



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: General Purpose Fund Major
Revenue Sources Overview
Report

DATE: May 16, 2024

City Administrator Approval


Jestin Johnson (May 17, 2024 10:17 PDT)

Date: May 17, 2024

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report and Recommendation Providing an Overview on General Purpose Fund Major Revenue Sources

EXECUTIVE SUMMARY

This informational report is in response to the April 30, 2024 City Council request to provide additional information on the revenue collected by the City of Oakland.

BACKGROUND / LEGISLATIVE HISTORY

On February 6, 2024, the Oakland City Council received and filed the Fiscal Year (FY) 2022-23 Fourth Quarter (Q4) and Fiscal Year 2023-24 (Q1) Revenue and Expenditures (R&E) Informational Report from the Finance Department (File ID [23-0919](#)).

On May 7, 2024, the Oakland City Council received and filed the FY 2024-2025 Midcycle Budget General Purpose Fund Deficit Informational Report (File ID [24-0220](#)).

On March 19, 2024, the Oakland City Council received and filed the Annual Comprehensive Financial Report (ACFR) Informational Report from the Finance Department (File ID [24-0071](#)).

On March 28, 2024, the Oakland City Council received and filed the FY 2023-2024 Second Quarter (Q2) Revenue and Expenditures (R&E) Informational Report from the Finance Department (File ID [24-0156](#)).

ANALYSIS AND POLICY ALTERNATIVES

The City of Oakland General Purpose Fund (GPF), the largest operating fund in the city, has five major revenue sources that comprise approximately 80% of all revenue. Those sources are Property Tax, Business Tax, Real Estate Transfer Tax, Sales Tax, and Service Charges. This report will provide a deeper analysis and historical information on each of the five revenue

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sources. The report also provides comprehensive detail on the top five major GPF revenue sources and collection history.

General Purpose Fund

Tables 1 and 2 below are an overview of the historical revenue amounts collected in GPF, year over year, for broad context.

Table 1- General Purpose Fund Historical Collection

GPF Revenue Sources	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Q3 Yr-end
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Projections
Property Tax	171.48	187.17	199.96	218.66	238.93	256.97	281.28	294.36
Business Tax	75.84	86.11	99.73	98.04	104.11	101.15	115.38	120.98
Real Estate Transfer Tax	79.07	77.66	104.9	91.53	113.36	138.40	78.05	53.22
Sales Tax	53.7	57.47	62.05	55.52	57.63	63.78	66.83	62.72
Service Charges	54.61	60.57	64.57	58.17	52.58	52.49	54.18	45.7
Sub-Total	434.70	468.98	531.21	521.92	566.61	612.79	595.72	576.98
Total GPF Revenue	555.53	590.68	649.94	631.76	687.27	726.02	728.43	715.7
% of All GPF Revenues	78%	79%	82%	83%	82%	84%	82%	81%

Table 2- General Purpose Fund Historical Collection - Year Over Year Percentage Change

GPF Revenue Sources	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Q3 Yr-end
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage	Projections
	Change	Change	Change	Change	Change	Change	Revenue
	Yr-over- Yr	Yr-over- Yr	Yr-over- Yr	Yr-over- Yr	Yr-over- Yr	Yr-over- Yr	Percentage
	Change	Change	Change	Change	Change	Change	Change
Property Tax	8%	6%	9%	8%	7%	9%	4%
Business Tax	12%	14%	-2%	6%	-3%	12%	5%
Real Estate Transfer Tax	-2%	26%	-15%	19%	18%	-77%	-47%
Sales Tax	7%	7%	-12%	4%	10%	5%	-7%
Service Charges	10%	6%	-11%	-11%	0%	3%	-19%
Sub-Total	35%	60%	-31%	27%	32%	-49%	-63%
Total GPF Revenue % Change	6%	9%	-3%	8%	5%	0%	-2%

Property Tax

Table 3- Property Tax Historical Collection

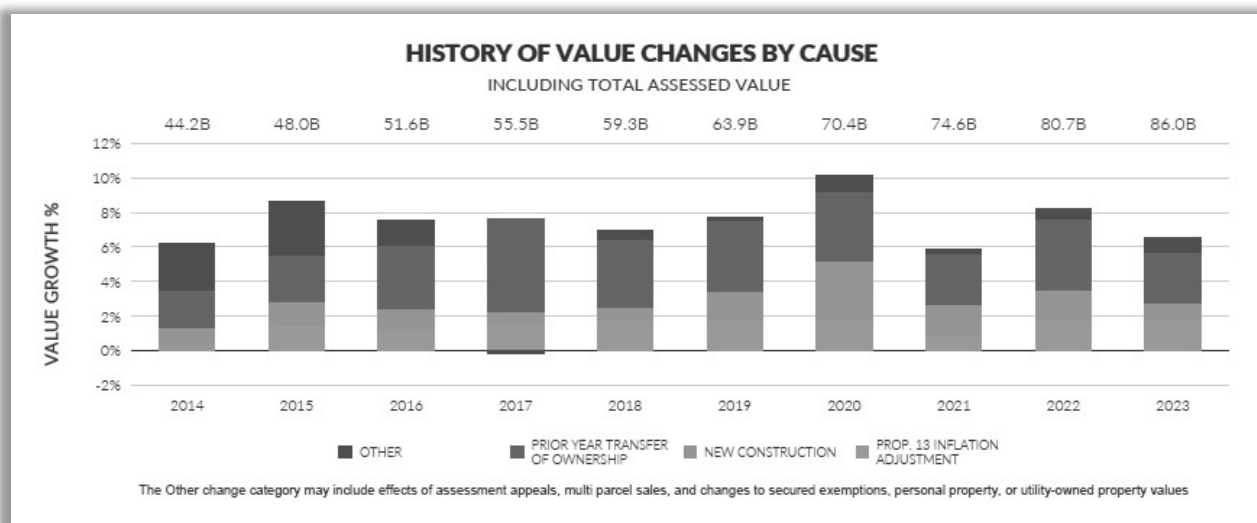
GPF Revenue Sources	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Q3 Yr-end Projections
Property Tax	171.48	187.17	199.96	218.66	238.93	256.97	281.28	294.36
Total GPF Revenue	555.53	590.68	649.94	631.76	687.27	726.02	728.43	715.7
% of All GPF Revenues	31%	32%	31%	35%	35%	35%	39%	41%

Overview

Property tax is the largest single source of revenue for the General Purpose Fund and represents approximately one-third (1/3) of all General Purpose Fund revenues. The property tax is ad valorem, which means that the tax paid on a property is proportional to the property’s assessed value. Under the terms of Proposition 13 passed in 1978: 1) the annual tax owed is a maximum of 1% of a property’s assessed value, and 2) the assessed value can only increase a maximum of 2% each year unless ownership changes, in which case the prevailing market value assessment is used as the basis for taxation.

Over the last few years, property tax revenue has grown, year-over-year, at an average pace of 8.5%. The growth for that period was accelerated by a rapid run-up of housing demand and accompanying new construction. The rise in property tax revenues was also due to a Vehicle License Fee (VLF) “backfill” payment from the State (the difference between the old VLF of 2.0% and new fee of 0.65%) in the form of property tax revenue. The value of rising property tax, which increased more quickly than VLF revenues, brought Oakland additional revenues. However, with the current macroenvironment, the federal reserve’s efforts to fight inflation with raising interest is shifting the growth pattern to stable and is teetering into declining.

Figure 1- History of Property Tax Value Changes by Cause



Accounting Rubric in Annual Comprehensive Financial Report (ACFR)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the fiscal period. Property taxes, state and local taxes, grants, licenses, charges for services, and interest and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. **Table 4** below details the revenue accounts associated with property tax revenue collection.

Table 4 – Property Tax Revenue Accounts

<u>Tax Type</u>	<u>Account and Description</u>
01 - Property Tax	41111 - Property Tax: Current Secured
01 - Property Tax	41112 - Property Tax: Current Unsecured
01 - Property Tax	41113 - Property Tax: Current Unitary
01 - Property Tax	41114 - Property Tax: Current Homeowner's Relief Subvention
01 - Property Tax	41115 - Property Tax: Prior Secured
01 - Property Tax	41116 - Property Tax: Prior Unsecured
01 - Property Tax	41118 - Property Tax: Secured Supplemental Assessment
01 - Property Tax	41120 - Property Tax: Aircraft In-Lieu
01 - Property Tax	41122 - Property Tax: County Interest Apportionment
01 - Property Tax	41124 - Property Tax: Miscellaneous
01 - Property Tax	41127 - Property Tax: Vehicle License Fee (VLF) – Property Tax Swap
01 - Property Tax	41128 - Property Tax: Redevelopment Trust Funds (RPTTF)
01 - Property Tax	41129 - Property Tax: AB 1290 Statutory Pass Through
01 - Property Tax	41130 - Property Tax: Former RDA Funds Distribution

Figure 2- Historical Property Tax Levies and Collections

PROPERTY TAX LEVIES AND COLLECTIONS <i>(in thousands)</i>					
1% Tax Roll					
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percent of Levy	Amount	Percent of Levy
2014	\$ 87,270	\$ 85,643	98.14 %	\$ 85,643	98.14 %
2015	92,969	91,419	98.33 %	91,419	98.33 %
2016	101,746	99,849	98.14 %	99,849	98.14 %
2017	108,686	106,799	98.26 %	106,799	98.26 %
2018	116,778	115,061	98.53 %	115,061	98.53 %
2019	122,790	121,081	98.61 %	121,081	98.61 %
2020	130,998	128,734	98.27 %	128,734	98.27 %
2021	139,467	137,038	98.26 %	137,038	98.27 %
2022	146,646	143,826	98.08 %	143,826	98.08 %
2023	158,251	154,940	97.91 %	154,940	97.91 %

As shown in Figure 2 above, property tax levy has a 98% collection rate across the last ten years.

Property Tax Current Considerations

Collections of property tax for FY 2023-24 Q3 are \$183.97 million or 62.5% of the adopted budget. The revenue is projected to exceed the FY 2023-24 adopted budget of \$294.17 million by approximately \$0.19 million or 0.1% and is now forecast to end the year at \$294.36 million based on data from the most recent property tax rolls from the Alameda County. In comparison, FY 2022-23 ended the year at \$281.28 million. The increase in property tax revenues reflects increases in residential home values over the prior year as well as increases due to real estate sales and adjustments to assessed values due to the Proposition 13 allowable inflation factor. These increases are expected to more than offset declines in revenue due to assessment appeals, particularly in the office sector, where property values are down significantly from the pre-pandemic period.

Business Tax

Table 5- Business Tax Historical Collection

GPF Revenue Sources	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Unaudited Actuals	Q3 Yr-end Projections
Business Tax	75.84	86.11	99.73	98.04	104.11	101.15	115.38	120.98
Total GPF Revenue	555.53	590.68	649.94	631.76	687.27	726.02	728.43	715.7
% of All GPF Revenues	14%	15%	15%	16%	15%	14%	16%	17%

Overview

Business Tax (BT) is the second largest single source of revenue for the General Purpose Fund and represents approximately 14%-17% of all General Purpose Fund revenues. The Business Tax is charged annually to Oakland businesses based on either gross receipts or rental income. The historical rate on gross receipts varies by type of business, ranging from a low of \$0.60 per \$1,000 of receipts for grocers to \$5.50 per \$1,000 of receipts for the largest businesses in the miscellaneous category. The rate on rental income is \$13.95 per \$1,000. The BT rates were increased by voters at the November 2022 election, approving Measure T, the Progressive Business Tax Ordinance. BT has been a relatively steady and reliable revenue source for the City. However, BT is impacted by the health of the economy and in particular the local environment. The COVID-19 pandemic resulted in increased commercial property vacancies and reduced rental rates in both the commercial and multi-family sectors, which has put downward pressure on tax revenues from these sources. For many of these businesses, pandemic related economic effects linger as the work-from-home transition continues to affect attendance at downtown offices. Tax revenues from general contractors is also likely to decline as new construction activity slows in response to heightened uncertainty about the prospects for office space in the near term. These downward pressures are projected to sustain due to the ongoing public safety concerns as well as uncertainty with respect to higher interest rates.

Accounting Rubric in Annual Comprehensive Financial Report (ACFR)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Business Tax revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Business tax revenues are considered to be available if they are collected within 60 days of the end of the fiscal period.

Business Tax revenue is recognized in one revenue account and is separated from any late penalty or associated fee. **Table 6** below details the accounts associated with business tax collections.

Table 6 – Business Tax Revenue Accounts

<u>Tax Type</u>	<u>Account and Description</u>
05 - Business License Tax	41511 - Local Taxes: Business Tax
12 - Fines & Penalties	43212 - Penalties: Business Tax
14 - Service Charges	45422 - Other Fees: Business Tax Certificate

BT Collection Activity

The regular collection process of business tax is on a continuous cycle that can culminate in payment, termination, lien, or judgement. The overall collection rate and collectability of delinquent accounts is highly dependent on the business category and highly influenced by the overall economy. The complex process is presented in a detailed flowchart in the accompanying presentation.

BT Current Considerations

As of Q3 of FY 2023-24, the collection of BT is at \$112.08 million which is 89.5% of the adopted budget. Overall, the year-end projection of BT is expected to end FY 2023-24 at \$120.98 million, which is \$4.27 million or 3.4% under when compared to the FY 2023-24 adjusted budget of \$125.25 million. However, this would represent an increase of \$5.60 million compared to the FY 2022-23 year-end total of \$115.38 million.

Projections for BT for purposes of preparing the FY 2023-24 budget were hampered by the ransomware attack which delayed BT collections as well as the fact that the tax year 2023 filings represented the first year of implementation of the Measure T new BT rates approved by the voters in November 2022. Most of the difference between the adopted budget and the estimated FY 2023-24 total comes from declines in collections from cannabis businesses. Both the number of filers and the number of gross receipts for these filers has declined from the prior year. Revenues are also down in the contractors' sector, reflecting the decline in building activity, as well as for retail establishments, reflecting a drop in taxable sales.

Through Q3, the total amount of gross receipts reported overall in FY 2023-24 is approximately \$29.56 billion. This represents approximately 86% of the \$34.50 billion in gross receipt totals that were reported in FY 2022-23 by year end. Categories that have already exceeded their FY 2022-23 gross receipt totals reported at year end include: Grocers at 106% reported year to date compared to the FY 2022-23 year-end total, Wholesale at 112% reported year to date compared to the FY 2022-23 year-end total, Hotel/Motel at 131% reported year to date compared to the FY 2022-23 year-end total, and Miscellaneous categories with 158% in gross receipts reported year to date compared to the FY 2022-23 year-end total. Over the past three years, on average, \$7.85 million in BT revenues have been collected over the final three accounting periods of the year.

Real Estate Transfer Tax (RETT)

Table 7- Real Estate Transfer Tax Historical Collection

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Q3 Yr-end
GPF Revenue Sources	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Projections
Real Estate Transfer Tax	79.07	77.66	104.9	91.53	113.36	138.40	78.05	53.22
Total GPF Revenue	555.53	590.68	649.94	631.76	687.27	726.02	728.43	715.7
% of All GPF Revenues	14%	13%	16%	14%	16%	19%	11%	7%

Overview

Real Estate Transfer Tax (RETT) is the third largest single source of revenue for the General Purpose Fund and represents approximately 7%-19% of all General Purpose Fund revenues. It is by far the most volatile revenue source and subject to big swings with changes in the macroeconomy. Until December 31, 2018, the Real Estate Transfer Tax (RETT) rate on residential and commercial sales was 1.61% of the value of each real estate transaction. Oakland’s share was 1.5% with Alameda County receiving the remaining 0.11%. The tax is triggered by the transfer of property ownership, and both the buyer and seller are responsible for ensuring the tax is paid. On November 6, 2018, Oakland voters approved Measure X, establishing a progressive real estate transfer tax rate for the City. The new rates became effective on January 1, 2019 and are as follows:

Transfers up to \$300,000	1.00%
\$300,001 to \$2,000,000	1.50%
\$2,000,001 to \$5,000,000	1.75%
\$5,000,001 and above	2.50%

As shown in Table 7, RETT revenues can be volatile, subject to fluctuations based on a handful of high value transfers in a given year and changes in the transfer rate overall. For example, in FY 2019-20, there were six transfers of properties individually worth over \$50 million, which in the aggregate generated \$13.3 million of RETT revenue. Over FY 20-21 and FY 21-22, on average, the small number of sales above this threshold generated \$18.2 million. Through the first half of FY 2022-23, however, such transactions were only on pace to provide \$7.4 million by year-end. The number and value of these very large transactions cannot be easily predicted year to year.

Real estate transfer activity continued throughout the pandemic but has dropped considerably in the current fiscal year as the number of transactions has slowed considerably. Fiscal Year 2021-22 RETT revenue was the highest ever recorded, at \$138.4 million. It dropped significantly in Fiscal Year 2022-23 to \$78.05 million. Reductions in transfer activity are expected to additionally decrease revenue for the current year, with estimated revenue of just \$53.22 million.

Accounting Rubric in Annual Comprehensive Financial Report (ACFR):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

RETT is a local tax and is considered to be susceptible to accrual and recognized as revenues of the current fiscal period. Real Estate Transfer Tax is recognized in one revenue account. The categorization is listed in **Table 8** below.

Table 8 – Real Estate Transfer Tax Revenue Accounts

<u>Tax Type</u>	<u>Account and Description</u>
07 - Real Estate Transfer Tax	41514 - Local Taxes: Real Estate Transfer Tax

RETT Collection Activity

As Real Estate Transfer Tax is a tax on the transfer of real property, the collection rate mirrors the levels of property tax collections at 98%, and very few properties fall outside of the ordinary process. However, in instances where RETT is due and goes unpaid, the City can place liens on the property and are able to collect from the next assessment on the property tax roll.

RETT Current Considerations

Through March 2024, Real Estate Transfer Tax collections totaled \$38.54 million or 34.9% of the adopted budget. This level of collections is significantly below the prior year level of \$54.62 million at the same Q3 interval. Several factors contributed to the significant decline in RETT. The Federal Open Market Committee (FOMC) increasing and then holding the federal funds rate to 5.25%-5.50% to combat the inflationary trends is the primary cause. Consequently, the 30-year fixed mortgage interest rates averaged 6.82% as of March 28, 2024, according to the Freddie Mac Mortgage Market Survey Archive. The higher interest rate reduces the number of buyers as it makes home sales more expensive. This is reflected in the number of transactions through Q3, especially the high-value property transfers. As a whole, the volume of transactions has decreased from 2,715 through Q3 in FY 2022-23 to 2,412 through Q3 in FY 2023-24, representing a 11.2% decrease. The decrease in volume is augmented when considering that through Q3 only 16 properties valued over \$5.00 million have been sold, compared to 32 that had been sold through the same period in FY 2022-23. Furthermore, only 7 of the properties that have sold through the Q3 were valued over \$10 million compared to 15 in the prior Fiscal Year. The third quarter RETT projection has been revised to end the year at \$53.22 million, which is \$57.19 million or 51.8% lower compared to the adopted budget of \$110.41 million. This anticipated drop in the RETT accounts for 62.5% of the overall projected revenue shortfall in the GPF.

Sales Tax

Table 9- Sales Tax Historical Collection

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Q3 Yr-end
GPF Revenue Sources	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Projections
Sales Tax	53.7	57.47	62.05	55.52	57.63	63.78	66.83	62.72
Total GPF Revenue	555.53	590.68	649.94	631.76	687.27	726.02	728.43	715.7
% of All GPF Revenues	10%	10%	10%	9%	8%	9%	9%	9%

Overview

Sales tax is the fourth largest single source of revenue for the General Purpose Fund and represents approximately 10% of all GPF revenues. Sales and Use Tax applies to the retail sale or use of “tangible personal property.” The total sales tax percentage in the City of Oakland is 10.25%, meaning that a \$1 taxable purchase results in sales tax of 10.25 cents. The City receives 1% of the total sale as a distribution to its General Fund, meaning the City receives 1 cent on a \$1 purchase. Oakland’s diverse sales tax base covers ten business types, including retail, motor vehicle parts and dealers, home furnishings, auto and transportation, fuel and service stations, business and industry, general consumer goods, building and construction, and food and drugs. No single group dominates the City’s sales tax revenues.

Accounting Rubric in Annual Comprehensive Financial Report (ACFR)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

Sales tax revenues are considered to be available if they are collected within 90 days of the end of the fiscal period. Sales Tax revenues are recognized in various revenue accounts to separate and appropriately categorize the specificity related to the tax collection. **Table 10** details the sales tax categorization and is listed below.

Table 10 – Sales Tax Revenue Accounts

Tax Type	Account and Description
02 - Sales Tax	41311 - Sales and Use Tax: Sales and Use Tax
02 - Sales Tax	41312 - Sales and Use Tax: Measure B & BB
02 - Sales Tax	41313 - Sales and Use Tax: Proposition 172

Figure 3- Historical Taxable Sales by Category

TAXABLE SALES BY CATEGORY <i>(in thousands)</i>										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Auto and Transportation	\$ 808,600	\$877,524	\$ 909,867	\$ 904,626	\$ 888,309	\$ 901,894	\$ 789,318	\$ 811,315	\$ 899,802	\$1,035,959
Building and Construction	427,596	452,079	477,817	508,167	566,605	602,144	559,064	570,001	597,871	610,318
Business and Industry	704,424	552,876	602,851	608,558	662,062	690,536	598,930	587,305	619,110	588,884
Food and Drugs	416,788	444,374	487,018	516,629	542,632	539,733	585,993	599,354	556,796	543,307
Fuel and Service Stations	719,994	621,519	506,536	528,216	647,796	741,754	551,574	421,823	747,706	791,618
General Consumer Goods	561,361	594,032	567,959	546,722	564,182	566,006	522,262	559,069	573,500	542,531
Restaurants and Hotels	765,296	857,573	951,372	999,328	1,050,032	1,109,458	889,842	686,546	981,563	1,088,963
County and State Pools (2)	697,163	687,122	708,784	778,408	833,449	930,151	1,074,516	1,239,452	1,222,682	1,127,956
Total	\$5,101,221	\$5,087,099	\$5,212,203	\$5,390,654	\$5,755,066	\$6,081,676	\$5,571,500	\$5,474,864	\$6,199,030	\$6,329,536
City direct sales tax rate (3)	1.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	3.0 %	3.0 %

Source: HdL Companies.
 Notes: (1) Declines in 2020 and 2021 reflect the impacts of the COVID-19 global pandemic. (2) County and State Pool amounts primarily result from allocations for internet sales. (3) The reported City direct sales tax rates include the 1% Bradley-Burns rate due to the City as well as countywide voter-approved half-cent sales taxes for health care and transportation.

Sales Tax Current Considerations

Collections of sales tax revenue through FY 2023-24 Q3 are \$36.79 million or 54.4% of the adopted budget. Sales tax revenue collections lag behind other revenues by 2-3 months. The current collections represent the second half of calendar year 2023. Oakland’s actual sales tax receipts from July through December were 6.4% below the same period in the prior year. Early reports of collection data from the State indicate a reduction in sales tax as a result of inflation moderating and certain business sectors contracting. The year-end projection of sales tax receipts is projected to be \$62.72 million, short of the FY 2023-24 adopted budget of \$67.69 million, by approximately \$4.97 million or 7.3%. Declines in sales tax revenues are a part of larger statewide and national trends in favor of more online purchases and a shift from goods to services

purchases. In addition, lower sales tax revenues likely reflect the impact of continued inflation as well as the ongoing weakness in the City’s central business district.

Service Charges

Table 11- Historical Service Charges Collection

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Q3 Yr-end
GPF Revenue Sources	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Projections
Service Charges	54.61	60.57	64.57	58.17	52.58	52.49	54.18	45.7
Total GPF Revenue	555.53	590.68	649.94	631.76	687.27	726.02	728.43	715.7
% of All GPF Revenues	10%	10%	10%	9%	8%	7%	7%	6%

Overview

Service charges and other similar revenues are projected to grow with inflation, changes in vehicle travel, staffing costs and other factors during the forecast period. Many of these revenues are considered cost recovery and thus are tied to staff costs. Historically, the City Council has approved fee increases based upon growth in the Consumer Price Index (CPI) or staff costs. Each department prepares amendments to the Master Fee Schedule and presents these proposed amendments to the City Council in the Spring; if approved, these changes are incorporated into the budget.

Accounting Rubric in Annual Comprehensive Financial Report (ACFR)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

Service Charges are considered to be available if they are collected within 90 days of the end of the fiscal period. Charges for services are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Service Charges are recognized in various revenue accounts. The categorization is listed in **Table 12** and illustrates the sheer number of disparate fees.

Table 12 – Service Charge Tax Revenue Accounts

<u>Tax Type</u>	<u>Account and Description</u>
14 - Service Charges	41611 - Franchise: Gas and Electric
14 - Service Charges	41613 - Franchise: Cable TV
14 - Service Charges	41615 - Franchise: Pipeline
14 - Service Charges	41617 - Franchise: Sewer
14 - Service Charges	44211 - Land Rental: Field
14 - Service Charges	44212 - Land Rental: Park
14 - Service Charges	44219 - Land Rental: Miscellaneous

14 - Service Charges	44312 - Facility Rental: Lodge
14 - Service Charges	44313 - Facility Rental: Gym
14 - Service Charges	44314 - Facility Rental: Pool (Temescal Masters)
14 - Service Charges	44315 - Facility Rental: Tennis Court
14 - Service Charges	44316 - Facility Rental: Sailboat House (Club Class Committee Room)
14 - Service Charges	44329 - Facility Rentals: Miscellaneous
14 - Service Charges	44411 - Other Rental: Boat
14 - Service Charges	44413 - Other Rental: Equipment
14 - Service Charges	44418 - Other Rental: Billboards
14 - Service Charges	44419 - Other Rental: Miscellaneous
14 - Service Charges	44511 - Concession Income: Golf Course
14 - Service Charges	44519 - Concession Income: Miscellaneous
14 - Service Charges	45113 - Public Works Fee: Sewer Service Charge
14 - Service Charges	45114 - Public Works Fee: Inspection/Application Fees
14 - Service Charges	45115 - Public Works Fee: Plot Plan Review Fees
14 - Service Charges	45117 - Public Works Fee: Clean-up / Board-up
14 - Service Charges	45119 - Public Works Fee: Miscellaneous
14 - Service Charges	45211 - Parks & Rec Fee: Cultural Art Classes
14 - Service Charges	45212 - Parks & Rec Fee: Boating Instruction (Learn-to-Sail)
14 - Service Charges	45213 - Parks & Rec Fee: Swimming Instruction
14 - Service Charges	45215 - Parks & Rec Fee: Public Swimming (Excluding Lap Swimming)
14 - Service Charges	45216 - Parks & Rec Fee: Lap Swimming
14 - Service Charges	45217 - Parks & Rec Fee: Lodge Janitorial Service
14 - Service Charges	45233 - Parks & Rec Fee: Camp Kidd
14 - Service Charges	45239 - Parks & Rec Fee: Miscellaneous
14 - Service Charges	45311 - Parking Fee: On Street Parking Meters
14 - Service Charges	45312 - Parking Fee: Off Street Parking (Including OPR Parking)
14 - Service Charges	45414 - Other Fees: Fire Plan Checking Inspection and Testing
14 - Service Charges	45415 - Other Fees: Report of Residential Building Records
14 - Service Charges	45416 - Other Fees: Certificate of Occupancy
14 - Service Charges	45418 - Other Fees: Special Design Review Exemptions
14 - Service Charges	45419 - Other Fees: Miscellaneous
14 - Service Charges	45421 - Other Fees: Annual High-Rise Inspection
14 - Service Charges	45422 - Other Fees: Business Tax Certificate
14 - Service Charges	45423 - Other Fees: General Plan Surcharge
14 - Service Charges	45424 - Other Fees: Field Check Inspection
14 - Service Charges	45425 - Other Fees: Process Coordination
14 - Service Charges	45426 - Other Fees: Notification

14 - Service Charges	45430 - Other Fees: Public Nuisance
14 - Service Charges	45433 - Other Fees: Litter Fee
14 - Service Charges	45436 - Other Fees: Notary
14 - Service Charges	45519 - Sales: Miscellaneous
14 - Service Charges	45612 - Port Revenue: Special Revenue
14 - Service Charges	45712 - Other Svc Charges: Subpoena Jury and Witness
14 - Service Charges	45715 - Other Svc Charges: Legal
14 - Service Charges	45717 - Other Svc Charges: MGS Administrative
14 - Service Charges	45718 - Other Svc Charges: Personnel Services
14 - Service Charges	45719 - Other Svc Charges: Sewer Repair Reimbursement
14 - Service Charges	45721 - Other Svc Charges: Damages to City Property - Labor
14 - Service Charges	45722 - Other Svc Charges: Damages to City Property - Materials
14 - Service Charges	45723 - Other Svc Charges: Damages to City Property - Overhead
14 - Service Charges	45729 - Other Svc Charges: Miscellaneous Service Charges
14 - Service Charges	45732 - Other Svc Charges: Recordation of Public Documents
14 - Service Charges	45742 - Other Svc Charges: MGS Demand Letter Fee
14 - Service Charges	45745 - Other Svc Charges: Police False Alarm Charges
14 - Service Charges	45746 - Other Svc Charges: State Mutual Aid Reimbursement

Service Charge Collection Activity

Collection of service charges is based on the demand of the service provided and varies widely based on the program in which it supports or cost-recovers.

Service Charge Tax Current Considerations

Collections of service charges for FY 2023-24 Q3 are \$19.37 million or 37.0% of the adopted budget. Service Charges are projected to end the year at \$45.70 million-which is a decrease of approximately \$6.58 million or 12.6% from the FY 2023-24 adopted budget of \$52.28 million. The new projection represents a decrease in service charges across multiple areas including parking meter fees and the inability to collect franchise sewer fees.

FISCAL IMPACT

This report is for informational purposes and has no fiscal impact on the current or future year budgets.

PUBLIC OUTREACH / INTEREST

This item did not require additional public outreach other than posting on the City’s website.

COORDINATION

This report was prepared by the Finance Department and incorporates financial data from our Revenue Bureau Consultants.

SUSTAINABLE OPPORTUNITIES

Economic: There are no direct economic opportunities associated with this informational report.

Environmental: There are no direct environmental opportunities associated with this informational report.

Race & Equity: There are no direct race or equity opportunities associated with this informational report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive An Informational Report and Recommendation Providing an Overview on General Purpose Fund Major Revenue Sources

For questions regarding this report, please contact Erin Roseman, Director of Finance, at 510-238-2220.

Respectfully submitted,



Erin Roseman (May 17, 2024 07:53 PDT)

ERIN ROSEMAN
Director of Finance, Finance

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