



MEMORANDUM

TO: Mayor and Members of the City Council

FROM: Oscar S. Rodriguez, Finance Director

DATE: July 14, 2015

SUBJECT: Report on Resolution 2015-40

This memo provides staff's evaluation of the allocation and expenditure of the ¼% Municipal Gross Receipts Tax revenue (GRT) from Section 18-10 SFCC 1987 as called for in your resolution of May 13, 2015.

You directed staff to evaluate the allocation and expenditure of GRT revenue collected from Section 10-10 SFCC 1987 so it could be determine whether there is a need to amend the dedication provision in the ordinance authorizing this tax. To comply with this directive, staff compiled all of the financial information stored in the City's financial accounting system and prepared the table shown below going back to 1996. While the Governing Body passed the enabling legislation for this tax in 1991, known today as the ¼% Municipal GRT, the stored data does not go that far back. Hard copies of the budgets for the years going back to 1991 can be found in the archives, but their format and reporting methods vary from the electronic files and do not allow for a proper comparison. Nevertheless, the 19 years available in the system provide enough of a trend to allow for meaningful conclusions to be drawn.

Fund	19 FISCAL YEARS FROM 1996 UNTIL PRESENT, AS OF THE 28TH OF THE MONTH																Σ % of Total			
	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12		2012-13	2013-14	2014-15
General 1001	1,585,742	1,590,840	1,500,840	1,470,563	1,459,767	1,523,554	1,395,507	1,353,642	1,475,071	1,866,338	1,996,844	2,067,940	1,939,667	1,121,911	852,500	1,178,163	943,217	1,254,266	1,254,266	21.9%
Capital Equip Reserve 2118							103,800	146,200	103,600											0.3%
Role Finders 2304											7,700	12,701	11,840	17,058	14,384	14,205	15,822	22,937	22,937	0.1%
Northern NM Park & Role 2305		50,000		100,000																0.1%
Section 9 Transp. (HCD) 2327	303,611	298,085	352,866	352,860	352,860	352,860	570,966	550,057	581,058	582,529	598,829									3.6%
Quality of Life 2505	792,034	794,228	795,420	735,261	729,893	761,777	697,753	676,620	737,535	930,566	998,422	1,033,970	740,828	685,669	627,608	650,000	702,000	702,000	702,000	11.3%
Capital Outlay GRT 3102															14,589					0.0%
Transit O&M 5400	2,230,921	2,254,153	2,805,102	2,832,498	3,221,473	3,279,240	3,330,099	3,619,487	3,542,877	3,899,466	3,884,830	4,401,041	4,464,428	4,505,951	4,881,513	4,700,000	5,106,460	4,846,361	4,846,361	56.8%
Transit Fed Grants 5407		107,944	91,272	250,000	250,000	250,000														0.7%
SFT Welfare to Work 5409																			80,000	0.1%
Transit Fac. Grant Match 5410							146,200	103,600	374,506											0.5%
Transit Bus Grant Match 5416										364,417	111,375	178,500	23,000						79,500	0.6%
Paratransit 5421												564,180	641,856	501,031	580,410	533,467	764,600	574,436	574,436	3.7%
Ending Balance	4,912,308	5,095,250	5,435,500	5,741,200	6,014,013	6,167,439	6,244,325	6,450,006	6,794,847	7,763,316	7,596,000	8,258,332	7,841,619	6,911,640	6,966,415	7,090,424	7,532,129	7,479,520	7,480,000	1
2116 - Mun GRT	(6,694)	(17,683)	1,259	60,050	60,262	19,415	152,467	367,564	535,201	177,897	306,955	292,669	72,365	261,970	428,910	759,588	666,778	1,029,544	1,350,122	

Category	\$'s	%
Transit	79,996,831	62.6%
General	26,040,658	21.9%
Quality	14,493,824	11.3%
Other	5,242,970	4.1%
	127,774,283	100.0%



You will note that over this time period, transit-oriented funds have together consistently received more than 60% of the funds appropriated from the Municipal GRT Fund. The Transit Operating Fund, which underwrites the Transit Division, has accounted for almost all this distribution (56%). The General Fund has received the 2nd largest share (22%) of the total amount appropriated. The transfers to the General Fund arrive with no effective designation and commingle with the many other revenue streams pouring into it. The Quality of Life Fund has been appropriated the 3rd largest share (12%). Along with the General and Quality of Life Funds, there are other funds that draw from the Municipal GRT Fund that are not specifically transit-oriented. As a group, however, these funds amount to less than 5% of the total disbursed since 1996.

The $\frac{1}{4}\%$ Municipal GRT Fund's ending balances over this 18-year period have oscillated through changing economic and financial conditions. In recent years, however, City budgets have remained conservative in allocating projected GRT revenue from this fund. This has resulted in the gradual build-up of a moderate reserve in the fund. FY 2014-15 is projected to close with an ending balance of \$1,350,122 (18% of budgeted expenses/distributions). The FY 2015-16 Budget was approved with an anticipated ending balance of \$2,077,297 (26% of budget).

The pattern of appropriation of Municipal GRT funds appears generally consistent with the language of the legislation that prescribes how this revenue stream is to be distributed:

18-10.4 C.

Revenue from the fifth one-quarter percent (1/4%) increment of the municipal gross receipts tax is dedicated to the public bus system and quality of life purposes in the following manner:

- (1) Finance the acquisition, operation, maintenance and any other expenses necessary for or incidental to the provision of a public bus system. In the event that the public bus system is ever discontinued, the funds allocated to this paragraph shall be used for general municipal operations and the discontinuance of the public bus system shall not affect the allocations set out in paragraph (2) below. The governing body shall not discontinue the public bus system until the notice and hearing requirements of subsections 2-2.3A, 2-2.3B, 2-2.4A, 2-2.4D, 2-2.6 SFCC 1987 have been met.*
- (2) After satisfying the provision of a public bus system, the remaining proceeds of the gross receipts tax shall be allocated as set forth in subparagraphs (2) (a) and (2) (b) below.*
 - (a) Up to two-thirds (2/3) of the proceeds remaining following the distributions provided in paragraph C(2) of the gross receipts tax shall be used for general municipal operations.*
 - (b) Up to one-third (1/3) of the proceeds remaining following the distributions provided for in the paragraph C(1) of the gross receipts tax shall be used exclusively for the following quality of life purposes: recreation, open space, libraries, and parks.*



Veteran City staffers explain that the practice during the budget process has been to first address the Transit Division's budget requests before allocating resources from this GRT elsewhere. The FY 2015-16 Budget continued this approach. To the extent that the Transit Division has presented and the Governing Body has addressed the community's transit priorities during the annual budget development process, the GRT from this source has been used to satisfy the public bus system's funding needs before the remaining resources were appropriated to quality of life purposes as set out in the ordinance or left in the ending fund balance. Based on this, staff does not recommend any changes to the ordinance at this time.

I am available to answer any questions and provide further information as you require.

Federal Transit Administration Discretionary Grant History: 2005 - 2014

