



Revenue Discussion

SEPTEMBER 6, 2017

Recap

- u Growth of major General Fund revenue sources lagging expenses
 - u Unlikely oil sector will rebound to 2014 levels in foreseeable future
 - u Online retail sales impacting sales tax
- u Significant known cost increases on horizon
 - u PERS
 - u Healthcare
 - u Utilities (electricity, water)

Recap

- u City continues to grow – service levels need to coincide
- u Council Goals and priorities focus on maintaining and enhancing basic public services
 - u Police, Fire, Streets, Code Enforcement
- u Emphasis placed on enhancing quality of life programs/services
 - u Parks, Recreational Activities, Lighting, Beautification
- u Employees have not received any wage adjustment since 2014 or 2015, depending on employee group

Downsizing and Adjustments

- u City has taken difficult, comprehensive and wide-ranging steps to align General Fund expenses with revenues:
 - u **FY 2014-15:** City received \$2 million unanticipated state reimbursement, otherwise cuts were imminent
 - u **FY 2015-16:** \$10.4 million (deferred COLA adjustments, new equipment)
 - u **FY 2016-17:** \$4.5 million (including elimination of 13 full time positions)
 - u **FY 2017-18:** No significant discretionary increases allowed
- u Services, programs and full-time positions have been reduced or eliminated
- u Non essential travel ban, temporary employees, overtime, tuition reimbursement program, council contingency

Downsizing and Adjustments

- u Have shifted some Gas Tax from capital improvement budget back to the Streets Division operating budget
 - u Supplants General Fund revenues
- u Taken one time actions in an effort to bide time for economy to recover
 - u Eliminating/deferred capital projects – shifted funds to operating budget
 - u Reduced City's compensated absences reserve
 - u Deferred a retiree healthcare trust payment

What More Can Be Done?

- u All Position Hiring Freeze/Staffing Reduction
 - u Must include Public Safety (62% of General Fund)
 - u Further reduce levels of service, response times to non-urgent matters
 - u Frequency of basic services impacted further
 - u Response times impacted
 - u Retention and employee morale issues
- u Close City Facilities
 - u Fire Stations
 - u Community Centers
 - u Pools, Spray Parks
- u Stop expansion or planning efforts associated with new capital projects that are anticipated to have an operational impact on the General Fund

New Revenue Opportunities

- u Sales tax measure
 - u Use can be unrestricted or defined – voter approval thresholds apply
 - u \$7 million to \$50 million estimated to be generated annually
 - u November 2018
- u Parcel tax
 - u Use is defined
 - u Normally a flat assessment, not based on property value
 - u Requires 2/3rds vote (no exceptions)
 - u \$5 million to \$11 million estimated to be generated annually
 - u November 2018

General Fund and CIP Budgets Top 10 Cities

| Population Rank | City | Adopted General Fund Budget (16-17) | General Fund \$ Per Capita | Capital Improvement Budget (16-17) |
|-----------------|----------------|-------------------------------------|----------------------------|------------------------------------|
| 1 | Los Angeles | \$ 5,580,000,000 | \$ 1,381 | \$ 417,750,859 |
| 2 | San Diego | 1,337,981,387 | 951 | 420,996,485 |
| 3 | San Jose | 1,271,288,298 | 1,215 | 878,413,605 |
| 4 | San Francisco* | 4,859,781,042 | 5,559 | 522,138,927 |
| 5 | Fresno | 294,265,000 | 560 | 318,331,000 |
| 6 | Sacramento | 438,834,000 | 890 | 71,400,000 |
| 7 | Long Beach | 478,431,377 | 996 | 594,577,825 |
| 8 | Oakland | 530,689,270 | 1,246 | 32,150,843 |
| 9 | Bakersfield | 195,975,000 | 511 | 54,077,840 |
| 10 | Anaheim | 303,800,000 | 847 | 295,558,169 |

Next Steps

- u Additional staff research and/or Council discussion
- u If Council is interested in pursuing, early 2018 is recommended target to begin formal process
- u Engage a consultant for survey research
 - u Help provide the Council and staff with a clear understanding of the opinions, perceptions, priorities, and behaviors of voters