

Sales Tax – narrowing the forecasted budget shortfalls

Question for Finance Commission:

Given the size of projected future deficits and inability to close the gap via budget cuts, would it be fiscally prudent to review and recommend an increase to allow for continuation of same level of city services going forward, while also meeting financial obligations and reducing risk to City’s financial reputation.

Background:

10 of 35 cities in Orange County have rates higher than the minimum. Ranging from 1% to 1.5%

Westminster received overwhelming support for an additional 1/2% increase in this election cycle to help the city with its deficit. That increase will result in \$8M annually in revenue. This is on top of a 1% tax approved several years ago, which added \$16M per year in revenue. Total sales tax rate in Westminster will be 9.25%

100 GENERAL FUND

	2021-22 ACTUAL	2022-23 ADJUSTED BUDGET	2022-23 ESTIMATE	DIFFERENCE FAVORABLE/ (UNFAVORABLE)	2023-24 BUDGET
REVENUE					
Property Taxes	3,325,604	3,342,800	3,438,449	95,649	3,401,500
Property Taxes - In Lieu of VLF	11,232,278	11,776,000	11,849,358	73,358	12,407,000
Property Taxes - Residual RDA	3,839,355	3,607,000	4,012,126	405,126	4,113,000
Sales Taxes	20,219,184	19,815,192	19,221,437	(593,755)	19,085,000
Transaction Tax	16,287,823	8,668,000	12,361,510	3,693,510	16,660,000
Property Transfer	434,294	320,000	303,849	(16,151)	320,000
Franchise	1,192,877	1,200,000	1,358,887	158,887	1,385,000

HB receives 1% of the overall 7.75% sales tax rate. This equates to just under \$54M annually. A 1¢ measure would bring in close to \$50M annually, and a 1/2¢ measure would bring in close to \$25M annually, and a 1/4¢ measure would bring in close to \$12.5M annually, and would increase over time based on normal growth.

City of Huntington Beach
Adopted Budget - FY 2023/24
Revenue Summary by Object Account
GENERAL FUND

Object Account	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Adopted	FY 2022/23 Revised	FY 2023/24 Adopted	Percent Change From Prior Year
40060 Basic Levy	58,395,301	61,072,136	62,798,335	66,291,489	66,291,489	70,152,223	5.82%
40160 Prior Year Property Taxes	469,544	573,848	582,861	573,848	573,848	500,000	-12.87%
40305 Supp Roll Property Taxes	1,199,225	1,227,427	1,473,040	1,199,225	1,199,225	1,473,040	22.83%
40350 Other Property Taxes	27,393,862	28,765,263	29,711,585	30,156,329	30,156,329	32,010,114	6.15%
40500 Assessments	38,595	69,786	61,542	38,595	38,595	62,000	60.64%
40010 PROPERTY TAXES	87,496,527	91,708,460	94,627,362	98,259,486	98,259,486	104,197,377	6.04%
41100 Sales Tax	41,063,042	47,675,808	53,362,468	53,343,094	53,343,094	53,553,960	0.40%
41200 Franchises	7,861,706	8,049,736	10,379,784	8,604,349	8,604,349	11,750,000	36.56%
41400 Transient Occupancy Tax	9,637,206	10,378,662	15,375,076	14,470,600	14,470,600	16,000,000	10.57%

Impact to consumer of a ½% increase in sales tax of \$1000 purchase would be \$5.

Largest impact to residents would be for purchases of expensive items, such as vehicles. Not visible on ordinary purchases.

What % of spending resulting in sales tax in HB is by tourists? How much impact to residents?

Given the tremendous support in Westminster of 2 sales tax increases, what can we learn about presenting such an increase to residents of HB that would gain support for this on the November 2024 ballot?

Other cities are facing similar challenges:

Fountain Valley background and management of their sale stax increase (measure HH 2016) [Information on Measure HH, Essential City Services | The City of Fountain Valley](#)

More on Westminster: [Transaction Use Tax - Local Tax Dollars at Work | Westminster, CA \(westminster-ca.gov\)](#)

**Viewing rates for counties
starting with O**

Location	Rate	County	Type	
Aliso Viejo	7.750%	Orange	City	
Anaheim	7.750%	Orange	City	
Brea	7.750%	Orange	City	
Buena Park	7.750%	Orange	City	
Costa Mesa	7.750%	Orange	City	
Cypress	7.750%	Orange	City	
Dana Point	7.750%	Orange	City	
Fountain Valley	8.750%	Orange	City	
Fullerton	7.750%	Orange	City	
Garden Grove	8.750%	Orange	City	
Huntington Beach	7.750%	Orange	City	
Irvine	7.750%	Orange	City	
La Habra	8.250%	Orange	City	
La Palma	8.750%	Orange	City	
Laguna Beach	7.750%	Orange	City	
Laguna Hills	7.750%	Orange	City	
Laguna Niguel	7.750%	Orange	City	
Laguna Woods	7.750%	Orange	City	

Lake Forest	7.750%	Orange	City	
Los Alamitos	9.250%	Orange	City	
Mission Viejo	7.750%	Orange	City	
Newport Beach	7.750%	Orange	City	
Orange	7.750%	Orange	City	
Orange County	7.750%	Orange	County	
Placentia	8.750%	Orange	City	
Rancho Santa Margarita	7.750%	Orange	City	
San Clemente	7.750%	Orange	City	
San Juan Capistrano	7.750%	Orange	City	
Santa Ana	9.250%	Orange	City	
Seal Beach	8.750%	Orange	City	
Stanton	8.750%	Orange	City	
Tustin	7.750%	Orange	City	
Villa Park	7.750%	Orange	City	
Westminster	8.750%	Orange	City	
Yorba Linda	7.750%	Orange	City	

Westminster Measure E: What You Should Know About The Results So Far

By [Gina Pollack](#)

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The results are still coming in, but Measure E, a bid to increase the sales tax in the city of Westminster, appears headed for an easy victory. The Orange County Registrar of Voters released its latest count as of 5 p.m. March 20, and here are the results:



For most races, such as this one, it's all over but the official call. So why does it take so long to make the unofficial official?

As [a recent LAist story explained](#): Californians overwhelmingly vote by mail — more than 87% of votes cast in the 2022 general election were mail-in ballots. Those ballots can be postmarked up to and including Election Day. They're counted as long as the ballot arrives within seven days (for the primary, that was Tuesday, March 12). In Orange County, there are still over 8,000 votes left to process.

Measure E's passage means that Westminster's sales tax will increase by 0.05% (*note by JBM this is presented incorrectly – should be .5%*). That tax will provide an estimated \$8 million dollars annually, the authors of the measure say, and help close a budget gap that the city is facing.

How we got here

This isn't Westminster's first rodeo when it comes to trying to increase its sales tax. In 2016, voters passed Measure SS, which raised the local sales tax by 1%. In 2022, 70% of voters approved a measure that would keep that 1% tax increase active until March 31, 2043, to fund city services. If the 2022 measure hadn't passed, cuts to the city budget could have closed parks, caused layoffs and eliminated youth and senior centers.

The city is currently facing a nearly [\\$9 million](#) deficit for the 2023-24 fiscal year.

Over the years, other city revenue ideas such as electronic billboards, a new gas station and establishing vendor kiosks at the Civic Center have failed to gain council support.

Why is Westminster so financially unstable? Prop. 13 may be to blame, because it locked the city into lower property tax returns decades ago. Another cause could be a historic over-reliance on state redevelopment funds, according to the [Los Angeles Times](#). Critics also blame the city council for not doing a better job of managing the fiscal crisis.