



CITY OF HAYWARD

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Cover Memo

File #: WS 16-013, **Version:** 1

DATE: February 23, 2016
TO: Mayor and City Council
FROM: Assistant City Manager

SUBJECT

Review of Polling and Update on Potential Ballot Measure

RECOMMENDATION

That the Council reviews the tracking poll results for renewal of the City's Utility Users Tax (UUT), receives an update on community outreach efforts surrounding the renewal, and identifies the next steps needed to place the renewal of the Utility Users Tax on the June 2016 ballot.

BACKGROUND

The Utility Users Tax (UUT) was approved by Hayward voters as part of a special election in May of 2009 as a means of protecting critical city services in the wake of the devastating impacts 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 2019, unless renewed by the voters.

The UUT currently generates about \$16 million per year and is now the City's third largest General Fund revenue source behind property and sales taxes. About 75% of the revenue (roughly \$12 million) is allocated to public safety operations (police and fire). The remaining \$4 million generated by the UUT 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 increasing demand for services and their rising cost. The City has walked a tightrope, dramatically reducing its budget 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.

In the summer of 2015, staff began discussing 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. Should Council decide to seek renewal of the UUT at this time, staff is recommending that it be put on the ballot for the upcoming

regular municipal election in June so that if that renewal effort is unsuccessful, there will be an opportunity for two additional years of outreach and engagement with the Hayward community about the critical need for this revenue source before the last possible renewal point in June 2018.

At the January 26, 2016 City Council meeting, the Council received the results from preliminary polling done last fall and confirmed the recommendation of the Budget & Finance Committee to proceed with outreach efforts around a renewal of the 5.5% UUT measure for either ten or twenty years (see staff report here:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=2555232&GUID=6B112550-623A-434B-A3AF-281484E67165>).

DISCUSSION

Following the Council's discussion in January, staff and community volunteers embarked on an extensive outreach effort. The intent of this effort was to gauge the community's feedback on whether the City followed through on its commitments related to the UUT and to understand if there were other priorities of importance to the community that should be funded with the UUT revenues. The original commitments associated with passage of Measure A in 2009 primarily included the preservation of police and fire staffing and preventing rolling closures of fire stations, among others. The City was able to meet these commitments and work towards a balanced budget in no small part due to the significant wage and benefit concessions our employees made in order to maintain service levels to the community. The additional revenue that resulted from the passage of Measure A and implementation of the UUT was also critical in the City's efforts to balance the budget and maintain those critical City services most highly valued by the community.

As part of our effort to gauge citizen feedback, firefighters from Local 1909, staff and community volunteers walked door to door on four Saturdays in January and February to talk with registered voters about the UUT. This resulted in the following findings:

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| Total conversations: | 1,408 |
| Support renewal: | 833 (59%) |
| Undecided: | 498 (35%) |
| Oppose renewal: | 77 (5%) |

In addition, staff created an online survey for resident feedback and also sent a direct mail piece to 32,680 Hayward households. The survey asked the following questions:

- 1) Has the City honored its promise to fund essential city services with UUT funding?
- 2) What about service delivery? Is the City responsive when you ask for help?
- 3) Are there other City services (beyond public safety, street maintenance, libraries, and economic development) that should be supported with UUT funding?
- 4) What do you think about the proposal to extend (but not increase) the existing UUT?

While these surveys are not scientific nor statistically significant and may also include responses from non-Hayward residents, they do provide interesting insights into community perspectives and general support for City services. In those instances where specific complaints were expressed on the surveys or via email, staff ensured that these complaints were either entered into Access Hayward or referred to the appropriate staff member for response and follow up.

As of Friday, February 19, staff had received 712 online responses and 591 survey cards had been returned for a total of 1,303 responses. Compared with other communities that engage in similar outreach efforts, this is an extremely high response rate. Here is a summary of responses to the four survey questions. It is important to remember that the responses to each question may not add up to the total responses listed above since some individuals did not answer all questions or chose to only write comments.

- 1) Has the City honored its promise to fund essential city services with UUT funding?
Yes: 444 responses
No: 148 responses
I don't know: 710 responses

While the yes responses outnumber the no responses by a 4 to 1 margin, the more instructive data point from this question is the number of residents who are unaware of the City's efforts to maintain funding for essential services with the UUT. This presents a great opportunity for the Council and staff to continually create awareness of the importance of this revenue stream to the City's overall budget.

- 2) What about service delivery? Is the City responsive when you ask for help?
Yes: 647 responses
No: 192 responses
I don't know: 398 responses

The responses to this question indicate an overwhelming positive reaction to the City's responsiveness when our residents ask for help. This indicates a level of trust in City government that may make voters more likely to support local revenue measures - residents may be more likely to trust the City to spend funds appropriately.

- 3) Are there other City services (beyond public safety, street maintenance, libraries, and economic development) that should be supported with UUT funding?

This question elicited a wide range of open ended responses but there were some themes that emerged. The vast majority of respondents indicated that there were no other services (other than those listed) that should be supported or they were not sure about other services that could be supported (236 total respondents). Other respondents indicated that the City should utilize UUT funding to support these services:

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|-------------------------------------|--------------|
| More street and sidewalk repair: | 52 responses |
| Youth Programs/Improving Education: | 51 responses |
| Cleaning up Hayward/Litter: | 45 responses |
| Homeless services: | 40 responses |
| More Police services: | 22 responses |
| Graffiti Removal: | 11 responses |

- 4) What do you think about the proposal to extend (but not increase) the existing UUT?
Support extension: 759 responses (61%)
Oppose extension: 206 responses (17%)
Have concerns/unsure: 273 responses (22%)

This provides excellent anecdotal data that Hayward residents are generally supportive of

renewal/extension of the UUT based on the current information they have. While there is still additional work the City can and will do to provide information and respond to resident concerns, there is an overall sense that the City is responsive to resident issues and concerns.

This feedback is also validated by the voter survey recently conducted by Godbe Research in late February as a follow up to the preliminary survey conducted in November 2015 (See Attachment I for the topline survey results). The results of this survey will be presented in more detail at this meeting. This survey specifically evaluated the renewal of the UUT at its current rate (5.5%) and compared voter sentiment around a ten year versus 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.

ECONOMIC AND FISCAL IMPACT

As mentioned earlier in this report, the UUT currently generates about \$16 million per year and is now the City's third largest General Fund revenue source behind property and sales taxes. About 75% of the revenue (roughly \$12 million) is 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.

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.

PUBLIC CONTACT

Throughout the year and particularly over the last two months, the City has engaged in extensive public outreach to determine if our community generally believes the City has honored the commitments made in seeking voter approval of the initial UUT; and to determine if the voting community supports the potential renewal of the UUT. This outreach is summarized in the Discussion section of this report.

NEXT STEPS

Based on the information presented as part of this report, 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. If the decision is to move forward on the June ballot, staff will return to the Council at the March 1, 2016 meeting for approval of the required documents to place the measure on the June ballot. Along with whether or not to place the UUT renewal on the June ballot, Council is also asked to provide staff direction on the key decision of whether to pursue a ten year or twenty year sunset clause for the measure.

If the Council is going forward with the measure on the June ballot, staff asks that Council strongly consider a twenty-year extension. A twenty-year extension would provide a level of funding stability that would allow staff to focus attention and efforts on other high priority projects. The energy and attention (as well as cost) necessary to place a measure on the ballot is extensive. To date, over \$100,000 has been

spent on polling and outreach efforts and probably well over 300 hours of staff time (not to mention the time of community volunteers and the Council) has been expended. The financial stability of a twenty-year extension also allows staff and the Council to engage in longer term fiscal planning efforts with reassurance that the City's financial situation will not dramatically change as a result of the UUT revenue disappearing.

Prepared and Recommended by: Kelly McAdoo, Assistant City Manager

Approved by:



Fran David, City Manager

Attachments:

Attachment I

Survey Topline Results