

File # 160526
Received in Committee
College

Controller's Office

FY 2016-17 and FY 2017-18 Revenue Letter

Board of Supervisors
Budget & Finance Committee
June 16, 2016



Summary

Overall, the continued economic growth assumed in the Mayor's Proposed Budget for FY 2016-17 and FY 2017-18 is reasonable and reflects continued economic and tax revenue growth.

Key revenue risks to monitor:

- Pace of overall economic & tax revenue growth
- Strength of commercial real estate sector
- Voter approval of proposed 0.75% sales and use tax measure in November 2016



Budget Overview

Total Budget sources are increasing \$644 million or 7.2% in FY 2016-17, and an additional \$123 million or 1.3% in FY 2017-18.

General Fund sources are increasing by \$273 million or 6.0% in FY 2016-17 and an additional \$216 million or 4.4% in FY 2017-18.

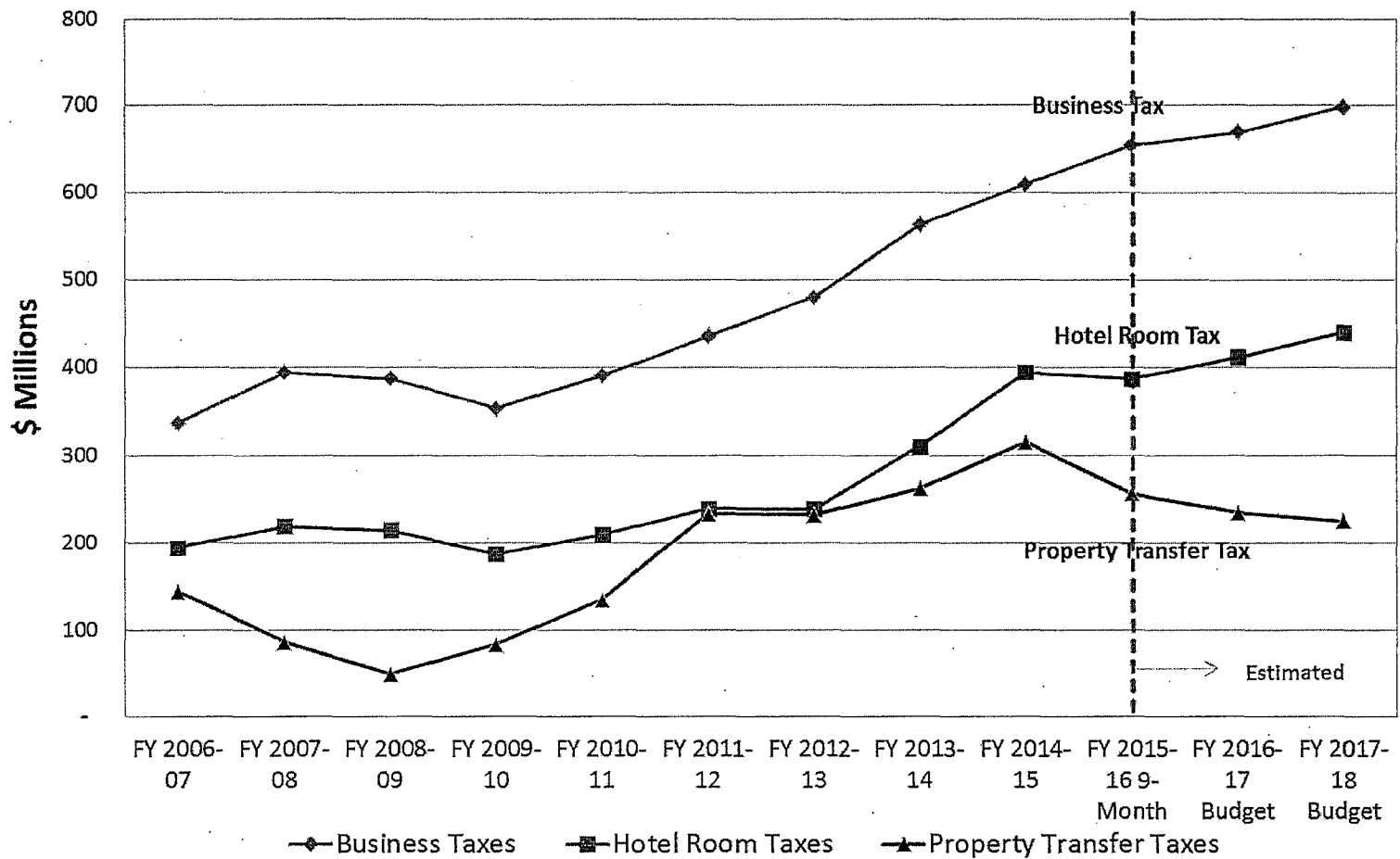


Local Tax Growth Rates

<u>Local Tax Revenues</u>	<u>FY 2016-17 Growth from FY 2015-16 Budget</u>	<u>FY 2017-18 Growth from FY 2016-17 Proposed Budget</u>
Property Taxes*	11.8%	4.0%
Business Taxes	5.5%	4.2%
Sales Tax (Bradley Burns 1%)*	2.5%	3.5%
Sales Tax (+0.75% November 2016 Ballot)	N/A	N/A
Hotel Room Tax	7.3%	6.7%
Utility Users Tax	0.8%	1.3%
Parking Tax	3.4%	2.6%
Real Property Transfer Tax	-14.6%	-4.3%
Stadium Admissions Tax	0.2%	0.0%
Access Line Tax	3.0%	2.7%
Total Local Tax Revenue Change	7.1%	7.1%



Key Local Tax Growth (\$ millions)



Baseline Spending Requirements

Controller's Office

Financial Baselines	Requirement	FY 2016-17 Proposed	FY 2017-18 Proposed
Children's Baseline	Appropriations equal to FY 2000-01 plus discretionary revenue growth (4.830% ADR)	\$4.1 million above required level (\$157.5 million)	\$1.2 million above required level (\$158.8 million)
Disconnected Transitional-Age Youth Baseline	Appropriations equal to FY 2013-14 plus discretionary revenue growth (0.580% ADR)	\$4.8 million above required level (\$23.2 million)	\$2.5 million above required level (\$21.4 million)
Municipal Transportation Agency (MTA) Baselines	Various: 1) 9.193% ADR 2) Population Adjustment 3) 80% Parking Tax	At required level (\$404.3 million)	At required level (\$421.0 million)
Recreation & Park Maintenance of Effort (June, 2016)	Increase General Fund Support \$2.0 million annually	\$0.2 million above required level (\$67.4 million)	\$0.2 million above required level (\$70.4 million)
Police Minimum Staffing	Not less than 1,971 sworn full-duty officers	Likely met	Likely met
Other Financial Baselines	Varies	Funded at required level	Funded at required level



General Fund Reserve Deposit/Uses

Controller's Office

	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>
	Projected Ending Balance	Projected Ending Balance	Projected Ending Balance
General Reserve	\$ 69.5	\$ 90.4	\$ 106.5
Rainy Day Economic Stabilization City Reserve	60.3	60.3	60.3
Rainy Day One-Time Reserve	40.5	40.5	40.5
Budget Stabilization Reserve	141.6	141.6	141.6
Subtotal, Economic Reserves	\$ 242.4	\$ 242.4	\$ 242.4
Percent of General Fund Revenues (10% Goal)	5.6%	5.4%	5.1%
Recreation & Parks Savings Incentive Reserve	8.8	3.6	0.2
Recreation & Parks Union Square Revenue Stabilization	7.0	6.5	6.0
Subtotal, Prior Year Reserve Uses	\$ 15.8	\$ 10.1	\$ 6.1
Use of Reserve		\$ (5.7)	\$ (4.0)



Key Revenue Risks

Continued economic growth – Sustained growth during this period would mark the 3rd longest period of economic expansion since 1900.

Strength of commercial real estate sector – Property transfer taxes assumed to decline modestly for the next two years. Will deflate rapidly when the market turns.

Voter approval for sales tax increase – The budget is balanced assuming voters approve a proposed 0.75% sales and use tax measure in November 2016.



Economic Expansion History (U.S.)

