

Memorandum

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

**SUBJECT: 2017-2018 MEASURE B
LOCAL SALES TAX
RECONCILIATION**

DATE: January 2February 28, 2019

Approved

Date

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 2017-2018.

On June 7, 2016, San Jose voters approved a one-quarter percent Local Sales tax to fund City services. From July 1, 2017 through June 30, 2018, the City collected Measure B Local Sales Tax revenue in the amount of \$42,605,777. This amount was reported in the City's 2017-2018 Annual Report (<http://www.sanjoseca.gov/DocumentCenter/View/80256>, p. II-9) prepared by the City Manager's Office. The City's 2017-2018 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, Macias, Gini & O'Connell, LLP.

The Measure B Local Sales Tax revenue is one of many revenue sources in the General Fund, and 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. However, unlike 2016-2017 where Measure B Local Sales Tax revenue was allocated in accordance with Manager's Budget Addendum #14 (*Sales Tax Ballot Measure: 2016-2017 Provisional Budget and Ongoing Spending Priorities Plan*), the City Council did not take separate action to allocate Measure B revenues to specific expenditures in 2017-2018.

As a result, the Administration developed the attached document labeled "ICOC Annual Measure B ¼-cent 2017-2018 Sales Tax Matrix", which conforms to the format requested by the ICOC. This document represents expenditures included in the 2017-2018 Adopted Budget that are: ongoing allocations originally established in 2016-2017 that were explicitly identified to receive funding as a result of Measure B passage as described in Manager's Budget Addendum #14; allocations in 2017-2018 that correspond to similar allocations in 2018-2019 that were explicitly identified by Manager's Budget Addendum #28: Local Sales Tax Adjustments; and allocations in 2017-2018 that align to the intent and spirit of the Measure B ballot language.

With one exception, the items identified in the matrix with a “Fiscal Year Initiated Date” of 2017-2018 represent an increase in resources above a department’s 2017-2018 Base Budget allocation as displayed in the 2017-2018 Proposed Operating Budget. The only exception is the allocation for “Police Officer Retention and Attraction”, which includes compensation increases agreed to with the Police Officers Association during the 2016-2017 fiscal year, and was subsequently incorporated into the Police Department’s 2017-2018 Base Budget.

As in 2016-2017, several of the allocations described in the matrix were added to existing General Fund expense appropriations within the 2017-2018 Adopted Budget. 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. 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, for fiscal year 2018-2019, separate expenditure appropriations related to the Local Sales Tax to enable the tracking and reporting of these expenditures were approved by the City Council with the inclusion of Manager’s Budget Addendum #28 “Local Sales Tax Budget Adjustments” into 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