



Memorandum

TO: NEIGHBORHOOD COMMISSION - INDEPENDENT CITIZENS OVERSIGHT COMMITTEE **FROM:** Margaret McCahan

SUBJECT: 2016-2017 MEASURE B LOCAL SALES TAX RECONCILIATION **DATE:** July XX, 2018

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This memorandum provides information requested by the Neighborhood Commission, Independent Citizens Oversight Committee (ICOC) related to Measure B Local Sales Tax data for fiscal year 2016-2017.

On June 7, 2016, San Jose voters approved a one-quarter percent Local Sales tax to fund City services. The 2016-2017 Adopted Budget included a revenue estimate of \$30 million based on an October 1, 2016 implementation date. From October 1, 2016 through June 30, 2017, the City collected Measure B Local Sales Tax revenue in the amount of \$26,519,744.80 as compared to the adopted budget amount of \$30,000,000. This amount was reported in the City's 2016-2017 Annual Report (<http://www.sanjoseca.gov/DocumentCenter/View/72236>, p. II-9) prepared by the City Manager's Office. The City's 2016-2017 Comprehensive Annual Financial Report (CAFR) prepared by the Finance Department also incorporated this figure, and that report was audited by the City's independent financial auditor, Grant Thornton, LLP.

With assumed revenue of \$30.0 million from the Measure B Local Sales Tax being received in the General Fund, the 2016-2017 Adopted Operating Budget allocated these funds to General Fund expenditures in the amount of \$30.0 million in accordance with the attached document labeled "ICOC Annual Measure B ¼-cent 2016-2017 Sales Tax Matrix". This Matrix is consistent with Manager's Budget Addendum #14 (*Sales Tax Ballot Measure: 2016-2017 Provisional Budget and Ongoing Spending Priorities Plan*) that was approved as part of the 2016-2017 Adopted Budget. That document can be found at: <http://www.sanjoseca.gov/DocumentCenter/View/57131>.

The Measure B Local Sales Tax revenue is one of many revenue sources in the General Fund, and that Measure B revenue is tracked in a separate revenue accounting code. This separate accounting code enables the identification of the revenue attributed solely to the Local Sales Tax. For the General Fund expenditures funded by the Local Sales Tax in 2016-2017, however,

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several of the allocations were added to existing General Fund expense appropriations. Because separate expense accounting codes designated specifically for the Local Sales Tax were not used for several line items, it is not possible for the City, or a financial auditor, to specifically tie all the General Fund expenditures to the Local Sales Tax. However, as the expense budget allocations were required through City Council adoption of the 2016-2017 Operating Budget, resources of \$30.0 million were allocated to the identified use. The City Manager's Budget Office and the ICOC collaborated on the development of the expenditure data and explanatory notes contained within the Matrix. It is important to note that the Local Sales Tax proceeds allocated to the various departments and programs were in addition to the respective budgets originally included in the 2016-2017 Proposed Operating Budget document.

Moving forward, the Administration will be recommending separate expenditure appropriations related to the Local Sales Tax to enable the tracking and reporting of these expenditures. Please see attached Manager's Budget Addendum #28 "Local Sales Tax Budget Adjustments", which has been recommended for City Council adoption in the Mayor's June Budget Message for Fiscal Year 2018-2019. These appropriations tie directly to the revenue estimate for the Local Sales Tax.

MARGARET MCCAHAN
Budget Director

Attachment: ICOC Annual Measure B ¼-cent Sales Tax Matrix
Manager's Budget Addendum #28, Local Sales Tax Adjustments