

CITY AUDITOR'S IMPARTIAL FINANCIAL ANALYSIS OF MEASURE D

Summary

In 1996, Measure K established a separate City fund (Kids First Fund) dedicated to providing additional services for children and youth. The Kids First Fund received a set-aside amount equal to 2.5% of annual unrestricted General Purpose Fund (GPF) revenues through June 30, 2009.

Measure K was amended in 2008 by Measure OO. Effective July 1, 2009, the Kids First Fund receives 1.5% of annual total revenues for the first two years and then 2.5% of annual total revenues for the third year and thereafter.

Voter approval of Measure D would amend Measure OO. Under Measure D, the Kids First Fund would receive 3% of annual unrestricted GPF revenues for twelve years effective July 1, 2009. Annual unrestricted GPF revenues are a lower amount compared to the annual total revenues that are used to calculate the set-aside amount under Measure OO.

The set-aside amount under either Measure OO or Measure D will be higher than the set-aside amount under Measure K.

Financial Impact

In FY 2008-09, the Measure K budgeted set-aside amount was \$9,977,103. The projected set-aside amounts in FY 2009-10 for Measure OO and Measure D are \$15,107,403 and \$11,451,578 respectively as shown in the following table.

FY 2008-09	ENACTED FY 2009-10	PROPOSED FY 2009-10
Measure K	Measure OO	Measure D
Annual Unrestricted GPF Revenues x 2.5%	Annual Total Revenues x 1.5%	Annual Unrestricted GPF Revenues x 3.0%
\$399,084,121 x 2.5% = \$9,977,103	\$1,007,160,189 x 1.5% = \$15,107,403	\$381,719,265 x 3.0% = \$11,451,578
Difference between Measure OO and Measure D: \$3,655,825		

The set-aside amount in FY 2009-10 is projected to be \$3,655,825 less under Measure D compared to Measure OO. The set-aside monies

under either Measure OO or Measure D would come from the GPF. The difference of \$3,655,825 would remain in the GPF for spending priorities of the Mayor and City Council.

Under Measure OO, the set-aside percentage increases to 2.5% for the third year and thereafter. The projected difference between Measure OO and Measure D increases to \$13,727,427 in the third year using the same revenue amounts used for calculating the FY 2009-10 set-aside amounts as shown in the table below.

FY 2011-12 Measure OO	FY 2011-12 Measure D
Annual Total Revenues x 2.5%	Annual Unrestricted GPF Revenues x 3.0%
\$1,007,160,189 x 2.5% = \$25,179,005	\$381,719,265 x 3.0% = \$11,451,578
Difference between Measure OO and Measure D: \$13,727,427	

Approval of Measure D would increase the flexibility of the Mayor and City Council over spending priorities as a larger share of discretionary GPF monies would be available. Rejection of Measure D would likely decrease the flexibility of the Mayor and City Council over spending priorities as a smaller share of discretionary GPF monies would be available.

Measure D does not impose any new City tax or remove any existing tax. Measure D also does not increase or decrease any existing City tax rates.

Our estimates are based upon currently available data. Actual results may vary from our estimates.

s/COURTNEY A. RUBY, CPA
City Auditor