

DATE: March 3, 2014
TO: Mayor and City Council
FROM: City Manager
SUBJECT: Update on Potential Revenue Measure

RECOMMENDATION

That Council reviews the collected data as presented by staff and consultants and provides direction to staff regarding a possible ballot measure for a ½ cent sales tax increase that might be placed on the June 3, 2014 ballot.

BACKGROUND

The City has almost \$500 million of unmet capital needs, which cannot be met within current operating funds. The City is also facing a continual struggle to adequately fund operating needs and reduce unfunded liabilities.

City facilities are in dire need of repair and replacement if service levels are to be maintained and the City is to keep making forward progress. The community is continually asking for better street and roads maintenance and a stronger response to crime and making the community feel safer to families and businesses.

Through extensive data gathering, the Council Budget and Finance Committee has determined that the community might support a ½ cent sales tax increase to assist with facilities upgrades and replacements along with strengthened service delivery in some key areas. Staff has calculated that a ½ cent sales tax measure would yield approximately \$10,000,000 annually.

DISCUSSION

The Council Budget and Finance Committee has been reviewing possible revenue measure options for several months. An early poll in the Fall of 2013 indicated that a bond measure to fund facility improvements would likely not have the necessary two thirds support to be successful. On the other hand, the poll indicated strong support for a possible ½ cent sales tax increase, which requires a majority of voter approval (50% +1). Council received the results of that poll during a work session on December 17, 2013.

Since then, the Council Budget and Finance Committee, staff, and community volunteers have been conducting significant community outreach and data gathering to determine is the level of community support for a possible ballot measure and if that measure were successful, what might the priorities of the community be for the money. The short list of possible uses of the money is attached as Attachment I.

A second community poll was completed in February 2014 to test certain possible ballot arguments, both pro and con, and to determine if the extensive community conversation on the topic had impacted views and opinions. Bryan Godbe of Godbe Research will be present at this meeting to provide Council with the top line results of this second poll.

ECONOMIC IMPACT

Clearly, any additional revenue that becomes available to the City to improve facilities and strengthen services will have a positive economic impact on both property values and the business climate in Hayward.

FISCAL IMPACT

As noted above, the possible ½ cent ballot measure, if put before the voters and approved, is projected to generate approximately \$10 million annually. This could be utilized to provide additional direct services, improve replace aging facilities, or a combination of both. While the alternatives reflected on Attachment I total far more than \$10 million annually, preferred items from that list could be combined to provide direct services (direct annual cost) and/or repair or replace aging facilities (annual debt service) up to \$10 million annually. The Council Budget and Finance Committee has discussed the proposed measure as having a sunset after twenty years.

PUBLIC CONTACT

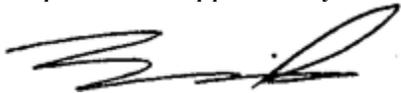
The Council Budget and Finance Committee has received data from two separate community polls. Staff and the consultant team have sent out over 34,000 opinion cards to voters in the community and received 926 back. Although this seems like a low response rate, it is one of the highest direct mail response rates the consultant team has experienced in their many years of assisting in these efforts. In addition, staff emailed an electronic version of the survey from the opinion cards to the City's online database of email addresses and received over 1,400 responses via the online survey. In addition, the City created an informational website, www.haywardlistens.com, to provide more information and answers to frequently asked questions. The website also provides a link to the electronic version of the feedback survey.

Over 40 volunteers have been in the community over the last four Saturdays and have had the opinion conversation with over 1,000 households. Many "opinion leader" conversations have also been held, with several more planned this week. The results of all data gathering, including the polls, will be presented by staff and the consultants at the February 25, 2014 Council meeting Work Session.

NEXT STEPS

If so directed by Council, staff will prepare all necessary documents to place the measure on the June 3, 2014 voter ballot; and present these to Council for approval at the March 4, 2014 Council meeting for filing with the appropriate County officials by the filing date of March 7, 2014.

Prepared and Approved by: Fran David, City Manager



Fran David, City Manager

Attachments:

Attachment I List of Project Alternatives

What could additional sales tax revenue buy the City annually?

Capital Projects	Annual Debt Service Payment¹
Library & Community Learning Center Total unfunded cost: \$50,000,000	\$3,990,000
Other Fire Station Retrofits/ Improvements Total cost: \$10,000,000	\$798,000
New Fire Station #6 Training Center Total cost: \$8,200,000	\$654,400
Street Repairs² 2 miles of overlay and 4 miles of slurry seal	\$1,000,000
New Police Facility & Jail Total unfunded cost: \$85,000,000	\$6,783,000
Restoration of Services	Annual Cost
Restoring 5 Police Officers Cost per officer: \$200,000/year	\$1,000,000
Restoring 5 Maintenance Workers Cost per worker: \$100,000/year	\$500,000
Maintain Current Services (Closing the General Fund Budget Deficit for FY2015)	\$2,600,000

¹ Annual debt service payment based on 20-year amortization of bond funding

² Current annual gas tax/Measure B funding for overlay/slurry seal = \$4 million