



DATE: July 19, 2017

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT Measure C Annual Report

RECOMMENDATION

That the Committee reviews and provides feedback on the City's Measure C (District Sales Tax) FY 2017 Annual Report.

BACKGROUND

On June 3, 2014, the voters of the City of Hayward passed Measure C to create a District Sales Tax and increase the City's Sales and Use Tax by half a percent for twenty years. This "half-cent" increase ultimately brought the City's Sales and Use Tax rate to 10.0%, the rate at the time of this report is 9.75% as the State of California's state rate reduced by 0.25%. Based on actual revenues received to date, staff estimates that the District Sales Tax is generating more than the projected \$13 million annually in locally controlled revenue that can be allocated by the City Council and will remain in place until October 1, 2034.

This District Sales Tax is a general tax and is considered discretionary in nature; however, these funds are intended for use in capital projects including construction of the City's new 21st Century Library and Community Learning Center, completion of fire station retrofits and improvements, rehabilitation and expansion of the existing fire training center, as well as extensive street improvements. The City intends to allocate revenues not used for capital projects to fund additional police and maintenance services within the City.

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

DISCUSSION

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

	FY 2016 Actual	FY 2017 Projected
Revenues		
Measure C District Sales Tax	\$ 13,436,227	\$ 14,207,509
Other Revenues (Interest)		115,023
Total Revenues	13,436,227	14,322,532
Expenditures		
Capital		
Library/ Learning Center	\$ 10,607,338	\$ 15,038,056
Fire Facilities Design	930,859	1,255,383
Fire Station 1		187,592
Fire Station 2		320,937
Fire Station 3		298,810
Fire Station 4		110,592
Fire Station 5		69,869
Fire Station 6 & Regional Training Center		336,966
Street Rehabilitation	490,845	10,549,961
Street Slurry Seal		
Debt Service	2,326,436	6,050,000
Operating		
Personnel	854,997	2,180,819
Other Operating	423,087	250,000
Total Expenditures	15,633,562	36,648,985
Beginning Fund Balance	7,884,501	71,476,963
Annual Surplus/Shortfall	(2,197,335)	(22,326,453)
Proceeds from Issuance of COPs*	65,789,797	
Ending Fund Balance	\$ 71,476,963	\$ 49,150,510

* 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

Projected FY 2017 Measure C personnel expenditures of \$2.2 million were for the Maintenance Services Department (\$534,409) and Police Department (\$1.6 million). All five Measure C Maintenance positions have been filled. The Police Department continues to work to fill the vacant positions authorized by Measure C. Other operating expenditures include utilities, supplies and services, internal staff charges, equipping dispatch stations for new call taker positions and two Maintenance Services Department vehicles.

FY 2016 District Sales Tax related capital expenditures totaled \$12 million, including design and construction of the City's 21st Century Library and Community Learning Center (\$10.6 million), design of improvements for Fire Station Nos. 1 - 6 (\$930,859) and city-wide street infrastructure improvement projects (\$490,845). Operating expenditures totaled approximately \$1.3 million in FY 2016.

NEXT STEPS

Finance Department staff will continue to work with the other relevant departmental staff to monitor the progress of designated capital projects and operating expenses and provide periodic reporting on activities to the Committee and City Council.

Prepared and Recommended by: Dustin Claussen, Director of Finance

Approved by:

A handwritten signature in blue ink, appearing to read 'Kelly McAadoo', is positioned above a horizontal line.

Kelly McAadoo, City Manager