



CITY OF HAYWARD

Hayward City Hall
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Cover Memo

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DATE: January 26, 2016

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT

Update on City's Efforts for Renewal of Utility Users Tax

RECOMMENDATION

That the Council reviews preliminary polling results for renewal of the City's Utility Users Tax (UUT), confirms the recommendations of the Budget & Finance Committee, and considers possible next steps.

BACKGROUND

The Utility Users Tax (UUT) was approved by Hayward voters in May of 2009 as a means of protecting critical city services in the wake of the devastating budget cut on the heels of the Great Recession. The UUT is a 5.5% tax on the use of electricity, natural gas, telecommunications (including traditional telephone service, long distance service and cellular phone service), and video/cable television services. The tax was initially adopted with a ten year sunset clause, meaning that the tax is set to expire in May 2019, unless renewed by the voters.

The UUT currently generates \$16 million per year and is now the City's third largest revenue source behind property and sales taxes. About 75% of the revenue (roughly \$12 million) is directly allocated to public safety operations (police and fire). The remaining \$4 million generated funds other City programs such as streets and roads maintenance, library services and economic development programs. Even with an improving economy in recent years, revenues have lagged behind the demand for (and cost of) services. The City has walked a tightrope, slashing its budget to the bone while maintaining high levels of service. At the same time, employees from all bargaining groups have shouldered more of the cost of their benefits as the City has adjusted its compensation structure. Without the UUT, the City would have no choice but to enact severe service cuts in order to maintain fiscal stability and a balanced budget.

DISCUSSION

In the summer of 2015, staff began discussions regarding the renewal of the City's UUT. The UUT was originally adopted during a special election for the City. The City is pursuing renewal of the UUT at this point so that the matter can be placed on the ballot during a regular election held by the City. The City will hold a regular municipal election in June 2016. If the City is unsuccessful in renewing the UUT at this election, there will be an opportunity for two additional years of outreach and engagement with the Hayward community about the need for this revenue source before the June 2018 election cycle.

The City hired Godbe Research to conduct a preliminary survey on customer satisfaction with City services and voter sentiments towards renewal of the UUT. The survey was conducted in November 2015 amongst 650 likely Hayward voters in the June 2016 election. The results of this survey are included as Attachment I and Godbe presented these results to the Budget & Finance Committee in December 2015. The presentation at tonight's meeting will go into more details regarding the survey results. Based on the survey data, the Budget & Finance Committee recommended that staff begin conversations with the community around renewal of the UUT at its current rate (5.5%) with a twenty year sunset clause. In this scenario, the renewal of the UUT would not go into effect until the current tax sunsets in 2019, and would remain in effect until 2039.

The Budget & Finance Committee also recommended that staff enter into an agreement with CliffordMoss to begin a significant community education and engagement effort over the next few months until the Council makes a decision about whether to place the measure on the ballot in June 2016. While City resources must not be utilized to campaign for a ballot measure, there is much that the Council, staff, and concerned citizens can do to educate the public about the importance of the UUT and the critical City services that it funds. The intent of this effort would be to listen to feedback from the community about City services and to understand any concerns community members have regarding the renewal of the UUT. This effort will include door to door community outreach, online engagement and direct mail to residents. Staff will present the findings from this outreach in late February/early March before the Council needs to make a decision on whether to place the renewal of the UUT on the June 2016 ballot. Staff will also work with Godbe Research to do another survey of likely voters in mid-February to provide further data upon which the Council can base this decision.

ECONOMIC AND FISCAL IMPACT

As mentioned earlier in this report, the UUT currently generates \$16 million per year and is now the City's third largest revenue source behind property and sales taxes. About 75% of the revenue (roughly \$12 million) is directly allocated to public safety operations (police and fire). The remaining \$4 million generated funds other City programs such as streets and roads maintenance, library services and economic development programs. Losing this revenue source would necessitate devastating cuts to critical City services.

In terms of the costs to prepare for a possible ballot measure, there are a couple key elements:

- 1) **Surveying/Education and Outreach Effort:** To date, the City has spent \$31,550 on the preliminary survey conducted by Godbe Research. A second tracking survey closer to a possible election date will likely cost approximately \$28,125. Staff anticipates that the contract with CliffordMoss for the outreach/education efforts will cost approximately \$40,000.
- 2) **Election Costs:** Based on recent information from the County Registrar of Voters, the City could spend approximately \$200,000 for an election held during the regular municipal election cycle (June 2016). The City Clerk has already included this cost in the FY2016 budget. If the City chose to pursue a stand-alone election date (a date when there are no other elections and the municipality would bear the costs), that cost could possibly double unless the decision was made to utilize a mail-in ballot process.

NEXT STEPS

If the Council confirms the recommendations of the Budget & Finance Committee, staff will embark on the community education/outreach process. Following that effort, staff intends to return to Council at the end of February with an update on the outreach and the results of the follow up survey conducted by Godbe Research. If the Council decides to place the renewal of the UUT on the June 2016 ballot, all of the paperwork would need to be filed with the County Registrar of Voters no later than March 11, 2016. This means that the Council would need to take action on this item at the March 8, 2016 City Council meeting.

Prepared and Recommended by: Kelly McAdoo, Assistant City Manager

Approved by:



Fran David, City Manager

Attachments:

Attachment I

Preliminary Poll Results- November 2015