Coleman Advisory Services

TO: FISCAL REFORM TASK FORCE OF THE LEAGUE

FROM: MICHAEL COLEMAN

SUBJECT: FISCAL IMPACTS OF 1) THE PROPOSAL OF THE SPEAKER'S COMMISSION ON STATE AND LOCAL GOVERNMENT FINANCE, AND 2) THE TASK FORCE'S PROSPECTIVE REFORM CONCEPT.

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I. EXECUTIVE SUMMARY

In my previous reports to the Task Force I outlined the fiscal reform proposal of the Speaker's Commission and the Prospective Reform Concept proposed by members of the Task Force. In addition to describing how these proposals would work, I provided an overview of the kinds of fiscal impacts they might produce. I also provided initial (first and second year) fiscal impact estimates based on broadly generalized economic assumptions. Of course, economic trends and conditions vary from locale to locale, and these variations will be the determinants in how the proposals affect city budgets.

For this analysis I developed a financial model for each proposal and surveyed twenty (20) cities for specific financial data and fiscal and land use projections. I ran each of the respondent's data through the model to produce fiscal impact estimates of each proposal specific to each city. The results largely confirm the general conclusions about fiscal impact which the Task Force has discussed. But they show the diversity of situations and the diversity of impacts on cities.

In summary, my analysis shows:

A. The fiscal impact of the swap depends on the city's relative future growth of property tax revenue versus sales tax revenue. Cities with future property tax revenue growth to surpass future sales tax growth will gain from the swap. For those forecasting stronger growth in city sales tax revenue than in city property tax revenue, the impact of the swap is negative. In some cities, the property tax return more than makes up for the loss under the swap.

1. Cities with substantial redevelopment programs are less likely to benefit from the swap because redevelopment dampens city property tax revenue growth.

2. Cities whose future land use development is dominated by new sales tax generators are likely to be worse off under the swap proposal.

a. However, **retail land uses would still provide more city tax revenue than the added city service costs** they create.

b. In some of these cities that expect substantial taxable sales growth from new

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development, the **lost sales tax revenue under the swap is offset by net gains in existing areas of the city.**

B. Cities that are already especially dependent upon sales tax revenues may be more likely to benefit from the swap. Cities with comparatively high sales tax per capita revenues may have less potential for developing new taxable sales generators than other growing communities. In addition, the swap has the benefit of providing more diversity and stability to these city's revenue bases.

C. The Speaker's Commission's sales tax for property tax swap is a good deal for most built-out cities. Because the swap under the Prospective Reform Concept applies only to new development, it has no direct effect on built-out cities.

D. Cities with mixed residential/commercial growth futures are better off under the sales tax for property tax swap unless they expect to attract new regional-draw sales tax generators.

E. The sales tax for property tax swap will reduce financial distortions at the root of the "fiscalization of land use" problem . . . Somewhat.

F. Substantial property tax return to local government is necessary to address the "fiscalization of land use" problem.

II. GOALS OF REFORM

While this evaluation looks at the fiscal implications of reform proposals, for a full and fair appraisal one should consider each proposal in light of the overall goals of local government fiscal reform.

A. Fiscal Reform Task Force of the League of California Cities

- Promote local discretion over revenues.
- Match local government revenue with responsibility and accountability to the local electorate.
- Provide constitutional protection and stability for revenues of all cities and promote California's long-term economic growth.
- Avoid harmful effects on individual local governmental units and state government service delivery obligations and programs.
- Enforce the prohibition against unfunded mandates.

B. Others

1. Speaker's Commission on State and Local Finance. The Speaker's Commission begins its recommendations with the following "guiding concepts:"

1) The local finance system should facilitate balanced, state, regional and local conservation and development policies as well as finance local and regional services.
2) In order to avoid dependence on one revenue source, local governments should derive their revenues form a diversity of sources, including property tax, sales tax and general purpose state subventions.
3) The finance base for local and regional services should be a constitutionally protected, stable and reliable and be sufficient to assure basic services.
4) Increase the transparency of state and local government.

2. Legislative Analyst's Office. On February 3, the Legislative Analyst's Office (LAO)[1] released a report "*Reconsidering AB8: Exploring Alternative Ways to Allocate Property Taxes*." The report offers five alternatives to improve local finance. While property tax reform is at the heart of these alternatives, they suggest much broader changes to local government finance. The LAO identify the following existing problems related to local finance and the property tax allocation in particular:

- ✓ Lack of information impedes government accountability to taxpayers
- ✓ Lack of local control
  - o No (local) ability to raise or lower property tax shares.
  - o System susceptible to state-controlled revenue shifts.
  - o Inability to shift revenues among priorities.
- ✓ Skewed development incentives
  - o Fiscal incentives encourage retail over other uses.
  - o Fiscal incentives encourage the proliferation and misuse of redevelopment.
- ✓ Assessment practices act as a barrier to new businesses
- ✓ Reliance upon non-deductible taxes to finance government services.
- ✓ Competition for resources results in inefficient intergovernmental program coordination.

III. FISCAL IMPACT ANALYSIS

This report provides results and discussion of my analysis of three proposals for restructuring local finance. The purpose of this analysis is to investigate:

- o How would the proposal affect the finances of individual cities?
- o How would the proposal affect the ability of future land use development to provide sufficient revenues to cover municipal service costs?

A. Methodology

Pursuant to the direction of the Task Force, this analysis consists of two exercises: 1) an examination of fiscal impact analyses of proposed development projects ("project analysis"), and 2)

[1] The LAO is a non-partisan office which provides fiscal and policy information and advice to the legislature

an analysis of the fiscal impact on a variety of individual cities using local fiscal and land use development estimates ("city fiscal survey").

1. Project Analysis (Exhibit 4)

I gathered fiscal analyses of planned land use developments from several economic consulting firms. I reviewed and summarized the results of these data. Next I altered the revenue figures in the analyses to reflect the changes that would occur under the reform proposals. These changes include reductions in the Bradley Burns local sales tax rate, increases in the property tax share and additional property tax revenue from a property tax return. The numeric results of this analysis are summarized in Exhibit 4.0.

2. City Fiscal Survey (Exhibits 1-3)

I sent information requests to more than thirty (30) cities. Twenty (20) cities responded with fiscal and land use planning statistics including past and projected tax revenues, assessed valuation, population and housing units using the survey form I supplied (see Exhibit 1.0). I constructed fiscal models of the reform proposals and entered each city's information. The draft results produced by the model were returned back to each city with my observations. The models and results revealed anomalies in some of the data provided by the city finance directors and in the models themselves. Some of the mathematical formulas in the models were corrected and, in several cases, city finance directors chose to change their financial projections.

While the cities in this analysis represent a broad variety of circumstances, a non-random survey of just twenty cities can by no means be considered a statistical sample. Consequently, these results suggest that similarly situated cities will be affected similarly, but they do not necessarily reflect the proportional impact on all 474 cities. The numeric results of this analysis are summarized in Exhibit 4.0.

B. The Proposals

1. The Speaker's Commission Proposal: a) swap a portion of the locally levied sales tax for an equivalent amount of the property tax, b) increase the amount of discretionary revenue (by $1 billion) for countywide and other local government services.

(a) <u>The "Swap"</u>

Within each county, the county and each city would swap a portion of the locally levied sales tax for an equal amount of the property tax. The locally levied 1% sales tax rate would be reduced to .5% and the state rate would be raised by .5%. An equal amount of property tax would be shifted from either school or community college districts. The state, using the new revenue from the .5% of the sales tax, would backfill the school or community college districts through the state aid system.

The property tax allocation for each city and county would work as follows:

(i) The 1% property tax is currently levied countywide and allocated to agencies within the county by statute. Under this proposal the county and each city would be allocated the amount

of property tax it received in the prior year, augmented with the amount of the sales tax that it lost. This action would have the effect of changing each city and county's share of the property tax since the relative shares of the property tax among the jurisdictions receiving the tax would change. The city or county share would go up and the school and/or community college districts' share would go down.

(ii) Each year thereafter, the city and the county would receive the amount they received in the prior year (the adjustment for the sales tax swap is now in the base property tax) plus a share of the property tax that is attributable to the growth in assessed value within their jurisdiction. This share would be based on the new, increased base amount of the agency relative to that of other taxing agencies in their jurisdiction.

(iii) The property tax would be shifted from either K-12 school districts or community college districts. The reduction in property tax going to these districts would be replaced with an equivalent amount in state aid. Within each county the K-12 school share of the property tax would be allocated on a per student basis. The "basic aid" districts (those school districts that receive a minor amount of state aid and receive most of their funding from the property tax) would be held harmless for the change from a situs based property tax to one where the schools' share of the countywide property tax is distributed on a per student basis to school districts within the county.

(b) Settlement for the 1992-93 and 1993-94 Property Tax Shift.

Return $1 billion of property taxes to counties, cities and special districts from the Educational Revenue Augmentation Fund (ERAF) in each county or other State sources over time in annual installments of not less than $100 million, provided that the growth in any year of per capita non-proposition 98 general fund revenue exceeds the statewide consumer price index for the prior year.

(Source: Speaker's Commission on State and Local Finance)

Note: the Speaker's Commission does not provide a specific recommendation as to how this property tax return should be allocated. This analysis assumes an allocation formula mirroring AB1661 of 1999.

2. The Prospective Reform Concept: a) provide an increased allocation of property taxes to cities counties and special districts, b) change the apportionment of sales and property tax revenues from new development only.

Sales tax and property tax will be allocated differently for tax revenues from development that occurs after a date certain (e.g July 1, 2002). The apportionments of tax revenues (including those from revenue growth) on existing properties developed and operating before the date certain would not change.

The design of these new apportionments would be similar to the proposal of the Speaker's Commission on State and Local Finance (a "swap" of sales and property tax allocations) but would apply to new development only - and would not involve a hold-harmless base year. Local governments would be "held harmless" on existing revenues by retaining existing tax apportionments on previously developed property. The Bradley Burns local sales tax would be reduced with a commensurate increase in the state sales tax rate (the total rate to the taxpayer

remaining the same). Property tax apportionments to cities (and county rates in unincorporated areas) would be substantially increased such that the new development would provide adequate revenues to provide local public services to the development (be it housing, office, industrial, retail, etc.).

IV. FINDINGS

The detailed tables in the attached exhibits provide the specific numeric assumptions and outcomes of the analyses. From some careful review, I have drawn the following general conclusions from the data to try to illustrate how the reform proposals affect specific city finances and the reasons these results may vary among cities.

The sales-tax-for-property-tax-swap is the most complex aspect of each proposal. In contrast, the property tax return aspect of each proposal is straightforward as to implementation, fiscal effect, and implications.

A. The Fiscal Impact Of The Swap Depends On The City's Relative Future Growth Of Property Tax Revenue Versus Sales Tax Revenue.

As I have indicated in early reports to the Task Force, the fiscal effect on a particular city of the sales-tax-for-property-tax-swap depends on the relative future growth of property tax versus sales tax revenue. Historical patterns and economic trends suggest that California local governments on the whole will be better off with more property tax and less sales tax.

Sixteen (16) of the twenty (20) survey cities estimate their city's future property tax revenue growth to match or surpass future sales tax growth. These cities show net gain or break even results from the swap. [See Exhibit 2.0 Summary of Assumptions, Impacts and Profiles of Survey Cities]

Lakewood, La Mirada, Mission Viejo and Signal Hill are each forecasting stronger growth in city sales tax revenue than in city property tax revenue. [See Exhibit 2.0] Consequently, the impact of the swap is negative for these cities. However, in **La Mirada** and **Mission Viejo**, the ERAF property tax return aspect of the proposal provides each of these cities with more than enough revenue to cushion the loss. In **Lakewood**, the property tax return provides a net gain of almost $1 million in the first year, but this gain declines rapidly over time as the 3.5% annual growth in this property tax revenue looses ground to the loss of sales tax revenue that grows at an average of more than over 9% per year.

The primary factors that contribute to a city having higher sales tax than property tax revenue growth are 1) a large proportion of the city in redevelopment, and 2) future land use development that is dominated by a high mount of taxable sales generators.

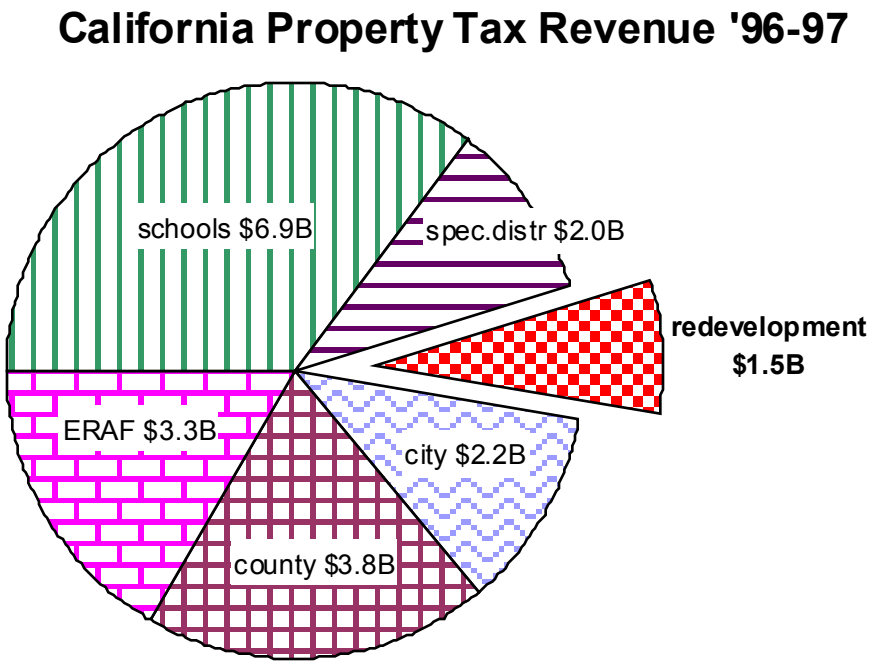
1. <u>Redevelopment</u>: Cities With Substantial Redevelopment Programs Are Less Likely To Benefit From The Swap.

Redevelopment is largely financed by property tax increment that accrues within a project area. Redevelopment has the effect of limiting the growth of property tax revenues to the taxing agencies that serve the redevelopment area. Thus, the larger a redevelopment area, the more significant its drag on a local agency's property tax revenue.

All but one of the survey cities have redevelopment agencies. In five cities, redevelopment areas encompass more than a third of the city. In **Signal Hill**, nearly two thirds of the city is in redevelopment -among the largest proportions in the state.[2] This is a significant reason behind this city's relatively low general fund property tax growth forecast of just 2% per year.

How The Swap Affects Redevelopment Agencies and Cities With Redevelopment

Redevelopment agencies collect 8% of property tax revenues in California. But unlike other local governments, redevelopment agencies gather their property tax revenues from the "tax increment" or growth in property tax revenue that occurs within their jurisdiction. Absent the redevelopment agency, this tax increment would be apportioned among the taxing agencies serving the area.



This public financing mechanism is unique to redevelopment and it creates some special considerations when we consider changes to the property tax system, such as the sales tax for property tax swap proposal of the Speaker's Commission.

[2] Still, during the late 1980s, Signal Hill's property tax revenue grew by an average of 8% per year.

The Effect Of The Swap Proposal On Redevelopment Agency Revenues

The speaker's commission proposes to swap the allocation of sales tax and property tax revenues among governments, but it would not alter the tax rate. Redevelopment revenues come from the tax increment or growth in tax revenue that occurs within an area. Absent the redevelopment area, the revenues would be allocated according to apportionment shares. Generally, shifting these shares (i.e., reducing the school/state share with an equivalent increase in the city share) will not affect the amount of tax increment going to the redevelopment agency. However, in some redevelopment areas, inter-agency agreements provide for special arrangements, most commonly "pass-throughs." Cities and redevelopment agencies will need to examine these agreements to determine any unwelcome fiscal impacts.

A few redevelopment agencies receive sales tax revenue under sales & use tax sharing agreements. In 1996-97, redevelopment agencies received $24 million in sales & use tax revenue. Depending on the terms of each agreement, the reduction in Bradley Burns sales & use tax from the swap may affect these revenues. These agencies would need to examine the agreements and the financial implications and consider amendments. However, in most cases the city will have approximately the same (or more) total fiscal resources with which to support its redevelopment agency.

The Effect Of The Swap Proposal On Other Taxing Entities

The presence of a redevelopment area will affect city and state finances under the swap proposal. Where a redevelopment agency exists, property tax revenue growth is diverted, but not (generally) sales & use tax revenues. These cities will pick up greater burdens (pay more of the tax increment) for their redevelopment agencies and the schools serving the area will pay that much less. The total amount of increment going to the redevelopment agency will not change.

More Property Tax to Cities Means More Redevelopment Tax Increment Comes From Cities

With a greater share of property tax revenue comes a greater share of tax increment going to redevelopment areas. In the short-run, some cities with substantial redevelopment agencies and substantial sales tax bases may see lower general fund revenue growth as a result. This is primarily because they will contribute additional property tax increment to their redevelopment agencies. However, when these agencies close, these cities will be better off than under the status quo.

An Example.

The City of Durham received $2000 in sales & use tax last year. Next year that revenue source is projected to grow 4% and so it would receive $80 in growth. But the Speaker's Commission proposal would shift half this tax base ($1000 dollar for dollar) for property tax share. So the city would get just $40 in sales & use tax growth (4% on the remaining $1000).

On the property tax side, the City of Durham received $400 last year. Assessed property values are projected to grow by 6% - but in 50% of the city this growth

(tax increment) will go to the redevelopment agency, so the city projects a growth in property tax revenue of 3% or $12. The Speaker's Commission proposal would boost the property tax base for Durham by $1000 to $1400. At 6%, property tax revenues for the City would grow $84 but because half this goes to the redevelopment agency, it will get just $42.

The net result is that the City will see $10 less revenue under the Speaker's proposal. But in the absence of the redevelopment agency it would have received $20 more and when the RDA completes its work and closes, the city's larger share will have it financially better off than under the current arrangement. This assumes that, in the future, property values in the city will grow faster than taxable sales.

City of Durham - Year 2 Impact of 50% ST > PT Swap

	Status Quo	Speakers' Proposal	diff +/-
Sales Tax Base	$ 2,000	1,000	
Sales Tax Growth @ 4%	80	40	(40)
Property Tax Base	400	1,400	
Property Tax Growth @ 6%	24	84	60
less TI to redevelopment	(12)	(42)	(30)
TOTAL	2,492	2,482	(10)

Less Property Tax to Schools Means Less Tax Increment Comes From Schools

Redevelopment has had the effect of depressing the growth in property tax revenue for schools (as well as cities, counties and special districts) by capturing this revenue growth. Just as the swap of sales tax for property tax will mean a slower growing revenue base for some cities, it may mean a faster growing revenue base for some schools (state sales tax/ general fund versus local property tax). California's taxable real property is a more robust and steady revenue base than taxable sales, historically and in the future. But the growth of property tax revenue to some local governments (including cities, counties, special districts and school districts) has been slowed by the presence of redevelopment. The swap relieves schools of the some of the revenue dampening effects of redevelopment.

An Incentive To Complete Redevelopment ?

One of the negative effects of the property tax shifts of the 1990s has been to reduce the incentive for cities to close out their redevelopment agencies - by reducing their property tax shares and thereby the revenue boosts they will receive after the closure. Increasing city shares of the property tax gives cities a greater incentive to succeed with their redevelopment efforts, boosting property values in the process and then complete and close their agencies, reaping the benefits in healthier tax revenues.

2. <u>New Development Dominated By Sales Tax Generators</u>: Cities Whose Future Land Use Development Is Dominated By New Sales Tax Generators Are Likely To Be Worse Off Under The Swap Proposal.

This is, of course, consistent with the policy goals of the Speakers Commission to "facilitate balanced, state, regional and local conservation and development policies."

The City of **Lakewood** expects major new sales tax generating commercial centers to open in the next few years, boosting their taxable sales by 33% over the next three years. These developments are all located in the city's redevelopment agency. Consequently, the property tax growth from them accrues to the redevelopment agency, not the city general fund. For this city swapping, a "swap" of sales tax for property tax is a one sided deal: they loose future sales tax but can expect no future property tax in return - until the redevelopment agency closes.

But even if such retail development will occur outside a redevelopment agency, the city would gain much more tax revenue under the current system. **Mission Viejo** is currently experiencing a major boom in retail sales generating development including the renaissance of its high-end mall, new car dealerships, and new "big box" retailers. About half of this new development is in the city's redevelopment area.

a. However, Retail Land Uses Would Still Provide More City Tax Revenue Than The Added City Service Costs They Create.

In cities such as **Mission Viejo** and **Lakewood** with plans for substantial retail development, the city would receive less <u>net</u> revenue (new revenue minus new service costs) than under the current system. However, even under the Speaker's Commission proposal, new city revenues from the land use development would still more than pay for the added city service costs. This effect can be seen in the "Project Fiscal Impact Analyses." The original consultant fiscal analyses of projects that are dominated by sales tax generators show substantial net revenue to the city. Under a sales tax for property tax swap (as proposed by the Speaker's Commission), these projects would still produce substantially more new city revenue than new city costs - even before factoring in the $1 billion property tax return included in the Speaker's Commission proposal.

According to the original consultant study, the **Covell Business Park in Davis** would generate about $20,000 net revenue to the city in Year 8. My analysis shows that the Speaker's Commission swap would reduce this net gain to about $10,000 in that year. The Commission's proposed property tax return would add about $8,000 per year for a net gain of $18,000. Under the Prospective Reform Concept, the larger property tax share (for this city) and larger property tax return ($1.5 billion versus $1 billion) would produce a net gain to the city from this project of about $29,000.

b. In Some Of These Cities That Expect Substantial Taxable Sales Growth From New Development, The Lost Sales Tax Revenue Under The Swap Is Offset By Net Gains In Existing Areas Of The City.

The negative effects on these cities may be mitigated by net positive revenue effects in existing development. That is, stronger property tax revenue growth versus sales tax growth within exiting development may exceed net revenue losses in new development.

In **Turlock**, a retail project expected to open in August 2000 will provide a substantial boost to city sales tax revenues. The Speaker's Commission swap (theoretically implemented July 1, 2000 for the purpose of this analysis) would result in about $160,000 less net revenue to the city from the new development in 2000-2001 - accelerating to a $360,000 loss in 2004-05. But this loss would be offset by from gains in already developed areas of the city where the swap would produce a net gain of more than $300,000 in 2004-05 due to stronger property tax revenue growth than sales tax growth. A similar effect occurs in **Santa Barbara**.

B. Cities With Mixed Residential/Commercial Growth Futures Are Better Off Under The Sales-Tax-for-Property-Tax-Swap Unless They Expect To Attract New Regional-Draw Sales Tax Generators.

Several of the survey cities are forecasting substantial growth in the coming decade. For most of these communities, a sales tax for property tax swap provides the city with a substantial net gain in revenues over the current system. For example, the cities of **Livermore, Novato**, **Tracy** and **Turlock** each anticipate annual population growth of 3% to 5% during the next five years. The swap reduces net gain from taxable sales generators because the additional property tax share can't make up for the reduced sales tax revenue. But revenues from residential, office and industrial development will improve. Consequently, the swap would help cities that are building housing to cover the additional service costs of the development. However, my analyses of the project fiscal evaluations indicates that in some cases, this future development still might not provide sufficient local government revenues to cover the additional service demands it creates.

C. The Speaker's Commission's Sales Tax for Property Tax Swap is a Good Deal for Most Built-Out Cities.

Many of the survey cities, including **Bellflower, Daly City, Glendale, San Carlos, San Mateo, Santa Barbara, Santa Fe Springs,** and **Sunnyvale** predict no significant land use development of any kind in the next five years. These "built-out" cities generally predict steadier, stronger growth in property tax revenue than sales tax revenue. These projections are consistent with statewide historical revenue trends, the eminent economic rebound of property tax revenues and the increasingly negative impacts of e-commerce on taxable sales. These built-out cities are better off under the Speaker's Commission swap. Because the **Prospective Reform Concept applies only to new development, it has no direct effect on built-out cities.**

D. Cities That Are Already Especially Dependent Upon Sales Tax Revenues Are Likely To Benefit From The Swap.

These cities are particularly vulnerable to the volatility and economic sluggishness in the brick and mortar retail sector. Moreover, cities with comparatively high sales tax per capita revenues may have less potential for developing new taxable sales generators than other growing communities. For these cities, the future of sales tax growth is much more dubious than their historical experience.

Twelve (12) of the twenty (20) survey cities have substantially higher than average per capita sales tax revenues. Nine (9) of these twelve (12) cities predict property tax revenue growth to outpace sales tax revenue growth. For these cities, a dollar for dollar swap of sales tax for property tax is a good deal in the long run.

For cities that are highly sales tax dependent, the swap has the additional benefit of providing more diversity to these city's revenue base. With a better balance between property tax and sales tax revenues, the two highest sources of general fund revenue, these communities are less vulnerable to economic fluctuations and the long term economic stability of their overall revenue base is improved.

E. The Sales-Tax-for-Property-Tax-Swap Reduce Financial Distortions at the Root of the "Fiscalization of Land Use" Problem . . . Somewhat.

Both the Speaker's Commission proposal and the Prospective Reform Concept increase municipal revenues from residential, office and industrial land uses which in many cases do not generate sufficient local government revenues to pay for municipal service demands they create. In addition each proposal reduces (but would not eliminate) the substantial surplus municipal revenue that taxable sales generating land uses contribute in excess of municipal service costs. Both the swap and property tax return aspects of the proposals contribute to this effect. However, while the proposals are a step in the "right direction," the basic dynamics of the fiscalization problem will remain: 1) residential and mixed use development still won't pay its way in some areas without additional fees/taxes or municipal service cuts, and 2) sales tax generating land uses will still provide substantially more revenue than costs to cities and counties.

Six of the nine project fiscal analyses I reviewed involve mixed use including a substantial number of residential units, support commercial, office, and industrial. Three of these six analyses (**4.1 Ceres Eastgate, 4.2 Davis General Plan Update (GPU), and 4.3 Hollister GPU**) show a deficit of additional city revenues compared to additional city costs from the development. In each of these cases, the reform proposals increase the city's revenues and reduce the deficit, but the projects remain in deficit. In the other three of the six residential projects (**4.4 Oxnard Mandalay Bay, 4.5 North Livermore, and 4.6 Loomis GPU**), the total development proposal provided sufficient new revenue to the city - primarily due to better local economic conditions.

One of the analyses, **4.7 Grass Valley Loma Rica**, is a mixed use project dominated by office use. The original fiscal analysis shows the project in deficit - not enough new revenues to cover the new city costs. My analysis shows that a sales-tax-for-property-tax swap will improve the revenues but the project still remains in deficit.

The other two largely commercial developments (**4.8 Davis Covell Business Park, and 4.9 Grass Valley Kenny Ranch**) would provide substantial net revenue to their cities due to substantial sales tax revenue. In these cases, the swap components of the reform proposals would reduce the total revenue generated by the project for the city. However, each project would continue to provide excess revenues over costs even without the ERAF property tax return.

F. Substantial Property Tax Return to Local Government is Necessary to Address the Fiscalization of Land Use Problem.

The Project Impact Analyses reveal that return of property tax revenue is essential to mitigating the disparity between the incremental municipal service costs and revenues of various kinds of development - the root of the "fiscalization of land use" problem. Property tax return further improves the ability of residential, office and industrial land uses to pay its way in all parts of the state. However, the analysis indicates that even with a swap and a $1.5 billion property tax return combined, some growth and development will remain in fiscal deficit for local government.

V. ADDITIONAL CONSIDERATIONS

A. The Economic Stability Of City Finances Would Be Improved By A Sales-Tax-For-Property-Tax-Swap And A Property Tax Return, But The Political Stability Of City Finance Requires Constitutional Protection and Mandate Reform.

Two important factors affect the stability of local government finances: 1) economic vulnerability and 2) political vulnerability from other governmental units and the voters. This analysis examines the effects of the Speaker's Commission proposal and the Prospective Reform Concept on city finances - and indicates that either proposal would improve the economic stability of most cities' finances.

But the most significant factor in the instability of city finance in California is the lack of local control over revenue allocations and rates. A restructuring of city finance will be of little effectiveness to our constituents if the state continues to beset cities with mandates, revenue

earmarking, and the taking of local revenues. Current state subventions to local government should have their use restrictions lifted in favor of discretionary revenue for local government. Cities must have constitutional protection and mandate reform. As the Task Force has expressed, these are essential components of any meaningful reform.

B. To Really Improve City Finance We Must 1) Provide Counties and Special Districts With Adequate Revenues to Provide Local Services, and 2) Provide Cities With Greater Authority to Determine the Allocation of Resources Among Municipal Services.

1. Provide Counties And Special Districts With Adequate Revenues To Provide Local Services

Cities cannot make decisions about substantial growth and development without dealing with the county and with special districts that serve the area. In land use decisions involving annexation, the city must not only deal with the fiscal impacts on the city - but also on other local governments. Tax sharing agreements between cities and counties are common today. These result from negotiations between a city and a county where a sharing of revenues is needed to help an agency provide services to the new development. Clearly, local governments are inextricably linked to each other's fiscal woes. If counties continue to be inadequately funded, they will continue to balk at new development and insist on revenue concessions from cities. As this analysis indicates, the current system makes many cities unable to respond.

For example, the fiscal analysis completed by Economic Planning Systems in **Hollister** also looked at the fiscal impact of the future development on **San Benito County**. Between the City and the County there simply were not enough revenues from the new development to cover the combined costs of the city and the county. Absent substantial service cuts, a tax increase, a regional sales tax generator, or fiscal reform, no tax sharing agreement could make this development financially viable.

The financial condition of cities will be improved if we address the fiscal problems of our counties and special districts. It is certainly in the best interests of our common constituents. The fiscalization of land use problem can't simply be addressed by changing the allocation of city sales tax. City, county and special districts must have additional permanent ongoing discretionary revenue, including property tax. Moreover, this revenue must be allocated *among all local government agencies* such that revenue more closely matches the service costs from various activities and land uses.

On its own, the "swap" does nothing to address the fiscal problems of counties and special districts[3]. Full, ongoing and protected property tax return is critical to addressing these issues.

[3] The "swap" would be applied to counties in unincorporated areas. But it doesn't improve their revenues from incorporated areas and it is insufficient on its own to address the fiscal deficits many counties face with annexation and incorporation proposals.

2. Provide Cities With Greater Authority To Determine The Allocation Of Resources Among Municipal Services.

If we want meaningful reform of the property tax system for cities, we cannot escape the problem of fragmented governance and finance. Every elected city council should have the authority to determine the best allocation of resources among municipal services including police, fire, library, streets, and parks & recreation - and to decide the best way to provide the service, whether with city staff or under contract to another agency. Cities will be better able to:

- Re-allocate resources in later years as the community changes, as new challenges arise, and as needs and priorities change;
- Coordinate programs for efficient service delivery;
- Fund programs with revenues which are rationally related to the program;
- Ensure that their residents are receiving equitable service levels from independent special districts relative to costs.

C. Bolder Reform Ideas Should Be Considered.

Since the last meeting of the League's Fiscal Reform Task Force, several new proposals for local government finance reform have emerged. Among these are those contained in the Legislative Analyst's report "*Reconsidering AB8: Exploring Alternative Ways to Allocate Property Taxes*" and ideas expressed by Senator Steve Peace - who is expected to be a leader on a new Joint Legislative Committee to examine the issues and proposals for local government finance. Information on these proposals was sent to Task Force members in February. The Task Force may wish to consider these new ideas.

Attachments:
EXHIBIT 1.0: Survey
EXHIBIT 2.0: Summary Assumptions, Impacts and Profiles of Survey Cities
EXHIBIT 3.04: City Fiscal Impact Analysis Example: Fairfield
EXHIBIT 4.0: Summary of Project Fiscal Analyses: Effects of Reform Proposals
EXHIBIT 4.1: Project Analysis Example: Eastgate Master Plan, City of Ceres

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Additional Exhibits Available on Request:

*EXHIBIT 3.1: City Fiscal Impact Analysis: Bellflower
*EXHIBIT 3.2: City Fiscal Impact Analysis: Clovis
*EXHIBIT 3.3: City Fiscal Impact Analysis: Daly City
*EXHIBIT 3.4: City Fiscal Impact Analysis: Fairfield
*EXHIBIT 3.5: City Fiscal Impact Analysis: Glendale
*EXHIBIT 3.6: City Fiscal Impact Analysis: Laguna Niguel
*EXHIBIT 3.7: City Fiscal Impact Analysis: Lakewood
*EXHIBIT 3.8: City Fiscal Impact Analysis: La Mirada
*EXHIBIT 3.9: City Fiscal Impact Analysis: Livermore
*EXHIBIT 3.10: City Fiscal Impact Analysis: Mission Viejo
*EXHIBIT 3.11: City Fiscal Impact Analysis: Novato
*EXHIBIT 3.12: City Fiscal Impact Analysis: Palmdale
*EXHIBIT 3.13: City Fiscal Impact Analysis: San Carlos
*EXHIBIT 3.14: City Fiscal Impact Analysis: San Mateo
*EXHIBIT 3.15: City Fiscal Impact Analysis: Santa Barbara
*EXHIBIT 3.16: City Fiscal Impact Analysis: Santa Fe Springs
*EXHIBIT 3.17: City Fiscal Impact Analysis: Signal Hill
*EXHIBIT 3.18: City Fiscal Impact Analysis: Sunnyvale
*EXHIBIT 3.19: City Fiscal Impact Analysis: Tracy
*EXHIBIT 3.20: City Fiscal Impact Analysis: Turlock
*EXHIBIT 4.1: Project Analysis Example: Eastgate Master Plan, City of Ceres
*EXHIBIT 4.2: Project Analysis: New Development, City of Hollister
*EXHIBIT 4.3: Project Analysis: General Plan Update Alt#5, City of Davis
*EXHIBIT 4.4: Project Analysis: Loma Rica Ranch, City of Grass Valley
*EXHIBIT 4.5: Project Analysis: Kenny Ranch Development, City of Grass Valley
*EXHIBIT 4.6: Project Analysis: Covell Business Park, City of Davis
*EXHIBIT 4.7: Project Analysis: General Plan Update, City of Loomis
*EXHIBIT 4.8: Project Analysis: Mandalay Bay Specific Plan, City of Oxnard
*EXHIBIT 4.9: Project Analysis: North Livermore Specific Plan, City of Livermore

EXHIBIT 2.0: SUMMARY ASSUMPTIONS, IMPACTS and PROFILES of SURVEY CITIES

	Bellflower	Clovis	Daly City	Fairfield
Revenue Growth Assumptions				
Annual Sales Tax Growth				
Annual Growth 84-85 to 89-90				
Avg Annual 96-97 to 98-99	3.0%	4.6%	4.2%	5.3%
Projected 98-99 to 04-05	0.6%	5.2%	1.5%	4.7%
Annual Property Tax Growth				
Annual Growth 84-85 to 89-	7.7%	9.1%	9.4%	13.0%
Avg Annual 96-97 to 98-99	2.0%	3.5%	3.5%	2.2%
Projected 98-99 to 04-05	1.4%	5.0%	2.1%	6.2%
Fiscal Impact of Speaker's Commission Proposal				
Gain/Loss Under Speaker's Comm ST/PT Swap				
2000-01	- 6,081	+ 56,514	+ 17,746	- 61,637
2001-02	+ 20,043	+ 73,041	+ 36,113	- 157,265
2002-03	+ 47,519	+ 88,611	+ 55,117	+ 41,642
2003-04	+ 74,660	+ 103,017	+ 74,776	+ 350,718
2004-05	+ 99,589	+ 116,968	+ 95,106	+ 645,244
Gain/Loss Under Speaker's Comm Proposal (inluding $1.0 Billion Property Tax Return)				
2000-01	+ 1,015,284	+ 1,310,931	+ 1,894,577	+ 1,646,722
2001-02	+ 1,058,839	+ 1,397,272	+ 1,950,481	+ 1,629,600
2002-03	+ 1,104,334	+ 1,484,258	+ 2,007,772	+ 1,924,563
2003-04	+ 1,149,566	+ 1,571,360	+ 2,066,484	+ 2,360,172
2004-05	+ 1,191,625	+ 1,659,608	+ 2,126,649	+ 2,778,769
Fiscal Impact of Prospective Reform Concept & Property Tax Return				
Gain/Loss Under Prospective Reform Concept ST/PT Swap				
2000-01	-	+ 84,150	-	- 66,099
2001-02	-	+ 84,150	-	- 245,022
2002-03	-	+ 99,000	-	- 119,672
2003-04	-	+ 99,000	-	+ 24,510
2004-05	-	+ 99,000	-	+ 128,123
Gain/Loss Under Prospective Reform Concept with $1.5 Billion Property Tax Return				
2000-01	+ 1,532,046	+ 2,039,645	+ 2,815,247	+ 2,558,022
2001-02	+ 1,558,194	+ 2,144,366	+ 2,871,552	+ 2,524,042
2002-03	+ 1,585,223	+ 2,279,376	+ 2,928,983	+ 2,912,633
2003-04	+ 1,612,360	+ 2,388,421	+ 2,987,562	+ 3,381,642
2004-05	+ 1,638,055	+ 2,499,867	+ 3,047,314	+ 3,775,013
Statistical Profiles				
Population Growth Pattern				
Past 4 years	1.2%	1.6%	1.6%	2.0%
Next 4 years	1.1%	2.4%	2.1%	1.9%
Property Value Growth Pattern				
Past 4 years	1.6%	3.6%	2.4%	3.6%
Next 4 years	1.7%	6.4%	2.1%	3.7%
Redevelopment % of AV	17.2%	13.7%	2.4%	41.0%
Sales Tax per capita	68	131	67	138
Property Tax* per capita	21	66	75	81
Service Responsibility	No fire, no library	Full service except library	Full Service	Full Service
PropertyTax* after fire,library&p	(27)	(80)	(98)	(92)

EXHIBIT 2.0: SUMMARY ASSUMPTIONS, IMPACTS and PROFILES of SURVEY CITIES

	Glendale	Laguna_Niguel	Lakewood	La_Mirada
Revenue Growth Assumptions				
Annual Sales Tax Growth				
Annual Growth 84-85 to 89-				
Avg Annual 96-97 to 98-99	6.4%	10.5%	3.7%	11.9%
Projected 98-99 to 04-05	3.9%	3.0%	9.1%	3.2%
Annual Property Tax Growth				
Annual Growth 84-85 to 89-	12.5%	n/a	8.5%	12.4%
Avg Annual 96-97 to 98-99	1.8%	3.6%	3.6%	9.7%
Projected 98-99 to 04-05	4.1%	3.9%	3.5%	3.0%
Fiscal Impact of Speakers Commission Proposal				
Gain/Loss Under Speaker's Com ST/PT Swap				
2000-01	+ 169,164	+ 192,408	- 326,250	- 117,250
2001-02	+ 143,848	+ 258,924	- 686,119	- 137,971
2002-03	+ 115,533	+ 307,793	- 904,579	- 160,928
2003-04	+ 84,984	+ 317,026	- 1,233,100	- 202,558
2004-05	+ 52,055	+ 326,537	- 1,480,447	- 247,688
Gain/Loss Under Speaker's Com Proposal (inluding $1.0 Billion Property Tax Return)				
2000-01	+ 3,868,959	+ 1,163,739	+ 956,821	+ 669,992
2001-02	+ 3,982,483	+ 1,283,958	+ 641,859	+ 669,028
2002-03	+ 4,098,005	+ 1,377,691	+ 469,879	+ 666,108
2003-04	+ 4,216,848	+ 1,419,022	+ 189,464	+ 641,174
2004-05	+ 4,338,863	+ 1,461,592	- 8,093	+ 612,740
Fiscal Impact of Prospective Reform Concept & Property Tax Return				
Gain/Loss Under Prospective Reform Concept ST/PT Swap				
2000-01	-	+ 91,333	- 225,000	- 100,000
2001-02	-	+ 216,188	- 474,000	- 102,991
2002-03	-	+ 241,130	- 571,272	- 106,077
2003-04	-	+ 329,775	- 767,538	- 109,257
2004-05	-	+ 339,668	- 870,763	- 112,532
Gain/Loss Under Prospective Reform Concept with $1.5 Billion Property Tax Return				
2000-01	+ 5,549,693	+ 1,565,021	+ 1,699,607	+ 1,080,863
2001-02	+ 5,757,952	+ 1,789,427	+ 1,517,968	+ 1,107,508
2002-03	+ 5,973,708	+ 1,893,977	+ 1,490,415	+ 1,134,476
2003-04	+ 6,197,795	+ 2,041,095	+ 1,366,308	+ 1,156,341
2004-05	+ 6,430,213	+ 2,102,328	+ 1,337,768	+ 1,178,110
Statistical Profiles				
Population Growth Pattern				
Past 4 years	1.1%	1.9%	1.3%	2.9%
Next 4 years	1.3%	0.7%	1.3%	0.5%
Property Value Growth Pattern				
Past 4 years	1.3%	5.7%	2.5%	3.9%
Next 4 years	4.9%	3.9%	4.3%	2.6%
Redevelopment % of AV	20.3%	0.0%	17.3%	28.0%
Sales Tax per capita	124	104	100	143
Property Tax* per capita	74	117	30	78
Service Responsibility	Full Service	No Fire, no Library	No Fire, no Library	No Fire, no Library
PropertyTax* after fire,library&p	(99)	69	(18)	30

EXHIBIT 2.0: SUMMARY ASSUMPTIONS, IMPACTS and PROFILES of SURVEY CITIES

	Livermore	Mission Viejo	Novato	Palmdale
Revenue Growth Assumptions				*revised 3/15/00*
Annual Sales Tax Growth				
Annual Growth 84-85 to 89-				
Avg Annual 96-97 to 98-99	12.1%	1.5%	5.2%	4.5%
Projected 98-99 to 04-05	8.5%	6.7%	3.6%	2.0%
Annual Property Tax Growth				
Annual Growth 84-85 to 89-	16.7%	17.5%	12.1% n/a	
Avg Annual 96-97 to 98-99	9.6%	8.1%	3.8%	1.6%
Projected 98-99 to 04-05	9.5%	3.5%	4.1%	2.0%
Fiscal Impact of Speakes Commission Proposal				
Gain/Loss Under Speaker's Com ST/PT Swap				
2000-01	-	- 488,450	+ 66,835	-
2001-02	+ 72,050	- 687,644	+ 103,928	-
2002-03	+ 157,069	- 685,117	+ 143,538	-
2003-04	+ 340,840	- 709,132	+ 147,844	-
2004-05	+ 643,779	- 591,639	+ 152,280	-
Gain/Loss Under Speaker's Com Proposal (inluding $1.0 Billion Property Tax Return)				
2000-01	+ 1,617,187	+ 1,142,201	+ 949,068	+ 1,840,637
2001-02	+ 1,850,955	+ 1,007,230	+ 1,021,450	+ 1,877,450
2002-03	+ 2,096,076	+ 1,069,077	+ 1,097,760	+ 1,914,999
2003-04	+ 2,454,357	+ 1,115,229	+ 1,130,694	+ 1,953,299
2004-05	+ 2,947,513	+ 1,305,697	+ 1,164,615	+ 1,992,365
Fiscal Impact of Prospective Reform Concept & Property Tax Return				
Gain/Loss Under Prospective Reform Concept ST/PT Swap				
2000-01	+ 49,863	- 52,955	+ 135,067	+ 23,920
2001-02	+ 138,625	- 45,023	+ 261,696	- 23,832
2002-03	+ 261,653	- 78,824	+ 420,186	- 47,659
2003-04	+ 446,517	- 82,377	+ 589,801	- 71,940
2004-05	+ 712,317	- 78,172	+ 772,012	- 96,689
Gain/Loss Under Prospective Reform Concept with $1.5 Billion Property Tax Return				
2000-01	+ 2,542,674	+ 2,403,898	+ 1,506,020	+ 2,875,862
2001-02	+ 2,949,090	+ 2,522,429	+ 1,737,264	+ 2,886,638
2002-03	+ 3,392,618	+ 2,578,614	+ 2,006,876	+ 2,922,375
2003-04	+ 3,928,222	+ 2,681,359	+ 2,279,431	+ 2,958,713
2004-05	+ 4,578,842	+ 2,796,113	+ 2,570,316	+ 2,995,660
Statistical Profiles				
Population Growth Pattern				
Past 4 years	3.8%	2.8%	0.9%	2.4%
Next 4 years	2.6%	0.1%	3.1%	2.1%
Property Value Growth Pattern				
Past 4 years	9.9%	5.5%	6.3%	-0.6%
Next 4 years	8.1%	5.2%	8.8%	2.7%
Redevelopment % of AV	4.0%	6.3%	12.2%	36.0%
Sales Tax per capita	174	114	139	72
Property Tax* per capita	132	112	66	32
Service Responsibility	Full Service	No Fire	No Fire, no Library	No Fire
PropertyTax* after fire,library&p	(41)	37	18	(43)

EXHIBIT 2.0: SUMMARY ASSUMPTIONS, IMPACTS and PROFILES of SURVEY CITIES

	San_Carlos	San_Mateo	Santa_Barbara	ta_Fe_Springs
Revenue Growth Assum tions			*revised 3/15/00*	**tions**
Annual Sales Tax Growth				
Annual Growth 84-85 to 89-				
Avg Annual 96-97 to 98-99	10.9%	9.5%	7.3%	0.2%
Projected 98-99 to 04-05	4.4%	3.6%	3.6%	4.7%
Annual Property Tax Growth				
Annual Growth 84-85 to 89-	11.6%	9.7%	11.1%	3.2%
Avg Annual 96-97 to 98-99	7.7%	5.8%	4.1%	10.5%
Projected 98-99 to 04-05	4.4%	6.5%	6.0%	4.0%
Fiscal Impact of Speake s Commission Proposal				
Gain/Loss Under Speaker's Co m ST/PT Swap				
2000-01	+ 17,254	+ 569,256	+ 264,090	-
2001-02	+ 54,196	+ 905,760	+ 548,721	-
2002-03	+ 65,494	+ 1,131,481	+ 858,493	-
2003-04	+ 107,009	+ 1,376,752	+ 1,195,156	-
2004-05	+ 115,808	+ 1,598,089	+ 1,560,575	-
Gain/Loss Under Speaker's Co m Proposal (inluding $1.0 Billion Property Tax Return)				
2000-01	+ 580,961	+ 2,367,133	+ 1,951,309	+ 312,224
2001-02	+ 647,967	+ 2,822,528	+ 2,337,173	+ 324,713
2002-03	+ 681,814	+ 3,144,681	+ 2,754,252	+ 337,702
2003-04	+ 749,635	+ 3,490,348	+ 3,204,661	+ 351,210
2004-05	+ 780,982	+ 3,817,365	+ 3,690,649	+ 365,258
Fiscal Impact of Prospe ive Reform Concept & Property Tax Return				
Gain/Loss Under Prospective R form Concept ST/PT Swap				
2000-01	-	-	- 3,548	-
2001-02	-	-	- 50,527	-
2002-03	-	-	- 100,093	-
2003-04	-	-	- 152,352	-
2004-05	-	-	- 207,417	-
Gain/Loss Under Prospective R form Concept with $1.5 Billion Property Tax Return				
2000-01	+ 845,561	+ 2,696,817	+ 2,539,562	+ 468,337
2001-02	+ 890,657	+ 2,875,152	+ 2,644,514	+ 487,070
2002-03	+ 924,480	+ 3,019,801	+ 2,755,982	+ 506,553
2003-04	+ 963,939	+ 3,170,394	+ 2,874,406	+ 526,815
2004-05	+ 997,762	+ 3,328,914	+ 3,000,252	+ 547,888
Statistical Profiles				
Population Growth Pattern				
Past 4 years	0.6%	1.0%	0.8%	1.1%
Next 4 years	0.0%	1.1%	0.5%	0.6%
Property Value Growth Pattern				
Past 4 years	6.1%	7.2%	4.4%	0.9%
Next 4 years	6.1%	7.1%	2.2%	6.0%
Redevelopment % of AV	10.1%	8.9%	14.3%	54.0%
Sales Tax per capita	197	172	188	1,220
Property Tax* per capita	121	136	86	130
Service Responsibility	Full service except library	Full Service	Full Service	Full Service
PropertyTax* after fire,library&p	(25)	(37)	(87)	(43)

EXHIBIT 2.0: SUMMARY ASSUMPTIONS, IMPACTS and PROFILES of SURVEY CITIES

	Signal Hill	Sunnyvale	Tracy	Turlock
Revenue Growth Assum				*revised 3/15/00*
Annual Sales Tax Growth				
Annual Growth 84-85 to 89-				
Avg Annual 96-97 to 98-99	6.4%	1.0%	12.0%	6.8%
Projected 98-99 to 04-05	3.3%	3.5%	8.3%	5.0%
Annual Property Tax Growth				
Annual Growth 84-85 to 89-	8.2%	9.1%	15.7%	12.9%
Avg Annual 96-97 to 98-99	3.0%	7.9%	5.2%	3.4%
Projected 98-99 to 04-05	2.0%	4.2%	9.9%	6.8%
Fiscal Impact of Speake s Commission Proposal				
Gain/Loss Under Speaker's Co m ST/PT Swap				
2000-01	- 82,000	+ 216,091	+ 113,040	-
2001-02	- 168,920	+ 328,030	+ 253,209	+ 65,646
2002-03	- 260,990	+ 448,136	+ 346,920	+ 137,858
2003-04	- 358,448	+ 576,880	+ 374,674	+ 217,132
2004-05	- 461,546	+ 714,633	+ 484,417	+ 304,003
Gain/Loss Under Speaker's Co m Proposal (inluding $1.0 Billion Property Tax Return)				
2000-01	+ 59,237	+ 2,938,350	+ 1,184,548	+ 969,047
2001-02	- 24,859	+ 3,151,841	+ 1,474,728	+ 1,092,837
2002-03	- 114,047	+ 3,377,451	+ 1,690,590	+ 1,226,679
2003-04	- 208,567	+ 3,615,814	+ 1,825,838	+ 1,371,283
2004-05	- 308,667	+ 3,867,444	+ 2,051,674	+ 1,527,404
Fiscal Impact of Prospe ive Reform Concept & Property Tax Return				
Gain/Loss Under Prospective R form Concept ST/PT Swap				
2000-01	- 30,000	-	+ 189,658	- 179,455
2001-02	- 75,883	-	+ 405,321	- 223,839
2002-03	- 86,290	-	+ 778,203	- 275,404
2003-04	- 97,102	-	+ 877,882	- 313,754
2004-05	- 108,334	-	+ 1,037,009	- 379,888
Gain/Loss Under Prospective R form Concept with $1.5 Billion Property Tax Return				
2000-01	+ 2,508,535	+ 4,083,389	+ 1,915,772	+ 1,366,566
2001-02	+ 2,513,422	+ 4,235,716	+ 2,494,615	+ 1,412,170
2002-03	+ 2,554,801	+ 4,393,972	+ 3,228,840	+ 1,455,908
2003-04	+ 2,596,812	+ 4,558,400	+ 3,592,496	+ 1,518,494
2004-05	+ 2,639,458	+ 4,729,217	+ 4,036,805	+ 1,559,265
Statistical Profiles				
Population Growth Pattern				
Past 4 years	1.5%	1.8%	4.8%	2.4%
Next 4 years	2.1%	1.0%	4.4%	3.9%
Property Value Growth Pattern				
Past 4 years	-0.8%	7.5%	8.9%	4.3%
Next 4 years	5.1%	3.1%	27.8%	5.5%
Redevelopment % of AV	65.5%	5.0%	19.0%	38.0%
Sales Tax per capita	882	204	106	109
Property Tax* per capita	61	136	97	42
Service Responsibility	No Fire	Full Service	Full Service	Full service except library
PropertyTax* after fire,library&p	(14)	(37)	(76)	(104)

EXHIBIT 3.04

SPEAKERS COMMISSION PROPOSAL

City of Fairfield

Under Swap …	1999-2000 Base Year	2000-2001 Year 2	Change	2001-2002 Year 3	Change	2002-2003 Year 4	Change	2003-2004 Year 5	Change	2004-2005 Year 6	Change
Sales Tax	6,467,000	6,685,000	3.4%	7,085,000	6.0%	7,258,500	2.4%	7,440,000	2.5%	7,626,500	2.5%
Property Tax	11,885,000	12,172,363	2.4%	12,731,735	4.6%	13,416,142	5.4%	14,317,718	6.7%	15,201,744	6.2%
Total	18,352,000	18,857,363		19,816,735		20,674,642		21,757,718		22,828,244	
Impact of Swap	-	- 61,637		- 157,265		+ 41,642		+ 350,718		+ 645,244	
Property Tax Return	1,668,028	+ 1,708,359		+ 1,786,865		+ 1,882,920		+ 2,009,454		+ 2,133,525	
$1B statewide a la AB1661											
Total $ Impact	+ 1,668,028	+ 1,646,722		+ 1,629,600		+ 1,924,563		+ 2,360,172		+ 2,778,769	

Current AB8 share*	15.9%
New AB8 share*	34.8%

*Estimated average pre-redevelopment AB8 share. That is, the city's share of property tax revenue generated within its jurisdiction prior to distributing tax increment to the redevelopment agency.

Profile of the City of Fairfield			Solano County	
Growth Pattern	Population Growth/yr past 4 yrs =	2.0%	Commercial Devpt/yr past 4 yrs =	5.9%
	Population Growth/yr next 4 yrs =	1.9%	Commercial Devpt/yr next 4 yrs =	2.4%
Property Values	$ 51,074	$AV per capita. Statewide mean is $58,000 AV per capita.		
Redevelopment	41%	of Assessed Value in city is in Redevelopment Area		
Sales Tax	$ 138	per capita. Statewide City Sales Tax / city population = $111		
Property Tax*	$ 81	per capita		
Service Responsibility	Full Service			
Property Tax* after fire, library & parks/rec	-$92	per capita. Statewide mean is ***- $52*** per capita (negative $52)		

EXHIBIT 3.04

PROSPECTIVE REFORM CONCEPT

City of Fairfield

	1999-2000 Base Year	2000-2001 Year 2	Change	2001-2002 Year 3	Change	2002-2003 Year 4	Change	2003-2004 Year 5	Change	2004-2005 Year 6	Change
Sales Tax $	12,934,000	13,226,500	2.3%	13,813,413	4.4%	14,135,998	2.3%	14,473,473	2.4%	14,819,810	2.4%
Property Tax $ from existing development as of June 2000	5,418,000	5,437,277		5,642,962		5,738,787		5,904,825		6,119,781	
Property Tax $ from NEW development after June 2000	-	189,123		272,604		638,544		1,053,212		1,371,532	
Property Tax $ total	5,418,000	5,626,401	4.9%	5,915,566	5.5%	6,377,330	9.5%	6,958,038	10.7%	7,491,313	8.6%
Total	18,352,000	18,852,901		19,728,978		20,513,328		21,431,510		22,311,123	
Impact of Swap	-	- 66,099		- 245,022		- 119,672		+ 24,510		+ 128,123	
Property Tax Return $1.5B statewide a la AB1661	2,502,042	+ 2,624,122		+ 2,769,064		+ 3,032,305		+ 3,357,132		+ 3,646,890	
Total $ Impact	+ 2,502,042	+ 2,558,022		+ 2,524,042		+ 2,912,633		+ 3,381,642		+ 3,775,013	

Current AB8 share*	15.9%
AB8 share* for New Development	26.9%

Eastgate Master Plan. Ceres, Stanislaus County, CA

Project Summary	Acreage	Residential Units	Non-Residential Bldg Sq.Ft.
Residential			
Very low Density Residential	46	184	
Low Density Residential	221	1,296	
Medium Density Residential	21	189	
HighDensity Residential	6	108	
Subtotal Residential	294	1,777	
Non-Residential			
Neighborhood Commercial	6		63,340
Subtotal Non-Residential	6		63,340
Other			
Neighborhood Park	9		
Community Park	46		
Elementary School	9		
TID Ceres Main Canal	6		
Total	370	1,777	63,340

PROFILE

City of Ceres

	Current
Property Tax per capita	+$34
Property Tax Share	11.7%
Service Responsibility	Full Service except library
Taxable AV per capita	+$30,962
% of AV in Redevelopment	7%
Sales Tax Revenue per capita	+$78

Michael Coleman 530-758-3952

Eastgate Master Plan. Ceres, Stanislaus County, CA

Original City Fiscal Impact Summary

	Fiscal Year Ending								
<General Fund only>	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES									
Property Tax	15,701	30,200	44,399	62,685	78,093	99,539	116,502	137,137	157,883
Sales Tax	18,672	37,343	56,015	80,423	101,222	133,358	154,021	177,547	201,073
Other city taxes[1] & Franchises	24,162	39,210	54,267	77,715	94,328	123,174	137,810	158,938	178,074
State Subventions	17,590	35,180	52,771	77,866	99,561	123,249	142,916	164,879	187,043
Fees, Fines and Forfeitures	1,283	2,565	3,848	5,677	7,259	9,090	10,509	12,125	13,741
Service Charges & User Fees	506	1,012	1,518	2,240	2,864	3,587	4,147	4,784	5,422
Other Revenues	91	182	274	404	516	647	748	863	978
TOTAL REVENUES	78,005	145,692	213,092	307,010	383,843	492,644	566,653	656,273	744,214
EXPENDITURES									
General Government	7,073	14,148	21,222	31,314	40,036	50,134	57,961	66,876	75,778
Other General Government	3,792	7,585	11,377	16,788	21,465	26,878	31,075	35,854	40,632
Police Department	38,421	76,843	115,264	170,079	217,465	275,761	318,280	366,691	415,102
Fire Department	13,000	25,999	38,999	57,546	73,579	92,133	106,520	122,900	139,279
Public Works	2,797	8,420	11,217	22,271	28,545	36,776	44,108	51,871	59,632
Park Maintenance	1,973	4,843	6,816	11,874	47,588	84,133	117,151	142,571	164,308
Planning	3,067	6,134	9,201	13,576	17,359	21,736	25,130	28,995	32,859
TOTAL EXPENDITURES	70,123	143,972	214,096	323,448	446,037	587,551	700,225	815,758	927,590
SURPLUS/DEFICIT	7,882	1,720	(1,004)	(16,438)	(62,194)	(94,907)	(133,572)	(159,485)	(183,376)

1 - "other revenues" includes real property transfer tax, transient occupancy tax, business license tax, franchise tax and other city-imposed taxes.

SOURCE: Fiscal Impact Study Prepared by Economic & Planning Systems 916-649-8010
1750 Creekside Oaks Drive Suite 290
Sacramento CA 95833-3640
March 1998 for the City of Ceres, CA

Michael Coleman 530-758-3952

Eastgate Master Plan. Ceres, Stanislaus County, CA

Speaker's Commission Proposal

Local Bradley Burns from 1.00% to 0.50%	City PropTax share from 11.7% to 24.7%

REVENUES	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Property Tax	33,273	63,999	94,090	132,841	165,493	210,941	246,889	290,619	334,583
Sales Tax	9,336	18,672	28,008	40,212	50,611	66,679	77,011	88,774	100,537
Other city taxes[1] & Franchises	24,162	39,210	54,267	77,715	94,328	123,174	137,810	158,938	178,074
State Subventions	17,590	35,180	52,771	77,866	99,561	123,249	142,916	164,879	187,043
Fees, Fines and Forfeitures	1,283	2,565	3,848	5,677	7,259	9,090	10,509	12,125	13,741
Service Charges & User Fees	506	1,012	1,518	2,240	2,864	3,587	4,147	4,784	5,422
Other Revenues	91	182	274	404	516	647	748	863	978
TOTAL REVENUES	86,241	160,820	234,775	336,955	420,632	537,367	620,030	720,981	820,378
SUBTOTAL SURPLUS/DEFICIT	16,118	16,848	20,679	13,507	(25,405)	(50,184)	(80,195)	(94,777)	(107,212)
Property Tax Return	3,043	5,853	8,604	12,148	15,134	19,290	22,577	26,576	30,597
TOTAL SURPLUS/DEFICIT	19,161	22,700	29,283	25,655	(10,271)	(30,893)	(57,618)	(68,201)	(76,616)

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