



DATE: November 14, 2017

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT Measure C Sales Tax Initiative - Annual Report

RECOMMENDATION

That Council reviews and provides feedback on the City's Measure C Annual Report.

BACKGROUND

On June 3, 2014, the voters of the City of Hayward passed Measure C to create a District Sales Tax that increased the City's Sales and Use Tax by half a percent for twenty years, through October 1, 2034. Based on actual revenues received to date, staff estimates that the District Sales Tax is generating more than the projected \$13 million annually in revenue.

This District Sales Tax is a general tax and considered discretionary in nature. Council has historically used these funds to address some of the ongoing operating and capital priorities consistent with the uses outlined when the Council adopted a resolution placing the measure on the ballot in 2014. The ongoing service-related priorities include public safety (particularly police services), illegal dumping, litter control, and graffiti abatement. Some of the priority capital projects include the construction of the City's new 21st Century Library and Community Learning Center, fire station retrofits and improvements, rehabilitation and expansion of the existing fire training center, as well as extensive street improvements.

On September 30, 2015, the City issued Certificates of Participation (COPs) for \$67.5 million to fund the capital projects listed above. Debt Service for the COPs is secured and paid by the District Sales Tax revenue. Annual debt service payments for the COPs range from \$2.9 to \$5.4 million annually and are committed for the next twenty years.

DISCUSSION

Measure C Performance

The table below shows revenue and expenditure activity related to the District Sales Tax for FY 2016 and FY 2017.

	FY 2016 Actual	FY 2017 Projected Actuals
Revenues		
Measure C District Sales Tax	\$ 13,436,227	14,009,387
Other Revenues (Interest)		141,452
Total Revenues	13,436,227	14,150,839
Expenditures		
Capital		
Library/ Learning Center	10,607,338	17,372,241
Fire Facilities Design	930,859	1,285,242
Fire Station 1		358,293
Fire Station 2		587,183
Fire Station 3		472,826
Fire Station 4		114,900
Fire Station 5		75,973
Fire Station 6 & Regional Training Center		681,043
Street Rehabilitation	490,845	10,554,232
Street Slurry Seal		
Debt Service	2,326,436	6,600,000
Operating		
Personnel	854,997	2,185,650
Other Operating	423,087	209,485
Total Expenditures	15,633,562	40,497,066
Beginning Fund Balance	7,884,501	71,476,963
Annual Surplus/Shortfall	(2,197,335)	(26,346,227)
Proceeds from Issuance of COPs*	65,789,797	
Ending Fund Balance	\$ 71,476,963	\$ 45,130,736

* The Difference between the \$67.5 million in COPs issued and the \$65.8 million shown relate to the costs of issuance for the COPs

Operating Expenditures:

FY 2017 Measure C was used to fund ongoing operating personnel expenditures in the total amount of \$2.2 million (Maintenance Services Department (\$535,091) and Police Department (\$1.65 million)), an increase of \$1.3 million over FY 2016 actuals. This \$1.3 million increase in personnel cost is related to the hiring of five positions in FY2017 within the Police Department (three Police Officers, one Communications Supervisor, and one Call Taker). Other operating expenditures include utilities, supplies and services, and internal staff charges, and totaled \$209,485, which is a decrease of \$213,602 over FY 2016. The decrease in operating expenditures from FY 2016 to FY 2017 is primarily attributed to the one-time expense for two maintenance vehicles and caller taker equipment purchased in FY 2016. Operating expenditures totaled approximated \$2.4 million in FY2017.

Capital Expenditures:

FY 2017 District Sales Tax related to capital expenditures totaled \$31.5 million, a significant increase from FY 2016 where capital expenditures totaled \$12 million. The significant drivers of FY 2017 capital expenditures include: design and construction of the City's 21st Century Library and Community Learning Center (\$17M), design of improvements for Fire Station Nos. 1 - 5 (\$1.3M) and city-wide street infrastructure improvement projects (\$10.6M). A large portion of these FY 2017 capital expenditures were funded using the proceeds from the COPs mentioned above.

Measure C - FY 2018

The table below shows projected revenue and expenditure activity related to the District Sales Tax for FY 2018.

	FY 2017 Projected Actual	FY 2018 Budget
Revenues		
Measure C District Sales Tax	14,009,387	\$ 14,207,509
Other Revenues (Interest)	141,452	-
Total Revenues	14,150,839	14,207,509
Expenditures		
Capital		
Library/ Learning Center	17,372,241	33,500,421
Fire Facilities Design	1,285,242	686,008
Fire Station 1	358,293	1,141,707
Fire Station 2	587,183	2,110,513
Fire Station 3	472,826	1,627,173
Fire Station 4	114,900	2,083,700
Fire Station 5	75,973	1,624,027
Fire Station 6 & Regional Training Center	681,043	8,981,992
Street Rehabilitation	10,554,232	954,923
Street Slurry Seal		
Debt Service	6,600,000	2,730,688
Operating		
Personnel	2,185,650	2,796,120
Other Operating	209,485	331,033
Total Expenditures	40,497,066	58,568,305
Beginning Fund Balance	71,476,963	45,130,736
Annual Surplus/Shortfall	(26,346,227)	(44,360,796)
Ending Fund Balance	\$45,130,736	\$ 769,940

The FY 2018 personnel budget includes a total of \$2.8 million (Maintenance Services Department (\$566,267) and Police Department (\$2.2 million)), an increase of \$610,471 over FY 2017 projected actuals. Other operating expenditures include utilities, supplies and services, and internal staff charges, and totaling \$331,033, which is an increase of \$121,548 over FY 2017 projected actual.

Budgeted FY 2018 capital expenditures total \$52.7 million (this amount assumes that approved capital budgeted amounts not spent in previous fiscal years carry forward into FY 2018), an increase of \$21.2 million over FY 2017 projected actuals. Measure C funded capital

projects include the completion of the 21st Century Library and Community Learning Center (Phase 1), completion of improvements at Fire Stations 1 through 5, and the design of Fire Station 6 & Regional Training Center, as well as street infrastructure improvements throughout the City. Below is a status update on these capital projects.

Measure C Funded Capital Improvement Projects

21st Century Library and Community Learning Center

The 21st Century Library and Community Learning Center will serve as an invaluable asset to the Hayward community. Work on the 21st Century Library and Community Learning Center began with the selection of an architect in 2007, and construction plans completed in January 2014. Construction began in January 2016. The estimated project cost is \$65,680,000.

The \$52,550,000 construction contract is being split into two phases. Phase 1 is construction of a sixty-one foot tall, three-story, 58,000 square foot, net zero energy building with a LEED platinum energy efficiency rating. Phase 2 is the demolition of the former library building and completion of the park improvements. Staff anticipates that Phase 1 will be complete by May 2018, with Phase 2 anticipated to be complete by December 2018. The overall project is approximately 60% complete.

Fire Stations 1 through 5 Improvements

This project involves considerable renovations of Fire Stations 1-5. Substantial improvements include seismic retrofit, energy efficient buildings, quicker call response time, and accessibility upgrades. Design work was completed in December 2016 and construction commenced in April 2017. Staff anticipates that the project will be complete by May 2018.

Roads / Street Improvements

Measure C funds were used for two projects in the Roads/Street Improvements program. The FY 2016 Pavement Preventive Maintenance and Resurfacing Project contract was awarded in May 2016. The project provided new asphalt surfaces and minor roadway repairs on 212 street segments with a budget of \$4,500,000. The FY 2016 Pavement Rehabilitation Project contract was awarded in June 2016. The project provided more intensive roadway repairs on 100 street segments with a budget of \$14,405,000. The project was funded from a combination of funding sources (i.e., Gas Tax, Measure B & BB), including \$7,380,000 from Measure C. These projects also included new and upgraded curb ramps, and new striping for lane delineation, crosswalks, and bike lanes. With the completion of these two projects, the City's average Pavement Condition Index (PCI) for all City streets increased from sixty-six (66) to seventy (70). However, without continued investments at a similar funding level, it is unlikely that the City will maintain a PCI of 70 for very long.

Future CIP – Fire Station 6 and Fire Training Center Improvement

This project will replace the existing Fire Station 6 and Fire Training Center with a new Fire Station 6/Classroom Building, Apparatus Building, Training Tower, Burn Building, Storage Building, Hangar Building, USAR Structure and Parking Lot, and an alternate design for an Outdoor Classroom, BART Station, and Entry Canopy. Design work is expected to be complete

by June 2018, with construction to commence in October 2018. Staff anticipates that the project will be complete by December 2019.

Staffing

A portion of the Measure C funds are allocated for positions within the Maintenance Department and Police Departments. Since the passing of Measure C, the City has allocated funds for 20 Full-Time Equivalent (FTE) positions. The table below lists the positions that are authorized and budgeted for in FY 2018, as well as the status of each position. The green shading depicts the positions budgeted within the Maintenance Department; while the blue shading denotes the positions budgeted in the Police Department.

Positions	Authorized	Budgeted	Filled	Vacant
Grounds Keeper I / Laborer	2.0	2.0	2.0	0.0
Maintenance Worker / Laborer	2.0	2.0	2.0	0.0
Maintenance Leader	1.0	1.0	1.0	0.0
Police Officer	3.0	3.0	3.0	0.0
Lieutenant	1.0	1.0	1.0	0.0
Crime Analyst	1.0	1.0	1.0	0.0
Certified Latent Print Examiner	1.0	1.0	1.0	0.0
Communications Supervisor	1.0	1.0	1.0	0.0
Call Taker	8.0	8.0	2.0	6.0
TOTAL FTE	20.0	20.0	14.0	6.0

Currently, there are six vacancies among the 20 FTEs authorized and budgeted in FY 2018. All six vacancies are for the Call Taker classification. While the table above is an illustration of the current fiscal year, the City has historically experienced high vacancy rates for the Call Taker position. Since the passing of Measure C, four out of the six positions have remained vacant, while the remaining two positions have experienced high turnover rates.

NEXT STEPS

Staff will continue to focus on the completion of current and future Capital Improvement Projects, and look for ways to appropriately and effectively utilize revenues to fulfill the promises of Measure C. Additionally, as discussions regarding the City's long term financial health continue, staff will present information and options to Council as it relates to the use of surplus Measure C funds.

Prepared and Recommended by: Nicole Gonzales, Budget Officer
Dustin Claussen, Director of Finance
Morad Fakhrai, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

Kelly McAdoo, City Manager