



FINANCE DEPARTMENT

GENERAL FUND MAJOR REVENUES

April 28, 2020



FY 2021 - General Fund Revenue Forecast OUTLINE

- FY20 and FY21 Trends and Projections for Major Taxes (incl. Sales Tax, Property Tax, TOT, UUT & Franchise Fees, and others) before COVID-19 crisis
- Effects of COVID-19 crisis on City's revenues, including effects on major taxes
- Finance Committee Budget Review Calendar
- Additional Topics for Review Identified by the Committee

General Fund Revenue Summary Pre-COVID19 Crisis

	FY 2019	FY 2020 - Current Year			FY 2021 - BUDGET	
	YEAR-END ACTUAL	ADOPTED BUDGET	FORECAST	VARIANCE TO ADOPTED	PROPOSED BUDGET	GROWTH
SALES TX	\$ 24,184,864	\$ 24,231,982	\$ 24,313,494	\$ 81,512	\$ 25,155,774	3.5%
MEASURE C SALES TX	24,417,826	23,100,158	24,870,434	1,770,276	25,504,641	2.6%
PROPERTY TX	35,186,688	38,223,297	38,070,061	(153,236)	40,113,014	5.4%
TOT	19,517,511	19,989,179	20,034,482	45,303	20,241,134	1.0%
CANNABIS TX	93,749	500,000	958,631	458,631	1,213,605	26.6%
OTHER TAXES	14,142,877	14,473,027	14,160,154	(312,873)	14,348,302	1.3%
DEPT & OTHER REV	40,189,545	40,962,056	42,680,685	1,718,629	42,087,072	
TOTAL GF REVENUE	\$ 157,733,061	\$ 161,479,699	\$ 165,087,941	\$ 3,608,242	\$ 168,663,542	2.2%
LESS MEASURE C	(24,417,826)	(23,100,158)	(24,870,434)	(1,770,276)	(25,504,641)	2.6%
TOTAL GF REVENUE LESS MEASURE C	\$ 133,315,235	\$ 138,379,541	\$ 140,217,507	\$ 1,837,966	\$ 143,158,901	2.1%

** Table above does not include \$3,300 Anticipated YE Variance



General Fund First Estimates w/ COVID-19 Crisis Impacts

	FY 2020 - Current Year			FY 2021 - BUDGET		
	PRE-COVID FORECAST	POST-COVID FORECAST	EXPECTED LOSSES	PROPOSED BUDGET	CURRENT FORECAST	EXPECTED LOSSES
SALES TX	\$ 24,313,494	\$ 20,313,494	\$ (4,000,000)	\$ 25,155,774	\$ 22,155,774	(3,000,000)
MEASURE C SALES TX	24,870,434	20,870,434	(4,000,000)	25,504,641	22,504,641	(3,000,000)
PROPERTY TX	38,070,061	37,770,061	(300,000)	40,113,014	38,013,014	(2,100,000)
TOT	20,034,482	14,634,482	(5,400,000)	20,241,134	17,241,134	(3,000,000)
CANNABIS TX	958,631	958,631	-	1,213,605	1,213,605	-
OTHER TAXES	14,160,154	13,725,154	(435,000)	14,348,302	13,913,302	(435,000)
DEPT IMPACTS	42,680,685	40,480,685	(2,200,000)	42,087,072	40,887,072	(1,200,000)
SUBTOTAL	\$ 165,087,941	\$ 148,752,941	\$ (16,335,000)	\$ 168,663,542	\$ 155,928,542	\$ (12,735,000)
LESS MEASURE C	(24,870,434)	(20,870,434)	4,000,000	(25,504,641)	(22,504,641)	3,000,000
SUBTOTAL	\$ 140,217,507	\$ 127,882,507	\$ (12,335,000)	\$ 143,158,901	\$ 133,423,901	\$ (9,735,000)



SALES TAX



Background and Trends

- Levied on sales of most goods
- City gets \$0.01 per \$1.00 sold
- Measure C adds an additional \$.01 per \$1.00 sold – City has earmarked these funds specifically for capital projects
- State collects tax from sellers, distributes estimates each month, with “true-ups” once each quarter
- Data available two months in arrears (e.g. taxes for December quarter are available in February)
- Recent trends include general decline in in person retail, growth in online sales



COVID-19 Effects on Sales Tax

- Significant effects for most businesses
- Significant declines for restaurants, apparel, department stores, furniture/appliances, auto sales and auto parts, other general retail, and business-to-business sales
- Slight increases for food markets, liquor stores, and online sales
- Heaviest losses expected through spring and summer, with gradual increases to recession scenario in fall and winter

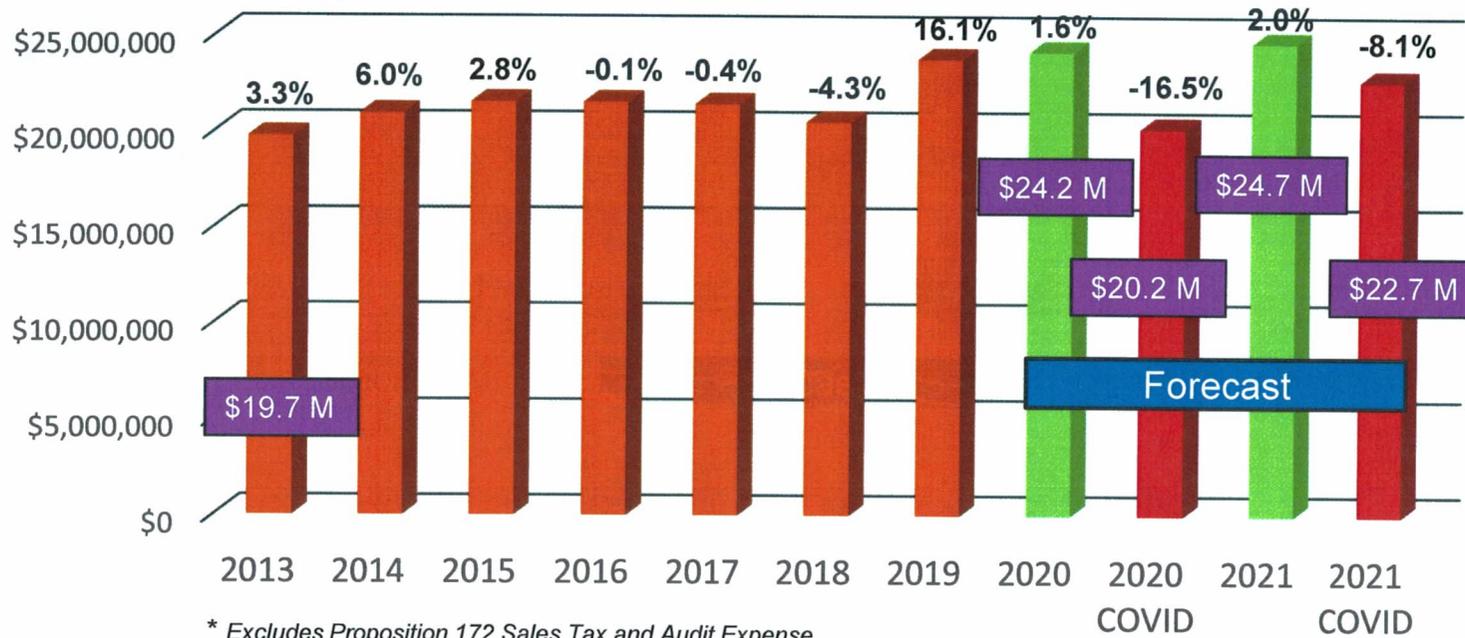


Sales Tax Estimated Decline by Sector

Sales Tax Sectors	Sector Description	FY 20	FY 21	
		Q4	Q1	Q2 - Q4
General Retail	Apparel, Dept Stores, Drug Stores, Recreation	45% - 90%	10% - 25%	2.5% - 10%
Food Products	Restaurants, Markets, Liquor Stores	50% - 65%	10% - 30%	4% - 10%
Transportation	Auto Parts/Repairs, Auto Sales, Service Stns	55% - 75%	10% - 30%	6% - 10%
Construction	Building Materials Whsle/Retail	25% - 40%	10% - 25%	0% - 10%
Business to Business	Office Equipmt, Leasing, Bus. Svcs, Energy Sales, Chemicals	30% - 50%	10% - 25%	5.5% - 10%
Misc	Health and Govt, & Other	50%	25%	10%
	Fiscal Year Range for Decline	\$3M-\$4M	\$1M-\$3M	

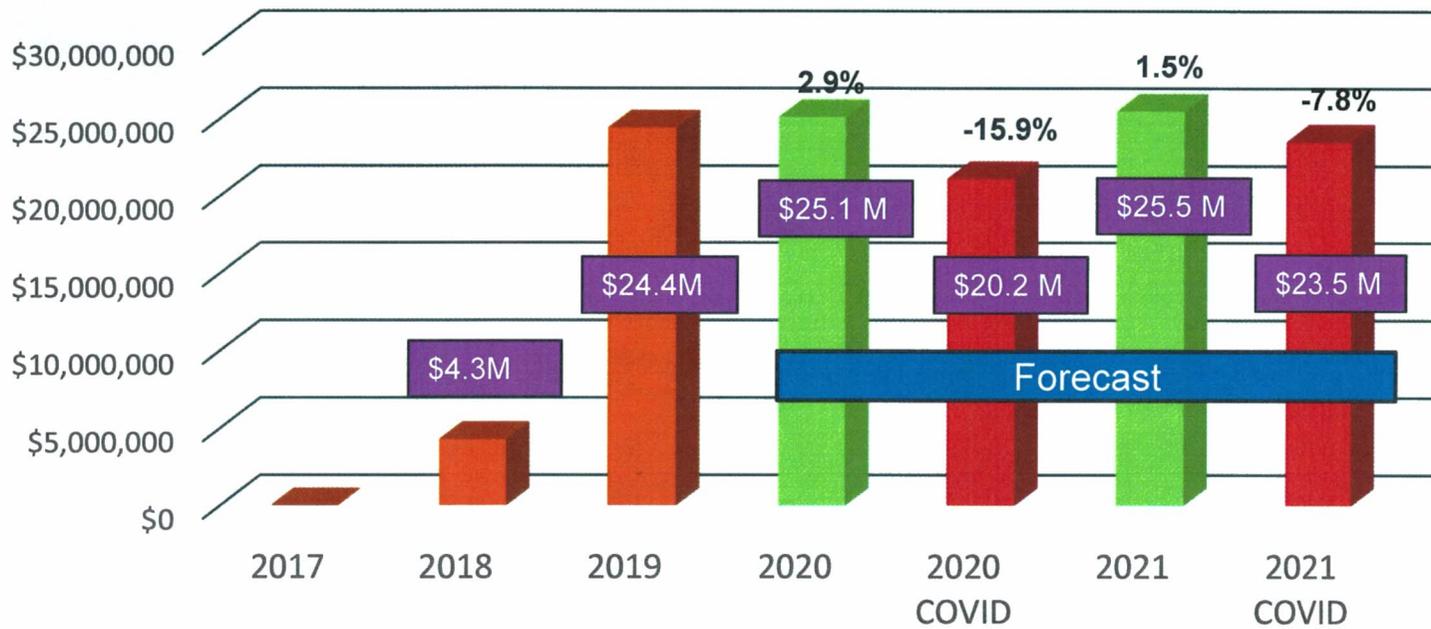


HISTORICAL SALES TAX – 2013 - 2021





MEASURE C SALES TAX: 2017 - 2021





Sales Tax – CDTFA COVID-19 Relief (*not factored into loss forecast*)

- Effective March 30th, all taxpayers who file returns less than \$1M will have 3 additional months (90 days) to file sales tax returns for months of Feb – July
- Effective April 2nd, Small Business Relief Payment Plans – up to \$50k interest free loan to be paid over 12 months (for businesses with less than \$5M in taxable annual sales)
- Effective March 30th, 60-day extension for filing a claim of refund or tax appeal



PROPERTY TAX

Background

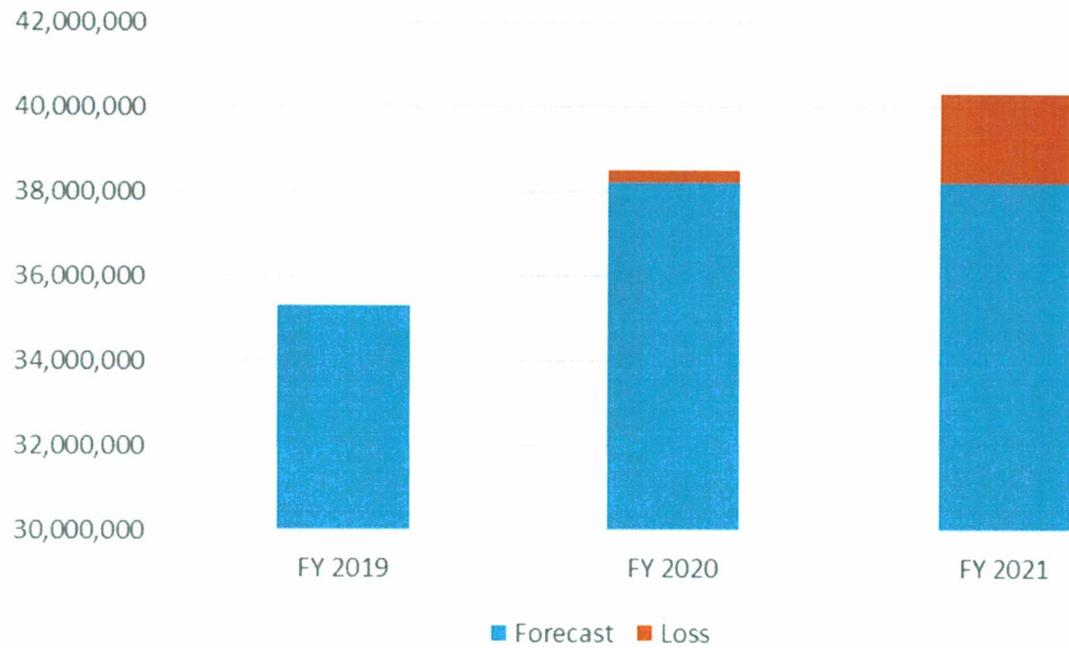
- Annual tax based on the value of real and some personal property.
- Tax is about 1% of value of property; Tax is distributed to County, schools, and other local jurisdictions; City is allocated about 12% of the tax
- County collects the tax and distributes tax throughout year based on assessed values. Main drivers of growth are CPI (capped at 2% growth), new sales, and Prop 8 catchup adjustments
- *County of Santa Barbara participates in the Teeter Program*
- ***Average growth since 2013 is between 5% - 7.8%***

COVID-19 Effects on Property Tax

- In FY20, effects limited mainly to lack of sales for remainder of the year (supplemental taxes). Remaining taxes are “locked in” based on valuations earlier in the year. (*Teeter Program*)
- Property taxes are slow to respond to changes in economic conditions. If there are impacts from COVID-19, likely no significant decreases until FY22
- We estimate slowing of sales (supplemental taxes), flat CPI, and stop in Prop 8 revaluations. Essentially, no growth, but no decline in base property values



PROPERTY TAX REVENUES





TRANSIENT OCCUPANCY TAX (TOT)

Background

- A 12% tax on the total charge to guests. 10% goes to General Fund and 2% goes to Creeks
- Tax collected by hotel owners and remitted to City monthly
- Fairly consistent growth in recent years, with some new hotel openings, and growth in both occupancy and daily room rates
- Some continued decline in short term vacation rentals due to enforcement
- ***Average growth since 2017 approximately 3%***



COVID-19 Effects on TOT

- Crisis has had most significant effect on travel-related businesses.
- Local hotels have been devastated by severely reduced occupancy, and have responded by lowering rates
- We estimate heavy losses throughout spring and summer, and slow recovery

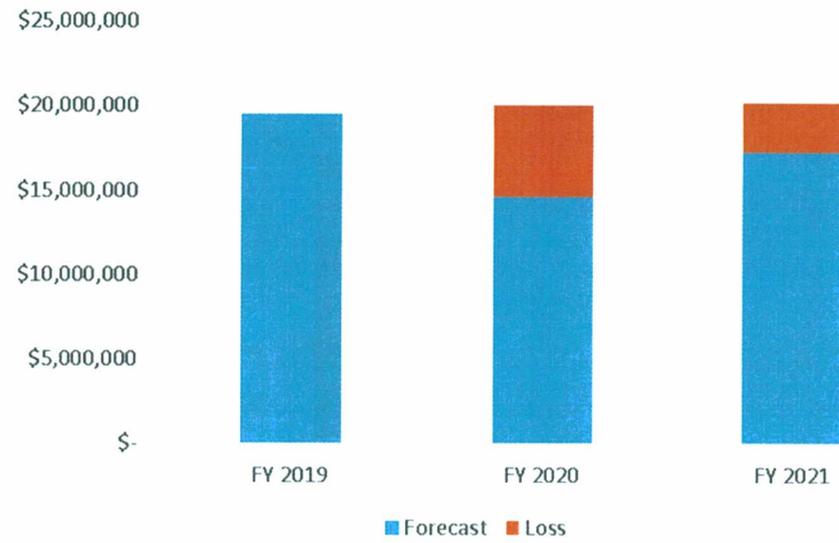
TOT Estimated Decline Scenarios

TOT collections	FY 20		FY 21	
	Scenario #1	Scenario #2	Scenario #1	Scenario #2
July	2.8%	2.8%	-50%	-80%
August	2.1%	2.1%	-35%	-80%
September	5.3%	5.3%	-20%	-50%
October	8.1%	8.1%	-5%	-35%
November	-2.2%	-2.2%	-5%	-25%
December	-6.1%	-6.1%	-5%	-17%
January	6.2%	6.2%	-5%	-16%
February	9.5%	9.5%	-5%	-16%
March	-80%	-60%	-5%	-16%
April	-80%	-92%	-5%	-16%
May	-80%	-92%	-5%	-16%
June	-80%	-92%	-5%	-16%
Fiscal Year Range for Decline	-\$5.2M	-5.4M	-\$3M	-\$7.5M

*FY20 cells in white shows actual results



TOT REVENUES



UTILITY USERS TAX (UUT) & FRANCHISE FEES



Background

- UUT levied on rate payers of utilities
 - Telephone (incl. landline, cellular, prepaid, VoiP), Cable Television, Electricity, Natural Gas, Water, Solid Waste
- Franchise Fees are charged to operators for the right to use City's right-of-way. Different mechanism but similar underlying tax base as UUT (tends to move in same direction)
 - Cable TV, Electricity, Natural Gas, Solid Waste
- Each UUT and Franchise Fee "sector" is essentially independent and responds to underlying factors in the market more broadly



COVID-19 Effects on UUT & Franchise Fees

- Difficult to project effects of pandemic on UUT and Franchise Fees
- Shifts from commercial to residential (gas, electric, water, refuse)
- In Italy, reported decreases of 18% to utilities
- In general, decreases are expected because of reduced use by many businesses for gas, electric, water & refuse (accounts for 68% of UUT revenue)
- Telecom and cable sectors seeing increased usage, however offering discounts to consumers (accounts for 32% of UUT revenue)
- Future outlook: several utility sectors may see increases in rates due to investment in technology & changes to infrastructure as a result of the pandemic



OTHER TAXES



Cannabis Taxes

- An excise tax based on the value of sales
- Began collecting recreational use in FY20 (2 recreational dispensaries operating)
- In FY21 a 3rd dispensary will open, and manufacturing & distribution operations begin
- Retail businesses are still open; so far, no reported declines in sales (reports of potential increases)
- Not changing forecast
- ***\$1M to the GF annually, small compared to other general taxes***

Business License Fees

- A business tax based on either gross sales or per employee depending on type of business
- Gross receipts are calculated based on prior year receipts
- Fees are deferred and spread over 12 months
- Most impacts will be seen beginning FY21 and into FY22
- Unknown how many businesses will go out of business
- ***Average growth approximately 1%***
- ***\$2.5M to the GF annually, small compared to other general taxes***

Property Transfer Taxes

- A tax on the value of real property sales
- City levies \$0.55 per \$1,000 of assessed value
- Similar to property taxes, we expect greatly reduced sales in FY20, but unclear what the effects will be on the market in FY21
- We assume slow recovery
- ***\$800k to the GF annually, small compared to other general taxes***



QUESTIONS?



SANTA BARBARA



FINANCE COMMITTEE BUDGET REVIEW CALENDAR



Finance Committee Budget Review Calendar

- Tuesday, April 28th – 11:30 – 1:30 p.m.
 - Proposed Finance Committee Budget Review Schedule
 - Additional Topics for Review Identified by the Committee
 - General Fund non-departmental revenues and assumptions
- Tuesday, May 5th – 12:00 – 1:45 p.m.
 - General Fund departmental proposed fee changes
 - General Fund Reserves

Finance Committee Budget Review Calendar

- Tuesday, May 12th – 12:30 – 1:45 p.m.
 - Enterprise Fund proposed fee changes (excluding utility rates)
 - Funding Requests from Community Organizations
- Tuesday, May 19th – 12:30 – 1:45 p.m.
 - Follow up on items requested by Finance Committee
 - Staff recommended adjustments to recommended budget
 - Finance Committee Decisions for Recommendation to Council



WHERE TO FIND THE BUDGET

www.SantaBarbaraCa.gov/budget



QUESTIONS?