

City of Westminster Financial Review

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Topics to be Discussed

- How Big Are The Deficits?
 - General Fund
 - FYs 2015-16, 2016-17 and 2017-18
 - Original estimates vs revised estimates
 - “Budget Deficits” vs “Structural Deficits”
- How Much Time Do We Have to Solve the Budget Problem?
- Underlying Causes of the Deficits
- Possible Solutions

Part I. How Big Are The Deficits?

- Definitions
 - “Budget Deficit”
 - Shortfall of annual inflows vs annual outflows
 - Includes “budget band-aids” (e.g., using other funds’ reserves) and one-time revenues
 - Annual budget presentations typically focus on “budget deficits”
 - “Structural Deficit”
 - Shortfall of ongoing inflows vs ongoing outflows
 - Excludes “budget band-aids” and one-time revenues
 - Includes long-term expenditure needs
- Focusing on how to fund a “budget deficit” gets you through each year, one year at a time
- Focusing on the “structural deficit,” especially controlling any projected growth in the “structural deficit,” solves the budget problem for the long-term

FY 2015-16 “Budget Deficit”

- As presented in the FY 2015-16 Adopted Budget (June 2015)

General Fund	Amount
Revenues	\$ 45.4 million
Expenditures	<u>-55.3 million</u>
Difference Between Revenues and Expenditures	- 9.9 million
Other Financing Sources/(Uses)	<u>4.5 million</u>
Net Change in Fund Balance	- 5.4 million
Transfer from Reserve Fund (Fund 800)	<u>1.6 million</u>
“Budget Deficit”	\$ - 3.8 million

FY 2015-16 “Budget Deficit”

- A different way of looking at the same numbers
- Rearranged to separate external revenues from internal revenues
- Provides better picture of net operating expenditures

FY 2015-16 General Fund Budget (Rearranged)		Amount
External Revenues		\$ 44.9 million
Gross Operating Expenditures	\$ -55.2 million	
Staff Allocations to Other Funds	<u>3.9 million</u>	
Net Operating Expenditures		<u>-51.3 million</u>
Net Operating Expenditures Over External Revenues		- 6.4 million
Overhead Charges to Other Funds		1.1 million
Transfers to Other Funds		- 0.1 million
Transfers from Reserve Fund (Fund 800)		<u>1.6 million</u>
“Budget Deficit”		\$ - 3.8 million

Review of FY 2015-16 Budget

- All budgets are a “snapshot” in time; more information is now available
- Revenues were very conservatively estimated
- Reasonable to assume an additional \$1.1 million will be received
 - Property tax (+\$0.6 million) – 8% actual growth in assessed valuation
 - Sales tax (+\$0.8 million) – revised estimates from HdL, inclusion of Costco and Dillon RV in estimate
 - Other revenues (Utility User Tax [UUT], Administrative Allowance from Successor Agency to Westminster Redevelopment Agency [SAWRA], various other sources) (-\$0.3 million net)
- Expenditure estimates generally appear reasonable
- OCFA costs for FY 15-16 were over-estimated by \$0.1 million
 - Based on final amount from OCFA, not available at the time of budget adoption
- Revised “Budget Deficit” for FY 15-16 = \$2.6 million
 - \$3.8 million - \$1.1 - \$0.1 = \$2.6 million

FY 2015-16 “Budget Deficit” - Revised

General Fund	Adopted (As Rearranged)	Changes in Estimates	Revised
External Revenues	\$44.9 million	\$1.1 million	\$46.0 million
Net Operating Expenditures	<u>- 51.3</u> million	<u>0.1</u> million	<u>- 51.2</u> million
Net Operating Expenditures Over External Revenues	- 6.4 million	1.2 million	- 5.2 million
Overhead Charges	1.1 million		1.1 million
Transfers To Other Funds	- 0.1 million		-0.1 million
Transfers From Other Funds	<u>1.6</u> million		<u>1.6</u> million
“Budget Deficit”	-\$ 3.8 million	\$1.2 million	- \$2.6 million

FY 2016-17 “Budget Deficit”

- Projection of \$-3.9 million was included in the FY 2015-16 Adopted Budget

	Amount
Revenues	\$ 45.0 million
Expenditures	<u>-56.7</u> million
Difference Between Revenues and Expenditures	-11.7 million
Other Financing Sources/(Uses)	<u>4.3</u> million
Net Change in Fund Balance	- 7.4 million
Transfer from Reserve Fund (Fund 800)	2.2 million
Transfers from Other Funds	<u>1.3</u> million
“Budget Deficit”	\$ - 3.9 million

FY 2016-17 “Budget Deficit”

- FY 2016-17 Budget rearranged in the same way as the FY 2015-16 Budget:

FY 2016-17 General Fund Budget (Rearranged)		Amount
External Revenues		\$ 45.1 million
Gross Operating Expenditures	\$ -56.7 million	
Staff Allocations to Other Funds	<u>3.9 million</u>	
Net Operating Expenditures		<u>-52.8 million</u>
Net Operating Expenditures Over External Revenues		- 7.7 million
Overhead Charges to Other Funds		0.4 million
Transfers to Other Funds		- 0.1 million
Transfers from Reserve Fund and Other Funds		<u>3.5 million</u>
“Budget Deficit”		\$ - 3.9 million

Review of FY 2016-17 Budget

- Revenues very conservatively estimated
- Reasonable to assume an additional \$1.3 million will be received
 - Revised HdL estimates for property and sales tax revenue (+\$2.1 million)
 - Lower estimates for other taxes, charges for services and SAWRA admin allowance (-\$0.8 million)
- Expenditures over-estimated by \$0.5 million
 - Fire contract cost based on final OCFA estimate, rather than maximum 4.5% growth (-\$0.4 million)
 - Police transfer to SLESF was double-counted in Adopted Budget (-\$0.1 million)
 - Does not account for any changes that may result from future employee negotiations

FY 2016-17 “Budget Deficit” - Revised

General Fund	Adopted (as Rearranged)	Changes in Estimates	Revised
External Revenues	\$ 45.1 million	\$ 1.3 million	\$ 46.4 million
Net Operating Expenditures	- <u>52.8</u> million	<u>0.5</u> million	- <u>52.3</u> million
Net Operating Expenditures Over External Revenues	- 7.7 million	1.8 million	- 5.9 million
Overhead Charges	0.4 million		0.4 million
Transfers to Other Funds	- 0.1 million		- 0.1 million
Transfers from Other Funds	<u>3.5</u> million		<u>3.5</u> million
“Budget Deficit”	\$ - 3.9 million	\$ 1.8 million	\$ - 2.1 million

FY 2017-18 “Budget Deficit”

- Projection of \$-9.6 million was included in the FY 2015-16 Adopted Budget

(in \$ millions)	Amount
Revenues	\$ 45.8 million
Expenditures	<u>-58.5</u> million
Difference Between Revenues and Expenditures	-12.7 million
Other Financing Sources/(Uses)	<u>3.1</u> million
Net Change in Fund Balance	- 9.6 million
Transfer from Reserve Fund	-
Transfers from Other Funds	-
“Budget Deficit”	\$ - 9.6 million

FY 2017-18 “Budget Deficit”

- FY 2017-18 Budget rearranged in the same way as the FY 2015-16 Budget:

FY 2017-18 General Fund Budget (Rearranged)		Amount
External Revenues		\$ 45.7 million
Gross Operating Expenditures	\$ -58.5 million	
Staff Allocations to Other Funds	<u>3.5 million</u>	
Net Operating Expenditures		<u>-55.0 million</u>
Net Operating Expenditures Over External Revenues		- 9.3 million
Overhead Charges to Other Funds		0.4 million
Transfers to Other Funds		- 0.7 million
Transfers from Reserve Fund (Fund 800)		<u>-</u>
“Budget Deficit”		\$ - 9.6 million

Review of FY 2017-18 Budget

- Revenues very conservatively estimated
- Reasonable to assume an additional \$1.7 million will be received
 - Based on FY 17-18 HdL estimates for property and sales tax revenue (+\$2.3 million)
 - Lower estimates for other taxes, charges for services and interest (-\$0.6 million)
- Expenditures over-estimated by \$1.5 million
 - Police costs appear to be over-estimated (\$0.7 million)
 - 2.5% had been the assumed growth over FY 16-17, while other departments based on 1% growth
 - PERS cost increase over-estimated
 - Fire contract cost also appears to be over-estimated (\$0.3 million)
 - Using more current OCFA estimate of 3.87% increase, vs previous estimate of 4% growth over FY 16-17
 - Staff allocations to General Benefits Fund had been reduced to zero due to lack of funds; now funds are projected to be available through FY 17-18 (\$0.4 million)
 - Elections budget can be reduced (non-election year) (\$0.1 million)
 - Does not account for any changes that may result from future employee negotiations

FY 2017-18 “Budget Deficit” - Revised

General Fund	Adopted (as Rearranged)	Changes in Estimates	Revised
External Revenues	\$ 45.7 million	\$ 1.7 million	\$ 47.4 million
Net Operating Expenditures	- <u>55.0</u> million	<u>1.5</u> million	- <u>53.5</u> million
Net Operating Expenditures Over External Revenues	- 9.3 million	3.2 million	- 6.1 million
Overhead Charges	0.4 million	-	0.4 million
Transfers to Other Funds	- 0.7 million	-	- 0.7 million
Transfers from Other Funds	-	-	-
“Budget Deficit”	\$ - 9.6 million	\$ 3.2 million	\$ - 6.4 million

Projected “Budget Deficits” - Revised Summary

General Fund	Original Estimates	Revised Estimates
FY 2015-16	\$ - 3.8 million	\$ - 2.6 million
FY 2016-17	- 3.9 million	- 2.1 million
FY 2017-18	- <u>9.6</u> million	- <u>6.4</u> million
Total	\$ - 17.3 million	\$ - 11.1 million

- Net improvement of \$6.2 million over three years

Projected “Budget Deficits” – Revised Detail

General Fund	FY 2015-16	FY 2016-17	FY 2017-18
External Revenues	\$ 46.0 million	\$ 46.4 million	\$ 47.4 million
Net Operating Expenditures	- <u>51.2</u> million	- <u>52.3</u> million	- <u>53.5</u> million
Net Operating Expenditures Over External Revenues	- 5.2 million	- 5.9 million	- 6.1 million
Overhead Charges	1.1 million	0.4 million	0.4 million
Transfers to Other Funds	- 0.1 million	- 0.1 million	- 0.7 million
Transfers from Other Funds	1.6 million	3.5 million	-
“Budget Deficit” - Revised	\$ - 2.6 million	\$ - 2.1 million	\$ - 6.4 million
“Budget Deficit” - Previous	\$ - 3.8 million	\$ - 3.9 million	\$ - 9.6 million

What is a “Structural Deficit”?

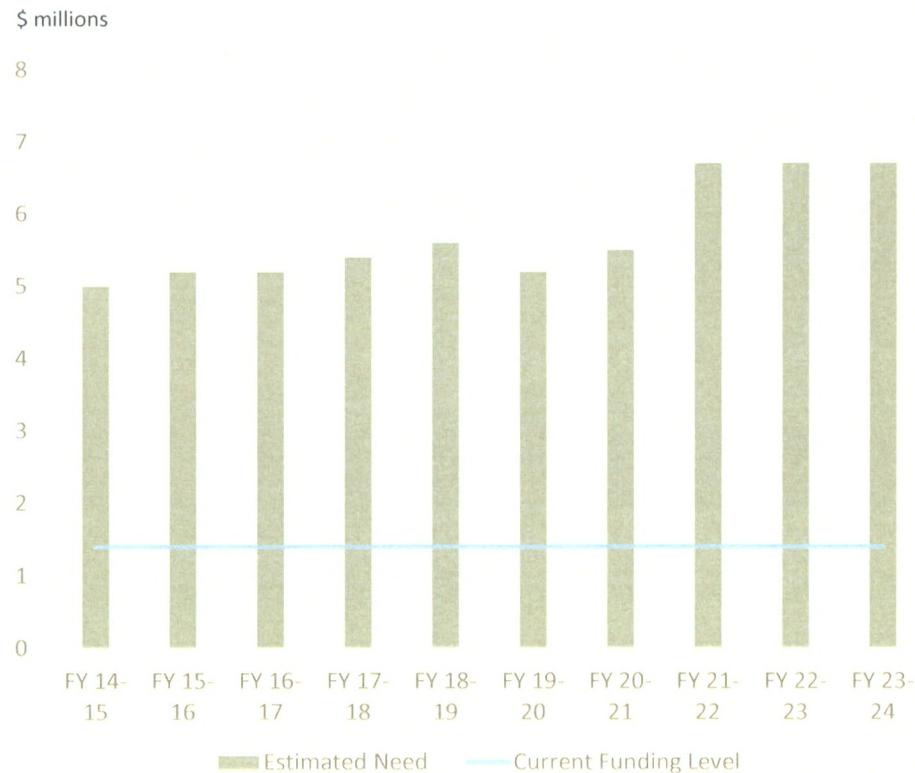
- Start with the “Budget Deficit”
- Remove one-time revenues and expenditures, and revenues that are unreliable for the long-term
- Remove the “band-aid” fixes (for example, use of reserves)
- Add in long-term expenditure needs not currently being fully addressed
 - Infrastructure needs - streets
 - Other post-employment benefits (retiree health benefits)
 - There are others (such as capital asset replacement) not addressed in this presentation

Importance of the “Structural Deficit”

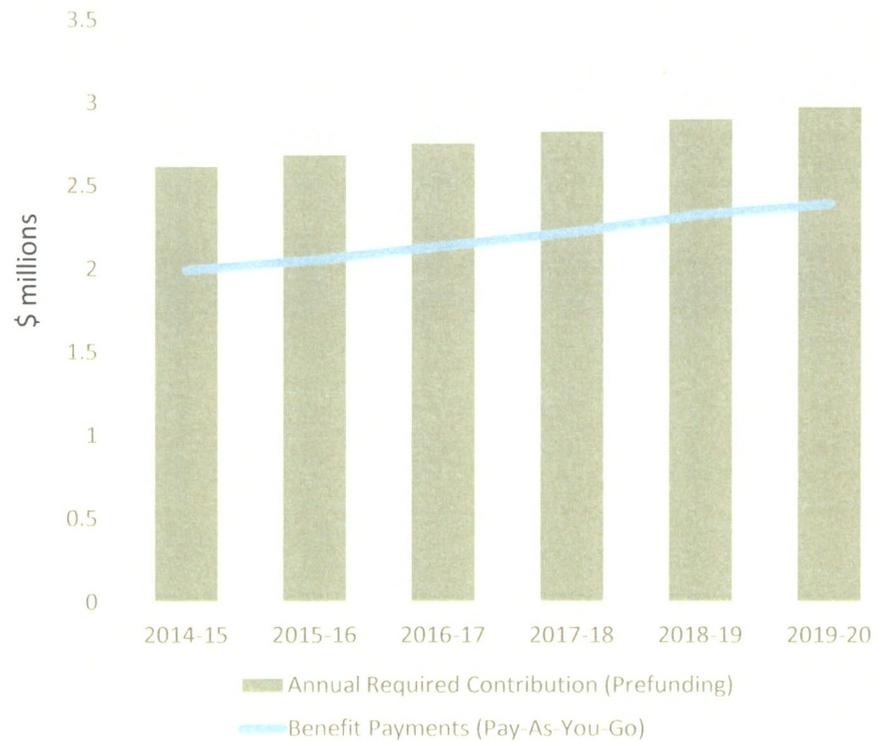
- The “Structural Deficit” is the big budget issue that needs to be addressed to achieve long-term fiscal sustainability
- Budget difficulties will persist until the “Structural Deficit” problem is solved
- Solving the “Structural Deficit” problem can be difficult and can take time
- The keys to long-term fiscal sustainability
 - Eliminating the “Structural Deficit”
 - Ongoing revenues need to be greater than or equal to ongoing expenditures
 - Preventing the recurrence of a “Structural Deficit”
 - Going forward, the growth in ongoing expenditures needs to be kept in line with the growth in ongoing revenues

Infrastructure Needs - Streets

- Based on 2014 Pavement Management Study by Bucknam and Associates
- Pavement condition has declined in recent years, but still “Good” (PCI = 76.7)
- \$5.0-\$6.7 million per year needed to address all streets during the next 10 years
- Only \$1.4 million available from Gas Tax and Measure M revenues
- Redevelopment’s IRP program used to provide \$5 million per year
- \$3.8-\$4.0 million per year funding gap for next three years
- These expenditures will improve PCI to 79.6



Other Post-Employment Benefit (OPEB) Obligations



FY 2015-16 “Structural Deficit”

FY 15-16 General Fund “Budget Deficit” (revised)	\$ -2.6 million
Sales Tax “Triple Flip” wind down (extra payment this year only)	- 1.0 million
SERAF repayment (short-term reduction in residual property tax revenue)	0.2 million
SAWRA administrative charge (amount declining)	-0.2 million
Overhead charges to other funds (unreliable for long-term)	-1.1 million
Stipend payment to employees (one-time expenditure)	0.3 million
Transfer from Reserve Fund (short-term solution only)	-1.6 million
Under-charges from Internal Service Funds (short-term budget fix)	-2.2 million
Infrastructure Needs – Streets -- additional funding needed to prevent further decline and slightly improve overall condition level	-3.8 million
Other Post-Employment Benefit (OPEB) – actuarial prefunding of retiree health insurance obligation vs pay-as-you-go (addresses a significant unfunded liability)	<u>-0.6 million</u>
FY 15-16 General Fund “Structural Deficit”	\$ -12.6 million

FY 2016-17 “Structural Deficit”

FY 16-17 General Fund “Budget Deficit” (revised)	\$ -2.1 million
SERAF repayment (short-term reduction in residual property tax revenue)	0.2 million
Overhead charges to other funds (unreliable for long-term)	-0.4 million
Transfers in from Reserve Fund and other funds (short-term solution)	-3.5 million
Under-charges from Internal Service Funds (short-term budget fix)	-2.2 million
Infrastructure Needs – Streets -- additional funding needed to prevent further decline and slightly improve overall condition level	-3.8 million
Other Post-Employment Benefit (OPEB) – actuarial prefunding of retiree health insurance obligation vs pay-as-you-go (addresses a significant unfunded liability)	<u>-0.6</u> million
FY 16-17 General Fund “Structural Deficit”	\$ -12.4 million

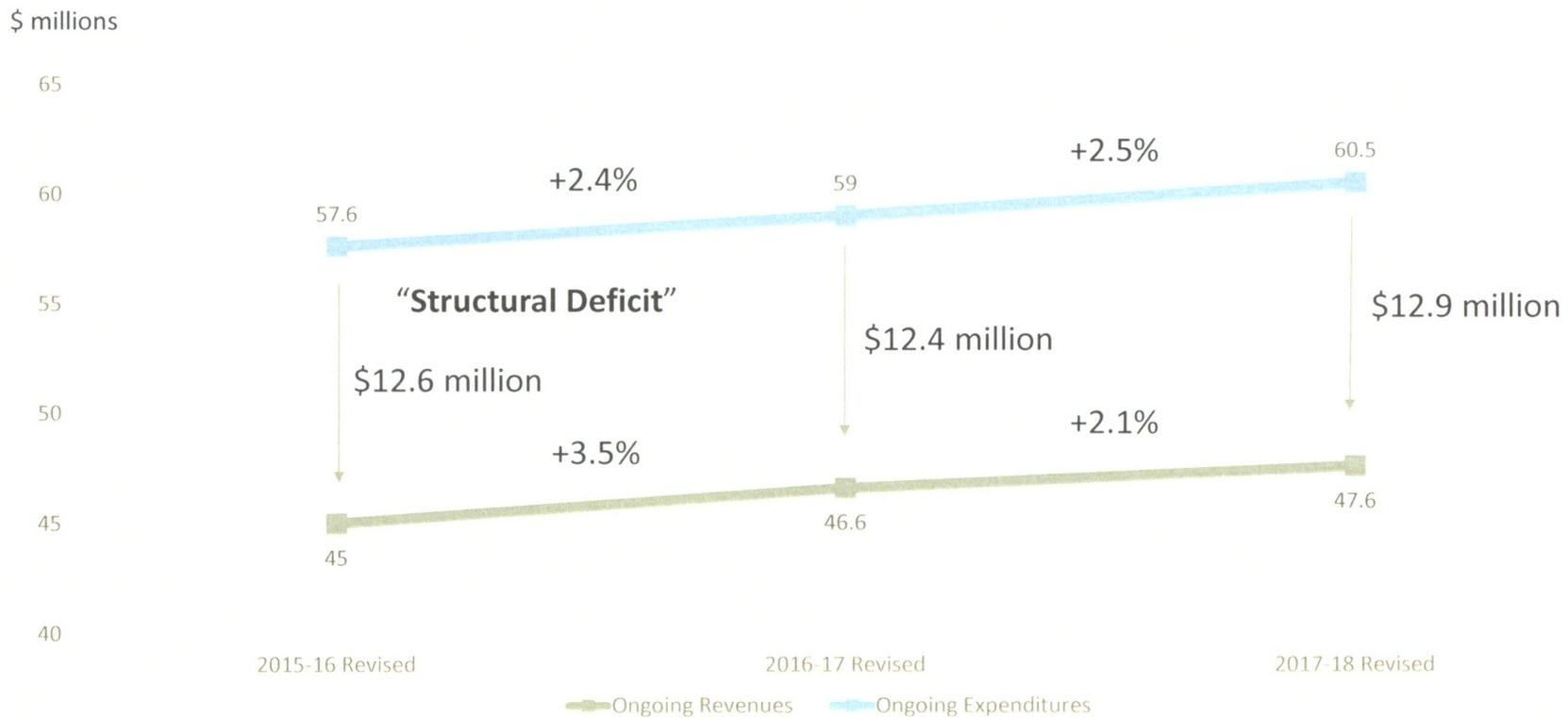
FY 2017-18 “Structural Deficit”

FY 17-18 General Fund “Budget Deficit” (revised)	\$ -6.4 million
SERAF repayment (short-term reduction in residual property tax revenue)	0.2 million
Overhead charges to other funds (unreliable for long-term)	-0.4 million
Transfer to Information Technology Fund (included on next line)	0.5 million
Under-charges from Internal Service Funds (short-term budget fix)	- 2.2 million
Infrastructure Needs – Streets – additional funding needed to prevent further decline and slightly improve overall condition level	- 4.0 million
Other Post-Employment Benefit (OPEB) – actuarial prefunding of retiree health insurance obligation vs pay-as-you-go (addresses a significant unfunded liability)	<u>-0.6</u> million
FY 17-18 General Fund “Structural Deficit”	\$ -12.9 million

“Budget Deficits” vs “Structural Deficits”

	“Budget Deficit” (original estimates)	“Budget Deficit” (revised estimates)	“Structural Deficit”
FY 2015-16	\$ -3.8 million	\$ -2.6 million	\$ -12.6 million
FY 2016-17	-3.9 million	-2.1 million	-12.4 million
FY 2017-18	-9.6 million	-6.4 million	-12.9 million
Totals	\$ -17.3 million	\$ -11.1 million	\$ -37.9 million

Projected “Structural Deficits” - FY 2015-16 to FY 2017-18



Part II. How Much Time Do We Have to Solve the Budget Problem?

- Available fund balances are the major determining factor for how much time is available to solve the “Structural Deficit” problem
- Most fund balances are either restricted by outside parties or represent capital assets that are not spendable

	Amount
Total fund balances/net position at 6/30/14 (per CAFR)	\$ 128.3 million
FY 2014-15 results – all funds combined	- <u>7.6</u> million *
Total fund balances/net position at 6/30/15	120.7 million
Less: Restricted by outside parties or capital assets	- 81.9 million *
Less: 800 MHz project set-aside	- <u>3.7</u> million
Total available fund balances at 6/30/15 – all funds	\$ 35.1 million *

* Preliminary - unaudited

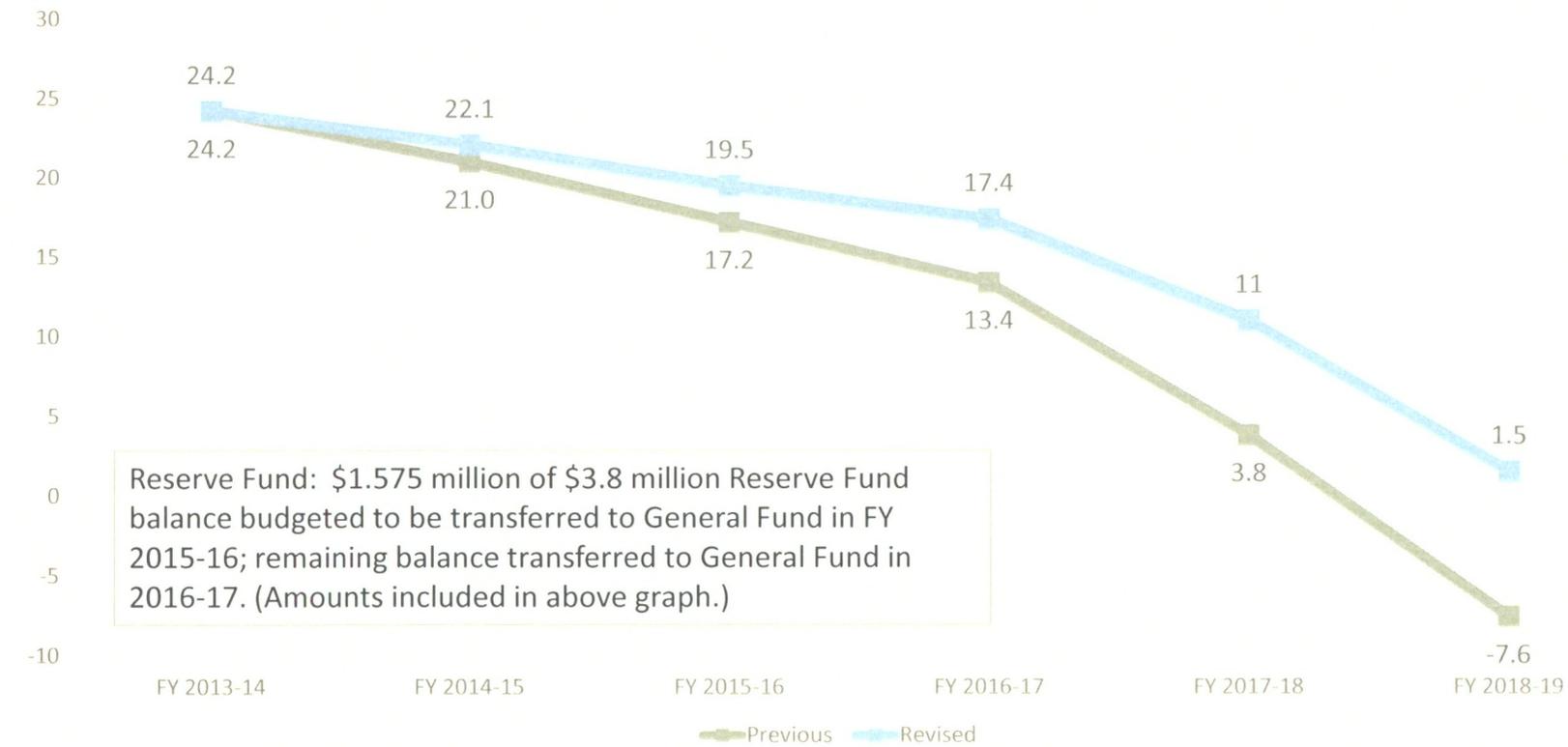
Available Fund Balances at 6/30/15

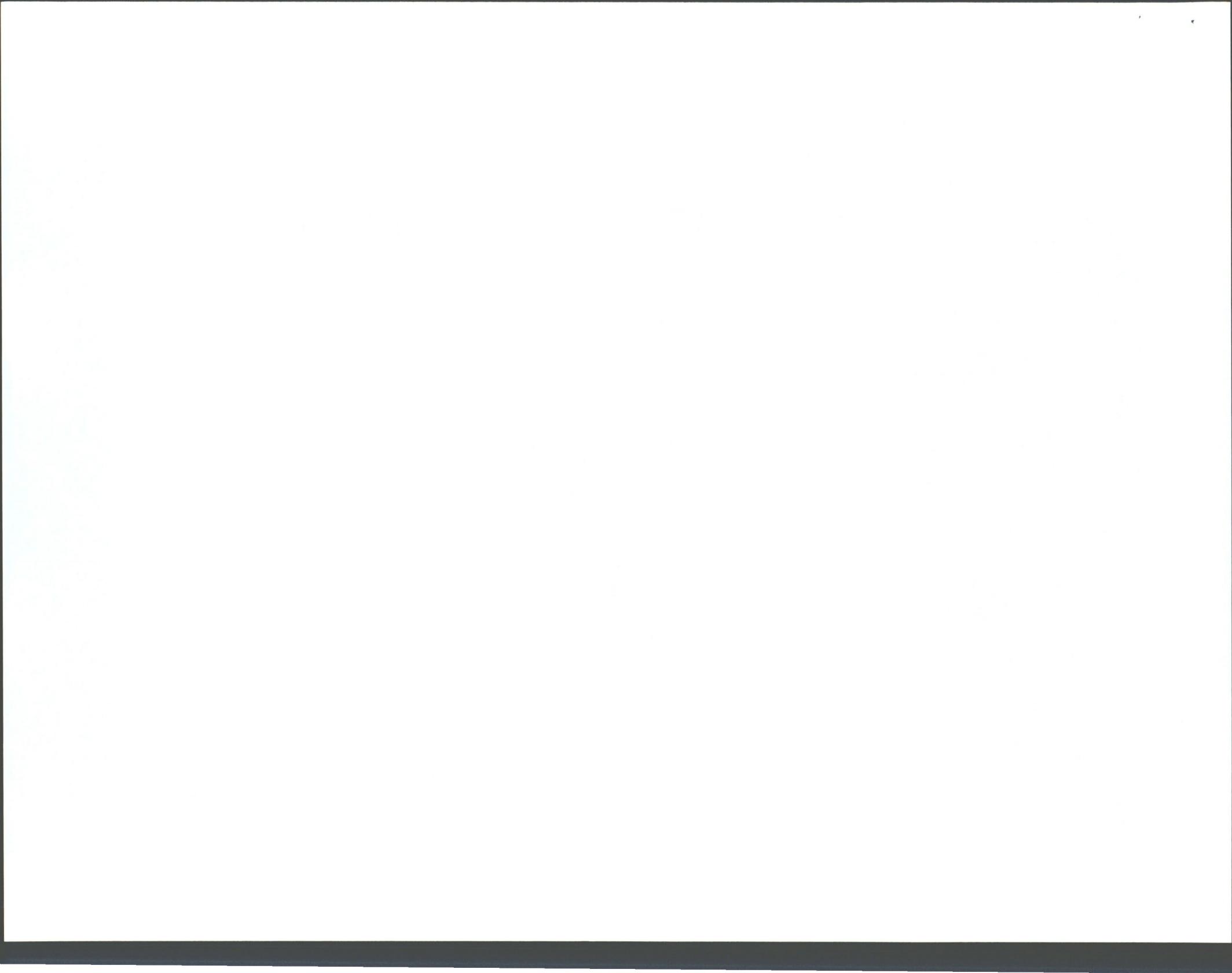
- The Capital Projects Fund balance includes balances for projects underway as well as for projects not yet started
- The Rose Center/800MHz Fund balance covers remaining debt service obligations
- Gas Tax and Street Improvements deficit will be remedied from restricted revenue
- Internal Service Funds, Reserve Fund and General Fund balances are the most available - \$31.8 million

	Amount
Total available fund balances at 6/30/15 – all funds	\$ 35.1 million
<i>Capital Projects Fund – CIPs</i>	<i>2.2 million</i>
<i>Rose Center/800 MHz Debt Service Fund</i>	<i>1.4 million</i>
<i>Gas Tax and Street Improvements Funds deficit</i>	<i>- 0.3 million</i>
Internal Service Funds - combined	5.9 million
Reserve Fund – Fund 800	3.8 million
General Fund	22.1 million

General Fund – Fund Balance Projections

\$ millions



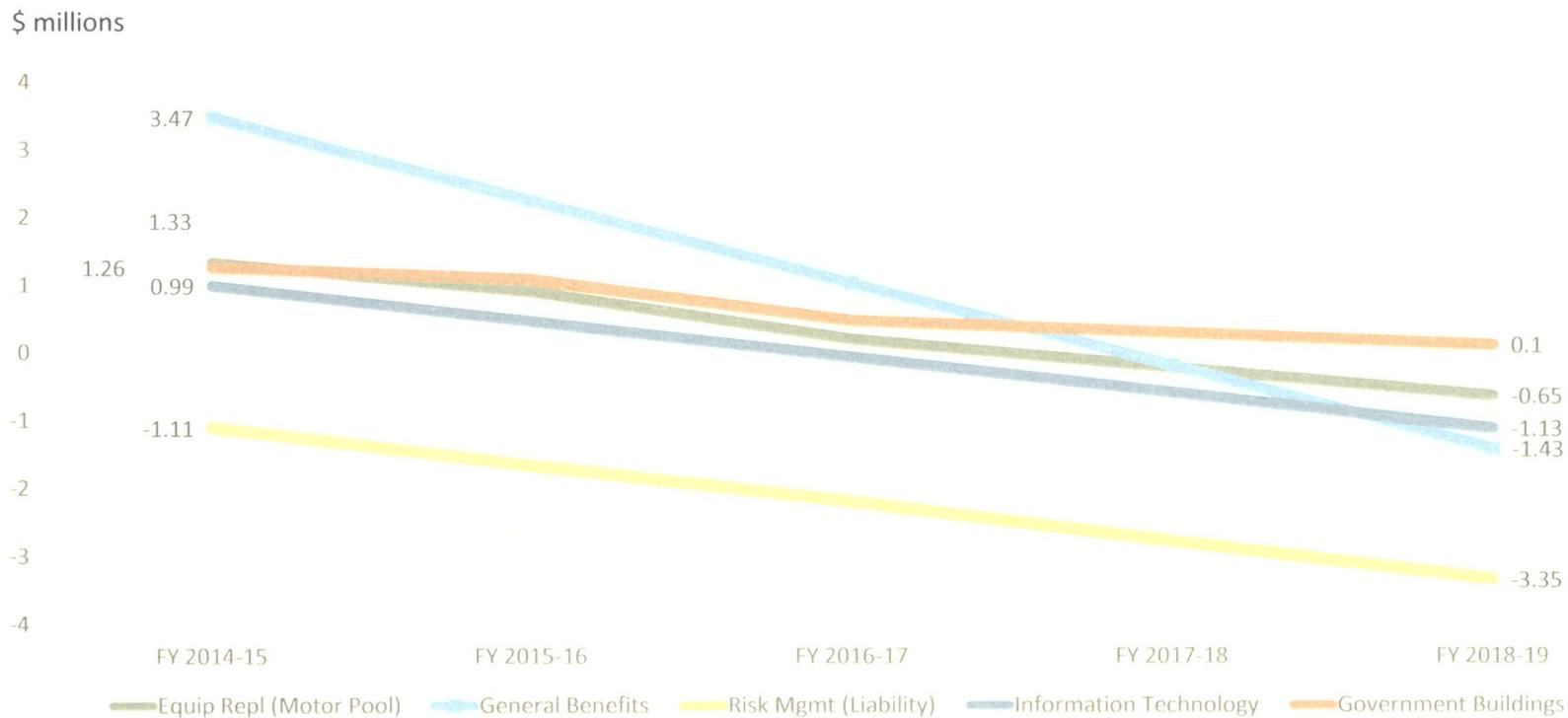


Internal Service Fund Balances

- Internal Service Funds are being used to help finance the General Fund budget deficits
- Departments are being under-charged for various services, to provide General Fund relief
- Fund balances in Internal Service Funds are being transferred to the General Fund
- These are short-term fixes that are not sustainable

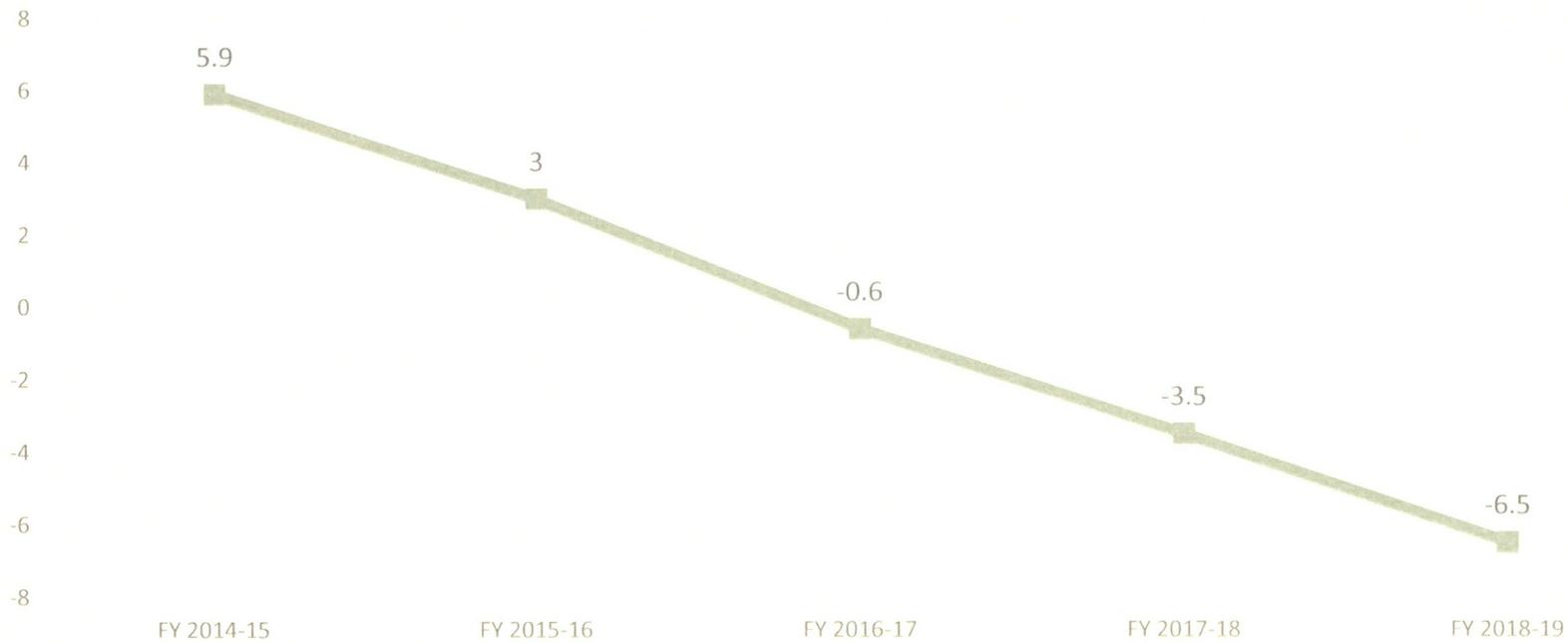
Fund	Fund Balance at 6/30/15
Equipment Replacement (Motor Pool)	\$ 1,326,570
General Benefits	3,468,287
Risk Management (Liability)	-1,108,731
Information Technology	991,006
Government Buildings	<u>1,258,478</u>
Total	\$ 5,935,610

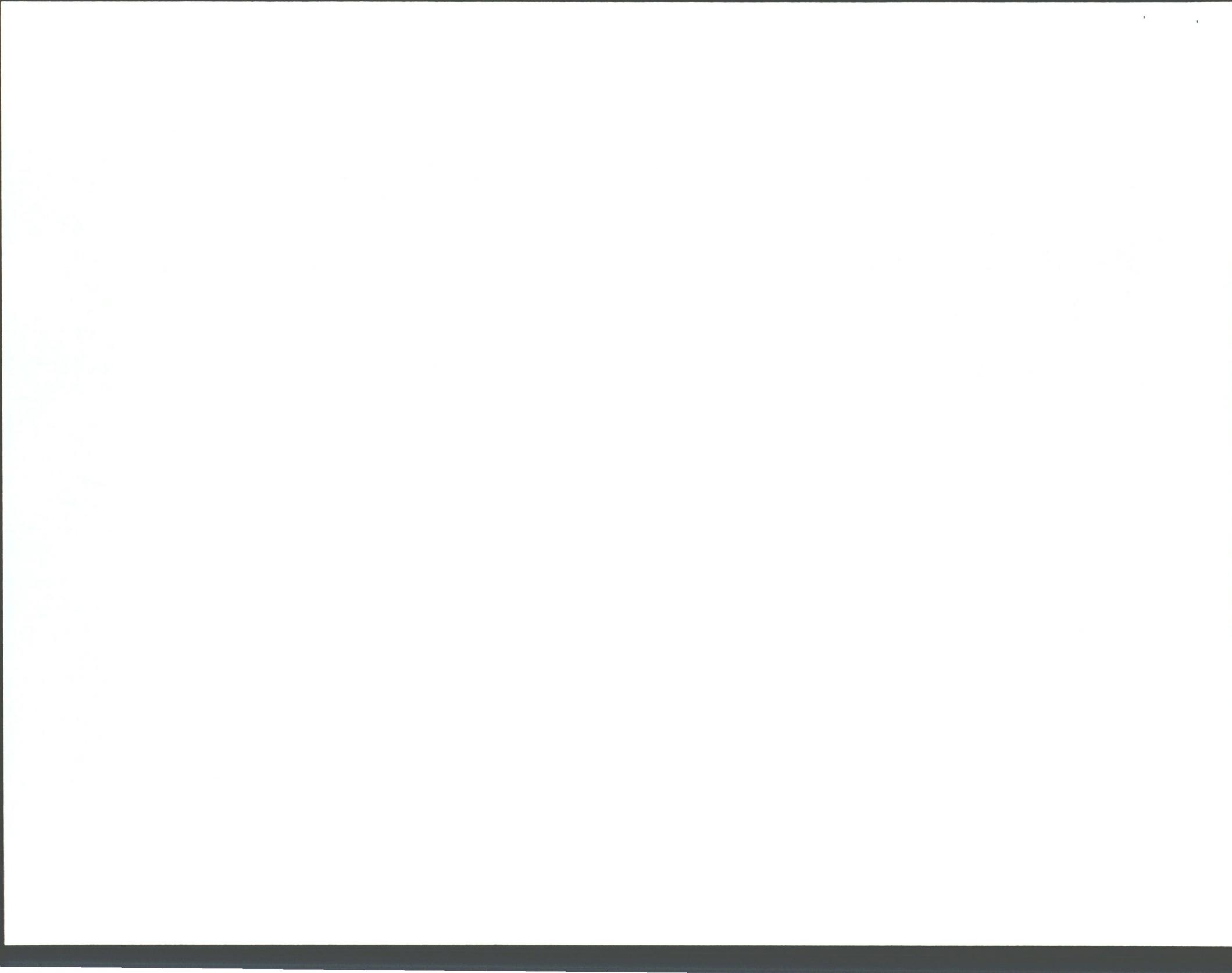
Internal Service Fund Balance Projections (based on Status Quo)



Internal Service Funds – Combined Fund Balance Projection (Based on Status Quo)

\$ millions





Internal Service Fund Deficits

- Deficits are projected in the combined Internal Service Funds in FY 16-17, FY 17-18 and FY 18-19
- Deficits in Internal Service Funds are essentially borrowings from the General Fund
- Therefore, combining the General Fund and Internal Service Funds available balances provides the best picture of available resources

General Fund and Internal Service Funds -- Combined Fund Balances Projection

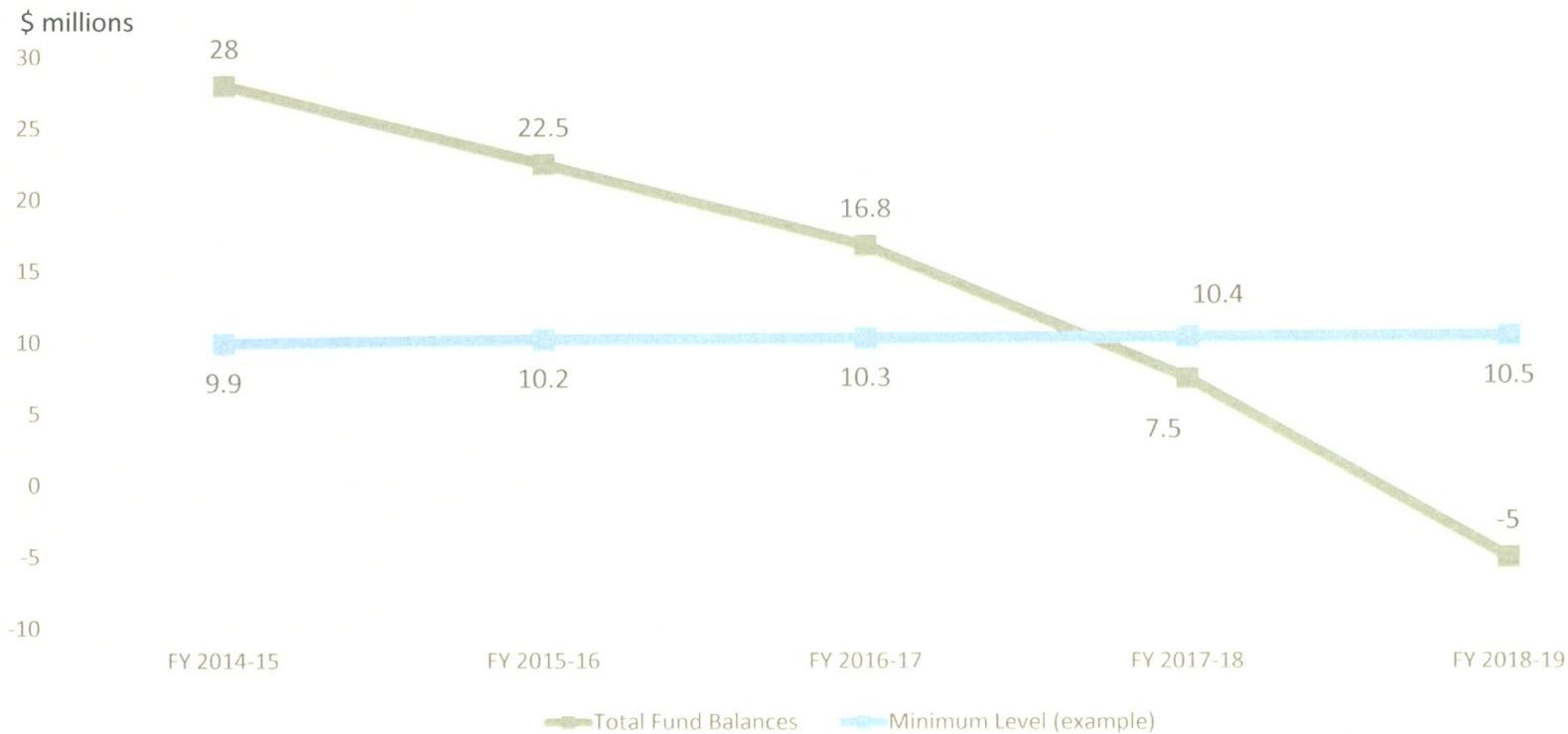
\$ millions



How Far Can Fund Balances Be Drawn Down?

- Having a certain amount of reserves is essential for operations
 - Cash flow requirements (uneven revenues and expenditures during the year)
 - Economic uncertainties (e.g., actual revenues less than budgeted)
 - Claims (e.g., additional resources may be needed for discrimination lawsuit)
- Government Finance Officers Association of US and Canada recommends a minimum fund balance in the General Fund equaling two months of revenues (\$7.7 million in FY 15-16; \$7.9 million in FY 17-18)
- City has previously targeted a minimum fund balance in each Internal Service fund of \$0.5 million (\$2.5 million total)
- The combined minimum fund balance amount of \$10.4 million for FY 17-18 is greater than the combined projected ending fund balances at June 30, 2018

Total General and Internal Service Funds Combined Fund Balances Projection



Part III. Underlying Causes of the Deficits

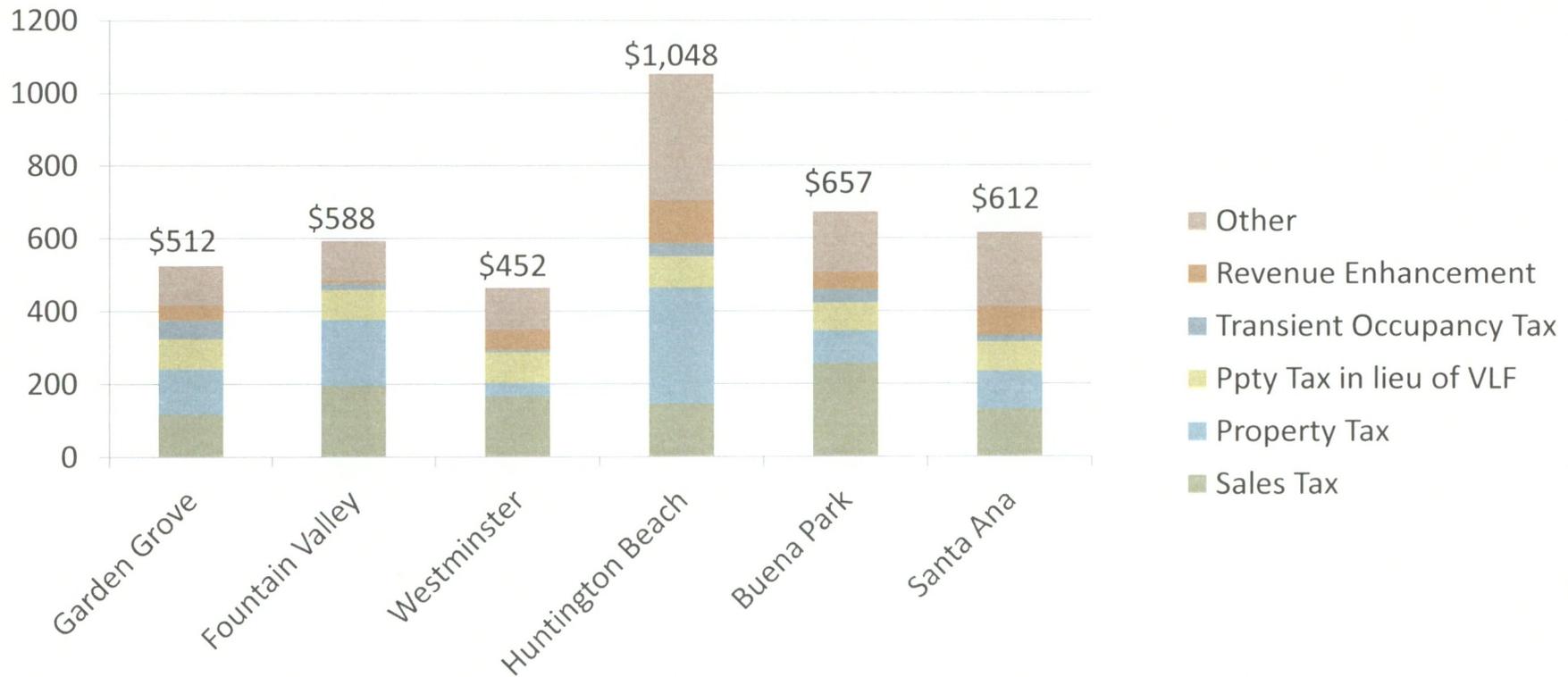
- General Fund deficits are not new
- General Fund “Budget Deficits” have gradually increased, but, more importantly, estimated “Structural Deficits” have declined over the past 3 years

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
“Budget Deficit” (actual)	\$ - 0.4 million	\$ - 1.0 million	\$ - 1.8 million	\$ -2.0 million
“Structural Deficit” (estimated)	\$ - 12.9 million	\$ -10.5 million	\$ - 10.1 million	\$ -9.8 million

One Underlying Cause of the Deficits – Westminster's Revenue Base

- There are major weaknesses in Westminster's general revenue base
 - Study by Rosenow Spevacek Group in FY 2014-15
 - Total general revenues per capita of \$452, compared to an average of \$683 for five neighboring cities (FY 2014-15)
 - Garden Grove, Fountain Valley, Huntington Beach, Buena Park and Santa Ana
 - Westminster is a “low property tax” city
 - City receives just 7.8 cents of every property tax dollar paid by property owners
 - For a median home value of \$500,000, just \$390 per year goes to the City in property tax revenue
 - \$37 of property tax revenue per capita per year, compared to an average of \$164 for the five neighboring cities
 - Fewer hotel rooms per capita than the neighboring cities
 - Transient occupancy tax (TOT) revenue of \$6 per capita, compared to an average of \$32

General Revenues Per Capita



Rosenow Spevacek Group, May 2015

(based on FY 2014-15 adopted budgets)

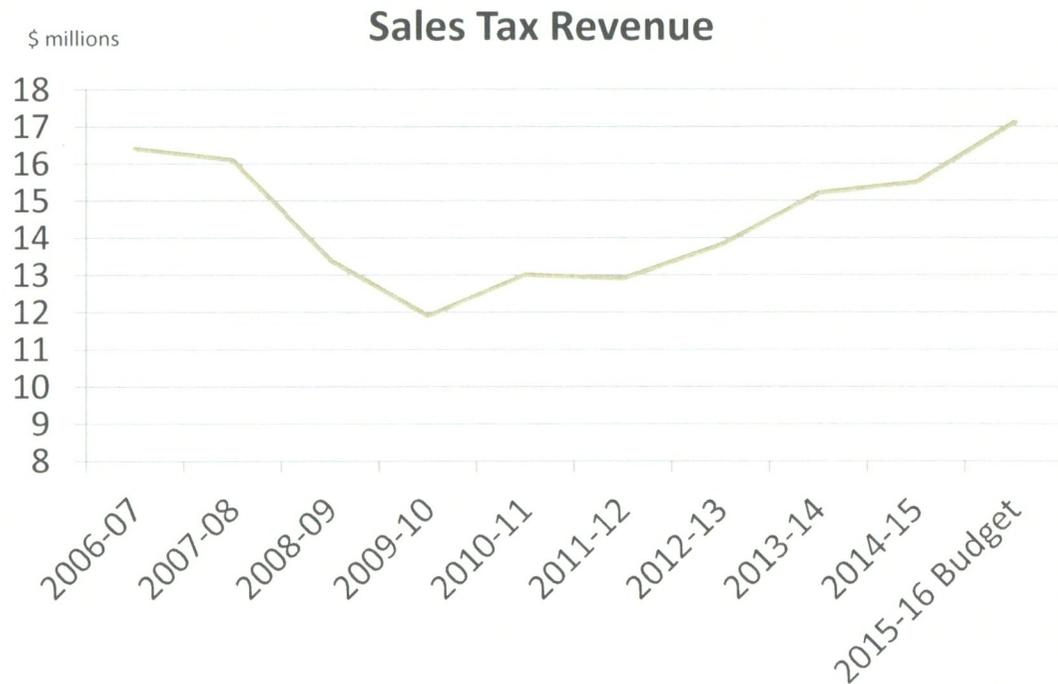
Westminster's Weak Revenue Base

- Low property tax and transient occupancy tax revenues translate to over \$14 million less revenue annually for Westminster, compared to our neighbors

	Property Tax	Transient Occupancy Tax
Average of 5 cities (per capita)	\$ 164	\$ 32
Westminster (per capita)	<u>37</u>	<u>6</u>
Shortfall	127	26
X Population	<u>92,106</u>	<u>92,106</u>
Total revenue shortfall, compared to neighboring cities	\$11,697,462	\$ 2,394,756

Sales Tax Revenue Lost From The “Great Recession”

- The Great Recession resulted in a seven-year “trough” in sales tax revenue
- FY 15-16 should finally surpass FY 07-08 sales tax revenue
- “Trough” represents a total revenue loss of \$ 17 million over the past seven years
 - Even assuming zero growth over FY 07-08 levels

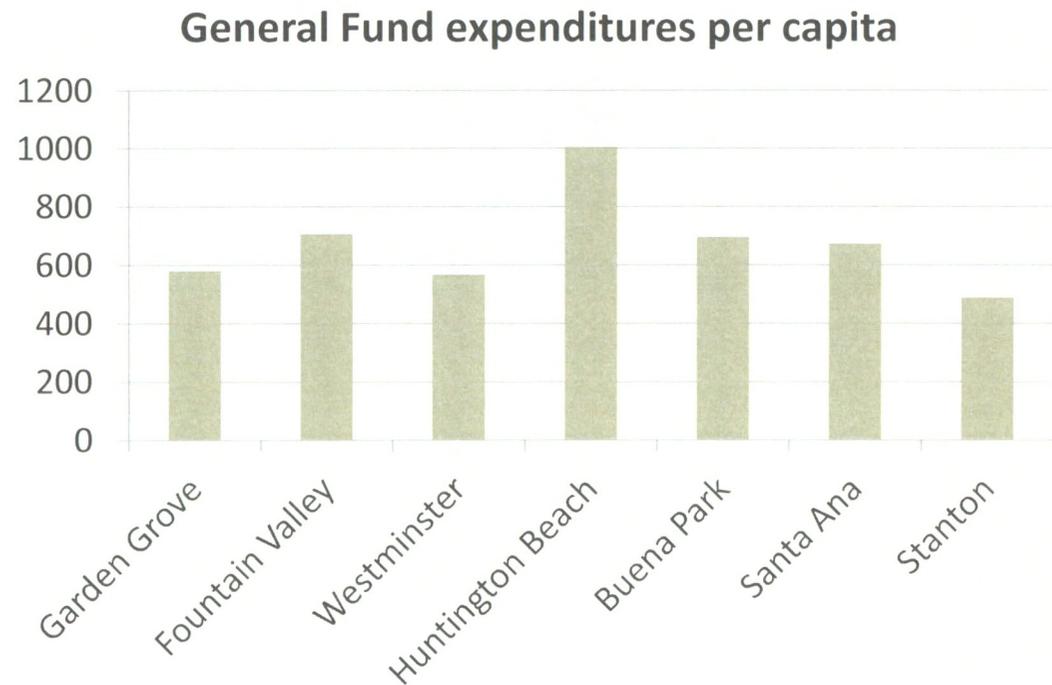


Loss of Redevelopment in 2012

- Redevelopment project areas encompassed the entire City
- Loss of redevelopment hit the City's General Fund as well as economic development efforts
- Redevelopment used to provide significant funding to offset the cost of basic City services
 - FY 2010-11 – approximately \$6 million
- Infrastructure Revitalization Program (IRP) component of redevelopment previously generated \$5 million per year for street maintenance
- City General Fund receives back just 7.8 cents of every redevelopment property tax dollar lost

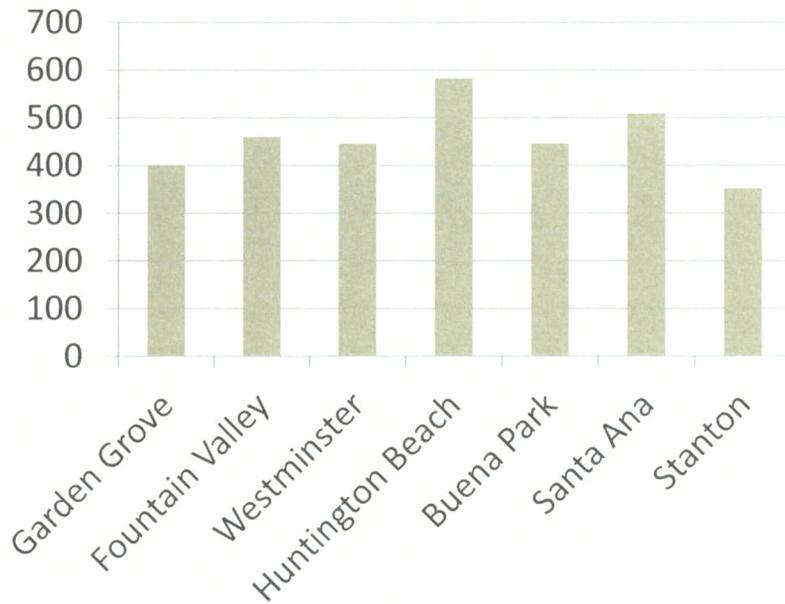
Comparable Service Levels

- Westminster spends comparable amounts to our neighbors
 - Based on FY 15-16 budgets (FY 14-15 for Garden Grove)

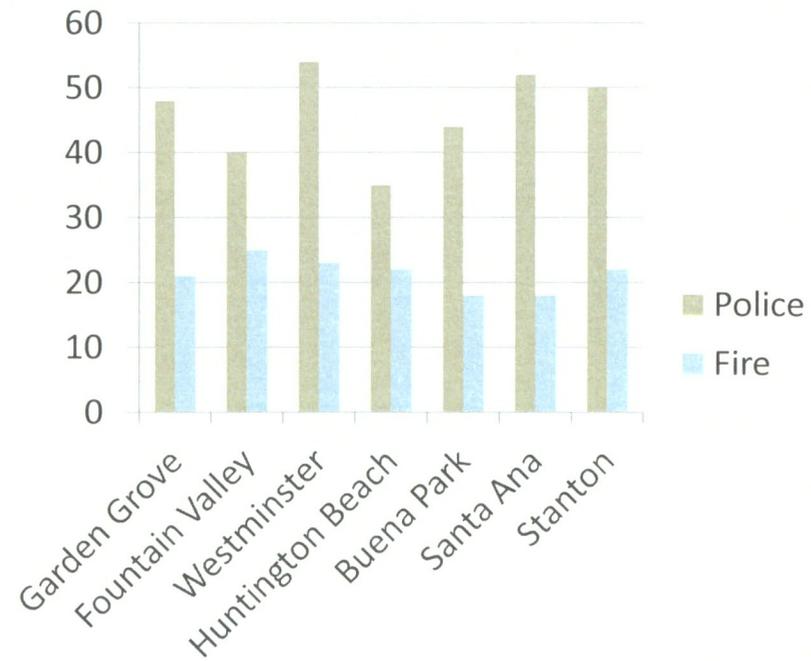


Public Safety Spending Comparisons

Public Safety Expenditures per Capita



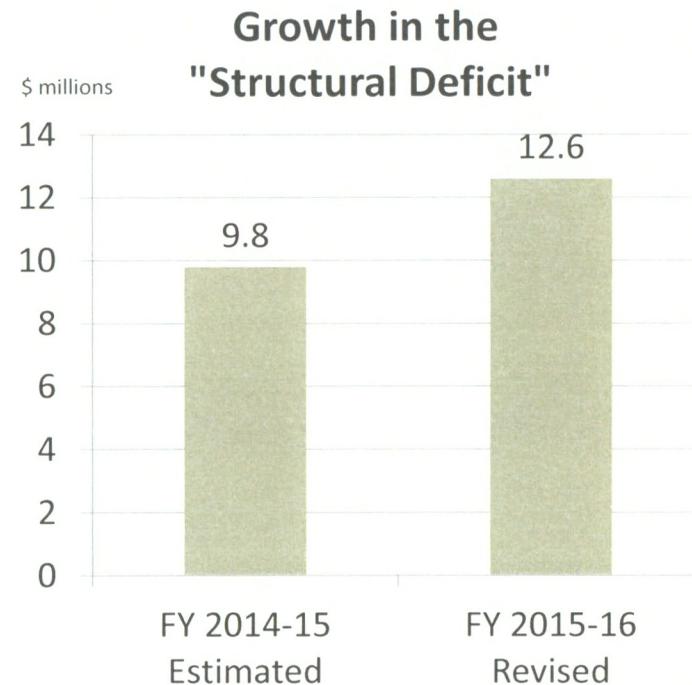
Public Safety % of General Fund



Based on FY 15-16 budgets (FY 14-15 for Garden Grove)

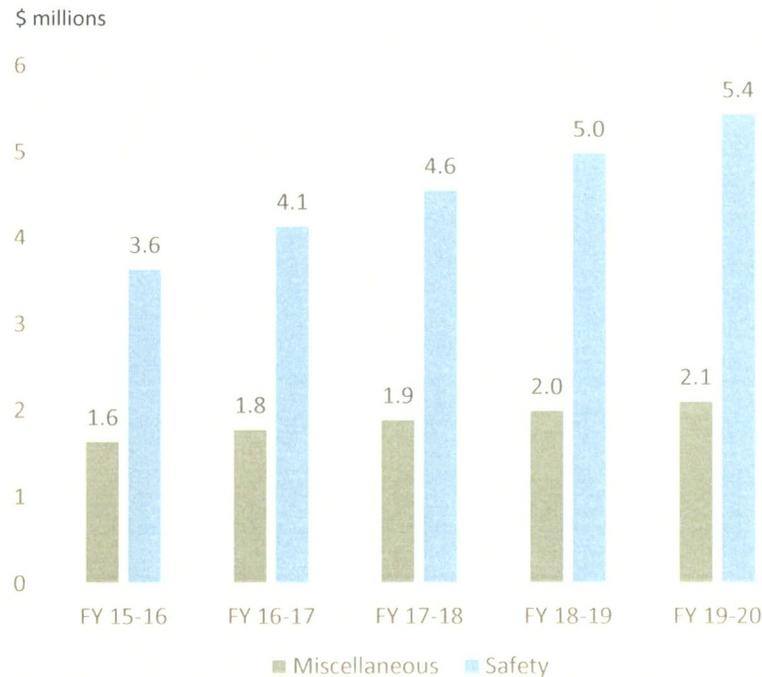
Structural Deficit Growth in FY 2015-16

- Significant progress had been made in shrinking the “Structural Deficit” through FY 2014-15
- Primary causes for \$2.8 million growth in the “structural deficit” from FY 2014-15 to FY 2015-16
 - Safety retirement cost increase (\$1.2 million)
 - Miscellaneous retirement cost increase (\$0.3 million)
 - Stabilization of Internal Service Funds (\$0.6 million)
 - OCFA contract costs (\$0.4 million)

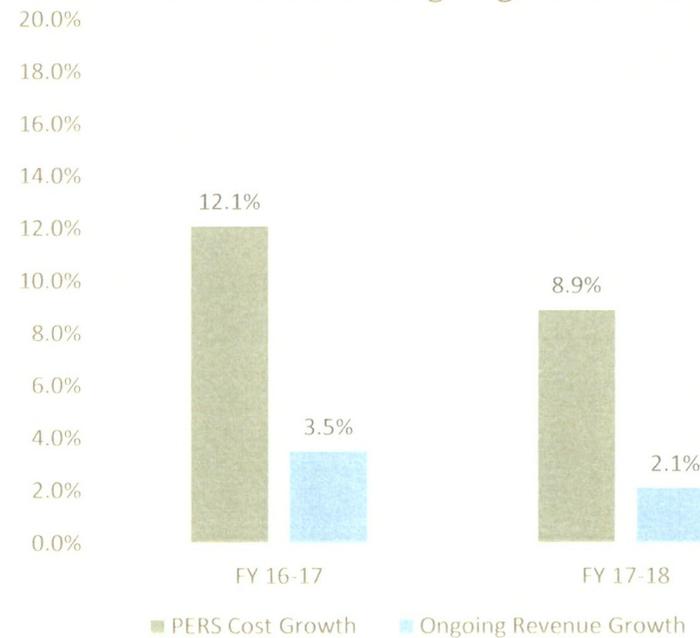


Projected PERS Retirement Costs

General Fund Retirement Costs



Growth in PERS Costs vs. Growth in Ongoing Revenues



Estimates based on October 2014 CalPERS actuarial valuation information

Part IV. Possible Solutions

- Solutions should focus on eliminating the “Structural Deficit”
- There are multiple solutions involving expenditure cuts and/or revenue enhancements
- Expenditure cuts and/or revenue enhancements can be phased in over a period of a few years
- Revenue enhancements may involve ballot measures

Possible Solution – Expenditure Cuts

- FY 15-16 “Structural Deficit,” allocated proportionately by department, based on General Fund net operating expenditures (excluding OCFA contract- assumed to be fixed)
- Would result in a 30% cut in expenditures:

Department	Net Operating Expenditures (revised)	%	Proportionate Share of FY 2015-16 “Structural Deficit”
General Government	\$ 3,052,813	7.3	\$ 920,000
Police	27,996,989	67.0	8,440,000
Fire (excluding OCFA)	1,757,844	4.2	530,000
Public Works	4,440,164	10.6	1,338,000
Community Development	2,100,000	5.0	633,000
Community Services	2,451,000	5.9	739,000
Totals	\$ 41,798,810	100.0	\$ 12,600,000

Proportionate Allocations of a 30% Staffing Reduction

By Employee Group	Total # of General Funded Positions	30% Reduction
Admin	38.3	11.5
Municipal	15.5	4.6
Sworn	86.0	25.8
Non-Sworn	34.0	10.2
Contract	<u>1.9</u>	<u>0.6</u>
Total	175.7	52.7
Temporary \$	\$ 1,385,000	\$ 415,500

By Department	Total # of General Funded Positions	30% Reduction
General Government	14.7	4.5
Police	127.7	38.3
Public Works	17.3	5.1
Community Development	10.0	3.0
Community Services	<u>6.0</u>	<u>1.8</u>
Total	175.7	52.7

Possible Solution – Revenue Enhancements

Revenue Source	Current Rate	FY 2015-16 Estimated Revenue	Estimated Revenue per 1% Rate Change
Utility Users Tax	4%	\$ 5,000,000	\$ 1,250,000
Transient Occupancy Tax	8%	\$ 700,000	\$ 87,500
Sales Tax	1%	\$ 16,925,000	\$13,774,000 *

* Transaction Tax (Major items sold in Westminster but delivered outside the City are not taxed)

Conclusions

- Projected annual General Fund “budget deficits” are less than originally estimated
- The General Fund “structural deficit” -- the difference between ongoing revenues and ongoing expenditures in the General Fund, stands around \$12.6 million
- Action must be taken to address the deficits before the end of FY 2017-18
- Deficits are not new and are caused by several underlying factors, the most significant of which is a relatively weak general revenue base
- Budget solutions should focus on the “structural deficit”
- The goal should be to eliminate the current “structural deficit,” and control the growth of ongoing expenditures going forward
 - The growth in ongoing expenditures should be kept in line with the growth in ongoing revenues