

July 3, 2003

Honorable Mayor and Members of  
the Hermosa Beach City Council

Regular Meeting of  
July 8, 2003

<p><b>PROPOSAL TO INCREASE TRANSIENT OCCUPANCY TAX (TOT) AUTHORITY FROM 10% TO 12%.</b></p>
---

**Recommendation:**

That the City Council consider the proposal to submit to the voters on the November Municipal election ballot to increase the authority to levy a transient occupancy tax (TOT) up to 12%. A 4/5 vote of the City Council is required to place a tax measure on the ballot.

**Background:**

The transient occupancy tax is presently at 10%. This has been the rate since 1990. This is the tax imposed on persons staying in hotels in the city, for periods of 30 days or less. The tax is expected to generate \$1,105,321 in the 2003-04 fiscal year. This revenue source has been growing in recent years as the result of new hotels being completed and operating.

The proposal that staff is recommending is that a measure be placed on the ballot that would provide the authority for the City Council to increase the tax rate by 2% up to a total of 12%. The City Council would take a separate action if the measure were approved by the voters, setting the amount of the rate increase within the authority and the effective date of the increase.

I have attached a survey of rates that are charged in nearby Southern California cities. It should be noted that Manhattan Beach presently has the same authority to increase its TOT to 12% and I have been informed that Redondo Beach is also consider asking its voters to increase its authority to 12%.

If the authority to increase the TOT rate is approved and the City Council approves an increase, each 1% would generate \$110,500 in revenue. This would total \$221,000 in additional revenue if the rate were increased by 2%.

This proposal is part of the overall strategy that was proposed during consideration of the 2003-04 budget. The City Council has already taken action to increase several fees and charges in order to deal with a projected budget short fall in the 2004-05. Having the ability to increase the TOT tax rate would also help the city deal with any action that the state may take in order to balance its budget. It will take a balanced approach that includes reductions in costs and increases in revenues in order to meet the projected shortfall that are the result of increases in the city's cost for pensions and the loss of major sales tax generators.

Respectfully submitted,

Stephen R. Burrell  
City Manager