

Measure Z Oversight Committee

Annual Report of Measure Z Sales Tax

June 30, 2014

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, which expire March 31, 2018, would provide revenues to cover vital City services (see table below), 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 15, 2014.

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.

The Measure Z Oversight Committee held several meetings, made several recommendations and submitted its annual report. City staff supported the work of the Committee by producing audited financial statements for each year that Measure Z taxes were collected. These audits produced clean, unqualified opinions from the City's Certified Public Accountants, independent auditor. These audits and budgets adopted by City Council received awards from the Government Finance Officers Association.

On September 16, 2013, the City Council approved the Measure Z Annual Report.

The City receives 1.25 cents of the 9.25 cents per dollar sales tax. It is possible that the County's November 2014 sales tax (Measure B) will pass, which would increase the City's sales tax rate to as much as 10%. The current allocation of the 9.25 cents sales tax is as follows:

| AGENCY | % |
|---|--------------|
| State of California | 5.50% |
| State Public Safety Fund (Proposition 172) | 0.50% |
| State Public Education Fund (Proposition 30) | 0.25% |
| Alameda County | 0.25% |
| Alameda County Transportation Commission | 0.50% |
| Alameda County Essential Health Care Services | 0.50% |
| Alameda County BART | 0.50% |
| City of San Leandro (includes .25% Triple Flip backfill) | 1.00% |
| City of San Leandro Temporary Transaction and Use Tax | 0.25% |
| Total Sales Tax in San Leandro | 9.25% |

Analysis

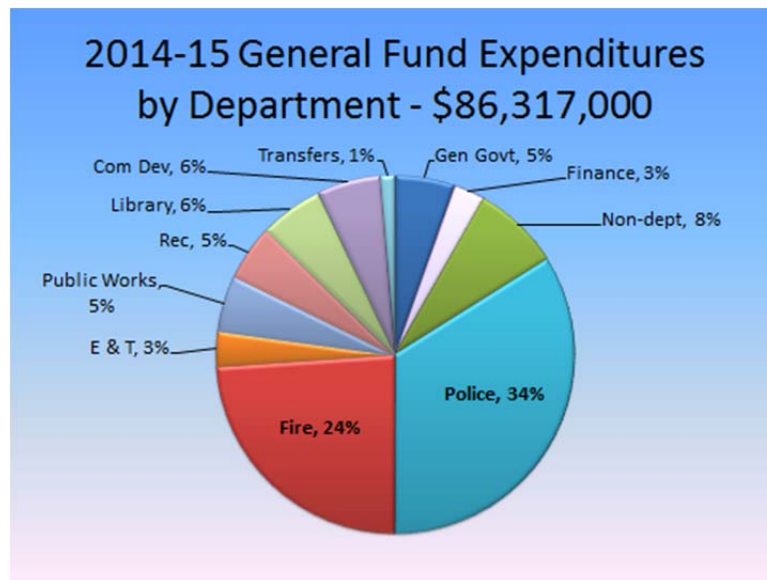
Amounts of Transaction and Use Tax revenue generated by Measure Z

The adopted Budget approved on May 19, 2014 anticipates \$4.45 million Measure Z revenue for FY 2013-14. This represents an increase of 3.5% from the prior year. The Measure Z revenue is forecasted to increase \$4.65 million in the current year budget, which represents 5.5% of projected General Fund Revenue for Fiscal Year 2014-15.

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 16.1% of the police department's Fiscal Year 13-14 budget, which is \$27.6 million, and 22.3% of the fire department budget, which is \$20 million. Without Measure Z, the sworn police officers totaling 90 could be cut by as much as 14 positions (if \$4.45 million was removed from the police department budget). Similarly, the fire department 63 firefighters could be down 14 positions (if all \$4.45 million was eliminated from its budget). 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 pie chart indicates that a total of 58% will be spent on public safety in Fiscal Year 14-15. The remaining 42% will fund libraries, parks, community development, infrastructure improvements, repairs, maintenance and administration. The abbreviations used in the pie chart are Rec (Recreation and Human Services Department), Gen Govt (General Government – City Attorney, City Clerk, City Council, Human Resources, Finance and City Manager), Com Dev (Community Development Department), and E&T (Engineering and Transportation. Non-dept. costs are General Fund debt service and leases. 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 increases have occurred 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 Historical Sales Per Capita (attached), San Leandro base sales tax (without counting Measure Z revenue) has grown 19%, \$196/capita to \$233/capita despite the addition of Measure Z. In contrast, Alameda County’s sales tax is \$174/capita.

Measure Z public information and transparency efforts

Measure Z revenue has been highlighted each year in the City Council’s adopted budget. In the 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 \$4.0

million annually in additional revenue, allowing the City to maintain existing service levels. The Measure Z ordinance expires on March 31, 2018.

Participation in developing a revenue sustainability plan and strategy

On July 7, 2014, City Council approved ballot language on the November 4, 2014 ballot that would replace the existing Measure Z ordinance, which expires in March 2018, and extend a ½ cent rate for 30 years.

The basis of this initiative is the provision of services and infrastructure which will deteriorate unless additional funds are available to the City. A scientific survey conducted by Godbe research determined that there is strong support for the new initiative if it supports the following services provided by the City:

- Maintaining 9-1-1 emergency response times
- Maintaining neighborhood patrol officers
- Maintaining library programs for children, adults & families
- Enhancing anti-gang and law enforcement efforts
- Maintaining fire prevention services
- Maintaining school police officers & crossing guards
- Repairing potholes/cracks, maintaining residential streets
- Maintaining investigation & gang suppression officers

Recommendation

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

San Leandro

Historical Sales Per Capita by Benchmark Year

