

# Measure E Oversight Committee

## Report to the Public

December 21, 2015

### Historical Background

In November of 2007, the voters of Hollister passed Measure T which raised the city sales tax rate 1% for 5 years. The measure passed with 66.0% of the vote. Due to the national economic downturn that followed soon after, the City of Hollister was faced with a deepening budget crisis that required it to ask for a 5 year extension of the sales tax increase since Measure T was due to expire at the end of March in 2013. The language of Measure E, as it appeared on the November 2012 ballot was:

**"Shall an ordinance be approved enacting a one percent (1%) sales tax for the purpose of funding general city service, such as police, fire safety, gang intervention and prevention, recreation programs, and street and parks maintenance...."**

Measure E was presented to voters as a way to maintain essential public safety services, such as police and fire, even though the City Attorney's Impartial Analysis stated the funds could be, "used by the City for any city operation or service." The Austerity Plan, proposed by the City should Measure E not pass, proposed deep cuts in these services. Measure E also contained language that would, "**require annual review and public report on revenues and expenditures by an independent citizens' oversight committee.**" Measure E was approved with 57.8% of the vote.

The Measure E Oversight Committee and current members are:

Mr. Robert E. Marden	Appointed by Mayor Ignacio Velazquez
Ms. Carol Lenoir	Appointed by Council Member Ray Friend
Mr. Rohit Sharma	Appointed by Council Member Mickie Luna
Ms. Christine Fortney	Appointed by Council Member Karson Klauer
Ms. Ashley Sand	Appointed by Council Member Victor Gomez
Ms. Kris Nolan	Appointed by the Downtown Hollister Association
Ms. Frankie Gallagher	Appointed by the San Benito County Chamber of Commerce
Mr. Graham Mackie	Appointed by the San Benito County Business Council

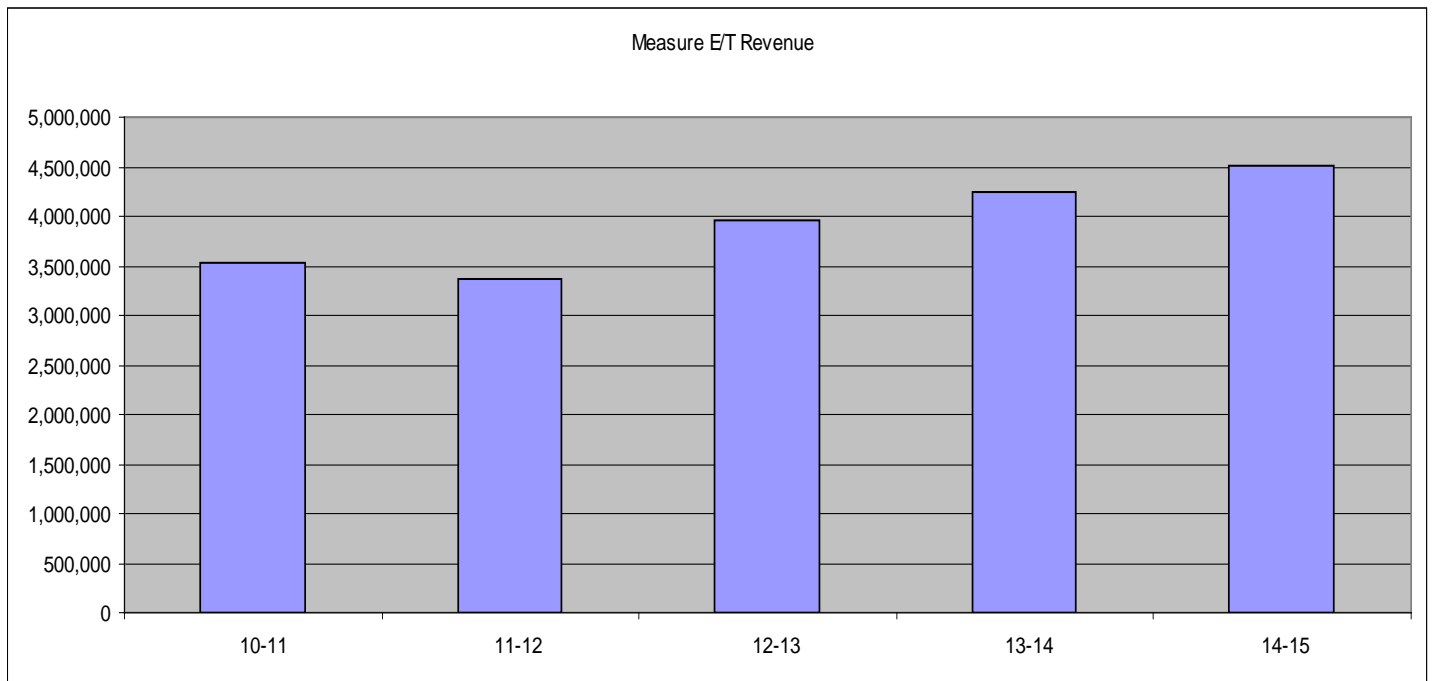
The committee believes that Measure E was marketed to the citizens of Hollister as the way to avoid deep cuts in critical public safety services, despite the fact that Measure E contains the short phrase "funding general city service." It is with this focus towards an emphasis of adequate funding of public safety, the oversight committee will carry out its function as it relates to Measure E to assure the City of Hollister is properly applying Measure E revenues and expenditures.

## Measure E/T Revenue

Fiscal year 2008/2009 was the first complete year that the City experienced Measure T revenue. As the table below indicates, there has been a fairly consistent increase in revenue generated by Measures T and E. This trend is consistent with general economic trends since the 2008-2009 fiscal year. It is important for the public to realize that Measure E sunsets on April 1, 2018. If the Council’s intent is to function without a supplemental sales/transaction tax, then steps must be taken now to plan for the significant loss of revenue that would result. For fiscal year 2014-2015 Measure E generated \$4,509,464 in revenue which was 22.76% of the total general fund revenue. The 2015-2016 budgeted Measure E revenue is \$4,400,000.

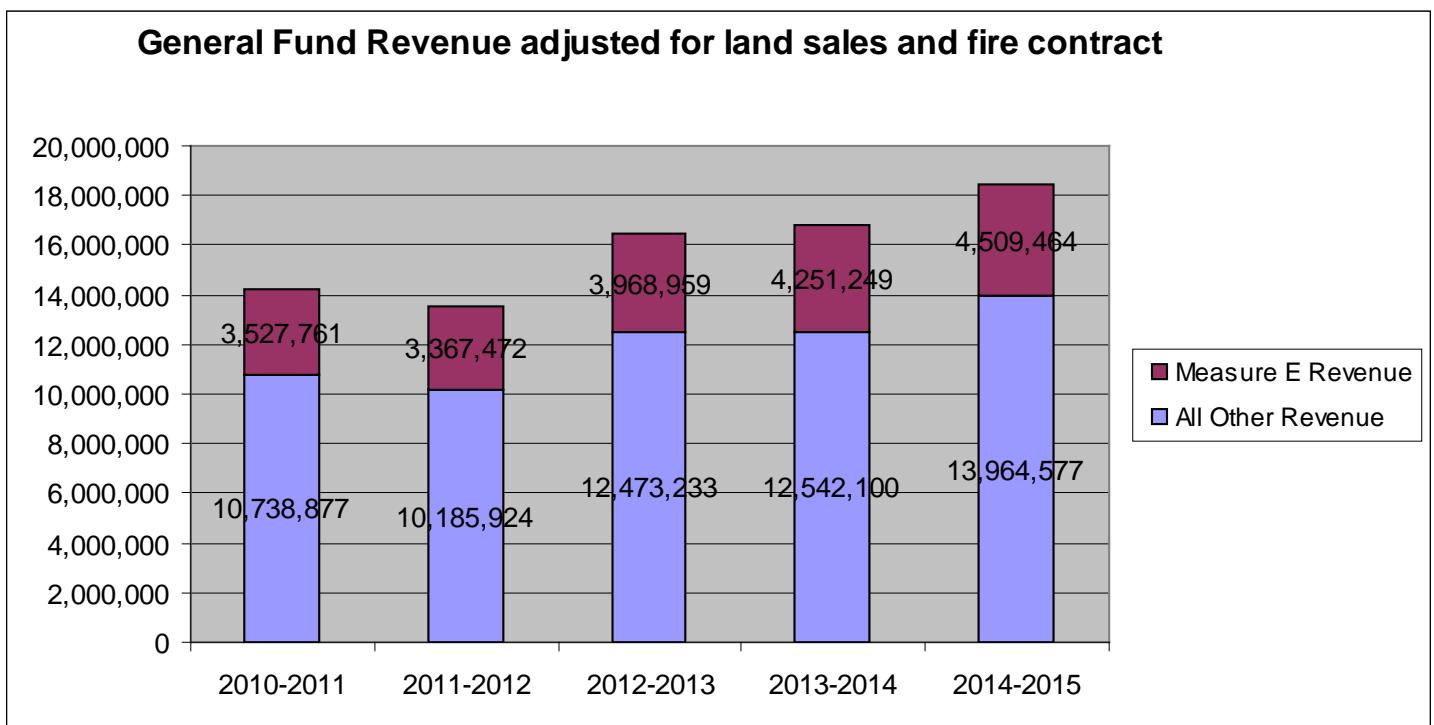
The City has hired a consultant to research and recommend the best course of action regarding future sales tax efforts.

Fiscal Year	10-11	11-12	12-13	13-14	14-15
Amount	3,527,761	3,367,472	3,968,959	4,251,249	4,509,464
Percent of General Fund Revenue	24.72%	24.66%	23.06%	23.38%	22.76%



## Use of Measure E/T

Measure E was listed on the ballot as a general tax proposal. This means that the funds can be used for any purpose as compared to a specific tax proposal in which funds can only be used for a specific purposes. However, the measure was marketed as a means to sustain current services. Since the onset of Measure T, the Council has yearly transferred Measure E/T revenue into the general fund. Since Measure E is a general tax and since the revenue is transferred into the General Fund, it does not make sense to talk about specific services paid for by the Measure. Rather, one needs to analyze the General Fund in its entirety which understanding that Measure E pays for about 23% of the services funded by the General Fund. The committee has looked at a five year history of the General Fund. Revenues over the past two years have steadily increased as shown by the following table and graph.

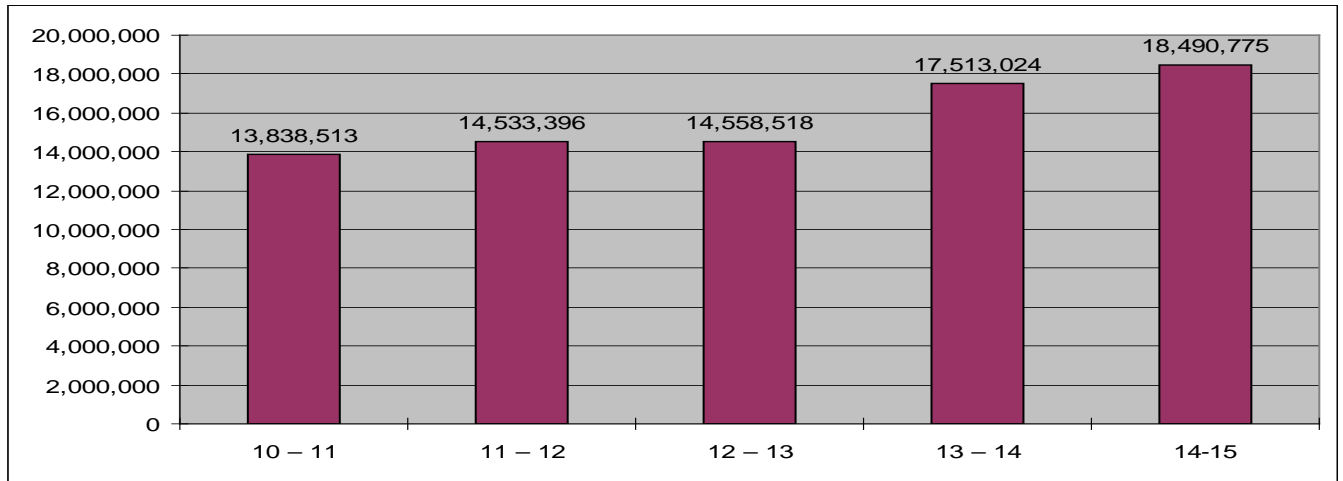


13,824,421	13,423,609	16,403,318	16,833,566	18,510,692
2010-2011	2011-2012	2012-2013	2013-2014	2014-2015

The 2015-2016 budget projects **\$19,438,770** in General Fund revenue which includes **\$1,318,300** for the fire contract with the County.

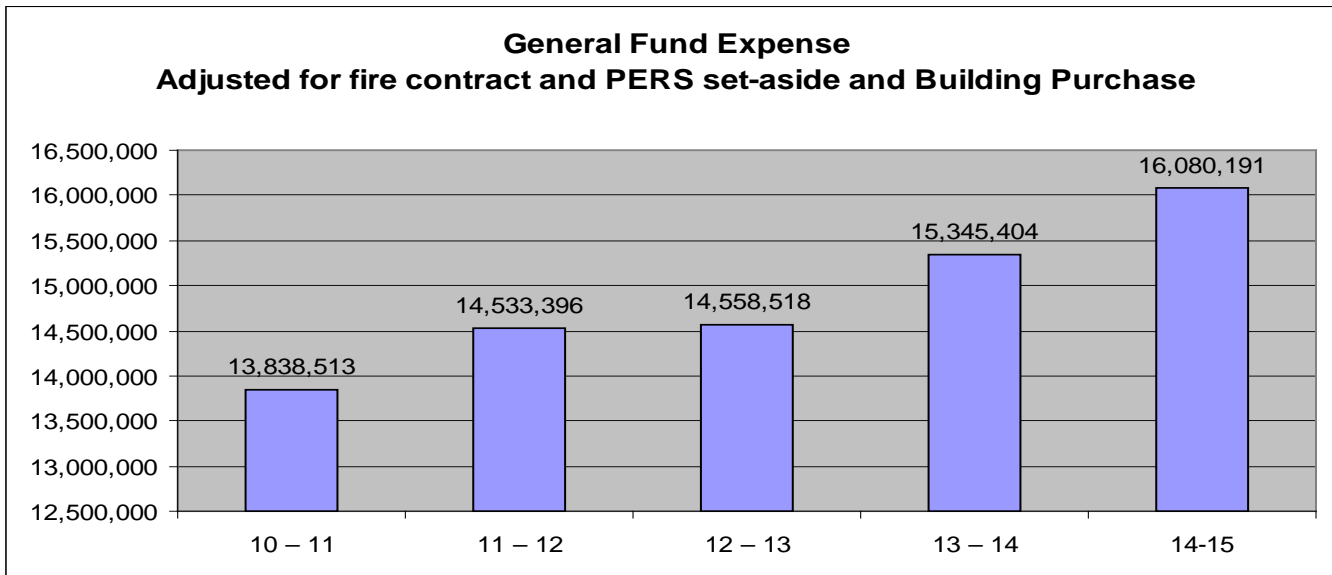
## General Fund Expense

As shown by the chart below, General Fund expenses per year.



10 - 11	11 - 12	12 - 13	13 - 14	14-15
13,838,513	14,533,396	14,558,518	17,513,024	18,490,775

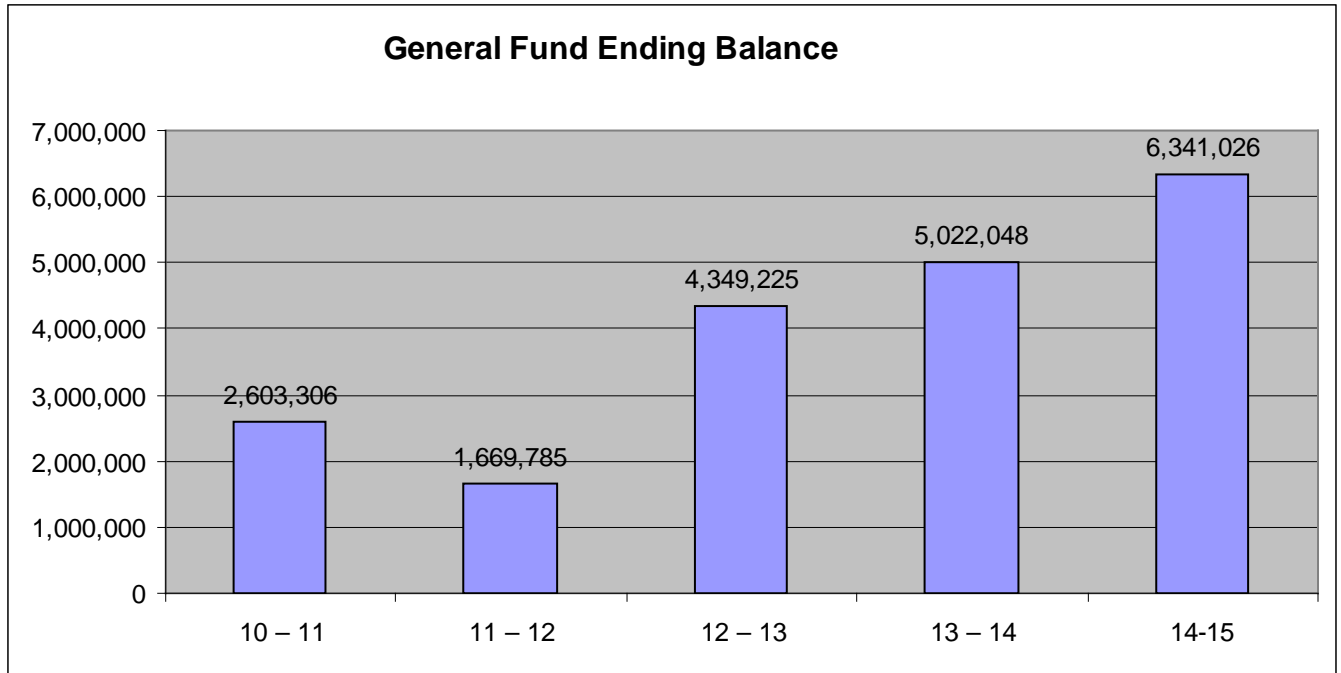
It should be noted that 2014-2015 includes the expense in the fire department as a result of the contract with the County. It is impossible to isolate exact expenses due to the contract, however total expense for the fire department in 2014-2015 was \$1,289,416 greater than it was in 2013-2014. Some of this increase may be due to other factors. Probably the best way to compare apples to apples is to offset expense by the revenue received from the County and San Juan Bautista (**2013-2014 \$1,292,620 and 2014-2015 \$1,289,634**). Additionally, the Council, in 2013-2014 and 2014-2015 elected to transfer \$875,000 and \$830,000 respectively, into a CalPERS side fund to cover unfunded future retirement liabilities. Adjusting for these two items, a comparable expense chart is listed below. This chart does a better job of comparing apples to apples.



10 - 11	11 - 12	12 - 13	13 - 14	14-15
13,838,513	14,533,396	14,558,518	15,345,404	16,080,191

## General Fund Ending Balance

A good method for examining the health of the General Fund is to look at the ending balance which is called the reserve. The chart and table below illustrates the General Fund ending balance. As show by the trend-line, there has been a general increase in reserves.



<b>10 – 11</b>	<b>11 – 12</b>	<b>12 – 13</b>	<b>13 – 14</b>	<b>14-15</b>
2,603,306	1,669,785	4,349,225	5,022,048	6,341,026

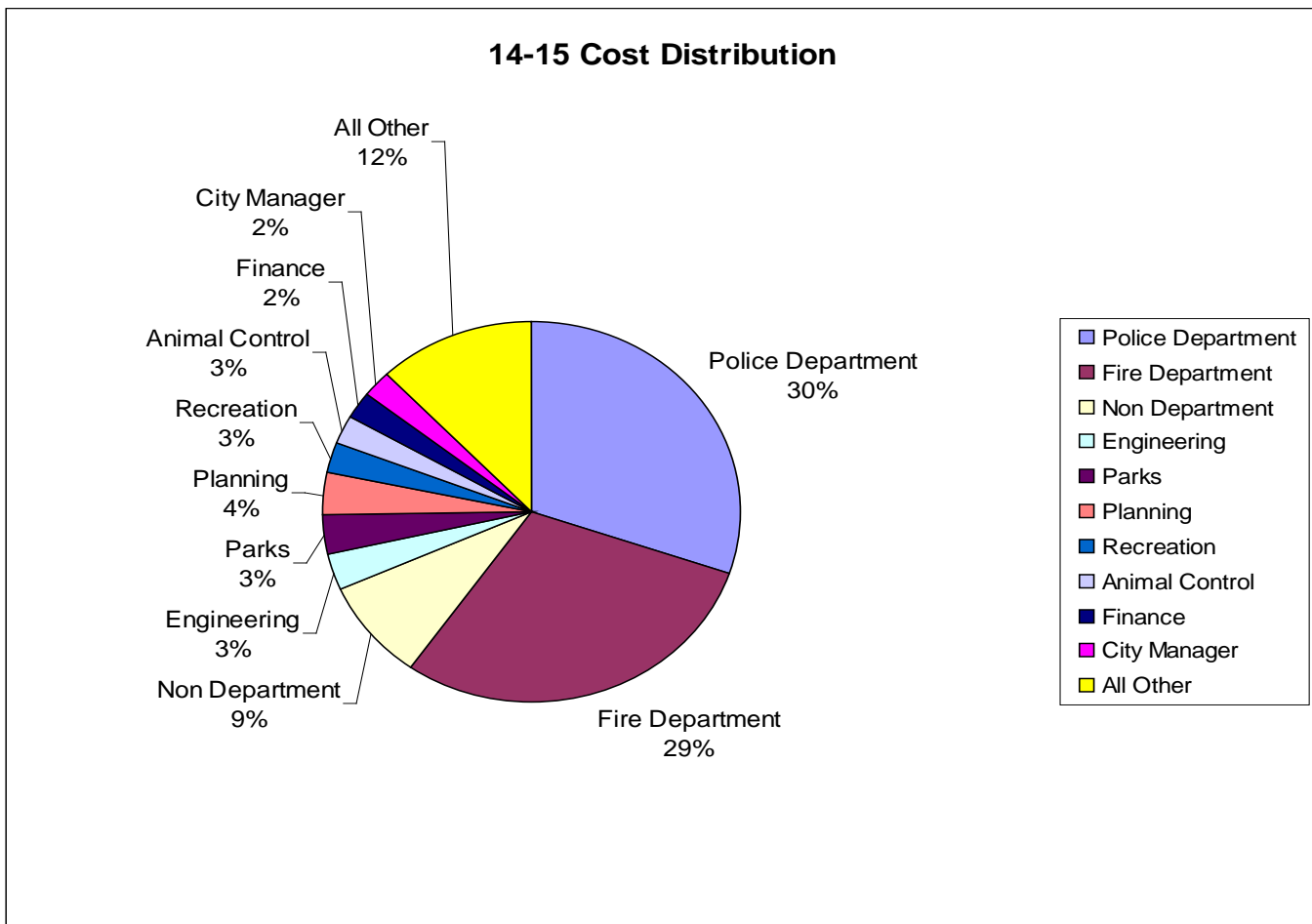
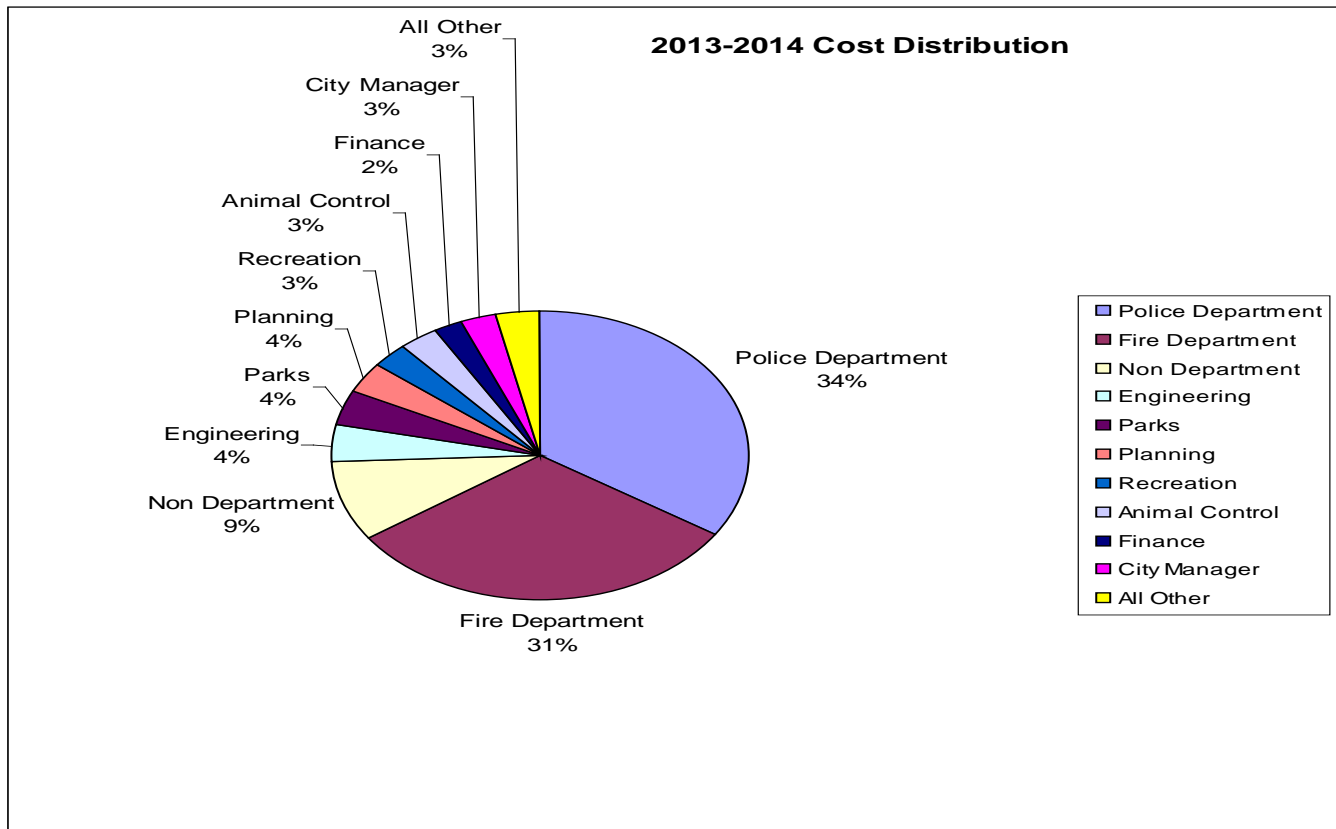
\* 2014-2015 ending balance is an unaudited number.

## Cost Centers

The committee's first report contained historical information regarding expense incurred by each cost center. A cost center can be interpreted as a department and the City currently has 21 cost centers. The chart lists the budget and actual expense for each cost center over the previous three years. The percent column in the chart compares the respective cost center to the total general fund. For fiscal year 2014-2015, the police and fire cost center budgets were about 59.7% of the total General Fund budget. That percentage is a slight decrease from the 2013-2014 percent of about 60.5%. Reasons for the slight decrease include the CalPERS side fund transfer increased the non-department expense and the large increase in the engineering and planning budgets. Those increases were due to and offset by increases in plan checks. In general, the data supports the position that after Measure E, the City has maintained (and in many cases, increased) the level of service offered prior to the passage of the tax measure.

		Actual 11-12	%	Actual 12-13	%	Actual 13-14	%	Budget 14-15	Actual 14-15	%
2500	Police Department	5,472,496	37.7%	4,966,472	34.1%	5,333,597	30.5%	5,880,740	5,585,961	30.2%
2205	Fire Department	4,083,989	28.1%	4,125,980	28.3%	5,252,633	30.0%	5,551,590	5,454,180	29.5%
7000	Parks	498,360	3.4%	521,932	3.6%	665,640	3.8%	699,511	579,567	3.1%
2025	Animal Control	541,786	3.7%	509,526	3.5%	454,087	2.6%	543,444	462,634	2.5%
4010	Planning	430,198	3.0%	606,447	4.2%	643,541	3.7%	801,569	681,940	3.7%
8000	Recreation	471,028	3.2%	463,726	3.2%	463,272	2.6%	506,598	464,704	2.5%
4000	Engineering	451,947	3.1%	460,976	3.2%	711,852	4.1%	788,971	599,436	3.2%
1155	Finance	377,426	2.6%	348,110	2.4%	392,849	2.2%	414,724	390,643	2.1%
1101	Non Department	263,633	1.8%	304,221	2.1%	1,188,817	6.8%	1,578,186	1,575,884	8.5%
2207	Solid waste	251,987	1.7%	220,320	1.5%	213,281	1.2%	239,603	169,206	0.9%
1120	City Manager	221,044	1.5%	241,618	1.7%	380,802	2.2%	424,088	422,824	2.3%
5005	Vehicle Maintenance	222,778	1.5%	224,636	1.5%	248,440	1.4%	275,144	274,781	1.5%
1145	City Attorney	196,239	1.4%	283,757	1.9%	120,246	0.7%	0	0	0.0%
1110	City Clerk/Elections	250,158	1.7%	213,177	1.5%	279,294	1.6%	431,494	430,088	2.3%
1160	Human Resources	208,721	1.4%	194,218	1.3%	216,835	1.2%	272,025	157,898	0.9%
7020	Veterans' Building	157,527	1.1%	148,315	1.0%	117,354	0.7%	102,475	99,085	0.5%
1105	City Council	78,425	0.5%	143,087	1.0%	203,342	1.2%	341,246	334,450	1.8%
1157	Information Systems	102,520	0.7%	167,473	1.2%	200,300	1.1%	229,492	214,558	1.2%
5010	Street Maintenance	96,668	0.7%	83,145	0.6%	70,315	0.4%	87,190	84,968	0.5%
4300	Code Enforcement	31,661	0.2%	44,078	0.3%	109,838	0.6%	218,265	203,489	1.1%
1150	City Treasurer	3,150	0.0%	4,304	0.0%	3,125	0.0%	12,775	12,764	0.1%
1125	RDA General	121,655	0.8%	283,000	1.9%	209,808	1.2%	250,000	208,858	1.1%
4100	Risk Management	0	0.0%	0	0.0%	33,756	0.2%	98,194	82,857	0.4%
Total		14,533,396		14,558,518		17,513,024		19,747,324	18,490,775	

The following charts illustrate the General Fund budget distribution among the major cost centers for fiscal years 13-14 and 14-15.



## Personnel Expense

As with all public agencies, personnel costs make up the large majority of expense. For Hollister, personnel costs account for about 67% of all expense. The committee was interested in looking at the components of these costs and the following data was generated. As shown below, the City appears to have done a good job in addressing regular salaries. It should also be noted that there was a reduction in regular salaries in 2014-2015 as a result of contracting for legal and other services.

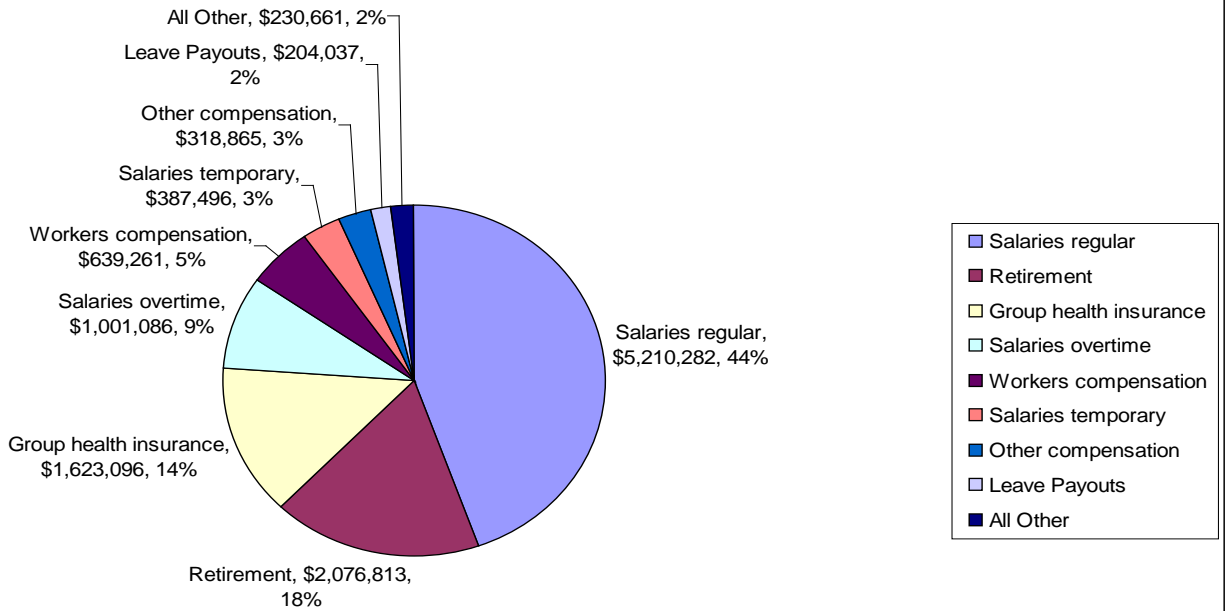
The Committee understands that the City, in September 2015, finalized contract negotiations for police and fire. It should be noted that the employees portion for CALPERS is now being paid 100% by said employees. The City has also lowered its medical contributions.

The committee expressed concern with the overtime expense during the 6/30/14 year and appreciated the reduction in overtime expense for the current year of 6/30/15.

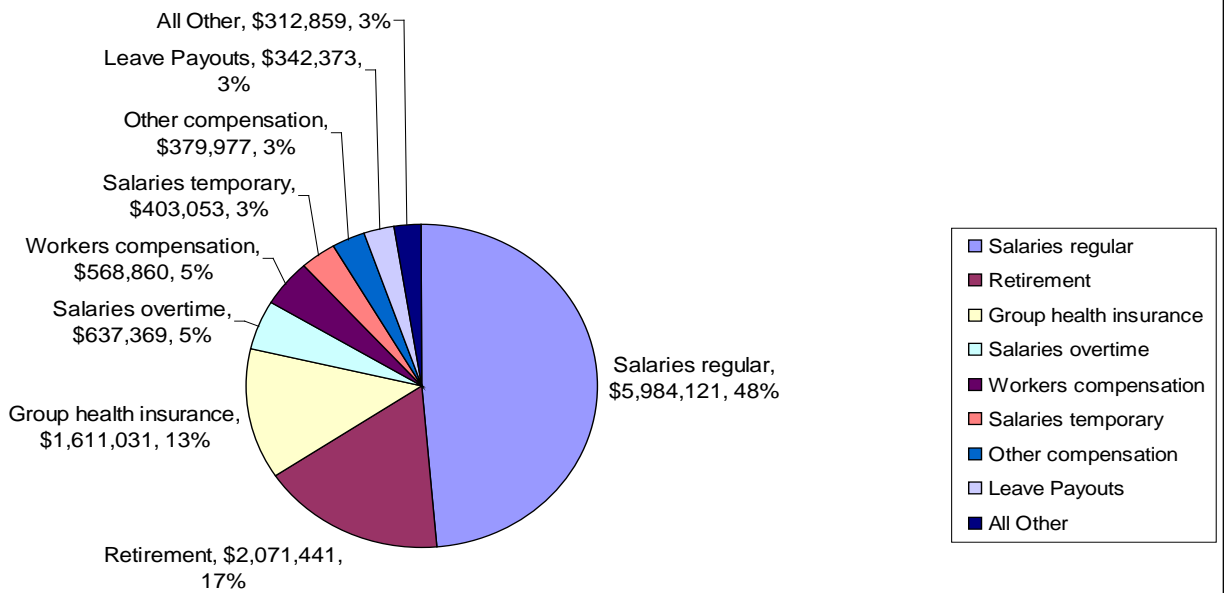
		6//30/11	6//30/12	6/30/2013	6/30/2014	6/30/2015
1	Salaries regular	4,972,611	4,877,674	4,651,751	5,210,282	5,984,121
5	Retirement	1,900,750	1,912,533	1,871,122	2,076,813	2,071,441
9	Group health insurance	1,194,912	1,266,625	1,503,717	1,623,096	1,611,031
3	Salaries overtime	608,583	570,891	603,694	1,001,086	637,369
11	Workers compensation	579,083	549,956	591,332	639,261	568,860
2	Salaries temporary	137,759	217,396	203,960	387,496	403,053
4	Other compensation	454,686	244,907	272,457	318,865	379,977
30	Leave payouts	0	124,201	260,189	204,037	342,373
13	Fica medicare	80,759	81,766	86,591	103,232	106,946
15	Uniform allowance	38,185	34,453	31,119	37,411	60,708
10	Life & ltd insurances	29,432	37,402	39,988	45,725	52,408
25	CalPERS retirees health contrib	11,559	18,212	21,728	24,507	29,623
7	Unemployment ins payment	24,997	6,310	14,451	15,456	24,485
29	W/C salary continuation (2/3)	0	85,988	33,101	36,975	16,442
14	Fica oasdi	7,210	9,489	8,638	16,876	15,047
26	Retiree medicare contribution	4,800	7,200	7,200	7,200	7,200
27	Retiree health contribution	71,105	84,509	95,457	7,629	0
		10,263,536	10,215,016	10,504,997	11,691,597	12,311,084



### 2013-2014 Personnel Expense



### 2014-2015 Personnel Expense



The following chart reflects the number of employee positions by department by year.

**CITY OF HOLLISTER  
FISCAL YEAR '15-16  
REGULAR STATUS- BUDGETED EMPLOYEE POSITIONS**

	FISCAL 10-11	FISCAL 11-12	FISCAL 12-13	FISCAL 13-14	(as of 05/30/15) FISCAL 14-15	<u>RECOMMENDED</u>	
						PROPOSED BUDGET	Beg. FISCAL YEAR '15-16 TOTAL
TOTAL ADMINISTRATION	2.6	3.0	4.0	4.0	4.0	-	4.0
TOTAL CITY ATTORNEY	1.0	1.0	1.0	-	-	-	-
TOTAL CITY CLERK	2.0	2.0	1.0	2.0	2.0	-	2.0
TOTAL ADMINISTRATIVE SERVICES	8.0	8.0	8.0	8.0	8.0	1.0	9.0
TOTAL DEVELOPMENT SERVICES	14.0	14.0	11.0	12.0	12.0	1.0	13.0
<b><u>FIRE DEPARTMENT</u></b>							
Fire Chief	1.0	1.0	1.0	1.0	1.0	-	1.0
Fire Marshall	-	-	-	1.0	1.0	-	1.0
Admin. - Fire Captain	-	-	-	1.0	1.0	-	1.0
Fire Captain	7.0	7.0	7.0	9.0	9.0	-	9.0
Fire Engineer	9.0	9.0	9.0	9.0	9.0	-	9.0
Fire Fighters	6.0	6.0	6.0	18.0	18.0	-	18.0
Senior Support Services Assistant	1.0	1.0	1.0	1.0	1.0	-	1.0
<b><u>TOTAL FIRE DEPARTMENT</u></b>	<b>24.0</b>	<b>24.0</b>	<b>24.0</b>	<b>40.0</b>	<b>40.0</b>	<b>-</b>	<b>40.0</b>
<b><u>POLICE DEPARTMENT</u></b>							
Police Chief	1.0	1.0	-	1.0	1.0	-	1.0
<b><u>Police Department</u></b>							
Police Captain	1.0	1.0	2.0	1.0	1.0	-	1.0
Police Lieutenant	-	-	-	2.0	2.0	-	2.0
Police Sergeant	7.0	7.0	7.0	6.0	5.0	-	5.0
Police Officers	15.0	15.0	15.0	15.0	16.0	-	16.0
Patrol Officer	-	-	-	-	-	-	-
School Resource Officer	-	-	-	1.0	2.0	-	2.0
Gang Prevention Officer	-	1.0	1.0	1.0	1.0	-	1.0
Police Administrative Supervisor	-	-	-	-	1.0	-	1.0
Police Services Supervisor	1.0	1.0	1.0	1.0	-	-	-
Police Services Officer	3.0	2.0	2.0	3.0	3.0	-	3.0
Community Services Officer	-	-	-	1.0	1.5	-	1.5
Multi Services Officer	1.0	1.0	1.0	1.0	1.0	-	1.0
Senior Support Services Assistant	-	1.0	1.0	-	-	-	-
	<b>28.0</b>	<b>29.0</b>	<b>30.0</b>	<b>32.0</b>	<b>33.5</b>	<b>-</b>	<b>33.5</b>
<b><u>Animal Control</u></b>							
Animal Control Supervisor	1.0	1.0	1.0	1.0	1.0	-	1.0
Animal Control Officers	1.0	1.0	2.0	2.0	2.0	-	2.0
Senior Support Services Assistant	-	-	-	-	-	-	-
	<b>2.0</b>	<b>2.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>-</b>	<b>3.0</b>
<b><u>TOTAL POLICE DEPARTMENT</u></b>	<b>31.0</b>	<b>32.0</b>	<b>33.0</b>	<b>36.0</b>	<b>37.5</b>	<b>-</b>	<b>37.5</b>
<b><u>TOTAL AIRPORT &amp; CODE ENFORCEMENT</u></b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>4.0</b>	<b>5.0</b>	<b>1.0</b>	<b>6.0</b>
<b><u>TOTAL COMMUNITY SERVICES</u></b>	<b>39.0</b>	<b>35.0</b>	<b>35.0</b>	<b>34.0</b>	<b>34.0</b>	<b>(2.0)</b>	<b>32.0</b>
<b><u>TOTAL ALL DEPARTMENTS</u></b>	<b>124.6</b>	<b>122.0</b>	<b>120.0</b>	<b>140.0</b>	<b>142.5</b>	<b>1.0</b>	<b>143.5</b>

The number of employees have increased by approximately 20 over the last 3 years. There has been an increase of 16 in the fire department and 4 in the police department over the last 3 years. Grants have funded a majority of the fire department increase. However, neither employees nor expense has decreased.

## Staffing and Budget Revisions

A few new positions were added during the 2014-2015 year and are outlined below.

**Police Department:** There was a decrease by one Sergeant and an increase of one police officer and one school resource officer. There was also a police administrative supervisor added and a half time community services officer.

**Airport:** The Airport added a senior maintenance worker.

## Sales Tax Revenue

Data supplied by HdL Companies analysis of sales tax revenue for the fiscal year ending June 30, 2015.

Sales Tax by Major Business Group from the top 15% of business (to the nearest \$10,000). Some amounts have been estimated where noted as confidential on the HdL report.

Fuel and Service Stations	\$ 640,000
Autos/Transportation	\$ 590,000
General Consumer Goods	\$ 580,000
Restaurants/Hotels	\$ 435,000
Business/Industry	\$ 358,000
Food/Drugs	\$ 385,000
Building/Construction	\$ 233,000

The top 25 sales tax producers for Hollister are as follows in alphabetical order.

Ace Hardware & Lumber	AZ Electronics Materials	Brigantino Irrigation	California Forest Products
Ciminos Cabinet Doors	Crop Production Services	Gateway Arco	Greenwood
Hollister Chevron	K Mart	KMG Electronics	McDonalds
McKinnon Lumber	Nob Hill	Quick Stop	Ranch Gas
Rite Aid	Safeway	Safeway Gas	Save Mart
Shop N Save	Target	Tiffany	Tiger Express Mart
Verizon			

## **Summary and Recommendations**

The committee believes that the Council is spending Measure E funds consistent with the intent of the voter approved measure. The committee has not found any misuse or inappropriate use of Measure E funds during the fiscal year ending June 30, 2015.

The committee recommends that the Council adopt a long range plan for the sunset of Measure E. With Measure E generating approximately 23% of the general fund revenue, the Council needs to make a determination as to whether or not the City can function with the loss of Measure E revenue, and if so, what adjustments will have to be made in order to balance the budget.

This committee has concerns about actions taken recently by the city council relative to unbudgeted distributions from the general fund for non-profits, the homeless shelter and the library. While we think it is admirable, and we agree with the need, we believe while Measure E funds are still needed to balance the city council budget, more accountability to the budget is essential. This committee cannot support this type of generosity until the needs of the city can be met without Measure E funds.