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Staff Report for City Council Consideration of Placing a Ballot Measure Requesting Voter Authorization to Extend Measure Z

SUMMARY AND RECOMMENDATIONS

It is recommended that the City Council:

- 1) By motion, adopt by majority vote the attached resolution placing a measure on the November 4, 2014 ballot asking San Leandro voters to extend its existing, voter-approved local transactions and use (“sales tax”) measure at the half-cent (0.5%) rate, with a 30 year sunset provision, and direct staff to prepare the related ballot filing procedures for the temporary sales tax measure, including urging the Alameda County Registrar of Voters to assign “Z” as the measure letter.
- 2) By motion, and in conformance with California Revenue and Taxation Code section 7285.9, adopt by a 2/3 vote of all of the members of the City Council (5 affirmative votes) the attached ordinance codifying the proposed measure at the half-cent rate for 30 years, contingent upon authorization by the voters of the measure described in item 1) above.
- 3) By motion, adopt by majority vote the attached ordinance rescinding the existing Measure Z sales tax, codified as San Leandro Municipal Code Chapter 2-19, contingent upon authorization by the voters of the proposed measure described in item 1) above.

BACKGROUND

In November 2010, San Leandro voters authorized Measure Z, a local funding measure for local services, with revenue that cannot be taken by Sacramento. Measure Z has provided a reliable, voter-approved funding source for public safety and other essential City services. Measure Z is scheduled to expire. Preserving current levels of public safety, library, youth and anti-gang programs in the City, while addressing significant street and road repair needs are some of the many challenges the City

faces in the current economy.

Although the broader regional economy and the stability of the City's general fund budget have improved since the adoption of this measure in 2010, the City of San Leandro continues to face many financial and operational challenges in the years ahead. While Measure Z revenues support current service levels, these funds do not sufficiently address a growing backlog of unfunded public safety, infrastructure, and other program and service needs. Continuation of Measure Z at the ½ cent rate is necessary to maintain the City's ability to provide the level of services San Leandro residents have consistently said they wanted.

On November 18, 2013, the City Council appointed an *Ad Hoc Committee on Community Priorities and Potential Revenue Measures* in order to further explore the above issues and to guide the work of consultants retained by the City to explore the viability of extending Measure Z. On December 2, 2013, the City Council also authorized the development and execution of a public opinion survey designed to gauge community service priorities as well as the potential viability of extending Measure Z. The results of this survey were subsequently presented to the City Council during the February 1, 2014 planning session.

Public Opinion and Community Survey Results:

Public opinion survey results indicated strong community support for renewing and expanding the City's existing sales tax measure (73.5%) in order to protect and maintain local services such as:

- 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 resource officers & crossing guards
- Repairing potholes and cracks, maintaining residential streets
- Maintaining investigation & gang suppression officers

Since the implementation of the survey, City staff distributed both electronic and mailed community surveys to a broad cross-section of community residents in order to collect additional public input on the specific City programs and services that are of highest importance to the community. To date, approximately 900 survey responses have been sent back to the City (more than 700 respondents were also surveyed telephonically). Top service priorities outlined in electronic and mailed survey responses generally mirrored the results of the public opinion poll outlined above.

Receiving the highest levels of support:

- Maintaining Neighborhood Patrol Officers;
- Maintaining 9-1-1 Emergency Response Times;
- Repairing Potholes and Cracks; and
- Maintaining Neighborhood Streets.

Analysis

Based upon analysis provided by the City's Finance Department, San Leandro can be considered a

“sales tax importer”, in that a majority of local sales tax is paid by out-of-town shoppers coming to local destinations. Any extension of Measure Z would not be a property tax - and as visitors to San Leandro pay a majority of the sales tax revenue, visitors are paying well over half of its proceeds. In short, there is good evidence that costs that are generated by out-of-town visitors who use San Leandro’s local services such as streets, sidewalks, parks and police protection are underwritten through Measure Z and would be through, if approved by the voters, a subsequent extension. An extension measure would also enable the City to address the community’s concern for repairing local streets, which only become more expensive to repair over time if left unaddressed. Independent experts have determined that San Leandro’s streets are presently in the second worst condition of any city in Alameda County. Lastly, the proposed measure would also continue to provide San Leandro with a guaranteed source of local funding for vital City services that cannot be taken by Sacramento.

The revenue measure to be submitted to the voters, if approved, would establish a half-cent, or 0.5% local rate on retail transactions and sales. The revenue would be collected at point of sale and subsequently remitted to the City by the State Board of Equalization. The measure is approved if the measure receives at least a majority of affirmative votes of eligible City voters.

According to the reports of the independent Measure Z Citizens Oversight Committee, annual audits of the usage of existing Measure Z revenues verify the City’s careful financial stewardship of Measure Z dollars. Nevertheless, while Measure Z revenues support current service levels, these funds do not sufficiently address a growing backlog of unfunded public safety, infrastructure, and other program and service needs.

Proposed Ballot Question:

Should the City Council decide to place the measure on the November 4, 2014 ballot, the following draft ballot language is recommended to be used in the upcoming election. It has been reviewed and is recommended by the City’s consultants, and is approved by the City Attorney; it meets the specific legal and technical requirements of the Elections Code for placement of a transactions and use tax measure. Staff therefore recommends that no changes be made to the proposed ballot language. The City Council may authorize the Mayor or a subcommittee of the City Council to file an argument in favor of the measure and a rebuttal to an argument filed against it and to work with an independent campaign committee or other third-parties on the preparation of the argument and rebuttal.

To protect/ maintain local services, including: 911 emergency response; neighborhood police patrols/ anti-gang enforcement; library programs for children, adults/ families; after school programs for children/ teens including, homework assistance/ reading programs; school police officers/ crossing guards; repairing potholes/ maintaining residential streets; and other City services, shall the City of San Leandro extend Measure Z and set the sales tax at ½ cent for 30 years, with citizens oversight, annual audits, all funds for San Leandro, no funds for Sacramento?

YES NO

Fiscal Impacts and Spending Priorities Discussion:

If adopted by voters, conservative estimates indicate the proposed measure would generate approximately \$8.0 million per year, or approximately \$240 million over the proposed 30 year duration of the measure. If the proposed measure is authorized by the voters, staff recommends that the City Council consider appropriating portions of the new funds towards the following programs and service priorities, which survey responses have indicated are of highest priority to community

residents:

- Repairing and maintaining neighborhood streets in San Leandro
- Upgrading Library services and facilities, including meeting rooms, audio/visual equipment, and programs for local youth
- Public Safety Facility upgrades
- Investments in technology and innovation infrastructure
- Additional investments in the City's Capital Improvement Program (CIP)
- Enhancement of anti-gang and law enforcement efforts
- Maintaining library programs for children, adults and families
- Maintaining neighborhood patrol officers
- Maintaining 9-1-1 emergency response times
- Maintaining school police officers
- Maintaining fire prevention services
- Maintaining programs for children and teens such as after-school programs, homework assistance and reading at the library
- Connecting additional City facilities to Lit San Leandro high-speed fiber
- Upgrading and maintaining Park and playground equipment
- Improvements to Marina Boulevard
- City Facility Security Improvements
- Aquatic facility upgrades
- Stormwater Infrastructure Improvements
- Mitigation efforts to Address Sea level Rise
- Information Technology upgrades
- Adding, Maintaining, or Upgrading bicycle and pedestrian lanes/pathways

The cost of placing the measure on the November 2014 election ballot is estimated to be \$16,500. Funds are available in the Elections account 010-11-031 for this purpose.

Budget Authority:

\$110,000 has been budgeted in 010-11-031 in the FY 2014-15 General Fund budget for the conduct of the November 2014 General Municipal election.

Conclusion:

This report provides an overview of the proposed temporary transactions and use (sales) tax measure for consideration by the City Council for the November 4, 2014 election. If the City Council wishes to proceed to place the measure on the ballot, then staff recommends that the City Council take three separate votes:

- 1) Approve by majority vote the resolution to place the measure on the ballot and direct staff to take all necessary steps to do so;
- 2) Approve by a 2/3 vote of all of the members of the City Council the proposed ordinance to extend the existing transactions and use tax at the ½ cent (0.5%) rate, with a 30 year sunset provision, and citizens' oversight, all as further described in this staff report and the attached Ordinance; and

- 3) Approve by majority vote for first reading the proposed ordinance to rescind in its entirety the existing transactions and use tax, Chapter 2-19 of the San Leandro Municipal Code, contingent upon passage of the ballot measure.

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