

Local Government Taxes: Budgeting, Forecasting, and Future Trends

**Wednesday, May 4, 2022
12:30 – 2:00 pm**

THANK YOU FOR JOINING

Webinar Host & Moderator

Melissa Kuehne

Senior Program Manager
Institute for Local Government



TODAY'S AGENDA

Welcome, Logistics & Introductions

Presentations:

Ken Brown, Principal, HdL Companies

Nichole Cone, Vice President, HdL Coren & Cone

Eric Myers, Director of Professional Services, HdL Companies

Local Government Perspective:

Sheila Poisson, Finance Director, City of Torrance

Lydia Romero, City Manager, City of Lemon Grove

Q&A

Wrap Up & Adjourn

HOW TO ASK A QUESTION

- All webinar participants will be on MUTE during the entire call.
- Please TYPE any questions into the question box at any time during the webinar.
- The moderator will read your questions during the question period at the end of the webinar.



ILG IS NON-PROFIT, NON-PARTISAN & HERE TO HELP

- ILG is the non-profit training and education affiliate of three statewide local government associations
- Together with our affiliates, we serve over 2,500 local agencies – cities, counties and special districts
- We provide practical and easy-to-use resources so local agencies can effectively implement policies on the ground



**California Special
Districts Association**
Districts Stronger Together

OUR PROGRAMS AND SERVICES

Program Areas

Leadership & Governance

Civics Education & Workforce

Public Engagement

Sustainable & Resilient Communities



Services

Education & Training

Technical Assistance

Capacity Building

Convening

Our mission is to help local government leaders **navigate complexity, increase capacity & build trust** in their communities

TODAY'S PRESENTERS

Ken Brown
Principal
HdL Companies



Nichole Cone
Vice President
HdL Coren & Cone



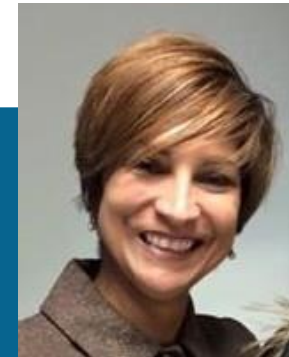
Eric Myers
Senior Operations
Manager
HdL Companies



Sheila Poisson
Finance Director
City of Torrance



Lydia Romero
City Manager
City of Lemon Grove



Local Tax Revenues

Recent Effects, Forecasting and Future Trends



About HdL

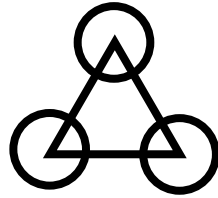
**PROUD
TO SERVE**

CITIES, COUNTIES &
SPECIAL DISTRICTS
FOR

39 YEARS

100%

**EMPLOYEE
OWNED**



TRIFECTA

Superior service
Increased revenue
Decreased costs



COMPLIANCE

HdL helps clients reduce risk
by keeping current with
ever-changing legislation



RESULTS

Average city growth
rates are ~3%,
HdL clients are 2x that!

500+

Municipal
Clients

\$3billion+

Recovered
revenue

99.6%

Avg. Client
Retention

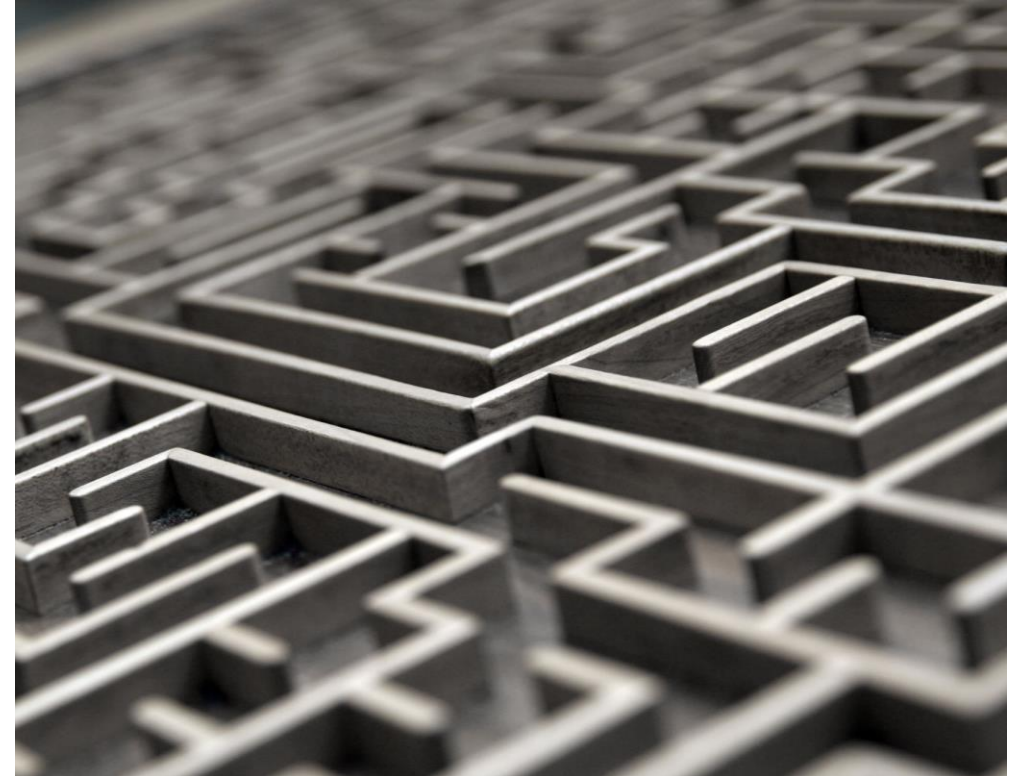


Purpose of this Presentation

Current Revenue Trends

- Sales Tax
- Cannabis Tax
- Property Tax
- Hotel Tax

How are local agencies planning and responding?



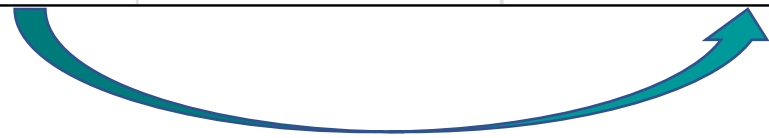


Overview: Three Year Comps

Business Group	Calendar Year 2019	Calendar Year 2020	Calendar Year 2021	Change: CY 21 vs 19	
				\$	%
Autos & Transportation	\$ 1,127.9	\$ 1,085.6	\$ 1,349.7	\$ 221.8	20%
Building & Construction	\$ 604.4	\$ 634.2	\$ 711.9	\$ 107.5	18%
Business & Industry	\$ 1,054.6	\$ 1,113.2	\$ 1,352.3	\$ 297.7	28%
Food & Drugs	\$ 362.1	\$ 401.3	\$ 412.3	\$ 50.2	14%
Fuel & Service Stations	\$ 647.9	\$ 470.6	\$ 667.0	\$ 19.1	3%
General Consumer Goods	\$ 1,402.8	\$ 1,149.8	\$ 1,474.2	\$ 71.5	5%
Restaurants & Hotels	\$ 983.7	\$ 681.2	\$ 922.4	\$ (61.2)	-6%
Point of Sale	\$ 6,183.3	\$ 5,535.9	\$ 6,889.9	\$ 706.6	11%
County & State Pools	\$ 1,124.7	\$ 1,485.7	\$ 1,567.6	\$ 442.9	39%
Total	\$ 7,308.0	\$ 7,021.6	\$ 8,457.4	\$ 1,149.5	16%

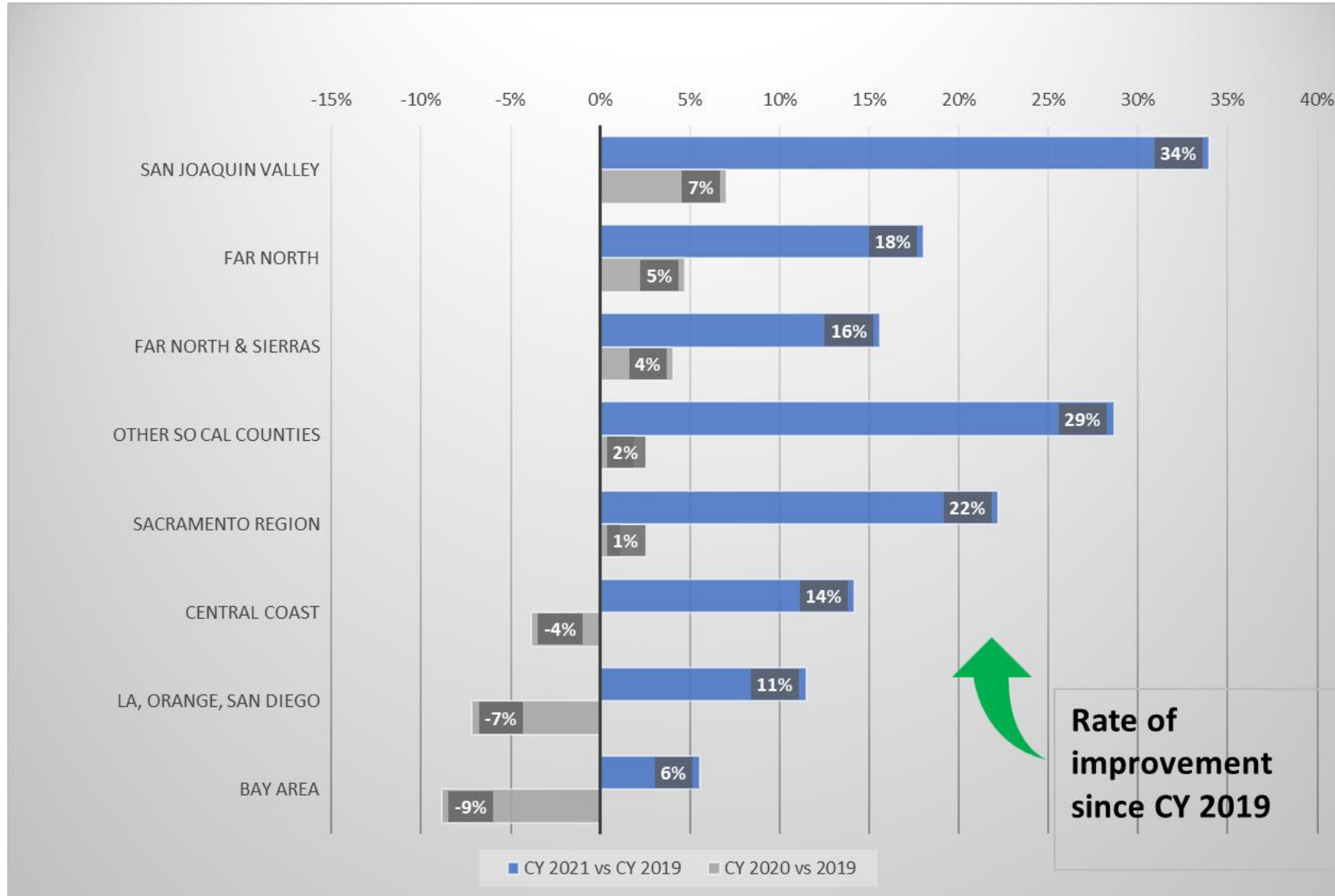
Only sector not recovered

Surge included
Wayfair AB147
implementation
as of April 2019





Overview: Regional Recovery Varies



Rate of improvement since CY 2019



Forecast Considerations

Russia/Ukraine
Crisis

Supply Chain

Interest Rates

Recent
Performance

Inflation &
Prices

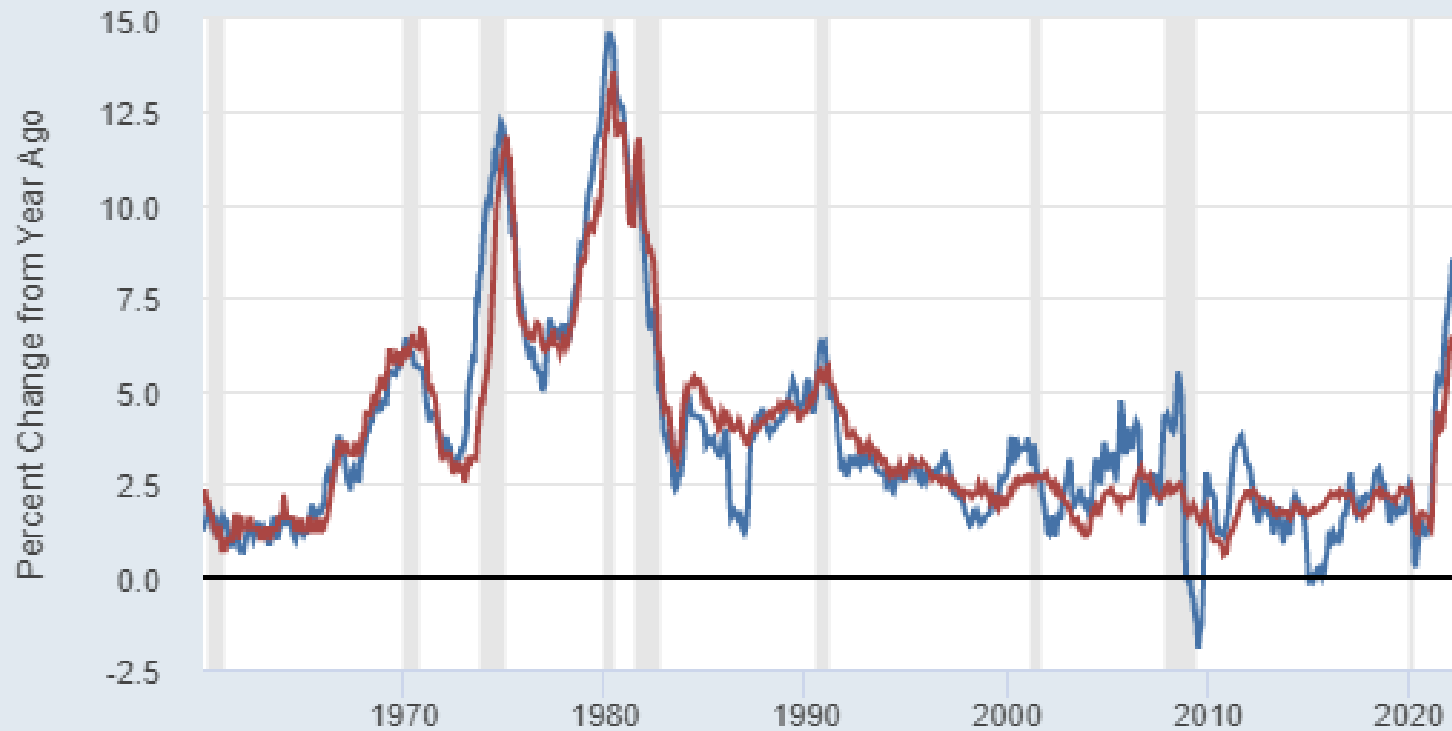
Labor
Conditions



Inflation is HOT

FRED 

- Consumer Price Index for All Urban Consumers: All Items in U.S. City Average
- Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in U.S. City Average



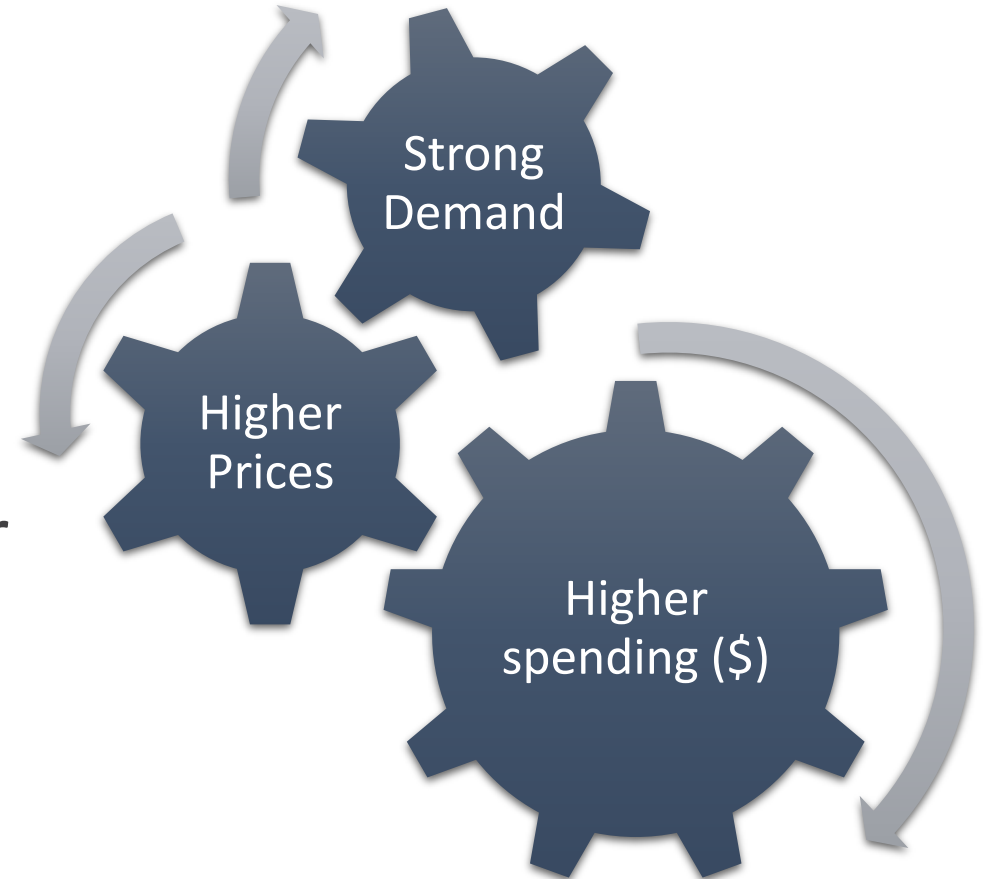
Source: U.S. Bureau of Labor Statistics



Inflation and Sales Tax

Current Conditions

- Strong demand for consumer goods → upward pressure on **prices** → upward pressure on **spending and sales tax**
- Supply chain bottlenecks and labor shortages → downward pressure on **supply** → upward pressure on **prices** → upward pressure on **spending and sales tax**





Sales Tax

Largest Major Industry Groups

1. County and State Use-Tax Pools (~18.5% of total)
2. Business-Industrial (~16.0% of total)
3. General Consumer Goods (~17.4% of total)
4. Autos & Transportation (~16.0% of total)

The top 4 groups comprise ~68% of overall statewide sales tax receipts





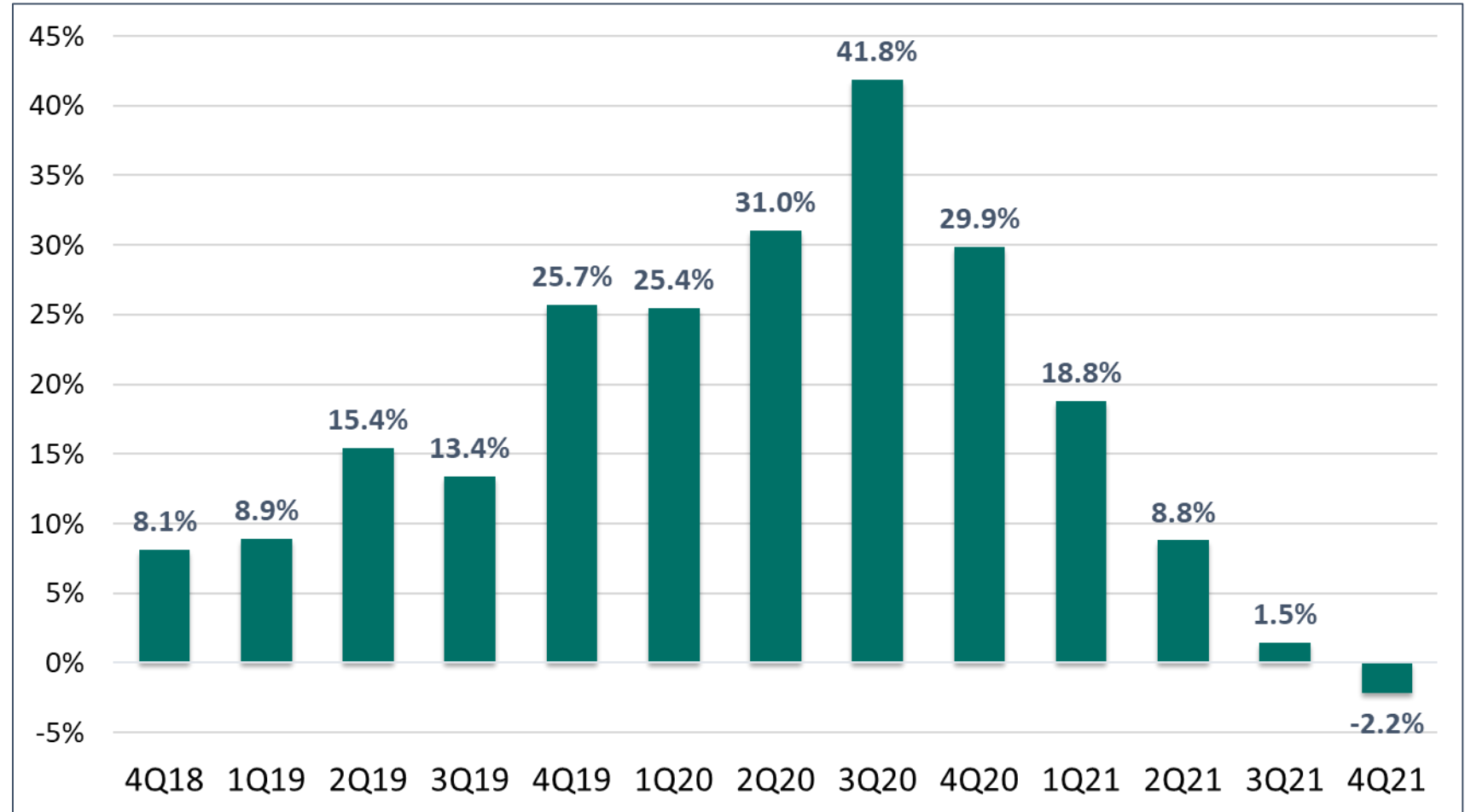
County Pools: Performance

2Q19: Implementation of AB 147 Starts (Wayfair)

4Q19 - 3Q20: AB 147 Marketplace facilitator portion begins

1Q21: Shifts of local tax reporting due to changes in business structure. Partial allocations shift from indirect to direct reporting.

2Q21 - 3Q21: Growth slows due to prior year peaks





County Pools: Make Up

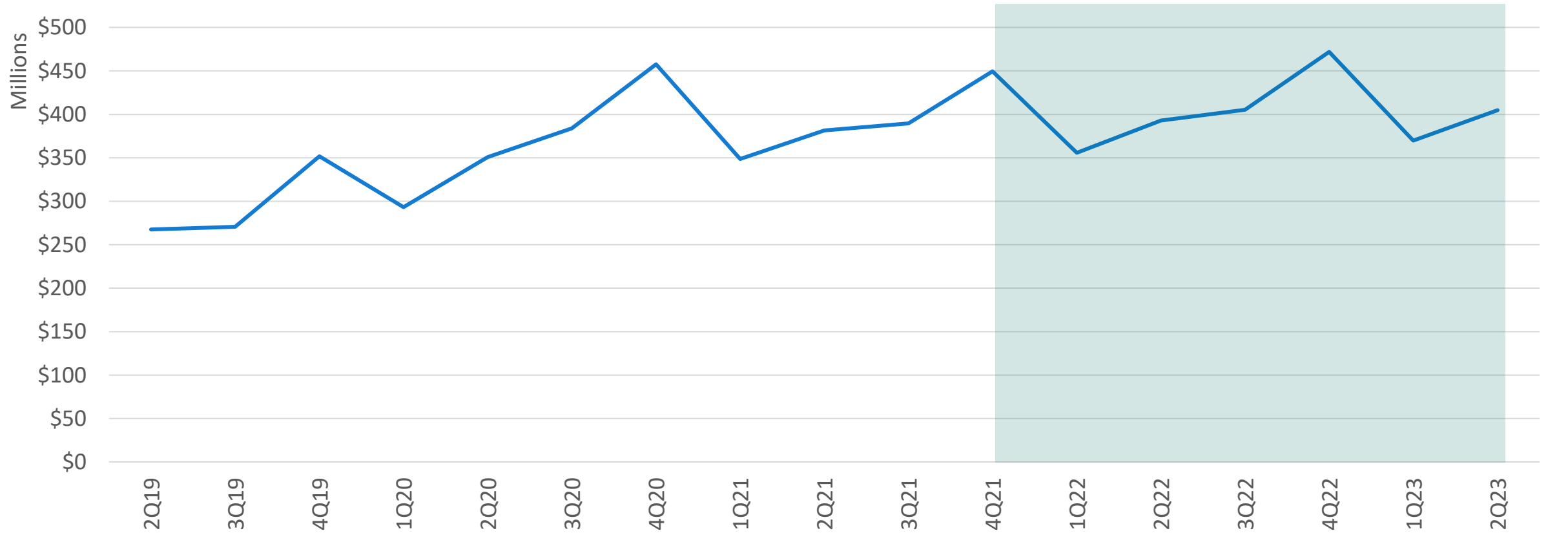




County Pools

% Change
YoY

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
25.4%	31.0%	41.8%	29.9%	18.8%	8.8%	1.5%	-2.2%	2.0%	3.0%	4.0%	5.0%	4.0%	3.0%





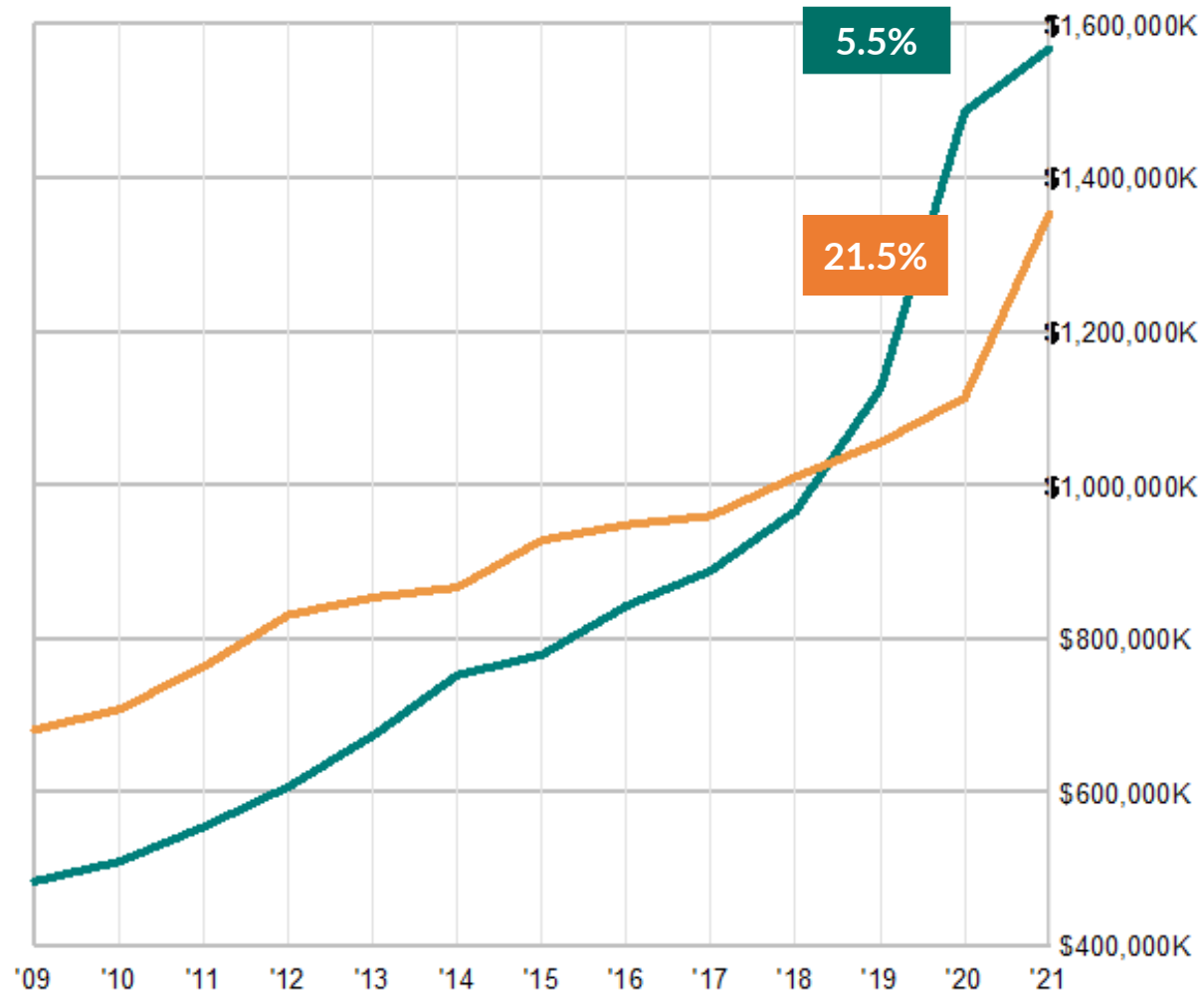
Local Tax Shifts

Sales Tax by Major Industry Group

State & County Pools

Business And Industry

Count: 333,061

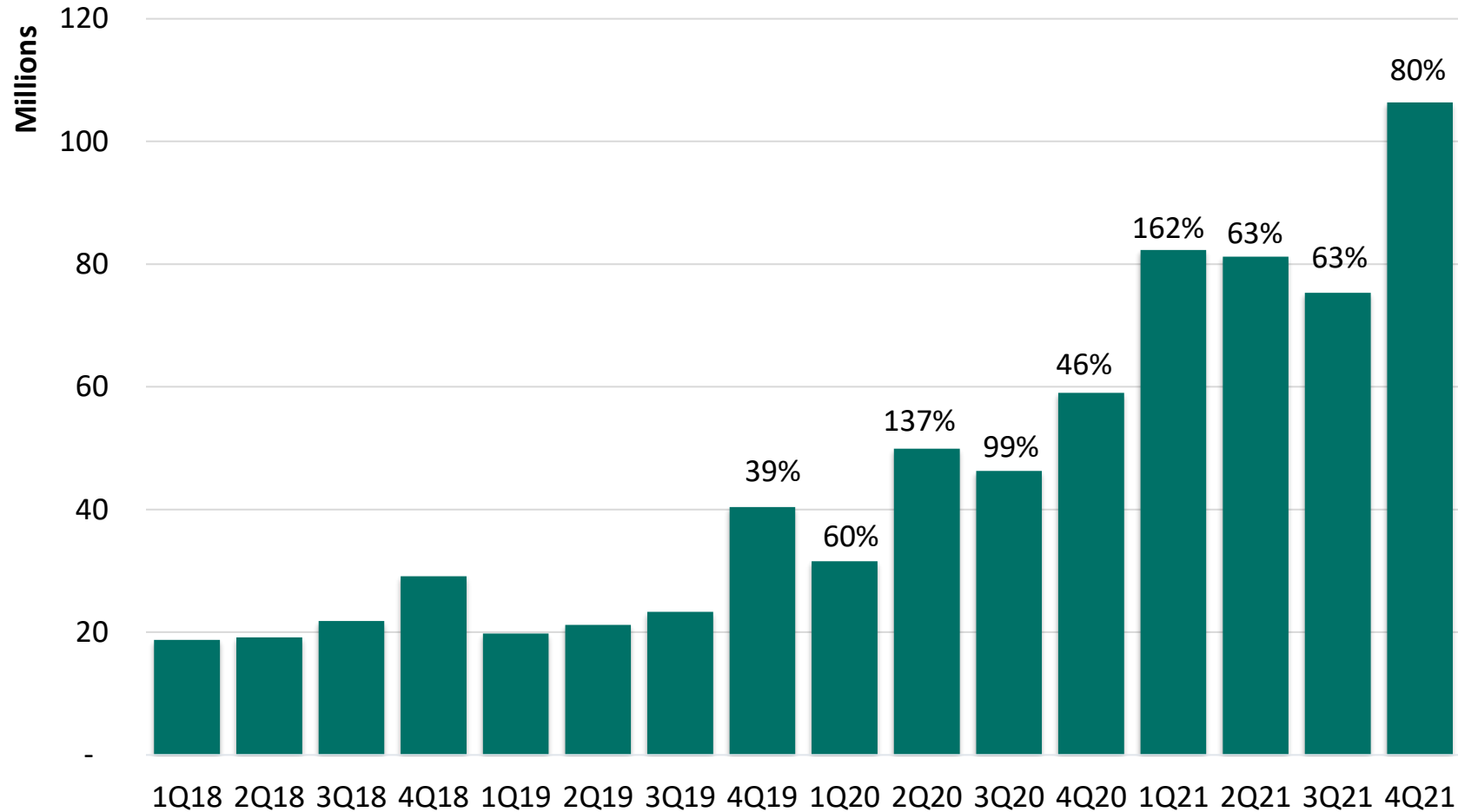


Shift due to
Indirect local tax
moving to **Direct**
local tax



Fulfillment Centers

Fulfillment Centers



Place-of-Sale direct allocations to local agencies

4Q19 - 3Q20: Growth corresponds to increased local tax collections related to AB 147 and Marketplace Facilitators as well as Pandemic induced behavior shifts

4Q20: Continued Pandemic induced behavior shifts to online shopping

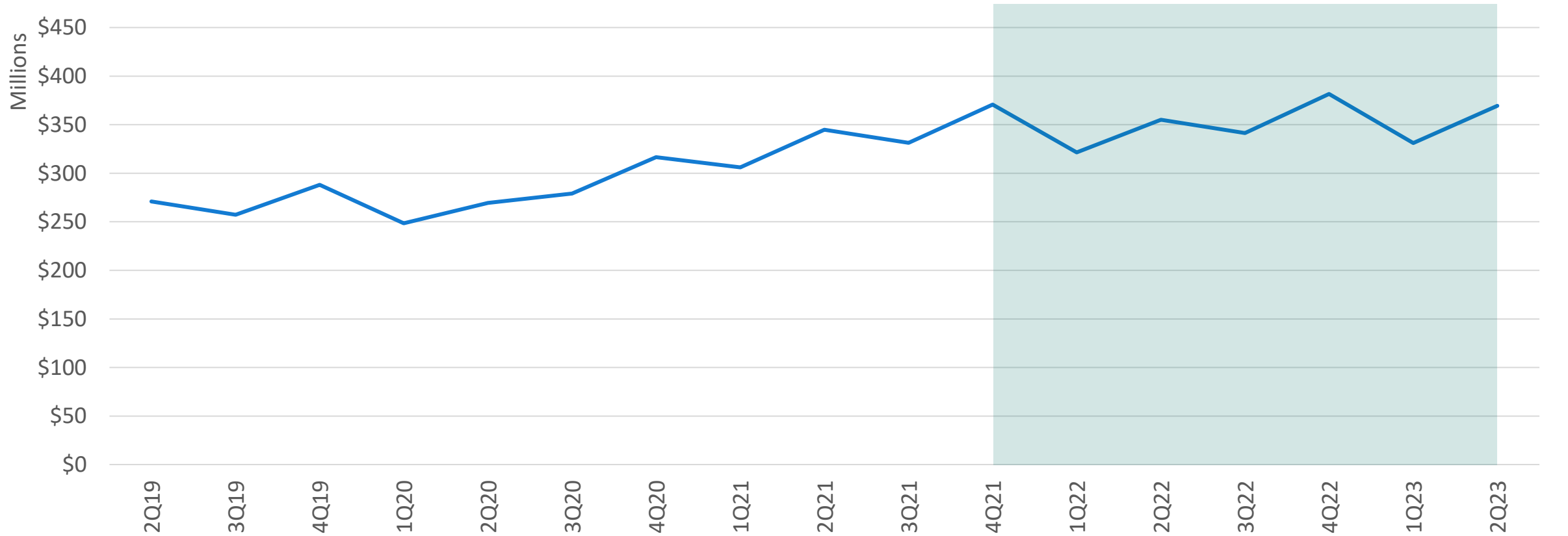
1Q21 - 4Q21: Shifts of local tax reporting due to changes in business structure. Partial allocations shift from indirect to direct reporting.



Business & Industry

% Change
YoY

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
4.0%	-0.5%	8.5%	9.9%	23.2%	27.9%	18.7%	17.1%	5.0%	3.0%	3.0%	3.0%	3.0%	4.0%

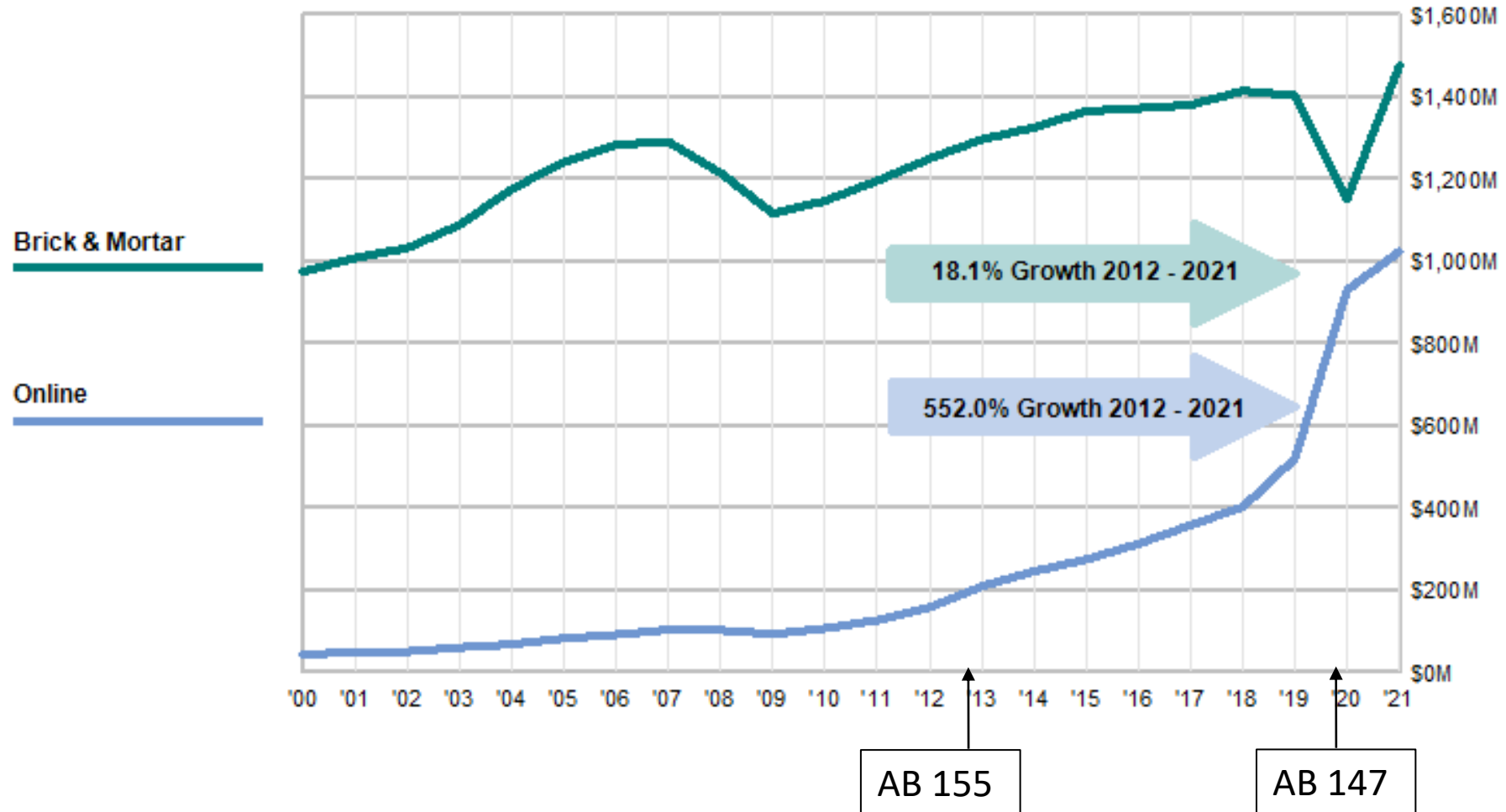




HdL Statewide: Online vs Brick & Mortar

A Comparison of Shopping Trends in Respect to General Consumer Goods

Local 1% Sales Tax by Calendar Year

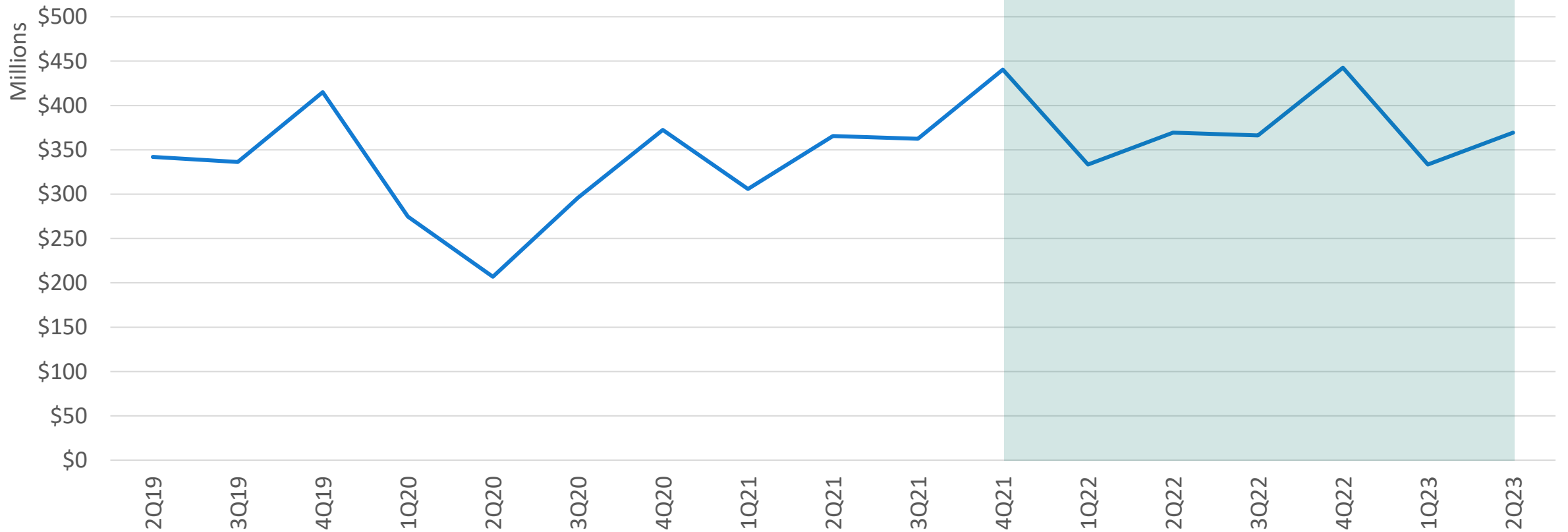




General Consumer Goods


% Change
YoY

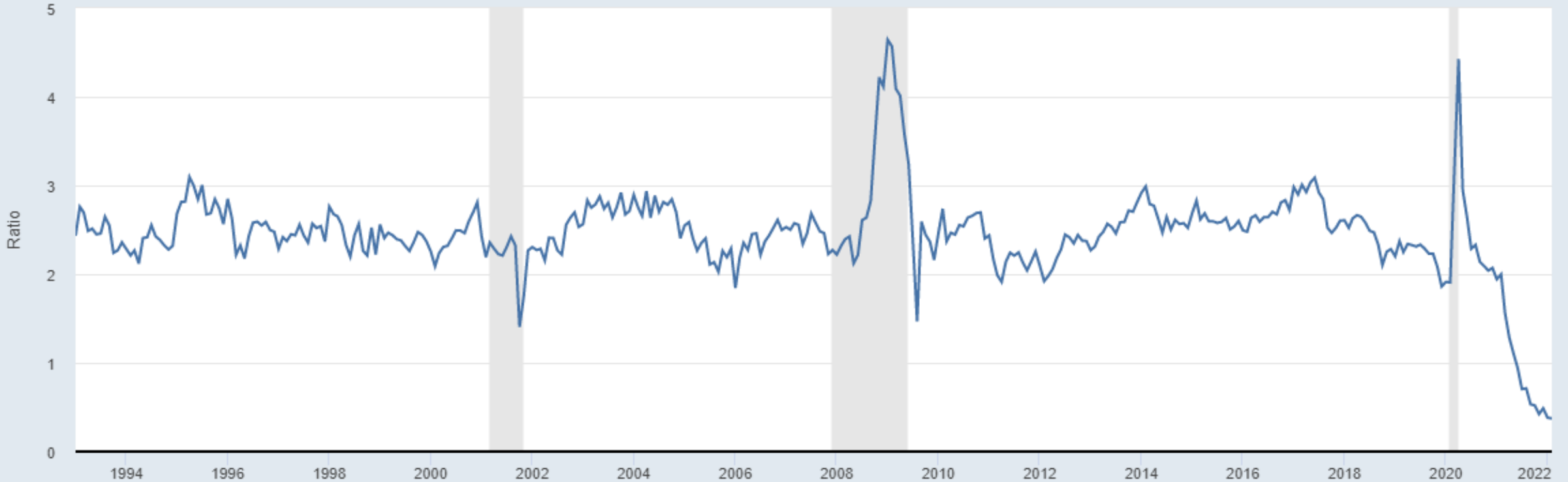
1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
-11.2%	-39.5%	-12.1%	-10.3%	11.3%	76.7%	22.6%	18.3%	9.0%	1.0%	1.0%	0.5%	0.0%	0.0%





Autos: Inventory/Sales Ratio

FRED  — Auto Inventory/Sales Ratio



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

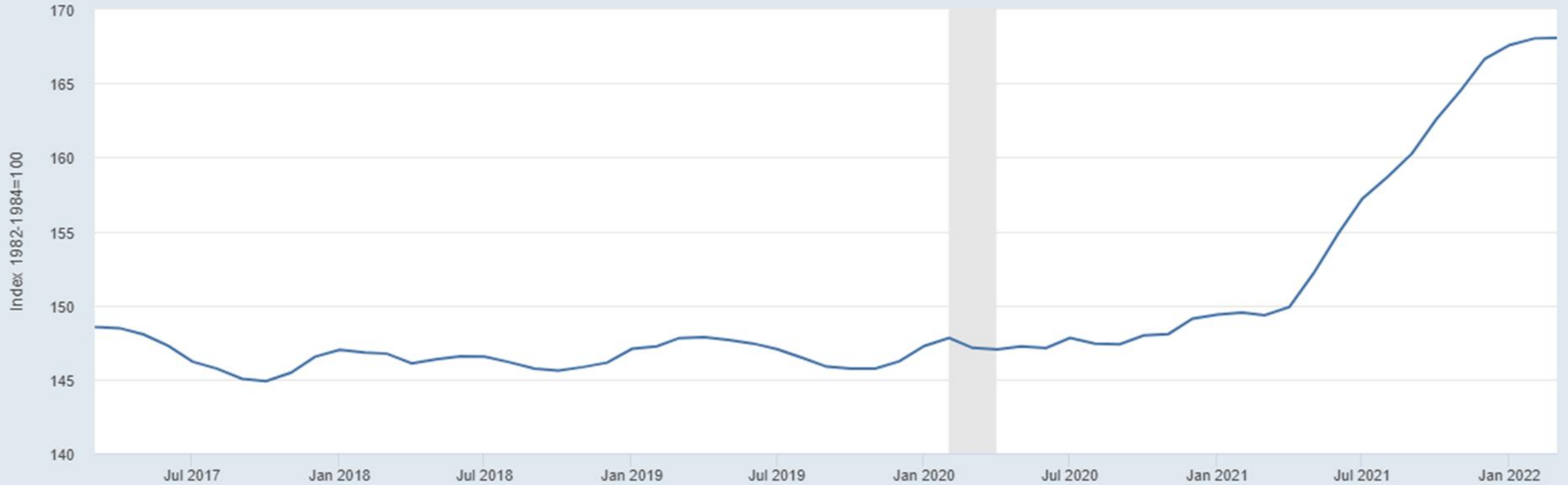
fred.stlouisfed.org



Autos: Prices

FRED

— Consumer Price Index for All Urban Consumers: New Vehicles in U.S. City Average



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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Autos: Vehicle Sales

FRED — Total Vehicle Sales



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

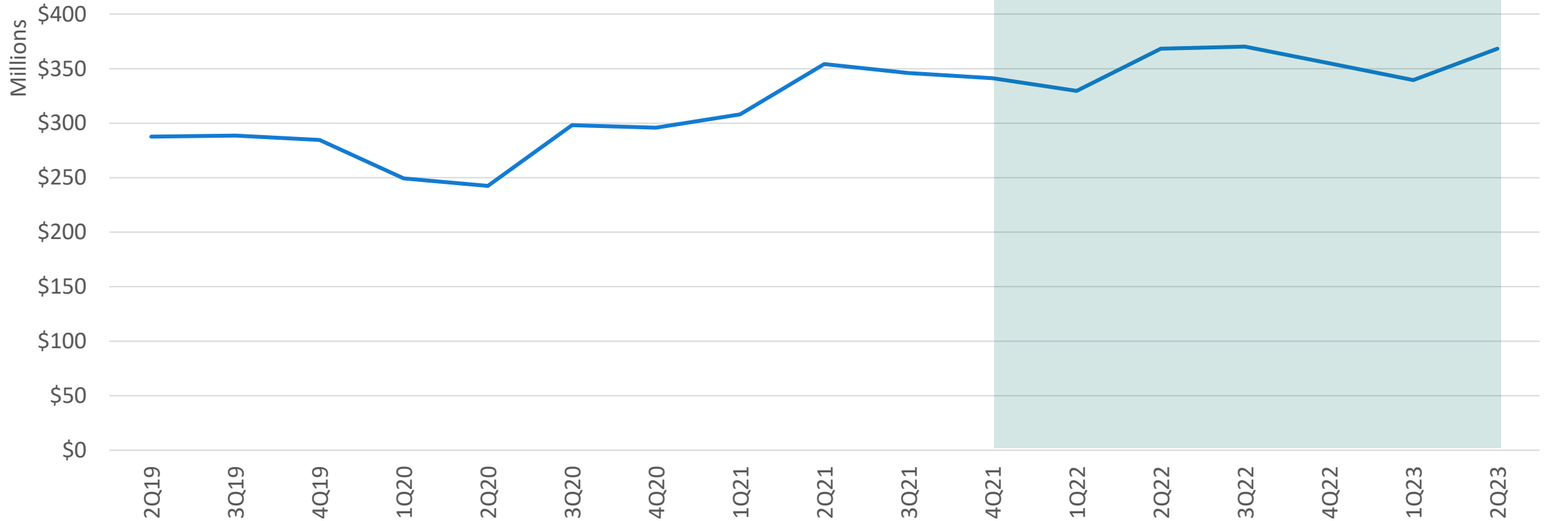
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Autos & Transportation

% Change
YoY

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
-6.6%	-15.7%	3.3%	3.9%	23.6%	46.0%	16.1%	15.3%	7.0%	4.0%	7.0%	4.0%	3.0%	0.0%





Where do we go from here?

Recession?

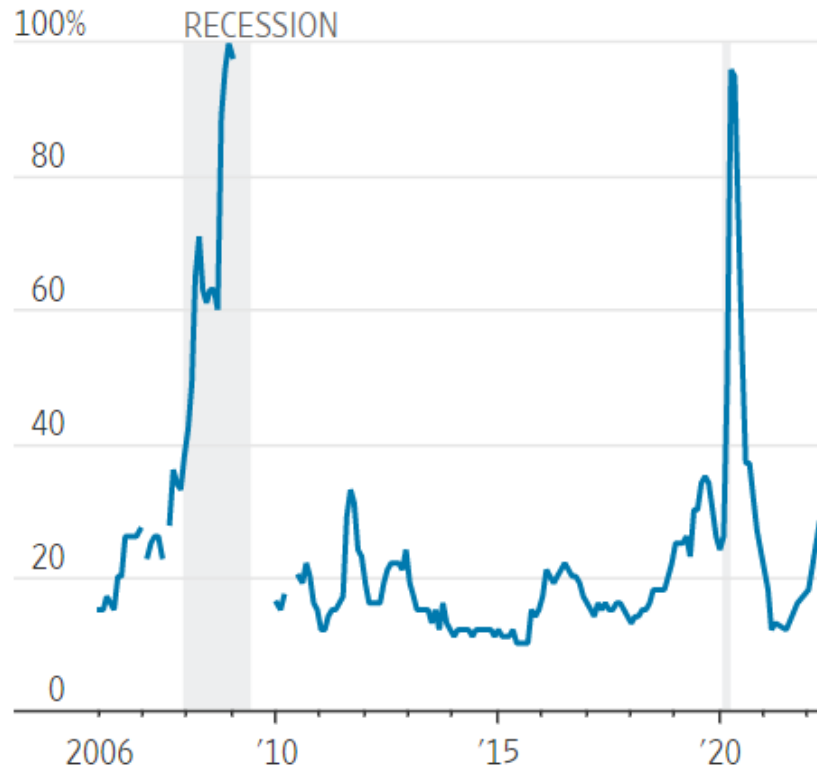
Poll Question:

Do you think we will have a recession in the next 12-months?



Recession?

Probability the U.S. is in a recession in next 12 months including today



Note: Gaps indicate question not asked or data unavailable.

Source: Wall Street Journal surveys of economists

28% of economists surveyed by the WSJ in April 2022 believe we will have a recession within the next 12-months.



Recession?



Someday One Will Come – But When?





Recession?

3-month T-bill vs. 10-year Treasury: Not Inverted!





Sales Tax Summary

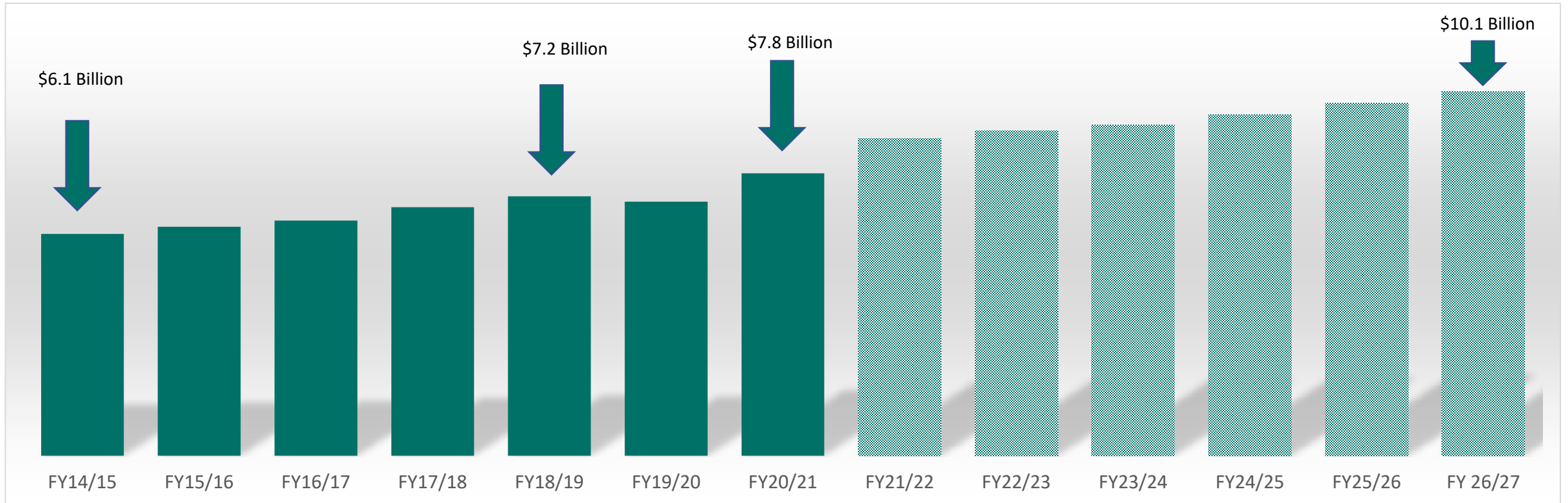
- Fed is well behind the curve in responding to inflation
- Increasing interest rates will pressure autos, building-construction and other spending categories
- 2022: Inflation remains high, International tensions and rising interest rates add more uncertainty to existing headwinds such as recovering supply chains.
- Consumers are healthy (savings, equity, stock market gains)
- HdL's short term forecast calls for a continued expansion but a deceleration in growth in FY 22/23 and FY 23/24



HdL Statewide Trend – Annual Outlook (FY)

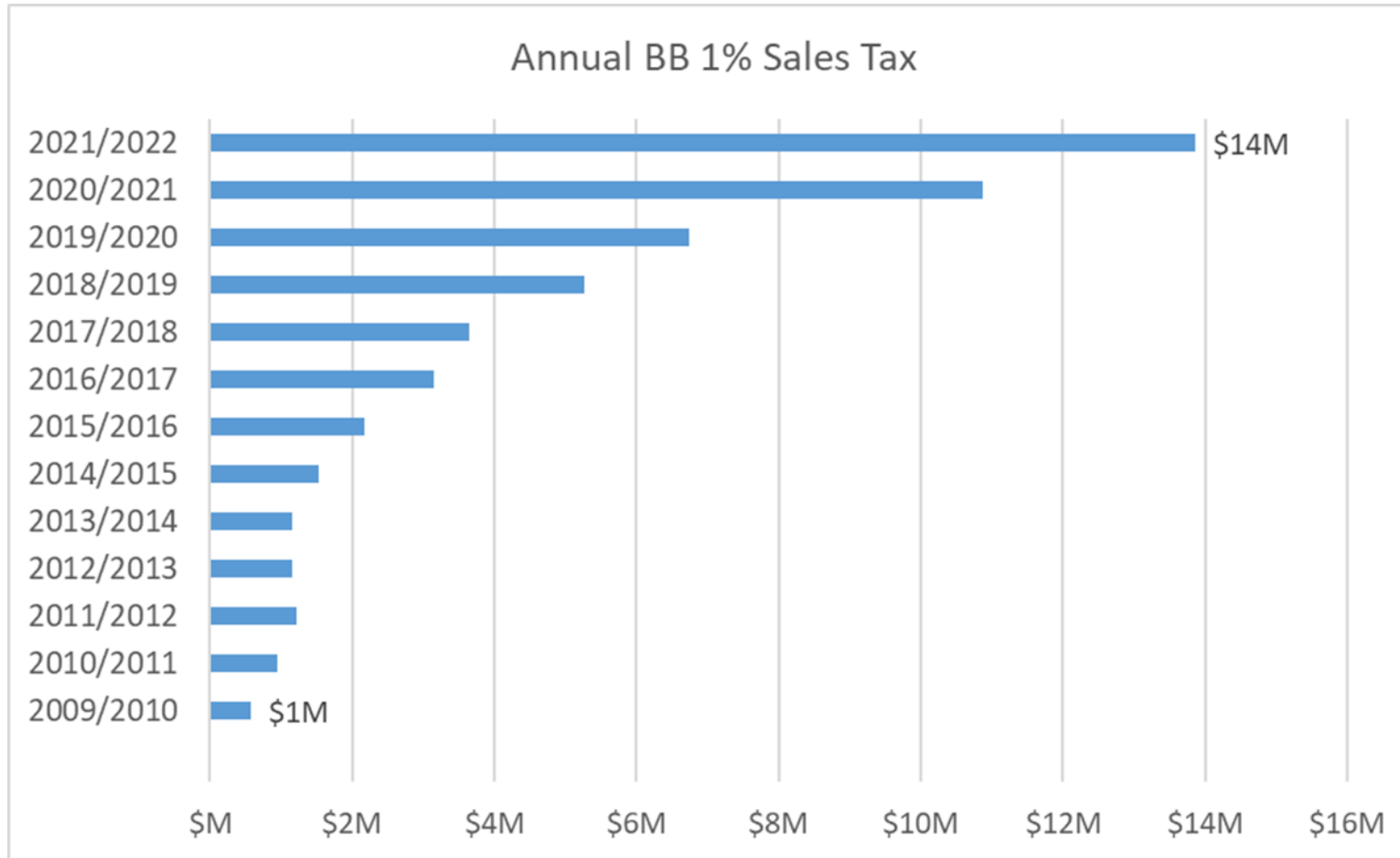
% Change
YoY

15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
3.2%	2.7%	5.6%	4.4%	-2.1%	11.2%	12.3%	2.4%	1.8%	3.1%	3.3%	3.4%





Cannabis Revenues



Growth a combination of:

- More local permits
- Product demand
- 'Essential' operations

Looking ahead:

- Compliance phases
- Tax plateau, decline?
- \$13.6m in Governor's budget
 - Unified licensing
 - Data warehouse
 - Tax reform

PROPERTY TAX TIME LINE 2022-23

Values lag 12-18 months being reflected on the tax rolls

January 1st lien date.
Assessor applies CCPI per Prop 13, uses
prior calendar year property information.
(January 1, 2022) using 2021 events

Between January 1 and June 30,
2022 assessor applies Prop 8
changes, roll changes and roll
corrections and closes roll.

Auditor receives the roll on July 1st
and applies taxing percentages and
direct assessments (July 1, 2022)

Treasurer/tax collector receives the roll on
August 31. The tax bills are printed and mailed.
Roll received August 31, 2022
tax bills mailed September 2022

Tax payers pay taxes due
November 2022 and February
2023
Delinquent after
Dec. 10 and April 10

Treasurer
Tax
Collector

Auditor apportions revenue between
November 2022 and August 2023



Property Tax Forecasting For FY 2022-23

- The CA CPI per Proposition 13 will be **2%** for 2022-23
- Watch property sales...
 - Most counties saw double digit SFR median sale price growth in 2021
- Lost values to be restored under Prop 8 difficult to quantify, fewer than prior years
- New construction completions in 2021 need to be considered
- VLF in Lieu increases by citywide change in value between tax years.

MEDIAN SALE PRICE Y-O-Y COMPARISON

2020 AND 2021 CALENDAR YEARS

SINGLE FAMILY HOME SALE PRICES THROUGH DECEMBER 2021

County	2020 MEDIAN SALE PRICE	2021 MEDIAN SALE PRICE	YEAR OVER YEAR MEDIAN PRICE CHANGE
ALAMEDA	\$860,250	\$990,000	15.08%
BUTTE	\$335,000	\$375,000	11.94%
COLUSA	\$295,000	\$339,000	14.92%
CONTRA COSTA	\$680,000	\$785,000	15.44%
EL DORADO	\$525,000	\$616,000	17.33%
FRESNO	\$300,000	\$342,000	14.00%
HUMBOLDT	\$325,000	\$384,000	18.15%
IMPERIAL	\$260,000	\$280,500	7.88%
KERN	\$260,000	\$301,000	15.77%
LOS ANGELES	\$670,000	\$775,000	15.67%
MADERA	\$300,000	\$348,000	16.00%
MARIN	\$1,235,000	\$1,350,000	9.31%
MENDOCINO	\$377,000	\$370,000	-1.86%
MERCED	\$304,000	\$360,000	18.42%
MONTEREY	\$695,000	\$775,000	11.51%
NAPA	\$715,000	\$785,000	9.79%
NEVADA	\$535,750	\$590,000	10.13%
ORANGE	\$775,000	\$885,000	14.19%
PLACER	\$525,000	\$620,000	18.10%
RIVERSIDE	\$427,500	\$513,000	20.00%
SACRAMENTO	\$405,000	\$472,000	16.54%
SAN BERNARDINO	\$365,000	\$435,000	19.18%
SAN DIEGO	\$620,500	\$720,250	16.08%
SAN JOAQUIN	\$410,000	\$483,000	17.80%
SAN LUIS OBISPO	\$625,500	\$716,500	14.55%
SAN MATEO	\$1,407,750	\$1,510,000	7.26%
SANTA BARBARA	\$640,500	\$698,000	8.98%
SANTA CLARA	\$1,160,000	\$1,325,000	14.22%
SANTA CRUZ	\$850,000	\$970,000	14.12%
SHASTA	\$290,000	\$335,000	15.52%
SISKIYOU	\$210,000	\$242,500	15.48%
SOLANO	\$465,000	\$540,000	16.13%
SONOMA	\$646,500	\$693,000	7.19%
STANISLAUS	\$353,000	\$410,000	16.15%
SUTTER	\$300,000	\$325,000	8.33%
TEHAMA	\$265,000	\$307,250	15.94%
TULARE	\$250,000	\$297,000	18.80%
VENTURA	\$643,000	\$735,000	14.31%
YOLO	\$477,750	\$545,000	14.08%
YUBA	\$310,000	\$375,000	20.97%
	AVERAGE GROWTH IN COUNTIES REPORTED ABOVE		14.22%
	MEDIAN GROWTH IN COUNTIES REPORTED ABOVE		14.55%
	COUNTYWIDE GROWTH >18%		
	COUNTYWIDE GROWTH <8%		

- 80%+ of the counties in California saw median sale prices increase more than 10%
- Increases are due combination of low interest rates and low inventory
- Increases will be reflected as assessed value growth/revenue in 2022-23
- Increased sale prices also are reflected in Documentary Transfer Tax increases and in Supplemental property tax allocations (pooled)
- Most counties have seen prices continue to rise in 1st Quarter 2022



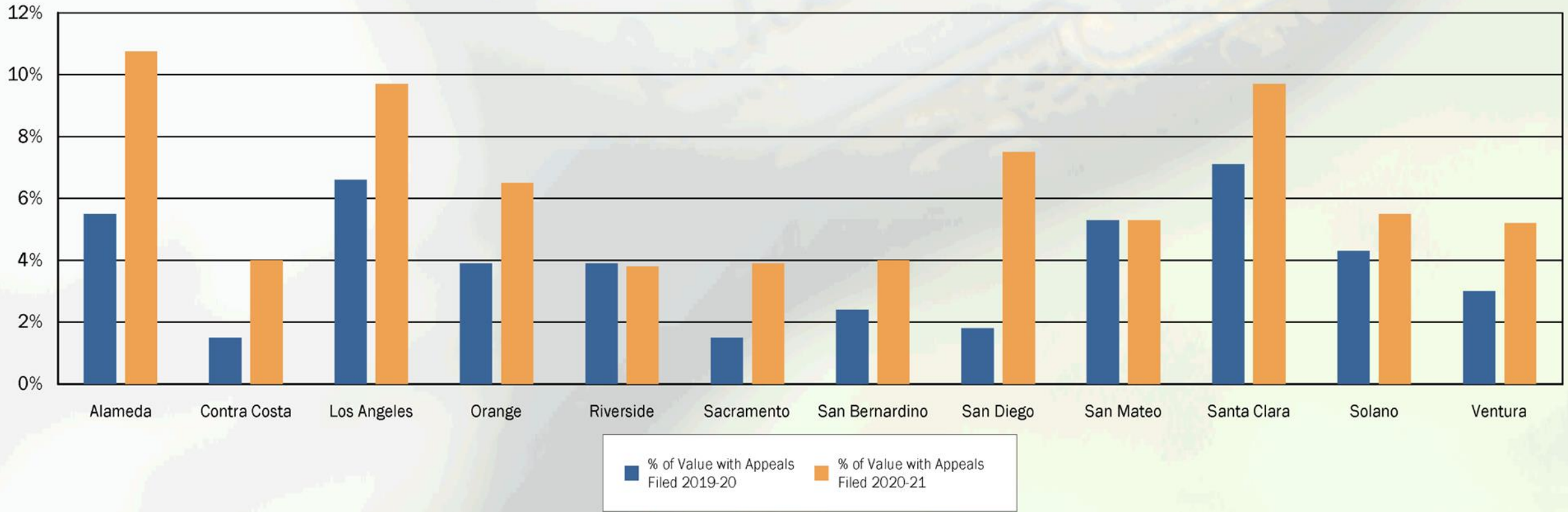
Property Tax Forecasting For FY 2022-23 and Beyond

- Successful appeals may result in mid-year reductions
 - Office vacancies and pandemic retail effects may be realized in 2022-23 and/or 2023-24.
- Supplemental allocations in 2022-23 and beyond uncertain with interest rate hikes.
 - PY receipts may not be sustainable unless prices continue to increase.
- CPI increases for 2023-24 and beyond are uncertain. 2% is likely unless in a recession.



Valuations Under Appeal

Comparison of Value Under Appeal By County
2019-20 to 2020-21, as a percentage of total taxable value





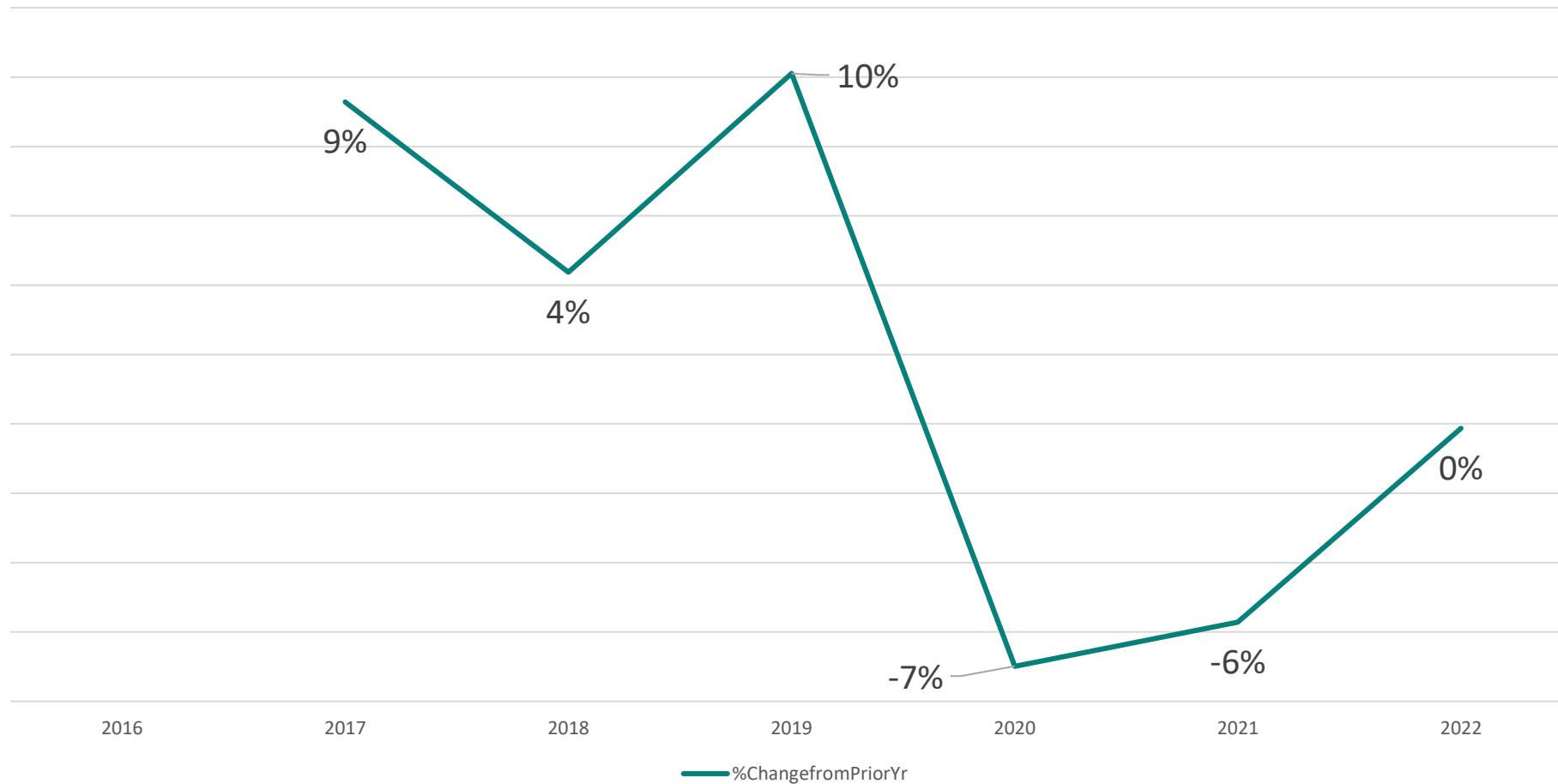
Appeal Considerations

- 2021 appeals were due this past November; many still being processed
- Likely 2 years before appeals heard in significant numbers
- Mostly Prop 8 type
 - Reviewed annually, lost value restored over time
 - Office buildings, hospitality, large commercial already filed
 - Residential/bedroom communities - no/very limited losses
- Appeal reductions pooled countywide
 - All agencies share in hit to property tax revenues



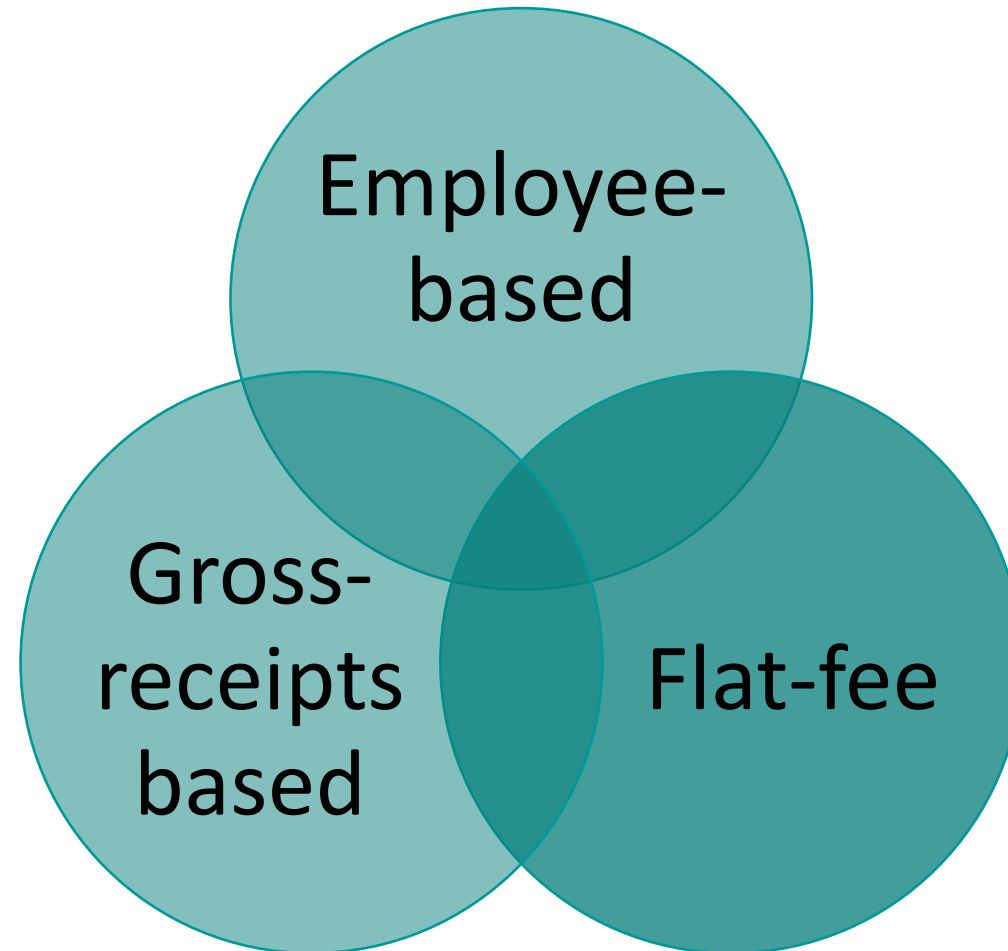
Business License: Still Recovering

General Business License Rate of Growth



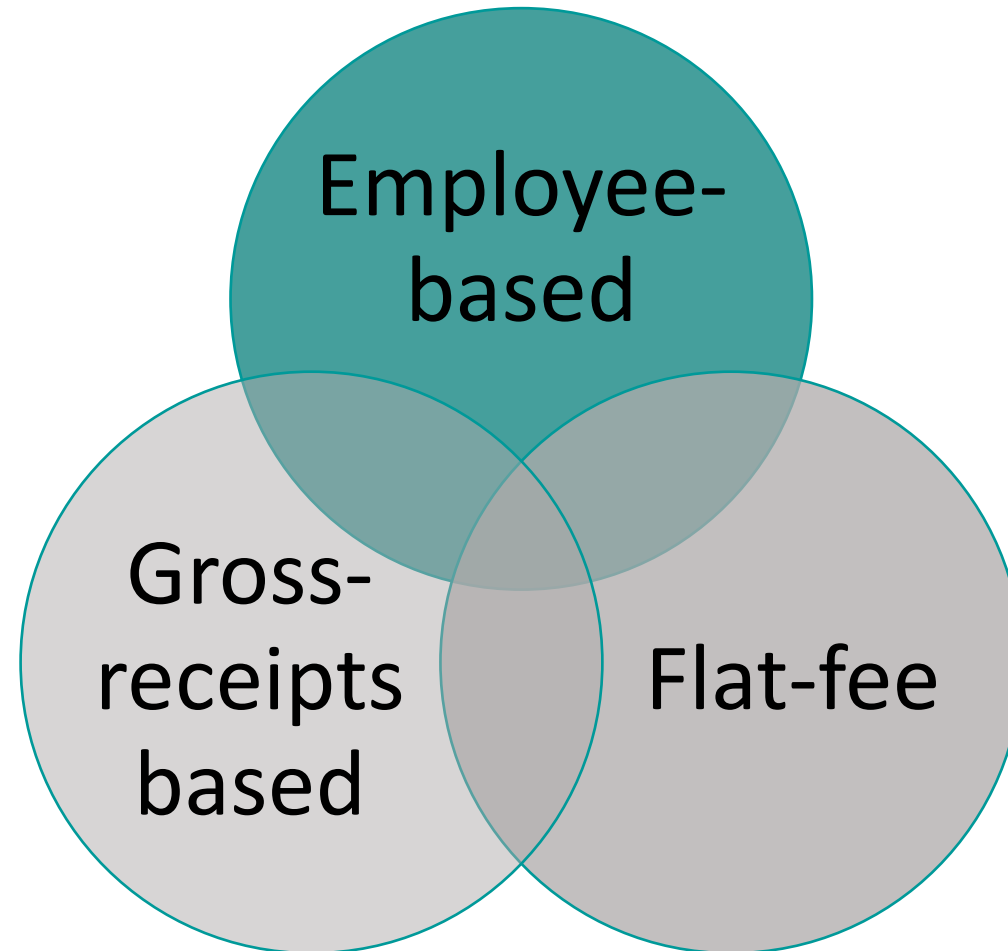


Business License : Three Common Types





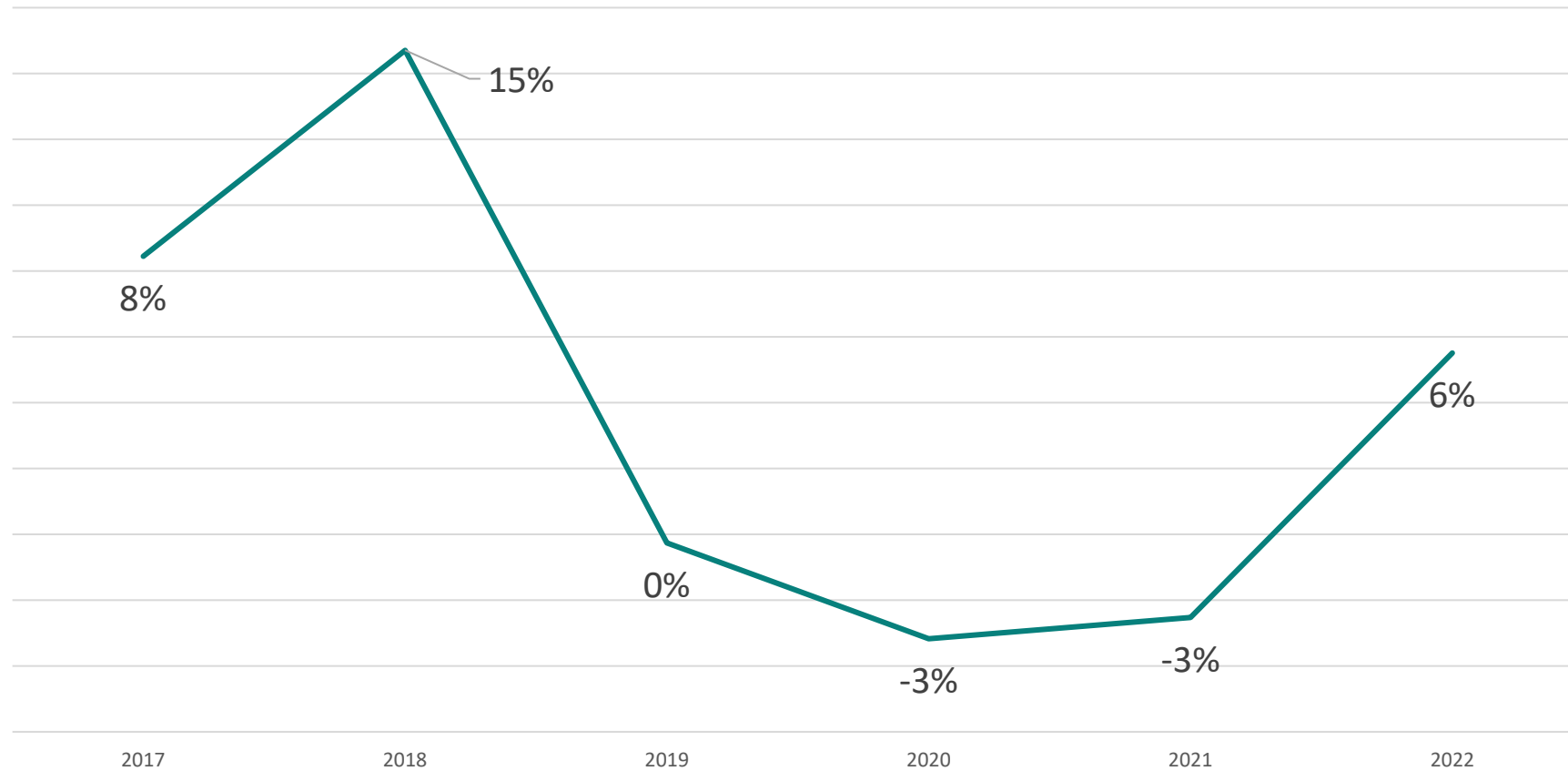
Business License





Business License: Employee-Based

Trend of Employee-Based Business License Revenue



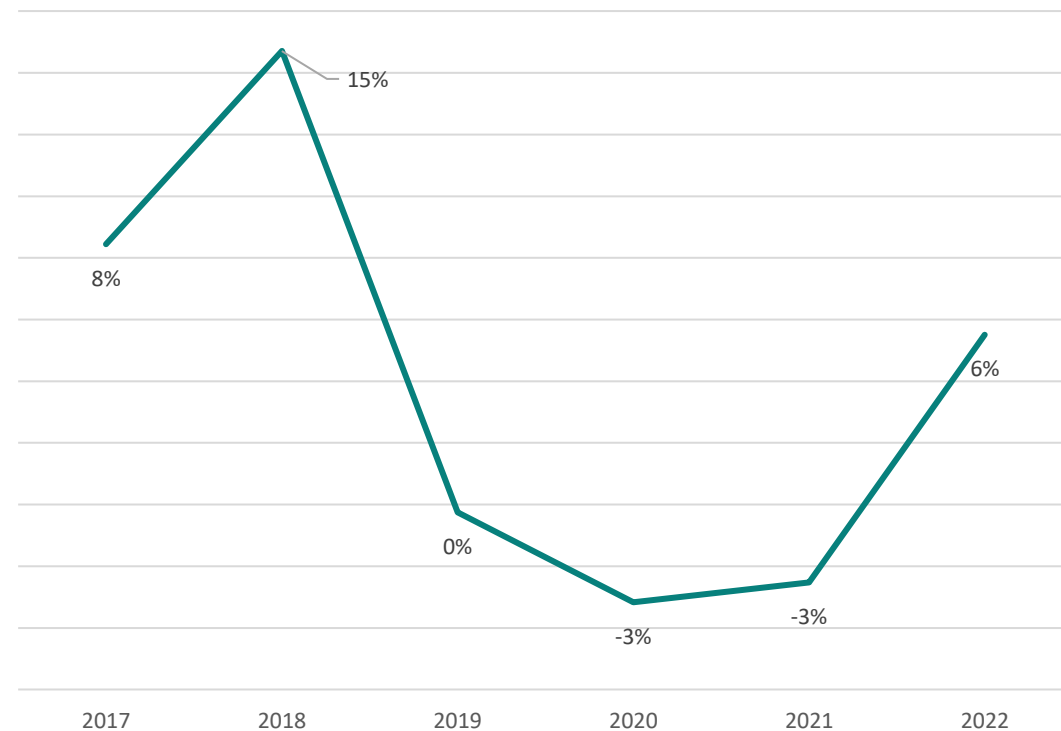


Business License: Employee-Based

When forecasting, watch for:

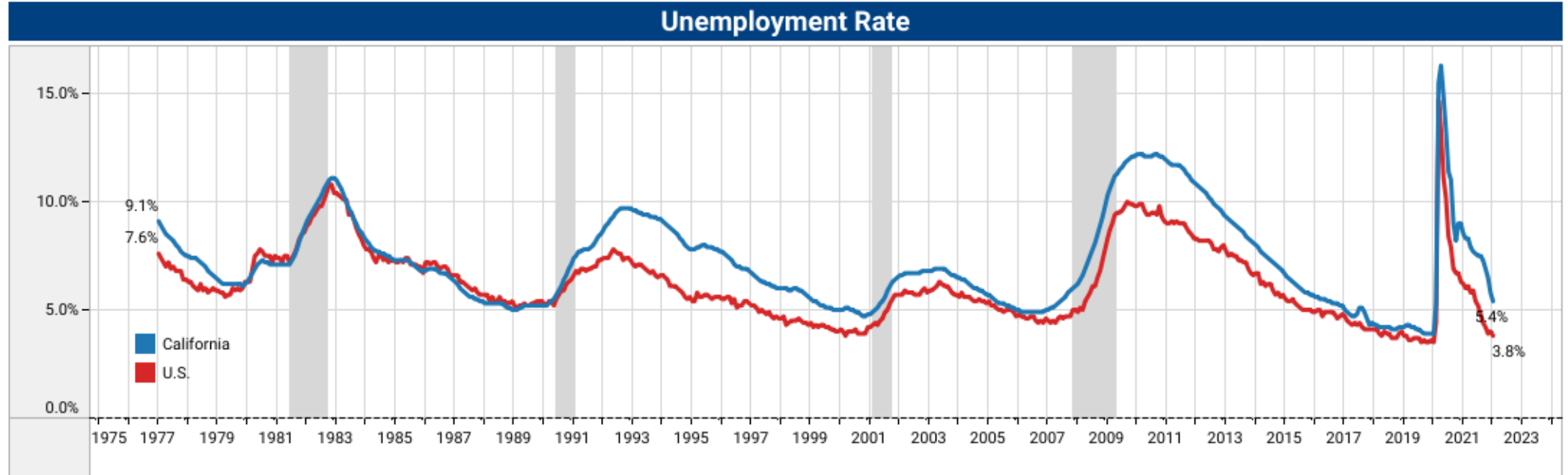
- Overall employment trends;
- Local employment trends;
- The structure of your economy versus where the jobs are growing; and
- The impact of market consolidation

Trend of Employee-Based Business License Revenue





Employment Trends: Strong Recovery but..

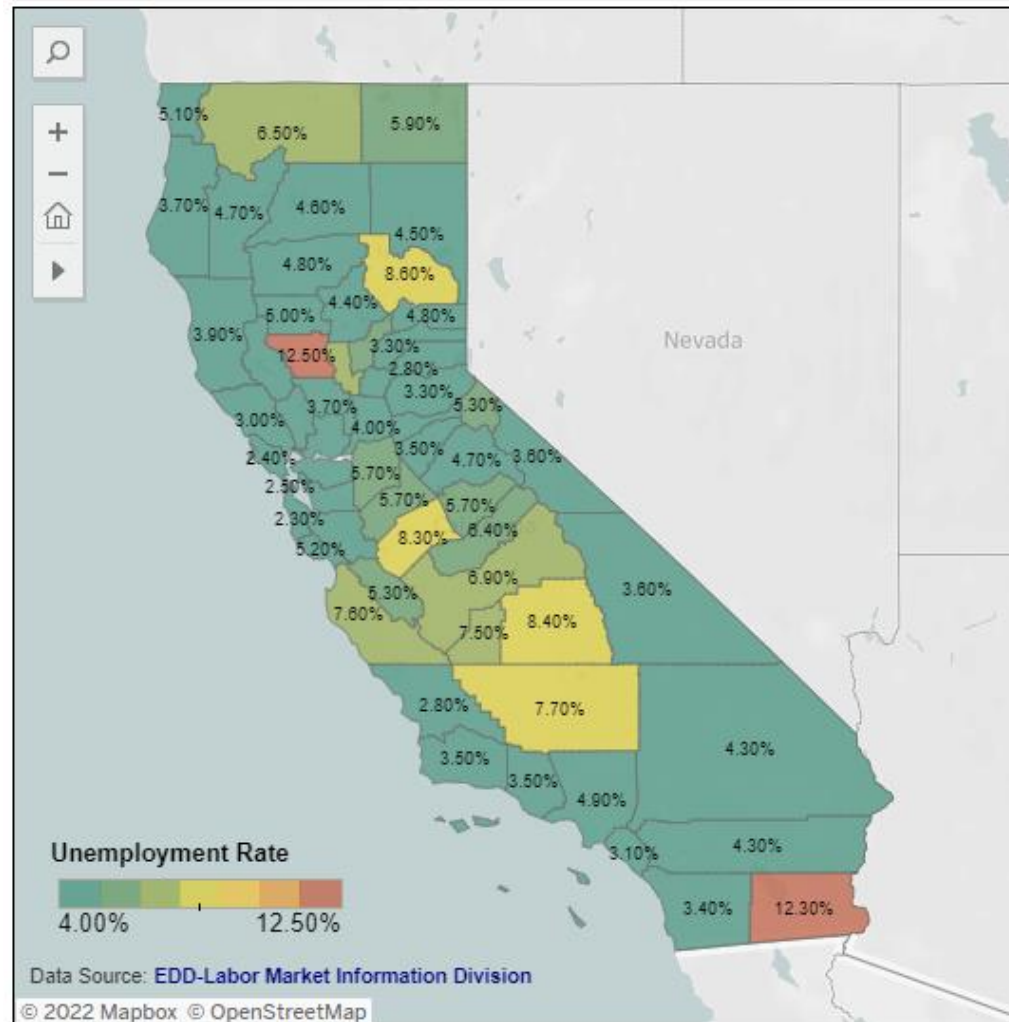


Source: <https://www.labormarketinfo.edd.ca.gov/data/Top-Statistics.html> last accessed 04/28/2022



Employment Trends: ...Unevenly Distributed

The strong recovery has been uneven geographically.



Source:
<https://www.labormarketinfo.edd.ca.gov/data/interactive-labor-market-data-tools.html>





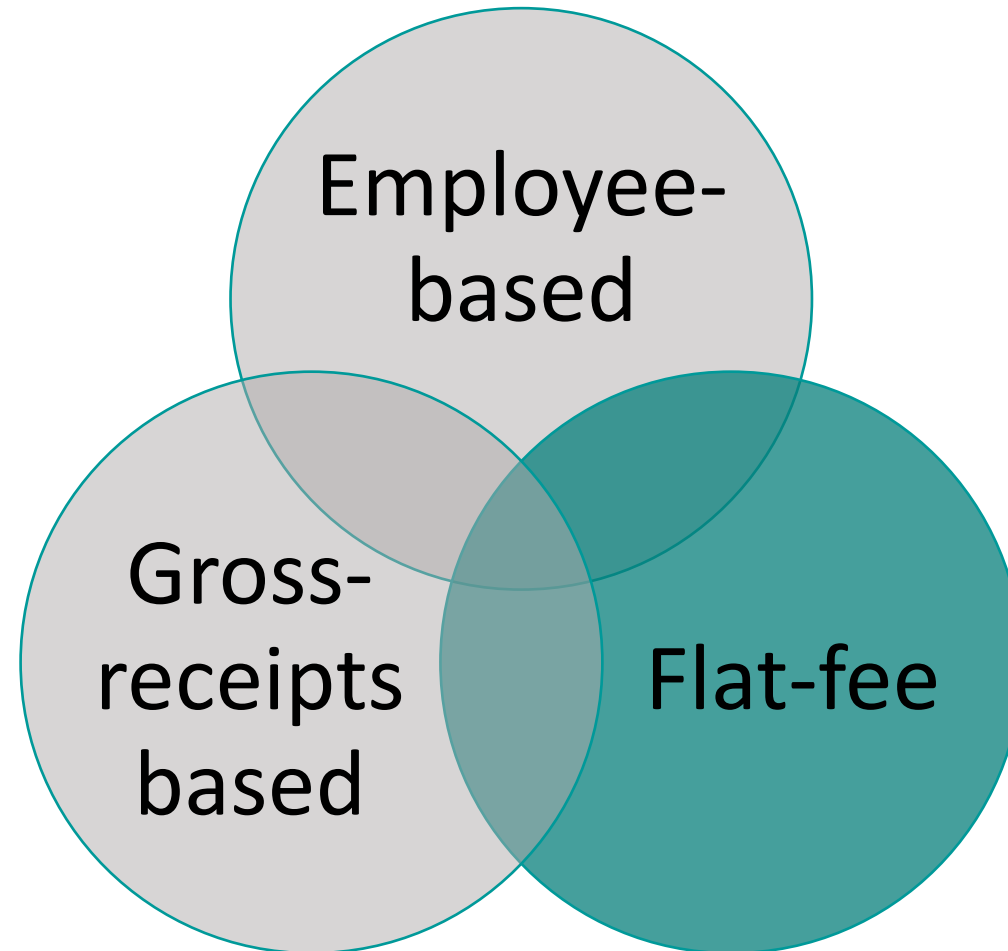
Employment Trends: ...Unevenly Distributed

Major Industries	Month-over Change (Feb. 2022–Mar. 2022)	Year-over Change (Mar. 2021–Mar. 2022)	Total Payroll Jobs as of Mar. 2022
Leisure and Hospitality	+14,800	+410,300	1,857,500
Professional and Business Services	+10,400	+136,500	2,806,400
Education and Health Services	+9,000	+114,900	2,891,000
Construction	+8,900	+30,600	915,900
Trade, Transportation, Utilities	+5,300	+112,300	3,134,500
Other Services	+4,900	+69,100	546,500
Financial Activities	+3,600	+12,100	833,700
Manufacturing	+2,900	+28,800	1,297,300
Information	+200	+45,500	588,600
Government	+200	+81,800	2,505,600
Mining and Logging	No Change	No Change	19,400

Source:
https://edd.ca.gov/en/about_edd/news_releases_and_announcements/unemployment-March-2022/; last accessed 04/28/2022



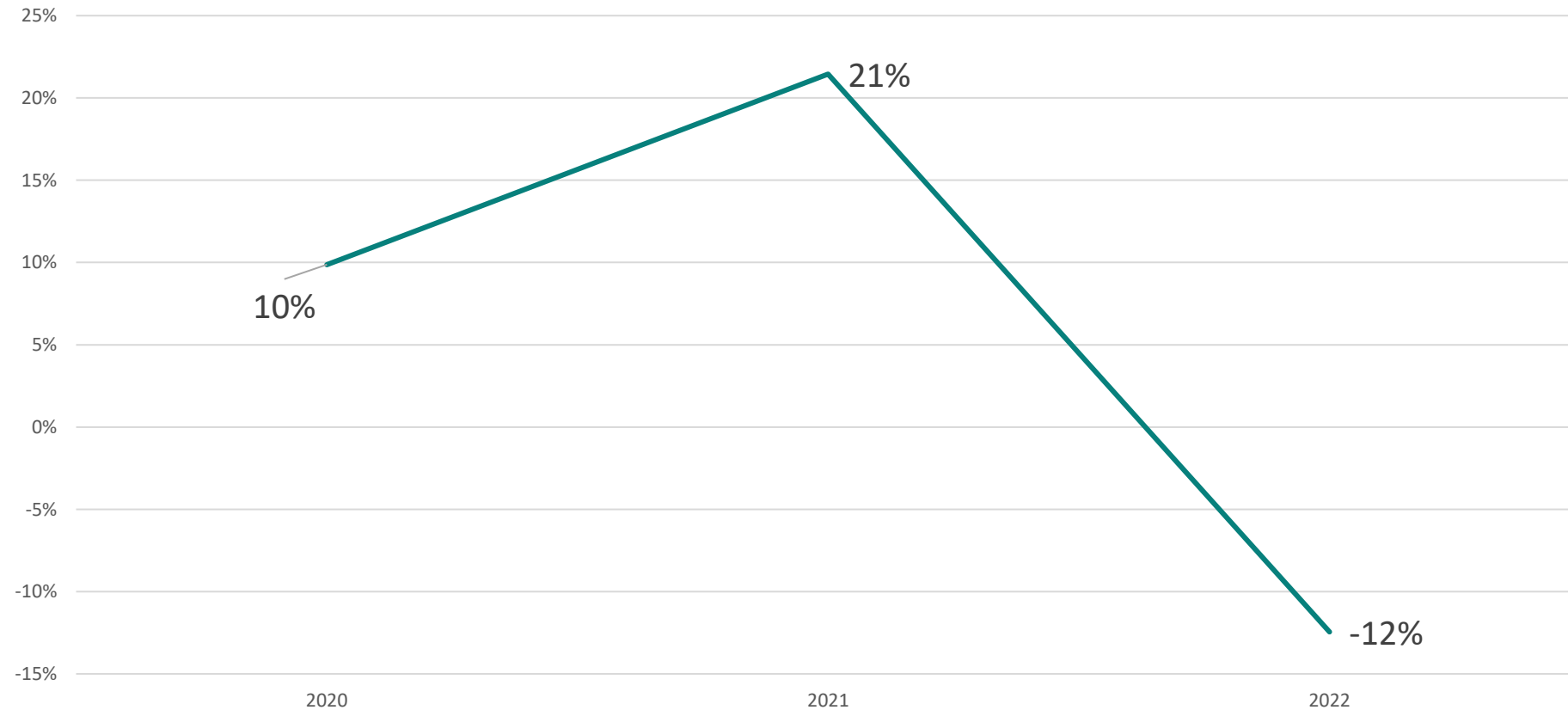
Business License





Business License: Flat-fee is too early to tell.

Trends in Flat Fee
Business License Revenue



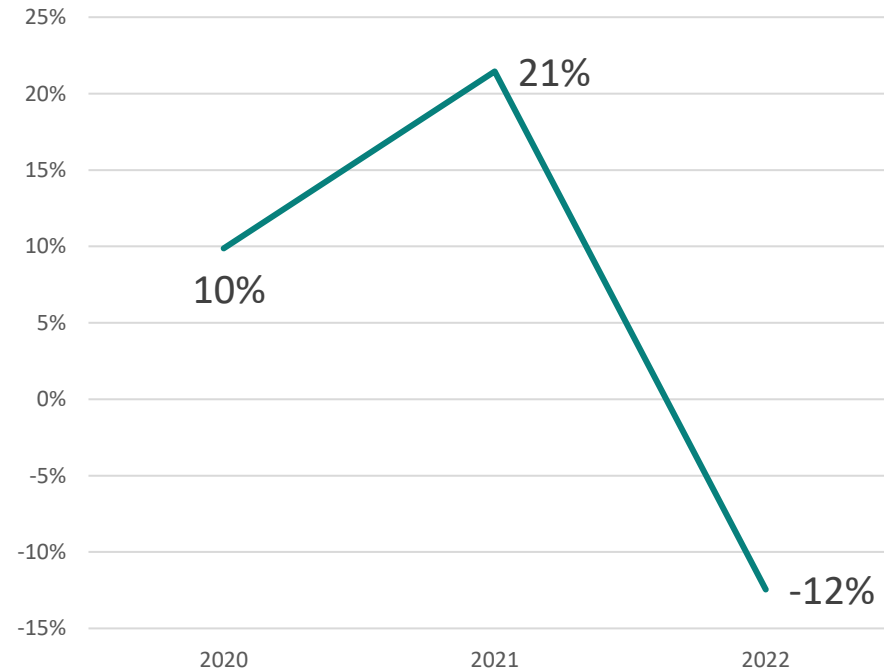


Business License: Flat-fee is too early to tell.

One caution:

This data is drawn from reports for renewals through December of 2021—just as inflation was ramping up. But many of the reporting agencies do not adjust their CPI until the end of the fiscal year. So these numbers may be negatively skewed.

Trends in Flat Fee
Business License Revenue



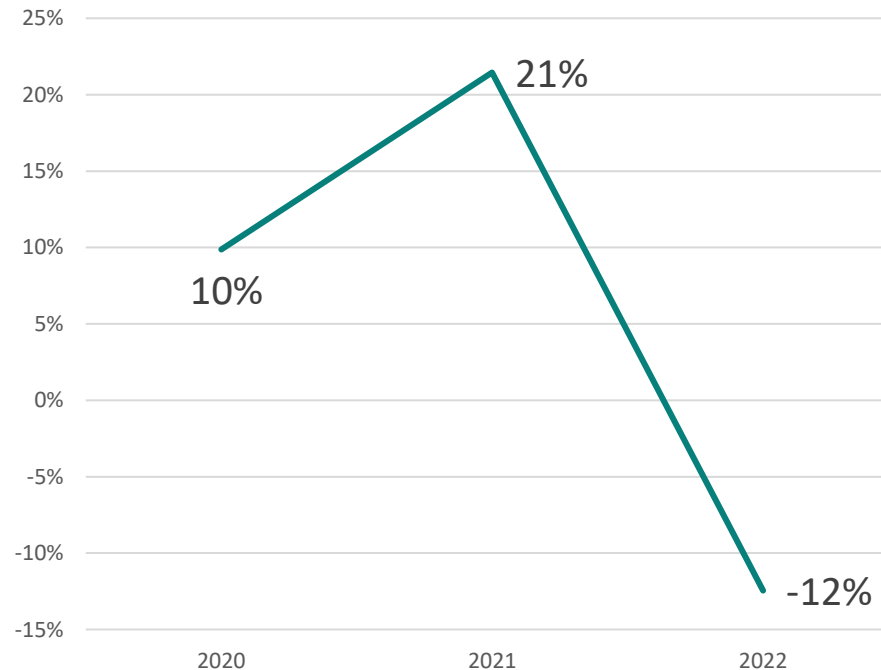


Business License: Flat-fee is to early to tell.

What to watch for when forecasting:

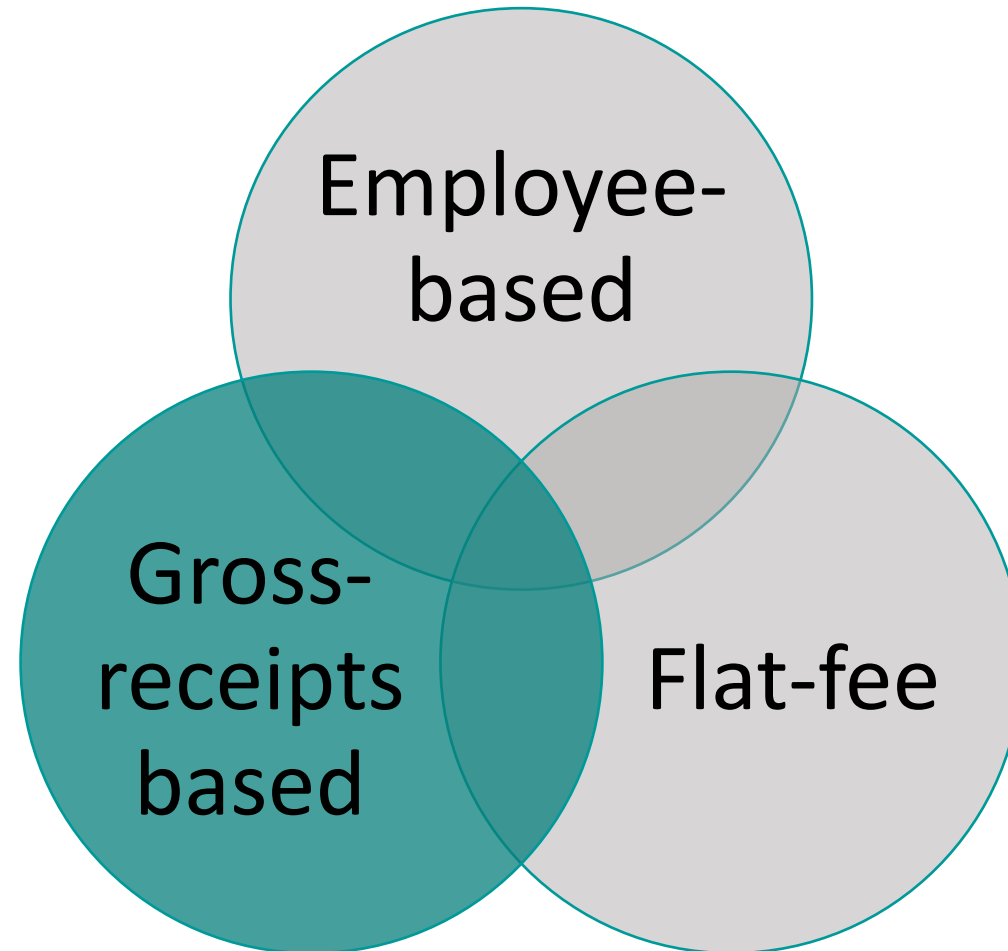
- Market consolidation (number of closures);
- CPI-kicker

Trends in Flat Fee
Business License Revenue





Business License

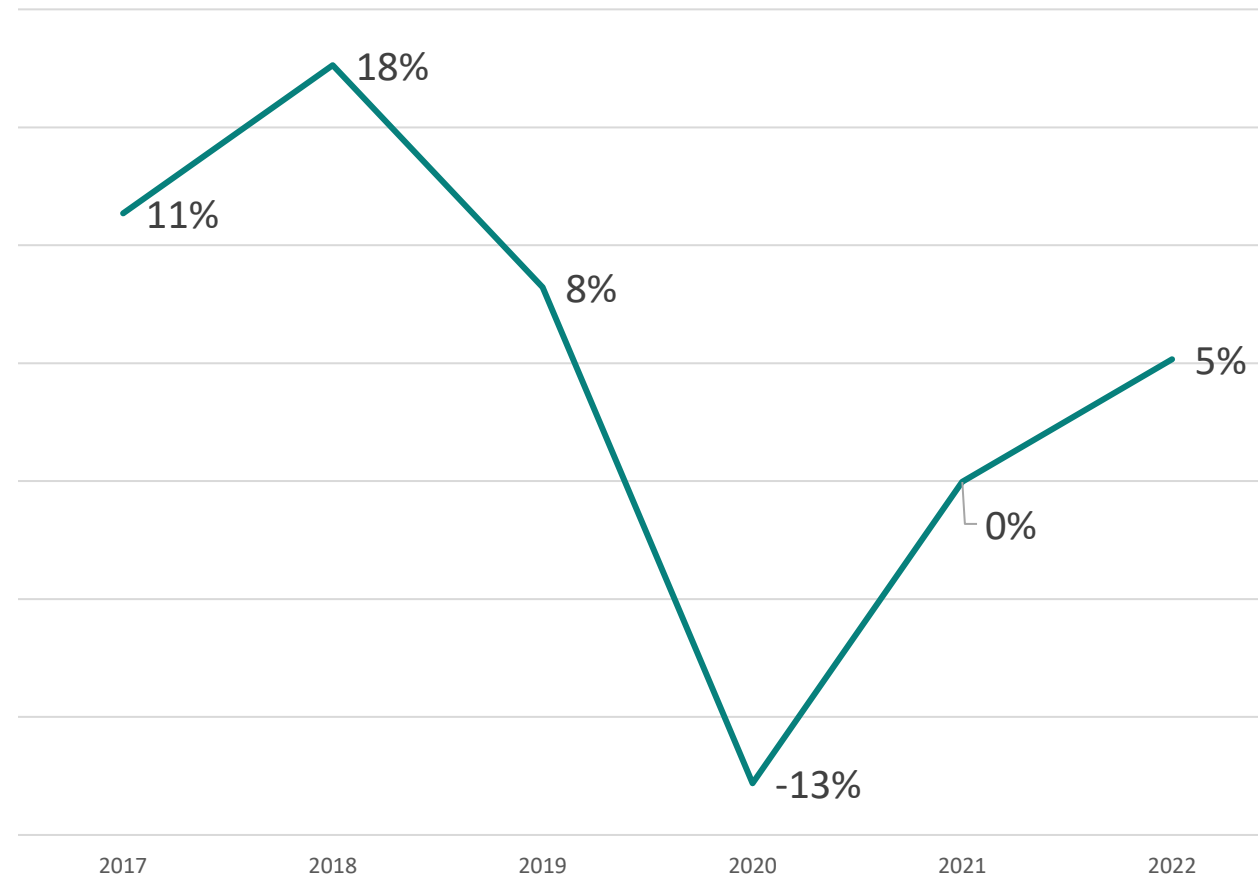




Business License: Gross-Receipts Based

We are seeing a recovery in reported gross receipts

Growth Rate in Reported Gross Receipts



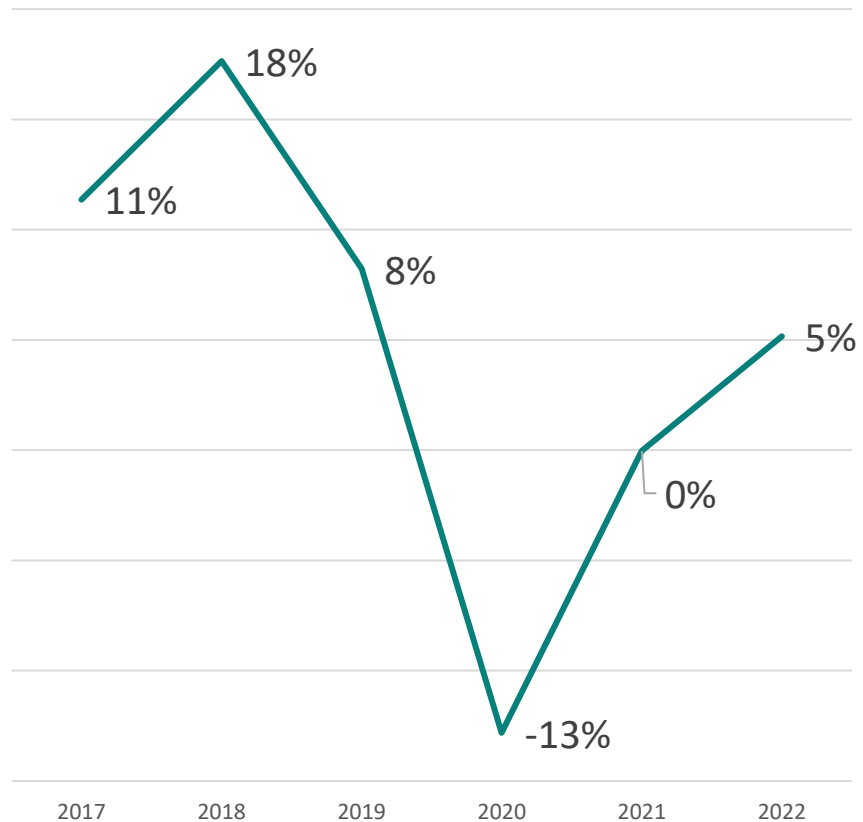


Business License: Gross-Receipts Based

What to watch for when forecasting:

- Concentration of recovery in specific sectors;
- Impact of caps

Growth Rate in Reported Gross Receipts

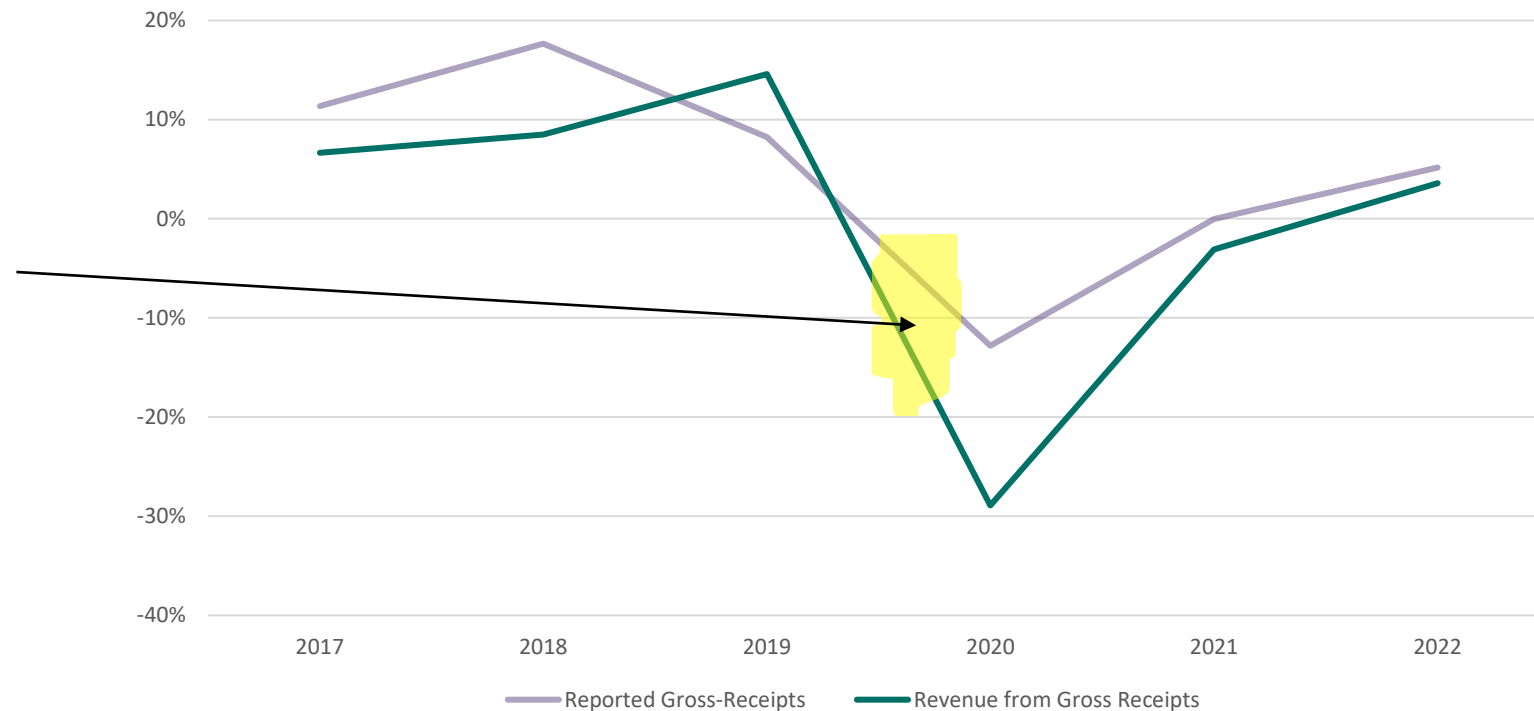




Business License: Caps create a misalignment.

This gap is likely due to the impact of caps when there is market consolidation and bigger business are hitting the caps while smaller business are going out of business

Reported Gross v. Growth in Revenue





Business License: Uneven Distribution

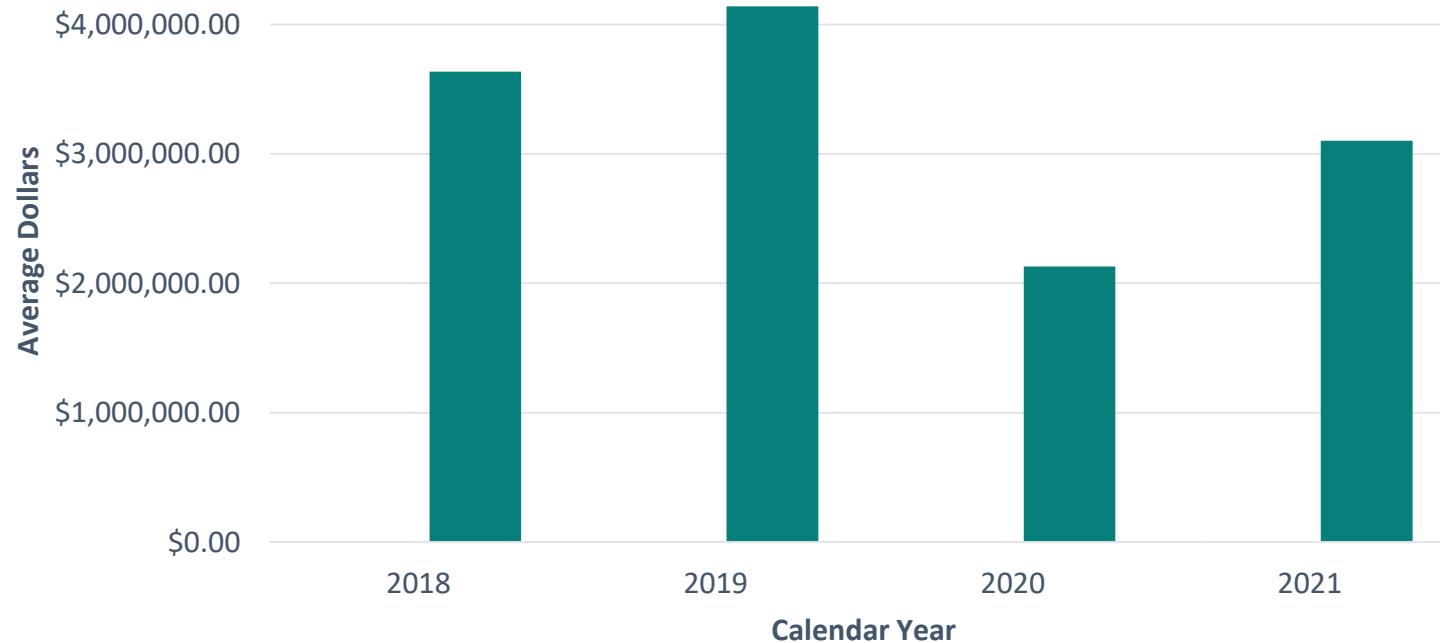
NAICS Sector	TrendLine Last Six Years	21-22 % Change
Arts, Entertainment, and Recreation		46%
Finance and Insurance		34%
NAICS not reported		24%
Transportation and Warehousing		15%
Accommodation and Food Services		13%
Wholesale Trade		11%
Management of Companies and Enterprises		9%
Other Services (except Public Administration)		6%
Retail Trade		5%
Public Administration		5%
Professional, Scientific, and Technical Services		3%
Information		1%
Administrative and Support and Waste Management and Remediation Services		0%
Real Estate and Rental and Leasing		-1%
Manufacturing		-3%
Construction		-8%
Health Care and Social Assistance		-8%
Educational Services		-12%
Mining, Quarrying, and Oil and Gas Extraction		-19%
Agriculture, Forestry, Fishing and Hunting		-20%



Transient Occupancy Tax

TOT rebounding after the low of 2020

STATE AVERAGE TOT & STR PAID
(in HdL Cities)





Transient Occupancy Tax

Trending positive, but continued volatility.

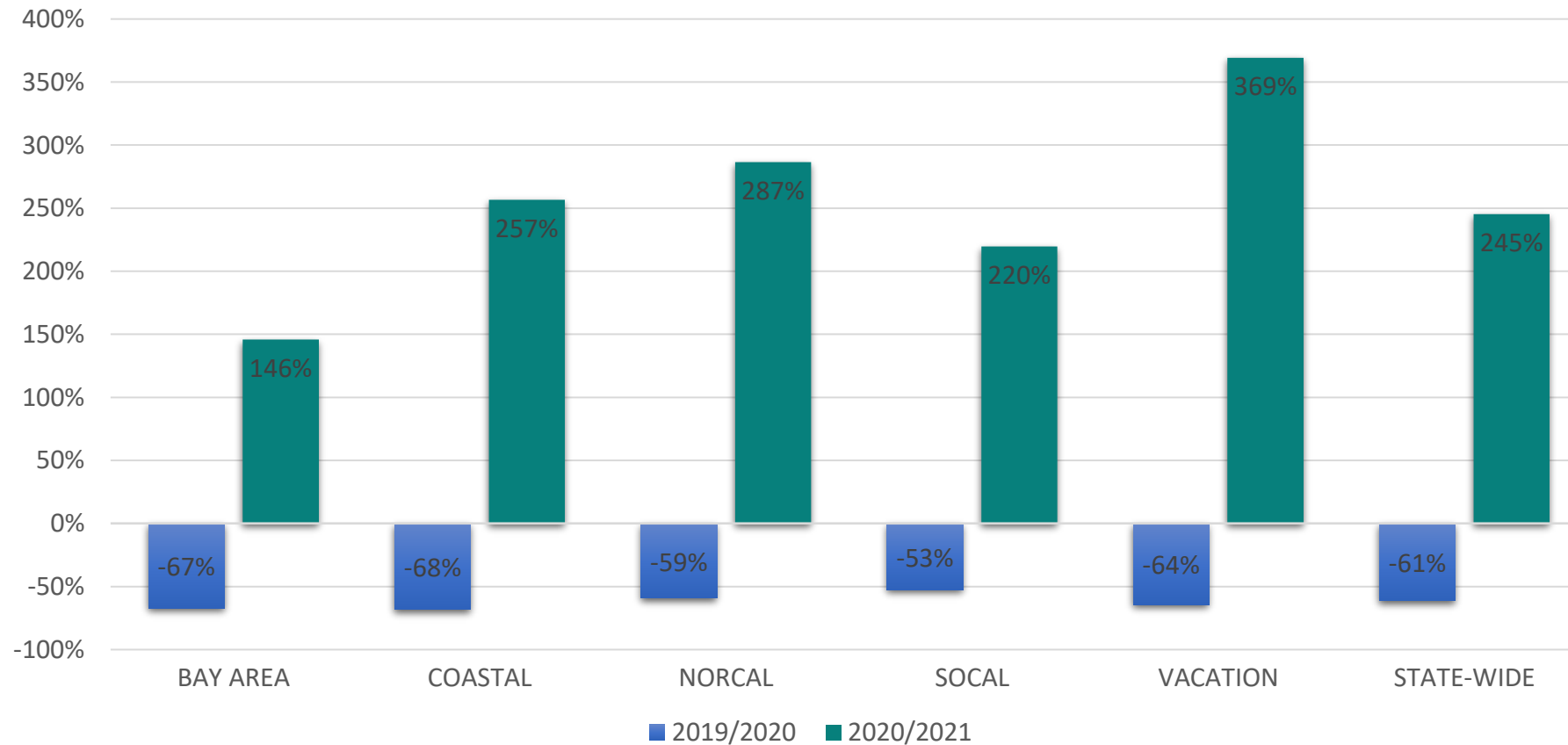
“The slow return of business travel and fewer meetings and events continue to have a significant negative impact on our industry. The growth of leisure and bleisure travel represents a shift for our industry, and hotels will continue evolving to meet the needs of these ‘new’ travelers”, said Chip Rogers, president and CEO of the AHLA, in a statement released with the report.

<https://www.hotelmanagement.net/operate/alis-ahla-releases-2022-state-hotel-industry-report> (last accessed 04/28/22)



Transient Occupancy Tax

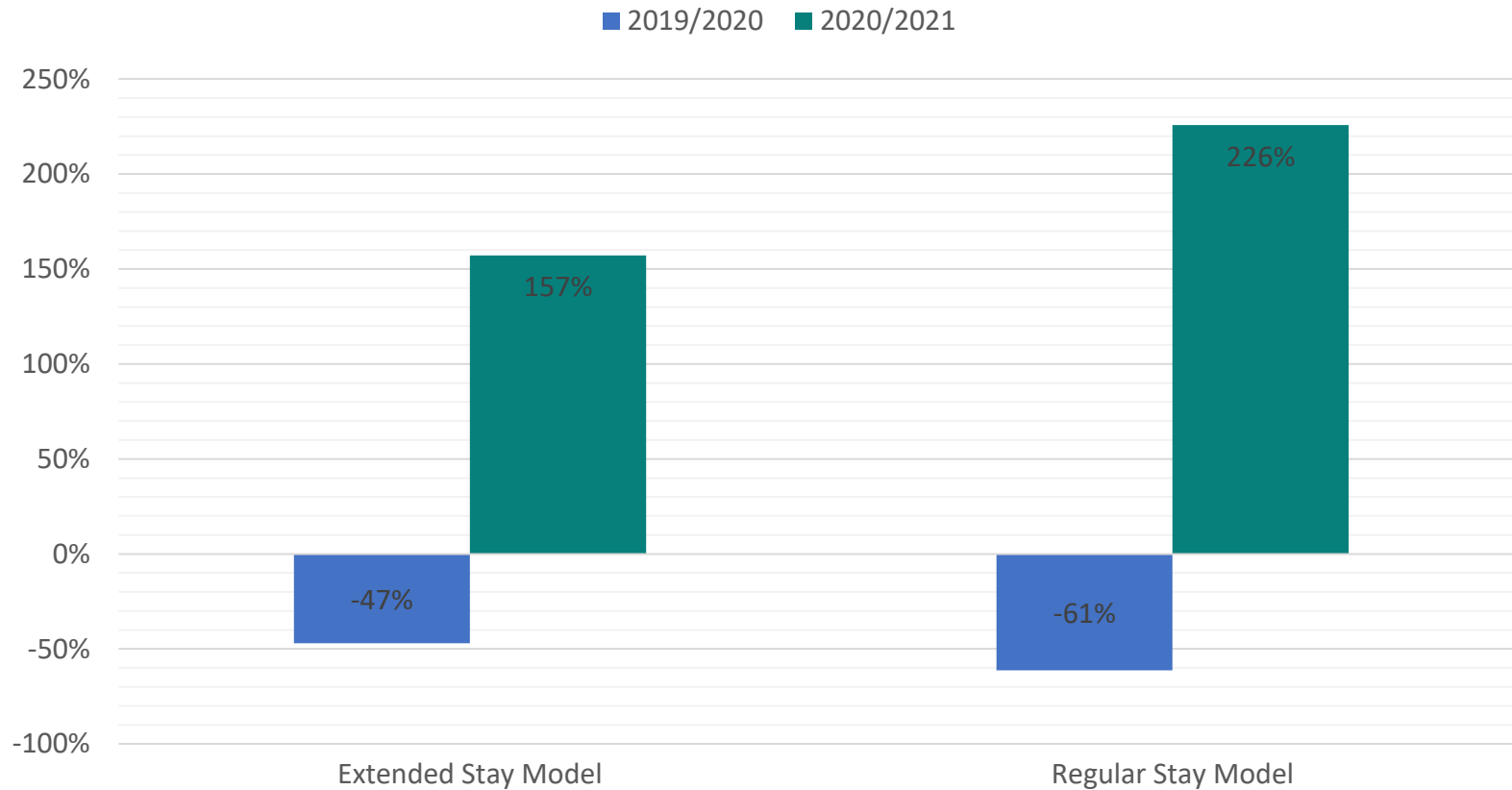
HOTEL REGIONS GROSS RENT YEAR-OVER-YEAR





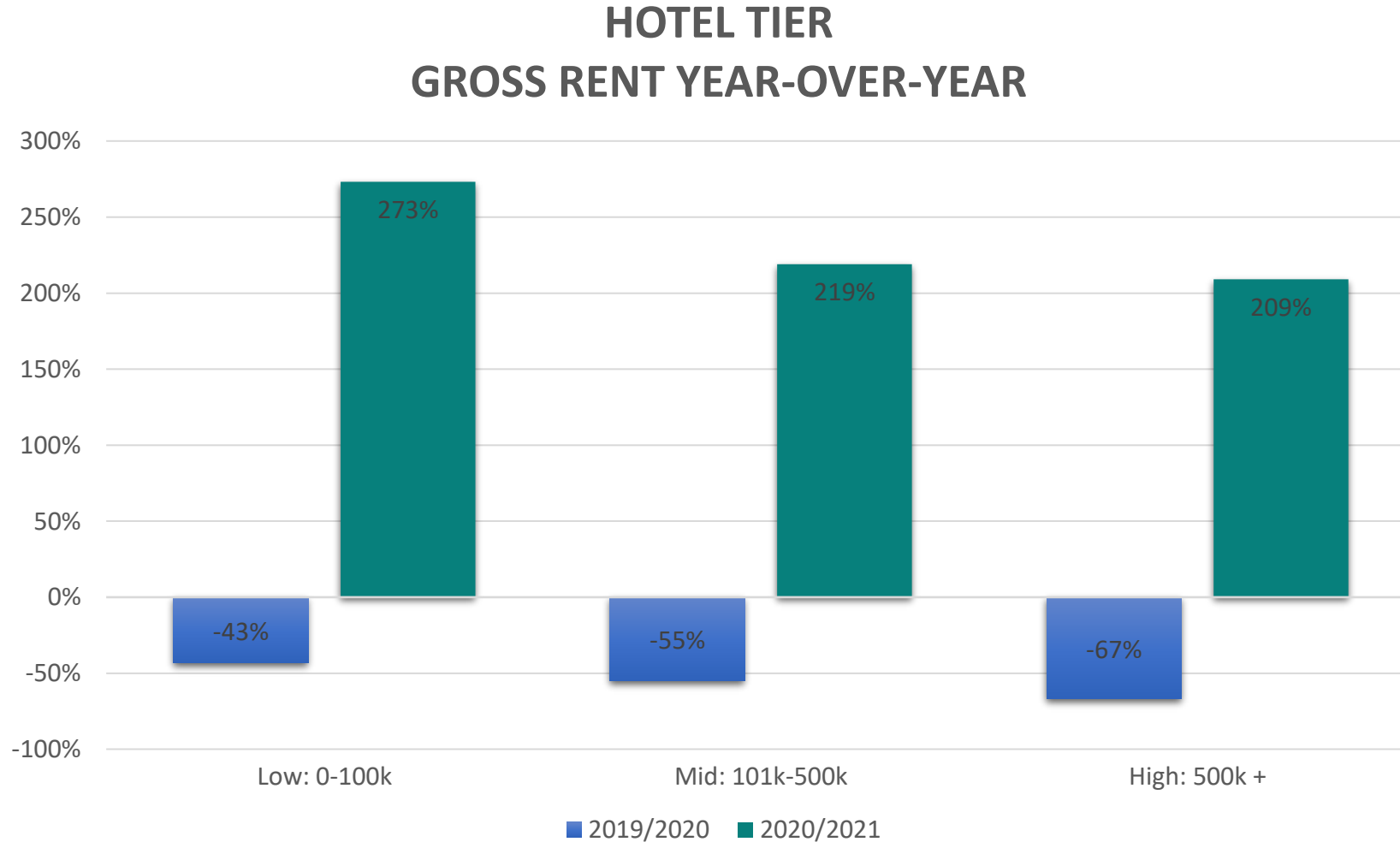
Transient Occupancy Tax

EXTENDED STAY MODEL GROSS RENT YEAR-OVER-YEAR





Transient Occupancy Tax

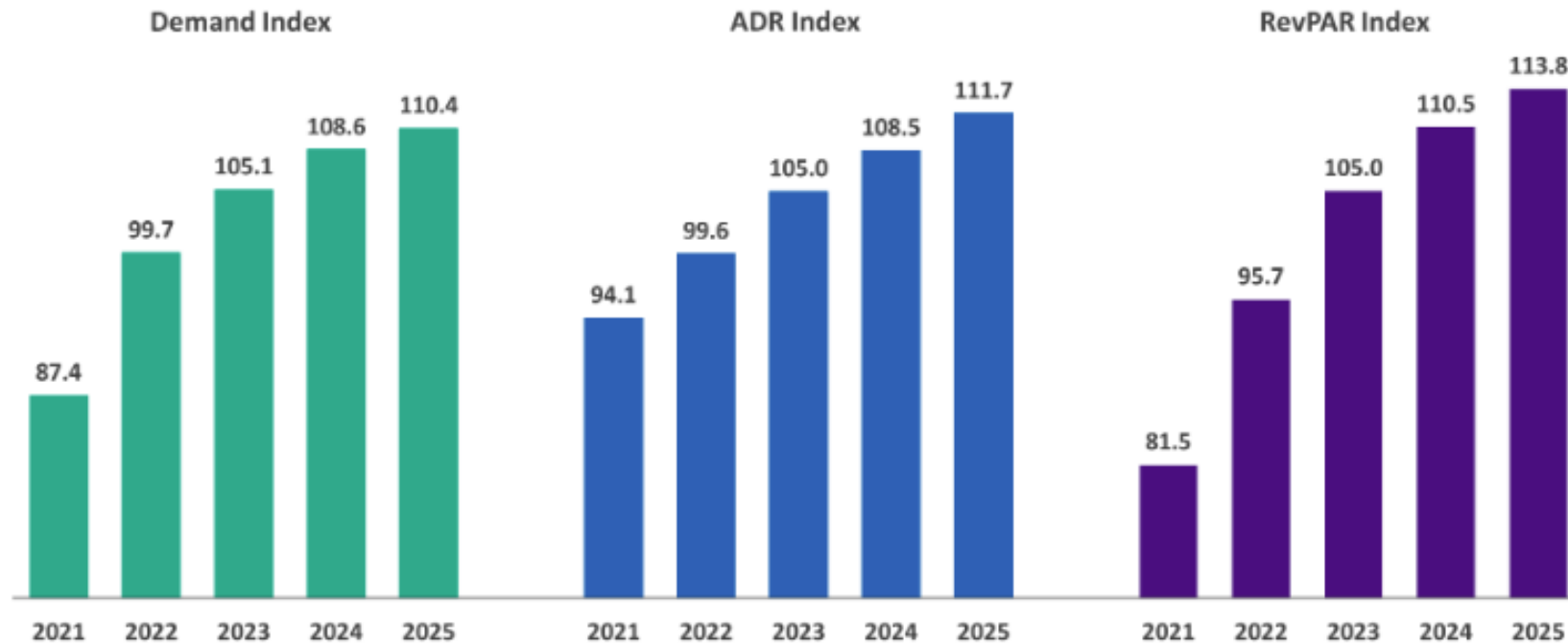




Transient Occupancy Tax

Demand and ADR near full recovery in 2022 with RevPAR fully recovering in 2023.

U.S. KPIs, indexed to 2019



Source: STR. © 2021 CoStar Group





Short-Term Rentals (STR)

STRs rose sharply in 2021 but are expected to taper off to ongoing growth rate of 3-6% over the next 5 years. Airbnb noted revenues are now exceeding 2019 levels signaling the STR market's strong recovery.

Revenue

Revenue for both Q4 and FY 2021 were up nearly 80% year-over-year and exceeded 2019 levels—demonstrating the strength of Airbnb's recovery.

\$1.5B

78% Y/Y
79% Y/Y (ex-FX)
38% Y/2Y

\$6.0B

77% Y/Y
74% Y/Y (ex-FX)
25% Y/2Y

Statista is forecasting an annual growth rate of 6.2% in 2022 for short-term rentals.

Source: https://s26.q4cdn.com/656283129/files/doc_financials/2021/q4/Airbnb_Q4-2021-Shareholder-Letter_Final.pdf
Last accessed 04/28/2022; (source: <https://www.statista.com/outlook/mmo/travel-tourism/vacation-rentals/united-states>)



Hotel and STR Forecasting

- Business Travel expected to remain below pre-pandemic levels
- Leisure Travel likely to return in full this year
- Occupancy rates and room revenue expected to return to 2019 levels
- Potentially 15% to 20% growth Year-over-Year in Fiscal Year 2022-2023
- For TOT specifically, there is positive industry data (ADR,PERADR) about demand

<https://www.hotelmanagement.net/operate/alis-ahla-releases-2022-state-hotel-industry-report>
(last accessed 04/28/22)



Hotel and STR: Actions to Consider

The below recommendations are worth considering in your communities.

- Monitoring
- Charting growth
- Alternate providers to help monitor your TOT
- Auditing
- Increased need for compliance (used to not filing; loss of long-term knowledge in Hotel employees)
- Short-term rental compliance needed – in this economy homes are key wealth producing assets and more investment firms are entering this arena.

CITY HALL

SHORT & LONG TERM FORECASTING
SHEILA POISSON, FINANCE DIRECTOR



Torrance at a Glance

- ▶ Southwest Los Angeles County, in the heart of the South Bay
- ▶ 21 square miles, 1.5 miles of coastline
- ▶ Population: 145,546
- ▶ Full service: Police, Fire, Public Works, Transit, Community Development, Community Services

Core Revenues

23%

SALES TAX

The largest General Fund revenue source, derived from point-of-sale transactions and Los Angeles County and State pool allocations.

19%

PROPERTY TAX

FY 2021-22 net taxable assessed values increased 3.2% from the prior year to \$34.4 billion, placing Torrance in the top 10 highest value cities in Los Angeles County (8th place).

15%

UTILITY USERS' TAX

The 3rd largest revenue source, is a 6.5% consumption tax applied on the usage of utilities such as electricity, gas, and water (6.0%).

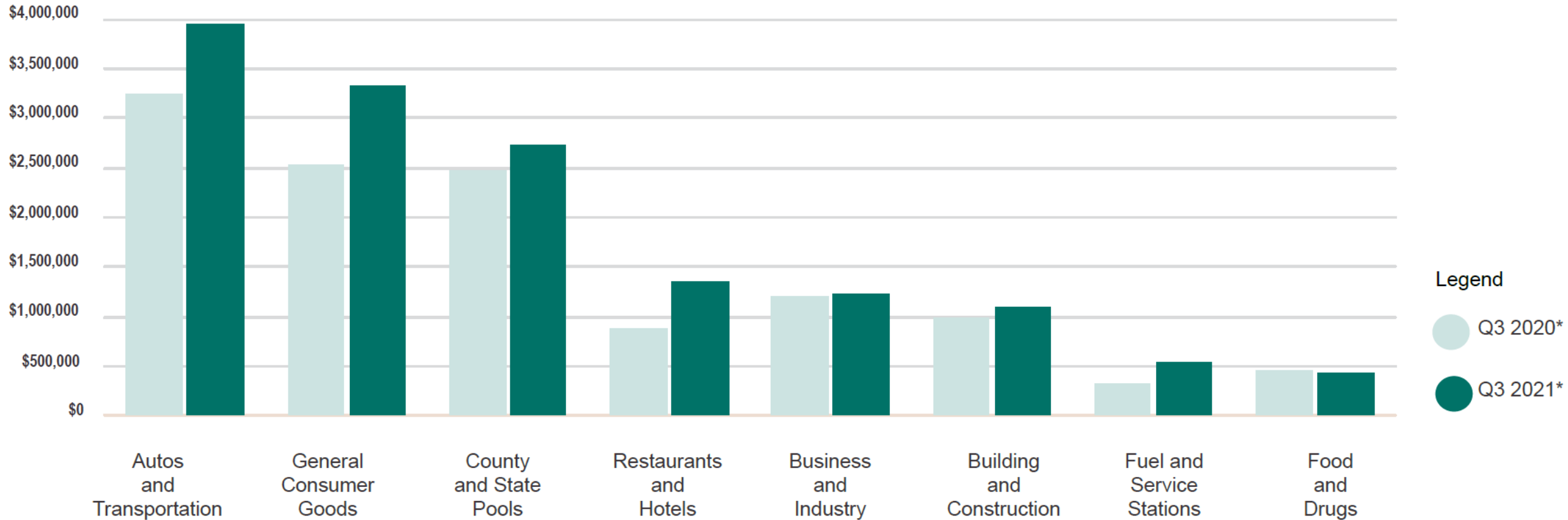


Sales Tax by Industry Group

Period Ending September 2021

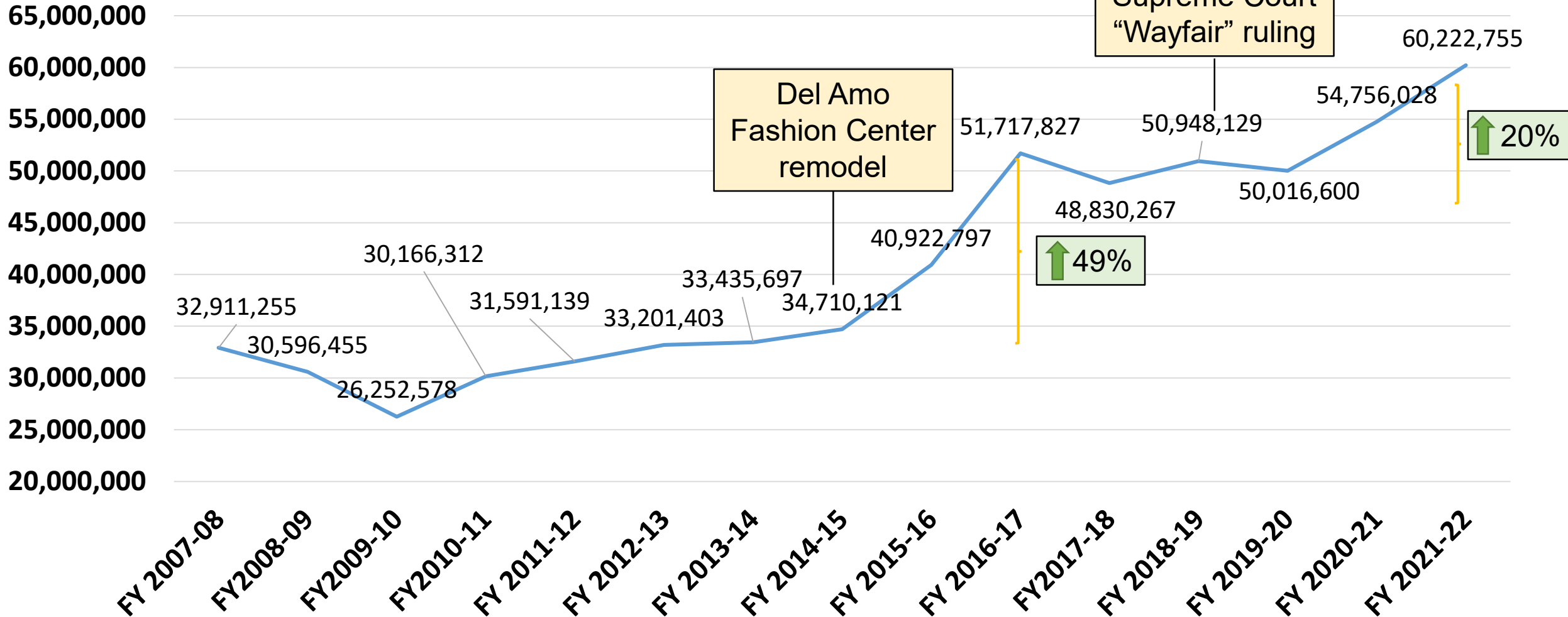
**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Sales Tax Trends

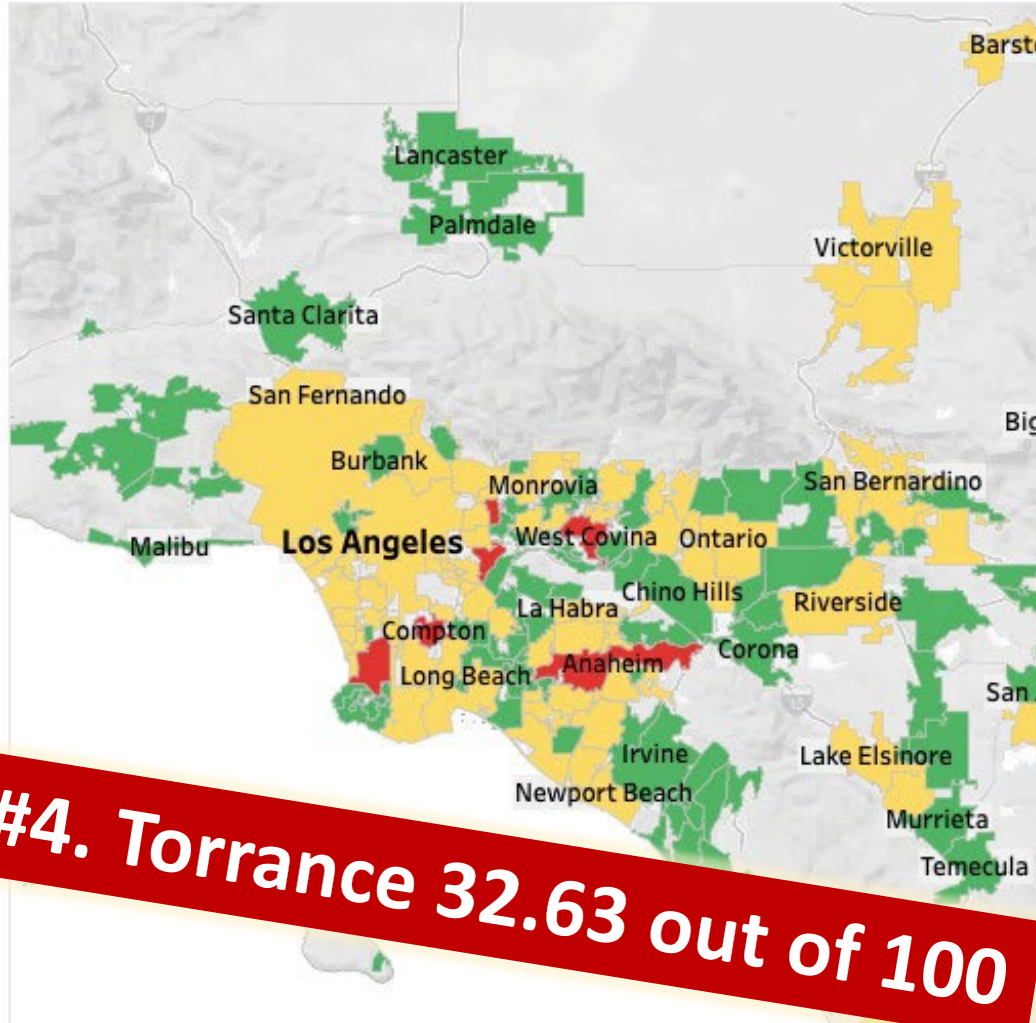
Annual Revenues – FY08-21 audited,
FY22 Forecasted



10-Year Forecast (Updated Mar' 2022)

	Projected	Forecast									
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Revenues	236,801	237,801	243,956	250,145	256,497	263,017	269,708	276,576	283,626	290,862	298,289
Expenses	223,010	238,777	239,914	240,646	241,318	242,223	242,431	243,885	246,407	249,896	252,571
Rev Less Exp - before adjustments	\$ 13,791	\$ (976)	\$ 4,042	\$ 9,499	\$ 15,179	\$ 20,794	\$ 27,277	\$ 32,691	\$ 37,219	\$ 40,966	\$ 45,718
<u>Adjustments</u>											
Cost of Raises (2%)	-	-	2,524	5,041	7,553	10,060	12,566	15,070	17,561	20,045	22,523
Econ Anomaly Reserve Contribution	-	-	1,500	4,500	5,500	6,750	8,750	10,500	12,500	14,000	15,000
Litigation Reserve Contribution	-	-	-	-	2,000	4,000	6,000	3,000	-	-	-
Self-Insurance Fund Balance	-	-	-	-	-	-	-	4,000	7,000	7,000	8,500
Rev Less Exp - after adjustments	\$ 13,791	\$ (976)	\$ 18	\$ (42)	\$ 126	\$ (16)	\$ (39)	\$ 121	\$ 158	\$ (79)	\$ (305)
Projected Unassigned Fund Balance	\$ 36,277	\$ 35,301	\$ 36,819	\$ 41,277	\$ 48,903	\$ 59,637	\$ 74,348	\$ 87,969	\$ 100,627	\$ 114,548	\$ 129,243
Reserve Minimum (20%)	\$ 44,602	\$ 47,755	\$ 48,788	\$ 50,037	\$ 51,274	\$ 52,607	\$ 53,949	\$ 54,491	\$ 55,294	\$ 56,788	\$ 58,019

CA State Auditor's High-Risk Assessment



#4. Torrance 32.63 out of 100

City Rankings FROM WORST TO BEST ↓↑

1. Compton (0 out of 100 points)	🟩 🟨 🔴
2. San Gabriel (29.37 out of 100 points)	🟩 🟨 🔴
3. Blythe (32.2 out of 100 points)	🟩 🟨 🔴
4. Torrance (32.63 out of 100 points)	🟩 🟨 🔴
5. Calexico (34.41 out of 100 points)	🟩 🟨 🔴
6. El Cerrito (35.76 out of 100 points)	🟩 🟨 🔴
7. Montebello (36.58 out of 100 points)	🟩 🟨 🔴
8. Anaheim (38.49 out of 100 points)	🟩 🟨 🔴
9. Richmond (39.55 out of 100 points)	🟩 🟨 🔴
10. Modesto (40.79 out of 100 points)	🟩 🟨 🔴

↑ The number associated with each city represents its statewide rank.

Why Propose a Sales Tax Ballot Measure

1. **Stabilize** Operating Budget, **Build** Reserves, Capital Projects
 - 1/2 cent increase approx. **\$18 million**
2. **Restore Public Safety and Maintain Service Levels**
3. **Address Unmet Needs / Unbudgeted Priorities**
4. **Maintain Local Control**
 - Of the last 2 County sales tax increases passed, **only 15 cents** on the dollar is being returned to Torrance
 - Measure H – 0.25% passed Mar 2017
 - Measure R – 0.50% tax passed July 2017
 - Torrance generated approx \$37M, only received \$5 million

Local Government Perspective: City of Lemon Grove



Lydia Romero
City Manager



STAY IN TOUCH

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Like us on Facebook

@InstituteFor
LocalGovt

Twitter



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Institute for Local
Government

Newsletter



Sign up for our e-newsletter

www.ca-ilg.org/news

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**Thank you
for joining us!**