



DATE: June 20, 2018

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 2018 annual report.

SUMMARY

The City's Measure C (District Sales Tax) is a general tax and is considered discretionary in nature. However, the Council supported the original ballot measure on the premise that these funds would be used to address illegal dumping, litter control, graffiti abatement and to fund 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. Staff will continue to focus on the completion of current and future capital improvement projects, and look for ways to utilize revenues to achieve the promises of Measure C.

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 is 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 for by the District Sales Tax revenue. Annual debt service payments for the COPs range from \$2.7 to \$5.4 million annually for twenty years.

DISCUSSION

The table below shows revenue and expenditure activity related to the District Sales Tax for FY 2017 and FY 2018.

	FY 2017 Actual	FY 2018 Projected Actuals
Revenues		
Measure C District Sales Tax	\$ 14,009,387	15,074,503
Other Revenues (Interest)	180,219	80,470
Total Revenues	14,189,607	15,154,973
Expenditures		
Capital		
Library/ Learning Center	17,373,241	16,217,628
Fire Facilities Design	1,285,742	686,008
Fire Station 1	358,293	766,707
Fire Station 2	587,183	2,060,513
Fire Station 3	472,826	1,902,173
Fire Station 4	114,900	2,083,700
Fire Station 5	75,973	1,774,027
Fire Station 6 & Regional Training Center	681,043	5,981,992
Street Rehabilitation	10,554,232	954,923
Vehicles		15,000
Debt Service	2,859,637	2,730,688
Operating		
Personnel	2,185,650	2,287,877
Other Operating	209,485	184,263
Total Expenditures	36,758,205	37,645,499
Beginning Fund Balance	72,558,228	49,989,629
Annual Surplus/Shortfall	(22,568,599)	(22,490,526)
Ending Fund Balance	\$ 49,989,629	\$ 27,499,104

FY 2018 District Tax related capital expenditures totaled \$35.2 million, including design and construction of the City's 21st Century Library and Community Learning Center (\$16.2 million), design and improvements for Fire Station Nos. 1 – 6 and Regional Training Center is (\$15.3 million) and city-wide street infrastructure improvement projects (\$954,923). The significant ending fund balance in FY 2018 will be mostly expended over the next two fiscal years as the library and fire station improvements are completed.

Projected FY 2018 Measure C personnel expenditures of \$2.3 million were for the Maintenance Services Department (\$543,827) and Police Department (\$1,744,050). All five Measure C Maintenance positions have been filled. Aside from the Call Taker positions, all Police Department Measure C funded positions have been filled. Due to the high level of Call Taker vacancies that were Measure C funded, the FY 2019 Adopted Budget reallocated 8.0 FTE Call Taker positions to the General Fund, and 7.0 FTE Communications Operators are reallocated to Measure C. Other operating expenditures include utilities, supplies and services, and internal staff charges.

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.

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Recommended by: Dustin Claussen, Director of Finance

Approved by:



Kelly McAdoo, City Manager