

# Healthy Cities Need Healthy Finances Measuring How Your City Stands Up



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# Healthy Cities Need Healthy Finances Measuring How Your City Stands Up



What I'm gonna talk about:

- ◆ What is "financial condition?"
- ◆ ICMA Fiscal Trend Monitoring System
- ◆ Evaluating risk in municipal finance
- ◆ Thinking systemically: The Mechanics of Revenues
- ◆ Some specific current revenue issues

# What is Financial Condition?

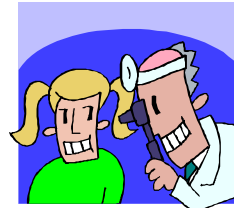
Can your agency:

- Maintain existing service levels?
- Withstand risk of fiscal disruption?
- Meet future demands of growth & decline?

**Community Goals - Service Level Condition**

**Long-Run Fiscal Condition**

**Cash position**  
**Budgetary Condition**



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# ICMA Financial Trend Monitoring System

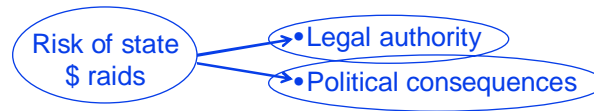


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Source: ICMA Financial Trend Monitoring System CaliforniaCityFinance.com

## Risk ...

- ❑ Natural disaster & preparedness
- ❑ Economic – National / Regional
  - Subsector? e.g. commercial v residential
- ❑ Intergovernmental



- ❑ Local external actions
  - Decisions by major employers / taxpayers
  - Demographic changes: age, income, etc.
- ❑ Local political or legal action ⇨ agency

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## The Mechanics of Government Revenue

- ❑ Who pays?
  - e.g., visitors, residents, businesses, subclass, etc.
- ❑ What rate / base?
  - e.g., \$per gallon, % per price, limited AV, depreciated AV, etc.
- ❑ How's it allocated?
  - e.g., situs v pooled / population, etc.
- ❑ What is the revenue used for?
- ❑ Who collects? Who enforces payment?
- ❑ Who Decides?
  - Statewide voters / Constitution
  - State law / Legislature
  - Local voters
  - Local law / City Council



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# The Mechanics of the Property Tax

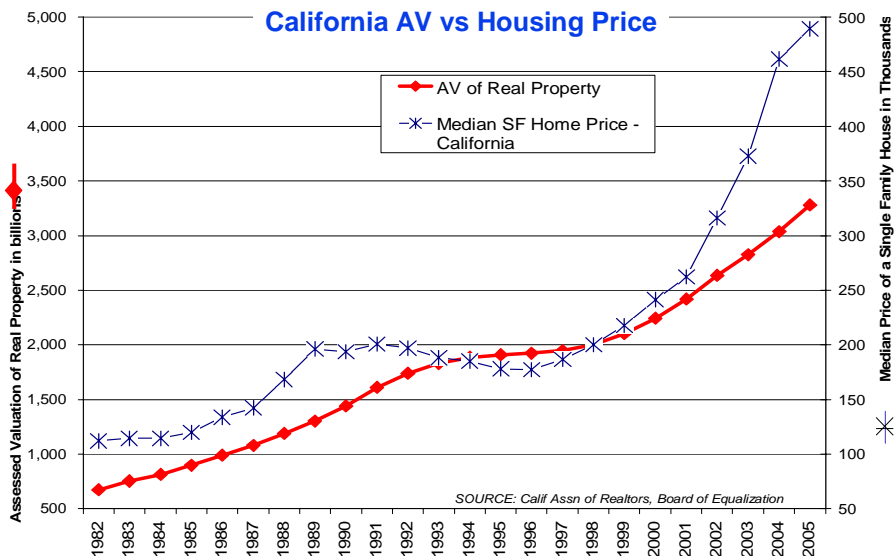
- ❑ Who pays? Residential, commercial property ... existing & new
- ❑ What rate / base?
  - 1% on Assessed Value (AV)
  - AV limited to 2% growth from resale, market value on resale
- ❑ How's it allocated?
  - City gets share of revenues collected from within jurisdiction
    - regular property tax - impacted by redevelopment
    - VLFAA property tax – not impacted by redevelopment
- ❑ What is the revenue used for? General
- ❑ Who collects? Who enforces payment? County
- ❑ Who decides?
  - constitution sets rate / AV rules
  - allocation per state law
  - but cities/counties/spec districts now protected by Prop 1A



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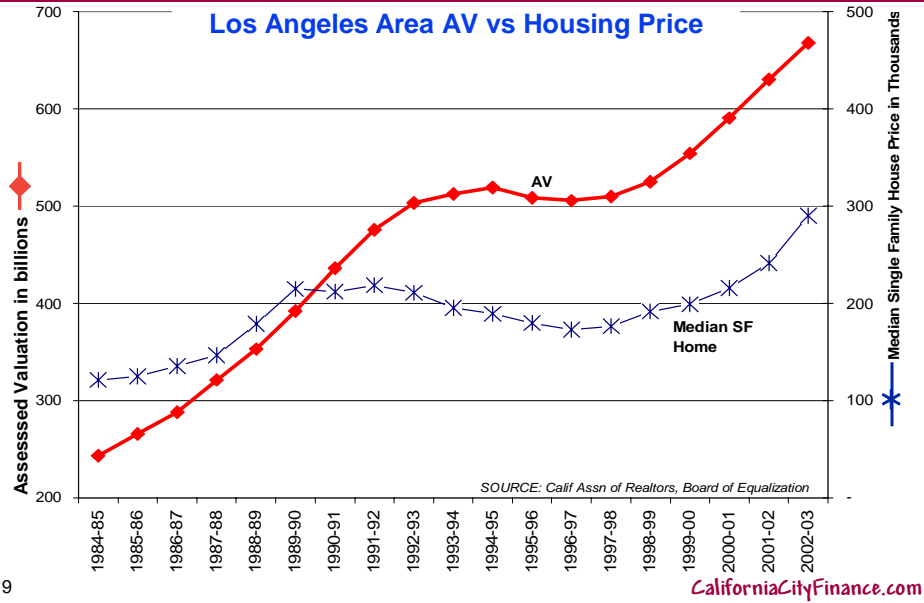
## Property Tax Effects Lag a Deflating Housing Bubble



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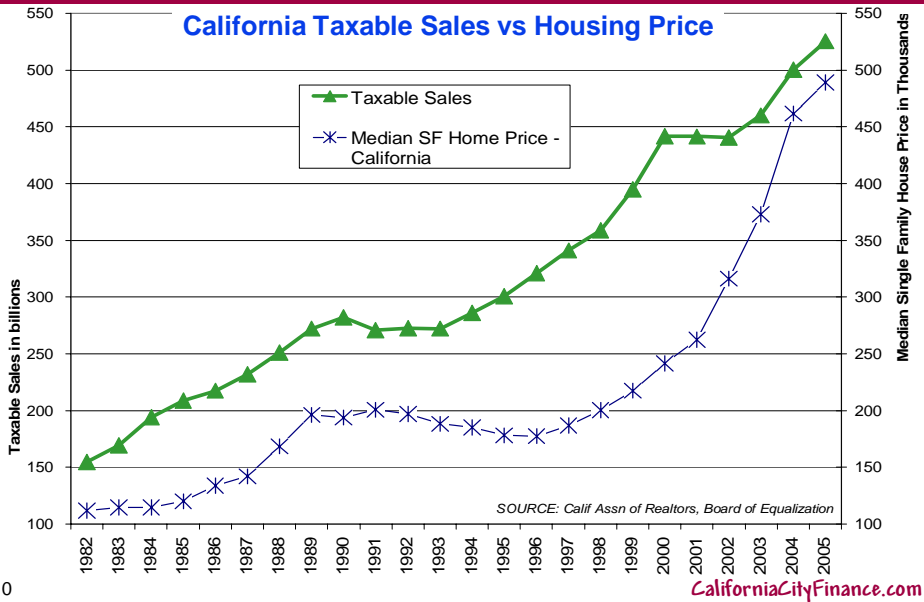
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## Property Tax Effects Lag a Deflating Housing Bubble



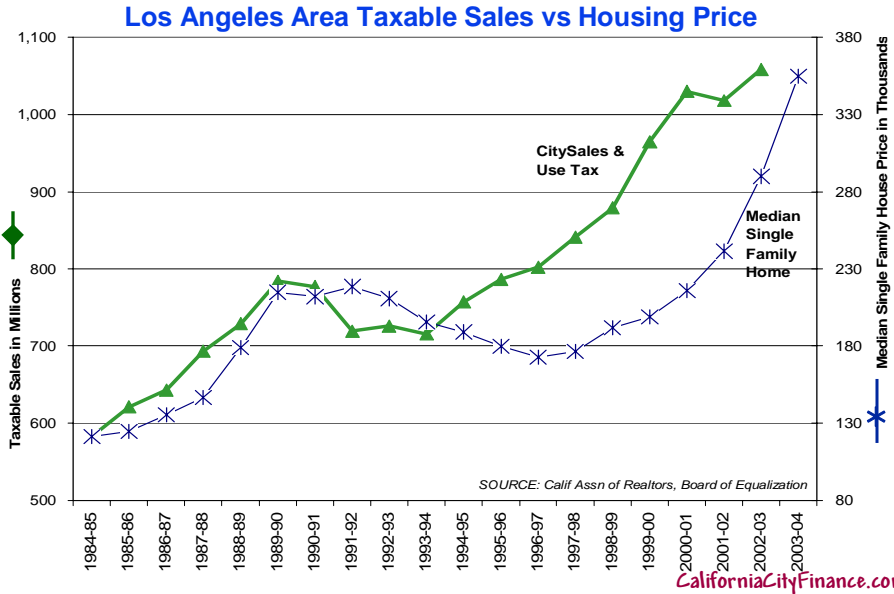
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## Sales Tax Effects in Concert with a Deflating Housing Bubble



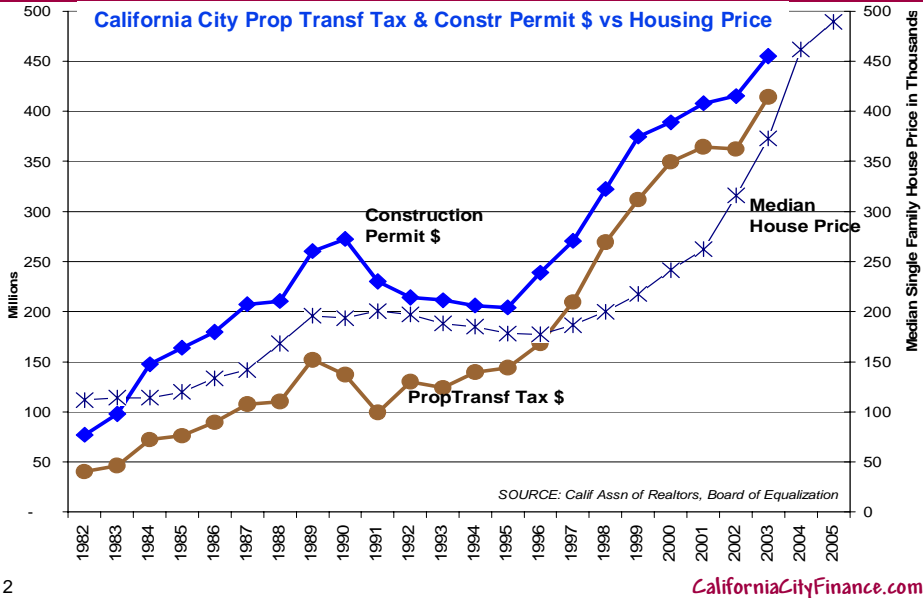
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## Sales Tax Effects in Concert with a Deflating Housing Bubble



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## Prop Transfer Tax and Constr Permit Revenues More Volatile, Reactive



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