

Measure HH Citizens Oversight Committee

Annual Report of Measure HH Sales Tax

June 30, 2015

Executive Summary

On November 4, 2014, Measure HH half cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure HH receipts, which expire March 31, 2045, would provide revenues to cover vital City services (see table below), be subject to annual audits and reviewed by a citizens oversight committee:

	Pre-Measure Z Potential Reduction to Services	Results with Measure HH Revenues
1.	Eliminate 7 more police officers	Police officer staff increased 9% since 2010
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 repair increased, including Marina Boulevard
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

Measure HH replaces Measure Z effective April 1, 2015. The table above reflects the pre-Measure Z cost cutting proposals which were avoided due to the passage of Measure Z and Measure HH.

This report is scheduled for presentation to the San Leandro City Council on December 7, 2015.

Background

On November 4, 2014, Measure HH half cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure HH receipts expire March 31, 2045, are subject to annual audits, and are reviewed by a citizens oversight committee.

On July 6, 2015, the City Council passed a resolution authorizing the creation of the Measure HH Citizens 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 HH
- 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 HH revenues
- Impacts of Measure HH on local business competitiveness and the collection of Sales Tax revenues
- Measure HH public information and transparency efforts
- Participation in developing a revenue sustainability plan and strategy

During FY 2014-15, the City accrued three months of sales tax data related to Measure HH. These data are provided by the State Board of Equalization, which are typically six months in arrears.

The Measure HH Oversight Committee held its first meeting on September 29, 2015, made several recommendations and discussed its annual report. City staff supported the work of the Committee by producing financial information and community priorities supporting the need for Measure HH. Audits have 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. The audit for fiscal year (FY) 2014-15 is currently underway and not expected to conclude until January 2016.

The City receives 1.5 cents of the 10 cents per dollar sales tax. The current allocation of the 10 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 Authority	1.00%
Alameda County Essential Health Care Services	0.50%
Alameda County BART	0.50%
City of San Leandro (includes .25% Triple Flip reimbursement)	1.00%
City of San Leandro Temporary Transaction & Use Tax	0.50%
Total Sales Tax in San Leandro	10.00%

Analysis

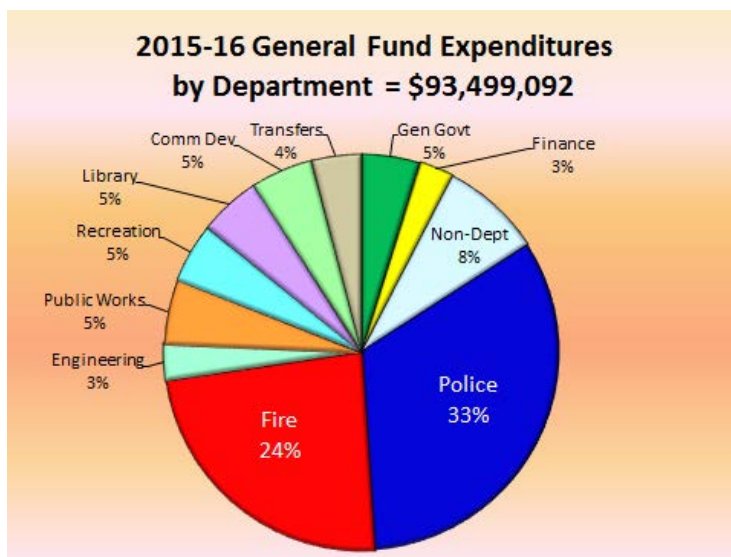
Amounts of Transaction and Use Tax revenue generated by Measure HH

The adopted Budget approved on June 1, 2015 anticipates \$10.3 million Measure HH revenue for FY 2015-16. The City is allocated its Measure HH sales tax starting April 1, 2015 but did not budget a full year of receipts until FY 2015-16. The first receipts are received in the fall 2015.

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 HH revenue is available for any legal expenditure by the City. In the context of public safety, the annual revenue represents about 33% of the police department's FY 2015-16 budget, which is \$30.8 million, and 47% of the fire department budget, which is \$22.1 million. Without Measure HH, the sworn police officers totaling 93 could be cut by as much as 31 positions (if \$10.3 million was removed from the police department budget). Similarly, the fire department 63 firefighters could be down 47 positions (if all \$10.3 million was eliminated from its budget). The ballot also indicated that Measure HH 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 HH.

Statement of expenditures funded by Measure HH



The pie chart indicates that a total of 57% will be spent on public safety in FY 2015-16. The remaining 43% 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 Engineering (Engineering and Transportation). Non-dept. (non-departmental) costs are General Fund debt service, retiree medical, community investment and events, and leases. The City's FY 2015-16 budget, which ends on June 30, is currently balanced.

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

Sales tax increases have occurred at a rate greater than the average rate for other cities in Alameda County since the inception of Measure Z quarter cent sales tax. Three other cities in Alameda County have a 10% rate: Albany, Hayward and Union City. The impact of Measure HH cannot be determined until sales tax receipts are measured in FY 2015-16.

Measure HH public information and transparency efforts

Measure HH revenue has been highlighted in the City Council's adopted budget. In the adopted Biennial Budget Message, the following excerpt states: Measure HH is approved for a 30 year period and promises to protect and maintain City services. The November ballot language mentions 911 emergency response, neighborhood police patrols, anti-gang enforcement, library programs for children, adults and families. The successful measure also supports after school programs for youth including homework assistance and reading programs, school police officers and crossing guards. The measure will also help fill potholes and maintain residential streets (\$1 million of new General Fund money is allocated to the street overlay rehabilitation program and \$542,000 is allocated to Marina Boulevard Improvements in FY 2015-16.)

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 replaced the Measure Z ordinance, which was expiring 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 predicted the strong support for the new initiative as long as 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 City Council accept the Annual Report and use this information to advance the discussion of revenue sustainability for the City.