



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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## TRANSACTIONS AND USE TAX CITIZENS' ADVISORY COMMITTEE MEMBERS

City of Long Beach  
California

### RECOMMENDATION:

Recommendation to receive and file an update on Fiscal Year 2019 Measure A expenditures and revenues projections.

### DISCUSSION

Pursuant to the June 7, 2016 Measure A ballot initiative, on January 1, 2017, businesses in the City began to collect an additional 1 percent in transaction and use tax (similar to a sales tax) on the sale, storage, use, or other consumption of all tangible personal property within the City for a 10-year period.

Table 1 "Summary of FY 19 Measure A Budget & Actuals and Year-End Projection" below, provides a summary of the FY 19 Adopted Budget and revised year-end spending.

**Table 1. Summary of FY 19 Measure A Budget & Actuals and Year-End Projection**

	FY 19 Adopted	FY 19 ETCs	Net Impact to Fund (Projected)
Total Measure A Revenue	\$ 54,520,897	\$ 59,115,422	\$ 4,594,525
Planned Release of FY 18 surplus <sup>1</sup>	2,359,752	2,379,552	19,800
Release of FY 18 surplus for FY 19 Infrastructure projects <sup>2</sup>		7,944,740	7,944,740
Total Measure A Expenditures <sup>2</sup>	(56,335,440)	\$ (64,280,179)	\$ (7,944,739)
Measure B Reservation <sup>3</sup>	(545,209)	(591,154)	(45,945)
Reservations per Out-year Plan		(4,568,381)	(4,568,381)
<b>FY 19 Year-End Surplus (Projected)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>1</sup> Actuals Allocated represent funding set aside for infrastructure projects even if projects are still in progress and not fully spent. This is used to determine the surplus funding available that has not yet been allocated as part of the Measure A plan.

<sup>2</sup> FY 19 Adjusted Budget reflects the City Council approved release of \$7.9 million in carryover revenue from FY 18 surplus. These funds were budgeted to ensure that key Measure A and other infrastructure projects are not deferred from the original schedules and to move key projects up earlier in the Measure A allocation schedule.

<sup>3</sup> Measure B is projected and reserved as a use of structural Measure A revenue allocations. It will show up as a reservation of funds, not as an expense.

In the FY 19 Adopted Budget, the City Council anticipated \$54.5 million in Measure A revenues. Based on updated projections reported in the FY 19 Second Budget Performance Report that went to Council on August 20, 2019, revenues are currently anticipated to be \$59.1 million, or \$4.6 million more than originally budgeted. This additional revenue has been incorporated into the Proposed FY 20 revised Measure A out-year spending plan to potentially fund City Council requested public safety restorations. In addition, very recent information from the City's independent revenue consultant (not included in the table above) indicates that there may be additional one-time funding from Measure A ranging from \$1 to \$3 million in FY 19, although if there is, it is currently not expected to continue structurally into FY 20 or the future. We expect to have an updated projection for FY 19 by late September, and we will know the actual position no later than February.

The projection of Measure A revenue is challenging due to both the fact that it is a new revenue with delayed (from the State) revenue receipts and because implementation issues related to the State's new tax collection system make it extremely difficult to identify the actual revenue collection pattern. Additionally, there can be unanticipated one-times that come in due to a transaction in one-year that is not consistent year over year and can fluctuate greatly. Staff will continue to closely monitor actuals and update projections accordingly.

On the expense side, the FY 19 Adopted Budget appropriated \$56.3 million from Measure A to fund priority public safety maintenance and restorations, as well as capital improvement projects to help rebuild Long Beach's infrastructure projects, and the administration of the Measure A tax. The current projection for year-end expenditures are \$64.3 million. This reflects a budget increase of \$7.9 million for infrastructure projects and educational materials, approved by the City Council on February 19, 2019, and is offset with the FY 18 year-end surplus funds. All projected spending conforms with the intent of Measure A spending, prioritizing public safety and infrastructure spending.

**SUGGESTED ACTION:**

Approve recommendation.