

**City of Santa Ana Measure X
Annual Report of Revenue & Expenditures
Fiscal Year Ended June 30, 2020**

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, and the City expected it would generate \$60 million of annual General Fund revenue. After 10 years, the tax will decrease to 1.0%; and on March 31, 2039 the tax will sunset.

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.”*

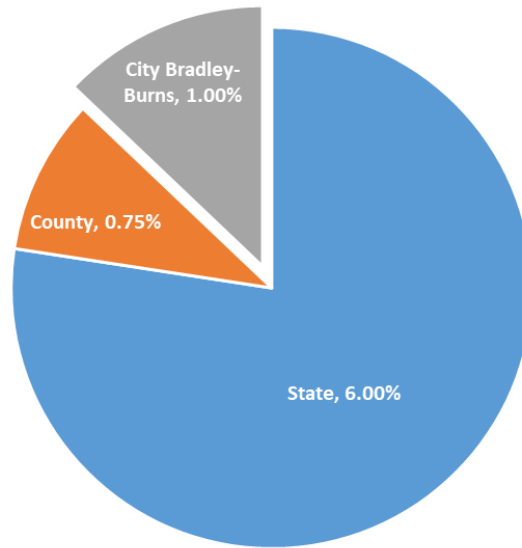
On February 5, 2019, the City Council established the Measure X Citizen Oversight Committee via Resolution No. 2019-008. Each City Council Member recommends appointment of an Oversight Committee Member residing in their ward, with ratification by the entire City Council. The Mayor appoints a member at 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.”*

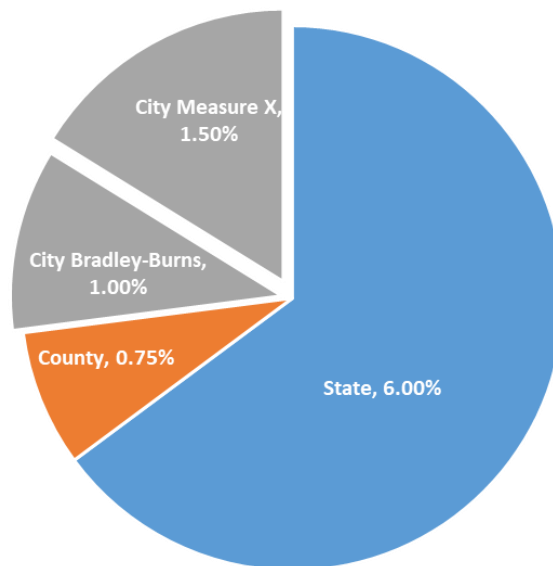
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Sales Tax Rates

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, 2020**

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

This annual report covers the fiscal year ended June 30, 2020, for the period as follows: July 2019 through June 2020.

Reporting Period - Month	Amount Collected
July	\$ 5,598,021
August	6,110,120
September	4,200,402
October	6,009,318
Novmeber	5,823,402
December	5,804,754
January	5,821,148
February	5,010,139
March	1,287,394
April	4,526,084
May	5,584,567
June	6,021,608
Total Collected - FY2019-20	\$ 61,796,957

The City received \$61.8 million in Measure X receipts during fiscal year 2019-20 which represents a full twelve (12) months of remittances. Furthermore, Measure X receipts exceeded revised budget projections (\$59.6 million) by \$2.2 million. Online sales contributed to the higher than anticipated revenues. The receipts for fiscal year 2019-20 also include \$1.6 million of fiscal year 2018-19, which were not included in the prior year due to timing and accounting standards.

The revenue estimate for Fiscal Year 2020-21 is \$55.1 million. First quarter receipts exceed expectations. The City's consultant and staff plan to reassess the estimate when data from two full quarters of collection is available.

**City of Santa Ana Measure X
Annual Report of Revenue & Expenditures
Fiscal Year Ended June 30, 2020**

Measure X Revenue - continued

A summary of the total Fiscal Year 2020-21 General Fund budget is as follows.

	Recurring	One-Time	Total
Measure X Revenue	55,128,300	-	55,128,300
Other General Fund Revenue	252,264,670	-	252,264,670
Expenditures & Transfers	(320,923,250)	(5,024,780)	(325,948,030)

Measure X Revenue during Fiscal Year 2020-21 represents eighteen percent (18%) of the total General Fund revenue.

Fiscal Year 2019-20 Expenditures

The City utilized Measure X funding of \$49.0 million in program expenses while adding \$5.8 million to its General Fund reserve accounts and carryovers into fiscal year 2020-21 in the amount of \$7.0 million (Exhibit 1). Program expenses include Maintaining effective 911 response times; Retaining firefighters and police officers; Addressing homelessness; Fixing streets, Maintaining parks; Youth Services; and Unrestricted General Revenue Purposes.

The largest program expense was Unrestricted General Revenue Purposes, totaling \$28.2 million, which included the following:

- Addressing prior year deficits and employee compensation increases for non-Safety employees totaling \$21.0 million
- Street Tree Maintenance - \$3.7 million
- Vehicle Incentive Program - \$0.7 million
- Streetlight retrofit Debt Service - \$0.8 million
- Building Roof repair and replacement - \$0.7 million
- Other Programs (various) - \$1.3 million

Category	Actuals			
	Recurring	One-Time	FY19-20	Carryovers
Maintain Effective 911	2,145,163	2,075,000	4,495,822	-
Retaining Firefighters	1,804,582	-	3,096,098	-
Retaining Police Officers	21,208,040	-	9,707,941	-
Addressing Homelessness	685,600	185,000	732,049	660,978
Fixing Streets	-	-	238,163	-
Maintaining Parks	3,014,292	442,000	2,540,408	792,632
Youth Services	940,415	-	-	-
Unrestricted General Revenue Purpose	27,414,644	2,019,600	28,201,426	5,586,151
<i>subtotal</i>	57,212,736	4,721,600	49,011,908	7,039,761
Addition to Reserves	-	550,360	5,745,288	
Carryovers into fiscal year 2020-21			7,039,761	
		<i>Total</i>	61,796,957	

**City of Santa Ana Measure X
Annual Report of Revenue & Expenditures
Fiscal Year Ended June 30, 2020**

Fiscal Year 2019-20 Expenditures – continued

Carryovers over into fiscal year 2020-21 totaled \$7.0 million, representing unspent project funds and related contracts prior to fiscal year end. The largest category of carryovers were Unrestricted General Revenue Purpose totaling \$5.6 million, which included the following:

- Building Improvements - \$2.2 million
- Information Technology Initiatives - \$0.6 million
- Streetlight Maintenance - \$0.5 million
- Community Planning - \$0.3 million
- Other Programs (various) - \$2.0 million

Budgeted Fiscal Year 2020-21 Expenditures

The fiscal year 2020-21 budget includes the following planned spending from Measure X revenue. If Measure X revenue is closer to the \$55.1 million estimate, other General Fund revenue will provide for the Measure X aligned expenditures in excess of the revenue.

Category	FY19-20	FY20-21	FY20-21	Total
	Recurring	Recurring	One-Time	
Maintain Effective 9-1-1 Response	2,145,163	3,360,000	-	5,505,163
Retaining Firefighters	1,804,582	1,869,973	-	3,674,555
Retaining Police Officers	21,208,040	7,461,048	-	28,669,088
Addressing Homelessness	685,600	1,075,000	-	1,760,600
Fixing Streets	-	-	-	-
Maintaining Parks	3,014,292	-	100,000	3,114,292
Youth Services	940,415	-	-	940,415
Unrestricted General Revenue Purpose	27,414,644	3,055,227	-	30,469,871
Totals	57,212,736	16,821,248	100,000	74,133,984

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

City of Santa Ana Measure X
Exhibit to Annual Report of Revenue, Expenditures & Carryovers
Fiscal Year Ended June 30, 2020

Category	Description	Recurring	One-Time	Planned FY19-20	Actuals FY19-20	Carryovers
Maintain Effective 9-1-1 Response	Human Resources Analyst dedicated to Police Recruiting	\$ 79,125		\$ 79,125	52,485	
Maintain Effective 9-1-1 Response	Traffic Collision Investigators (2)	229,710		229,710	101,751	
Maintain Effective 9-1-1 Response	Park Security Contract	667,048		667,048	446,018	
Maintain Effective 9-1-1 Response	Office Assistants (2) to relieve police officers of back-office duty	193,280		193,280	-	
Maintain Effective 9-1-1 Response	Ambulance Service Contract increase to maintain service level	840,000		840,000	923,818	
Maintain Effective 9-1-1 Response	Police Department Overtime		\$ 2,000,000	2,000,000	2,971,751	
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 contract increase to maintain service level	1,804,582		1,804,582	3,096,098	
Retaining Police Officers	Cost of POA Contract Increase	12,562,415		12,562,415	6,591,778	
Retaining Police Officers	Employee Pension Contribution 17.0% Increase (police)	4,716,214		4,716,214	2,747,648	
Retaining Police Officers	Increase to actual for Police Cash-Outs, Standby & Court Pay	3,929,411		3,929,411	368,515	
Addressing Homelessness	Code Enforcement Officers (2)	282,800		282,800	52,985	
Addressing Homelessness	QOLT Clean-Up Vehicles (1 stake-bed truck and 1 pick-up truck)		185,000	185,000	85,200	
Addressing Homelessness	QOLT Clean-Up Staffing (2 Maint Workers II + Sanitation Inspect II)	266,800		266,800	98,890	
Addressing Homelessness	QOLT Clean-Up Contract Services	136,000		136,000	494,975	
Addressing Homelessness	Homeless Services					660,978
Fixing Streets	Reallocation to Street Improvements			-	238,163	
Maintaining Parks	Park Maintenance & Repairs (increased level of service)	2,024,352		2,024,352	1,849,103	
Maintaining Parks	Inspectors (6) + Supervisor, Maint Workers (4), Landscape Plan	989,940		989,940	426,268	
Maintaining Parks	Tree Replacement		442,000	442,000	265,037	
Maintaining Parks	Recreational Building Improvements					792,632
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	-	
<i>Subtotal Before Unrestricted Purposes</i>		<u>29,798,092</u>	<u>2,702,000</u>	<u>32,500,092</u>	<u>20,810,482</u>	<u>1,453,610</u>
Unrestricted General Revenue Purpose	FY18-19 Budget Deficit - Planned Use of General Fund Reserve	10,200,000		10,200,000	10,200,000	
Unrestricted General Revenue Purpose	FY18-19 Budget Deficit - Planned Staff Savings not implemented	1,500,000		1,500,000	1,500,000	
Unrestricted General Revenue Purpose	Vehicle Incentive Program (VIP)	1,725,000		1,725,000	758,000	
Unrestricted General Revenue Purpose	Miscellaneous Employee Pension Contribution 15.8% Increase	3,872,576		3,872,576	7,702,357	
Unrestricted General Revenue Purpose	Animal Care contract increase	785,753		785,753	137,448	
Unrestricted General Revenue Purpose	Crossing Guard contract increase	306,272		306,272	-	
Unrestricted General Revenue Purpose	New Debt Payments for Purchase of Streetlights	800,000		800,000	782,550	
Unrestricted General Revenue Purpose	Street Tree Maintenance (no longer paid by Sanitation Fund)	2,949,635		2,949,635	3,753,219	
Unrestricted General Revenue Purpose	Increase budget for Labor Negotiations	3,000,000		3,000,000	1,565,024	
Unrestricted General Revenue Purpose	Add 12 General Purpose Full-Time Positions to the Police Dept	1,017,308		1,017,308	371,965	
Unrestricted General Revenue Purpose	Police Body Armor, Special Enforcement Vehicles, & Bldg Repairs		498,000	498,000	46,726	
Unrestricted General Revenue Purpose	Universal Legal Defense Fund for Dreamers & Parents		200,000	200,000	100,000	
Unrestricted General Revenue Purpose	Communications Consultant	60,000		60,000	49,052	
Unrestricted General Revenue Purpose	Public Meeting Software & ADA Captioning	42,300	116,600	158,900	-	
Unrestricted General Revenue Purpose	Electronic Document Management System	70,000	250,000	320,000	-	
Unrestricted General Revenue Purpose	Establish Tourism District		45,000	45,000	35,200	
Unrestricted General Revenue Purpose	Bus Shelter Program (replacement and repairs)	550,000		550,000	-	
Unrestricted General Revenue Purpose	Emergency Repairs to Bridges and Drainage Structures		150,000	150,000	124,081	
Unrestricted General Revenue Purpose	Building Roof Repair & Replacement (as needed, highest priority)		600,000	600,000	675,414	
Unrestricted General Revenue Purpose	Zoo Contract & Supply Enhancements	343,000		343,000	247,395	
Unrestricted General Revenue Purpose	Volunteer Background Checks	192,800		192,800	6,110	
Unrestricted General Revenue Purpose	Rental Assistance		25,000	25,000	24,975	
Unrestricted General Revenue Purpose	Funding for CDBG Eligible Programs		110,000	110,000	106,899	
Unrestricted General Revenue Purpose	Census 2020 Outreach		25,000	25,000	15,011	
Unrestricted General Revenue Purpose	Various Items					5,586,151
<i>Subtotal Unrestricted Purposes</i>		<u>27,414,644</u>	<u>2,019,600</u>	<u>29,434,244</u>	<u>28,201,426</u>	<u>5,586,151</u>
Addition to Reserves	Estimated Revenue in excess of Budgeted Expenditures		550,360	550,360	5,745,288	-
Totals		<u>\$ 57,212,736</u>	<u>\$ 5,271,960</u>	<u>\$ 62,484,696</u>	<u>\$ 54,757,196</u>	<u>\$ 7,039,761</u>
Total Actual Expenditures and Carryovers					61,796,957	