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March 20, 2020

TRANSACTIONS AND USE TAX CITIZENS' ADVISORY COMMITTEE MEMBERS

City of Long Beach
California

RECOMMENDATION:

Receive and file an update on Fiscal Year 2019 Measure A expenditures and revenues.

DISCUSSION

Summary

As part of the FY 19 Adopted Budget, the City Council initially authorized \$56.3 million in Measure A expenditures to fund priority public safety maintenance and restorations, capital improvement projects, and funds for the administration of the Measure A tax, and later adjusted the budget to \$64.3 million to account for FY 18 surplus funds that were allocated for FY 19 Measure A projects. The FY 19 budgeted revenue was projected at \$54.5 million and was later revised to \$59.1 million to reflect mid-year estimates. The Measure A Citizens' Advisory Committee (CAC) reviewed the original and adjusted Measure A spending plan at previous meetings and have determined all projects listed to be in compliance with the Measure A resolution of intent prioritizing spending. The actual expenditures are within the approved categories of spending.

This report provides details of actual revenue received and expenditures incurred as of September 30, 2019. Attachment A summarizes the Measure A revenues actuals and expenditures and year-end impact for FY 19 and shows the FY 19 adjusted infrastructure list with year-to-date actuals.

FY 19 Budget Performance

Sales and Use Tax & Measure A Revenues

FY 19 year-end actuals for both Measure A and non-Measure A sales and use tax revenues outperformed expectations. FY 19 year-end actuals for Measure A revenues were \$66.4 million, which is \$11.9 million over the initial budgeted revenues. Of this amount, \$4.6 million was anticipated as part of mid-year estimates, and were reflected in estimates-to-close and allocated as part of the FY 20 Adopted Budget.

The better than expected performance in FY 19 can be attributed to significant one-time transactions and general economic growth. Most of the one-time revenues were attributed

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to construction and industrial projects. These one-time revenues are generally associated with transactions that are one-time in nature from a specific project in the City or the result of a single transaction or large purchase which is usually associated with business investment. Because one-time revenues can fluctuate significantly year-by-year, they have typically not been included in past projections of structural revenue. Instead, one-time revenues make up a significant part of the typical budgetary surplus available at the end of each year, which the City Council can then allocate toward priority one-time needs. To better project and utilize these one-time revenues, staff is working with the City's sales tax consultants to develop new techniques to identify and isolate one-time sales and use tax revenues. Staff is also working on an approach to explicitly include one-time projections into the budget and into the structural revenue projections. This approach may be particularly applicable in a strong economy where one-time investments are made by various businesses time and time again.

In addition to these unexpected one-time revenues, the initial impacts of the 2018 Supreme Court Wayfair decision also contributed to higher than anticipated Measure A and non-Measure A sales and use tax revenue. In Wayfair, the Court ruled that states can collect and remit sales taxes on businesses without a physical presence in a state. The Wayfair decision was implemented in California via AB 147 in 2019, which applied to retailers with state sales exceeding \$500,000. In addition to local sales tax, AB 147 also included a provision requiring all retailers to collect and remit district taxes, which includes Measure A.

Measure A Expenditures

FY 19 year-end actuals for Measure A expenditures were slightly under budget due to some savings in the Measure A administration costs. A total of \$31.9 million was allocated to infrastructure in FY 19, for a three-year (FY 17 to FY 19) total of \$88.1 million. As of September 30, 2019, \$47.7 million has been expended for infrastructure purposes during FY 17 through FY 19. Due to the length of time necessary to complete some capital projects, \$40.4 million allocated to approved projects that are still in progress at the close of FY 19 and will be carried over to subsequent fiscal years until the projects are complete.

Measure A Surplus

Based on the FY 20 Budget Adoption City Council actions, \$3.0 million of the first available additional FY 19 year-end Measure A surplus is now automatically appropriated for Fire Station 9. As Table 1 reflects below, between surplus revenue and expenditure actuals, excluding funds already obligated, there is \$4.3 million in surplus unallocated Measure A funds available at year-end FY 19.

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Table 1: FY 19 Performance - Measure A	
	(In millions) Actuals
Sources	
Revenue	\$ 66.37
Other Sources (Release of Reserves - Planned Release ¹)	2.38
Other Sources (Release of Reserves - 18 YE Surplus Release ²)	7.94
Total Sources	\$ 76.69
Uses	
Expenditures	\$ (64.16)
Other Uses: (Measure B Reservation ³)	(0.66)
Other Uses: (Reserve for Engine 17 & Station 9 ⁴)	(7.57)
Total Uses	(72.39)
FY 19 Year-End Status (9/30/19)	\$ 4.30

¹ Planned Releases represent funding set aside/releases as per the ten-year Measure A Plan. This allocation accounts for the timing of projected revenues and the project funding needs in the plan.

² Reflects the City Council approved release of \$7.9 million in carryover revenue from FY 18 surplus.

³ Measure B is projected and reserved as a use of structural Measure A revenue allocations.

⁴ As part of FY 20 budget adoption, \$4.57 million was set aside for Engine 17 and \$3.0 million was approved for Station 9, if sufficient FY 19 year-end surplus was available.

These funds have been reserved for appropriation in FY 20 with the recommended uses of these funds presented to City Council as part of the FY 19 Year End Performance report on February 18, 2020.

SUGGESTED ACTION:

Approve recommendation.

Measure A

Attachment -A1

Summary of FY 19 Revenue and Expenditures as of September 30, 2019

Total FY 19 Year-End Unallocated Surplus Calculation

	FY 19 Adopted	Actuals Allocated as of 09/30/19 ¹	Net Impact to Fund
Total Measure A Revenue	\$ 54,500,897	\$ 66,367,855	\$ 11,866,958
Release of Reserves	2,379,552	2,379,552	-
Release of FY 18 YE Surplus	-	7,944,740	7,944,740
Total Measure A Expenditures	(56,335,442)	(64,162,738)	(7,827,295)
Measure B Reservation ²	(545,009)	(663,679)	(118,670)
Reserve for Engine 17 & Station 9	-	(7,570,000)	(7,570,000)
FY 19 Year-End Surplus	\$ -	\$ 4,295,731	\$ 4,295,733

Measure A Expenditure Detail

	FY 19 Adjusted Budget ³	Budget Allocation		Actuals/Uses as of 09/30/19	Remaining as of 9/30/19
		Structural Uses	One-time Uses		
Total Uses of Measure A	\$ 64,871,421	\$ 27,250,449	\$ 37,620,972	\$ 64,826,413	\$ 45,007
Invest in Infrastructure	31,884,827	-	31,884,827	31,884,827	-
Enhance and Maintain Public Safety	32,126,981	26,496,981	5,630,000	32,126,981	-
Police Academy	2,100,000	-	2,100,000	2,100,000	-
Fire Academy	900,000	-	900,000	900,000	-
Neighborhood Safe Streets	1,900,000	-	1,900,000	1,900,000	-
Upgrade and New Camera Technology	600,000	-	600,000	600,000	-
Reestablish Police's South Division	1,538,272	1,538,272	-	1,538,272	-
Quality of Life Officers - Enhancement	371,917	371,917	-	371,917	-
HEART Team - Enhancement	565,232	435,232	130,000	565,232	-
Restore Fire Engine 8	2,296,881	2,296,881	-	2,296,881	-
Restore Policy Academy Staffing	1,408,805	1,408,805	-	1,408,805	-
Restore Paramedic Rescue 12	1,110,176	1,110,176	-	1,110,176	-
Maintain Police Services	13,776,059	13,776,059	-	13,776,059	-
Maintain Fire Services	5,559,640	5,559,640	-	5,559,640	-
Contribute to Measure B	\$ 591,154	591,154	-	663,679	(72,524)
Administer Measure A Tax	268,458	268,458	-	150,926	117,532

¹ 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.

² Although Measure B is always projected and netted out as a use of structural Measure A revenue allocations it is not technically appropriated. It will show up as a reservation but not as an expense or budget.

³ FY 19 Adjusted Budget includes carryover revenue from FY 18 surplus of \$7.9 million and \$2.4 million in reserved prior year revenue.

Measure A

ATTACHMENT A-2

Summary of FY 19 ITD Infrastructure Project Expenditures as of September 30, 2019

Measure A - Infrastructure Projects	Adjusted FY 17- FY 19 Budget	Actuals as of 9/30/2019	Remaining as of 9/30/2019
Mobility	\$ 42,357,978	\$ 28,494,627	\$ 13,863,351
Alley Improvements	4,204,739	3,619,482	585,257
Arterial Street Improvements	12,492,739	4,242,317	8,250,422
Curbs and Sidewalks	7,700,000	6,191,481	1,508,519
Naples Bridge	250,000	87,394	162,606
Residential Street Repair (Overlay)	2,500,000	76,685	2,423,315
Residential Street Repair (Slurry)	14,000,000	14,003,274	(3,274)
Smart Street Light Technology	360,500	150,126	210,374
Street Signage	100,000	58,687	41,313
Traffic Circle Improvements	750,000	65,181	684,819
Parks & Recreation	26,880,915	13,675,648	13,205,267
4th St. Senior Center	820,000	474,512	345,488
Bixby Park Community Center	450,000	458,693	(8,693)
Bixby Park Parcel 1	350,000	88	349,912
Cherry Park Playground	400,000	-	400,000
Citywide Park Irrigation	1,065,000	46,413	1,018,587
Community Center Restrooms	170,000	166,066	3,934
Davenport Park Phase II	1,750,000	44,214	1,705,786
Drake Park - Park to Field Connection	500,000	21,551	478,449
Drake Park Playground	939,000	858,033	80,967
Drake Park - Restroom Replacement	630,000	-	630,000
Rehabilitate El Dorado Duck Pond	1,754,000	12,037	1,741,963
El Dorado Golden Grove Event Area	500,000	-	500,000
EL Dorado Golden Grove Playground	400,000	-	400,000
El Dorado Park - Restroom #40 Rehabilitation	180,000	28,587	151,413
El Dorado Park - Restroom #41 Rehabilitation	180,000	15,797	164,203
El Dorado Park Artificial Turf	850,000	-	850,000
El Dorado Restroom Replacement #38 & 43	110,000	40,699	69,301
El Dorado Tennis Courts	150,000	150,000	-
Heartwell Field Turf	320,000	1,803	318,197
Heartwell Park Irrigation	-	320,000	-
Houghton Park Community Center	5,200,000	3,592,141	1,607,859
Jackson Park Playground	150,000	134,140	15,860
Jenni Rivera Park Playground	250,000	213,560	36,440
Los Cerritos Park	1,000,000	957,175	42,825
Los Cerritos Park Sports Courts	100,000	15,226	84,774
MacArthur Park	56,000	53,611	2,389
MacArthur Park - Restroom Replacement	750,000	42,226	707,774
Martin Luther King Jr. Park	42,000	42,117	(117)
Pan American Park	160,000	144,367	15,633
Rancho Los Alamitos	1,000,000	1,019,526	(19,526)
Rancho Los Cerritos	1,000,000	548,410	451,590
Recreation Park Playground	1,000,000	-	1,000,000
Red Car Greenbelt (P.E. Right-of-Way)	300,000	253,914	46,086
Silverado Field Turf	480,000	488,531	(8,531)
Silverado Park	100,000	175,075	(75,075)
Silverado Park Sports Courts	100,000	15,259	84,741
Stearns Community Center	800,915	800,915	-
Urban Forest Investment	845,000	833,129	11,871

ATTACHMENT A-2

Measure A ATTACHMENT A-2

Measure A - Infrastructure Projects	Adjusted FY 17- FY 19 Budget	Actuals as of 9/30/2019	Remaining as of 9/30/2019
Veterans Park Community Center	160,000	-	160,000
Veterans Park Playground	963,000	866,325	96,675
Veterans Turf Improvements	-	6,975	(6,975)
Whaley Park Playground	906,000	834,532	71,468
Public Facilities	15,385,000	5,270,940	10,114,060
Alamitos Branch Improvements	1,261,000	11,132	1,249,868
Animal Care Facility	450,000	63,868	386,132
Bayshore Library Improvements	750,000	45,904	704,096
Brewitt Branch Library	62,000	55,005	6,995
Burnett Branch Library	172,000	74,714	97,286
City Place Parking Garage	1,450,000	1,094,949	355,051
Dana Branch Library	103,000	44,900	58,100
El Dorado Branch Improvements	1,374,000	9,974	1,364,026
Emergency Communications and Operations Center	830,000	998	829,002
Expo Building	200,000	286,014	(86,014)
Facility Condition Assessment and Improvements	1,950,000	346,641	1,603,359
Fire Station 1 Improvements	495,000	1,494	493,506
Fire Station 7	120,000	103,534	16,467
Fire Station 9	-	8,147	(8,147)
Fire Station 10	250,000	169,876	80,124
Fire Station 14 Improvements	295,000	6,231	288,769
Fire Station 17	35,000	-	35,000
Fire Station Roofs (FS 2, 4, 7, 10 Gender Separation)	650,000	356,087	293,913
Fire Training Center	525,000	406,602	118,398
Harte Branch Library	102,000	72,033	29,967
Library Roof Improvements	500,000	342,398	157,602
Los Altos Library	47,000	51,572	(4,572)
Main Health Facilities Center	1,250,000	721,499	528,501
Mark Twain Library	47,000	48,784	(1,784)
PD Academy Building	900,000	186,662	713,338
Public Safety Building	1,000,000	731,929	268,071
Ruth Bach Library	67,000	12,782	54,218
West Police Station Building Improvements	500,000	17,213	482,787
Utilities	3,488,500	290,488	3,198,012
Stormwater Protection (Pump Stations)	3,488,500	290,488	3,198,012

Grand Total	\$ 88,112,393	\$ 47,731,704	\$ 40,380,689
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