

October 1, 2021

Community Update

by Tami Scott, Administrative Services Director

You may have heard City staff and City Council refer to the City of Cathedral City being a post-proposition 13 City. What exactly is Proposition 13 and how does it affect local finances?

In 1978, a simple majority of California voters approved Proposition 13, seeking property-taxpayer relief and uniformity, with far-reaching consequences, some unintended. Proposition 13 reduced property revenues by more than half and effectively abolished any local control with regard to the property tax. Local governments still have wide latitude on the spending of the remaining revenues they receive, but the allocation of the tax is controlled by the State Legislature.



Six Provisions of Proposition 13 Affect Local Finance:

1. **One percent rate cap.** Proposition 13 capped, with limited exceptions, property tax rates at 1 percent of full cash value at the time of acquisition. Prior to Proposition 13, local jurisdictions independently established their tax rates.
2. **Assessment Rollback.** Proposition 13 rolled back property values as determined for tax purposes to their Fiscal Year 1975-1976 level.
3. **Reassessment upon change of ownership.** Proposition 13 replaced the practice of annually reassessing property at full cash value with a system based on cost at acquisition. Under Proposition 13, property is assessed at market value for tax purposes only when it changes ownership. Subsequent annual values are limited to this “base year” amount plus an annual growth factor of 2 percent or CPI, whichever is less.
4. **Responsibility for allocating property tax transferred to the state.** Proposition 13 gave state lawmakers responsibility for allocating property tax revenues among local jurisdictions. Prior to Proposition 13, jurisdictions established their tax rates independently and their property tax revenues depended on the rate levied and the value of the property located within the boundaries of the jurisdiction.
5. **Voter approval for special taxes.** Proposition 13 requires two-thirds voter approval for property taxes raised by local governments for a designated “special” purpose.
6. **Taxes imposed by the State Legislature require a two-thirds vote of the Legislature.** In order the change any provision of Proposition 13, it would have to go back to the voters.

Finally, the amount of property taxes allocated to local governments depends on state property tax allocation laws, principally Assembly Bill 8 (“AB 8”). The AB 8 system was designed, in part, to allocate property tax revenue in proportion to the share of property taxes received by a local government in the mid-1970s (*those cities that were incorporated prior to the implementation*

of Proposition 13 in 1978). Under this system, local governments that received a large share of property taxes in the 1970s typically continue to receive a relatively large share of property taxes today. Although there have been changes to the original property tax allocation system contained in AB 8, the allocation system continues to be substantially based on the variation in property tax receipts in effect in the 1970s. This variation largely reflects service levels provided by local governments in the 1970s. Those Local governments providing many services generally collected more property taxes in the 1970s to pay for those services. As a result, those local governments received a larger share of property taxes under AB 8. For example, cities and counties that provided many government services, including police and fire protection, park and recreation programs, and water services, typically receive more property tax revenue than governments that relied on special districts to provide some or all of these services. Local governments not yet incorporated by 1978, which Cathedral City did not incorporate until 1981, essentially fell victim to Proposition 13 and AB 8 and thus receive on average 60% less in property tax revenue than those cities incorporated prior to 1978.

In practical terms all of this means that neighboring cities of a similar size (like Palm Springs and Cathedral City) may receive significantly different property tax allocations. For example, in Fiscal Year 2016-17, Palm Springs was allocated \$20.8 million dollars in property tax revenues while Cathedral City received only \$3.8 million. This makes it more difficult for Cathedral City as a post Prop 13 city to provide the same level of services as a similarly sized city that incorporated before Prop 13. Therefore, a city like Cathedral City must diversify its tax receipts by relying less on property tax and more on other forms of taxes, such as sales tax and the emerging cannabis tax, to provide services to its residents.

News



Holiday Light Parade at Snow Fest - Saturday, December 9th - Downtown Cathedral City

Bring the entire family for a new and exciting festival that is surely going to become a tradition in Cathedral City called, Snow-Fest. The free festival, title sponsored by the Agua Caliente Band of Cahuilla Indians and presented by the City of Cathedral City, occurs on ...

[Read more.](#)

Upcoming Events

2nd Saturdays Art Walk



on Perez Road

Every 2nd Saturday, come to Cathedral City's Art & Design District for "2nd Saturdays Art Walk on Perez Road" where you will discover special art exhibits, museum quality art as well as cultural art to brighten your soul, meet other like-minded people, and maybe get a little exercise going from art gallery to design gallery to art gallery. It will be ARTtastic!

[Read more.](#)

Snow Fest

SnowFest Coming to Cathedral City – Saturday, December 9th Bring the entire family for a new and exciting festival that is surely going to become a tradition in Cathedral City – SnowFest. The FREE festival, title sponsored by the Agua Caliente Band of Cahuilla Indians and presented by the City of Cathedral City, occurs on Saturday, December 9th from 5

...[Read more.](#)



Great Family FUN! [Read more.](#)

Movies in the Park

Gather the family, blankets and/or chairs for "Movies in the Park" located this season at the Downtown Festival Lawn, 68600 East Palm Canyon Drive (HWY 111) in Cathedral City.

The free event, hosted by the Cathedral City Evening Rotary and sponsored by the City of Cathedral City, happens once a month on a Saturday evening every month between November and May, at 7:00 pm, except for the month of May, which begins at 8:30 pm due to daylight savings time.

You are welcome to bring snacks or non-alcoholic drinks, but you can also purchase them from the movie organizers at the concession stand.

Palm Springs International Film Festival

The Palm Springs International Film Festival is a portal for the very best in world cinema, welcoming more than 136,000 enthusiastic filmgoers. For the third year in a row, the film festival will utilize the Mary Pickford Theatre in Downtown Cathedral City to showcase many of the films on multiple screens.

For tickets and all information about the festival, go to www.PSFilmFest.org

[Read more.](#)



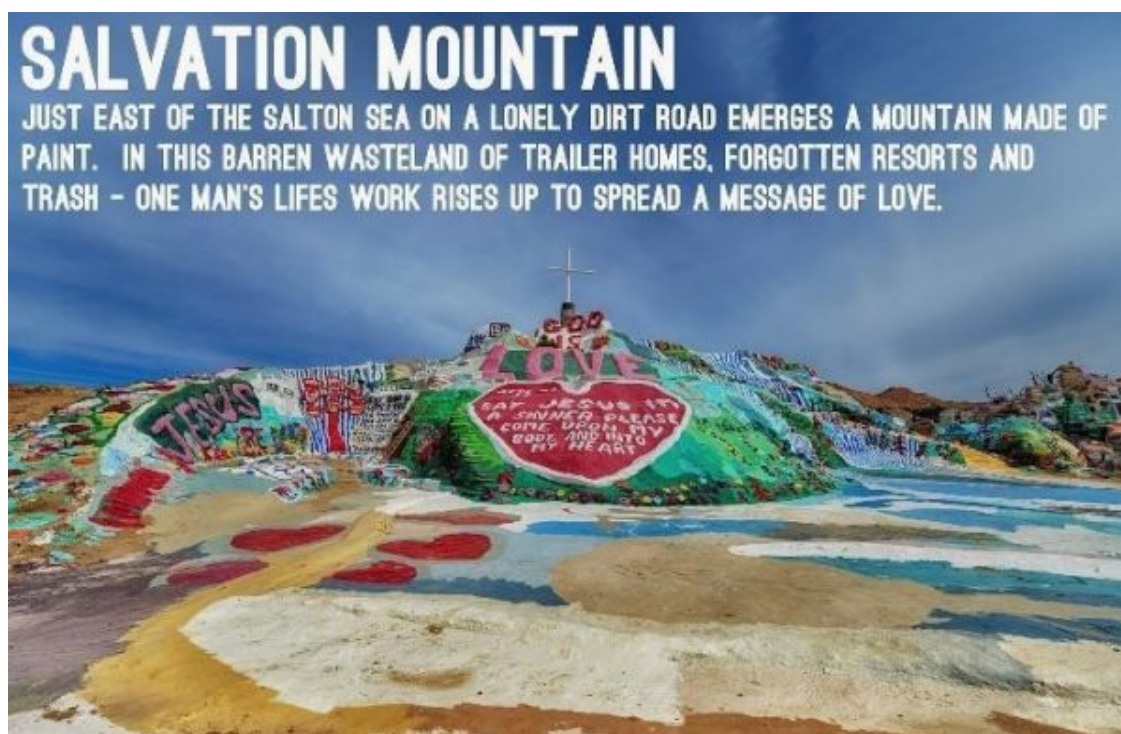
CHILDREN'S ART PARTY FOR CHILDREN AND



ELDERS

The SCRAP Gallery and the Agnes Pelton Society hosts the Children and Elders monthly Art Party at the Simeon Den Gallery, 68895 Perez Road, Suite I-27 (across from Frankie's Italian Bakery) on the First Saturday of each month from 1-3 PM. Admission is free.

Participants create art pieces made of recyclable materials and also meet and work with a local guest artist, who will share his/her work as well as conduct ...[Read more.](#)



Salton Sea and Salvation Mountain Day Tour

Salton Sea and Salvation Mountain Day Tour

[Read more.](#)

3rd Annual Taste of Jalisco Festival

LIVE MUSIC, FOOD,
TEQUILA/BEER, FIREWORKS

SHOW, KID ZONE AND OUTDOOR
MARKET!

FOR MORE INFORMATION, CLICK
HERE

[Read more.](#)

