

Preliminary Results

A Preliminary Assessment of the Revenue Potential of an Incorporated City in Mojave, California

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Our understanding of the situation

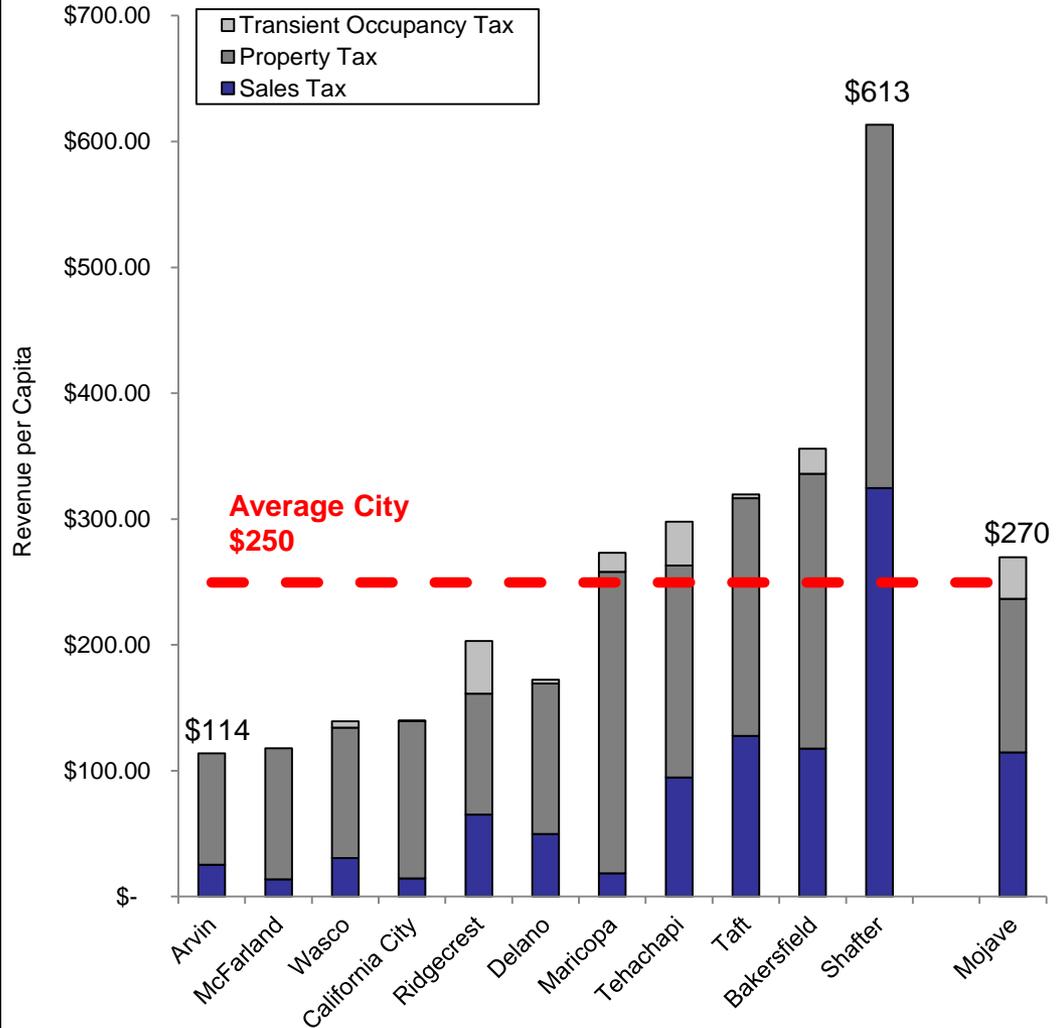
Kern County Map



- Mojave is a town of 4,200 located in the Mojave Desert, 50 miles east of Bakersfield that is currently unincorporated
- Its local economy is driven by the Spaceship Company and other private aerospace companies as well as energy generation from wind stations at the base of the Tehachapi Mountains to the west
- Robert Naylor has been retained to develop the overall strategy for incorporating the new city. Andrew Chang & Company has been retained to assess the fiscal & economic potential of incorporation. This assessment will occur in two phases:
 - This phase provides a high level overview of the feasibility of incorporation, focusing on the potential for the city to generate revenue from standard sources (Sales and Property Taxes)
 - The second phase will refine the revenue estimates, assess the services levels that would be supported by that revenue, estimate the economic impacts and consider the impact to the county
- We are focused on sales, property and transient occupancy taxes, which account for the bulk of 'discretionary' revenue. We assume all will remain 'cost-neutral' for businesses and residents. Other types of revenues, generally fees, will be net neutral, with revenue designed to cover specific costs or services

We estimate that Mojave's revenue generation would be in line with the Kern County city average

Revenue Per Capita

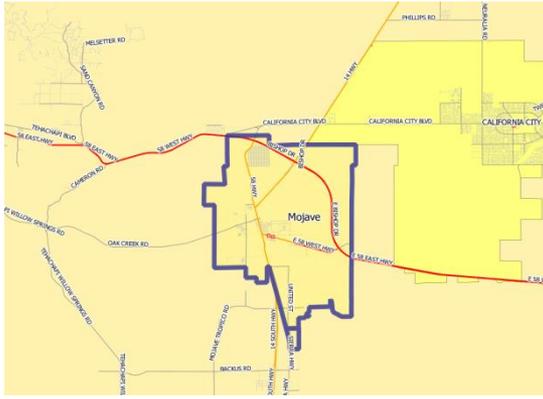


Key Observations

- \$270 per resident in revenue would translate to approximately in \$1.1 million total from property and sales taxes
- This suggests that Mojave would be able to generate a modestly higher than average budget, relative to population than most other cities in Kern County
- Significant uncertainty remains in both the sales and property tax estimates, based on:
 - Uncertainty in borders of proposed city
 - Factors that influence property tax distribution
 - A refinement of the portion of unincorporated sales tax revenue that would be captured within the city limits

A potential Mojave City's borders are not clearly defined

Kern General Plan



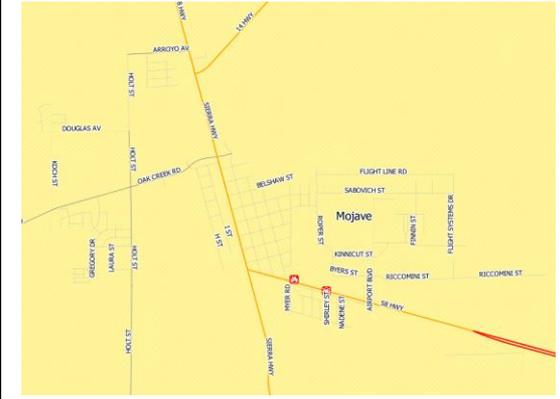
- The Kern County General Plan refers to a number of areas as “Mojave”. We used these designations to estimate the above borders
- These borders create a city with an area of nearly 32,000 acres (49 square miles)
- This is the map we use for the estimates produced in this report

Census Designated Place



- The U.S. Census also defines a “Census Designated Place” of Mojave
- These borders create a modestly larger city with an area of 37,000 acres (58 square miles)
- These boundaries include the same core populated area, but the boundaries are shifted to the south and west

Populated Area



- The population is concentrated in a relatively small area at the intersection of highways 14 and 58
- The substantial majority of both the areas designated by the Kern General Plan and the Census are unpopulated desert areas

Mojave's per capita property valuation is 30% lower than the county average

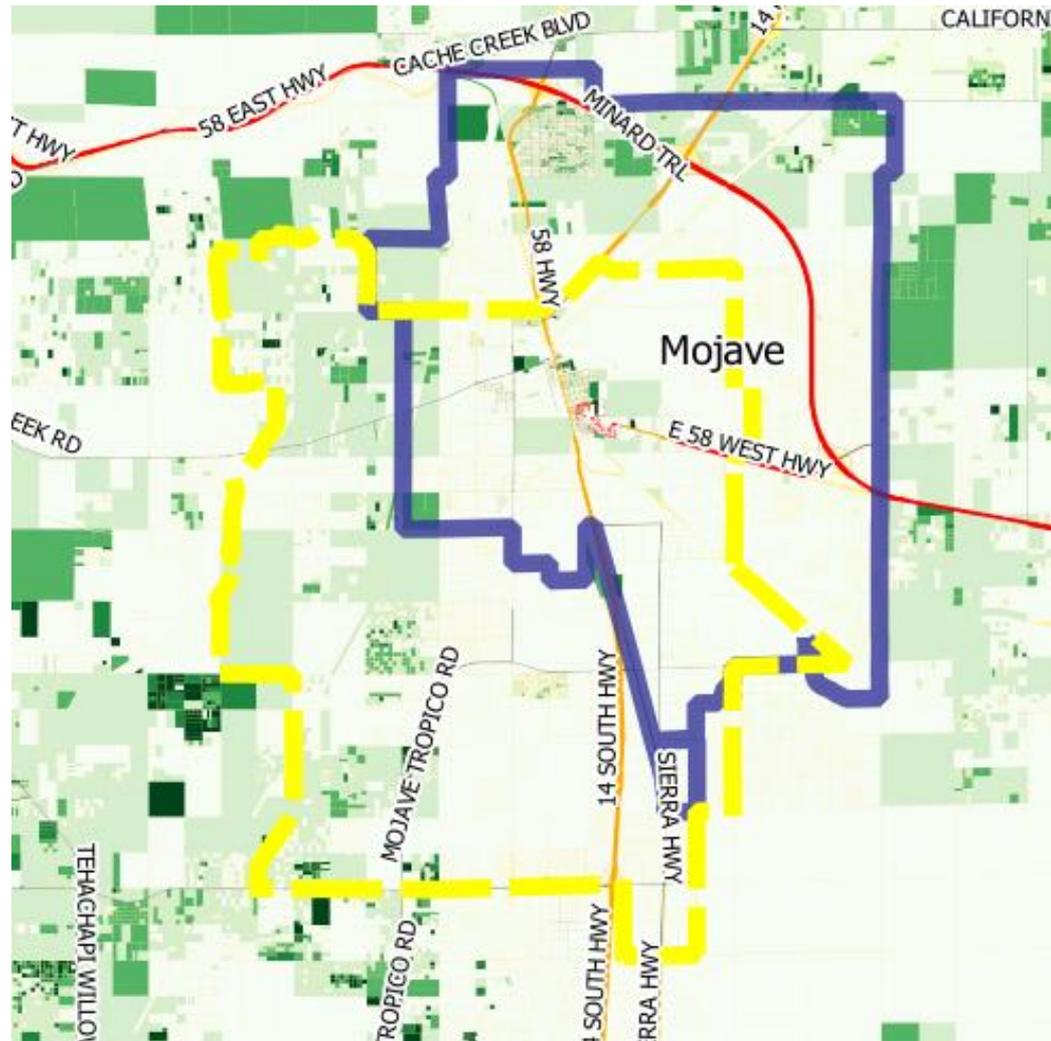
City	Population	Valuation	Val/Capita
Tehachapi	14,414	\$2,523,925,918	\$175,102
Maricopa	1,154	\$122,827,128	\$106,436
Bakersfield	347,574	\$34,825,158,753	\$100,195
Shafter	16,988	\$1,399,139,432	\$82,360
Ridgecrest	27,616	\$2,064,718,397	\$74,765
<i>County Average</i>	<i>851,710</i>	<i>\$59,835,040,218</i>	<i>\$70,253</i>
Taft	9,327	\$573,365,387	\$61,474
Mojave (Census)	4,238	\$244,699,971	\$57,739
Mojave (General Plan)	4,238	\$210,362,987	\$49,637
McFarland	12,890	\$545,110,133	\$42,289
Arvin	19,304	\$800,580,283	\$41,472
Wasco	25,545	\$1,025,372,922	\$40,140
Delano	53,041	\$2,060,119,448	\$38,840
California City	14,120	\$500,037,938	\$35,413

Key Observations

- Property values per capita within Mojave are 30% lower than the county average and towards the low end of other cities in the county
- Assuming property taxes are allocated in line with the average of other cities in the county, we estimate the city would generate \$520,000 in property tax revenue for the General Plan based map (\$600k for the Census based map)
- There is a wide range in property tax revenue pass-through, however. At the low end of the range, the city may only generate approximately \$200,000 in property tax revenue, while at the high end, it could reach \$740,000
- These distinctions are defined by a number of factors including property tax levels prior to Prop 13 and level of services provided

Significant property value lies to the west of the current borders, which could potentially increase property tax revenue

Property Value Heat Map



Key Observations

- Different potential borders would indicate different property values and, thus, different property tax revenues (Darker green indicates higher property values)
- The Census Designated Place boundaries include a large number of relatively valuable tracts west and southwest of the population center (Indicated by Yellow Dashed Lines)
- The County General Place boundaries, miss these areas, but include valuable tracts to the north (Indicated by Blue Solid Lines) and would likely generate approximately 16% more revenue
- Combining both areas would generate the most revenue for Mojave

Sales tax revenue in unincorporated areas is higher than within incorporated cities

City	Population	Taxable Sales	Sales/Capita
Shafter	16,988	\$735,478,388	\$ 43,294
Taft	9,327	\$158,804,788	\$ 17,026
Bakersfield	347,574	\$5,450,379,983	\$ 15,681
Unincorporated	309,737	\$4,730,002,565	\$ 15,271
Tehachapi	14,414	\$182,103,849	\$ 12,634
<i>County Average City</i>	-	-	<i>\$10,693</i>
Ridgecrest	27,616	\$239,782,373	\$ 8,683
Delano	53,041	\$352,573,437	\$ 6,647
Wasco	25,545	\$103,764,404	\$ 4,062
Arvin	19,304	\$65,148,753	\$ 3,375
Maricopa	1,154	\$2,845,876	\$ 2,466
California City	14,120	\$27,233,991	\$ 1,929
Mc Farland	12,890	\$23,560,668	\$ 1,828

Key Observations

- Assuming the average taxable sales per capita for unincorporated areas within Kern County is representative of Mojave, we estimate the city would generate approximately \$485,000 in sales tax revenue
- However, if neighboring California City is representative, the city would only generate approximately \$60,000 in sales tax revenue
- Additional research is necessary to better estimate the retail sales within Mojave's boundaries

Mojave has the potential to significantly augment its revenue with a Transient Occupancy Tax

City	Population	TOT	TOT/Capita
Mojave	4,238	\$140k - \$235k	\$33 - 55
Ridgecrest	27,616	\$1,164,400	\$42
Tehachapi	14,414	\$499,800	\$35
Bakersfield	347,574	\$6,851,900	\$20
Maricopa	1,154	\$17,400	\$15
<i>County Average City</i>	-	-	<i>\$12</i>
Unincorporated	309,737	\$1,646,900	\$5
Wasco	25,545	\$117,900	\$5
Delano	53,041	\$149,700	\$3
Taft	9,327	\$23,800	\$3
California City	14,120	\$2,600	\$0
Mc Farland	12,890	\$0	\$0
Shafter	16,988	\$0	\$0
Arvin	19,304	NA	NA

Key Observations

- Implementing a TOT at 6% would be neutral for Mojave's hotels, as the county currently assesses a TOT at that rate in unincorporated areas
- Other cities charge a TOT of as high as 12%
- Mojave appears to have much higher Transient activity per capita than other Kern County cities

Conclusion

- The shape and size of the new city has the potential to drastically impact property tax revenue
- The borders defined by the Kern County General Plan would generate:
 - \$520k in property tax revenue
 - \$485k in sales tax revenue
- On a per capita basis, the new city would generate approximately \$270 per person. This is in line with the average Kern County city
- It appears likely that incorporating a new city would be fiscally viable.

Key Questions

- What borders are being considered?
- What is the current level of taxable retail services provided in the city?
- What level of services would the city want to provide?

Next Steps

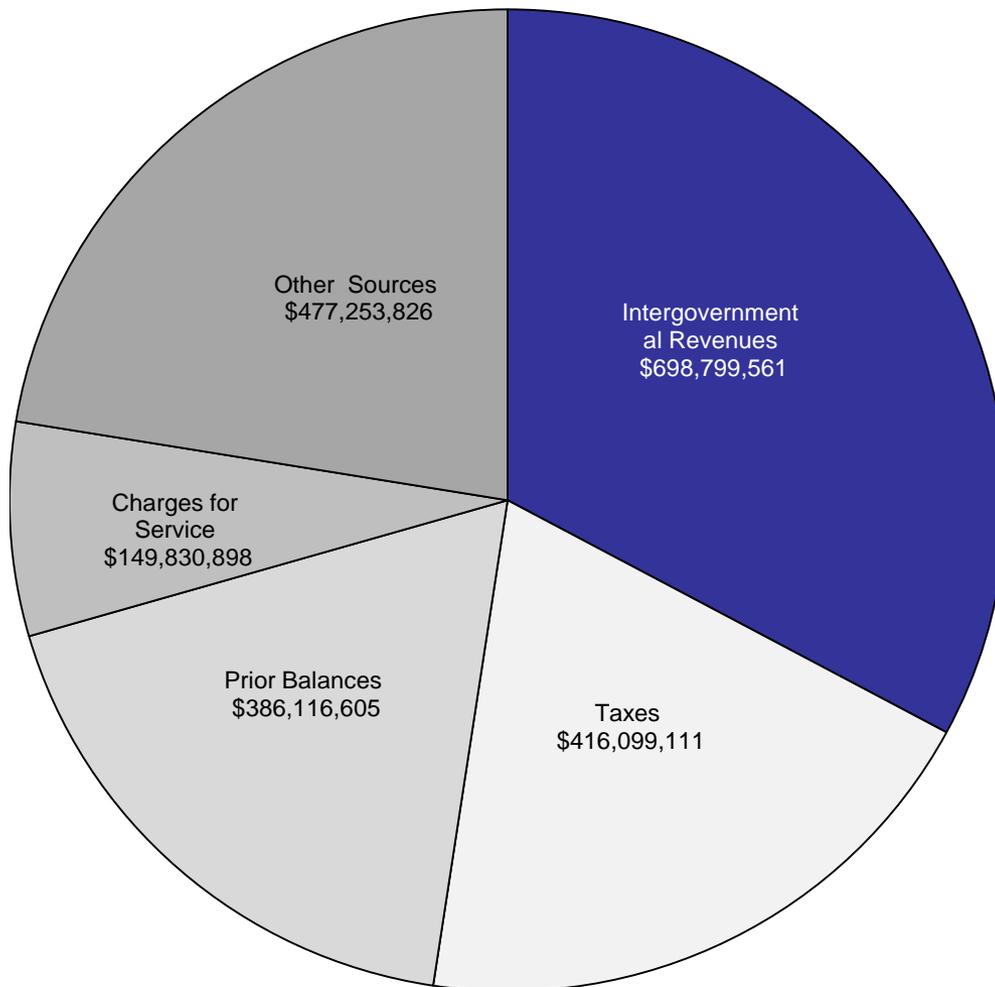
- Stage 1:
 - Edit and refine presentation as necessary
 - Deliver oral briefing to client
 - Produce summary memo for client
- Stage 2:
 - Develop enhanced understanding of borders and/or assess alternatives
 - Expand property tax/retail analysis
 - Refine property tax allocation issues
 - Translate revenue estimates to service level estimates
 - Other potential discretionary taxes:
 - Business License Tax
 - Utility Users Tax
 - Others

Appendix

- A. Kern County Revenues
- B. Mojave Transient Occupancy Tax Estimate
- C. Maricopa City Budget
- D. Taft City Budget

Appendix A: Kern County Revenues

County Financing Sources



Key Observations

- 2012-2013 Adopted Budget
- In 2012, the County adopted a budget of \$1.9 billion. Two revenue sources comprised 60 percent of the budget, the largest being funds transferred from the state and federal governments to finance mandated programs and the second largest being taxes, primarily property taxes

Appendix B: Mojave Transient Tax Estimate

Transient Occupancy Tax Estimate	
# Rooms	318
Occupancy	50.17%
Average Daily Rate	\$40.35
Total Spending (above x 365)	\$2,349,674
Revenue at 6% TOT	\$140,980
Revenue at 10% TOT	\$234,967

Key Observations

- Our estimates are based on county-wide occupancy and room rates from: <http://www.calodging.com/images/uploads/pdfs/PKF-KernCounty0112.pdf>
- We visually, using online maps, estimated the number of rooms at each hotel:
 - Budget Inn, 14 Rooms
 - Motel 6, 60 Rooms
 - America's Best Value Inn, 40 Rooms
 - BW Desert Winds, 30 Rooms
 - Days Inn, 30 Rooms
 - Best Motel, 30 Rooms
 - Executive Inn, 20 Rooms
 - Mojave Lodge, 20 Rooms
 - Palm Inn, 12 Rooms
 - Mojave Desert Inn, 12 Rooms
 - Mariah, 50 Rooms (from website)

Appendix C: Maricopa City Budget

Category	Spending
Administration (General Fund)	\$236,846
Parks (General Fund)	\$41,983
Streets (General Fund)	\$34,571
Engineering & Planning (General Fund)	\$15,000
Refuse Department (Enterprise Fund)	\$135,250
Sewer Department (Enterprise Fund)	\$97,710
Gas Tax (Special Revenues)	\$33,600
TDA (Special Revenues)	\$40,228
Public Safety (Grant)	\$100,000
Total	\$735,188

Key Observations

- 2012-2013 Budget
- Maricopa has a population of 1,154
- In 2012, the City adopted a budget of \$735k, with about \$325k in the general fund and \$410k in enterprise and special funds.
- Administration made up over 70% of general fund expenditures

Appendix D: Taft City General Fund

Category	Spending
General Government	\$917,176
Financial Services	\$472,944
Police Department	\$2,284,505
Fire Department	\$888,199
Community Development	\$661,077
Public Works	\$954,532
Capital Purchases	\$408,348
Total Expenditures	\$6,586,780

Key Observations

- 2010-2011 Budget
- Taft has a population of 9,327
- In 2010, the City adopted a budget of \$6.6 billion. Four categories of spend comprised 77 percent of the spending, with public spending making up nearly half of the budget