

Measure Z Oversight Committee

Annual Report of Measure Z Sales Tax

June 30, 2013

Executive Summary

On November 2, 2010, Measure Z quarter cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure Z receipts would provide revenues to cover vital City services (see table below), expire March 31, 2018 be subject to annual audits and reviewed by a citizens' oversight committee:

	Potential Reduction to Services	Results with Measure Z Revenues
1.	Eliminate 7 more police officers	Police officer staff maintained
2.	Eliminate a code enforcement officer	Code enforcement officer maintained
3.	Eliminate an animal control officer	Animal Control officer maintained
4.	Remove a fire ladder truck and 9 firefighters	Fire ladder truck and 9 firefighters maintained
5.	Reduce street repairs	Street and road improvements maintained
6.	Reduce libraries	All library branches remained open
7.	Reduce senior programs	Senior Community Center opened and expanded senior programs
8.	Reduce youth recreation services	Youth recreation services and programs maintained and enhanced

This report is scheduled for presentation to the San Leandro City Council on September 16, 2013.

Background

On November 2, 2010, Measure Z quarter cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure Z receipts expire March 31, 2018, are subject to annual audits and are reviewed by a citizens' oversight committee.

On April 2, 2012, the City Council passed a resolution authorizing the creation of the Measure Z Oversight Committee. City Council defines the scope of responsibility and duties of the Oversight Committee to include developing an annual report on the following:

- Amounts of Transaction and Use Tax revenue generated by Measure Z
- Use of the tax revenue and the impact on the City operating budget including a statement on the impact of the revenue in reducing the amount of cuts resulting from addressing the budget shortfall

- Statement of expenditures funded by Measure Z revenues
- Impacts of Measure Z on local business competitiveness and the collection of Sales Tax revenues
- Measure Z public information and transparency efforts
- Participation in developing a revenue sustainability plan and strategy

On December 3, 2012, City Council approved the five member Committee consisting of City leaders chosen from commercial and non-profit organizations.

During Fiscal Year 12-13, the City received its first full year of sales tax data related to Measure Z. These data are provided by the State Board of Equalization, which are typically six months in arrears.

Analysis

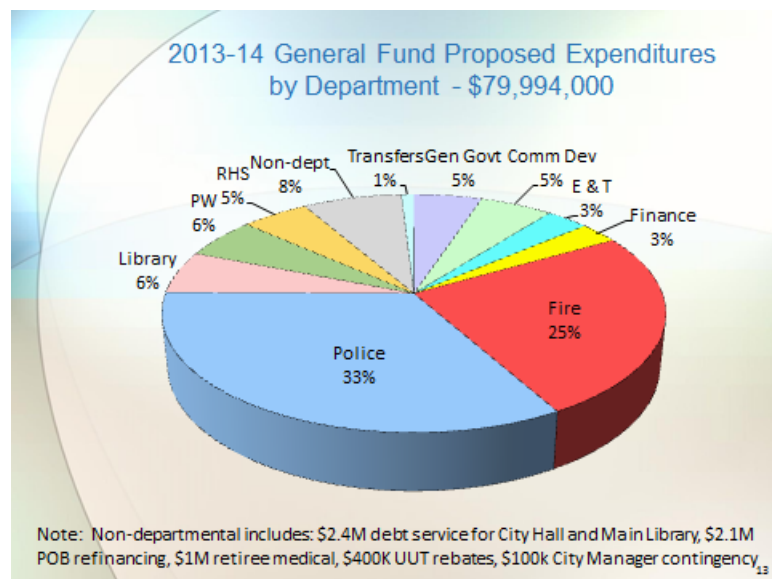
Amounts of Transaction and Use Tax revenue generated by Measure Z

The most recent information is available for the year-ended 9/30/12; \$4,097,404 Measure Z receipts were received. This represents 5.3% of projected General Fund Revenue for Fiscal Year 2012-13.

Use of the tax revenue and the impact on the City operating budget including a statement on the impact of the revenue in reducing the amount of cuts resulting from addressing the budget shortfall

The Measure Z revenue is available for any legal expenditure by the City. In the context of public safety, the annual revenue represents about 15.6% of the police department's Fiscal Year 12-13 budget, which is \$25.6 million, and 22% of the fire department budget, which is \$18.9 million. Without Measure Z, the sworn police officers totaling 90 could be cut by as much as 14 positions. Similarly, the current staff of 63 firefighters could be cut 14 positions without Measure Z. The ballot also indicated that Measure Z would sustain 9-1-1 emergency response times, neighborhood police patrols, investigation and gang suppression officers, library hours/programs, street and pothole repairs, youth after-school and senior programs, and other general City services. The City preserved funding for these programs and projects due to Measure Z.

Statement of expenditures funded by Measure Z



The abbreviations used in the pie chart are:

- PW (Public Works Department)
- RHS (Recreation and Human Services Department)
- Gen Govt (General Government – City Attorney, City Clerk, City Council, Human Resources, Finance and City Manager)
- Comm Dev (Community Development Department)
- E&T (Engineering and Transportation)
- POB (Pension Obligation bonds)
- UUT (Utility Users Tax).

The pie chart indicates that a total of 58% will be spent on public safety in Fiscal Year 13-14. The remaining 42% will fund libraries, parks, community development, infrastructure improvements, repairs, maintenance and administration. The City's Fiscal Year budget, which ends on June 30, is currently balanced.

Impacts of Measure Z on local business competitiveness and the collection of Sales Tax revenues

Sales tax revenue has increased since the inception of Measure Z. The upward trend indicates that the City continues to receive its share of local consumer spending. In the most recent Quarterly Report on Sales Tax and Business Activity (attached), San Leandro base sales tax (without counting Measure Z revenue) has grown 5.9%, despite the addition of Measure Z.

Measure Z public information and transparency efforts

Measure Z revenue has been highlighted each year in the City Council's adopted budget. In the recently adopted Biennial Budget Message, the following excerpt states: The City would have faced even greater service reductions if not for the additional revenue from Measure Z, the temporary, quarter cent sales tax measure approved by over 60% of the voters in the November 2010 election. Measure Z's passage generates about \$4,000,000 annually in additional revenue, allowing the City to maintain existing service levels. The Measure Z ordinance expires in five years on March 31, 2018.

Recommendation

It is recommended that the City Council accept the Annual Report and use this information to advance the discussion of revenue sustainability for the City.