June 2020

City Finance Newsletter

IN THIS UPDATE:

- The City Manager's budget message
- Quick facts about the General Fund
- Learn about how COVID-19 has impacted city finances
Dear Resident,

I was appointed City Manager less than a year ago and my top priority, as directed through the City Council and community’s Strategic Plan, has been to balance the budget expenses with revenues. The City is experiencing a general fund budget deficit, and though City staff have worked hard to develop new streams of revenue and cut costs, additional measures are needed over the course of the next few years to overcome the budget shortfall. The City’s deficit has worsened because of the impacts of Covid-19; residents are facing unemployment and businesses have been closed or have reduced hours. Covid-19 has added new financial strains to an already stressed budget. All these factors – additional expenses and dropping revenues - will require the City Council to make tough choices in the months ahead.

My job is to provide the Council and community with good information and a path forward. While I know there are many challenges in the coming months, I am confident that we can overcome these obstacles with an honest, open discussion. I have committed over 20 years to Union City and I am invested in participating in a positive, long-term outcome. I know the future of Union City is bright as we all work together.

Warm Regards,

Joan Malloy

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**Quick Facts: FY 2020/2021 General Fund Snapshot**

A General Fund pays for basic municipal services, such as police, fire-fighting, 911 response, libraries, maintenance of public spaces, and administration of general governmental operations and programs. It is like a savings account that helps to manage the flow of expenses and revenues and meet unanticipated needs. The General Fund relies on the sustainable flow of revenue into it in order to pay for municipal services and other expenses.

- **Property Tax**: 41.4%
- **Sales Tax**: 28.3%
- **Other**: 13.1%
- **Franchise Taxes**: 9.1%
- **Business Licenses**: 6.6%
- **Transit Occupancy Tax**: 4%
COVID-19 Impact on the City's Budget Deficit

The COVID-19 pandemic has negatively impacted key revenue sources that flow into the City’s General Fund, including sales tax, transit occupancy tax, parking revenue and business license tax. As a result, Union City is anticipating a loss of revenue to be anywhere between $2-4 million. Without immediate intervention measures taken, such as significant spending cuts or revenue measures, the impact of COVID-19 is anticipated to increase the City’s annual budget deficit each year.

Reserve Fund Balance with COVID Impact

Budget Cuts Implemented Since 2018

In 2017, Union City adopted a long-term structural deficit to its General Fund. Structural deficits occur when the long term trend shows that expenses are expected to outpace revenues. Union City has taken aggressive measures since then to cut spending, including:

- Reduced library & community center hours
- Closure of an underutilized fire station
- Reductions in park maintenance
- Elimination of community policing services
Opportunities for Revenue Generation in a COVID-19 Economy

- **Study opportunities for voter-approved revenue measures.**

  A voter-approved Public Safety Parcel Tax has been in place for the last 16 years raising special funding for police, fire and youth and family services. The tax will expire on June 2021 and $4.2 million in revenue from this tax will immediately go away. A City Council Subcommittee is currently studying options to place a revenue measure on the November General Election Ballot for voter consideration to prevent the loss of $4.2 million more in revenue to the City during a time when the economic impact of COVID-19 is expected to last several more years.

- **Continue developing the Station District Area to generate new property taxes and jobs**

  Over the last 20 years, the area around the BART station, known as the Station District, has been transformed from a contaminated area with negative land value to a modern, walkable community with quick access to BART. Continued development opportunities of housing and jobs has the potential to add $2+ million in property taxes.

- **Continue Implementation of the City’s Cannabis Program**

  The City is working with three cannabis companies that are at varying stages of pre-operation. Two out of three companies have identified locations for operation and are preparing to complete site improvements that will ultimately help them to open their doors to retail customers. One company is currently searching for a suitable location. Once all three companies are fully operational, the City anticipates generating about $1.4 million in new revenue to the General Fund through a voter-approved Cannabis Business Tax.

Re-Envisioning of City Services Amid COVID-19 Impacts

Union City’s five-year strategic plan was adopted in October 2019 and laid out five goals and 59 strategies covering fiscal health, organizational effectiveness, public safety, economic & community development and communication. While much progress has been made, the City Council is convening a strategic plan workshop in August reassess city priorities, talk about new norms for the city and re-envision the future of city services. Date, time and location TBD.