



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

Cover Memo

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DATE: October 7, 2015

TO: Council Budget and Finance Committee

FROM: Director of Finance; Assistant City Manager

SUBJECT

Discussion of Renewal Options for the City's Utility Users Tax

RECOMMENDATION

That the Committee reviews and comments on this report and recommends that the full Council approves agreements with Godbe Research and Clifford Moss to conduct a voter assessment of the City's progress to date on managing and expending UUT revenue

BACKGROUND AND DISCUSSION

On May 19, 2009, the Hayward voters approved Measure A, a measure implementing a 5.5% Utility Users Tax (UUT) on gas, electric, cable, and telecommunications services, which became effective in June 2009. The intent of Measure A was to preserve City services, including maintaining firefighters, paramedics, fire stations, and neighborhood police patrols, protecting emergency response times, preserving youth/anti-gang programs, disaster preparedness, and economic development services. Measure A was established for a period of ten years and is scheduled to end on June 30, 2019 - after which the tax would no longer be collected unless renewed by the voters.

The UUT now generates approximately \$16 million annually and is the third largest revenue source for the General Fund behind property and sales taxes. Given the importance of this revenue source to the City's General Fund and to the City's ability to maintain current levels of public safety and other vital services, staff believes it is imperative to gather information from the community as to their perception of the City's management and expenditure of these revenues consistent with what was promised of the voters in 2009. This will also help inform staff and Council about renewal options for this tax prior to expiration in 2019.

Other Possible Revenue Measures

Councilmembers have expressed the desire to also explore a wide variety of other tax-related revenue generating options, including:

1. Eliminate the Emergency Services Facilities Tax (ESFT)
2. Increase Property Transfer Tax
3. Implement new soda tax or health-related "sin" taxes (alcohol, tobacco, soda, fast food, candy, etc.)
4. Implement a new marijuana tax
5. Implement a new pollution tax (gasoline, fossil fuels, etc.)

6. Update Hayward's Business License tax/fee

While all of these are important to explore, none would come close to generating the levels of revenue that the UUT currently generates. Staff recommends that Council focus on the UUT renewal (possibly coupled with the elimination of the ESFT) for the next six to nine months given the importance of this revenue to the City's overall fiscal health. The ESFT is a very difficult tax to administer, generates about \$1.8 million per year, and is scheduled to expire December 31, 2027.

Before Measure A was placed on the ballot in 2009, the City engaged Godbe Research to assist with community/voter assessment. Those 2008 and 2009 survey results are included with this report as Attachments I and II for background information. Given their familiarity with Hayward and with this revenue measure in particular, staff recommends that the City engage Godbe again and embark on with the above referenced community perception assessment launching in mid-November.

Staff would like the Committee's input on items to test for in the November poll, including possible changes to the structure of the UUT and messages to test with the voters, both positive and negative.

As part of the message testing, Godbe (the recommended polling consultant) could also evaluate how the possible elimination of the City's current Emergency Services Facilities Tax (ESFT) in exchange for an increase to the UUT rate resonates with the voters. The ESFT is very challenging and time consuming for staff to administer and generates a proportionately small amount of revenue for this effort (approximately \$1.8 million estimated for FY 2016). In addition, it is a confusing tax to residents and elicits a large number of complaints.

The preliminary November community assessment will test up to 600 Hayward voters and will cost approximately \$32,000 depending on the ultimate length of the poll. Staff will seek City Council approval for a contract with Godbe on October 13 pending feedback from the Committee at this meeting. In addition, it is important to begin a listening and outreach effort with Hayward voters to understand sentiments toward the City and about the UUT. To that end, staff recommends engaging Clifford Moss to support this effort and to assist in the communication program with the community, particularly voters. Clifford Moss was also engaged by the City as part of the Measure A outreach effort in 2009 and as part of the Measure C sales tax effort in 2014. Their familiarity with the City and with the UUT measure provides valuable insights and will allow the outreach effort to roll out seamlessly and quickly. Attachment III provides an overview of the scope of work and cost for the proposed agreement with Clifford Moss, which would also come to Council for approval on October 13 pending the outcome of this discussion and meeting.

Bryan Godbe and Bonnie Moss, with Clifford Moss, will both be in attendance at this meeting and can discuss the assessment methodology and messaging in more detail.

ECONOMIC AND FISCAL IMPACT

As mentioned above, the UUT generates approximately \$16 million annually and is the third largest revenue source for the General Fund behind property and sales taxes. This General Fund revenue stream provides funding for the current levels of public safety and other vital City services. Without this revenue, the City would be forced to eliminate \$16 million from the annual budget. In rough estimates, \$16 million equates to about 80 police officers or firefighters. The cost of the agreements with Godbe

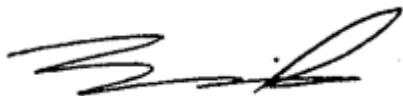
Research and Clifford Moss would be funded out of the General Fund and staff recommends an appropriation of \$100,000. This will also be part of the recommendation to Council on October 13.

NEXT STEPS

If the Committee supports the recommendations outlined in this report, staff will bring agreements with Godbe Research and Clifford Moss to the full Council for approval on October 13. Based on the Committee feedback on the preliminary assessment instrument content as described above, staff will work with Godbe to structure the final questions (which would be very similar in nature to the 2008 survey questions) and implement the assessment in mid-November.

Prepared and Recommended by: Kelly McAdoo, Assistant City Manager; Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager

Attachments:

Attachment I
Attachment II
Attachment III

2008 Survey Results
2009 Survey Results
Clifford Moss Scope of Work