Community Budget Meeting
The City of Santa Ana
Fiscal Year 2020-21
Today’s Topics

1. City Manager’s Overview
2. General Fund Overview
3. Sales Tax - Measure X
4. Addressing Homelessness
5. Street Maintenance Efforts
6. Overview of Key Revenues
7. Ideas to Balance the Budget
City Manager’s Overview
General Fund Overview
FY 19-20 General Fund Revised Revenues

- Hotel Visitors' Tax $9.5
- Cannabis $10.8
- Business Tax $13.0
- Jail Revenue $15.1
- Utility Users' Tax $22.5
- Other* $66.3
- Property Tax $72.8
- Sales Tax (Measure X) $61.1
- Sales Tax $52.1

Total Revenues: $323.2 M

*Includes Revenues such as Permits & Plan Checks, and other miscellaneous fees
Revised FY 19-20 General Fund Expenditures

By Department:
- Police: $133.5
- Fire: $45.6
- Parks & Rec: $22.6
- Planning: $13.5
- Public Works: $15.4
- Commodity: $4.8
- Unfunded Pension Liability: $37.7
- Library: $5.5
- Other*: $31.3

Other** by Department includes Internal Charges, and Project Transfers

By Operating Expense:
- Salaries & Benefits: $182.1
- Contractuals: $86.7
- Other**: $39.1
- Debt: $11.4

Total Expenditures: $324.1 M

Other* by Department includes General Government, Project Transfers and other City Departments

Other** by Operating Expenditures includes Internal Charges, and Project Transfers
## FY 2019-20 General Fund Balance

<table>
<thead>
<tr>
<th>FY 19-20 Revised Budget (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Unassigned Fund Balance</td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Expenditures</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
</tr>
</tbody>
</table>

### City Council Minimum Reserve Requirements

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Projected Fund Balance</td>
<td>$ 66.1</td>
</tr>
<tr>
<td>Operating Reserve (16.67%)</td>
<td>$ 53.9</td>
</tr>
<tr>
<td>Economic Uncertainty (1%)</td>
<td>$    3.2</td>
</tr>
<tr>
<td>Projected Net Available</td>
<td>$    9.0</td>
</tr>
</tbody>
</table>
## Potential Impact of COVID-19 Pandemic & Recession on General Fund Revenue

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FY 19-20 Adopted</th>
<th>Fiscal Impact</th>
<th>FY 20-21 Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$ 111,509,900</td>
<td>$ (9,500,000)</td>
<td>$ 102,009,900</td>
</tr>
<tr>
<td>Hotel Visitors' Tax</td>
<td>$ 9,500,000</td>
<td>$ (2,375,000)</td>
<td>$ 7,125,000</td>
</tr>
<tr>
<td>Business License Tax</td>
<td>$ 13,000,000</td>
<td>$ (3,250,000)</td>
<td>$ 9,750,000</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$ 71,513,700</td>
<td>No Impact</td>
<td>No Impact</td>
</tr>
<tr>
<td>Utility Users' Tax</td>
<td>$ 22,500,000</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Permit/Plan Check Fees</td>
<td>$ 7,881,000</td>
<td>$ (2,500,000)</td>
<td>$ 5,381,000</td>
</tr>
<tr>
<td>Zoo/Recreation/Library</td>
<td>$ 2,691,000</td>
<td>$ (550,000)</td>
<td>$ 2,141,000</td>
</tr>
<tr>
<td>Parking Fines</td>
<td>$ 5,245,700</td>
<td>$ (1,300,000)</td>
<td>$ 3,945,700</td>
</tr>
</tbody>
</table>
Sales Tax - Measure X
An Overview of Measure X

“Santa Ana Neighborhood Safety, Homeless Prevention and Essential City Services Enhancement Measure”

• Sales tax measure on ballot in *November 2018*
• A yes vote authorized a city-wide sales tax of:
  • 1.5% from April 2019 – March 2029
  • 1.0% from April 2029 – March 2039

**Total Sales Tax**

April 2019 9.25%  April 2029 8.75%  March 2039
Measure X Revenue Since April 2019

<table>
<thead>
<tr>
<th></th>
<th>Revised Budget</th>
<th>Actual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>15,000,000</td>
<td>15,221,526</td>
</tr>
<tr>
<td>2019-20</td>
<td>60,000,000</td>
<td>31,960,841*</td>
</tr>
<tr>
<td><strong>Total Actual Revenue</strong></td>
<td><strong>$</strong></td>
<td><strong>47,182,367</strong></td>
</tr>
</tbody>
</table>

*Actual Revenue as of February 2020 which is about 63% of Fiscal Year 2019-20

Important Question: How are the $47.2 million in Measure X revenue funds allocated to benefit the community?
FY 19-20 Measure X Aligned Spending

- **Maintain Effective 9-1-1 Response**
  - $4,220,163 (7%)

- **Retaining Firefighters**
  - $1,804,582 (3%)

- **Maintaining Parks**
  - $3,456,292 (5%)

- **Vehicle Incentive Program Rebates**
  - $1,725,000 (3%)

- **Addition to Reserves**
  - $550,360 (1%)

- **Youth Services**
  - $940,415 (1%)

- **Addressing Homelessness**
  - $870,600 (1%)

- **Unrestricted General Fund Purposes**
  - $29,434,244 (46%)

- **Retaining Police Officers**
  - $21,208,040 (33%)
Addressing Homelessness
Since 2017, the total homeless population in Santa Ana is increasing annually.

In 2019, 53% of the City’s homeless population is being housed in a shelter.

Total Annual Population

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,000</td>
<td>1,617</td>
<td>1,769</td>
</tr>
</tbody>
</table>

Source: https://www.santa-ana.org/homelessness
2019 Cost to Address Homelessness

- **Management & Legal**
  - 2018: $1,242,236 (5%)
  - 2019: $1,370,600 (5%)

- **Homeless Services**
  - 2018: $4,041,700 (16%)
  - 2019: $12,683,129 (16%)

- **Police Response**
  - 2018: $10,327,094 (41%)
  - 2019: $10,385,506 (41%)

- **Fire Response**
  - 2018: $7,661,828 (30%)
  - 2019: $7,661,828 (30%)

- **Park Safety**
  - 2018: $742,048 (3%)
  - 2019: $742,048 (3%)

- **Clean-Up & Code Enforcement**
  - 2018: $1,370,600 (5%)
  - 2019: $1,370,600 (5%)

Bar Graph:
- 2018: $16,683,129
- 2019: $25,385,506

Pie Chart:
- Police Response: 41%
- Homeless Services: 16%
- Fire Response: 30%
- Management & Legal: 5%
- Park Safety: 3%
- Clean-Up & Code Enforcement: 5%
4-Step Action Plan

Clean
- **Railroads** - 50+ Santa Ana employees (including Police, Public Works, Parks & Recreation) participate in clean up efforts
- **CalTrans** - Daily sweeps of their properties to remove encampments
- **Santiago Creek** - Removal of 150+ encampments

Outreach
- **Quality of Life Team** - ongoing intensive outreach efforts to offer resources and shelter
- **mySantaAna app** - free City app that offers an easy way for you to report issues related to homelessness & geographical information on homelessness incidents within Santa Ana

Housing
- **Emergency Shelters** - 785 total beds which includes 1) Courtyard Shelter, 2) The Link, 3) Hospitality House, and 4) SAFEplace @ WISEplace
- **Supportive Housing** - 408 total units which includes The Orchard, Depot @ Santiago, and other residences to be completed.

Communication
- **City Website** - Upgrade homeless-related web pages to include key data & insights
- **Educational Materials** - Develop educational materials to promote health and safety
- **Community Presentations** - Increase homeless presentations to Santa Ana neighborhood associations
Street Maintenance Efforts
Network by Street Classification

Santa Ana’s Pavement Network

- Arterial: 104 center mi, 479 lane mi (42%)
- Local Residential (Asphalt): 265 center mi, 532 lane mi (47%)
- Local Residential (Concrete): 21 center mi, 42 lane mi (4%)
- Local Non-Residential (Industrial): 35 center mi, 77 lane mi (7%)

TOTAL NETWORK: 1130 LANE MILES
Pavement Life-Cycle Cost

- City commissioned study in 2017
  - Life-cycle costs to maintain our streets
  - Prepared by AECOM
  - Street life-cycle 35 – 40 years
- Least cost
  - Regular maintenance before major repairs
- Analysis determined minimum need is
  - $20 million/year
How Healthy Are City Streets?

Pavement Condition Index (PCI) Based on Last Street Assessment (2018)

- **Concrete Street PCI**: 51
- **Industrial Street PCI**: 51
- **Arterial Street PCI**: 73
- **Residential Street PCI**: 81

- **Excellent (86-100)**: No Work Required
- **Good (75-85)**: Needs Preventative Maintenance (Slurry)
- **Fair (60-74)**: Needs Minor Repair (Thin Overlay)
- **Poor (41-59)**: Needs Major Repair (Structural Overlay)
- **Very Poor (0-40)**: Requires Full Reconstruction
# PMP Recommendation

<table>
<thead>
<tr>
<th>Option</th>
<th>Action</th>
<th>Annual Funding</th>
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<tbody>
<tr>
<td>A</td>
<td>Status Quo PCI = 66 in 2024</td>
<td>$12.9 M</td>
</tr>
<tr>
<td>B</td>
<td>Maintain PCI = 76</td>
<td>$20.0 M</td>
</tr>
<tr>
<td>C</td>
<td>Raise PCI to 77 by 2024</td>
<td>$25.7 M</td>
</tr>
<tr>
<td>D</td>
<td>Raise PCI to 80 by 2024</td>
<td>$29.4 M</td>
</tr>
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</table>

## Recommended PMP Funding

<table>
<thead>
<tr>
<th>Revenue/Expenditure Summary</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Annual Funding Needed</td>
<td>$20 Million</td>
</tr>
<tr>
<td>Available Funding Stream</td>
<td>-$12.9 Million</td>
</tr>
<tr>
<td>*Shortfall</td>
<td>$7.1 million</td>
</tr>
</tbody>
</table>

*Shortfall / Gap Funding Needed

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**Note:**

- PCI: Payment Card Industry
- M: Million

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Additional Funding FY 18/19

- GF received more funding than expected in FY 18/19
- Council used that additional revenue for roadway maintenance
- Result: Freed up $2.5M of Gas Tax for FY 19/20 street paving
- Schedule of work:
  - Advertise construction November 2019
  - Construct Spring 2020

<table>
<thead>
<tr>
<th>STREET TYPE</th>
<th>STREET SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Street</td>
<td>Santa Fe (Chestnut to End)</td>
</tr>
<tr>
<td>Industrial Street</td>
<td>Hathaway (Hunter to Santa Fe)</td>
</tr>
<tr>
<td>Industrial Street</td>
<td>Hunter (Hathaway to Grand)</td>
</tr>
<tr>
<td>Residential Concrete</td>
<td>19th St (Flower to Broadway)</td>
</tr>
</tbody>
</table>
Overview of Key Revenues
Sales Tax

Sales Tax: Tax that is collected by retailers who sell tangible items and is measured by gross receipts times a rate of 9.25%.

\[ \text{X} \times 9.25\% = \$109.25 \]

What are some examples of items that are subject to the sales tax?
- Clothing
- Restaurant meals
- Vehicles (based on where the car is registered)

What are some examples of items that are exempt from the sales tax?
- Groceries & unprepared foods
- Prescription medicine

Source: https://www.cdtfa.ca.gov/taxes-and-fees/sutprograms.htm
**Property Tax Dollar**

**Property Tax:** Annual tax on owner-occupied residential real-estate, investment and vacation residential real-estate, and commercial real-estate of 1% established by Proposition 13 (1978) and paid for by property owners.

- **City:** $0.19030 Santa Ana General Fund
- **County:**
  - $0.06610 Orange County General Fund
  - $0.03370 OC Sanitation #1 Operating
  - $0.02140 Dept. of Education – General Fund
  - $0.02120 OC Flood Control District
  - $0.01640 OC Harbors, Beaches & Parks
  - $0.00133 Various Orange County Agencies
- **Education:**
  - $0.37260 Santa Ana Unified General Fund
  - $0.18300 Educational Revenue Augmentation Fund
  - $0.08190 Rancho Santiago Community College General Fund
Hotel Visitors’ Tax (HVT)

Hotel Visitors’ Tax: Imposed on individuals for the privilege of occupancy in a hotel or motel within the City of Santa Ana at a rate of 11%.

- The **average annual revenue** of the Top 10 Hotels is **$685,000**

### Hotel Visitors' Tax Revenue

- **Top 10 Hotels**
  - $6.9 million, 70%

- **Other Hotels**
  - $2.9 million, 30%

### List of Top 10 Hotels

- Best Western OC Airport North
- Courtyard By Marriott Santa Ana
- Doubletree Club Hotel
- Doubletree Hotel Santa Ana
- Embassy Suites
- Hampton Inn & Suites
- Holiday Inn
- Holiday Inn Express & Suites Santa Ana
- La Quinta Inn
- South Coast Metro Courtyard
HVT Compared to Neighboring Cities

<table>
<thead>
<tr>
<th>City</th>
<th>HVT Revenue</th>
<th>HVT Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costa Mesa</td>
<td>$8.8</td>
<td>11%</td>
</tr>
<tr>
<td>Santa Ana</td>
<td>$9.2</td>
<td>11%</td>
</tr>
<tr>
<td>Irvine</td>
<td>$14.9</td>
<td>10%</td>
</tr>
<tr>
<td>Garden Grove</td>
<td>$26.0</td>
<td>14.5%</td>
</tr>
<tr>
<td>Anaheim</td>
<td>$155.7</td>
<td>15%</td>
</tr>
</tbody>
</table>
10-Year General Fund Outlook

FY 20-21
- Employee pension cost increase by $9.2 million
- Fire contract increases by 4.5%
- Full impact of 18 Police Officers added in December 2019

FY 24-25
- Police building debt paid off

FY 28-29
- Measure X rate decreases from 1.5% to 1.0%
Ideas to Balance the Budget
Ideas to Balance the Budget

- **Pension Reform**
  - Targeted payments to reduce liability
  - Pre-payments to provide additional savings

- **Additional Jail Module**
  - Provides additional revenue of $1.5 M - $2.3 M

- **Business Tax Restructure**
  - Business retention
  - Attract new businesses

- **Department Modernization Effort**
  - Streamline city operations to promote efficiency
Comments or Questions

Please email any comments or questions about the presentation to BudgetOffice@santa-ana.org with the subject line, ‘CBM feedback.’
THANK YOU