

Measure E Oversight Committee

Report to the Public

October 17, 2016

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.

At the August 1st, 2016 meeting the council approved an ordinance that will put a 20 year sales tax extension of the November ballot.

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 Hollister Downtown Association
Ms. Frankie Gallagher	Appointed by the San Benito County Chamber of Commerce
Mr. Graham Mackie	Appointed by the San Benito County Business Council

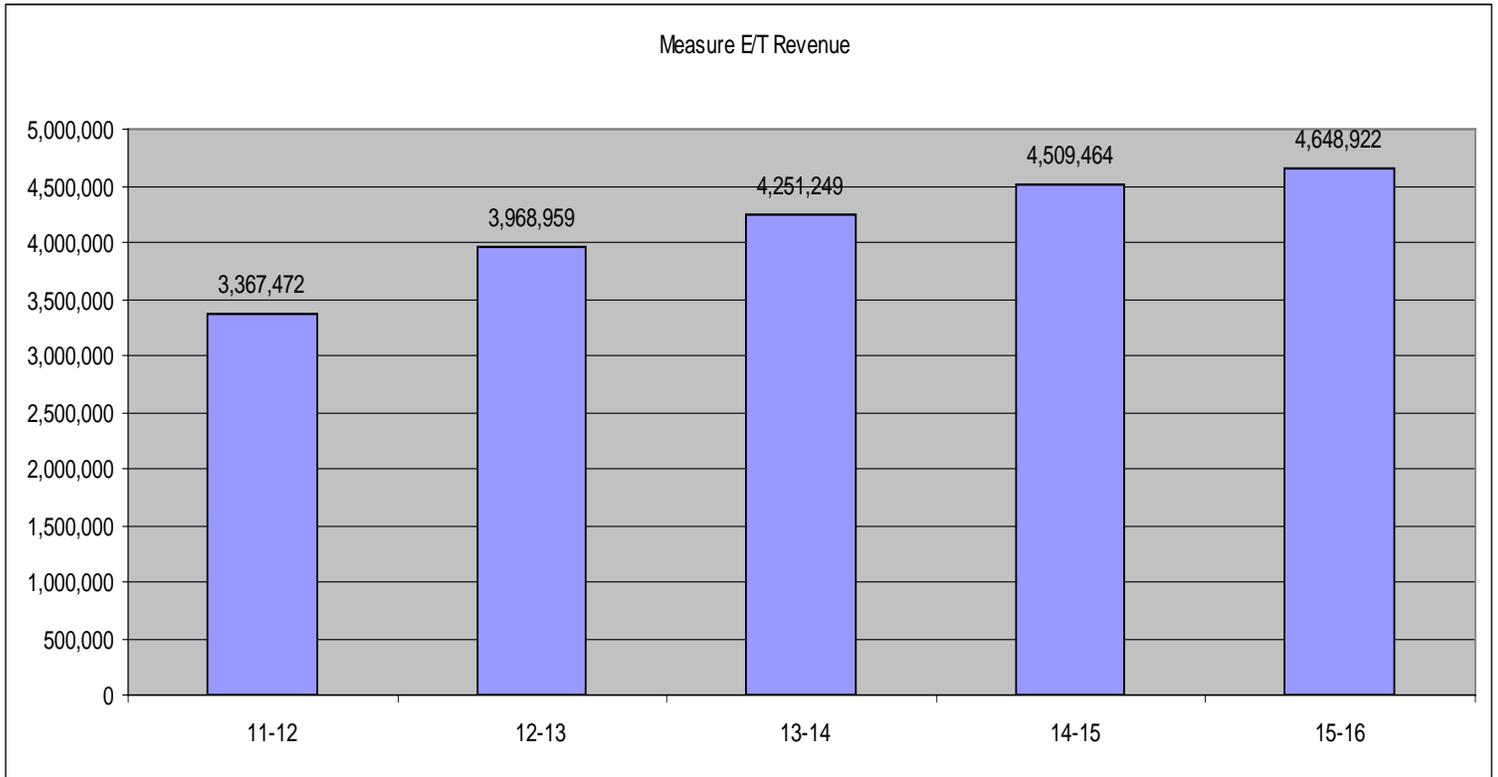
The committee believes that Measure E was marketed to the citizens of Hollister as the way to avoid deep cuts in critical public safety services, despite the fact that Measure E contains the short phrase "funding general city service." It is with this focus towards an emphasis of adequate funding of 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. For fiscal year 2015-2016 Measure E generated \$4,648,922 in revenue which was 21.84% of the total general fund revenue. The 2016-2017 budgeted Measure E revenue is \$4,500,000.

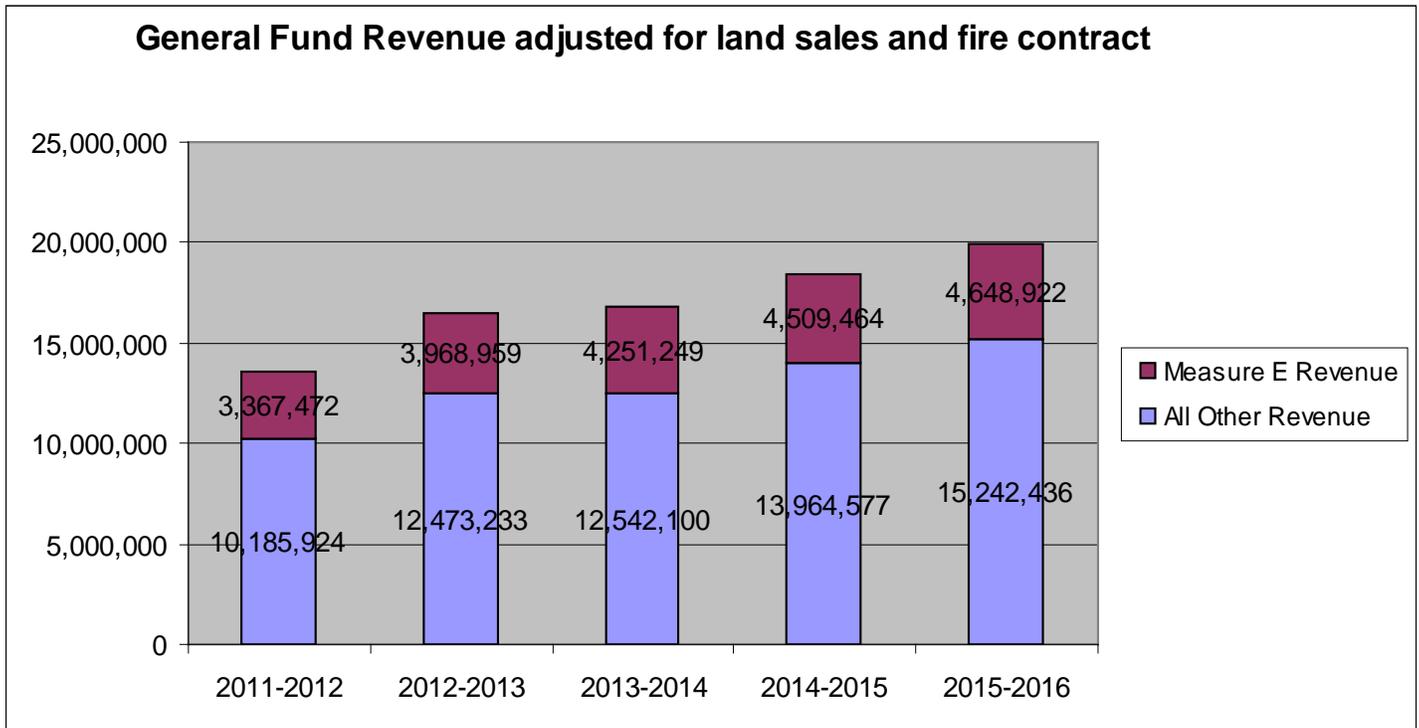
The new measure to extend the 1% sales tax for 20 years, measure W will be voted on November 2016.

Fiscal Year	11-12	12-13	13-14	14-15	15-16
Amount	3,367,472	3,968,959	4,251,249	4,509,464	4,648,922
Percent of General Fund Revenue	24.66%	23.06%	23.38%	22.76%	21.84%



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 22% 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.

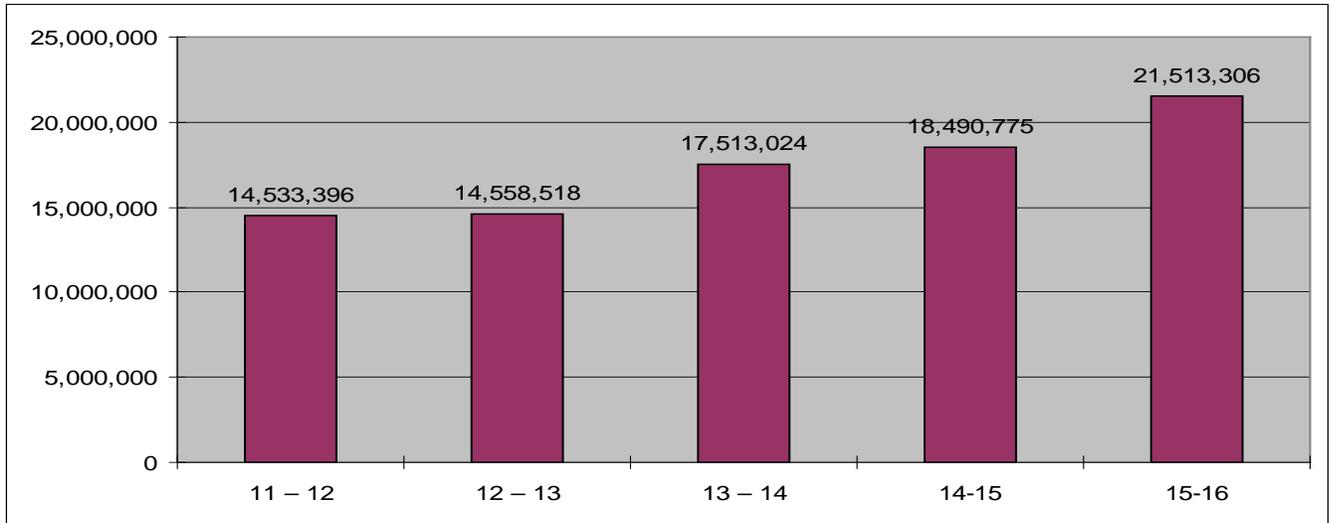


13,533,396	16,442,192	16,793,349	18,474,041	19,891,358
2011-2012	2012-2013	2013-2014	2014-2015	2015-2016

The 2016-2017 budget projects \$21,458,952 in General Fund revenue which includes \$1,357,850 for the fire contract with the County.

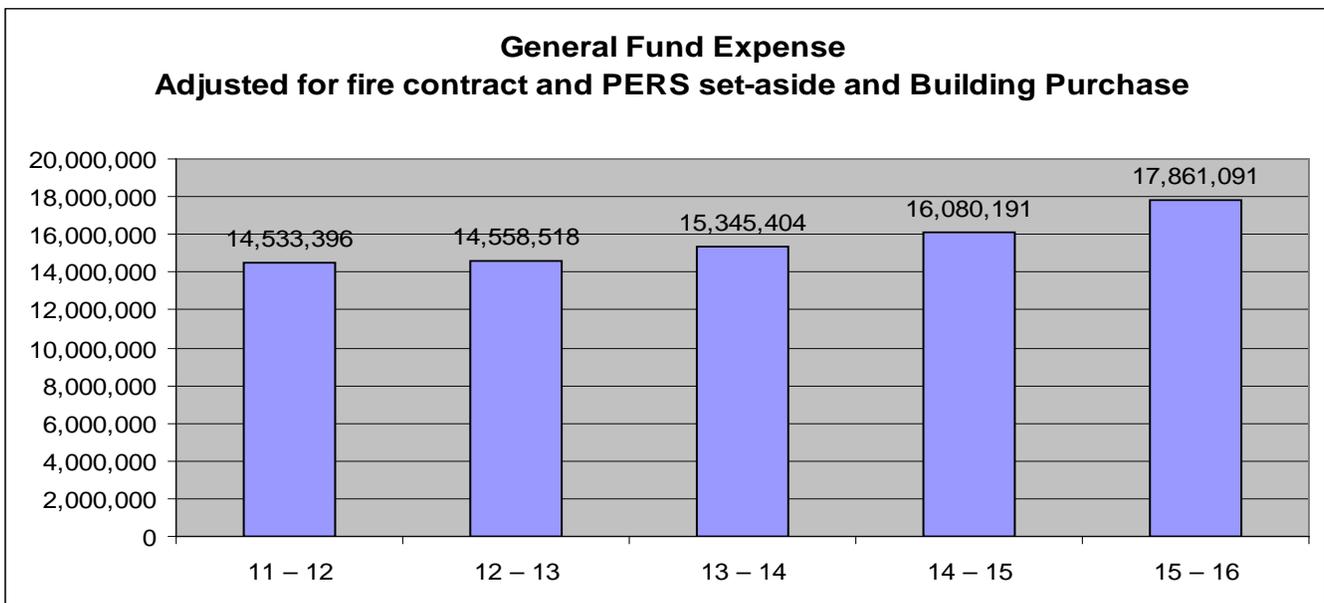
General Fund Expense

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



11 - 12	12 - 13	13 - 14	14-15	15-16
14,533,396	14,558,518	17,513,024	18,490,775	21,513,306

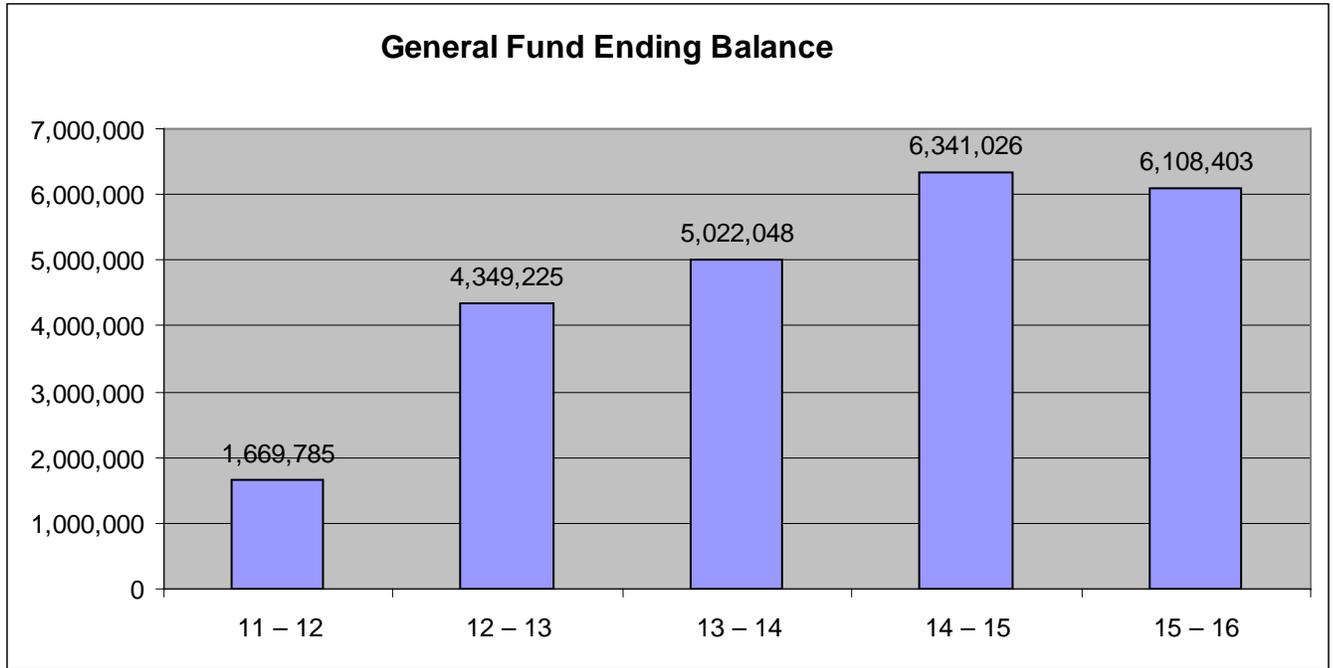
It should be noted that beginning in 2014-2015 includes the expense in the fire department as a result of the contract with the County. It is impossible to isolate exact expenses due to the contract, however total expense for the fire department in 2014-2015 was \$1,289,416 greater than it was in 2013-2014. 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, 2014-2015 \$1,289,634 and 2015-2016 \$1,292,946). Additionally, the Council, in 2013-2014, 2014-2015, and 2015-16 elected to transfer \$875,000, \$830,000, and \$2,260,362 respectively, into a CalPERS side fund to cover unfunded future retirement liabilities. Adjusting for these items, a comparable expense chart is listed below. This chart does a better job of comparing apples to apples.



11 - 12	12 - 13	13 - 14	14-15	15-16
14,533,396	14,558,518	15,345,404	16,080,191	17,861,091

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.



11 - 12	12 - 13	13 - 14	14-15	15-16
1,669,785	4,349,225	5,022,048	6,341,026	6,108,403

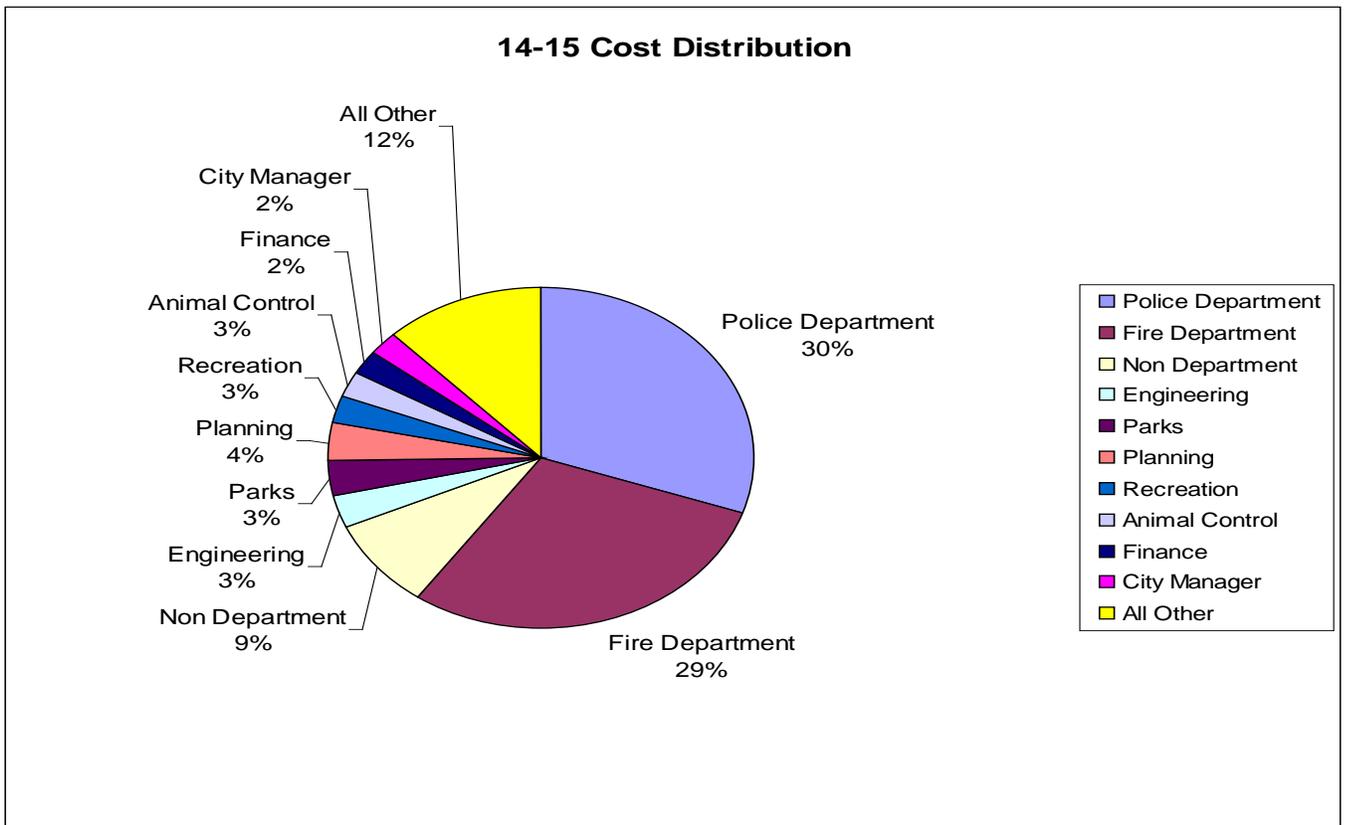
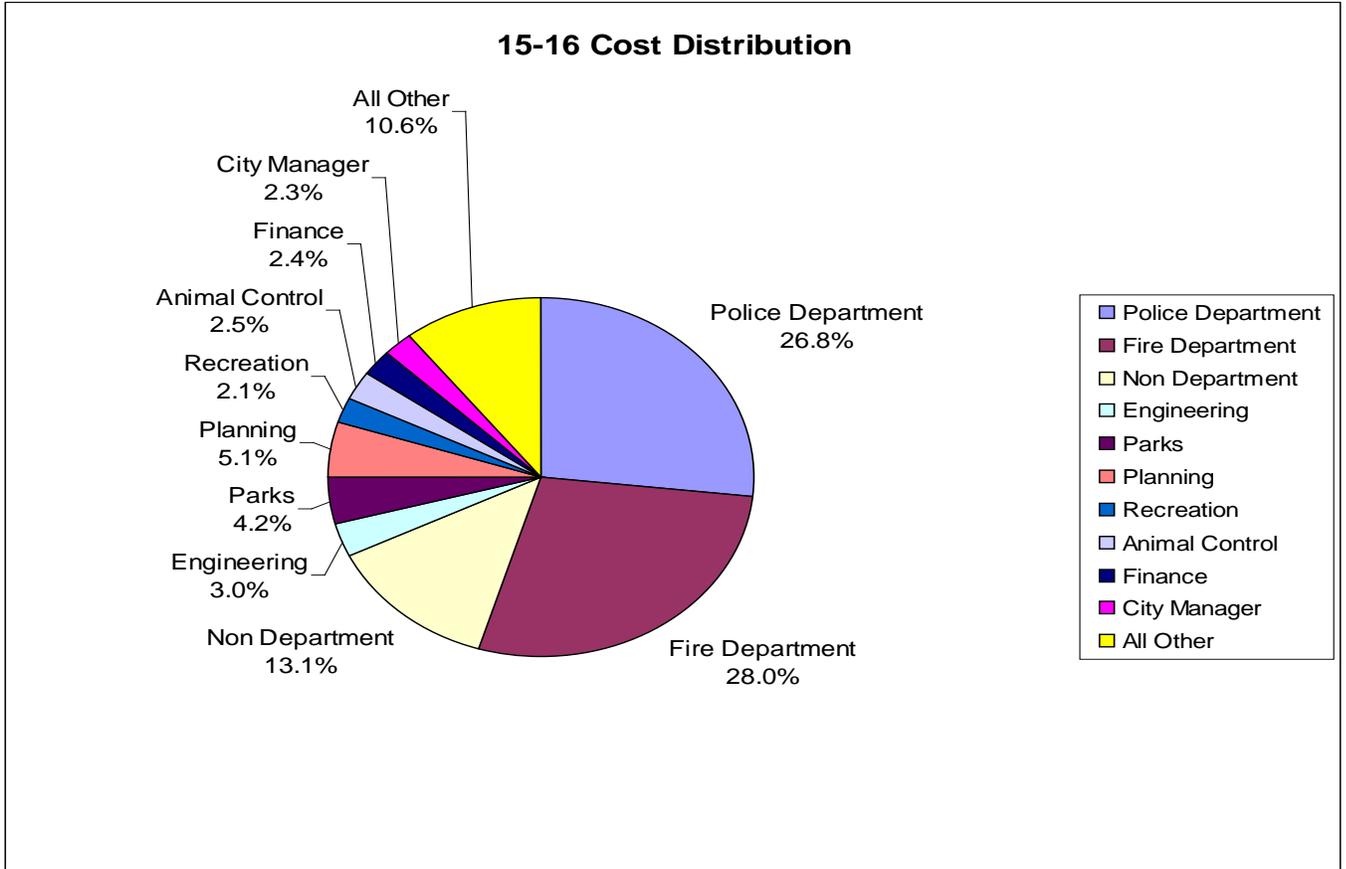
* 2015-2016 ending balance is an unaudited number.

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 12-13	%	Actual 13-14	%	Actual 14-15	%	Budget 15-16	Actual 15-16	%
2500	Police Department	4,966,472	34.1%	5,333,597	30.5%	5,585,961	30.2%	6,170,087	5,766,520	26.8%
2205	Fire Department	4,125,980	28.3%	5,252,633	30.0%	5,454,180	29.5%	5,580,242	6,015,041	28.0%
7000	Parks	521,932	3.6%	665,640	3.8%	579,567	3.1%	1,032,058	894,479	4.2%
2025	Animal Control	509,526	3.5%	454,087	2.6%	462,634	2.5%	534,667	532,072	2.5%
4010	Planning	606,447	4.2%	643,541	3.7%	681,940	3.7%	922,818	1,093,606	5.1%
8000	Recreation	463,726	3.2%	463,272	2.6%	464,704	2.5%	541,974	453,520	2.1%
4000	Engineering	460,976	3.2%	711,852	4.1%	599,436	3.2%	798,625	654,730	3.0%
1155	Finance	348,110	2.4%	392,849	2.2%	390,643	2.1%	502,398	519,434	2.4%
1101	Non Department	304,221	2.1%	1,188,817	6.8%	1,575,884	8.5%	2,769,825	2,812,509	13.1%
2207	Solid waste	220,320	1.5%	213,281	1.2%	169,206	0.9%	239,806	147,659	0.7%
1120	City Manager	241,618	1.7%	380,802	2.2%	422,824	2.3%	490,698	498,327	2.3%
5005	Vehicle Maintenance	224,636	1.5%	248,440	1.4%	274,781	1.5%	348,033	341,984	1.6%
1145	City Attorney	283,757	1.9%	120,246	0.7%	0	0.0%	0	0	0.0%
1110	City Clerk/Elections	213,177	1.5%	279,294	1.6%	430,088	2.3%	325,106	336,443	1.6%
1160	Human Resources	194,218	1.3%	216,835	1.2%	157,898	0.9%	328,287	139,875	0.7%
7020	Veterans' Building	148,315	1.0%	117,354	0.7%	99,085	0.5%	139,886	140,788	0.7%
1105	City Council	143,087	1.0%	203,342	1.2%	334,450	1.8%	326,714	408,105	1.9%
1157	Information Systems	167,473	1.2%	200,300	1.1%	214,558	1.2%	292,558	282,296	1.3%
5010	Street Maintenance	83,145	0.6%	70,315	0.4%	84,968	0.5%	67,338	63,625	0.3%
4300	Code Enforcement	44,078	0.3%	109,838	0.6%	203,489	1.1%	175,558	174,883	0.8%
1150	City Treasurer	4,304	0.0%	3,125	0.0%	12,764	0.1%	25,548	24,100	0.1%
1125	RDA General	283,000	1.9%	209,808	1.2%	208,858	1.1%	250,000	121,353	1.0%
4100	Risk Management	0	0.0%	33,756	0.2%	82,857	0.4%	0	957	0.0%
Total		14,558,518		17,513,024		18,490,775		21,862,226	21,513,306	

The following charts illustrate the General Fund budget distribution among the major cost centers for fiscal years 15-16 and 14-15.



Personnel Expense

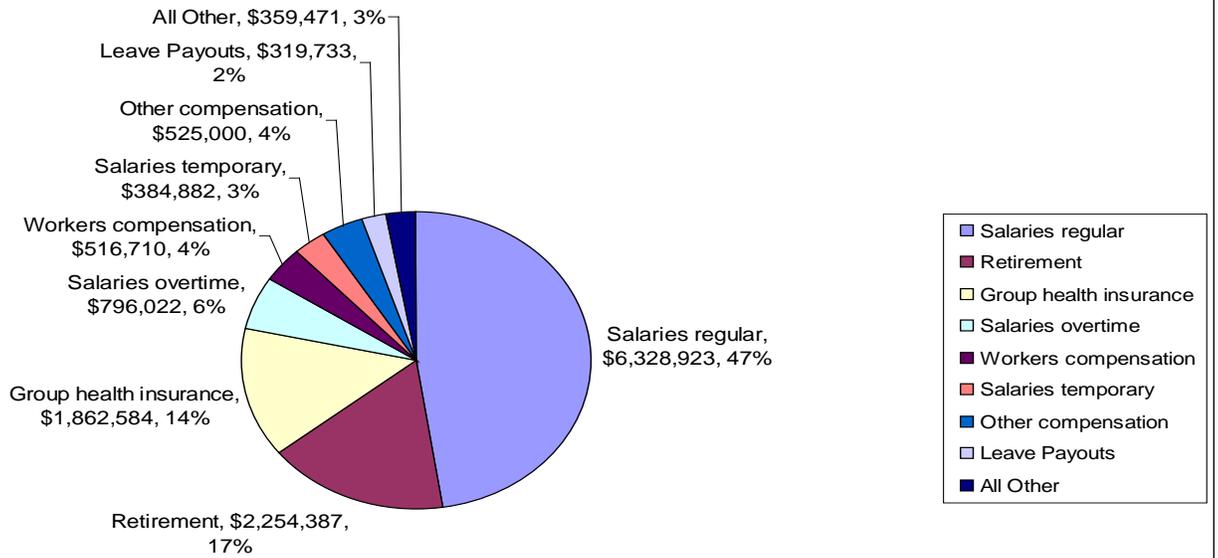
As with all public agencies, personnel costs make up the large majority of expense. For Hollister, personnel costs account for about 67% of all expense. The committee was interested in looking at the components of these costs and the following data was generated. As shown below, the City appears to have done a good job in addressing regular salaries.

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.

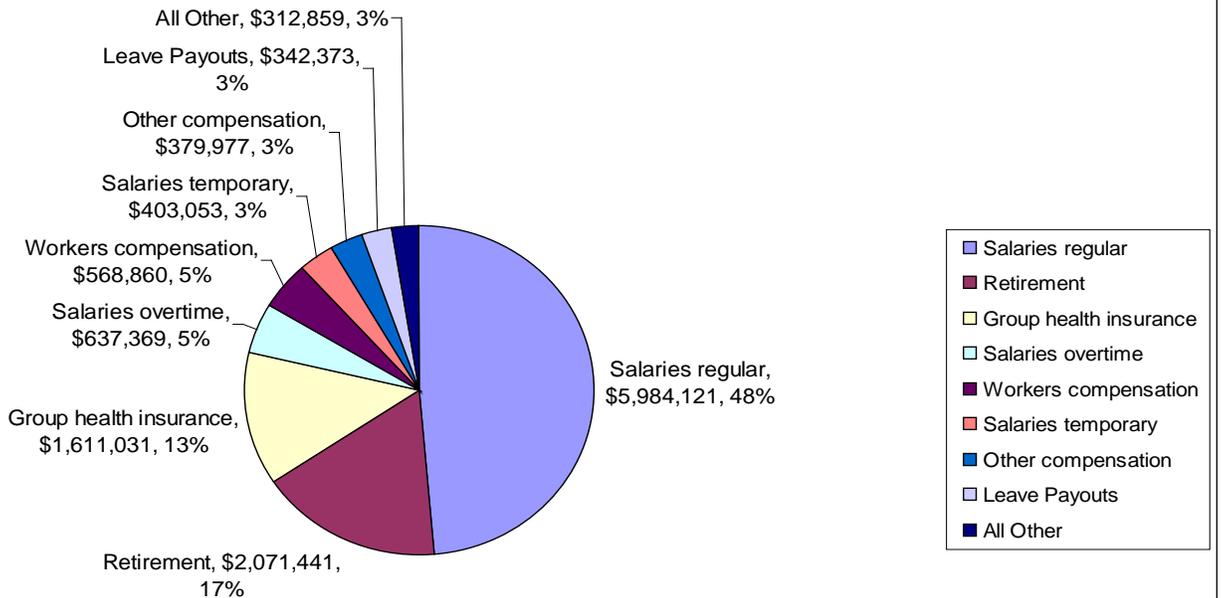
The committee expressed concern with the overtime expense during the 6/30/14 year and appreciated the reduction in overtime expense for the 06/30/15 year. The committee noted a slight increase for 06/30/16.

		6//30/12	6/30/2013	6/30/2014	6/30/2015	6//30/16
1	Salaries regular	4,877,674	4,651,751	5,210,282	5,984,121	6,328,923
5	Retirement	1,912,533	1,871,122	2,076,813	2,071,441	2,254,387
9	Group health insurance	1,266,625	1,503,717	1,623,096	1,611,031	1,862,584
3	Salaries overtime	570,891	603,694	1,001,086	637,369	796,022
11	Workers compensation	549,956	591,332	639,261	568,860	516,710
2	Salaries temporary	217,396	203,960	387,496	403,053	384,882
4	Other compensation	244,907	272,457	318,865	379,977	525,000
30	Leave payouts	124,201	260,189	204,037	342,373	319,733
13	Fica medicare	81,766	86,591	103,232	106,946	130,766
15	Uniform allowance	34,453	31,119	37,411	60,708	59,257
10	Life & ltd insurances	37,402	39,988	45,725	52,408	56,658
25	CalPERS retirees health contrib	18,212	21,728	24,507	29,623	37,250
7	Unemployment ins payment	6,310	14,451	15,456	24,485	21,286
29	W/C salary continuation (2/3)	85,988	33,101	36,975	16,442	23,851
14	Fica oasdi	9,489	8,638	16,876	15,047	15,108
26	Retiree medicare contribution	7,200	7,200	7,200	7,200	7,200
27	Retiree health contribution	84,509	95,457	7,629	0	0
6	Porac retiree trust	0	0	0	0	8,095
		10,215,016	10,504,997	11,691,597	12,311,084	13,347,712

2015-2016 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 11-12	FISCAL 12-13	FISCAL 13-14	FISCAL 14-15	FISCAL 15-16	RECOMMENDED PROPOSED BUDGET	Beg. FISCAL YEAR '16-17 TOTAL
TOTAL ADMINISTRATION	5.0	6.0	6.0	6.0	6.0	-	6.0
TOTAL CITY ATTORNEY	1.0	1.0	-	-	-	-	-
TOTAL CITY CLERK	2.0	1.0	2.0	2.0	2.0	-	2.0
TOTAL ADMINISTRATIVE SERVICES	8.0	8.0	8.0	8.0	9.0	-	9.0
TOTAL DEVELOPMENT SERVICES	14.0	11.0	12.0	12.0	13.0	-	13.0
<u>FIRE DEPARTMENT</u>							
Fire Chief	1.0	1.0	1.0	1.0	1.0	-	1.0
Division Chief	-	-	1.0	1.0	1.0	-	1.0
Battalion Chief	-	-	1.0	1.0	1.0	-	1.0
Fire Captain	7.0	7.0	9.0	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	18.0	18.0	20.0	(12.0)	8.0
Senior Support Services Assistant	1.0	1.0	1.0	1.0	1.0	-	1.0
TOTAL FIRE DEPARTMENT	24.0	24.0	40.0	40.0	42.0	(12.0)	30.0
<u>POLICE DEPARTMENT</u>							
Police Chief	1.0	-	1.0	1.0	1.0	-	1.0
<u>Police Department</u>							
Police Captain	1.0	2.0	1.0	1.0	1.0	-	1.0
Police Lieutenant	-	-	2.0	2.0	2.0	-	2.0
Police Sergeant	7.0	7.0	6.0	5.0	5.0	-	5.0
Police Officers	15.0	15.0	15.0	16.0	16.0	2.0	18.0
Patrol Officer	-	-	-	-	-	-	-
School Resource Officer	-	-	1.0	2.0	3.0	-	3.0
Gang Prevention Officer	1.0	1.0	1.0	1.0	1.0	-	1.0
Police Administrative Supervisor	-	-	-	1.0	1.0	-	1.0
Police Services Supervisor	-	1.0	1.0	-	-	-	-
Police Records Supervisor	-	-	-	-	-	1.0	1.0
Police Services Officer	2.0	2.0	3.0	3.0	3.0	-	3.0
Community Services Officer	-	-	1.0	1.5	1.5	1.0	2.5
Multi Services Officer	1.0	1.0	1.0	1.0	1.0	-	1.0
Senior Support Services Assistant	1.0	1.0	-	-	-	-	-
	29.0	30.0	32.0	33.5	34.5	4.0	38.5
<u>Animal Control</u>							
Animal Control Supervisor	1.0	1.0	1.0	1.0	1.0	-	1.0
Animal Control Officers	1.0	2.0	2.0	2.0	2.0	1.0	3.0
Senior Support Services Assistant	-	-	-	-	-	-	-
	2.0	3.0	3.0	3.0	3.0	-	4.0
TOTAL POLICE DEPARTMENT	32.0	33.0	36.0	37.5	38.5	5.0	43.5
TOTAL AIRPORT & CODE ENFORCEMENT	3.0	3.0	4.0	5.0	6.0	-	6.0
TOTAL COMMUNITY SERVICES	33.0	33.0	32.0	32.0	29.0	-	29.0
TOTAL ALL DEPARTMENTS	122.0	120.0	140.0	142.5	145.5	(7.0)	138.5

The number of employees have increased by approximately 20 over the last 4 years. There has been an increase of 18 in the fire department and 5.5 in the police department over the last 5 years. Grants have funded a majority of the fire department increase. It is a serious concern that even with the additional sales tax revenue the city is cutting 12 firefighters for the budgeted 2016-2017 year.

Staffing and Budget Revisions

A few new positions were added during the 2015-2016 year and are outlined below.

Police/Fire Department: There was an increase of one school resource officer and two firefighters.

Airport: The Airport added a senior maintenance worker.

Administrative Services: An accounting Technician was added in administrative services.

Sales Tax Revenue

Data supplied by HdL Companies analysis of sales tax revenue for the three quarters ending March 31, 2016.

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	\$ 428,000
Autos/Transportation	\$ 903,000
General Consumer Goods	\$ 618,000
Restaurants/Hotels	\$ 570,000
Business/Industry	\$ 428,000
Food/Drugs	\$ 380,000
Building/Construction	\$ 285,000

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

Ace Hardware & Lumber	All Star Ready Mix	Arco AM PM	AutoZone
AZ Electronics Materials	Brigantino Irrigation	Cheung Sheng Chinese Restaurant	
Ciminos Cabinet Doors	Crop Production Services	Greenwood	Hollister Chevron
KMart	McDonalds	McKinnon Lumber	Nob Hill
Rite Aid	Rount Table Pizza	Safeway	Safeway Fuel
Save Mart	Shop N Save	Target	Tiffany Ford
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, 2016.

The committee feel measure E funds have enabled the following positive items for our community. The Junior Giants Program, resurrection of youth winter basketball, the reopening of park bathrooms, and the ability to have departments being open full days all week. The city has also provided for more sidewalk repairs as well as pavement management. Measure E, with supplemental funding from grants, has provided our city with much needed public safety funding.

In our prior report, we requested the Council adopt a long range plan for the sunset of Measure E. With Measure E generating approximately 22% 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. Our belief is their plan was to put Measure W on the ballot to extend the tax for 20 years which would provide a reliable funding source to allow for long range planning for our city.

We request, after the November election results, the council provide the community with a long range plan resulting in eliminating the need to further extend measure W.