

FY 2015-16 and FY 2016-17 Revenue Letter

Board of Supervisors
Budget & Finance Committee
June 15, 2015

File # 150634
Received in Committee
6/15/15
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Summary

Overall, the continued economic growth assumed in the Mayor's Proposed Budget for FY 2015-16 and FY 2016-17 is reasonable and generally reflects strong but slowing economic and tax revenue growth.

Key revenue risks to monitor:

- Pace of overall economic & tax revenue growth
- Strength of commercial real estate sector
- Gross receipts tax phase-in
- State cuts related to Affordable Care Act



Budget Overview

- **Total Budget** regular revenues are increasing \$424 million or 5.2% in FY 2015-16, and an additional \$98 million or 1.1% in FY 2016-17.
- **General Fund** regular revenues are increasing by \$297 million or 7.6% in FY 2015-16 and an additional \$75 million or 1.8% in FY 2016-17.



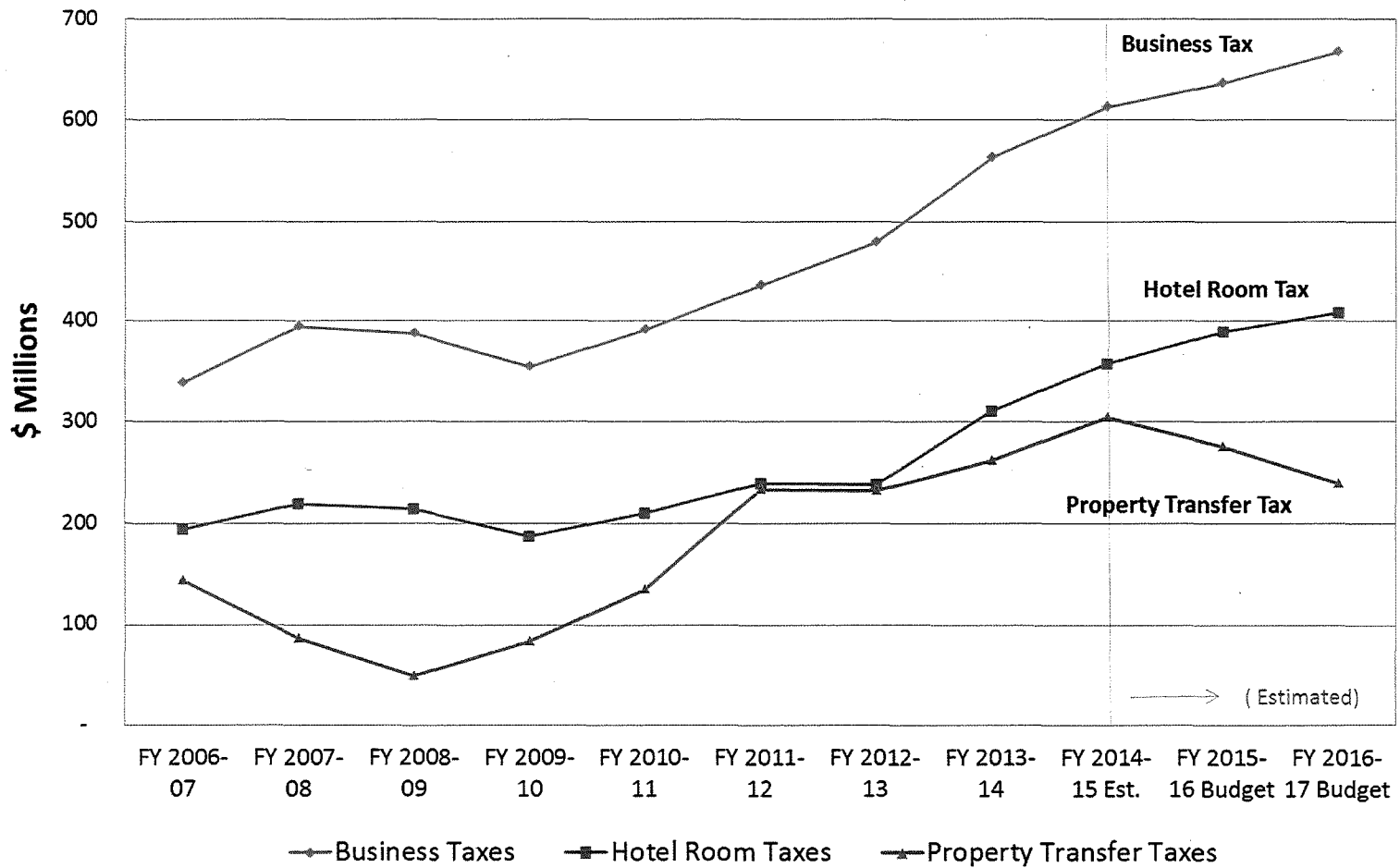
Local Tax Growth Rates

Local Tax Revenues	FY 2014-15 Projection to FY 2015-16	FY 2015-16 to FY 2016-17
Property Taxes ¹	4.4%	3.7%
Business Taxes	3.6%	4.7%
Sales Tax ¹	5.0%	6.5%
Hotel Room Tax	7.8%	4.9%
Utility Users Tax	-2.2%	0.2%
Parking Tax	3.7%	2.7%
Real Property Transfer Tax	-9.4%	-12.8%
Stadium Admissions Tax	2.0%	0.0%
Access Line Tax	2.0%	2.0%
Total Local Tax Revenue Change	2.9%	2.5%

¹ The rates for property tax and sales tax represent underlying growth rates prior to any triple flip adjustment.



Key Local Tax Growth (\$ millions)



Baseline Spending Requirements

Financial Baselines	Requirement	FY 2015-16 Proposed	FY 2016-17 Proposed
Children's Baseline	Appropriations equal to FY 2000-01 plus discretionary revenue growth (4.830% ADR)	\$3.2 million above required level (\$14.7 million)	\$1.5 million above required level (\$146.1 million)
Disconnected Transitional-Age Youth Baseline	Appropriations equal to FY 2013-14 plus discretionary revenue growth (0.580% ADR)	\$1.6 million above required level (\$17.1 million)	\$1.2 million above required level (\$17.5 million)
Municipal Transportation Agency (MTA) Population Baseline	Increase for 10 years of City's population growth in FY 2015-16 (annual population growth thereafter)	At required level (\$25.9 Million)	At required level (\$28.7 Million)
Police Minimum Staffing	Not less than 1,971 sworn full-duty officers	Likely not met	Likely met
Other Financial Baselines	Varies	Funded at required level	Funded at required level



General Fund Reserve Deposit/Uses

	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	
	Projected Beginning Balance	Net Changes (+) Deposit/ (-) Withdrawal	Net Changes (+) Deposit/ (-) Withdrawal	Projected Ending Balance
General Reserve	\$ 55.6	\$ 17.8	\$ 12.0	\$ 85.4
Rainy Day Economic Stabilization City Reserve	60.3	-	-	60.3
Rainy Day One-Time Reserve	34.5	-	-	34.5
Budget Stabilization Reserve	132.3	19.4	-	151.7
Subtotal Economic Stabilization Reserves	\$ 282.6	\$ 37.2	\$ 37.2	\$ 331.9
Budget Savings Incentive Fund	19.5	-	-	19.5
Recreation & Parks Savings Incentive Reserve	9.2	(3.1)	(3.1)	3.1
Total, All Prior Year Reserves	\$ 311.3	\$ 34.2	\$ 34.1	\$ 354.4



Key Revenue Risks

Strength of commercial real estate sector – Property transfer taxes assumed to remain at high, though declining levels for the next two years. Will deflate rapidly when the market turns.

Implementation of Gross Receipts Tax – Largest local tax policy shift in 20 years; second largest General Fund revenue source.

State cuts related to the Affordable Care Act– Major uncertainty regarding the level of “clawback” of local realignment revenues. True up process starts in January 2016. Could be significantly higher or lower than budget assumptions.

Continued economic growth – Sustained growth during this period would mark the 4th longest period of economic expansion since 1900.



Economic Expansion History (Nationwide)

