



## Revenue Ad Hoc Subcommittee

Consideration and possible action to discuss and make further recommendations regarding the City's revenue and budget challenges and options to increase tax revenues.

September 18, 2019

# 2<sup>nd</sup> Meeting of the Revenue Ad Hoc Subcommittee

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- Follow-up items from July 31, 2019 Meeting
  - ❖ UUT rates of neighboring cities; cities that charge UUT on water and cable TV services
  - ❖ 5% Utility Users Tax (UUT) on water and cable TV services
  - ❖ Transient Occupancy Tax (TOT) rates of neighboring cities
  - ❖ Business License Tax rates of neighboring cities

# UUT rates of neighboring cities; cities with UUT on water and cable TV services

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UUT/Neighboring/LA Co Cities	Water	Video	Telephone	Electric	Gas	(1 of 2)	
Bellflower			5%	5%	5%		
Cerritos (No UUT)							
Downey			4.8%	5%	5%		
Lakewood	3%		3%	3%	3%		
Long Beach	5%		5%	5%	5%		
Norwalk			5.5%	5.5%	5.5%		
Paramount			5.5%	5.5%	5.5%		
Alhambra	5% N	5% R&N	5% R&N	5% N	5% N		N = Non-residential  R = Residential
Baldwin Park	3%	3%	3%	3%	3%		
Claremont	5.5%	5.5%	5.5%	5.5%	5.5%		
Culver City	11%	11%	11%	11%	11%		
Glendale	7%	6.5%	6.5%	7%	7%		
Hawthorne	5%	5%	5%	5%	5%		
Hermosa Beach	6.0%	5.5%	5.5%	6.0%	6.0%		
Inglewood	10%	8%	8%	10%	10%		
Irwindale	7.5%	7.5%	7.5%	7.5%	7.5%		
Lawndale	5.5%	5.5%	5.5%	5.5%	5.5%		
Pasadena	7.67%	9.40%	8.28%	7.67%	7.90%		
Redondo Beach	4.75%	4.75%	4.75%	4.75%	4.75%		
San Marino	5%	5%	5%	5%	5%		
Santa Monica	10%	10%	10%	10%	10%		
Sierra Madre	9%	10%	10%	10%	10%		
South Pasadena	7.5%	7.5%	7.5%	7.5%	7.5%		
Torrance	6%	6.5%	6.5%	6.5%	6.5%		
Vernon	6% N	6% N	6% N	6% N	6% N		

# UUT rates of neighboring cities; cities with UUT on water and cable TV services

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UUT/Neighboring/LA Co Cities	Water	Video	Telephone	Electric	Gas	(2 of 2)	
Whittier	5%	5%	5%	5%	5%		N = Non-residential
Arcadia	7%		5%	7%	7%		
Azusa	4% R 8% N			4% R 8% N	4% R 8% N		
Bell	10%		10%	10%	10%		
Compton	10%		8.5%	10%	10%		
Covina	6%		6%	6%	6%		
Cudahy	4% R 8% N		3.75% R 8% N	4% R 8% N	4% R 8% N	R = Residential	
El Segundo	3%N		2%N	3%N	3%N		
Gardena	5%		5%	5%	5%		
Huntington Park	9.75%		9.25%	9.75%	9.75%		
Lynwood	9%		9%	9%	9%		
Maywood	4% R 7% N		4% R 7% N	4% R 7% N	4% R 7% N		
Pico Rivera		4.5%	4.5%	4.5%	4.5%		
Pomona	9%		9%	9%	9%		
Rancho Palos Verdes	3%		3%	3%	3%		
San Gabriel	8%		8%	8%	8%		
La Verne			5.75%	6%	6%		
Los Angeles			9%	10%	10%		
Malibu			4.5%	5%	5%		
Monterey Park			3% R 5.5% N	3% R 5.5% N	3% R 5.5% N		
Santa Fe Springs			5%	5%	5%		
Burbank			7%	7%	7%		
Calabasas			5%	5%	5%		
Carson				2%	2%		
El Monte			6.5%	7%	7%		

# UUT rates of neighboring cities; cities with UUT on water and cable TV services

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## Cities and Counties With UUTs as of 1/1/2017

	Cities	Counties	Total	Calif Population covered
Number with UUT	157	4	161	54.0%
Telephone UUTs	149	4	153	49.5%
Electricity	156	4	160	52.7%
Gas	156	4	160	52.7%
Cable TV	90	1	91	22.8%
Water	85	1	86	24.7%
Sewer	14	1	15	2.7%
Garbage	12	0	12	1.3%

## 5%/2% UUT on water and cable TV; 2% UUT restoration

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- 5% UUT on water and cable TV services approx. \$1.1M/year
  - ❖ 2% UUT on water and cable TV services approx. \$440K/year
- 2% UUT on electric, gas and telephone services approx. \$1.2M/year

# Transient Occupancy Tax (TOT), aka Hotel Bed Tax

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LA Co Cities	TOT Rate	LA Co Cities/LA Co	TOT Rate	LA Co Cities	TOT Rate
<b>Bellflower</b>	<b>9.0%</b>	Malibu	12.0%	Pomona	10.0%
<b>Artesia</b>	<b>12.5%</b>	Monrovia	12.0%	Rancho Palos Verdes	10.0%
<b>Cerritos</b>	<b>12.0%</b>	Monterey Park	12.0%	Redondo Beach	10.0%
<b>Long Beach</b>	<b>12.0%</b>	San Dimas	12.0%	Rolling Hills Estates	10.0%
<b>Norwalk</b>	<b>10.0%</b>	San Gabriel	12.0%	Rosemead	10.0%
<b>Paramount</b>	<b>10.0%</b>	Los Angeles County	12.0%	Santa Clarita	10.0%
<b>Downey</b>	<b>9.0%</b>	West Hollywood	11.5%	Santa Fe Springs	10.0%
<b>Hawaiian Gardens</b>	<b>9.0%</b>	Gardena	11.0%	Temple City	10.0%
<b>Lakewood</b>	<b>8.0%</b>	Torrance	11.0%	West Covina	10.0%
		Arcadia	10.0%	Westlake Village	10.0%
Beverly Hills	14.0%	Azusa	10.0%	Whittier	10.0%
Culver City	14.0%	Baldwin Park	10.0%	Carson	9.0%
Diamond Bar	14.0%	Burbank	10.0%	La Mirada	9.0%
Inglewood	14.0%	Claremont	10.0%	Lawndale	9.0%
Los Angeles	14.0%	Covina	10.0%	Signal Hill	9.0%
Santa Monica	14.0%	Duarte	10.0%	Walnut	8.5%
Pasadena	12.1%	El Monte	10.0%	Bell Gardens	8.0%
Agoura Hills	12.0%	Glendale	10.0%	Cudahy	8.0%
Alhambra	12.0%	Irwindale	10.0%	Industry	8.0%
Avalon	12.0%	La Puente	10.0%	South El Monte	8.0%
Bell	12.0%	La Verne	10.0%	South Gate	8.0%
Calabasas	12.0%	Lomita	10.0%	Compton	7.5%
Commerce	12.0%	Manhattan Beach	10.0%	Lancaster	7.0%
El Segundo	12.0%	Montebello	10.0%	Glendora	6.0%
Hawthorne	12.0%	Palmdale	10.0%	Huntington Park	5.0%
Hermosa Beach	12.0%	Pico Rivera	10.0%	Maywood	5.0%

# Transient Occupancy Tax (TOT), aka Hotel Bed Tax

## ➤ TOT Rates Statewide (as of April 2017)

<b>Median</b>	<b>10.0%</b>
<b>Maximum</b>	<b>15.0%</b>

<u>City</u>	<u>County</u>	<u>Rate</u>	<u># of agencies</u>
6	1	>3 to 4%	7
3	2	>4% to 5%	5
12	4	>5% to 6%	16
13	1	>6% to 7%	14
51	13	>7% to 8%	64
31	4	>8% to 9%	35
209	22	>9% to 10%	231
12	1	>10% to 11%	13
69	12	>11% to 12%	81
10	0	>12% to 13%	10
11	0	>13% to 14%	11
2	0	over 14%	2
<b>Total:</b>	<b>429</b>	<b>60</b>	<b>489</b>



# Transient Occupancy Tax (TOT), aka Hotel Bed Tax

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- Bellflower's current TOT rate is 9%

New TOT Rate	TOT Rate Increase	Annual Revenue Increase
10%	1%	\$ 150,000
11%	2%	\$ 300,000
12%	3%	\$ 460,000
13%	4%	\$ 610,000
14%	5%	\$ 760,000
15%	6%	\$ 920,000

# Business License Tax

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- Business License Tax on Residential Rental
  - ❖ Currently \$12/unit
  - ❖ Approx. 1,700 accounts with 11,900 units
  - ❖ **\$50/unit (\$38 increase); \$452K/year increase in revenue**
  - ❖ **\$100/unit (\$88 increase); \$1M/year increase in revenue**
- Other Business License Tax Adjustments

# Transactions and Use Tax (TUT), aka District Tax (Component of Sales Tax)

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- **0.75% TUT** for Bellflower (current statutory max.) may generate roughly **\$4.5M/year**
- TUT Measure Options:
  1. 0.75% TUT
  2. 0.75% TUT initially and then to 1% TUT upon Measure H expiration in 2027 (if Measure H is not renewed)
  3. Higher % TUT (e.g., 1%) with State approval (assembly/senate bill); may **not** be timely
  4. Higher % TUT (e.g., 1%) knowing initial 0.75% TUT cap

# Transactions and Use Tax (TUT), aka District Tax (Component of Sales Tax)

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## Cities in L.A. County with Sales Tax Rates Higher Than 9.5%

1	Santa Fe Springs*	10.50%		20	Avalon*	10.00%
2	Burbank*	10.25%		21	Commerce*	10.00%
3	Compton*	10.25%		22	Downey*	10.00%
4	Covina*	10.25%		23	El Monte*	10.00%
5	Cudahy*	10.25%		24	Inglewood*	10.00%
6	Culver City*	10.25%		25	La Puente*	10.00%
7	Glendale*	10.25%		26	San Fernando*	10.00%
8	Glendora*	10.25%		27	South El Monte*	10.00%
9	Hawthorne*	10.25%				
10	Huntington Park*	10.25%			* Incorporated cities.	
11	Lawndale*	10.25%				
12	Long Beach*	10.25%				
13	Lynwood*	10.25%				
14	Pasadena*	10.25%			<u>TUT Statewide:</u>	
15	Pico Rivera*	10.25%			Cities	131
16	Pomona*	10.25%			Counties	31
17	Santa Monica*	10.25%			Towns	<u>7</u>
18	South Gate*	10.25%			Total	<u>169</u>
19	Arcadia* (approved in June 2019; not yet effective)	10.25%				

# New Tax Revenue Considerations

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## ELECTION REQUIRED:

- Transactions and Use Tax (TUT), aka District Tax (Component of Sales Tax)
- Utility Users Tax (UUT)
- Transient Occupancy Tax (TOT), aka Hotel Bed Tax
- Business License Tax

# Example: November 3, 2020, Municipal Election Timetable

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Date	Event / Deadline Description
June 8, 2020	Suggested Last Day to Call the Election and place a ballot measure on the ballot (City Council to adopt resolutions); Regular Meeting Date
June 9, 2020 (within 14 days of calling ballot measure)	Suggested Last Day for City Clerk to post Notice of Deadlines for Arguments/Impartial Analysis
June 22, 2020 (14 days after placing ballot measure on ballot)	Suggested Last Day deadline to file ballot arguments and impartial analysis
June 29 – August 7, 2020	City Clerk to Publish Notice of Election (EC 12101)
July 2, 2020 (10 days after deadline for direct arguments)	Suggested Last Day deadline to file rebuttal arguments
August 7, 2020	<u>Legal</u> last day to call the November Election and/or add a ballot measure to the ballot
August 12, 2020	Last Day to withdraw measures from ballot
September 24 – October 13, 2020	Mailing Sample Ballots
November 3, 2020	Election Day

# Recommendation

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## Recommendation to Revenue Ad Hoc Subcommittee:

- 1) Provide such additional direction to the Director of Finance, or designee, as may be desirable;
- 2) If appropriate, take action to make recommendations to the City Council regarding tax revenue options; or
- 3) Alternatively, discuss and take other action related to this item.

# Revenue Ad Hoc Subcommittee

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Sonny R. Santa Ines, Mayor  
Ray Dunton, Council Member, Chair  
Victor Sanchez, Vice Chair  
Mike Brassard  
Priscilla Brown  
Wayne Brown  
Eula Cisneros  
Kimberly Garcia  
Mike Larsen  
C.J. Nord  
Bea Proo  
Bob Snow  
Russell Thompson  
Jerry Trautman  
Larry Wehage



Business License Tax Survey;  
and  
Business License Tax Rates /  
Municipal Codes

AVAILABLE FOR  
VIEWING IN THE  
CITY CLERK'S  
OFFICE