

City of Beaumont Revenue Outlook and Review of Options

Sales tax is Beaumont's largest revenue source, and proposed changes to e-commerce tax allocations could significantly impact the City's financial outlook. While exact figures are still being analyzed, cities with a high concentration of distribution centers could see a revenue decline of 25% or more under the proposed framework. based on a quick analysis of FY24 actuals points to a potential estimated decrease of \$9.4m.¹

The City could begin seeing these reductions as early as 2027 if the legislature acts or a State Ballot Measure is proposed/passed in 2026.

Public Safety costs are also rising. Overall Public Safety spending has nearly doubled since 2021, owing in part to an added Fire Station and other long term trends.² According to a recent forecast, City expenditures would exceed revenues by FY2031 should the City issue debt for the construction of a new police station. The City will need to find additional revenue sources to cover this shortfall or reduce the burden of the construction on the General Fund by other sources.³

As part of the proactive planning to address these and other fiscal challenges, City Staff has been working to develop policy & revenue strategies, including identifying opportunities for revenue diversification and potential ballot measures to sustain fiscal stability.

Current City Revenue Streams and the General Fund

The General Fund is the primary operating fund for the City. It funds core services including public safety, parks and recreation, street maintenance, administration and finance, permitting and code enforcement. The City projected \$68.1 million of revenue in FY2025, which represented less than a 1% increase over the prior year. Budgeted expenditures were projected to decrease by 2% to \$66.7 million in FY2025. However, after adding funding for priority projects and addition of needed positions, FY2025 expenditures total \$80.3 million.

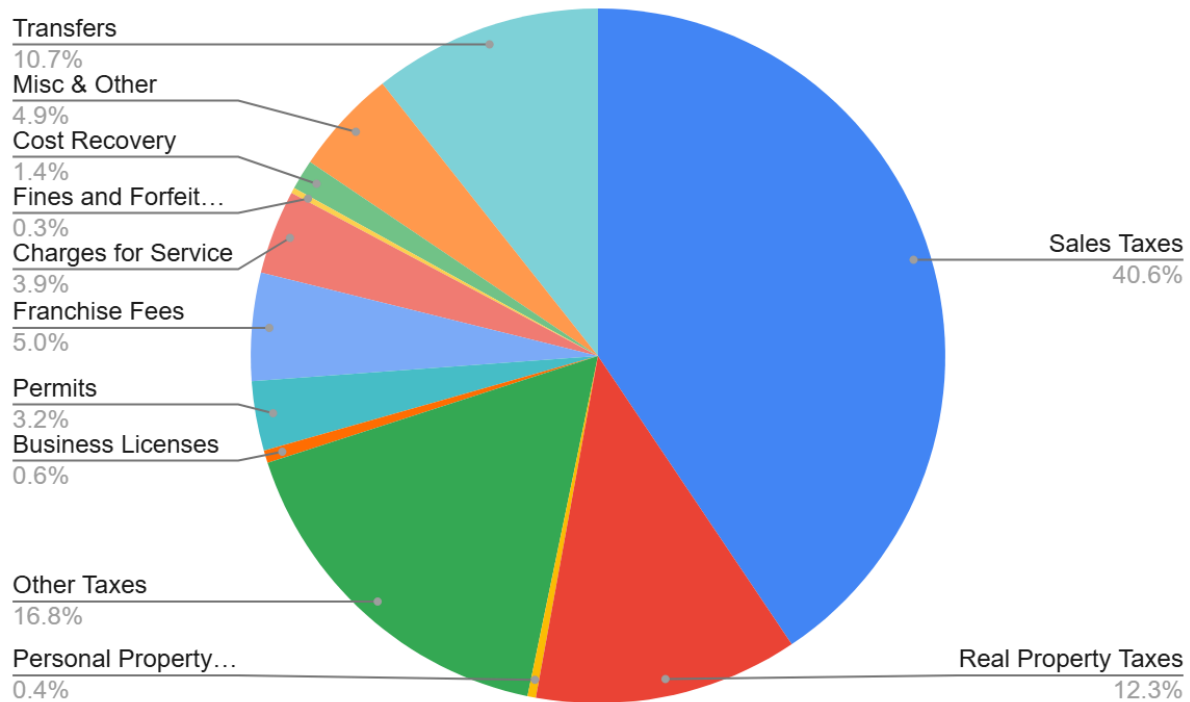
The primary sources of revenue for the General Fund are taxes, permits, franchise fees and transfers from Community Financing Districts (CFDs).

¹ Sales Tax Working Group Update 3.18.25

² Based on FY21 safety at \$17.5m and FY25 at \$30.2m. <https://city-beaumont-ca-budget-book.cleargov.com/8398/fund-summaries/general-fund>

³ <https://city-beaumont-ca-budget-book.cleargov.com/8398/budget-overview/assumptions>

For the FY2024-2025 budget, the pie chart below represents the percentage of each revenue stream in the General Fund.



Sales Taxes	\$27,642,910.00
Real Property Taxes	\$8,367,897.00
Personal Property Taxes	\$266,098.00
Other Taxes	\$11,420,511
Business Licenses	\$398,437
Permits	\$2,204,998
Franchise Fees	\$3,421,662
Charges for Service	\$2,666,801
Fines and Forfeitures	\$174,194
Cost Recovery	\$950,988
Misc & Other	\$3,339,383
Transfers	\$7,263,776
TOTAL	\$68,117,655

Recent Steps Taken to Promote Fiscal Sustainability

Fee Update: Determine internal service costs and update fees to cover costs – periodic review of internal service costs and updating fees to cover costs of benefits received from users who individually receive a benefit, charging grants for indirect costs, and charging enterprise funds their identified share of administrative costs ensure there isn't a subsidy provided for services. The last cost allocation plan was adopted on May 24, 2022, and the last fee study and fee update was adopted on March 21, 2023. This is currently up to date and not recommended at this time.

Development Impact Fees – The City seeks to recover some of the cost of growth through development impact fees on new developments in the City of Beaumont. As Beaumont's population grows, the demand for expansion of public infrastructure and the purchase of capital equipment needed to serve new development in the City increases. State law requires these fees to be updated every eight years, and Beaumont completed an analysis in 2024.

Investment Returns - The City of Beaumont invests cash based on its policy of safety, liquidity, and rate of return. Investment returns can increase revenues to be used for projects and one-time purchases. Reviewing quarterly reports and comparing them to benchmarks will provide City staff with the tools needed to adjust to make sure policy goals are met. This is a continuing effort.

Grant Funding – Cities can maximize grants that align with goals and priorities of the city. The Grants Analyst position was filled in FY 23-24 and from FY 23 to FY 24 grants increased by \$3.6 million. These are restricted revenues for specific purposes and generally are for Capital Improvements outside the General Fund.

Economic Development - Recruit new business, while retaining and expanding local business, that promotes growth of primary jobs and/or sales tax revenue. Several initiatives are currently underway.

Items In Progress

Put current assets to work – Governments can increase revenue by use of owned real estate for leases or rental of vacant properties. A review of any unused vacant property is underway to ensure the city is putting all available assets to use for revenue generation. Examples could include leases for billboards, cell towers, and other uses, as well as sale of freeway adjacent city-owned parcels. Current staff estimates suggest a combination of new and converted billboards could generate between \$100,000 and \$200,000 annually. Sale of

certain City-owned properties under review might garner between \$1 and 1.25 million in one-time proceeds.

Potential New Revenue

Short Term Rentals (SRT) - The City estimates 50-70 SRT units in the City. There is a potential for approximately \$120,000 per year in revenue from permitting these properties, with associated costs to the City expected as much as \$30,000 in annual administration.

Tax Measures

Sales and Use Tax – Cities and counties may impose additional transaction and use taxes in increments of 0.125 percent with two-thirds city council approval and majority voter approval for a general tax, a special tax requires two-thirds voter approval. The combined rate of the city and county transaction and use taxes is capped at 2 percent in most counties.

Beaumont's 7.750% rate is tied for the lowest in Riverside County, and 19 cities in the county charge a higher rate. Add-on Sales Taxes authorized by local voters are kept 100% within that jurisdiction. Currently, the City receives just 1% of the 7.750% charged with the City, sharing those funds with the State and County as follows:



Sales Tax increases are common on the ballot in California, and in 2024 81 measures passed and 14 measures failed, giving an 85% pass rate.

Transient Occupancy Tax (TOT) – More than 400 cities in California impose TOT on people staying for 30 days or less in a hotel, inn or other lodging facility. TOT increases are common on the ballot in California, and in 2024, 23 measures passed and 5

measures failed, giving an 82% pass rate. Hemet successfully increased their rate from 10 to 12%

Utility User Tax (UUT) – More than 150 cities (collectively representing a majority of the state's population) impose a utility user tax. UUT rates are levied on users of various utilities, which may include telephone, electricity, gas, water, and cable television. The City could use its existing consultants to review options to increase revenue. UUT modernizations are rare on the ballot, and in 2024, 1 measure passed and 1 measure failed, in Banning.

Parcel Tax – The property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property. California Constitution Article XIII A (Proposition 13) limits the property tax to a maximum of 1 percent of assessed value, not including voter-approved rates to fund debt. Approval for a City referred measure requires a $\frac{2}{3}$ vote and the measures broadly target specific purposes such as parks, roads, libraries, housing or other services. Parcel Taxes put forth by municipalities are rarer on the ballot, and fall into several categories.

Flat Rate Per Parcel – There were three such measures (including renewals) in November 2024, all of which passed. These have been most common for municipalities recently in the Bay Area and Los Angeles.

Per Square Foot Rates – These can target residential and/or commercial, though often these kind of measures target commercial/industrial sites. There were three such measures in 2024, all of which passed. Cathedral City did attempt a 15cent/sf measure in 2022, which failed. Similarly, Pomona attempted a commercial/industrial per/ssf measure in 2022 and also failed.

Business License Tax – Most cities in California including Beaumont levy a business license tax. Business license taxes can vary widely and be calibrated to industry type, number of employees, gross receipts or other factors. BLT revenue in Beaumont totaled \$419,887 for FY 23-24. The City could use its existing consultants to review options to increase revenue. BLT increases are common on the ballot in California, and in 2024, 16 measures passed and 0 failed.

Cannabis Sales - Cannabis sales have potential to increase sales tax and can include a component to the business license tax. Neighboring Banning has budgeted new Cannabis tax revenue of \$950,000 until more analysis can be done on their actuals. There are some challenges with managing cannabis compliance so a study would be recommended to ensure potential revenue sources achieve the desired result without

excessive cost. It should be noted that staff does NOT recommend this as an option to increase revenues. Cannabis increases are common on the ballot in California, and in 2024, 5 measures passed and 0 failed.

GAP Analysis

The City has already reviewed rates of several key levies in neighboring and comparable cities, see below. Broadly, Beaumont is charging the lowest rates among these peers on Sales Tax, Utility Users Tax and Transient Occupancy Tax.

	Sales Tax	Utility Users Tax	Transient Occupancy (TOT)
Beaumont Rate	7.75%	3.00%	10%
Banning	7.75%	-	12%
Calimesa	7.75%	-	10%
Palm Springs	9.25%	5.00%	11.50%
Riverside	8.75%	6.50%	13%
Hemet	8.75%	-	12%
Murrieta	8.75%	-	10%
Temecula	8.75%	-	10%
Menifee	8.75%	-	10%
Moreno Valley	8.75%	5.75%	-
San Bernardino	8.75%	7.75%	-
Average Rate	9%	5%	11%
Current Budget	\$28,374,719	\$2,152,970	\$416,381
% of rev Budget	42%	3%	1%
Potential increase to average	\$7,093,680	\$43,059	\$4,163

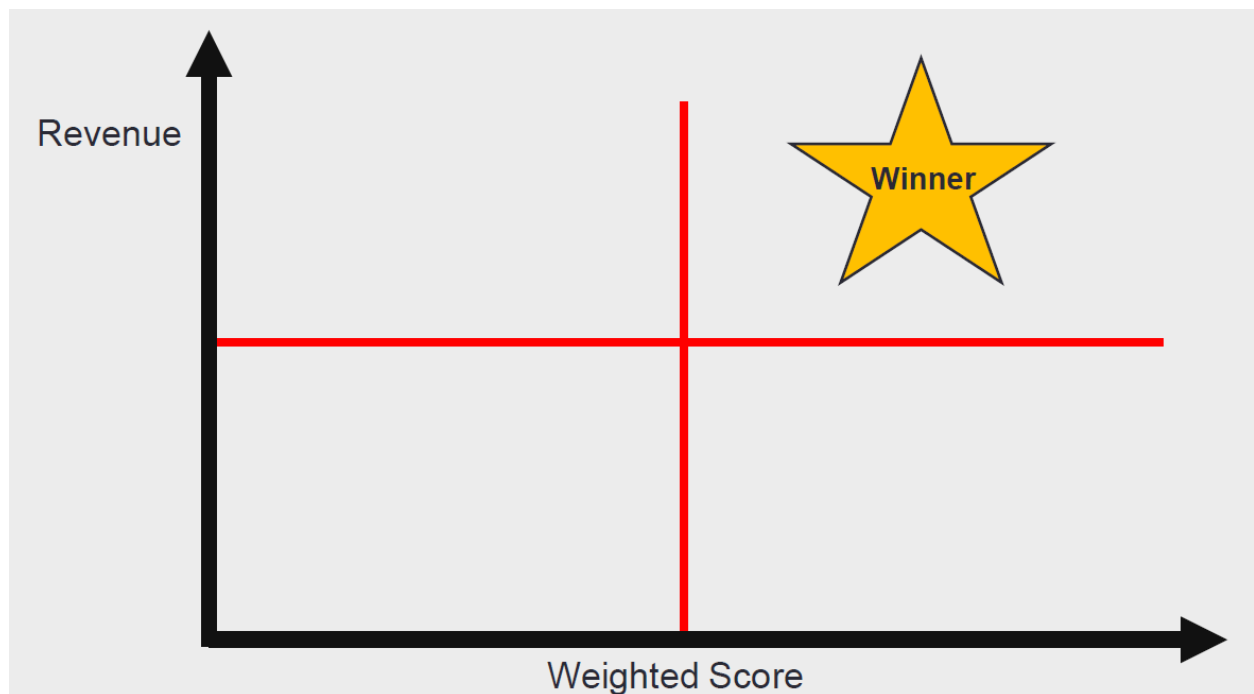
How to Evaluate the City's Options?

The City has a range of options to generate additional revenue, from fees/cost recovery to economic development to new taxes requiring voter approval. The City has taken a number of steps in recent years, including a fee update adopted on March 21, 2023, and several economic development initiatives now underway.

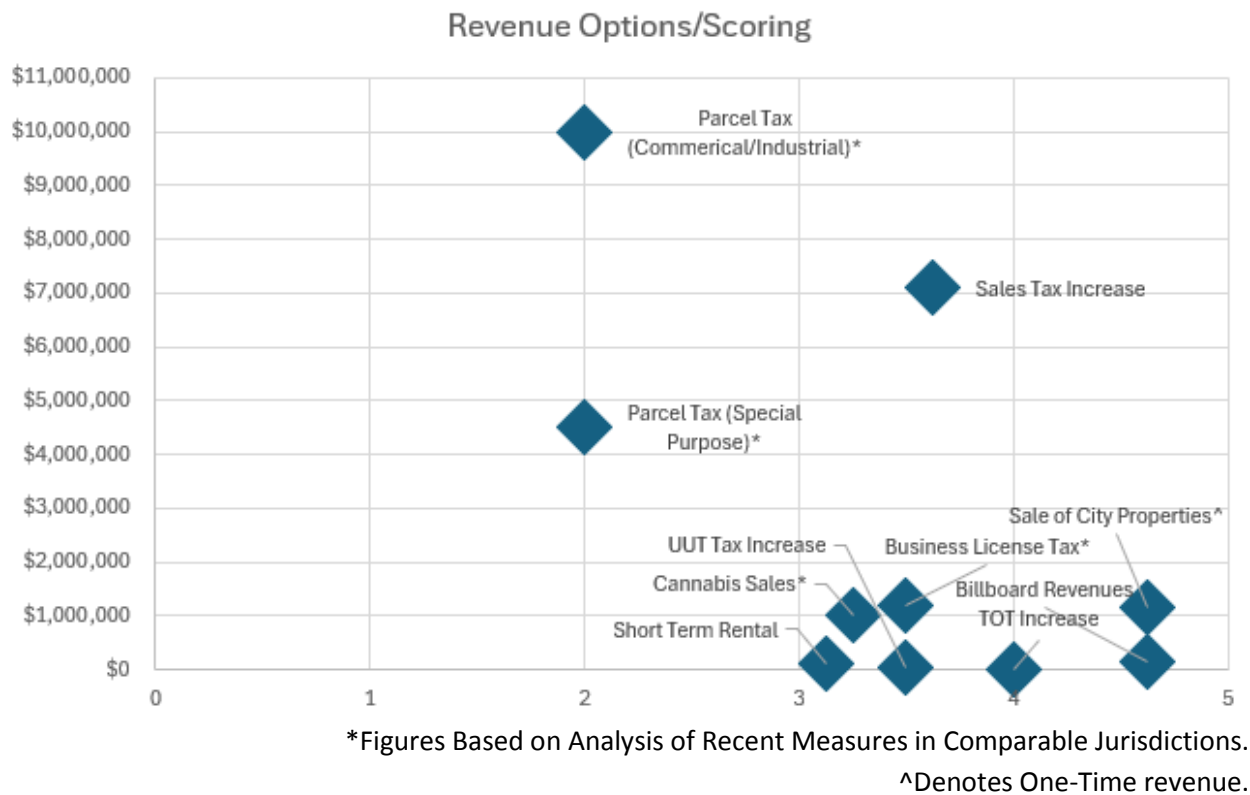
To assess the potential for these and other revenue options, staff have compiled a list of options and scored them on the following criteria:

- **Amount of annual revenue** – How much revenue is estimated annually?
- **Legal requirements to implement** – How difficult is the measure to implement from a legal standpoint?
- **Restricted versus unrestricted (by Fund, department)** – Are funds restricted or unrestricted?
- **Longevity of revenue** – How long would revenues be available?
- **Revenue volatility** – How volatile would the revenues be on annual basis?
- **City Council approval/** – Does the measure require council approval and are there public perception considerations?
- **Voter approval** – Does the measure require voter approval and what threshold?
- **Staff resources (time & money) to implement** – What resources are needed to develop and implement the measure?
- **Staff resources (time & money) to administer after implementation** – What resources would be involved in the ongoing collection and administration of the measure?

This analysis is designed to help the City determine which actions can improve fiscal sustainability with the greatest efficiency and effectiveness. Options that generate more revenue with greater efficiency and fewer barriers will appear in the upper right quadrant of the analysis.



Options for the City of Beaumont



Potential Next Steps

The City has various options to explore regarding additional potential revenue.

Those that require voter approval are recommended to undergo further vetting through public opinion survey work and community outreach. Council may direct staff to further explore these options, or take no action. The deadline to refer a measure to the November 2026 ballot is the July 7, 2026 council meeting.