



Insight

June 2004

A NEWSLETTER OF THE CONCORD ECONOMIC DEVELOPMENT PROGRAM

Focus on: The Budget Concord's Business-like Approach Helps Business

Today's improving-yet-challenging economy generates many news stories about the budget woes of the State of California and its municipalities. Many cities, large and small, face severe program and service cuts as well as employee layoffs. Everyone feels the impact.

This *Economic Insight* newsletter reviews the City of Concord's budget. In doing so, it demonstrates how Concord operates its finances more like a successful business than a typical municipality. You'll find out what categories make up the budget and how the City plans for the future. You'll also learn just how the City's budget affects both businesses and residents — and how City staff and residents can exercise a positive influence to keep Concord's finances healthy. ♦

Long-term Planning and Budgeting

The City looks ahead to keep pace with changing revenues and expenses

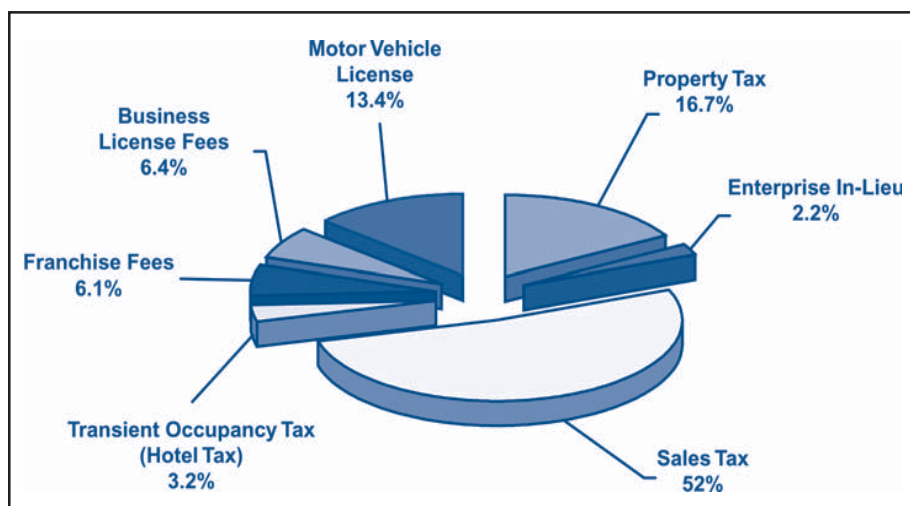
The City of Concord has established a general fund budget of \$63.8 million per year. General fund expenditures are the costs associated with all of the City's operations, including police/public safety, youth and senior services, parks and recreation, and street/facility maintenance. The City has additional expenditures as

well. They cover new capital projects plus reserves for mandates required by the state and federal governments.

The largest contributors to Concord's revenues are sales tax, property tax and vehicle license fees.

That's why purchases from Concord businesses and investments in Concord property make such a positive impact on City revenues and the services they fund.

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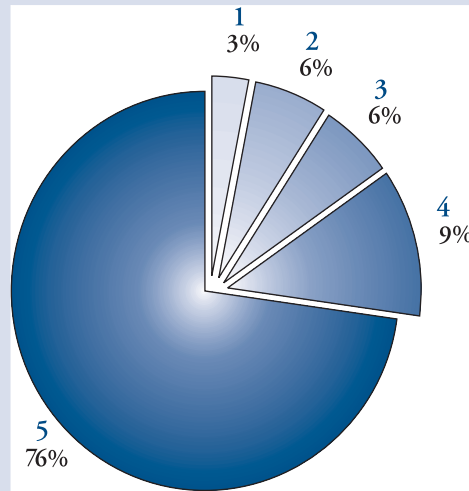


Breakdown of City Revenues

The Sales Tax: Where Your Dollars Go

How Five Agencies Share the Pie

Purchase most items and you also pay sales tax. In Contra Costa County, sales tax is 8.25 percent. So for every dollar of taxable sales, 8.25 cents is collected. Where does it all go?



LEGEND

1. 1/4¢ Contra Costa County
2. 1/2¢ BART
3. 1/2¢ Contra Costa Transit Authority
4. 3/4¢ City of Concord
5. 6 1/4¢ State of California

The Importance of Sales Tax

The majority of the City's revenue comes from sales tax, property tax and vehicle license fees (VLF). Of these, business sales tax comprises approximately 52% of Concord's revenues. As such, Concord's well being is directly linked to the health of its retailers. The revenue they generate is critical. It helps pay for vital City services such as police, parks, street maintenance, and youth and senior services.

Retail business is important to Concord in another way as well. Shopping locally creates a positive ripple effect. Local purchases strengthen local companies, enabling them to add new jobs and



Fry's Electronics new Concord store in Park & Shop

buy local materials and services.

Sustaining a Key Retail Hub

Concord has become a key retail hub, drawing customers from throughout the East Bay. Large retailers, shopping centers, restaurants and auto dealers have all benefited from a Concord location. The City hosts such outstanding businesses as Home Depot, EXPO Design Center

and Costco. The Willows and Sunvalley regional shopping centers continue to perform well.

Concord is also the home to 17 new automobile dealerships. That's important. Auto dealers account for 19% of City sales tax revenue.

Because the City has created a successful business environment, Concord continues to attract new retailers. This past April, Fry's Electronics opened in the Park & Shop center. The Concord location is one of only seven for Fry's in Northern California.

Clearly, a healthy business climate is in everyone's interest. Concord knows this well. We continue to make the City an outstanding place for retailers of all sizes and businesses of all types.◆

The 10-Year Financial Plan

Though City revenues are different, Concord's financial operations more closely resemble those of a business than those of many California cities. Like a business, the City engages in long-term planning and budgeting. That's why Concord has a fully funded and balanced 10-Year Financial Plan. In fact, each annual budget preparation for the last nine years has included a ten-year plan for all operating and capital improvement funds. And like a business, Concord sets aside reserves to weather downturns in the economy.

Long-term budgeting over single-year budgeting helps to stabilize revenues and services in many ways. Through long-term planning, the City:

- Puts replacement funds in place for buildings and equipment. In this way, the City can plan for future replacements and their impact on the budget in the year that they will occur.
- Additionally, the 10-Year Financial Plan also sets aside money to operate and maintain new capital improvements over the years.

Smoothing out Business Cycles

Corporations and small companies alike continually face the ups and downs of business and economic cycles. Strong earnings years may be followed by years of flat earnings. Prudent companies set aside cash reserves to carry them through down cycles. Concord's long-term planning helps do this as well. The City sets

aside reserve funds to cover financial uncertainties and sets aside funds as a buffer so that the City can maintain its current level of services.

In the past, Concord held a 10% contingency reserve in the General Fund and other major operating funds. In fiscal year 2002-03, the City established new reserve funds to complement those already in place. They include reserves for future state government takeaways, economic downturns, additional capital improvement projects, anticipated increases in employee benefit costs and unexpected maintenance needs.

No one can accurately predict the future. But Concord's 10-Year Financial Plan definitely enables us to meet any uncertainties with more confidence and less negative impact on all of us. ♦

Increased Budget Pressures Prompt a Political Response

Rising Costs and State Takeaways Lead to New Statewide Initiative

As an employer, the City of Concord has been affected by the same increases in workers compensation and health care costs that are experienced by the business community. Workers comp costs seem to reach new heights each year. City health care premiums have more than doubled — an increase of 105% — over the last six years. This affects premiums paid for current employees and employees covered under post-retirement health plans.

Concord also must contend with a situation that private enterprise does not. The State of California takes away income from cities and counties. For almost 25 years, the State has used local agency revenues to fund state budgets. During this period, approximately \$53 million has been taken from City of Concord revenues. These takeaways come from business inventory tax, cigarette tax, liquor license fees, jail booking fees,

property taxes, vehicle license fees and other fees.

The largest of these takeaways occurred in FY 1992-93 when the State began to take a portion of local agencies' property taxes. For Concord, this equates to a loss of about \$2.8 million annually. This takeaway continues to rise as property values increase.

Losing funds to the State makes planning for the ongoing delivery

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of City services and programs more difficult. No matter how well a City is managed, these “fiscal raids” erode the ability of any city or county to deliver services local residents and businesses expect.

The Governor’s Latest Proposal - Impacts to the City and Redevelopment

Governor Schwarzenegger’s latest budget proposal includes a new deal with cities and counties that will contain short-term cuts in exchange for long-term gains. Under the proposal, cities, counties, special districts and redevelopment agencies will give the state \$1.3 billion in property taxes (\$350 million each from cities, counties and special districts, \$250 million from redevelopment agencies) each of the next two years to help balance the budget. For Concord, this equates to \$1.62 million per year from the City General Fund and \$656,000 per year from the Redevelopment Agency.

Concord’s Redevelopment Agency has been in existence for over 25 years. During that time, it has played an important role in the

economic development of the City and contributed to the continuing transformation of the downtown. Taking funds from redevelopment not only reduces public sector investment but also private sector development in the community. Redevelopment funds typically leverage six to seven dollars in private investment that the private sector would not make on its own. Reducing property taxes collected by Concord’s Redevelopment Agency also reduces the amount of money that is set aside for affordable housing projects. In addition, jobs are lost that would be created by new construction and the addition of new businesses.

In exchange for allowing the state to have these funds for a two-year period, the Governor’s proposal includes a number of long-term benefits. The most important of these is the commitment of the Governor to place a constitutional amendment on the November ballot to be approved by the legislature with the Governor’s full support and leadership. The amendment

would prohibit the state from taking the property tax, sales tax, and the remaining Vehicle License Fees (VLF) of local governments. It would also include the following additional benefits:

- Repayment in 2006-07 of VLF that was taken in 2003-04
- Repayment of deferred mandate reimbursements beginning in 2006-07
- Repayment of property taxes taken away from Prop. 57 (which suspended 1/4 cent local sales tax)

The Governor will serve as the Chairman of the campaign to secure voter approval of this amendment which has been approved by the League of California Cities as well as the City Council.

The pictures below illustrate a few of the recently completed downtown redevelopment projects. ♦



Legacy Park Central, on Galindo Street, offers 259 luxury apartments.



The newly constructed building on the corner of Mt. Diablo and Salvio Street will house a bank and space for retail use.

Buy Concord Program Debuts

Shopping Here Helps Everyone

Building Sales Through Understanding

The City's Economic Development Program, in partnership with the Contra Costa Convention and Visitor's Bureau, is kicking off its new *Buy Concord Awareness Program* in July. The program informs Concord residents and businesses about the importance of purchasing goods and services in Concord. The goal is to develop a clear message explaining the impact that consumers and businesses have on the City's economy.

The campaign encourages Concord businesses to provide incentives and discounts to residents to increase sales.

BuyConcord.net is an interactive web site that will allow businesses to provide special online offers to Concord residents and other businesses at no charge. Visitors can search the site and download valuable coupons. The web site will be promoted in a number of ways, including:



Buy Concord

Your dollar matters!

- Advertising in the local newspaper
- Direct mail
- Special events

Other media will communicate *Buy Concord* advantages to those who don't have Internet access.

For information about business participation in the Buy Concord Program, call (925) 671-3082.



Speaker at recent Cash In On Concord business workshop

The *Buy Concord Program* is another example of how Concord's dynamic Economic Development Program promotes the City's advantages to new companies and enhances our business climate for existing ones. Getting the message out that Concord is the right fit for companies and their employees has yielded results. Numerous retail and service businesses have opened here, creating jobs and raising sales tax revenue.

We're equally committed to keeping existing companies in the City. So Concord's Business Retention Program works with them to help meet existing needs, anticipate new ones and plan for future opportunities. Retention activities include:

- Educational programs and workshops
- Personal visits to identify needs and strengthen communication
- Surveys to identify key issues or needs
- Site selection assistance
- Entitlement assistance ♦

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Giving Citizens a Say

Prior to the Governor's proposed constitutional amendment, the City Council endorsed the *Local Taxpayer and Public Safety Protection Act* ballot initiative in January, 2004. It was sponsored by the League of California Cities, the California State Association of Counties and the California Special Districts Association.

This initiative allows voters to decide whether local tax funds should be diverted to fund State operations. If passed, it would:

- Require voter approval before the legislature can remove local tax dollars from the control of local government.
- Ensure that local tax dollars are dedicated to local government for funding of local public services.
- Require the legislature to reimburse local governments when the State mandates local governments to assume more financial responsibility for new or existing programs.
- Prohibit the legislature from deferring or delaying annual reimbursement to local governments for state-mandated programs.

At the same time, the initiative assures that the State:

- Will not raise taxes. In fact, the measure could help decrease pressures for higher local fees and taxes by protecting local revenue sources from state takeaways.
- Does not increase funding to local government. The act prevents the State from appropriating future local government funding sources.
- Does not reduce funding that schools receive from local property taxes or the State.
- Does not reduce funding from other State programs like highways or social services.

The *Local Taxpayers and Public Safety Protection Act* remains on the November 2004 ballot in the event the legislature does not approve the amendment proposed by the Governor. If the Governor's proposal is approved by the legislature, it would be supported by the League of California Cities as well as the coalition that brought forth the *Local Taxpayers and Public Safety Protection Act*.

Getting the Facts

The resolution passed by the Concord City Council endorsing the ballot initiative also authorizes council and staff to provide impartial informational materials on the initiative. Public funds cannot be used to campaign for or against the initiative. For more information, contact Peter Dragovich, Director of City Management, at (925) 671-3085 or visit the League of California Cities Web site at www.cacities.org. ♦

Need an Answer?

www.cityofconcord.org
www.concordfirst.com

Economic Development Program (800) 727-2254

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Dwayne Dalman ddalman@ci.concord.ca.us

CONTACTS

Business License* (925) 671-3307

Flood Zone Inquiries (925) 671-3023

Graffiti Hotline (925) 671-3080

One-Stop Shop/Building Permits (925) 671-3114

Planning Department (925) 671-3152

Potholes (925) 671-3228

Police Services, Information (925) 671-3232

Redevelopment Agency (925) 671-3355

Street Trees (925) 671-3230

*application is available on website above

CITY COUNCIL

Helen M. Allen Mayor

Laura M. Hoffmeister Vice Mayor

Susan Bonilla Councilmember

Bill McManigal Councilmember

Mark A. Peterson Councilmember

Mary Rae Lehman City Clerk

Thomas Wentling City Treasurer

Edward R. James City Manager

Dwayne Dalman Editor



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