



# City of San Leandro

Meeting Date: September 16, 2013

## Staff Report

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**File Number:** 13-459

**Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.D.

**TO:** City Council

**FROM:** Chris Zapata  
City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**TITLE:** Staff Report for Resolution Approving the Measure Z Citizens Oversight Committee's Annual Report on Measure Z Sales Tax for Fiscal Year 2012-13

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### SUMMARY AND RECOMMENDATIONS

On November 2, 2010, the Measure Z quarter-cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure Z receipts would provide revenues to cover vital City services, expire March 31, 2018, be subject to annual audits and be reviewed by a citizens' oversight committee. It is recommended that the City Council accept the annual report developed by the Measure Z Citizens Oversight Committee and use this information to advance the discussion of revenue sustainability for the City.

### BACKGROUND

On November 2, 2010, the Measure Z quarter-cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure Z receipts expire March 31, 2018, are subject to annual audits and are reviewed by a citizens oversight committee.

On April 2, 2012, the City Council passed a resolution authorizing the creation of the Measure Z Citizens Oversight Committee. The City Council defined the scope of responsibility and duties of the Oversight Committee to include developing an annual report on the following:

- Amounts of Transaction and Use Tax revenue generated by Measure Z
- Use of the tax revenue and the impact on the City operating budget including a statement on the impact of the revenue in reducing the amount of cuts resulting from addressing the budget shortfall
- Statement of expenditures funded by Measure Z revenues
- Impacts of Measure Z on local business competitiveness and the collection of Sales Tax revenues

- Measure Z public information and transparency efforts
- Participation in developing a revenue sustainability plan and strategy

On December 3, 2012, the City Council approved the five-member Committee consisting of City leaders chosen from commercial and non-profit organizations.

During Fiscal Year 12-13, the City received its first full year of sales tax data related to Measure Z. These data are provided by the State Board of Equalization, which are typically six months in arrears.

## **Analysis**

### **Amounts of Transaction and Use Tax revenue generated by Measure Z**

The most recent information is available for the year-ended 9/30/12; \$4,097,404 Measure Z receipts were received. This represents 5.3% of projected General Fund Revenue for Fiscal Year 2012-13.

### **Use of the tax revenue and the impact on the City operating budget including a statement on the impact of the revenue in reducing the amount of cuts resulting from addressing the budget shortfall**

The Measure Z revenue is available for any legal expenditure by the City. In the context of public safety, the annual revenue represents about 15.6% of the police department's Fiscal Year 2012-13 budget, which is \$25.6 million, and 22% of the fire department budget, which is \$18.9 million. Without Measure Z, the sworn police officers totaling 90 could be cut by as much as 14 positions. Similarly, the current staff of 63 firefighters could be cut 14 positions without Measure Z. The ballot measure language also indicated that Measure Z would sustain 9-1-1 emergency response times, neighborhood police patrols, investigation and gang suppression officers, library hours/programs, street and pothole repairs, youth after-school and senior programs, and other general City services. The City preserved funding for these programs and projects due to Measure Z.

### **Statement of expenditures funded by Measure Z**

The pie chart indicates that a total of 58% will be spent on public safety in Fiscal Year 13-14. The remaining 42% will fund libraries, parks, community development, infrastructure improvements, repairs, maintenance and administration. The City's Fiscal Year budget, which ends on June 30, is currently balanced.

### **Impacts of Measure Z on local business competitiveness and the collection of Sales Tax revenues**

Sales tax revenue has increased since the inception of Measure Z. The upward trend indicates that the City continues to receive its share of local consumer spending. In the most recent Quarterly Report on Sales Tax and Business Activity (attached), San Leandro base sales tax (without counting Measure Z revenue) has grown 5.9%, despite the addition of Measure Z.

### **Measure Z public information and transparency efforts**

Measure Z revenue has been highlighted each year in the City Council's adopted budget. In the recently adopted Biennial Budget Message, the following excerpt states: The City would have faced even greater service reductions if not for the additional revenue from Measure Z, the temporary, quarter-cent sales tax measure approved by over 60% of the voters in the

November 2010 election. Measure Z's passage generates about \$4,000,000 annually in additional revenue, allowing the City to maintain existing service levels. The Measure Z ordinance expires in five years on March 31, 2018.

**Committee Review and Actions**

- Measure Z Oversight Committee met on July 25, 2013 to review and approve report for City Council approval

**ATTACHMENTS**

None

**PREPARED BY:** David Baum, Finance Director, Finance Department



# City of San Leandro

Meeting Date: September 16, 2013

## Resolution - Council

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**File Number:** 13-359 **Agenda Section:** CONSENT CALENDAR

**Agenda Number:**

**TO:** City Council

**FROM:** Chris Zapata  
City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**TITLE:** ADOPT: Resolution Approving the Measure Z Citizens Oversight Committee's Annual Report on Measure Z Sales Tax for Fiscal Year 2012-13 and Accepting the Related Quarterly Report on Sales Tax and Business Activity (reviews the sales tax reports)

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WHEREAS, on November 2, 2010, the Measure Z quarter-cent sales tax ordinance was approved by more than 60% of the voters; and

WHEREAS, the Measure Z ordinance requires that a Citizens Oversight Committee be created; and

WHEREAS, the Measure Z ordinance requires an annual report, prepared by the Citizens Oversight Committee, be presented to the City Council; and

WHEREAS, the Measure Z Citizens Oversight Committee's annual report on Measure Z Sales Tax and MuniServices Quarterly Report on Sales Tax and Business Activity, copies of which are attached, have been presented to this City Council; and

WHEREAS, the City Council is familiar with the contents thereof.

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE as follows:

That said Annual Report on Measure Z Sales Tax for Fiscal Year 2012-13 is hereby approved.

That said Quarterly Report on Sales Tax and Business Activity for the first quarter of 2013 is hereby accepted.

## Top 25 Businesses in Alphabetical Order:

- AB California Acquisition
- CA Superstores Chrysler Jeep
- Chevron Service Stations
- Costco Wholesale
- Cummins West
- ESD Company
- F.H. Dailey Chevrolet
- Flyers Service Stations
- Home Depot
- Macy's Department Store
- Marina Square Auto Center
- Nike Factory Store
- Nordstrom Rack
- Peterson Power Systems
- Peterson Tractor
- Peterson Trucks
- Ross Stores
- Safeway Stores
- San Leandro Honda
- Shell Service Stations
- SSMB Pacific Holding Company
- Target Stores
- The Ford Store
- Wal-Mart Stores
- Western States Oil

## 1st Quarter 2013 in Review

The City had very few payment anomalies impacting the City's cash receipts this quarter compared to the same year-ago period. After adjusting for late payments and county pool receipts, the City grew by 11.0% or \$54,154,700 in taxable sales. A little over 40% of the growth came from the sales of new and used vehicles and the parts to repair them. Other strong growth came from the sale of wholesale building materials.

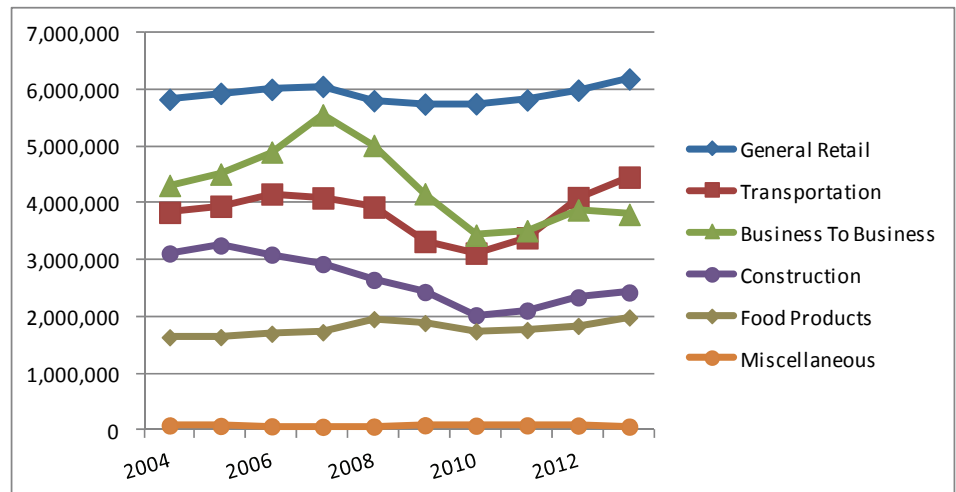
Service Stations saw the only significant decline. Sales were down 10.1%, mostly due to lower average gasoline prices.

Cash Receipts	Quarter	FY to Date	Calendar Year
San Leandro	11.0%	5.9%	5.9%
San Leandro 1/4% Measure	5.2%	8.5%	8.5%
Alameda Countywide	4.1%	6.9%	6.9%
S.F. Bay Area	6.3%	6.5%	6.5%
Statewide	6.7%	6.2%	6.2%

## Sales Tax Before, During and After the Recession

This historical look at sales tax by economic category depicts the impact of the recession on the City. Food Products and General Retail weathered the hard times better than the other categories while Business to Business experienced the most severe decline.

### Sales Tax in 1st Quarter of Each Year



## Regional Expectations

The Bay Area economy will remain robust despite a sluggish nationwide recovery, according to the latest projection by the UCLA Anderson Forecast. "The Bay Area is leading the state, and the state is leading the nation in terms of its recovery," said Jerry Nickelsburg, a senior economist with the UCLA Anderson School Forecast.

## Employment

The halting pace of expansion nationwide has raised the question of whether the Bay Area can sustain its

recent robust job growth, but many economists say the nine-county region will continue as a top performer.

The average number of people employed in San Leandro is currently up 6.1% from the low in 2010Q2 and up 2.7% from the same quarter last year.

## Housing

The Median Sales Price for a home in San Leandro is \$ 395,000 as of June 1, 2013, according to Zillow. This is up 53.7% from a low of \$ 257,000 as of January 1, 2012. It is up 5.2% month over month, 12.0% quarter over quarter and 34.9% year over year.

"The housing market is strong and is staying strong", said Scott Anderson, chief economist with San Francisco-based Bank of the West

## Taxable Sales

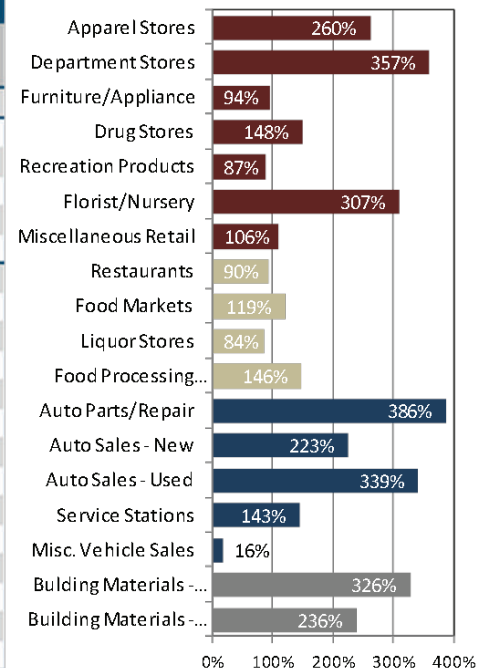
In 2013 we expect spending growth to cool off slightly as the Federal Reserve slowly backs away from intervention. Interest rates are expected to rise, affecting the sales of homes and vehicles, as well as the cost of consumer debt. The rate of growth in consumer spending should slow slightly due to higher payroll taxes.

## Sales Tax from Major Categories and Segments

	Quarter-Over-Quarter			Year-Over-Year		
	Jan - Mar 2012 to Jan - Mar 2013			Apr - Mar 2012 to Apr - Mar 2013		
	City of San Leandro	S.F. Bay Area	Statewide	City of San Leandro	S.F. Bay Area	Statewide
<b>Total</b>	<b>6.9%</b>	<b>4.5%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>6.6%</b>	<b>5.7%</b>
General Retail	5.1%	4.9%	5.3%	3.3%	4.4%	4.2%
Food Products	3.3%	5.1%	3.4%	7.9%	7.1%	5.9%
Transportation	8.5%	10.0%	4.1%	8.5%	11.8%	7.9%
Construction	10.5%	12.2%	8.4%	3.7%	7.8%	7.6%
Business To Business	7.8%	-5.4%	-0.3%	-2.0%	2.9%	4.2%
Department Stores	2.5%	5.8%	6.0%	2.0%	4.2%	4.1%
Auto Sales - New	11.4%	22.6%	11.0%	8.1%	24.6%	18.0%
Heavy Industry	7.0%	7.0%	6.3%	-13.3%	7.4%	7.1%
Apparel Stores	8.3%	14.0%	12.9%	9.1%	9.6%	9.1%
Bldg.Matls-Whsle	13.2%	18.5%	18.7%	-1.5%	10.4%	13.1%
Service Stations	-10.1%	-0.4%	-1.5%	0.1%	2.8%	0.7%
Restaurants	3.5%	5.5%	3.8%	5.5%	7.4%	5.8%
Bldg.Matls-Retail	6.8%	6.6%	-0.5%	11.3%	5.4%	2.6%
Auto Parts/Repair	20.0%	4.2%	0.9%	30.0%	4.5%	4.1%
Light Industry	-0.9%	-5.0%	-1.9%	-1.7%	1.0%	0.7%
Miscellaneous Retail	6.0%	-0.3%	2.0%	7.8%	1.6%	2.8%
Food Markets	2.0%	4.3%	2.3%	14.1%	6.5%	6.4%
Office Equipment	10.2%	-6.0%	0.7%	10.5%	0.1%	2.3%
Furniture/Appliance	15.5%	0.8%	-0.6%	11.6%	3.4%	1.6%

## San Leandro Sales Tax Capture Analysis

>100 = Capture; <100 = Leakage



## Measure Z Oversight Committee

### Annual Report of Measure Z Sales Tax

June 30, 2013

#### Executive Summary

On November 2, 2010, Measure Z quarter cent sales tax was approved by more than 60% of voters. The ballot language assured voters that Measure Z receipts would provide revenues to cover vital City services (see table below), expire March 31, 2018 be subject to annual audits and reviewed by a citizens' oversight committee:

	<b>Potential Reduction to Services</b>	<b>Results with Measure Z Revenues</b>
1.	Eliminate 7 more police officers	Police officer staff maintained
2.	Eliminate a code enforcement officer	Code enforcement officer maintained
3.	Eliminate an animal control officer	Animal Control officer maintained
4.	Remove a fire ladder truck and 9 firefighters	Fire ladder truck and 9 firefighters maintained
5.	Reduce street repairs	Street and road improvements maintained
6.	Reduce libraries	All library branches remained open
7.	Reduce senior programs	Senior Community Center opened and expanded senior programs
8.	Reduce youth recreation services	Youth recreation services and programs maintained and enhanced

This report is scheduled for presentation to the San Leandro City Council on September 16, 2013.

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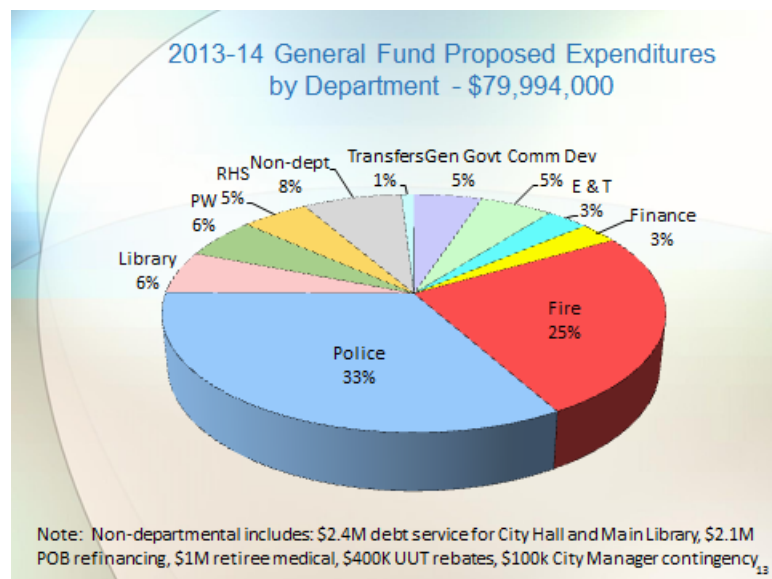
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## Statement of expenditures funded by Measure Z



The abbreviations used in the pie chart are:

- PW (Public Works Department)
- RHS (Recreation and Human Services Department)
- Gen Govt (General Government – City Attorney, City Clerk, City Council, Human Resources, Finance and City Manager)
- Comm Dev (Community Development Department)
- E&T (Engineering and Transportation)
- POB (Pension Obligation bonds)
- UUT (Utility Users Tax).

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## **Recommendation**

It is recommended that the City Council accept the Annual Report and use this information to advance the discussion of revenue sustainability for the City.