose rather than for any municipal purpose) may be increased if approved by two-thirds of the voters voting in an election of the issue. This provision is contained in Proposition 13 and also applies to both charter and general law cities.

Property Tax - Derived from a portion of the 1% property tax collected by the county and allocated to the various governmental entities within the county. (new source in 1988-89 - approved by SB 1063 beginning with the 1988-89 fiscal year). Current year estimate is based on 1% of assessed valuation of all properties not within a Redevelopment Project Area times 7% as defined within SB 1063. (This is equivalent to 0.7 mills). See assessed valuation.

Property Tax in Lieu - Derived from a portion of property taxes allocated by the State of California to cities to replace vehicle license fees. In 2004 the State permanently swapped 90% of city VLF revenue for property tax, which was distributed on a per capita basis. On-going growth of this revenue is tied to growth in assessed valuation. For assessed valuation growth factor used for 2007/08 projections was 5%.

Sales & Use Tax - Derived from the sales tax paid by consumers purchasing items in Lancaster and use tax allocated by the State from the State and County pools. The City receives one cent of the 8.25 cents sales tax. Current year estimate involves a trend analysis of quarterly returns, and a "future factor" based on the regional changes in major tax generators. The percentage change estimated for the major categories is: Autos & Transportation 0%; General Consumer Goods 3%; Fuel and service stations 4%; Business & Industry 3%; Building & Construction 3%; Restaurants & Hotels 3%; Food & Drug 3%.
Franchises - Derived from the taxes paid by businesses that have a franchise to operate in Lancaster. The businesses include Southern California Edison, The Gas Company, Adelphia Business Solutions Operations, Inc. (cable), and Waste Management. Current year estimate based on "new construction" and rate change analysis for the individual franchisees. Rate change estimates for the utilities for 2007/08 were: Cable 0%; Electric 5%; Gas 5%; Waste 3%.

Business Licenses - Derived from the fee levied to recover the cost of licensing businesses to operate within the City.

Transient Occupancy Tax - Derived from the seven percent tax charged on all motel/hotel room rates in the City. Current year estimate based on information from motel/hotels. Current TOT rate in Lancaster is 7%.

Misc. Court Fines - Local - Derived from fines paid by persons who violated local ordinances. Revenues estimated to increase by 6% based on increase in population from 2006/07.

Parking Citation Fines - Derived from fines paid for parking violations with the City. These became the responsibility of the City on November 1, 1993.

Property Transfer Tax - Derived from a tax imposed on all transfers of real property in the City. Fiscal year 2007/08 revenue estimated to be relatively flat based on current housing market.

Aircraft Tax - Derived from tax imposed on private aircraft stationed within the City as of the January 1 lien date, and on commercial aircraft operating in the city.

STATE SUBVENTIONS

A "subvention" is defined as "a providing of assistance or support" and a "subsidy from the government" (Webster's Third International Dictionary). Taxes levied by the state and subvened to cities are Gasoline Tax and Motor Vehicle In-Lieu Tax.

Vehicle In-Lieu Tax - Derived from the annual fee paid by automobile owners registering their vehicle with the State Department of Motor Vehicles. Fiscal year 2007/08 estimate is approximately $7.80 per capita.

Off-Highway License Fee - Derived from the special registration fee charged on vehicles used exclusively for off-highway purposes. Current year estimate is approximately 1.6¢ per capita estimate from the State Department of Finance.

AB 2766 Fees - Derived from a portion of additional charges levied on automobile owners dedicated for the purpose of reducing air pollution from motor vehicles.

Gasoline Tax - Derived from taxes collected from the purchase of gasoline and remitted to the City pursuant to Section 2105, 2106, 2107, and 2107.5 of the California Street & Highways Code. This is allocated mostly on a per capita basis.

City of Lancaster
FEES

All cities may levy fees which are limited to recovering the cost of regulatory activities or services provided. This authority is derived from the city's police powers as defined by Article XI, Section 7 of the California Constitution, Propositions 13 and 4, Assembly Bill 1600.

Development Fees

Building & Safety Fees - Derived from fees charged for the issuance of certain permits, plan checks, and inspections on construction projects. These are designed to recover the cost of providing the services. Current year estimate is based on information from developers about their construction projects. For FY 2007/08 it is estimated 1,100 residential permits will be issued.

Engineering Fees - Derived from fees charged to developers for inspections. Revenue estimates for FY 2007/08 based on 1,100 residential permits being issued.

Planning & Zoning Fees - Derived from fees charged for processing zoning and development proposals.

Traffic Signal Fees - Derived from fees collected from developers to pay for traffic signal installation and upgrades necessitated by the development. Revenue estimates for FY 2007/08 based on 1,100 residential permits being issued.

Drainage Fees - Derived from fees collected from developers to pay for drainage channels, retention/detention basins, and other facilities necessitated by the development; based on a per residential unit fee and impervious surface of commercial industrial developments. Revenue estimates for FY 2007/08 based on 1,100 residential permits being issued.

Park-In-Lieu Fees - Derived from fees collected from developers to pay for additional park facilities necessitated by the development; based on a fee per dwelling unit according to number of bedrooms. Revenue estimates for FY 2007/08 based on 1,100 residential permits being issued.

Traffic Impact Fees - Effective 1-1-90, these fees are collected from developers to pay for specific traffic improvement projects necessitated by new development; based on a flat fee per dwelling unit or trip generation factor for commercial, industrial, and multi-family development. Revenue estimates for FY 2007/08 based on 1,100 residential permits being issued.

Urban Structure Program Fees - Collected from developers to defray the extra operating costs generated by development away from the urban core. This fee is calculated by a complex matrix of formulas that have won state awards for innovation in infrastructure and operations funding. Revenue estimates for FY 2007/08 based on 1,100 residential permits being issued.

Local Fees

Recreation Fees - Derived from fees charged for various recreational programs. Current estimate for recreation fees are based on the prior year demand, and the rate established for the programs.

Concession/Lease Fees - Derived from private concessions on City property and lease of City park facilities.

City of Lancaster
Publications & Copies - Derived from the sale of City publications.

Stadium Fees – Derived from the lease agreement with Clutch Play Inc., the California League baseball franchisee, and from individual rentals.

Theatre Fees - Derived from ticket sales, concessions, and rents charged at the Performing Arts Theatre. This is budgeted through the Performer Fees "Fund" with process set to provide a small surplus over the performance costs to offset some operating costs.

OTHER REVENUE SOURCES

Cities are authorized to raise revenue through certain other activities, such as investing idle funds and a variety of entrepreneurial ventures.

Interest Income - Derived from the investment of City cash in various interest bearing accounts. Estimates are based on the earnings rate in the market, a projection of monthly cash available for investment, and a projection of Federal Reserve policy.

Other Revenues

Election Fees - Derived from fees charged to candidates in municipal elections for the costs of printing the candidates' statements.

Miscellaneous Revenues - Derived from various payments made to the City which do not come within other revenue definitions.

Insurance Payments - Derived from payments made by insurance companies for damage to City property.

Narcotics Forfeiture Revenues - Derived from the assets used in illegal drug activities, and confiscated to pay for specific enforcement.

City Property Sales - Derived from sale of City owned property.

TRANSFERS

Redevelopment Agency Staffing/Rehab-General - Derived from payments made by the Lancaster Redevelopment Agency for services by City staff.

Redevelopment Agency-Loan/Interest - Derived from payments made by the Lancaster Redevelopment Agency for interest and principal on City loans.

Redevelopment Agency-Special Program - Derived from payments made by the Lancaster Redevelopment Agency to reimburse the City for special programs.

Administration - Payments from special districts for administrative services rendered by the City.
TRANSPORTATION/ROAD FUNDS

Transportation Development Act - Derived from one quarter percent of the sales tax returned to the County for public transportation services. The estimate is derived from a formula which is based on Sales Tax state-wide.

Bikeway Improvement - Derived from a portion of the transportation development fund to be used for the construction, improvement, and maintenance of the City's bicycle lanes.


Proposition A - Derived from special half-cent sales tax in Los Angeles County for mass transit related projects.

Proposition C - Derived from special half-cent sales tax in Los Angeles County for other transit related projects.

GRANTS

CDBG - Derived from the Community Development Block Grant program authorized under the Housing and Community Development Act of 1974, as amended for specific types of projects. Revenue estimate provided by the U. S. Housing and Urban Development Department.

FEMA Grant - Derived from the Federal Emergency Management Agency to fund emergency preparedness programs and rebuild from flooding.

Parks Bond Act - Derived from a grant from the State Department of Parks and Recreation.

Measure A - Derived from assessments authorized by the Los Angeles County voters by the approval of Measure A in November 1992.

COURT FINES - STATE

Vehicle Code Fines - This revenue source is derived from court fines imposed on State motor vehicle violation citations issued within the City.