

## IMPARTIAL ANALYSIS OF MEASURE L

Measure L, if passed, would temporarily amend the Transient Occupancy Tax ("TOT") rate from its current 6 percent (6%) to 12 percent (12 %). The TOT, established by the City of Banning in 1965, applies only to guests who stay at hotels and motels in the City for less than 30 days and has not been increased in over 40 years.

Your "yes" vote means that: (1) the TOT would be changed from 6 percent (6%) to 12 percent (12%) and; (2) that in 10 years the 12 percent (12%) TOT would terminate, resulting in the TOT rate reverting back to six percent (6%). Your "no" vote means that there would be no change to the current law, so the TOT rate would remain at six percent (6%).

TOT rates vary by city including, for example, Palm Springs-11 ½%, Indian Wells-9.25%, La Quinta-10%, and Anaheim-15%. This measure would require that all TOT collected be allocated to the City's General Fund. The revenue would be used to fund general city services, including: fire, street maintenance, parks, recreation, senior services and similar items. Currently, in Banning, the largest government expenditure from the General Fund is police services, which comprise 50% of the budget.

Measure L was placed before the voters of Banning after the City Council unanimously declared a fiscal emergency in the City based on the general economy and the State of California's own \$26 Billion deficit. In fact, the adopted State budget now relies upon borrowing \$1.8 Billion in property taxes from local governments, of which Banning's share is over \$400,000 and also takes over \$2 Billion from redevelopment agencies, of which Banning's share is almost \$1M.

The City Council of Banning has made a number of reductions to the City's budget and services for Fiscal Year 2009-2010 to reduce the General Fund Budget by \$5.043M, including: closing City offices on Fridays; reduced hours at the police station; furloughing employees (equivalent to a 5% pay reduction); layoffs or retirement of 30 employees; and other cost saving measures.

Since 2007-08 total City reserves have fallen from \$7.2M (40% of Budget) to 2.1M (15% of Budget). The Finance Department estimates that the impact of the State Budget will increase the General Fund structural deficit to approximately \$1.26 million. The Finance Department estimates that the proposed increase in the TOT will generate between \$275,000 and \$300,000 in General Fund revenue annually for the City of Banning to help off set these impacts.

The Measure reserves the right of the Council to make other changes to the TOT ordinance not affecting the rate. Measure L requires approval from a majority of Banning voters to take effect.

**The above statement is an impartial analysis of Measure L. If you desire a copy of the ordinance or measure, please call the Banning City Clerk's Office at (951) 922-3102 and a copy will be mailed at no cost to you.**