



DATE: May 21, 2024

TO: Mayor and City Council

FROM: Interim City Manager

SUBJECT: Potential Ballot Measure to Extend Without Increasing the City of Hayward Half-Cent Sales Tax

RECOMMENDATION

That Council receives this report on community engagement and public opinion research on a potential extension of the City of Hayward half-cent sales tax and provides direction for returning next month for legislative action.

SUMMARY

The City of Hayward has completed all of the original facility, infrastructure and road improvement projects that were to be funded through the Measure C half-cent sales tax enacted by Hayward voters in June 2014. Revenue generated by the sale tax continues to fund employee positions associated with services prioritized at the time of Measure C's passage, annual pavement improvements and debt service payments associated with the completed facility projects.

Having reached the halfway point in the 20-year authorization of the sales tax and given completion of the original Measure C facility projects, it is an opportune time to consider how to use the sales tax dollars for the remaining 10 years of the authorization as well as the potential for addressing remaining and emerging needs and goals through an extension of the tax beyond 2034.

To prepare, staff have undertaken a multi-department review of unfunded City capital projects and service needs. In addition, staff have completed a two-pronged program of community listening and engagement and public opinion research to understand community priorities and voter support for a potential November 2024 ballot measure to extend without increasing the sales tax beyond its 2034 sunset date.

BACKGROUND

The Hayward half-cent sales tax was enacted on June 3, 2014, by passage of Measure C. Measure C was approved by 67 percent of voters who cast ballots in the election—well in excess of the simple majority necessary for authorization. Though enacted as a general tax with revenue available for use for any lawful municipal purpose, the City Council indicated when placing the measure on the ballot its intention to use the sales tax dollars to fund, finance and otherwise support certain core services and capital projects identified as community and City priorities.

Those priorities were police protection, firefighter and emergency medical services, updating and seismically reinforcing fire stations, replacing the downtown library, pothole repair and road improvements, litter and graffiti control and general maintenance of public spaces. *(See Attachment II Measure C Ballot Language.)*

Since enactment, the City has stuck to and delivered on the Council's intent and community expectations. The four capital projects identified as funding priorities in 2014 have all been completed. They are:

- The new Downtown Hayward Public Library and adjacent Heritage Plaza;
- Retrofits and improvements at five neighborhood fire stations;
- Six miles of street repairs amounting to the biggest annual road improvement project in City history; and
- The new Fire Station No. 6 and regional Fire and Rescue Training Center.

Additionally, as intended, Measure C revenue has and continues to be used to bolster Hayward Police, 911 emergency dispatch and Maintenance Services staffing to restore and enhance core municipal services prioritized in 2014 by the Council and the Hayward community.

Today, sales-tax revenue funds fourteen Hayward Police Department positions, including three patrol officers, a police lieutenant, a crime analyst, a fingerprint analyst, plus seven communications operators and one communications supervisor in the City's 9-1-1 Dispatch Center, and nine groundskeeper and maintenance positions in the Maintenance Services Department.

DISCUSSION

Since its enactment in June 2014, revenue from the City's half-cent sales tax has increased from approximately \$10 million annually to about \$22 million a year. At the same time, the completion of the original Measure C building and capital improvement program with the opening of the new Fire Station No. 6 and regional Fire and Rescue Training Center in June

of 2023 is freeing up additional revenue as debt service associated with financing of these projects is retired. (*See Attachment III Measure C 20-Year Forecast.*)

As mentioned, staff have conducted a multi-departmental review of unmet, ongoing and emerging facility and service needs. In addition, at Council direction, staff carried out an approximately three-month-long program of community listening, engagement, and public opinion research to understand community priorities and support for a potential no-increase extension of the half-cent sales tax for an additional 20 or 30 years beyond its 2034 sunset date.

Unmet Facility & New and Emergency Service Needs

As a general levy enacted by a simple majority of voters, revenue generated by Hayward's half-cent sales tax is available to be used for any lawful municipal purpose. However, in identifying unmet facility needs for consideration for funding through extension of the sales tax, staff focused on projects aligned with the 2014 Council and community priorities.

The following projects have been identified as candidates for your consideration:

- Replacement of Hayward Police Department headquarters with a new Public Safety Center.
- Replacement of the Hayward Animal Shelter as part of a new Public Safety Center campus.
- Replacement of Weekes Branch Library.
- Replacement of Fire Station No. 9, a project that would be supported in part by the Fairview Fire District.
- Replacement of the City Corporation Yard that supports City Maintenance Services and the City's drinking water and wastewater operations, a project that would be shared with the City's water and wastewater enterprises.
- Contributions to construction of The Stack Youth & Family Center in South Hayward.
- A variety of roadway and transportation improvement projects, including pedestrian and bicycle overcrossings and underpasses along the Tennyson Road corridor.

Similarly, when identifying ongoing and emerging service needs for consideration for funding through a sales-tax extension, staff focused on services consistent with the 2014 priorities. In addition to those positions already funded at Hayward Police Department, in the City's 9-1-1 Dispatch Center and in Maintenance Services, the following are potential enhancements for consideration:

- Sunday hours at Hayward Public Library
- Expanded Hayward Evaluation and Response Teams staffing
- Support of the City's *Let's House Hayward!* strategic plan to reduce homelessness

- Sustain COVID-19 pandemic recovery initiatives supporting local business

Community Listening & Engagement

Beginning in February, staff worked with our community engagement consultants at Clifford | Moss to carry out a program to inform the Hayward community of our progress over the past 10 years under the Measure C program and to solicit feedback on our performance, priorities for the use of sales-tax revenue going forward, and support for a no-increase extension of the sales tax.

To accomplish this, we developed and deployed a suite of mailers, videos, e-newsletter articles and social media communications to raise awareness, disseminate and gather responses to a survey, and report back to the community on what we heard. We reached every Hayward registered voter household and beyond and received approximately 2,000 survey responses and other replies.

In summary, 57% of residents who told us they have an opinion on the topic said they believe the City is delivering on promises to provide essential services under Measure C. When asked to prioritize certain expenditure areas, respondents ranked them as follows:

1. Public Safety and Emergency Response
2. Maintaining Local Streets and Roads
3. Disaster Preparedness
4. Safety Net Services
5. Upgrading Public Buildings.

Many community members also used the community engagement survey and comment features of our Facebook account to express in their own words their priorities and views on City service delivery and performance. *(See Attachment IV Measure C Community Engagement Report and Verbatim Responses and Comments.)*

When asked what they think about a proposal to extend without increasing Hayward's sales tax, 60% of all respondents reached through this community listening and engagement effort said they support and extension with the rest indicating they either oppose it or have questions or concerns.

Public Opinion Research

The responses to the community engagement and listening program are in line with the findings of a just-completed public opinion poll commissioned to provide the Council with a reliable snapshot of support for a potential extension of the Hayward sales tax among registered voters.

Between May 4-12, our pollster, Fairbank, Maslin, Maullin, Metz & Associates (FM3), surveyed a representative sample of more than 600 registered Hayward voters who, based on their voting history, are considered likely to vote in the November 5, 2024, election. This scientific survey was conducted by phone (land lines and cell) and online (using email and text invitations) in English and Spanish. Based on the sample size and overall methodology, the results carry a margin of error of +/- 4 percent.

When read a formal ballot question to extend without increasing the sales tax “to continue providing essential City of Hayward services, including firefighting, emergency-medical response, police protection, pothole repair, street improvements, general City maintenance, and modernization of aging City facilities, including for police, public works, and South Hayward community and library services,” strong majorities of respondents said they would vote “yes” on the measure.

Among sampled voters asked if they support a 30-year extension, 66% responded they were in favor. Among sampled voters asked if they support a 20-year extension, 72% responded they were in favor. After being read a battery of arguments in favor of an extension, support remained high, as would be expected. Even after being read of battery of arguments against, the proposal, 61% percent of the respondents they would vote “yes” and 27% “no” with 12% saying they are undecided.

According to the survey findings, funding for police services, emergency medical response, pothole repair, and street improvements are the highest priority for Hayward voters.

Importantly, what most persuades voters to support an extension of the Hayward sales tax is information about and evidence of the City’s performance in delivering the services and projects promised previously, the survey found.

Lastly, it is worth highlighting that 73% of poll respondents said the City of Hayward has a great or some need for additional funding to maintain and improve essential City services and facilities. *(See Attachment V Sales-Tax Extension Poll Toplines Report.)*

At this work session, staff is seeking Council’s feedback on the results of the community engagement work and public opinion research, direction on legislative action to be brought back to the Council in June for a November 5, 2024, ballot measure to extend the half-cent sales tax, including length of an extension, as well as feedback on funding priorities from the half-cent sales tax going forward.

FISCAL IMPACT

There is no fiscal impact as a result of receiving this report.

Under the current authorization, the sales tax enacted in June 2014 will continue to generate between \$22 million and \$25 million a year until 2034, based on current projections. After debt service expenses on completed Measure C projects and the cost of staff positions currently funded through Measure C, the projected annual surplus in the Measure C fund is approximately \$9 million a year. *(See Attachment III Measure C 20-Year Forecast.)*

In the absence of an extension, the City would need to find other sources of revenue to maintain Measure C-funded services after 2034 and to carry out aforementioned facility, infrastructure and road improvements.

STRATEGIC ROADMAP

Measure C sales-tax funded projects and services contribute most directly to Strategic Roadmap priorities of Enhancing Community Safety & Quality of Life, Strengthening Organizational Health and Investing in Infrastructure.

NEXT STEPS

Based on Council feedback, staff are prepared to return next month with cost and debt-service expense estimates for the above referenced capital improvements and service enhancements. At that same meeting, if directed, staff will present legislative actions necessary to place an extension measure on the November 5, 2024, ballot.

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Approved by:



Dustin Claussen, Interim City Manager