

# Appendix B: Municipal Revenue Sources

The following municipal revenue sources are taken from the League of California Cities California Municipal Revenue Sources Handbooks:

## *General Taxes*

**Property Tax** - An ad valorem (added value) tax imposed on real property (land and permanently attached improvements) and tangible personal property (movable property). Use of revenues is unrestricted.

**Sales and Use Tax** – Tax imposed on the total retail price of any tangible personal property, unless specifically exempted. Use of revenues is unrestricted, but must be received into the city general fund. One-half cent from Public Safety Augmentation Fund must be used for public safety purposes.

**Business License Tax** – General tax on businesses for privilege of conducting business within the city. Use of revenues is unrestricted.

**Utility User's Tax** – General tax imposed on use of utility services. Use of revenues is unrestricted.

**Transient Occupancy Tax** – General tax imposed on occupants for privilege of occupying room(s) in a hotel, motel, inn, etc. Use of revenues is unrestricted.

**Documentary Transfer Tax (Real Property Transfer Tax)** – Tax imposed on the transfer of ownership in real estate. Use of revenues is unrestricted.

**Admissions Tax** – Tax on the consumer for the privilege of attending a show, performance, display or exhibition. Use of revenues is unrestricted.

## *Special Taxes*

**Mello-Roos Community Facilities Tax** – A special non-ad valorem tax imposed to finance public capital facilities and services in connection with new development. Use of revenues includes financing the purchase, construction, improvement, expansion or rehabilitation of any real or tangible property with an estimated useful life of five or more years. Authorized facilities include park, recreation and open space facilities, school sites and buildings, libraries, child care facilities, natural gas pipeline facilities, and telephone, electrical and cable television facilities.

Revenues may also be used to finance certain services including police protection services, fire protection services, ambulance and paramedic services, flood and storm protection services, clean – up of hazardous substances, recreation program services, library services, and operation and maintenance of parks, open space, museums and cultural facilities.

**Special Tax for Library Services** – A special tax for providing library facilities and services. Use of revenues is restricted to those services defined in California Education Code Sections 18010 et seq.

**Parcel Tax** – A special non ad valorem tax on parcel of property generally based on either a flat per-parcel rate or a variable rate depending on the size, use and/or number of units on the parcel.. Revenues may be used for any purpose; however, if the tax is levied for a specific purpose, a two-thirds vote is required and use of revenues is restricted to those services specified on a ballot measure.

**Special Tax for Police and Fire Services** – A special tax on parcels of property for supporting police protection and/or fire suppression services. Use of revenues is restricted to those services for which charges were imposed by the ballot measure and may include the cost of stations, personnel salaries and benefits, and cost of purchasing, operating and maintaining equipment.

## State-Administered Revenue Sources

**Motor Vehicle License Fee** – A fee for the privilege of operating a privately-owned vehicle on public streets. Use of revenues is unrestricted.

**Off-highway Motor Vehicle License Fee** – A fee imposed for the issuance or renewal of identification of off-highway motor vehicles. Use of revenues is restricted to planning, acquiring, developing, constructing, maintaining, administering, operating, or conserving trails, areas or other facilities for the use of off-highway vehicles.

**Gasoline Tax** – A per gallon tax on fuel used to propel a motor vehicle or aircraft. The California Constitution, Article XIX, Section 1 restricts use of taxes on motor vehicle fuels to research, planning, construction, improvement, maintenance, and operation or public streets and highways or public mass transit guideways.

## Other Intergovernmental Revenue

**Federal Grants** – Grants from the federal government to cities that come in two varieties: block and categorical. Block grants are allocated according to pre-determined formulas, and to receive such a grant, a city must apply for it and use the funds within a pre-approved broad functional area such as community development.

Categorical grants are the most common form of federal aid. The two most common forms are formula grants, which are allocated to qualifying applicants according to a formula, and project grants whereby applicants compete for federal funds through an application process.

**State Grants** – Grants that are similar to federal grants, except some state grants may apportion money for use at the discretion of the city with no specific requirements.

**County Grants** - Limited grant funds provided to cities within a County's jurisdiction for administration of various programs.

## Revenue Raised Locally

**Benefit Assessment** – A charge to a property owner to finance improvements or services which will benefit the assessed property. Use of revenues is restricted to fund the public improvements or services for which the assessment is levied, plus overhead.

**Current Service Charges** – Charges imposed to support services to individuals or to cover the cost of providing such services. Use of revenues is unrestricted, but amount of charge is limited to cost of providing the service, including overhead.

**Development Impact Fees and Exactions** – Fees placed on the development of land or conditions required for the approval of a development. Fees must be expended within five years on those projects for which they were collected.

**Fines, Forfeitures and Penalties** – Revenues received and/or bail monies forfeited upon conviction of a misdemeanor or municipal infraction.

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