

# Revenue Options for California Cities

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# Introduction

- Types of Revenue Sources
- Approval Requirements
- Maximizing Existing Revenues



# Revenue Types

- Taxes
- Assessments
- Fees, Fines & Forfeitures
- Subventions
- Return on Assets



# Taxes

- Maintenance of Existing Taxes
- 2/3 Voter Approval for Special Taxes
- Simple Majority for General Taxes
- Measure A / Measure B Strategy of Coleman v. County of Sta. Clara



# Assessments

- Maintain Existing Assessments
- New or increased assessment requires 50% of affected property owners, with ballots weighted by assessment amount
- Non-property assessments

# Fees, Fines & Forfeitures

- Property-related fees require property owner approval
- Fees which exceed cost are special taxes and require voter approval
- Service and regulatory fees require no vote
- Fines & forfeitures under both state and municipal law; no vote required

# Subventions

- VLF, Gas Tax and other subventions
- CDBG and other grants

# Return on Assets

- Interest Earnings
- Management of Real Estate and Other Assets

# Help for the General Fund

- Cost Recovery
- Cost Allocation
- Transfers from other funds
- Enhanced Collection Efforts

# Cost Recovery

- No duty to subsidize services and regulatory programs
- Good accounting, inflation adjustment, and regular review of fees to ensure full cost recovery
- Some programs are subsidized for policy reasons

# Cost Allocation

- Ascribing indirect costs to various programs
- “Rent,” legal fees, insurance, and other administrative costs
- Must not over-recover costs
- Must survive audit review

# Inter-fund Transfers

- If not cost allocation or other cost recovery, requires special justification
- HJTA v. Roseville
- Hanson v. Ventura
  - In lieu of franchise fees
  - In lieu of property taxes
  - Profit on services to outsiders
  - Impacts on infrastructure

# Enhanced Collection Efforts

- Small Claims Court
- Administrative Penalties Ordinance
- Traditional Debt Collection
- Audits and Bounty Hunters
- Amnesties / Legalize Underground Economy
- Integration with Planning, Fire Inspections, etc.

# Conclusion

- Stakeholders must vote new revenues or accept the level of service which can be funded otherwise
- More reliance on fees for service and regulatory programs is likely
- Cost recovery is crucial