TAXES

The tax raising authority of cities has been severely limited for the past 25 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 – As part of the 2004 - 05 State of California budget adoption a permanent swap of over 90% of city Motor Vehicle License fees for Property Tax was enacted. These revenues are known as “Property Tax in Lieu” and are projected to grow at the same rate as assessed valuation.

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. In addition, adjustments are made for the “triple Flip” effect from the state’s 2004-05 budget.

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.
Business Licenses - Derived from the fee levied to recover the cost of licensing businesses to operate within the City. Revenues are estimated based on projected growth in 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.

Misc. Court Fines-Local - Derived from fines paid by persons who violated local ordinances.

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. Revenues are estimated based on projected real estate sales.

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. Over 90% of this revenue source was swapped for property tax by the state of California in 2004. The remaining revenues are projected based on the anticipated growth in population.

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. Revenues are estimated based on projected population changes.

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.

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.

Engineering Fees - Derived from fees charged to developers for inspections. Current year estimate is based on information from developers about their construction projects.

Planning & Zoning Fees - Derived from fees charged for processing zoning and development proposals. Current year estimate is based on information from developers about their construction projects.

Traffic Signal Fees - Derived from fees collected from developers to pay for traffic signal installation and upgrades necessitated by the development. Current year estimate is based on information from developers about their construction projects.

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. Current year estimate is based on information from developers about their construction projects.

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. Current year estimate is based on information from developers about their construction projects.

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. Current year estimate is based on information from developers about their construction projects.

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. Current year estimate is based on information from developers about their construction projects.

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. Current estimate based on anticipated programs.

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. Current estimates based on projected cash balances and estimated weighted average yield of portfolio.

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.
GENERAL FUND

The General Fund is used to account for all revenues and expenditures that are not required to be accounted for in another fund. It is the fund responsible for normal day-to-day operations of the City.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for restricted revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in separate funds. Special Revenue Funds include the following:

Transportation Development Act (TDA) - To account for Transportation Development Act (Article 8(a)) revenues received from the County. Revenues are restricted to street and road projects.

Transportation Development Act-Bikeway Fund - To account for Transportation Development Act (Article 3) revenues. These revenues are restricted to pedestrian/bikeway projects.

Proposition A Fund - To account for the operation of transit-related projects funded by a 1980 voter-approved 1/2% sales tax levied within Los Angeles County.

Proposition C Fund - To account for the operation of transit-related projects funded by a 1991 voter-approved 1/2% sales tax levied within Los Angeles County.

Community Development Block Grant (CDBG) - Revenues are derived from the Federal Housing and Urban Development Department and are restricted to the revitalization of low and moderate income areas within the City.

HOME Program - The Home Investment Partnership Program (HOME Program), a state grant administered by the State Department of Housing and Community Development.

Los Angeles County Measure “A” Parks Funds - To account for Recreational Facilities constructed with Measure A Funds. Measure A was approved by Los Angeles County voters in November 1992.

Parks Bond Act Grant - To account for Recreational Facilities constructed with State Park Bond monies.

Performing Arts Center Performer Fund - A revolving fund, whereby ticket sales are used to pay for performer’s fees.

AB 2766 – Air Quality Improvement Fund - To account for air pollution reduction activities as permitted with AB 2766 revenue.

Sewer Frontage Fund - To account for new development fees for use in the construction of sewer lines in front of affected properties.
Gas Tax - To account for the City's share of state gas tax allocation. Gasoline taxes must be used for the maintenance, construction, and improvement of City streets.

Capital Replacement Fund - This fund was created as a way of setting aside funds for the replacement of fixed assets at the end of their useful life without having an additional impact on the department. Each department annually sets aside an amount, similar to depreciation, based on their current fixed assets.

Lancaster Community Services Foundation - The Foundation, established by City Council, is a separate non-profit entity. The Foundation provides an avenue for citizens who wish to contribute to specific projects of community benefit.

Maintenance Districts - To account for activities within the Landscape Maintenance District, the Drainage Maintenance District, and the Lancaster Lighting Maintenance District. These Districts are funded by annual assessments against the properties within the district to maintain those structures and purposes for which the districts were established.

Developer Fees Fund - To account for fees collected under AB 1600. These fees are used to fund new signal and drainage infrastructure within the City.

Vegetative Management - To account for developer fees collected to preserve native vegetation within the City.

Traffic Signal Fees - To account for developer fees used to mitigate the need for additional traffic signals within the City needed as a result of development.

Drainage Impact Fees - To account for developer fees used to mitigate drainage problems within the City as a result of development reducing the pervious surface areas, thus causing more runoff.

Traffic Impact Fees - To account for developer fees used to mitigate traffic volumes within the City as a result of development.

Parks Development - To account for revenues assessed on the construction of new dwellings. These revenues are used for the acquisition, improvement, and expansion of public park and recreational facilities.

Urban Structure Program - To account for operations and facilities impact fees levied against new development. This Program, adopted in 1993 has won the GFOA Award of Excellence in 1996 for its innovative way of dealing with the financial impacts of urban sprawl.

Lancaster Housing Authority - Established December 6, 1993 as a single purpose agency for acquiring, developing, and operating mobile home parks.

Lancaster Redevelopment Agency - Established in 1978 pursuant to California state law for the purpose of eliminating blight, fostering economic development and assisting with the provision of affordable housing.