October 29, 2020

Community Budget Meeting

SUNSHINE ORDINANCE
FINANCE & MANAGEMENT SERVICES
Agenda

• FY 20-21 Budget Overview

• Strategic Plan

• Financial Planning
  ▪ General Fund Revenue
  ▪ 10-Year Outlook
  ▪ CARES Act Funding
  ▪ Measure X
  ▪ CIP Spending
FY 20-21 Budget Overview
Adopted FY 20-21
General Fund Revenue: $307.4M

* Cannabis Revenue includes: Adult-Use Retail Tax ($9.7M), Medical Marijuana Taxes ($0.5M), and Commercial Cannabis Taxes ($0.5M)
Development Example: Mixed Use Residential Building

![Building Image]

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Units</td>
<td>171</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$210,000</td>
</tr>
<tr>
<td>Property Tax In-Lieu of VLF</td>
<td>$130,000</td>
</tr>
<tr>
<td>Sales &amp; Use Tax</td>
<td>$82,000</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>$270,000</td>
</tr>
<tr>
<td>Utility User Tax</td>
<td>$45,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$737,000</strong></td>
</tr>
<tr>
<td><strong>Tax Revenue Per Unit:</strong></td>
<td><strong>$4,310</strong></td>
</tr>
</tbody>
</table>
### Fast Food Location Example

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$ 16,000</td>
</tr>
<tr>
<td>Business License Tax</td>
<td>$ 1,119</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$ 2,225</td>
</tr>
<tr>
<td><strong>Estimated Annual Revenue:</strong></td>
<td><strong>$ 19,344</strong></td>
</tr>
<tr>
<td><strong>Project Valuation (New Project)</strong></td>
<td><strong>$ 1,375,000</strong></td>
</tr>
</tbody>
</table>

*Does not include land value/purchase price*
Adopted FY 20-21
General Fund Expenditure: $325.9M

- Police, 41%, $133.9M
- Fire, 15%, $49.5M
- Unfunded Pension Liability, 13%, $41.6M

*Other includes: Transfer to Cannabis ($6.8M), Civic Center ($1.2M), SARTC ($1.1M), Loan Repayment to WC ($0.3M), Non-Dept. ($1.2M), CDA ($3.6M), HR ($2.9M), Bowers ($1.5M) & Labor Concession Savings (- $0.2M)

**General Government includes City Attorney ($3.0M), City Manager ($1.7M), Clerk ($1.4M) & Legislative ($0.5M)
Adopted FY 20-21
Citywide Operating Budget: $669.9M

General Fund, $325.9M, 49%

Grant Funds, $75.8M, 11%

Enterprise Funds, $146.9M, 22%

Capital Project Fund, $66.3M, 10%

Special Revenue - GF, $12.9M, 2%

Other Restricted Funds, $42.2M, 6%

Gas Tax: $14.5M
Inclusionary Housing: $6.1M
Civic Center: $8.8M

Housing Authority Grants: $42.7M
Comm. Dev. Block Grant (CDBG):

Water Enterprise: $76.2M
Refuse: $14.9M
Sanitation: $8.3M
Sanitary Sewer: $8.0M
Parking Operations: $5.4M

Measure M-Street Improvement: $15.2M
Traffic System Management: $12.6M
Sanitary Sewer: $10.9M
Select Street Construction: $7.0M

Cannabis Public Benefit: $6.4M
City Services: $4.2M
Budget Highlights

- Revenue has decreased due to COVID-19, and we’re using one-time money to maintain service levels
- One-time funding of $100,000 for Parks Master Plan and $200,000 for Citywide Parking Plan
- Ongoing funding for Universal Legal Defense ($100,000) & Family Justice Center ($150,000)
- Additional contract services to abate the impacts of homelessness ($500,000)
- Addition of twenty-six full time positions to enhance public services
  - Parks, Recreation, Community Services – 16 positions (including Recreation Leaders and Recreation Program Coordinators)
  - Public Works Agency – 10 positions
  - Positions added to the budget remain vacant to date
- Cannabis Tax Revenue self-restricted set-aside of $6.8M for youth and enforcement services
FY 20-21 Full Time Funded Positions

- Information Technology: 24 (FY 20-21), 24 (FY 19-20)
- Community Development: 48 (FY 20-21), 47 (FY 19-20)
- Public Works: 75 (FY 20-21), 72 (FY 19-20)
- Planning and Building: 79 (FY 20-21), 63 (FY 19-20)
- Police Department: 618 (FY 20-21), 616 (FY 19-20)
- Parks, Rec., and Community Services: 62 (FY 20-21), 69 (FY 19-20)
- Library: 27 (FY 20-21), 27 (FY 19-20)
- Finance and Management Services: 15 (FY 20-21), 15 (FY 19-20)
- Human Resources: 6 (FY 20-21), 5 (FY 19-20)
- City Attorney’s Office: 10 (FY 20-21), 10 (FY 19-20)

Total of 1198 funded positions in FY 19-20
Total of 1224 funded positions in FY 20-21
Strategic Plan
1. **Financial Stability**: Protect and enhance revenue streams while maintaining a healthy reserve balance to provide for the expenditure of funds in support of the long-term priorities of the City's strategic plan.

2. **Community Safety**: Provide a safe environment for residents and visitors while reducing crime and addressing the impacts of homelessness on our quality of life.

3. **Modern Facilities & Infrastructure**: Ensure maintenance and preservation of City facilities and roadways to better serve the population and visitors.

4. **Efficient City/Services**: Streamline the methods of providing services to help ensure doing business with the City is easier and more efficient.

5. **Economic Diversification & Expansion**: Enhance economic vitality by growing revenue streams, attracting quality jobs, diverse businesses and desired amenities for residents.
Financial Planning
### General Fund

#### Major Revenue Trends

*Note: Sales Tax (Measure X) trend is effective as of April 2019.

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>5 Year Trend</th>
<th>FY 20-21 Adopted Budget</th>
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<tbody>
<tr>
<td>Sales Tax</td>
<td></td>
<td>42,975,600</td>
</tr>
<tr>
<td>Sales Tax (Measure X)*</td>
<td></td>
<td>55,128,300</td>
</tr>
<tr>
<td>Property Tax/Property Tax In-Lieu of VLF</td>
<td></td>
<td>75,914,000</td>
</tr>
<tr>
<td>Utility User's Tax</td>
<td></td>
<td>24,300,000</td>
</tr>
<tr>
<td>Cannabis Tax</td>
<td></td>
<td>10,675,000</td>
</tr>
<tr>
<td><strong>Subtotal Top GF Revenues</strong></td>
<td>68%</td>
<td><strong>$ 208,992,900</strong></td>
</tr>
<tr>
<td><strong>Other General Fund Revenues</strong></td>
<td>32%</td>
<td><strong>98,400,070</strong></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>100%</td>
<td><strong>$ 307,392,970</strong></td>
</tr>
</tbody>
</table>

*Note: Sales Tax (Measure X) trend is effective as of April 2019.*
10-Year Outlook

The Outlook Model is a Tool, not a Forecast. Assumptions:

• Annual revenues and expenditures increase by CPI forecasted by the CA Dept. of Finance (3.7% for FY 21-22 and 2.8% thereafter)

• Assumed $4.8M reduction of property tax revenue in FY 21-22 (impact of COVID-19 on property sales and assessments).

• Measure X sales tax rate decreases from 1.5% to 1.0% in 2029.

• Expiration of the Vehicle Incentive Program ($500 sales tax rebate for residents) in 2024.

• Years 2-10 only include recurring revenue and expenditures

• Increasing pension contributions based upon information provided by CalPERS.

• Retirement of police facility debt in 2024.
10-Year Outlook

Ten-Year General Fund Outlook

- Revenue
- Expenditures & Transfers Out

Millions

$250 - $490


$307.4 $314.0 $325.9 $338.7 $352.9 $366.3 $380.2 $394.7 $382.5 $397.0

$475.8 $456.7 $444.3 $426.7 $407.7 $389.1 $378.1 $358.9 $338.8 $325.9

$290 - $397.0

$330 - $490

$370 - $490

$390 - $490
Financial Future

• City is seeking new revenue streams (e.g. naming rights) and evaluating services to promote efficiencies.

• Latest information indicates Property Tax and Sales Tax will perform better than estimated. Negotiated higher jail rate with U.S. Marshals.

• Some Community Development programs (e.g. Workforce Investment) are not sustainable without a General Fund subsidy.

• SARTC needed a General Fund subsidy. City is marketing for tenants.

• Shrinking economy, yet government service still in high demand.

• CalPERS contributions will continue to increase. Our employee pension costs in the General Fund are roughly one-quarter of our budget (normal cost + unfunded liability). Need to explore refinancing options.
CARES Act Spending Plan $28.6M

- Contingency/Revenue Recovery (25%), $7.15 M
- Deployment of Mobile Resources, $5.95 M
- Community Clinic and Data Modeling, $3.00 M
- Rental Assistance (in addition to $0.8 M of CDBG), $2.75 M
- Local Government COVID Related Costs, $2.09 M
- Education, Outreach, Small Business Grants and Other, $2.15 M
- Utilities Assistance, $2.00 M
- Sanitization of High Risk Areas, $1.00 M
Measure X Spending Plan

Measure X aligned expenditures exceed the expected revenue of $55.1 M
FY 20-21 Capital Improvement Spending

Public Capital Improvements - $75.2 million or 11% of the total budget

• $21.1 million for street improvements:
  Portion of Bristol, Warner, 17th, Alton, Fairview, MacArthur and local streets

• $37.4 million for utility improvements:
  Primarily water and sewer pipelines

• $13.3 million for traffic improvements:
  Primarily bike lanes on Standard and McFadden

• $3.4 million for park improvements:
  Primarily park lighting/irrigation and zoo habitat

For more information, please visit: https://www.santa-ana.org/finance/budget
Thank you!

Questions and/or
Comments?

For more information, please visit the City’s Budget webpage:

https://www.santa-ana.org/finance/budget