



CITY OF  
**HAYWARD**  
HEART OF THE BAY



# **Financial Future 2010 and Beyond**

**Council Work Session  
February 24, 2009**

# Tonight's Topics



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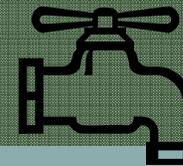
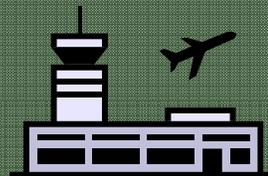
- City Budget Overview
- GF Revenues and Expenditures
- Budget Reduction Approaches
- 2010 Budget Concerns
- Possible Revenue Measure
- Necessary Steps to Ballot
- Council Direction/Input

# Cities ...

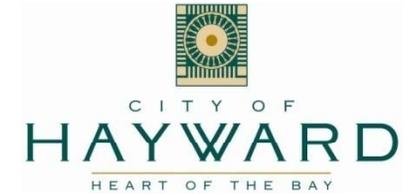


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- Are general purpose local governments
- Provide essential frontline municipal services
- Are funded mostly through general taxes (sales, property, transfer)
- Provide public health and safety services



# 2008-09 Progress



## Crime/Public Safety

- ✓ Red Light Cameras
- ✓ Police Dept. Strategic Plan
- ✓ Police Staffing Priorities
- ✓ Police Dept. Internal Org. Review
  - BART Station Safety
  - Crime Prevention through Environmental Design (CPTED)
  - School Safety Partnerships
  - Disaster Preparedness
- ✓ Social Host Ordinance
- ✓ Problem Houses
- ✓ Field Offices Opening Tomorrow!
- ✓ District Command Structure Initiated
- ✓ PD Accreditation Started
- ✓ Crime Analysis Position Created/Filled

## Cleanliness

- ✓ Introduction of Neighborhood Services Initiative
  - Neighborhood Partnership Program
- ✓ Downtown Safe & Clean Efforts
  - Administrative Citation Program Overhaul
  - Blight Elimination through RDA
- ✓ Public Smoking Ban
- ✓ Blight Busters Program
  - Consolidated Public Nuisance Ord.
- ✓ Keep Hayward Clean/Green TF
- ✓ Graffiti Ordinance Adopted
- ✓ Graffiti Hotline Established
- ✓ Flash Cams Installed at Dumping Sites
- ✓ Maintenance Services Report to City Manager
- ✓ Street Sweeping/Parking Enforcement Enhanced



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# City Budget Overview

# Overall Budget



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- The City operates various services and programs through many types of funding sources:
- Enterprises (Water, Sewer, Airport)
- Transportation Funds (Federal, State and County)
- Redevelopment (Property tax increment)
- These funds are dedicated to those particular services and are generally unavailable to the general operations of the City except to the extent that support services are provided other funds



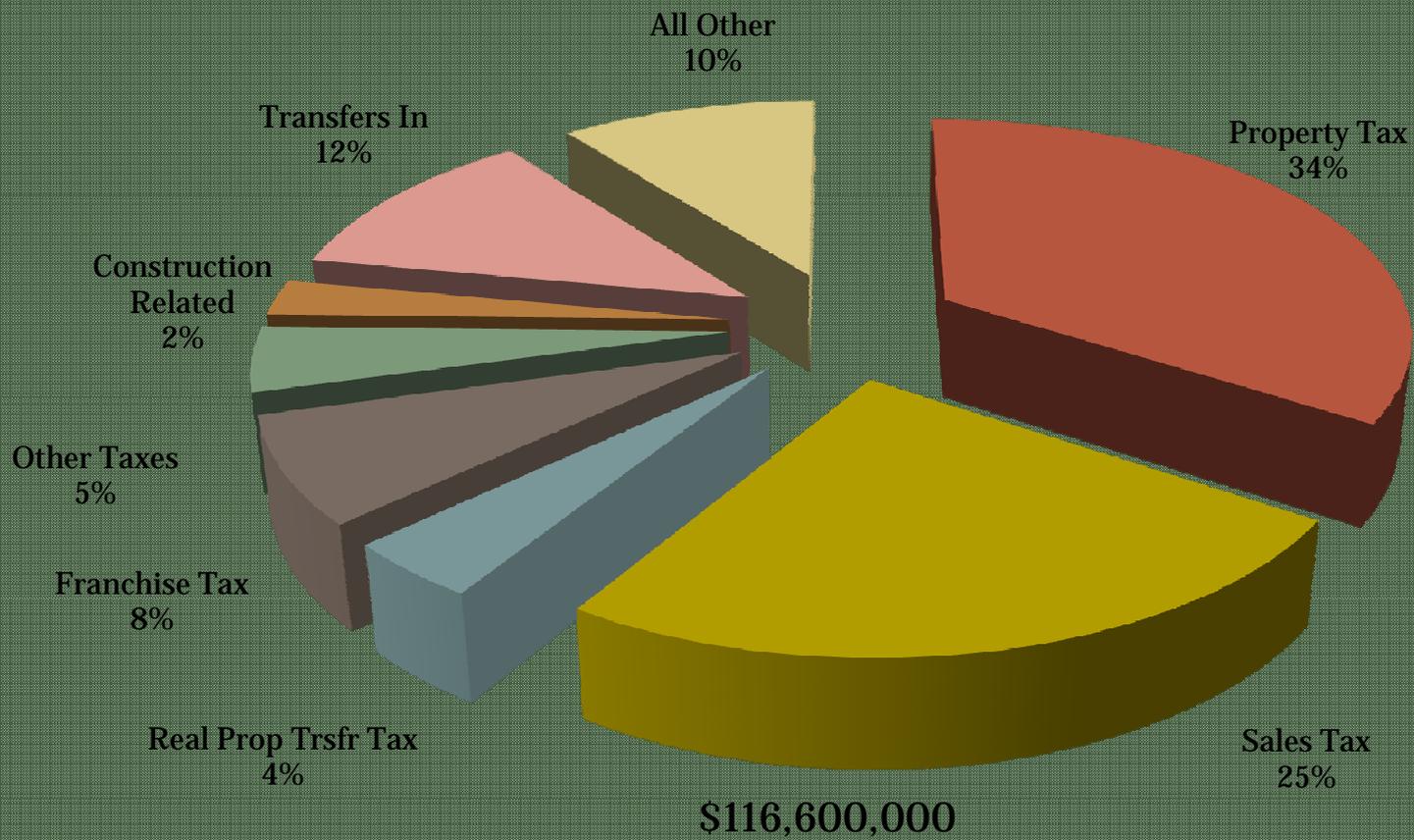
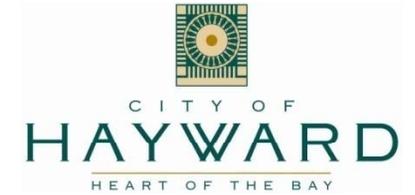
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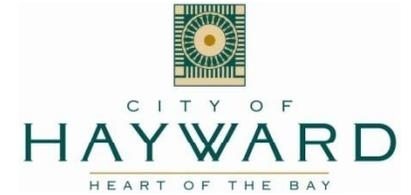
# General Fund

**CITY'S MAIN OPERATING FUND**

# FY 2009 General Fund Resources

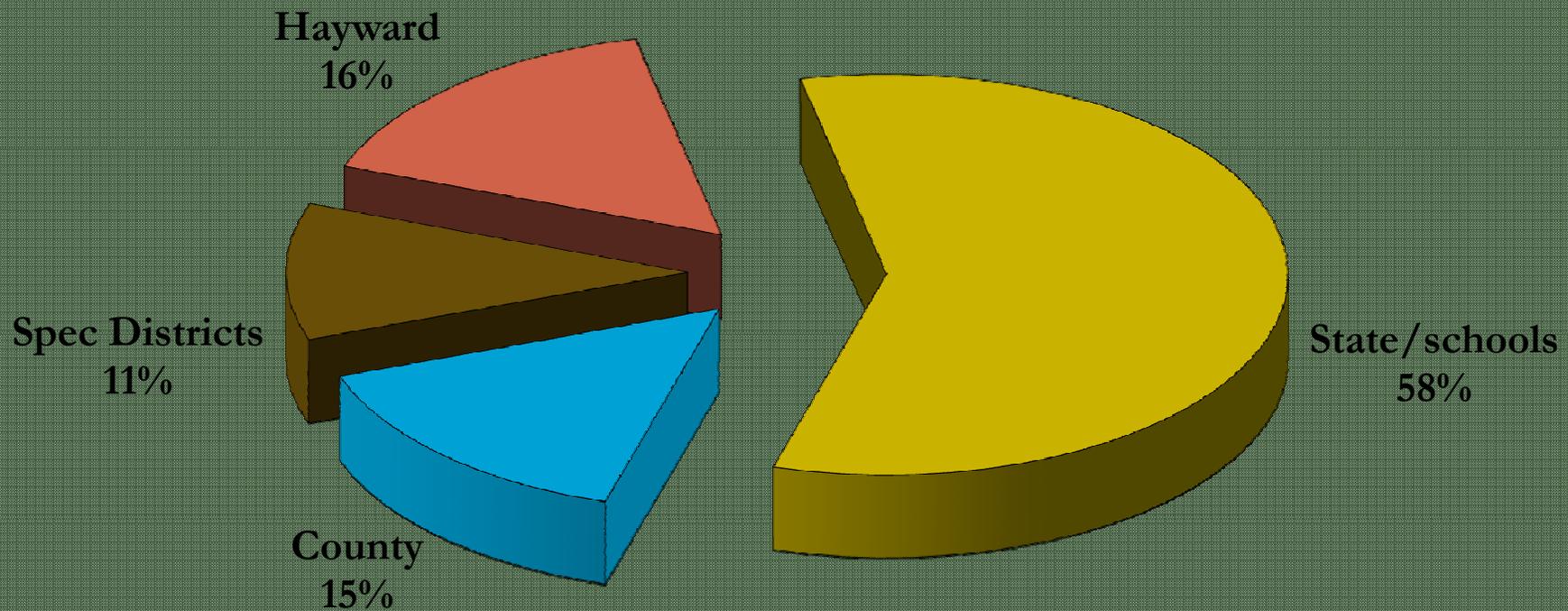


# City's #1 Revenue



*Property Tax:*  
*34%*  
*Of all Revenue Sources*

# Distribution of Property Tax

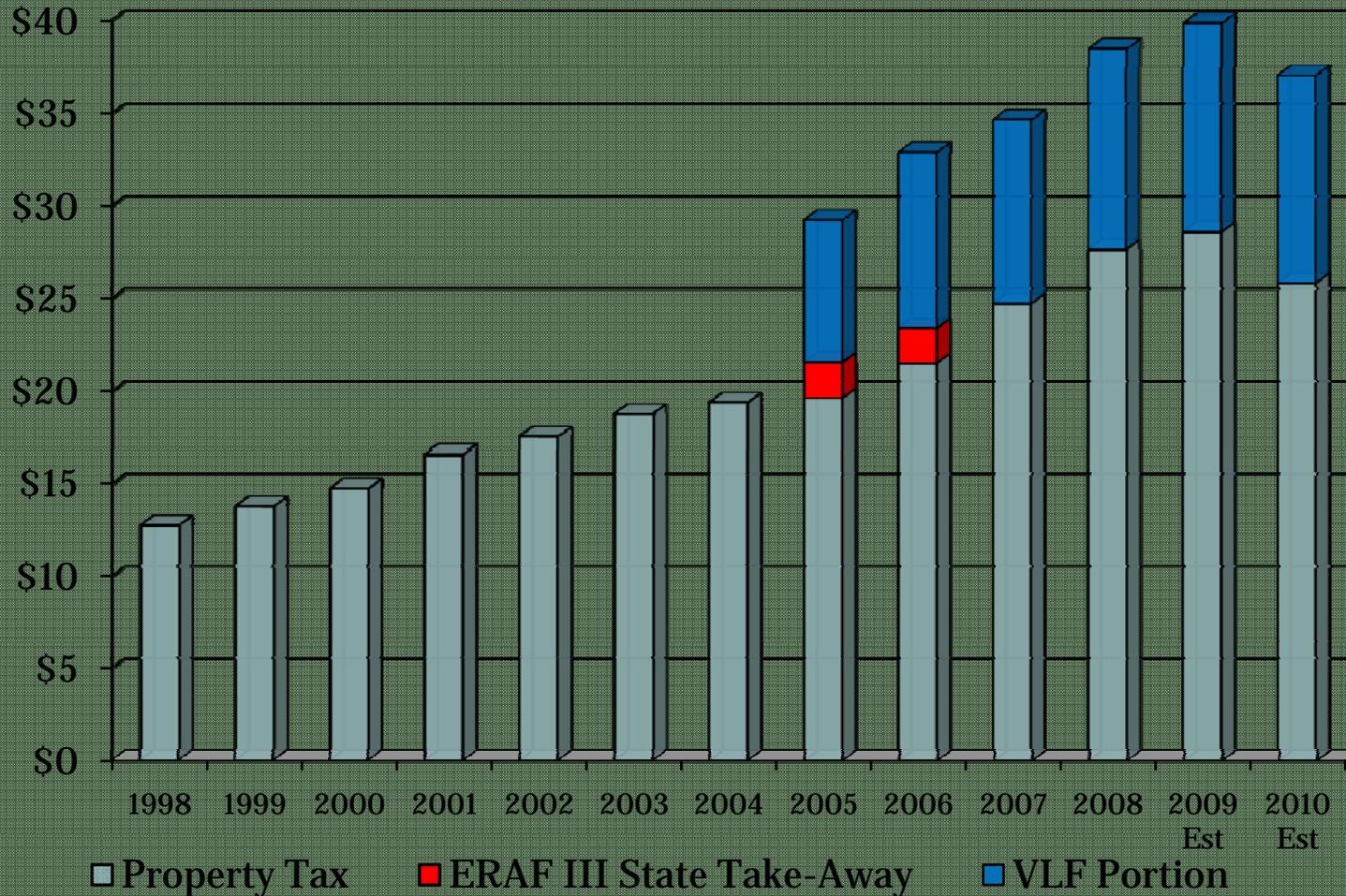


# Property Tax (\$'s in millions)

(Includes Property Tax formerly received as VLF)



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Note: \$40 million budgeted for Property Tax.

# City's #2 Revenue

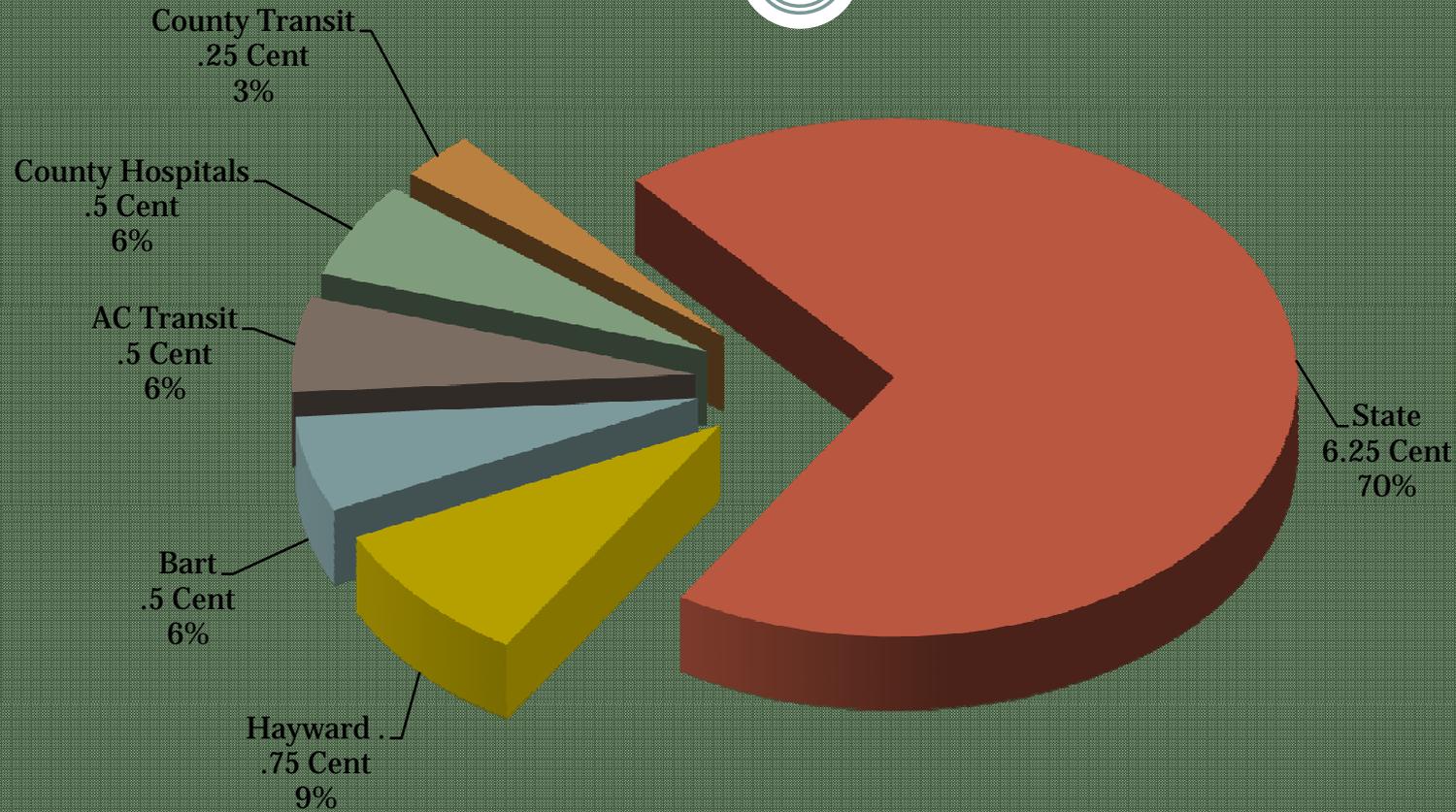
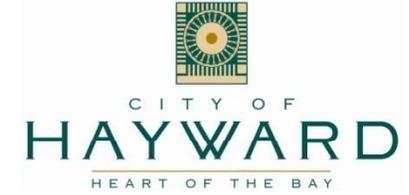


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*Sales Tax:*  
*25%*  
*of All Revenue Sources*

# Distribution of Sales Tax



Source: CA State Board of Equalization

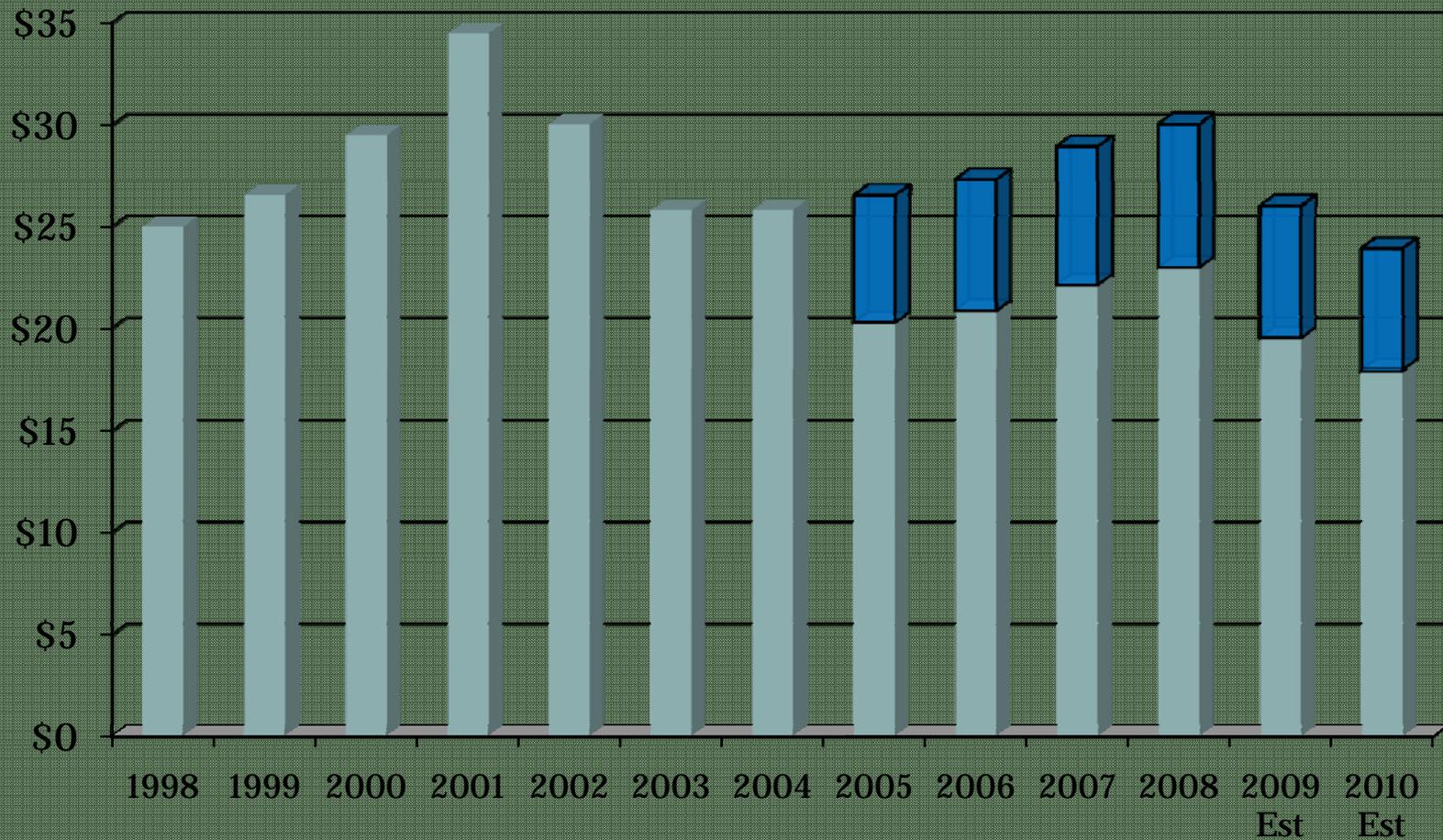
Note: .25 Cent comes to the City in the form of property tax, as a result of the Triple Flip.

# Sales Tax

*(\$'s in millions)*



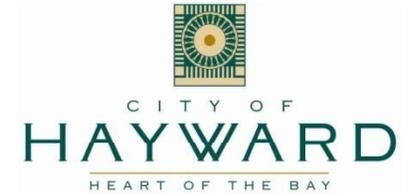
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Sales Tax

■ Prop Tax Backfill

# City's Most Volatile Revenue



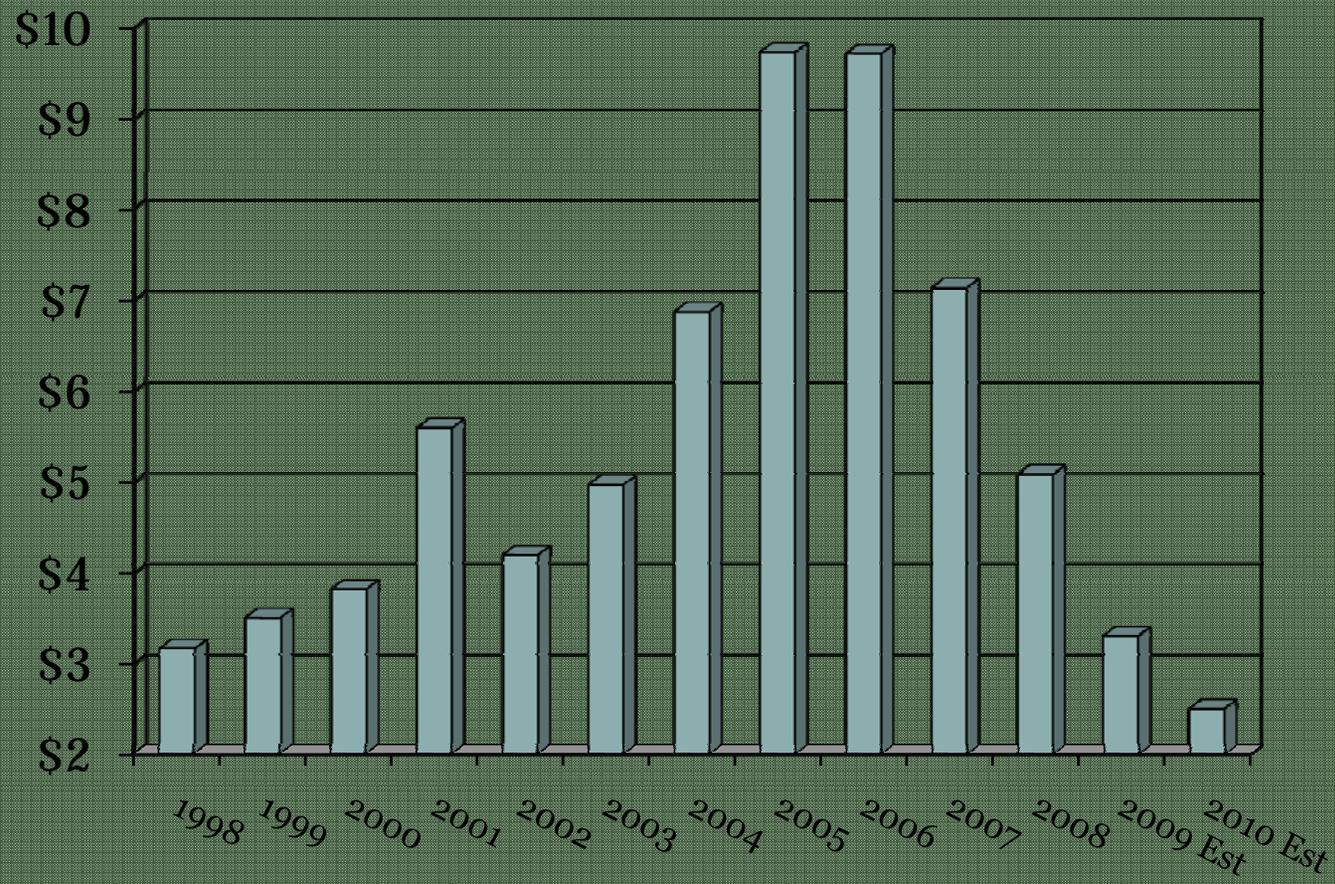
*Real Property Transfer Tax*  
*RPTT*

# Real Property Transfer Tax

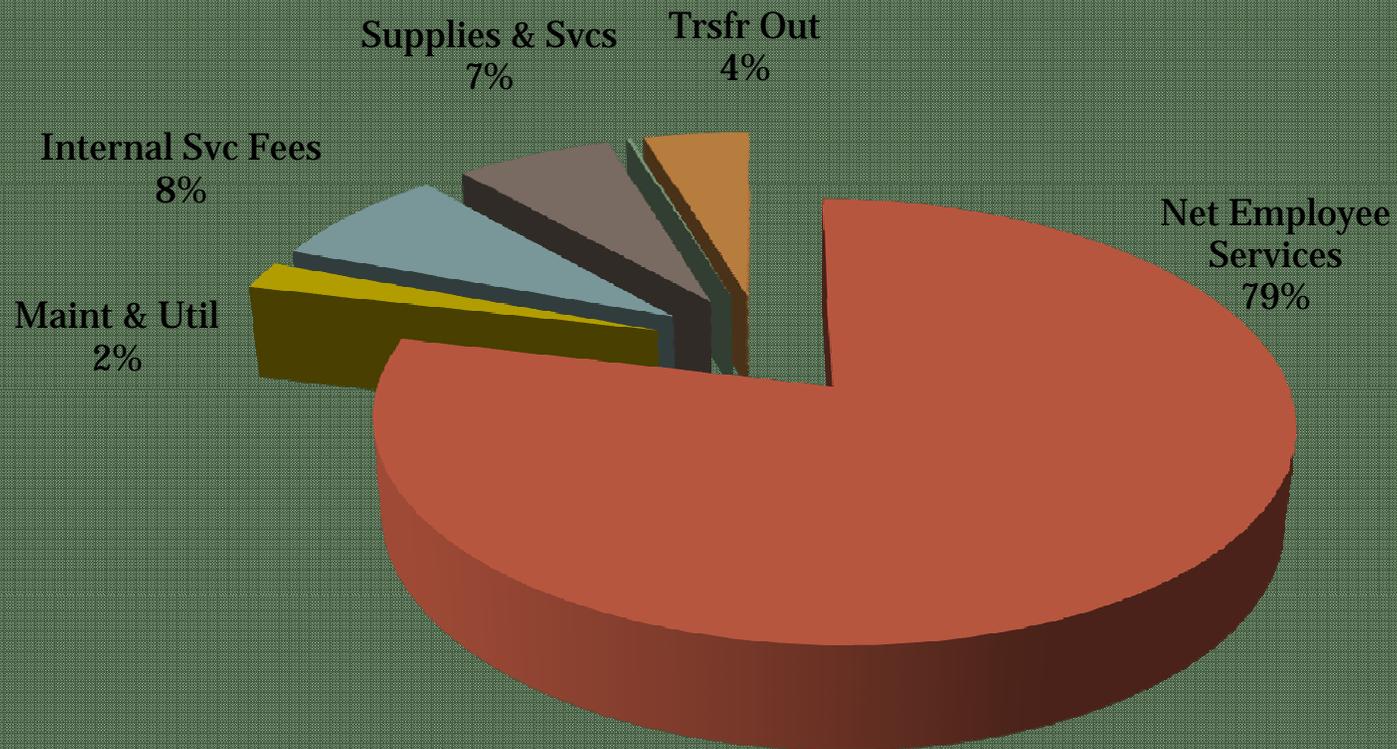
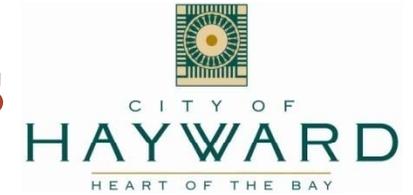
*(\$ in million's)*



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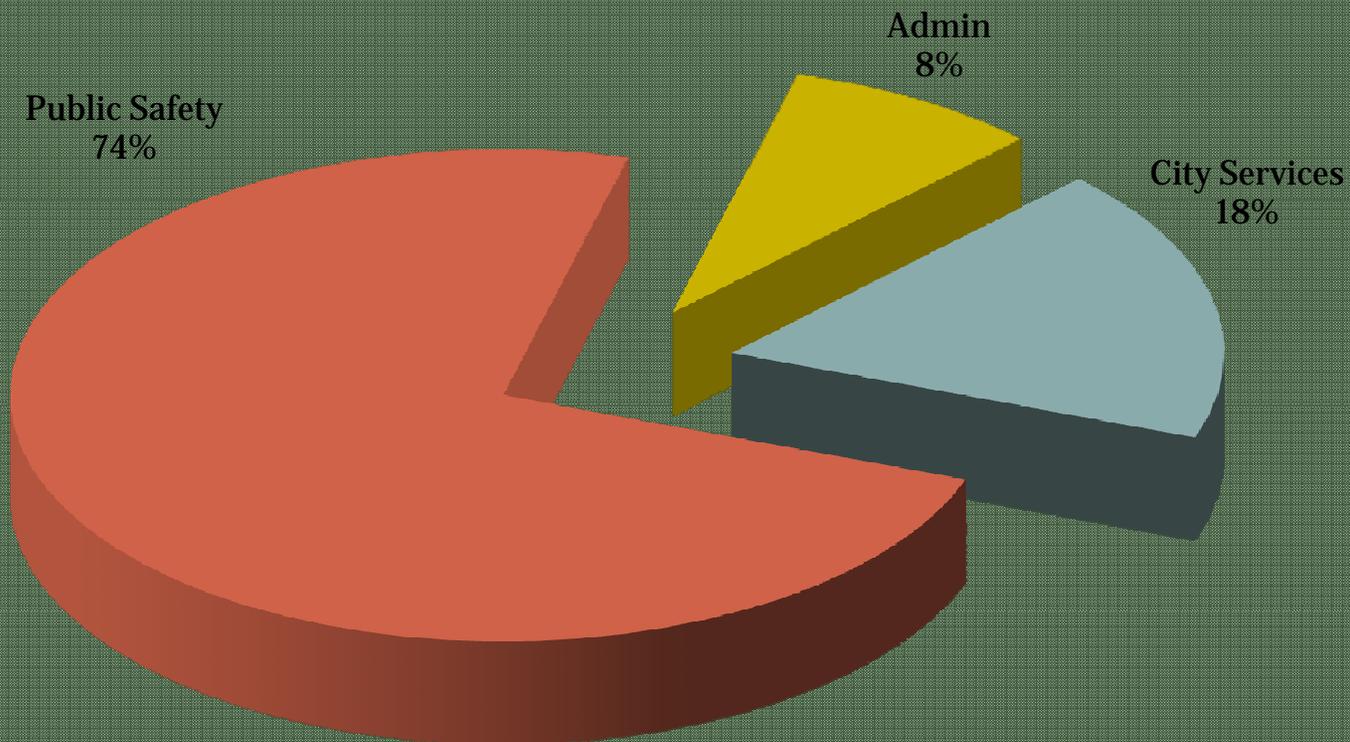
# FY 2009 General Fund Outlays



# FY 2009 Expenditures By Service Area



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# Budget Balancing Approach 2009

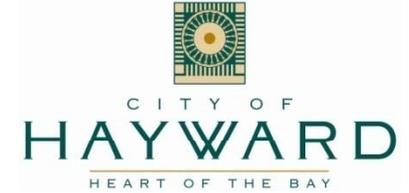


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- **\$6.9 Operational Savings**
  - Elimination of 50 non-sworn positions
  - 7% COLA givebacks for Public Safety and Unrepresented groups over two year period
  - Other employees furloughed over holidays
- One-Time fund transfers (not sustainable)
- Annual RDA Loan Repayment
- Revenue (Master Fee Update)
- Innovations Task Force/Employee Suggestions

# Budget 2009 Continued



- Conservative Projections Not Enough
- Meltdown of Economy Fall 2008
- Additional Actions Needed to Address Revenue Shortfall in Current Year
- Heard Earlier About Actions Taken
- Next Year and Beyond?

# Prelim. 2010 Revenue Projections



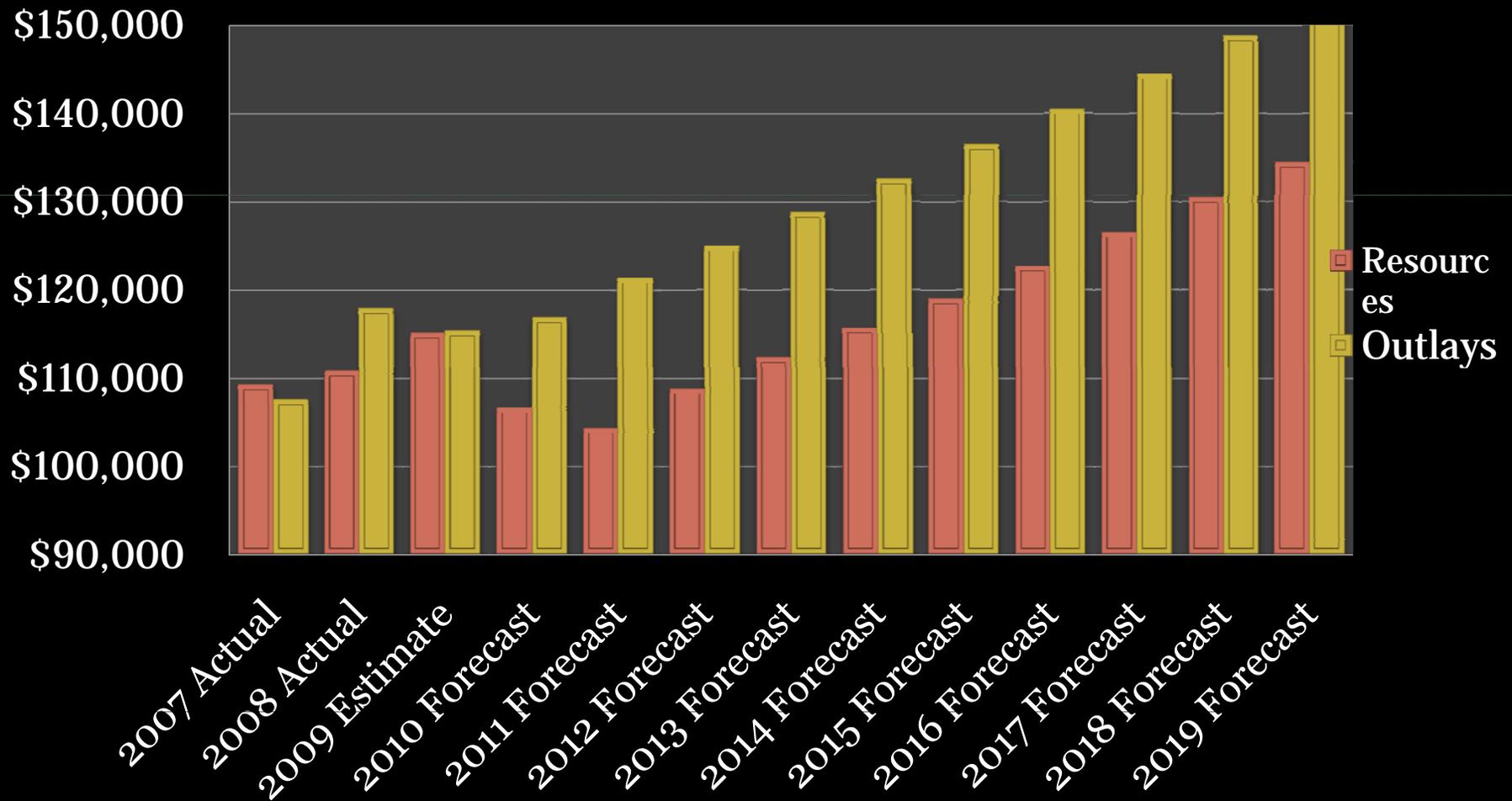
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- Estimates for Property Tax
  - 5% decline: \$2.0 million
- Estimates for Sales Tax
  - 7% decline: \$2.0 million (\$4.3 cumulative from projection)
- Estimates for Real Property Transfer Tax
  - 25% decline: \$800k (\$2.3 cumulative from projection)
- Other
  - Development Fees: \$650k
- State Budget Impacts
  - Gas Tax, VLF, What's Next?

# Structural Deficit

- Revenues are declining
- Costs of doing business are being controlled
- Selective use of “rainy day funds” but further use is not recommended to maintain sufficient level for emergencies
- Working hard to contain costs, but revenues are deteriorating as indicated and are expected to remain flat for some time

## General Fund Revenues & Expenditures (\$'s in 000's)



# Summary of Cuts Already Made



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- General Fund cuts of \$7 million
- Position Cuts: 50 non-sworn in October
- Employee Concessions: Police, Fire and Execs give up contract increases for two years
- Holiday Furlough
- Reorganization of Services
- Comprehensive Fee Study
- Continued Conversation with Bargaining Groups

# Budget Reduction Approach 2010



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- Departments are working on 10% additional reduction scenarios to meet projected \$10 million deficit next year
- Continued work with bargaining groups to freeze employment costs
- Reduction of police and fire services this round, hours cut at City Hall, Library and other services likely necessary to reduce expenditures

# Likely Cuts



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- Police Department
- Fire Department
- Maintenance Services
- Library & Neighborhood Services
- Other

Decisions not made; recommendations will come forward in May for cuts necessary to balance next year and out years.

# Possible Revenue/Tax Measure



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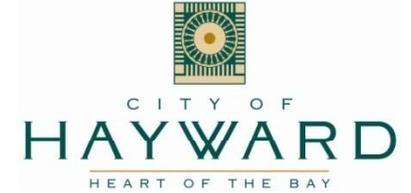


- Discussion began at Budget & Finance Committee
- Consideration of various possibilities:
  - Real Property Transfer Tax (RPTT)
  - Sales Tax
  - Parcel Tax
  - Utility Users Tax (UUT)

# Process to Evaluate

- Budget & Finance Committee monthly reviews of City budget information
- Desire to gather community input on matter of possible revenue/tax measure
- Look at possible methods to gather input and feedback both scientifically and through direct solicitation
- Feedback/education/listening phase began in early January

# What We Heard



- Strategic Conversations
- Mailer to Community
- Website/Email Input
- Community Meetings
- Neighborhood Walking
- Scientific Polling (Godbe Research Inc.)

# SURVEY RESULTS



## PRESENTATION OF SURVEY RESULTS



**BRYAN GODBE**  
Godbe Research



GODBE RESEARCH  
Gain Insight

# City of Hayward 2009 Revenue Measure Feasibility Survey

February 2009

# Overview and Research Objectives

- The City of Hayward commissioned Godbe Research to conduct a survey of voters in the city to assess potential voter support for a utility user tax measure to fund the maintenance of city services and facilities and preserve the quality of life and the local economy.
- Additionally, the study was designed to assess:
  - satisfaction with the overall quality of life in the city and the job the City is doing to provide services to its residents;
  - survey the tax rates at which voters will support the measure;
  - prioritize potential programs to be funded based on voter reception; and
  - test the influence of supporting and opposing arguments on potential voter support.
- Identify any differences in potential voter support due to demographic and/or voter behavioral characteristics.

# Methodology Overview I

- |                    |  |
|--------------------|--|
| ➤ Data Collection  | Telephone Interviewing   |
| ➤ Universe         | 19,432 likely June 2009 statewide election voters in the City of Hayward |
| ➤ Fielding Dates   | February 4 through February 11, 2009                                     |
| ➤ Interview Length | 18 minutes   |
| ➤ Sample Size      | 600  |
| ➤ Margin of Error  | $\pm 4.8\%$  |

# Methodology Overview II

In order to segment the survey results by respondents' area of residence, a sample quota was assigned to each of the three areas included in the survey, based on groupings of voter precinct numbers. As illustrated in the following table, the weighted sample quota for these areas are proportionate to the actual population of voters residing in each neighborhood.

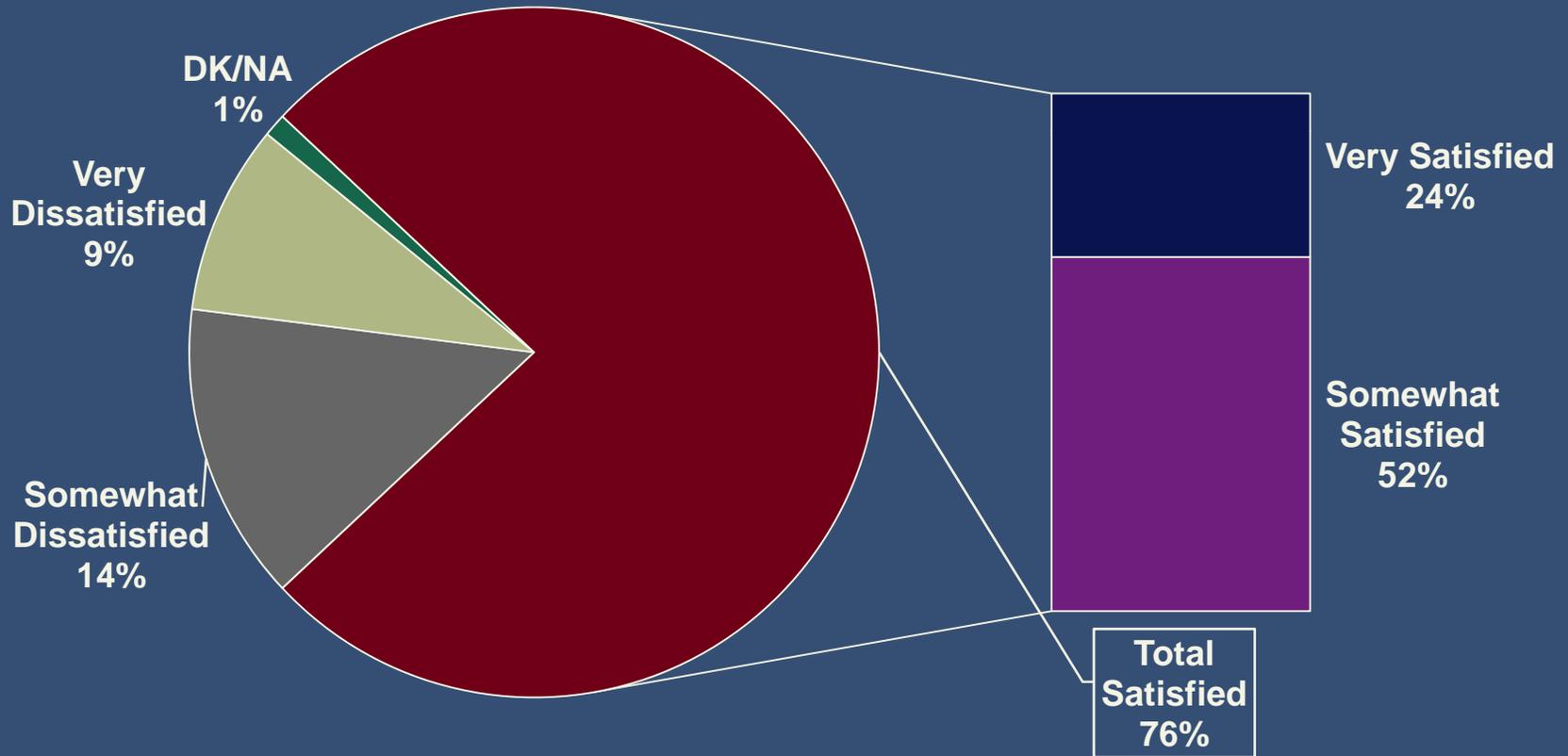
Region	Un-weighted	Weighted
Area 1 - West of I-880	33.3%	26%
Area 2 - Between and including Mission Blvd. and I-880	33.3%	47%
Area 3 - East of Mission Blvd.	33.3%	27%



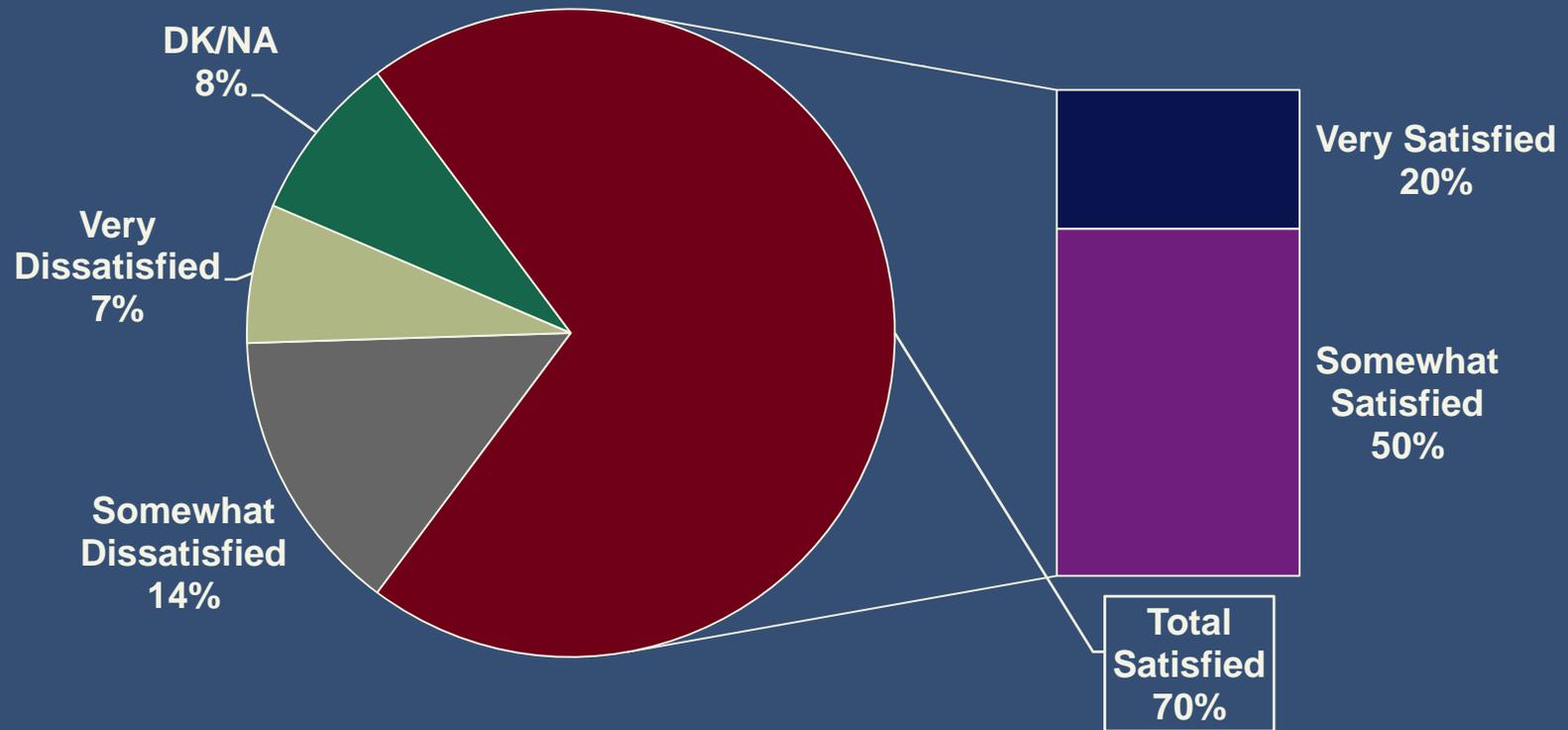
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## Detailed Findings

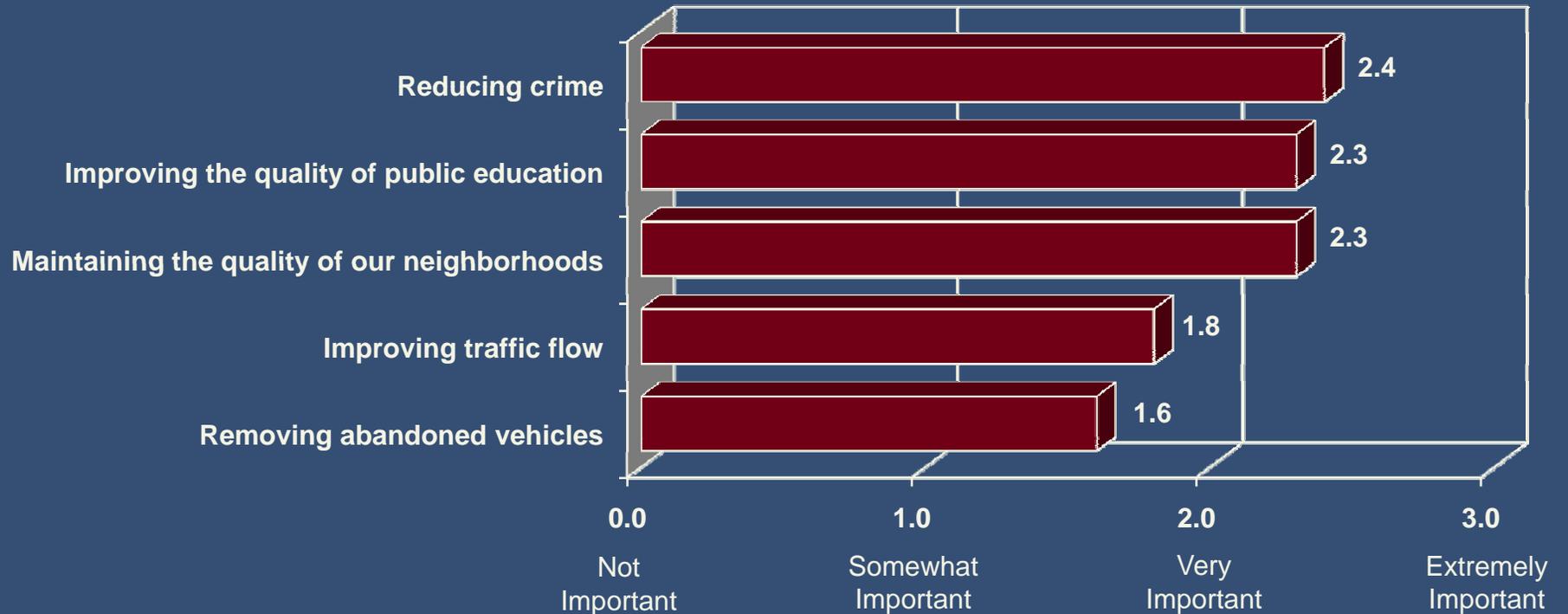
# Overall Satisfaction with Quality of Life



# Overall Satisfaction with City Services

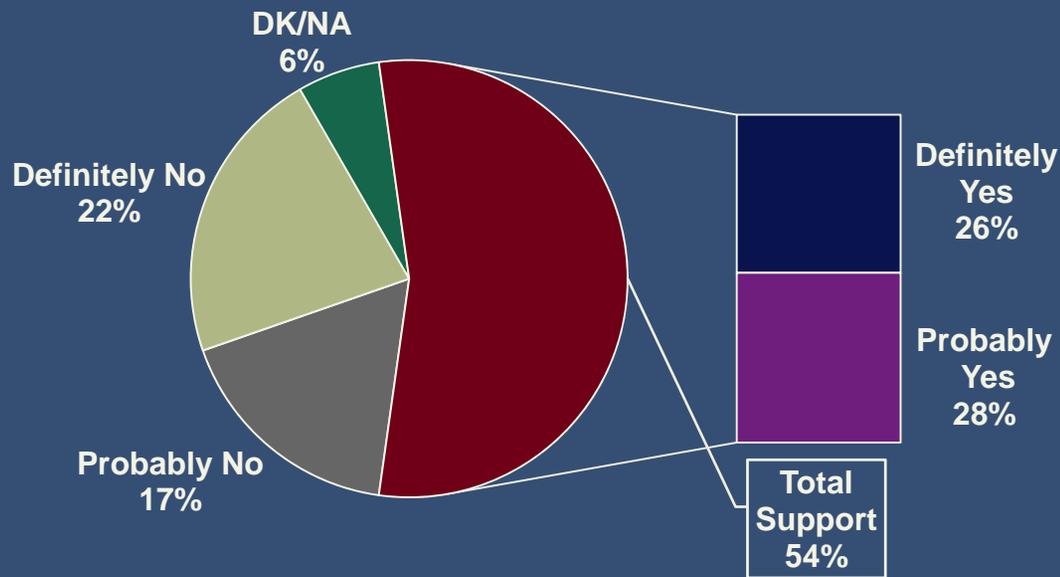


# Importance of City Services



Note: The above rating questions have been abbreviated for charting purposes. For the exact wording, please see Appendix D. The responses were recoded to calculate mean scores: "Extremely Important" = +3, "Very Important" = +2, "Somewhat Important" = +1, and "Not Important" = 0.

# Initial Ballot Test I



To preserve our quality of life, local economy, and maintain city services and facilities, including:

- Maintaining fire and police service levels and response times;
- Maintaining neighborhood appearance and graffiti removal services;
- Maintaining youth services that keep kids away from crime, gangs and drugs;
- Maintaining emergency and disaster preparedness services; and
- Maintaining streets, sidewalks and street lighting;

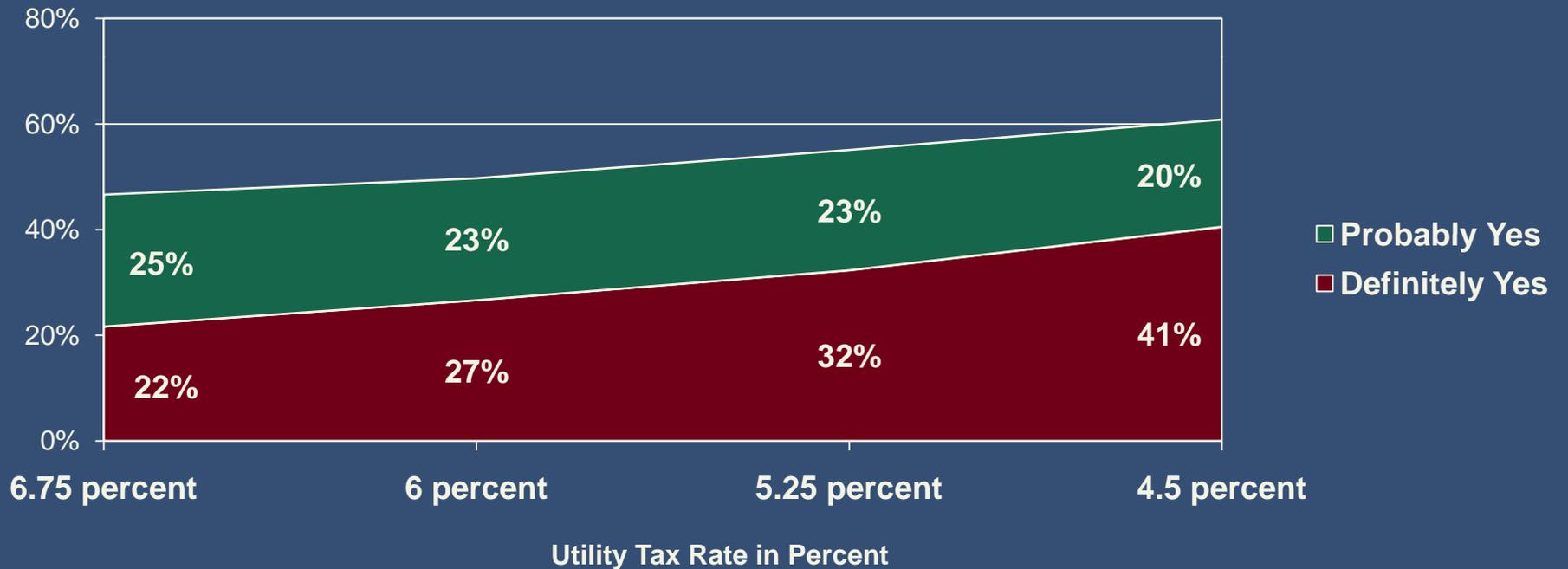
Shall the City of Hayward enact a 6.75 percent Utility User Tax on electricity, gas, cable, landline telephone, cellular, and related telecommunications usage?

# Initial Ballot Test II

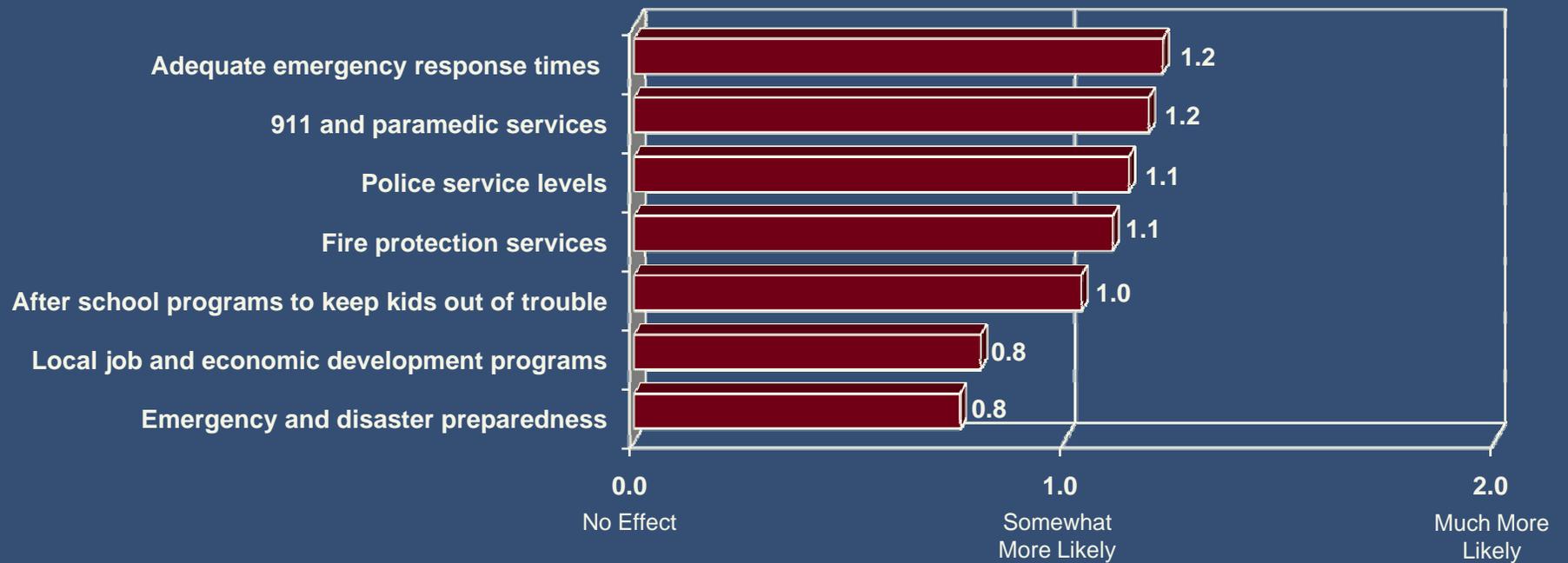
By Projected Voting Behavior

	June 2009 (Statewide)	June 2009 (Non- Statewide)	Mail Ballot 2009	November 2009
<b>Sample size</b>	<b>600</b>	<b>400</b>	<b>441</b>	<b>282</b>
<b>Margin of error</b>	<b>3.9%</b>	<b>4.8%</b>	<b>4.6%</b>	<b>5.7%</b>
<b>Definitely Yes</b>	26%	28%	27%	25%
<b>Probably Yes</b>	28%	27%	28%	26%
<b>Probably No</b>	17%	18%	16%	20%
<b>Definitely No</b>	22%	21%	22%	23%
<b>DK/NA</b>	6%	6%	7%	6%

# Support for Different Tax Rates

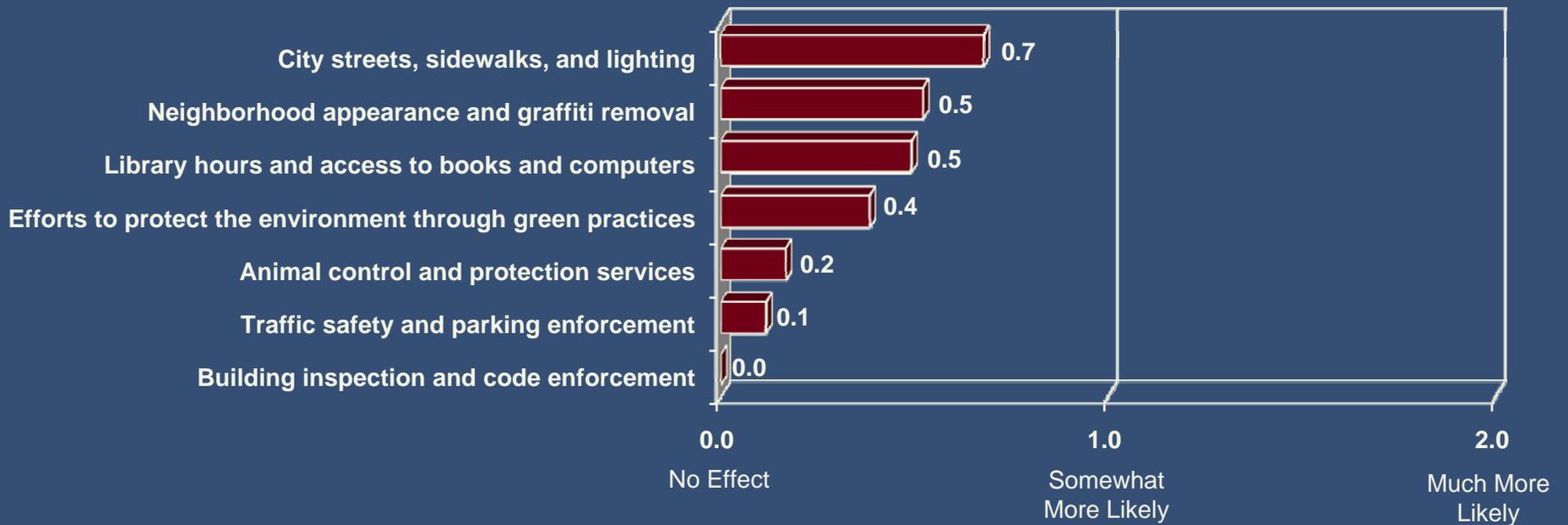


# Measure Features I



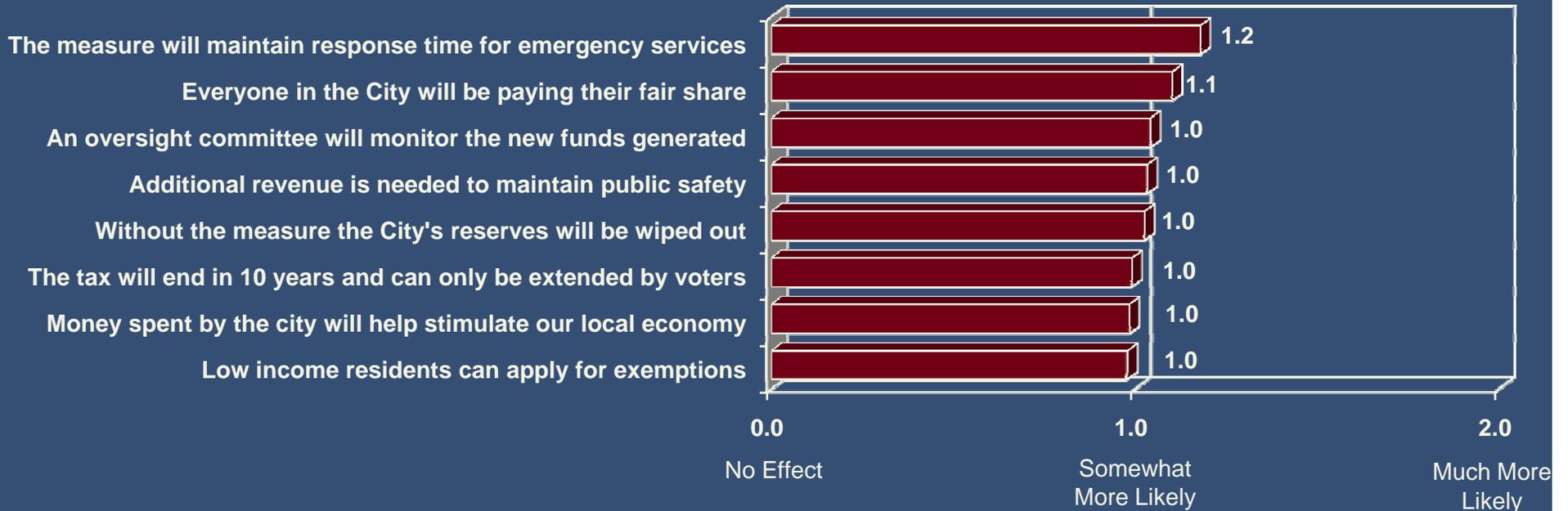
Note: The above rating questions have been abbreviated for charting purposes. The responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, and "No Effect" = 0, "Somewhat Less Likely" = -1, and "Much Less Likely" = -2.

# Measure Features II



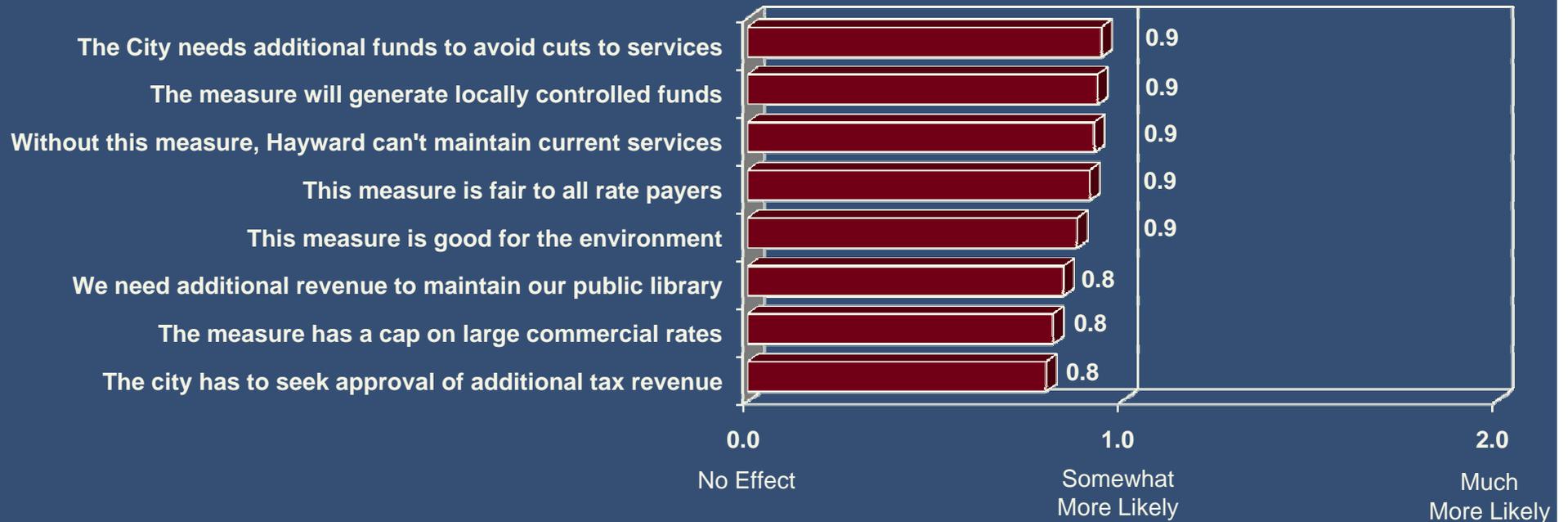
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# Positive Arguments I



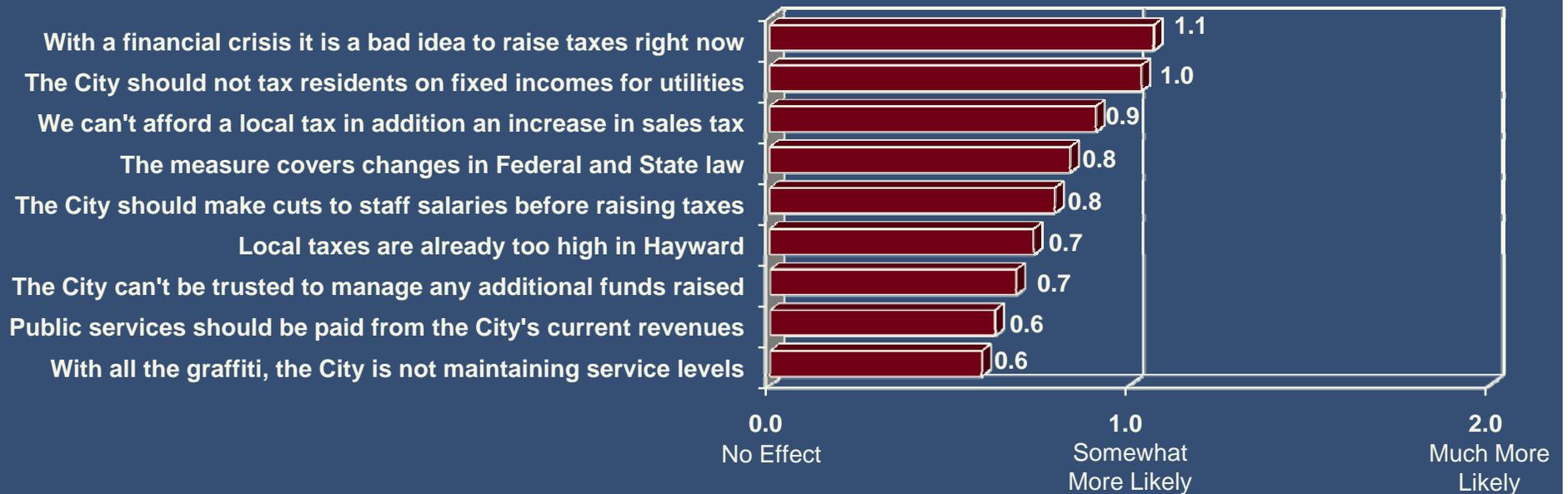
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# Positive Arguments II



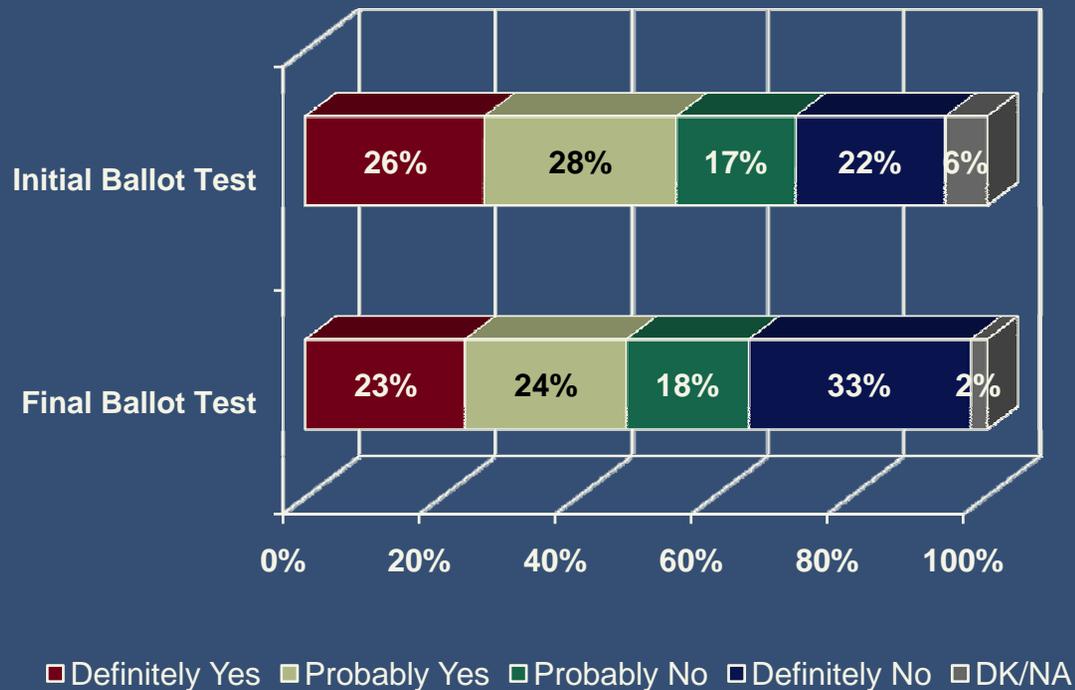
Note: The above rating questions have been abbreviated for charting purposes. The responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, and "No Effect" = 0.

# Negative Arguments



Note: The above rating questions have been abbreviated for charting purposes. The responses were recoded to calculate mean scores: "Much More Likely" = +2, "Somewhat More Likely" = +1, and "No Effect" = 0.

# Final Ballot Test I



To preserve our quality of life, local economy, and maintain city services and facilities, including:

- Maintaining fire and police service levels and response times;
- Maintaining neighborhood appearance and graffiti removal services;
- Maintaining youth services that keep kids away from crime, gangs and drugs;
- Maintaining emergency and disaster preparedness services; and
- Maintaining streets, sidewalks and street lighting;

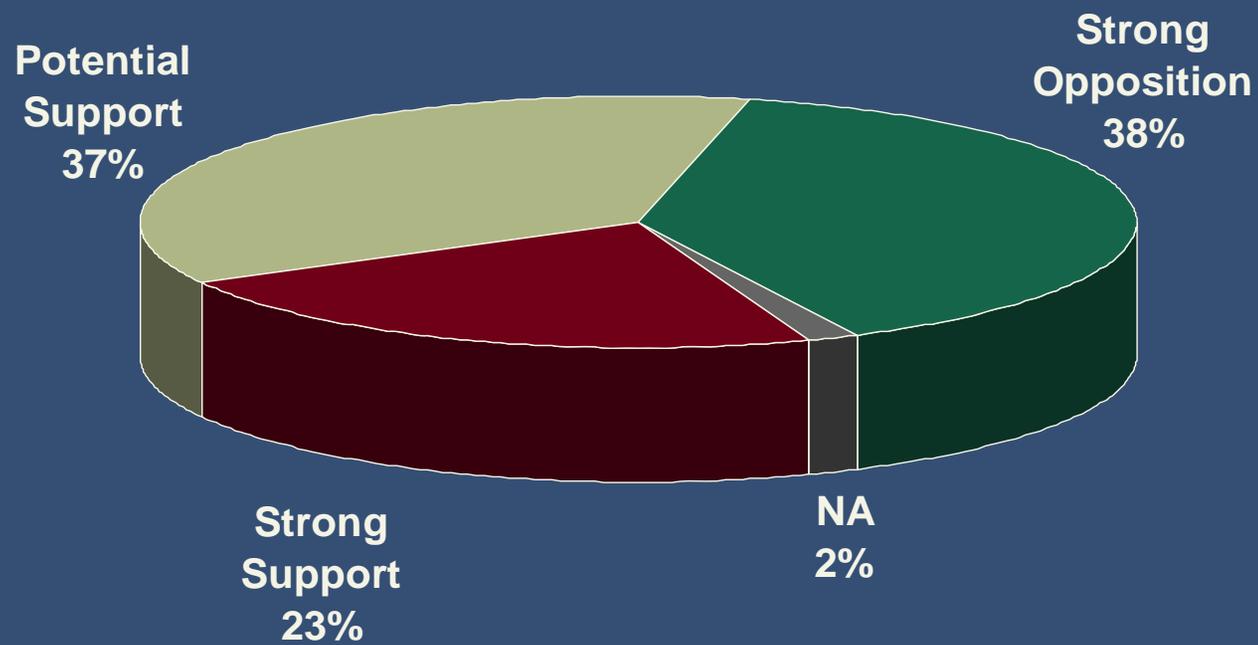
Shall the City of Hayward enact a 6.75 percent Utility User Tax on electricity, gas, cable, landline telephone, cellular, and related telecommunications usage?

# Final Ballot Test II

By Projected Voting Behavior

	June 2009 (Statewide)	June 2009 (Non-Statewide)	Mail Ballot 2009	November 2009
<b>Sample size</b>	<b>600</b>	<b>400</b>	<b>441</b>	<b>282</b>
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<b>Definitely Yes</b>	23%	23%	24%	21%
<b>Probably Yes</b>	24%	26%	24%	24%
<b>Probably No</b>	18%	17%	17%	19%
<b>Definitely No</b>	33%	33%	32%	35%
<b>DK/NA</b>	2%	2%	3%	2%

# Profiling Voter Support



# Summary and Recommendations I

- 76 percent reported being satisfied with their overall quality of life in the City of Hayward (24% very and 52% somewhat satisfied).
- 70 percent reported being satisfied with the job the City of Hayward was doing to provide services to its residents (20% very and 50% somewhat satisfied).
- Overall, reducing crime and maintaining the quality of neighborhoods was considered to be at least very important by 91 to 87 percent of the voters in the City, slightly higher than improving the quality of public education.
- The survey results found inadequate voter support for a 6.75 percent Utility User Tax on electricity, gas, cable, landline, telephone, cellular and related telecommunications usage:
  - After simulated public education, total support for a UUT of 6.75 percent was at 47 percent, which could be as low as 43 percent (23% definite and 24% probable support), with a four-percent error margin.
  - In the tax threshold test, total support for a UUT of 6 percent was at 50 percent and increased to 55 percent for a UUT of 5.25 percent. To be more conservative, setting the UUT below 6 percent would increase potential success of the measure.
- Based on the survey results, Godbe Research recommends placing a measure on the June 2009 ballot, or as logistics may permit, consider consolidating with a May 19, 2009 Statewide Special election.

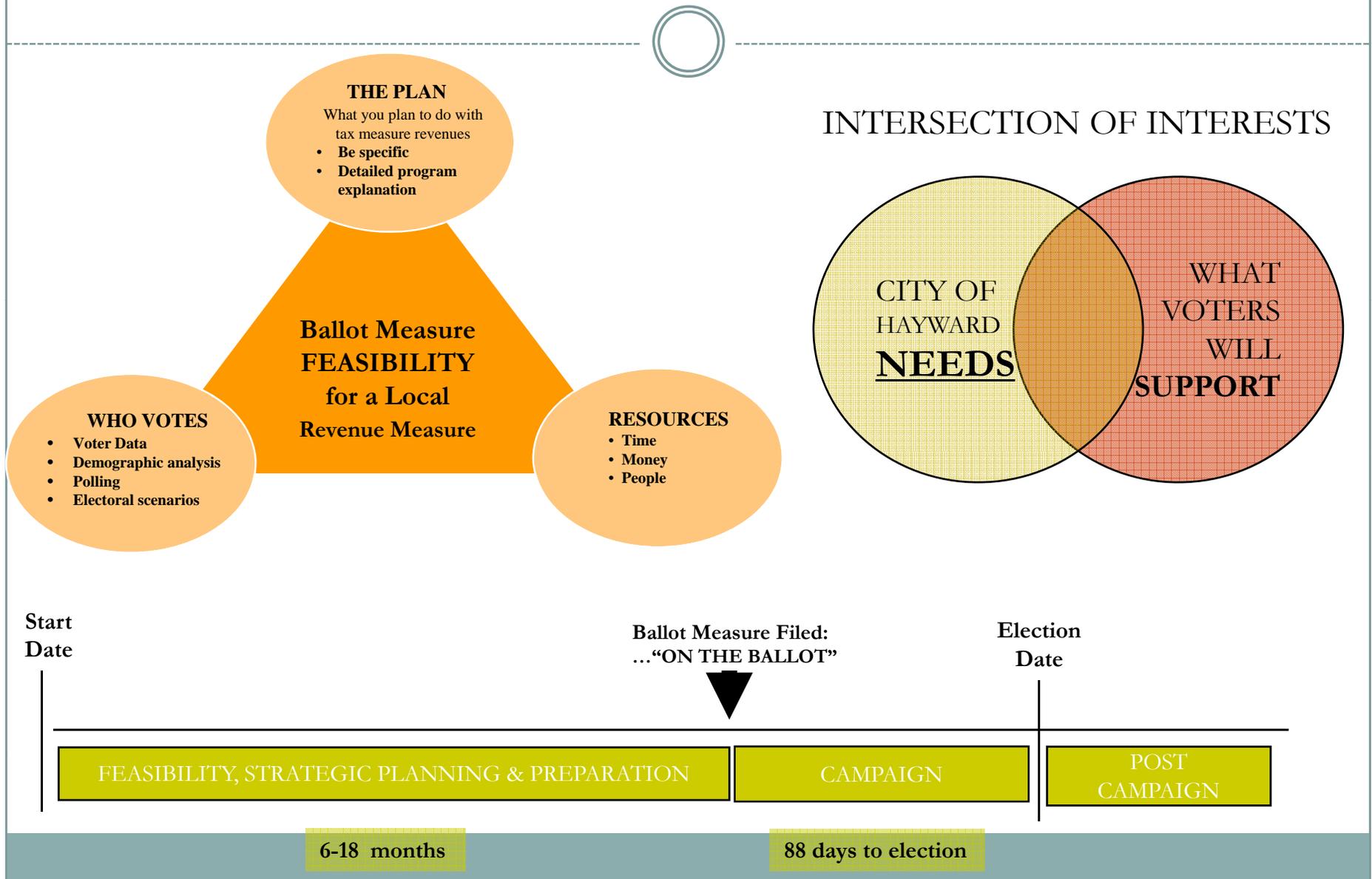


GODBE RESEARCH  
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# City of Hayward 2009 Revenue Measure Feasibility Survey

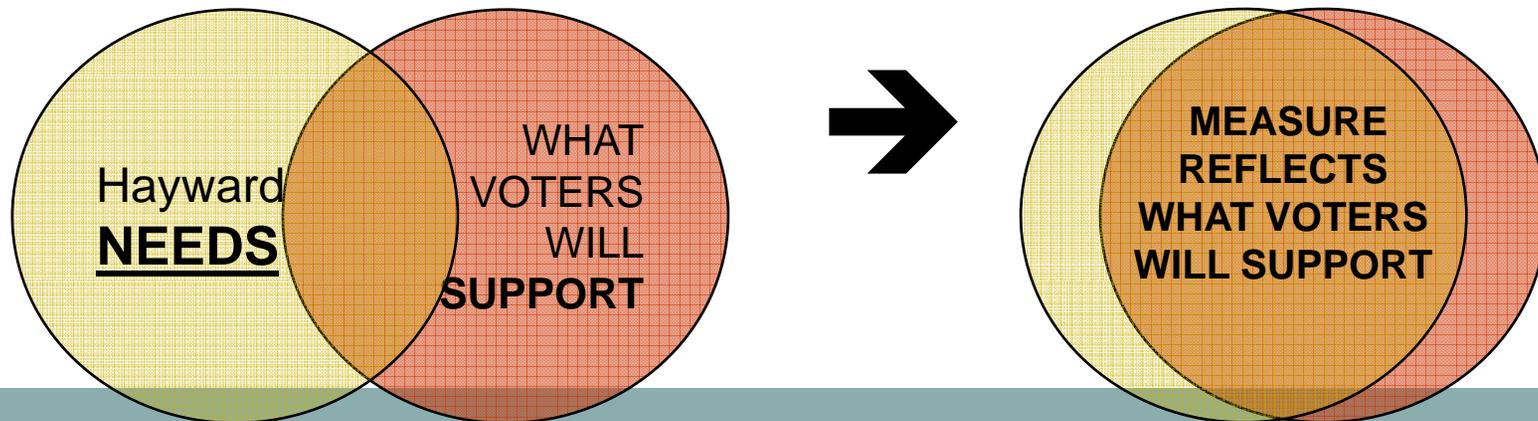
February 2009

# Determining Revenue Measure FEASIBILITY



# Hayward: RECOMMENDED BALLOT STATEMENT

To prevent severe cuts to Hayward city services including: maintaining firefighters, paramedics, fire stations, and neighborhood police patrols; protecting emergency response times; preserving youth/anti-gang programs, disaster preparedness, and job/economic development services; shall the City of Hayward adopt an ordinance enacting a Utility Users Tax of 5.5% on gas, electricity, video, and telecommunications services, for 10 years only, with exemptions available for low-income/lifeline users, and all money dedicated to preserving Hayward city services?



# WHY A UUT?

- Applied across a wide base of taxpayers
- A local tax: applied and collected locally
- Based on consumption
  - Under some control of taxpayer
  - Those using most, pay most
  - Supports Council's policy of sustainability
- Stable tax without large up and down swings
- It is common to municipalities in California
  - 146 cities; 4 counties
  - 7 cities in Alameda County + the Unincorporated County

# Process From Here

- Council must take action on March 3<sup>rd</sup> to qualify measure for a Special Election.
  - A municipal June 2<sup>nd</sup> election, or
  - A consolidated May 19<sup>th</sup> election
- If Council supports moving ahead, March 3<sup>rd</sup> Council action must include:
  - Resolution Declaring Fiscal Emergency
  - Resolution Calling for a Special Election and Approving Ballot Language
  - Approval of text of proposed Ordinance to adopt a Utility Users Tax
    - ✦ Final form
    - ✦ Adopted by voters and does not come back to Council for approval

# Declaration of Fiscal Emergency

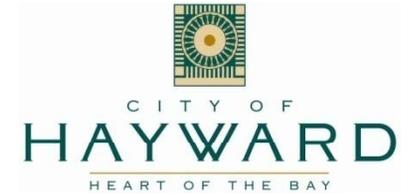


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- State Constitution requires that a general tax can only be submitted to voters in a regularly scheduled municipal election: June 2010
- Section 2(b) of Article IIC of Constitution allows for submitting tax at a special election if
  - Council declares a fiscal emergency
  - By unanimous vote

# Implementation Ordinance



- Implementing Ordinance is an initiative ordinance to be approved by the voters once Council approves the text
  - Voters will be voting on the elements of the Ordinance
  - Need to know what provisions are being proposed before they vote
- Critical elements
  - 5.5% tax rate: lowest in County
  - Low income (e.g., 50% AMI) and Lifeline exemption
  - Sunset provision of 10-years
  - Applied to phone, gas, electric, & video (cable)
  - Not applied to water, garbage, or sewer

# MILESTONES

- **March 3<sup>rd</sup>**
  - **Declare a fiscal emergency by unanimous vote**
  - **Call for a Special Election**
  - **Approve 75-word ballot measure language**
  - **Direct City Attorney to develop the impartial analysis**
  - **Request Consolidation with County (if desired)**
- **March 6<sup>th</sup>: Last day to publish “Notice of Measure”**
- **March 10<sup>th</sup>: last day to withdraw the measure**
- **May 19<sup>th</sup>: Election OR**
- **June 2<sup>nd</sup>: Election**



# Council Discussion



**PROVIDE STAFF DIRECTION:**

**FISCAL EMERGENCY  
BALLOT MEASURE LANGUAGE  
UUT ORDINANCE PROVISIONS**



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What do we want for the future of  
Hayward?