



Legislation Text

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Informational report on Measure W fund balance and expenditures for FY 2021-22. (*Karen Chang, Finance Director*)

RECOMMENDATION

This report is informational and requires no formal action from the Committee.

BACKGROUND/DISCUSSION

On November 3, 2015, South San Francisco residents approved a half-cent sales tax by an overwhelming majority. The adoption of Measure W ensures that the City of South San Francisco will be able to maintain and enhance locally controlled City services that the community cares about and has come to expect - including neighborhood police patrols, 911 response times, crime and gang suppression programs, street maintenance and pothole repair, maintaining youth/teen educational/recreational programs, providing a police operations center that meets earthquake safety codes, and other essential services.

The voter-approved half-cent sales tax (Measure W) went into effect on April 1, 2016. Since that time, the sales tax proceeds have been accounted for separately from the City's General Fund to track the commensurate revenues and expenditures.

Major projects currently funded by Measure W are:

1. Community Civic Campus Program
 - a. Police Operations & 911 Dispatch Center (pf1707)
 - b. Library, Parks and Recreation and Community Theater/Council Chamber (pf2103)
2. Orange Memorial Park Project
 - a. Multi-Use Sports Fields
 - b. Aquatic Center
 - c. Park Playground
 - d. Park Bridges
3. Paving Program
Use to augment City efforts towards street maintenance and pothole repairs

A. MEASURE W FUND BALANCE THROUGH JUNE 30, 2022 (PRELIMINARY)

The following is a summary of Measure W revenues and expenditures since its inception through June 30, 2022:

Table 1: Measure W Fund Balance Summary

Fiscal Year (FY) Ended	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	06/30/2021	06/30/2022 (Preliminary)	Total
TOTAL REVENUES	\$ 1,493,425	\$ 8,886,653	\$ 11,162,238	\$ 12,644,947	\$ 11,704,090	\$ 13,379,292	\$ 12,321,378	\$ 71,592,023
Expenditures								
Civic Campus	211,992	382,776	4,925,872	8,793,377	10,255,536	16,693,441	2,702,732	43,965,726
Paving Program	-	495,162	4,122,370	1,189,851	127,882	964,312	34,845	6,934,422
Debt Service	-	-	-	-	407,155	2,767,200	2,476,908	5,651,263
TOTAL EXPENDITURES	\$ 211,992	\$ 877,938	\$ 9,048,242	\$ 9,983,228	\$ 10,790,573	\$ 20,424,953	\$ 5,214,485	\$ 56,551,411
Revenues Less Expenditures	\$ 1,281,433	\$ 8,008,715	\$ 2,113,996	\$ 2,661,719	\$ 913,517	\$ (7,045,661)	\$ 7,106,893	\$ 15,040,613
FUND BALANCE	\$ 1,281,433	\$ 9,290,149	\$ 11,404,145	\$ 14,065,864	\$ 14,979,381	\$ 7,933,720	\$ 15,040,613	

As shown above, the fund balance for Measure W as of June 30, 2021, was \$7,933,720 which is reflected in pages 111 and 113 of the City’s Comprehensive Annual Financial Report for year ended June 30, 2021.

The complete financial report can be found on the City’s website:

<https://www.ssf.net/departments/finance/financial-reports/comprehensive-annual-financial-reports-cafr>

B. FISCAL YEAR (FY) 2021-22 REVENUES

The City receives its sales tax revenues approximately two months after the actual collection date. The \$12.3 million revenue shown in Table 1 represents collections for July 2021 through April 2022 (10 months). Total revenue for FY 2021-22 is projected to be approximately \$14.3 million. That reflects a peak year for Measure W collections - surpassing the pre-pandemic year of FY 2018-19 (\$12.6 million) and the pandemic year of FY 2020-21 (\$13.3 million).

Despite the looming uncertainty in the economy, sales tax revenue collections in South San Francisco appears to be relatively resilient. Staff will continue to monitor the revenue in the upcoming FY 2022-23.

C. FY2021-22 EXPENDITURES

The following numbers are preliminary and subject to change based on the completion of FY 2021-22 entries.

Civic Campus Construction	\$ 2,702,732
Paving Program	\$ 34,845
Debt Service	\$ 2,476,908
TOTAL FY 2021-22 Expenditures	\$ 5,214,485

Payroll expenditures related to the administration of Measure W funds will be allocated to the projects during year end.

Funds appropriated in prior years by Council but unspent will be carried over as appropriated funds to be spent in FY 2022-23 or future years as part of the ongoing capital projects.

D. LEASE REVENUE BONDS ISSUANCE IN 2022

On October 26, 2021, City Council approved moving forward with capital projects at Orange Memorial Park (the “Projects”), including the Multi-Use Sports Fields, Aquatic Center, Colma Creek Bridge Replacement and Playground Replacement. On May 11, 2022, City Council approved a comprehensive funding plan for the projects which is estimated to cost \$72 million:

Projects	Bonds	Caltrain Grant	Impact Fees	Total
Ballfield	\$12,300,000	\$1,700,000		\$14,000,000
Aquatic Center	\$49,000,000			\$49,000,000
Bridges	\$1,500,000		\$1,500,000	\$3,000,000
Playground	\$2,200,000		\$3,800,000	\$6,000,000
	\$65,000,000	\$1,700,000	\$5,300,000	\$72,000,000

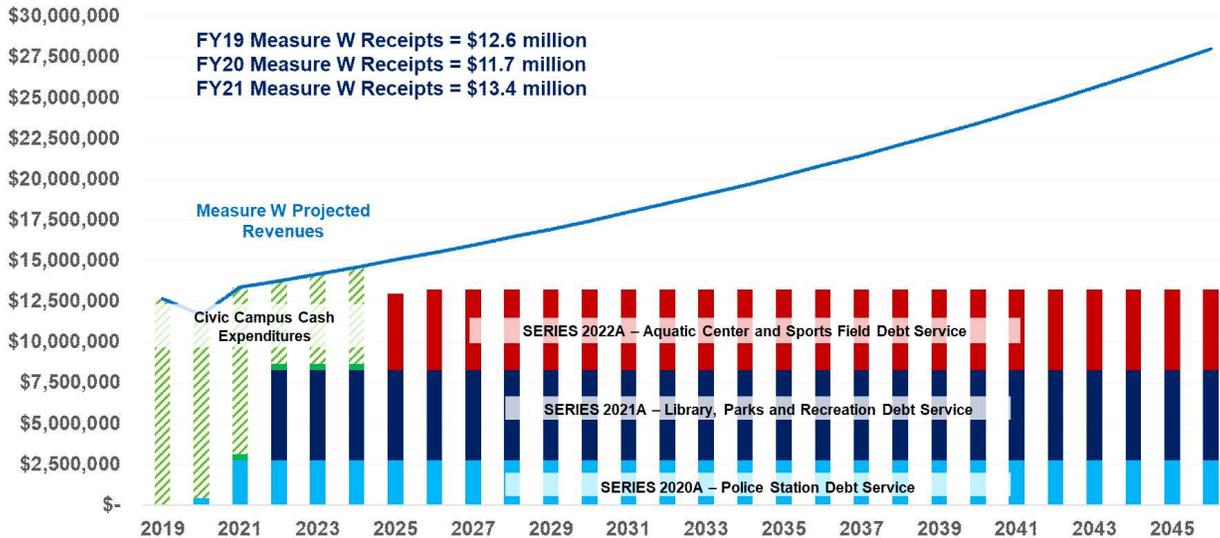
As some of the Committee members are already aware, the City issued the first tranche of Lease Revenue Bonds of \$43.9 million in March 2020 to finance the Police Station. The City issued the second tranche of Lease Revenue Bonds of \$86.4 million in June 2021 to finance the (a) Library, Parks and Recreation (LPR) Building; (b) Streets Program, and (c) solar roofs for LPR and the Corp Yard. With Council approval of the funding strategy for the Orange Memorial Park projects, the third tranche of Lease Revenue Bonds (the “2022A Bonds”) of \$65 million was issued on May 25, 2022, to finance the projects.

Sale of Series 2022 Lease Revenue Bonds

Due to rising interest rates in the beginning of the year, the City decided to expedite the Series 2022 bond sale from October 2022 to May 2022. On May 25, 2022, the City successfully priced \$65 million of bonds. The City received over \$657 million in orders from 35 institutional investors and several retail investors. There was significant investor interest for every maturity, which resulted in the bonds being 10x oversubscribed (i.e., on average, there were 10 orders for every bond). This strong investor interest allowed for yields to be adjusted 6 to 14 basis points lower which represents approximately \$700,000 in interest savings for the City. The annual debt service was \$4.95 million and had an overall borrowing cost of 4.07%. The deal was structured with an 8-year par call (6/1/2030), which aligns with the call date on the City’s 2020A Lease Revenue Bonds, allowing for efficiency and maximizing savings for refunding both transactions at the same time in the future.

The chart below shows a projection of Measure W revenues against all known existing expenditure obligations. We assumed a conservative annual growth rate of 3.00% from FY 2022-2046.

Chart 1: Measure W Revenues vs. Current Debt Service



As shown above, Measure W revenues are expected to exceed the total debt service obligations for all three tranches of lease revenue bonds, with sufficient debt services coverage ratio. (See Table 2 below)

Table 2: Measure W Revenues vs Total Debt Service through FY 2030-31

Date	Estimated Sales Tax Receipts (Measure W) ¹	Series 2020A: Debt Service (Police Station)	Series 2021A: Debt Service (LPR, Street Paving, Solar Roofs)	Series 2022A: Debt Service (Aquatic Center and Sports Field) ²	Capital Projects Director Salary and Benefits	Remaining Measure W Funds	Debt Service Coverage Ratio
6/30/22	\$13,780,671	\$2,765,450	\$5,522,383		\$360,500	\$5,132,338	1.59x
6/30/23	14,194,091	2,766,450	5,523,000		371,315	5,533,326	1.64x
6/30/24	14,619,914	2,764,950	5,521,800		382,454	5,950,710	1.69x
6/30/25	15,058,511	2,765,950	5,522,200	\$4,682,701	393,928	1,693,732	1.13x
6/30/26	15,510,266	2,764,200	5,524,000	4,948,338	405,745	1,867,983	1.14x
6/30/27	15,975,574	2,764,700	5,522,000	4,943,588	417,918	2,327,369	1.17x
6/30/28	16,454,842	2,762,200	5,526,200	4,944,588	430,455	2,791,399	1.20x
6/30/29	16,948,487	2,764,800	5,521,200	4,945,838	443,369	3,273,280	1.24x
6/30/30	17,456,941	2,765,200	5,519,200	4,947,088	456,670	3,768,784	1.28x
6/30/31	17,980,650	2,763,400	5,523,800	4,948,088	470,370	4,274,992	1.31x

¹ Assumes 3.00% growth in sales tax receipts from FY 2022 – 2046
² All-in true interest cost of 4.07%.

CONCLUSION

Despite the effects of COVID-19, Measure W remains healthy. Staff is cautiously optimistic that the Measure W revenue will meet our FY 22-23 projections.