

Beaumont Revenue Study



Background

- Sales tax is Beaumont's largest revenue source, and proposed changes to e-commerce tax allocations could significantly impact the City's financial outlook.
- The City could begin seeing these reductions as early as 2027.
- Potential revenue losses unfold in the context of rising Public Safety costs.
- 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.



Revenue Study Goals

- Review Current Options for One Time and Ongoing General Fund Revenue
- Assess prevailing rates in neighboring/peer communities.
- Evaluate options in context of feasibility, administrative and other considerations.

Recent Steps Taken to Promote Fiscal Sustainability

The City has taken numerous steps in recent years to address rising costs and optimize revenue streams through fee updates, economic development, investment adjustments and pursual of state and federal grant dollars.

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 and a new cost allocation plan is forthcoming in FY25-26.



Recent Steps Taken to Promote Fiscal Sustainability

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.



Recent Steps Taken to Promote Fiscal Sustainability

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.



Recent Steps Taken to Promote Fiscal Sustainability

Grant Funding

Cities can maximize grants that align with goals and priorities of the city. These are restricted revenues for specific purposes and generally are for Capital Improvements outside the General Fund.

The Grants Analyst position was filled in FY 23-24 and from FY 23 to FY 24 grants increased by \$3.6 million.

Recent Steps Taken to Promote Fiscal Sustainability

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.

Potential New Revenue

Tax Measures

Sales and Use Tax

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

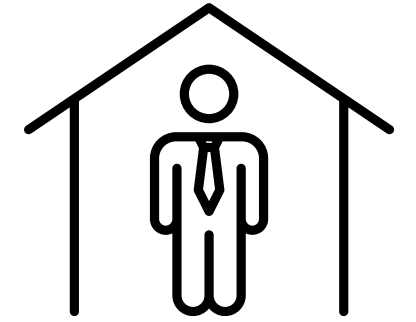
100% within that jurisdiction. Currently, the City receives just 1% of the 7.750% charged with the City, sharing those funds with the State and County (see graphic).

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.



Potential New Revenue

Tax Measures

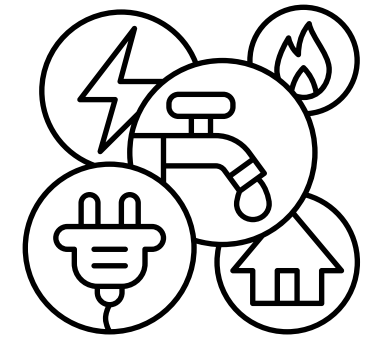


Transient Occupancy Tax (TOT)

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%

Potential New Revenue

Tax Measures

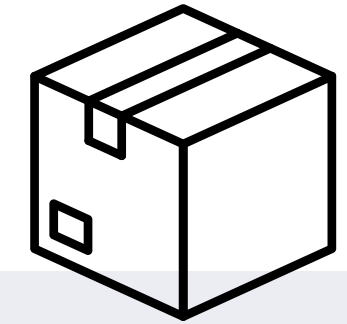


Utility User Tax (UUT)

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.

Potential New Revenue

Tax Measures



Parcel Tax

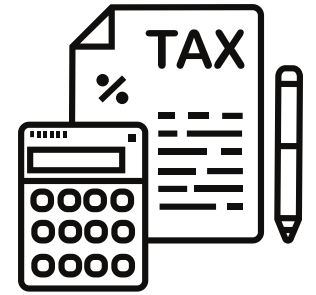
The property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property. California Constitution Article XIII A (Proposition 13) limits the property tax to a maximum of 1 percent of assessed value, not including voter-approved rates to fund debt. Approval for a City 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/sf measure in 2022 and also failed.

Potential New Revenue

Tax Measures



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.

Potential New Revenue

Tax Measures



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

	Sales Tax	Utility Users Tax	Transient Occupancy
Beaumont	7.75%	3.00%	10%
Banning	7.75%	-	12%
Calimesa	7.75%	-	10%
Palm Springs	9.25%	5.00%	11.5%
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	9.00%	5.00%	11.0%
Current Budget	28,374,719.00	2,152,970.00	416,381.00
% of rev Budget	42%	3%	1%
Potential increase to average	7,093,679.75	43,059.40	4,163.81

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 key criteria.

How to Evaluate the City's Options?

Amount of annual revenue

Legal requirements to implement

Restricted versus unrestricted (by Fund, department)

Longevity of revenue

Revenue volatility

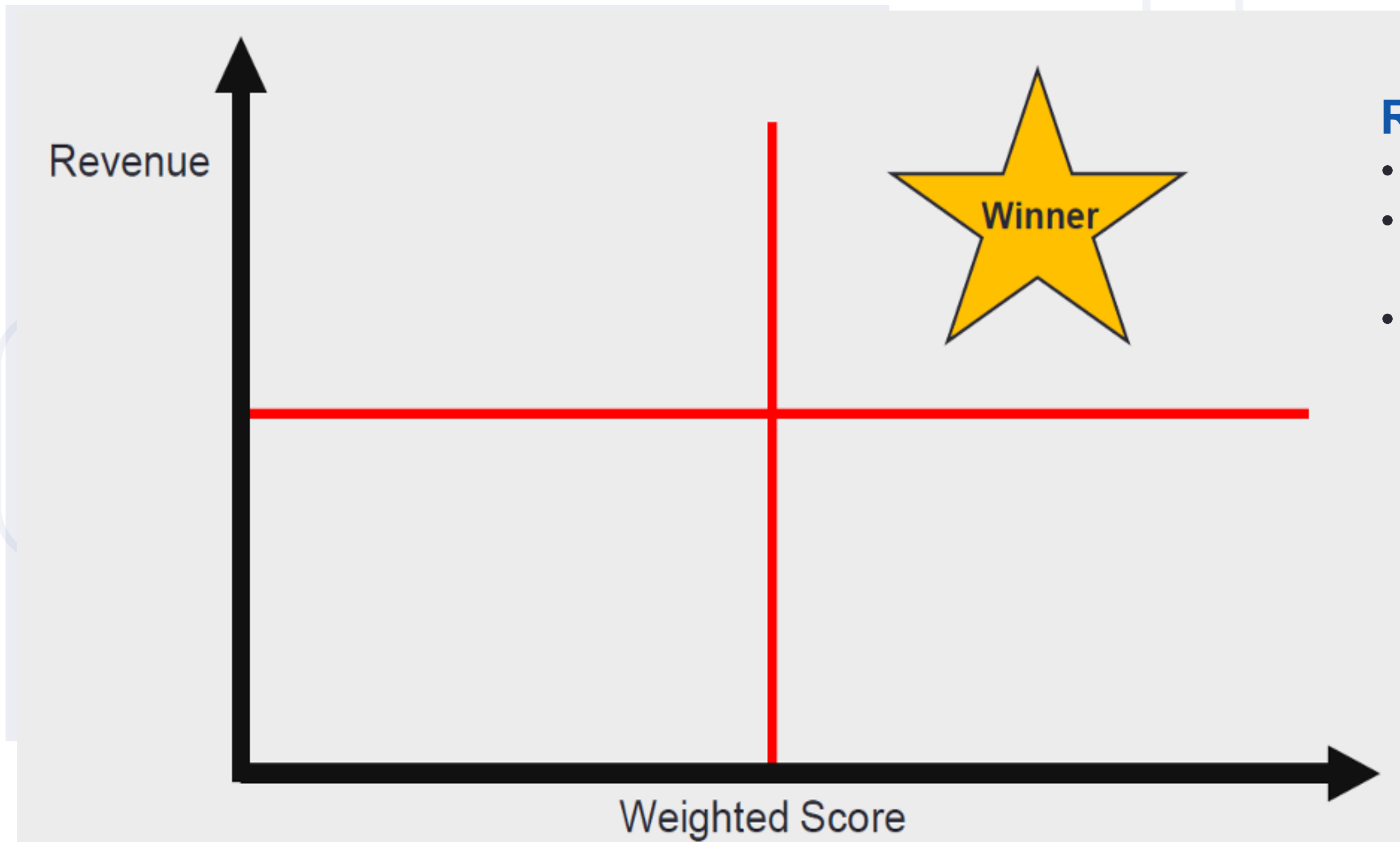
City Council approval

Voter approval

Staff resources (time & money) to implement

Staff resources (time & money) to administer after implementation

How to Evaluate the City's Options?

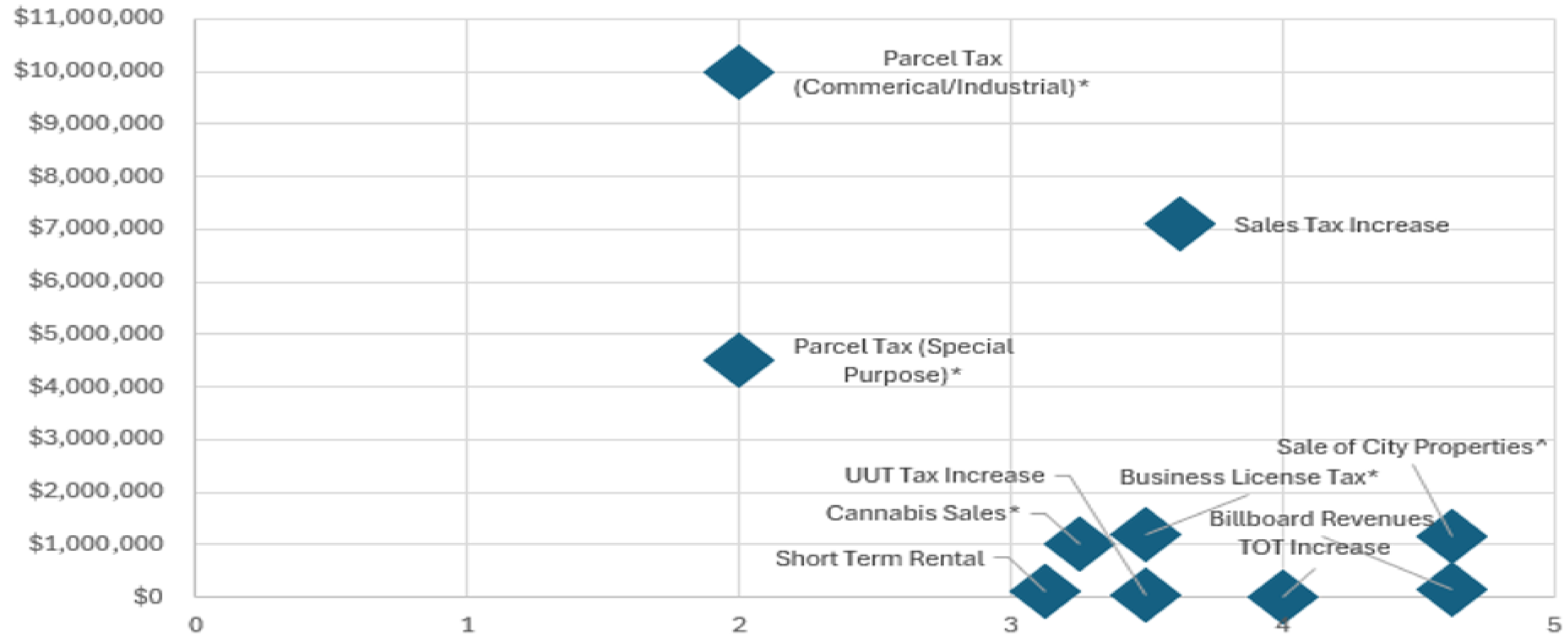


Rating Scale:

- Revenue on Y axis.
- Score (1-5) for each criteria
- Weighted Score on X Axis

Options for the City of Beaumont

Revenue Options/Scoring



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.

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**Thank
You**