

**City of Santa Ana Measure X  
Annual Report of Revenue & Expenditures  
Fiscal Year Ended June 30, 2019**

Measure X Background

On November 6, 2018, Santa Ana’s voters approved Measure X Santa Ana Neighborhood Safety, Homeless Prevention, and Essential City Services Enhancement Measure. Measure X is a local sales tax of 1.5% *“To maintain effective 9-1-1 response; retaining firefighters and police officers; addressing homelessness; fixing streets; maintaining parks, youth and senior services, and unrestricted general revenue purposes”*.

Like most cities in California, Santa Ana was facing a budget deficit from the increasing cost of services outpacing the City’s revenue sources. Prior to passage of Measure X, the City Council adopted the fiscal year 2018-19 General Fund budget to spend \$10.2 million more than revenue collected, drawing down the City’s reserve balance to maintain the level of service to the public. The budget forecast indicated the structural deficit would continue to grow each year, predicting that by 2020, the City’s General Fund would spend \$31.9 million more than it collects each year.

Measure X became effective on April 1, 2019. After 10 years, the tax will decrease to 1.0%; and on March 31, 2039 the tax will sunset. The City expects the new tax will generate approximately \$60 million of annual General Fund revenue.

Citizen Oversight Committee

Ordinance NS-2952 enacted with approval of the ballot measure requires annual audits and citizens oversight. Specifically Section 35-215 states: *“An annual audit of the revenue generated by the sales and use tax and the expenditure made will be conducted by an independent certified public accountant.”* Section 35-214 states the Committee will *“act in an advisory role to the City Council in reviewing the annual revenue and expenditures of funds from the tax authorized by this article.”*

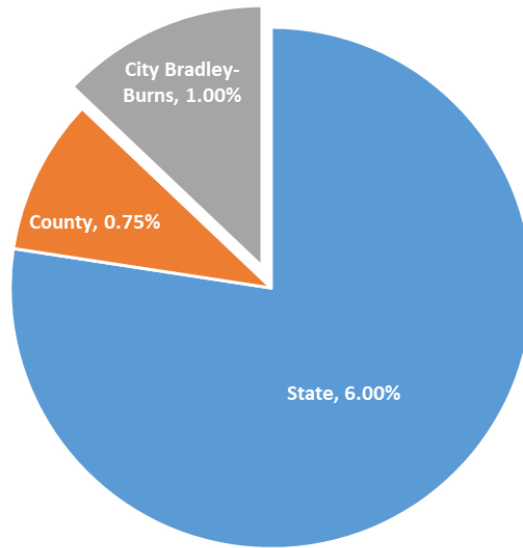
On February 5, 2019, the City Council established the Measure X Citizen Oversight Committee via Resolution No. 2019-008. Each City Council Member recommends appointment of an Oversight Committee Member residing in their ward, with ratification by the entire City Council. The Mayor appoints a member at large with financial expertise. Section 6 of the establishing resolution identifies the Committee’s duties as follows.

- A. *“Pursuant to Santa Ana Municipal Code Section 35-214, the Committee shall act in an advisory role to the City Council.*
- B. *The Committee shall review summaries of quarterly and year-to-date revenue generated by Measure X, as detailed sales tax data for each business is confidential pursuant to state law.*
- C. *The Committee shall review budgeted and actual expenditures appropriated from the Measure X revenue source.*
- D. *During its December meeting, the Committee shall receive annual presentations from the City’s sales and use tax consultant and the City’s independent financial statement auditor.*
- E. *During its March meeting, the Committee shall prepare an annual report to City Council, including recommendations, in time for City Council consideration during the budget process for the upcoming fiscal year.”*

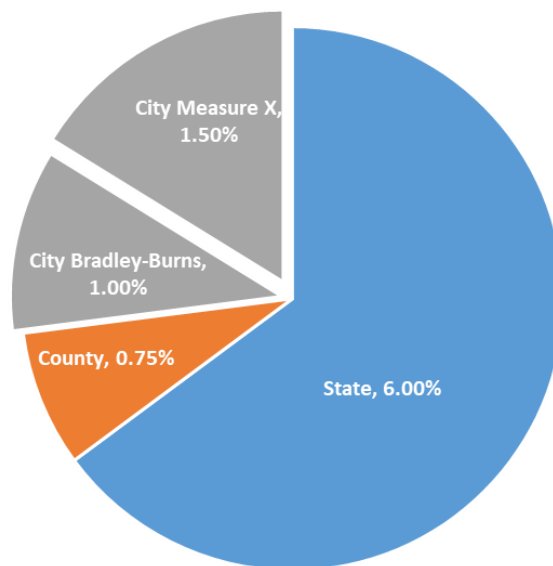
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Sales Tax Rates

The public is accustomed to paying sales tax when purchasing goods in California. The base sales tax rate in Orange County is 7.75%, with 1.00% distributed to cities (the Bradley-Burns allocation). Sellers collect the tax and remit to the California Department of Tax and Fee Administration (CDTFA), which distributes the tax as follows.



For most transactions, Measure X adds 1.5% to the sales tax rate, effectively setting the local tax rate to 9.25%.



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Annual Report of Revenue & Expenditures  
Fiscal Year Ended June 30, 2019**

Sales Tax Rates - Continued

Measure X is a local transactions and use tax, with slightly different rules for collection. For most local sales transactions, there is no difference. However, when a Santa Ana seller ships product out of the city, no Measure X tax is collected. When an outside seller ships product into the city, the seller must collect Measure X tax. When a non-resident purchases a vehicle in the City, no Measure X tax is collected.

Measure X Revenue

The City’s fiscal year runs from July to June. This annual report covers the fiscal year ended June 30, 2019, which includes the first three months of Measure X collection, April through June 2019.

April	\$ 4,174,794
May	5,213,622
June	4,206,233
Corrections for Apr-Jun, received late and posted to FY19-20	1,585,176
<b>Total</b>	<b>\$ 15,179,825</b>

In addition to the three monthly receipts for the quarter, there were additional distributions from the CDTFA for corrections due to incorrect business filings; which is normal for newly implemented local taxes. The City expected to receive \$15 million for the first quarter of collections (one-fourth of \$60 million). Total revenue received attributable to April-June 2019 is approximately \$1.6 million or 1.2% more than estimated. Due to the timing of receipts and accounting standards, the City will post approximately \$1.6 million to fiscal year 2019-20.

The revenue estimate for fiscal year 2019-20 continues to be \$60 million for 12 months of collection. The City’s consultant and staff plan to reassess the estimate when data from three full quarters of collection is available.

Measure X revenue increased the General Fund budget by 23.4%. A summary of the total fiscal year 2019-20 General Fund budget follows.

	Recurring	One-Time	Total
Measure X Revenue	60,000,000		60,000,000
Other General Fund Revenue	256,678,040		256,678,040
Expenditures & Transfers	(309,462,580)	(6,665,100)	(316,127,680)
<b>FY19-20 Net General Fund Activity</b>	<b>7,215,460</b>	<b>(6,665,100)</b>	<b>550,360</b>

**City of Santa Ana Measure X  
Annual Report of Revenue & Expenditures  
Fiscal Year Ended June 30, 2019**

Fiscal Year 2018-19 Expenditures

Before the voters approved Measure X, there were 36 presentations made to various resident groups throughout the City. Each of those presentations indicated Measure X would be necessary to avoid a reduction of service levels. Collection of Measure X in April-June 2019 helped the City to avoid a planned \$10.2 million use of General Fund reserves and a plan to reduce staff costs by \$1.5 million for a total of \$11.7 million in unrestricted general revenue purpose.

To retain and attract police officers, in accordance with Measure X, the City Council approved a compensation increase for the Police Officers Association on February 19, 2019. The fiscal year 2018-19 estimated cost was \$4,274,208, with \$4,154,530 coming from the General Fund.

	Recurring	One-Time	Total FY18-19
Maintain Effective 9-1-1 Response			-
Retaining Firefighters			-
Retaining Police Officers	4,154,530		4,154,530
Addressing Homelessness			-
Fixing Streets			-
Maintaining Parks			-
Youth Services			-
Senior Services			-
Unrestricted General Revenue Purposes	11,700,000		11,700,000
Addition to Reserves			-
	<u>\$ 15,854,530</u>	<u>\$ -</u>	<u>\$ 15,854,530</u>

Budgeted Fiscal Year 2019-20 Expenditures

The fiscal year 2019-20 budget includes the following planned spending from Measure X revenue. If Measure X revenue is closer to the \$60 million estimate, other General Fund revenue will provide for the expenditures in excess of Measure X revenue.

	Recurring	One-Time	Total FY19-20
Maintain Effective 9-1-1 Response	2,145,163	2,075,000	4,220,163
Retaining Firefighters	1,804,582	-	1,804,582
Retaining Police Officers	21,208,040	-	21,208,040
Addressing Homelessness	685,600	185,000	870,600
Fixing Streets	-	-	-
Maintaining Parks	3,014,292	442,000	3,456,292
Youth Services	940,415	-	940,415
Senior Services	-	-	-
Unrestricted General Revenue Purposes	27,414,644	2,019,600	29,434,244
Addition to Reserves	-	550,360	550,360
	<u>\$ 57,212,736</u>	<u>\$ 5,271,960</u>	<u>\$ 62,484,696</u>

The Exhibit to this report includes details for each spending category in fiscal year 2019-20.

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Annual Report of Revenue & Expenditures  
Fiscal Year Ended June 30, 2019**

Other One-Time Resources

City Finance staff develops revenue estimates each year. Sometimes, the General Fund receives additional revenue not previously anticipated. During fiscal year 2018-19, the City received additional shares of property tax increment totaling approximately \$1.9 million. On September 17, 2019, the City Council approved using this unexpected revenue for roadway maintenance expenditures. By doing so, the Gas Tax Fund did not have to pay for the expenditures. When combined with other Gas Tax Fund expenditure savings, a total of \$2.5 million of Gas Tax revenue became available for “Fixing Streets” in fiscal year 2019-20.

**City of Santa Ana Measure X**  
**Exhibit to Annual Report of Revenue & Expenditures**  
**Fiscal Year Ended June 30, 2019**

<b>Category</b>	<b>Description</b>	<b>Recurring</b>	<b>One-Time</b>	<b>FY19-20</b>
Maintain Effective 9-1-1 Response	Human Resources Analyst dedicated to Police Recruiting	\$ 79,125		\$ 79,125
Maintain Effective 9-1-1 Response	Traffic Collision Investigators (2)	229,710		229,710
Maintain Effective 9-1-1 Response	Park Security Contract	667,048		667,048
Maintain Effective 9-1-1 Response	Office Assistants (2) to relieve police officers of back-office duties	193,280		193,280
Maintain Effective 9-1-1 Response	Ambulance Service Contract increase to maintain service level	840,000		840,000
Maintain Effective 9-1-1 Response	Police Department Overtime		\$ 2,000,000	2,000,000
Maintain Effective 9-1-1 Response	Code Blue Pole Cameras - Park Security		75,000	75,000
Maintain Effective 9-1-1 Response	Police Technology Cost Increases	136,000		136,000
Retaining Firefighters	Orange County Fire Authority Contract incr to maintain service level	1,804,582		1,804,582
Retaining Police Officers	FY18-19 Cost of POA Contract Increase	4,154,530		4,154,530
Retaining Police Officers	FY19-20 Cost of POA Contract Increase	8,407,885		8,407,885
Retaining Police Officers	Employee Pension Contribution 17.0% Increase (police)	4,716,214		4,716,214
Retaining Police Officers	Increase for Police Cash-Outs, Standby & Court Pay based on actual	3,929,411		3,929,411
Addressing Homelessness	Code Enforcement Officers (2)	282,800		282,800
Addressing Homelessness	QQLT Clean-Up Vehicles (1 stake-bed truck and 1 pick-up truck)		185,000	185,000
Addressing Homelessness	QQLT Clean-Up Staffing (2 Maintenance Wkrs II + Sanitation Inspct II)	266,800		266,800
Addressing Homelessness	QQLT Clean-Up Contract Services	136,000		136,000
Maintaining Parks	Park Maintenance & Repairs (increased level of service)	2,024,352		2,024,352
Maintaining Parks	Inspectors (6) + Supervisor, Maintenance Wkrs (4), Landscape Planner	989,940		989,940
Maintaining Parks	Tree Replacement		442,000	442,000
Youth Services	Zoo staff (2) + Part-Time Staff to enhance youth programs	745,615		745,615
Youth Services	Librarians (2) to enhance youth offerings	194,800		194,800
Unrestricted General Revenue Purposes	FY18-19 Budget Deficit - Planned Use of General Fund Reserve	10,200,000		10,200,000
Unrestricted General Revenue Purposes	FY18-19 Budget Deficit - Planned Staff Savings not implemented	1,500,000		1,500,000
Unrestricted General Revenue Purposes	Vehicle Incentive Program	1,725,000		1,725,000
Unrestricted General Revenue Purposes	Miscellaneous Employee Pension Contribution 15.8% Increase	3,872,576		3,872,576
Unrestricted General Revenue Purposes	Animal Care contract increase	785,753		785,753
Unrestricted General Revenue Purposes	Crossing Guard contract increase	306,272		306,272
Unrestricted General Revenue Purposes	New Debt Payments for Purchase of Streetlights	800,000		800,000
Unrestricted General Revenue Purposes	Street Tree Maintenance (no longer paid by Sanitation Fund)	2,949,635		2,949,635
Unrestricted General Revenue Purposes	Increase budget for Labor Negotiations	3,000,000		3,000,000
Unrestricted General Revenue Purposes	Add 12 General Purpose Full-Time Positions to the Police Department	1,017,308		1,017,308
Unrestricted General Revenue Purposes	Police Body Armor, Special Enforcement Vehicles, & Building Repairs		498,000	498,000
Unrestricted General Revenue Purposes	Universal Legal Defense Fund for Dreamers & Parents		200,000	200,000
Unrestricted General Revenue Purposes	Communications Consultant	60,000		60,000
Unrestricted General Revenue Purposes	Public Meeting Software & ADA Captioning	42,300	116,600	158,900
Unrestricted General Revenue Purposes	Electronic Document Management System	70,000	250,000	320,000
Unrestricted General Revenue Purposes	Establish Tourism District		45,000	45,000
Unrestricted General Revenue Purposes	Bus Shelter Program (replacement and repairs)	550,000		550,000
Unrestricted General Revenue Purposes	Emergency Repairs to Bridges and Drainage Structures		150,000	150,000
Unrestricted General Revenue Purposes	Building Roof Repair & Replacement (as needed, highest priority)		600,000	600,000
Unrestricted General Revenue Purposes	Zoo Contract & Supply Enhancements	343,000		343,000
Unrestricted General Revenue Purposes	Volunteer Background Checks	192,800		192,800
Unrestricted General Revenue Purposes	Rental Assistance		25,000	25,000
Unrestricted General Revenue Purposes	Funding for CDBG Eligible Programs		110,000	110,000
Unrestricted General Revenue Purposes	Census 2020 Outreach		25,000	25,000
Addition to Reserves	Estimated Revenue in excess of Budgeted Expenditures		550,360	550,360
<b>Totals</b>		<b>\$ 57,212,736</b>	<b>\$ 5,271,960</b>	<b>\$ 62,484,696</b>