

# **CITY OF HAYWARD**

Hayward City Hall  
777 B Street  
Hayward, CA 94541  
[www.Hayward-CA.gov](http://www.Hayward-CA.gov)



CITY OF  
**HAYWARD**  
HEART OF THE BAY

## **Agenda**

**Wednesday, April 6, 2016**

**4:30 PM**

**City Hall, Conference Room 4A**

**Council Budget and Finance Committee**

**CALL TO ORDER**

**ROLL CALL**

**PUBLIC COMMENTS:**

*(The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda as well as items on the agenda. The Committee welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Committee is prohibited by State law from discussing items not listed on the agenda, any comments on items not on the agenda will be taken under consideration without Committee discussion and may be referred to staff.)*

**REPORTS/ACTION ITEMS**

1. [MIN 16-028](#) Approval of Meeting Minutes of March 2, 2016
2. FY 2017 Budget Update (oral presentation)
3. [RPT 16-043](#) Continued Discussion of Potential Revenue Enhancement Strategies and Actions

**OLD BUSINESS**

4. [RPT 16-042](#) FY 2016 Meeting Schedule & Work Plan

**Attachments:** [FY 2016 Meeting Schedule](#)

**FUTURE AGENDA ITEMS**

5. Other items as may be identified by members

**COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS**

**ADJOURNMENT**

**NEXT REGULAR MEETING - 4:30P.M., WEDNESDAY, MAY 4, 2016**



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## Staff Report

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**File #:** MIN 16-028

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### CITY COUNCIL BUDGET & FINANCE COMMITTEE MEETING

#### Meeting Minutes of March 2, 2016

**Call to Order:** 4:30 pm

**Members Present:** Mayor Halliday, Councilmember Lamnin, Councilmember Jones

**Members Absent:** None

**Staff:** Fran David, Kelly McAdoo, Tracy Vesely, Dustin Claussen,

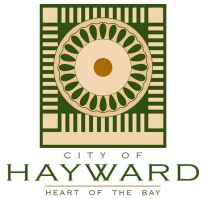
**Guests:** None

**Public Comments:** None

1. Committee reviewed the meeting minutes for the February 22, 2016 City Council Budget & Finance Committee meeting and made one amendment. *Action: unanimous approval as amended (added item 2.e. Discussed need for Information Technology position and requested that clearer funding information on the position be included in the FY 2016 Mid-year Review)*
2. The Committee received a presentation by Deputy Director of Finance Dustin Claussen regarding the annual review of City debt. *No formal action was taken. Committee members did request that a definition of "General Obligation Debt" be included in future reports.*
3. The Committee received a presentation by Director of Finance Tracy Vesely regarding the annual review of City benefit liabilities. *No formal action was taken.*
4. The Committee reviewed the FY 2016 Meeting Schedule. *No formal action was taken. The Committee requested that future meetings includes the topics: 1) Health Care Exchange and 2) City revenue generating options*

**Committee Members/Staff Announcements and Referrals:** None.

**Adjournment:** The meeting was adjourned at 5:30 pm



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## Staff Report

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**File #:** RPT 16-043

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**DATE:** April 6, 2016

**TO:** Council Budget & Finance Committee

**FROM:** City Manager

**SUBJECT**

Continued Discussion of Potential Revenue Enhancement Strategies and Actions

**RECOMMENDATION**

That Council reads and comments on this report and provides staff direction on future revenue enhancement efforts.

**BACKGROUND**

Through the course of various discussions, Council Committee members have agreed that exploring reasonable revenue enhancements was a critical part of meeting the future resource needs of the municipal organization; and they have periodically identified some possibilities. The last direct discussion was on November 4, 2015. Some actions such as the renewal of Measure A (UUT) rose immediately to the top and are already under way. Some supporting policies have already been implemented such as identifying a base for Real Property Transfer Tax and targeting anything above that for Economic Development or one-time costs. Still other ideas and actions warrant further discussion and decisions as to what to bring forward to the full Council.

With this report, staff is attempting to further the conversation and to present some prioritization of ideas and actions for the Committee's discussion and consideration. Hopefully, some "next steps" will develop from the conversation to guide staff's efforts in this arena.

**DISCUSSION**

Per Propositions 218 and 26, taxes and fees fall into the following categories: a) special taxes, which require two-thirds approval of voters and go into restricted accounts; b) general taxes, which require simple majority approval of voters and go into the General Fund; and, 3) fees approved by the Council and go into the fund from which the service is funded, but which must be supported by studies and offset the actual costs of delivering those services. Other forms of raising revenue include bonded indebtedness to support large capital projects such as a new police building. In such instance, two-third voter approval would be required. Debt would be secured by the General Fund (or other identified funding source) over the life of the issue. Property owners could pay annually via the secured tax roll,

whereas current Measures A and C are supported via the UUT and district sales tax, respectively. (NOTE: Possible general elections to target are in 2018, 2020, and 2022.)

Topics identified in the last discussion in November include:

1. Possible new fees such as traffic impact, open space, or a “retail facilities in-lieu” fee
2. Additional items for future ballots:
  - a. Increasing the Real Property Transfer Tax to better align with surrounding jurisdictions
  - b. Increasing the Transient Occupancy Tax to better align with surrounding jurisdictions
  - c. Complete upgrade of the Business License Tax Ordinance and increase the associated business license taxes
  - d. Developing a new tax on marijuana (medical and/or recreational) in preparation for allowing it in the community
  - e. Developing new, local taxes on “specialty” items currently exempt from sales tax such as canned/bottled sodas and junk food
3. Identify and consider fees on new emerging services
  - a. AirBnB
  - b. Uber et al
  - c. Other technologies??

While each of the above have merit, some could be implemented in a timelier manner and/or require fewer resources in the process, and may yield more lucrative and logical results; or they are somewhat already in process. With that in mind, staff is recommending the following loosely prioritized list for the Committee’s consideration and possible forwarding to the Mayor and Council during the FY 2017 budget development process:

1. Increase the Real Property Transfer Tax to position Hayward nearer other Charter cities.  
Hayward’s RPTT is currently defined in our Code as “...when the value of the consideration exceeds \$100, said tax to be at the rate of \$4.50 for each \$1,000 or fractional part of \$1,000 of the value of the consideration.” For comparison with other Charter cities, the City of Alameda charges \$12.00 per \$1,000; Albany is \$11.50; Berkeley is \$15.00; Oakland, \$15.00; and San Leandro, \$4.00. General Law cities are not allowed by State law to set this fee level locally, so they all sit at the State-approved .55 per \$1,000, but tend to make it up in other ways.

**Staff Recommendation:** Consider increasing the tax rate to at least double the current RPTT to \$9.00 per \$1,000 as soon as possible, possibly in 2018.

2. Upgrade of the Business License Tax Ordinance and increase the associated business license taxes  
. Hayward’s Business License tax Ordinance is seriously out of date by about fifty years. Business codes, the basis of calculating and applying the tax, are extinct and irrelevant to today’s businesses. There is major work that needs to be done before a ballot measure could be considered. However, this project is long overdue.

**Staff Recommendation:** In the FY 2017, establish and fund a three-year project to review,

assess, and update the current Business License Ordinance; and develop recommendations for new per-business-code license rates and a target ballot date for taking it to the voters (e.g., 2020).

3. Implement new local taxes on “specialty” items currently exempt from sales tax such as canned/bottled sodas and junk food. This has great appeal on many fronts. However, in watching what is happening with the few jurisdictions that have implemented this, primarily a new “soda tax”, effective enforcement and collection remain issues making the projected revenue less than anticipated.

**Staff Recommendation:** Work aggressively, proactively, and with purpose through our State legislators and professional organizations (e.g., League of California Cities) to eliminate the thousands of exemptions from the State Sales Tax, particularly canned/bottled soda and junk food, among many others. It makes far more sense from a resource allocation and efficiency perspective to apply the Sales Tax to a broader base than to implement small “specialty” taxes locally that prove less than productive. Many, if not all of the exemptions were developed and applied through special interest lobbies. They are generally nonsensical and illogical. The current political environment seems to be more open to change than in the past.

4. Increase the Transient Occupancy Tax and apply it equally to hotels and private residences engaged in the transient hotel business (e.g., AirBnB participants and others.) Hayward’s current TOT is 8.5%. Many surrounding jurisdictions are at 10% or higher. The real key is applying it evenly across the board to include the emerging occupancy models and to assure that the tax is applied consistently by all parties on the full retail rate.

Several law suits, particularly in Southern California have been launched to assure consistent application, collection, and remittance of the tax. The issue has surfaced in two different main scenarios:

- a. Against “brokers” such as AirBnB, who were either not charging the TOT or were charging the TOT for the respective jurisdiction within which the lodging resided, but which they were not remitting to the jurisdiction.
- b. Against other “brokers” such as Expedia and AirBnB who were (a) not charging the TOT, (b) were charging and collecting it but not remitting it to the respective jurisdiction; or (c) were charging and remitting it, but only charging it on the wholesale rate and not on the rate paid by the consumer.

**Staff Recommendation:** Before deciding to go forward with this possibility, allocate staff and monetary resources to do more research to determine that the issues identified above have been or can be resolved and to complete projections on potential revenue if they have. Current projections, based on the existing hotel/motel mix indicate a nominal increase from raising it to 10%. However, no projections have been done re possible increases from an improved hotel/motel stock, applying it to all brokers in a consistent

manner, or applying it to “residential transient” stays (e.g., AirBnB.) This is a much more complex analysis. Target election date might be 2020 or 2022.

5. Develop a new tax on marijuana (medical and/or recreational) in preparation for allowing it in the community. While we do not allow medical marijuana dispensaries in town and there are no immediate plans to alter that prohibition, there is little doubt that the full legalization of marijuana is not far off in the State of California. With that in mind, it seems prudent to review our ordinances and proposed taxation policies in possible preparation. Those jurisdictions that have dispensaries and existing taxation policy applicable to them (e.g., Oakland) report that revenue does come in from that source. It is unclear if the total revenue is as was projected or even if it is being uniformly applied.

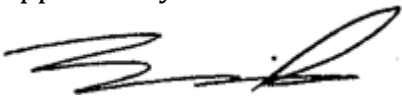
**Staff Recommendation:** In the possible eventuality marijuana dispensaries (both medical and recreational) might exist legally in the future in our community, we move forward to develop a proposed tax to apply to all phases of the supply chain: retail, wholesale, distribution, warehousing, and cultivation. Target election date should be soon (i.e., 2018 or even a special election, depending on pressures and opportunities.)

6. Continue evaluating and developing policy related to the remaining items: (a) possible new traffic impact fees; and (b) other development-related fees such as open space or a “retail facilities in-lieu” fee. These items all require on-going analysis and are not as targeted or potentially lucrative as some of the other above items.

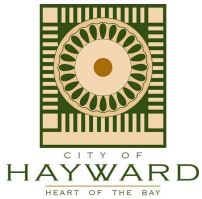
**Staff Recommendation:** Continue working on these and analyzing possibilities and potentials as the opportunity arises. If the opportunity arises to eliminate the Emergency Facilities Tax without loss of General Fund revenue and within the bond dedication framework, the City should move to do so. The new Planning Policy Fee staff is formulating as identified in the April 5, 2015 report to Council, if approved, would assist in off-setting General Fund long-range planning costs to some degree.

*Prepared and Recommended by:* Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager



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## Staff Report

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**File #:** RPT 16-042

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**DATE:** April 6, 2016

**TO:** Council Budget and Finance Committee

**FROM:** Director of Finance

**SUBJECT:** Meeting Schedule & Work Plan FY 2016

### RECOMMENDATION

That the Committee receives and comments on the updated FY 2016 Council Budget & Finance Committee Meeting Schedule and Work Plan.

### BACKGROUND AND DISCUSSION

Each year the Council Budget & Finance Committee establishes a meeting schedule and work plan. As workloads shift and priorities emerge, this schedule/plan is periodically updated. An updated plan is included with each meeting agenda for Committee review.

*Prepared and Recommended by:* Tracy Vesely, Director of Finance

Approved by:

Fran David, City Manager

Attachments:

Attachment I

FY 2016 Council Budget & Finance  
Committee Meeting Schedule and Work Plan



**COUNCIL BUDGET AND FINANCE COMMITTEE**  
**FY 2016 Meeting Schedule & Workplan**  
**April 2016**

Meeting Location: 777 B STREET - CITY HALL - 4<sup>TH</sup> FLOOR CONFERENCE ROOM 4A  
 HAYWARD, CALIFORNIA

Meeting Time: 4:30 P. M.

Meeting Dates: The Council Budget and Finance Committee generally meet monthly on the first Wednesday of the month, except for August, due to City Council Break. Special meetings will be scheduled as determined necessary by the Committee or the City Manager.

<b>DATE</b>	<b>SUGGESTED TOPICS (subject to change)</b>
September 2, 2015	Cancelled
October 7, 2015	FY 2015 annual audit process (external auditor) Measure A renewal & City revenue generating options Measure C financing update
November 4, 2015	Investment portfolio update (external investment manager) FY 2016 Statement of Investment Policy review FY 2015 General Fund preliminary year-end City revenue generating options
<del>December 2, 2015</del>	<del>General Fund Ten-Year Plan assumption review</del> <del>Upcoming budget process: two-year budget?</del>
December 10 (3:30PM) Special Meeting	Revenue Measure
January 11, 2016 (4PM)	FY 2015 CAFR review (external auditor) Budget development calendar - one-year/two-year budget
February 22, 2016 Special Meeting	General Fund Ten-Year Plan review Preliminary FY 2016 mid-year overview FY 2017 budget development process
March 2, 2016	Annual benefit liabilities review (funding & risk mgmt.) City debt portfolio review
April 6, 2016	FY 2017 budget process update City revenue generating options
May 4, 2016	FY 2017 budget process update Preview of FY 2017 CIP & Ten-Year CIP User Fee Study update
<del>June 1, 2016 (CANCEL)</del>	<del>FY 2017 budget process update</del>
July 6, 2016	FY 2017 budget process debrief Measure C Annual Report

**Non-scheduled future agenda topics:**

- Performance Measurement
- Affordable Care Act – Health Care Exchange