

Transactions and Use Tax Measure A Citizens' Advisory Committee

Annual Report for Fiscal Year 2014-15
Prepared for City Council of Stockton, California

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STOCKTON, CALIFORNIA
 Citizens' Advisory Committee, Measures A & B
 Annual Report for Fiscal Year 2014-15

Pursuant to City of Stockton Transactions and Use Tax Ordinance, the Citizen's Advisory Committee respectfully submits this Annual Report to City Council for review.

Background

On July 9, 2013, the Stockton City Council adopted Resolution 2013-07-09-1601 calling for a special election establishing the ¾ cent sales tax contingent upon voter consideration and approval at the November 5, 2013 election.

On October 8, 2013, the Stockton City Council adopted Resolution 2013-10-08-1505 to clarify the intent of authorizing the formation of a Citizen's Oversight Committee.

On November 5, 2013 Stockton voters approved both Measures A & B, authorized under Ordinance 2013-07-09-1601.

Measure A is a transaction and use (sales) tax initiative introduced by the City of Stockton and passed by 51.85% voter approval, an affirmative vote of 11% of the city's population. A key component in the campaign leading up to the ballot measure was the promise of an effective citizen's oversight committee.

The tax became effective on April 1, 2014 and it is anticipated to bring \$28 million annually into the city's General Fund. With an additional three-quarter (¾) cent sales tax, the sales tax within the City of Stockton will be nine percent (9%). The tax is set to expire by its own terms in ten years, unless extended by the City Council. However, the measure includes a 'sunset provision' and, by order of the Council or by voter approval, the tax can be reduced or eliminated when the peak revenues of 2008 are again reached, adjusted for inflation.

The implementation plan (Resolution 2014-02-25-1501) included assurances that 40 new Measure A police officers would be hired each year for three years.

Law Enforcement, Crime Prevention, and Other Essential City Services Measure
To pay for law enforcement and crime prevention services such as those described in Stockton's Marshall Plan on Crime, to help end the bankruptcy and restore other City services; and provided it shall sunset in ten years or when economic recovery occurs, a Citizen's Oversight Committee reports on the use of proceeds, and independent audits are done annually; shall Ordinance 2013-07-09-1601 be adopted to impose a ¾-cent transaction and use (sales) tax?

Measure A was accompanied by Measure B, a non-binding advisory measure to communicate the priorities and will of the people. The voter-approved Measure B calls for 65 percent of the new revenues to be used for law enforcement and crime prevention services such as those described in the City's Marshall Plan on Crime which funds three components; it hires 120 sworn officers as

well as civilian staff, it creates an Office of Violence Prevention and it implements Neighborhood Blitz Teams. The remaining 35 percent of the proceeds is to be used only to pay for the City's efforts to end the bankruptcy and for services to residents, businesses and property owners.

Measure B as it appeared on the November 5, 2013 Ballot:

Advisory Measure

If Measure A is approved by the voters, shall (i) 65% of its proceeds be used only to pay for law enforcement and crime prevention services in the City such as those described in the City's Marshall Plan on Crime and (ii) 35% of its proceeds be used only to pay for the City's efforts to end the bankruptcy and for services to residents, businesses, and property owners?

Measure A Citizens' Advisory Committee Charter 2.2.3 Annual Reports.

The charter provides that the Committee meet at least annually and make recommendations to the City Council regarding Measure A revenues and expenditures; which report shall include the following:

- a) A statement indicating whether the City is in compliance with the purposes set forth in the applicable ballot measures with respect to the tax proceeds;
- b) A review of tax revenues and expenditures to verify that amounts collected were expended for the purposes set forth in the applicable ballot measure with respect to the tax proceeds;
- c) A review of the City's progress in implementing the recommendation of the Marshall Plan on Crime, including the hiring of 120 more police officers and other investments; and
- d) A summary of the Committee's proceedings and activities for the preceding year.

The Committee met in public forum four times during Fiscal Year 2014-15. Agendas and Minutes are posted on the city's web site:

www.stocktongov.com/government/departments/manager/pubMeasureA.html
www.stocktongov.com/government/oMeetings/boardComMeetings.html

Police Staffing

The assurances set forth in the Implementation Plan of a quantified level of police staffing has not been met. The residents of Stockton were told that Measure A revenues would be used to employ at least 40 additional sworn officers by the end of Fiscal Year 2014-15. It did not happen.

Prior to Measure A, Stockton had 365 budgeted authorized positions for sworn officers This is the benchmark from which to measure the Implementation Plan of 40 new Measure A officers in the first year. And, while the hiring of new sworn officers in Stockton during fiscal year 2014-15 was

indeed historic and unprecedented, on June 30, 2015, the Police Department employed a total of 387 police officers, far short of the established goal of 405.

Police Department Patrol Services

Category	Total Authorized/Budgeted as of June 30, 2014	Total Authorized/Budgeted as of June 30, 2015	Total Filled as of June 30, 2015
Police Sworn	365	405	387

On July 15, 2014 the Police Chief reported that the cost for a first-year officer is about \$185,000, which includes about \$80,000 per position in one-time costs. The timeline for service on the streets is approximately eighteen months; six months in academy, six months in field training and six months' on-the-job review and probation.

On or about September 30, 2014, the U.S. Department of Justice awarded Stockton \$1.875 million to hire 15 officers over the next three years. Stockton's Police Chief said these hires are not to be included in the number of additional officers funded through Measure A. The City Council adopted Resolution 14-1176 on November 18, 2014, which states that these new positions will further implement the Marshall Plan and use Measure A funds as the grant-required match of \$3,681,708.

- a) We recommend the Police Department review its recruitment and hiring procedures to see where improvements can be made.
- b) We recommend independent, professionally conducted interviews of exited officers to see if the critical issues of retention and attrition can be better understood.
- c) We recommend the results of recruitment policy review and exit interviews be shared with the City Manager and Council Members.
- d) We recommend the City Council, City Manager and Police Department work together to establish a plan to retain current officers.

Office of Violence Prevention

The Office of Violence Prevention is tasked with ensuring, in collaboration with a multitude of stakeholders, that the Marshall Plan is implemented. Under the direction of the City Manager's Office, this new Division will manage the current Peacekeeper Program and oversee its expansion; will manage the continued implementation of Operation Ceasefire, and work as a liaison between the City and community partners to further implement the Marshall Plan. New staffing, funded with Measure A revenues, includes a Program Manager, Administrative Analyst, four Youth Outreach Workers, and an Office Assistant. These new positions were budgeted as part of the Fiscal Year 2014-15.

However, the Office of Violence Prevention Program Manager position and many others were vacant for the majority of the fiscal year.

Due to the vacancies in the Office of Violence Prevention, the City Council, in partnership with WorkNet of San Joaquin, implemented a Summer Youth Employment Program with a budget of \$100,000 from Measure A monies.

- a) We recommend the City Council inform the Measure A Committee when such changes to the budget occur and provide documentation supporting the change.

In December of 2015, a new Office of Violence Prevention Program Manager was hired and it appears the City is moving forward with filling positions within the Office of Violence Prevention. It is imperative this Committee continue to monitor the effectiveness of this office.

- a) We recommend the City Council adopt goals and standards whereby the value and success of this newly-formed office can be measured.
- b) We recommend the reports provided to the Measure A Committee at each meeting include program updates and activities (such as the number of participants in the Call-ins and clients being served by Operation Ceasefire).
- c) We recommend the reports provided to the Measure A Committee at each meeting include the staffing levels, program updates and activities of the Peacekeeper program in order to monitor the effectiveness of this office.

Financial Reporting

Measure A financial report formats have evolved during Fiscal Year 2014-15. Initial quarterly financial reports included sections for Revenues, Police and Office of Violence Prevention (Marshall Plan), Expenditures and Other City Services.

Other reports showed all revenues and uses included in the General Fund of the City. Formats for the quarterly financial reports and the annual budget reports were not consistent. However, the City staff members made a commitment to provide us with a supplemental display financial report with a consistent format.

On February 3, 2015 the Committee requested staff to focus future reports on the Marshall Plan activities along with details regarding staffing and equipment costs to avoid confusion regarding the section of Other City Services; including the treatment of Mission Critical project transfers. In response to the Committee's request, the City has agreed to submit clearly-defined program details and uniformity in future reports.

- a) We recommend City Council members insist on receiving actual vs. budget reports that will tie into the audited financial statements before any budget decisions are made.

Independent Audit

In the interest of transparency and proper oversight, on May 19, 2015 the Committee sent a recommendation to City Council to arrange an outside audit of the Measure A funds under generally accepted auditing standards, separate from the annual CAFR, to be performed by an auditing firm

independent of city staff and persons currently hired by the city. The recommendation was not supported by the City Manager's office. However, the Council Audit Committee acted favorably to the recommendation and it was later approved by City Council. The audit is scheduled for spring 2016 and it will be addressed in the next annual report.

Mission Critical Expenditures

The amount budgeted for the "Mission Critical" items appeared on the February 2015 report to the Committee indicating all the money would be allocated in equal amounts per quarter. Per our inquiry, it was indicated these were transfers to other funds. The transfers raise the question about how (or if) the funds have actually been spent once they were transferred out of the Measure A funds.

Mission Critical Projects:	Final Budget	Year End Actual	Variance with Final Budget
Implementation of Strategic Priorities	\$200,000	\$200,000	-
Public Safety Radios	\$1,000,000	\$1,000,000	-
LED Lighting Project Phase I	\$1,200,000	\$1,200,000	-
Information Technology Projects	\$5,236,000	\$5,236,000	-
Purchasing Improvements	\$164,000	\$132,129	\$31,871
Economic Dev. Implementation - ULI	\$100,000	\$21,000	\$79,000
Marketing/Communications Plan	\$100,000	-	\$100,000

Conclusion

The ordinance planning the use of tax monies collected under Measure A are reviewed by the Committee. The Committee has worked diligently this year regarding the review of Measure A sales tax revenue and expenditures and we continue our effort to monitor whether the revenues and expenditures of the Measure A program are in compliance with the goals and plans presented to voters in 2013 per the Ordinance.

As part of the Marshall Plan and Measure A funding, the City has increased public safety as follows:

- ▶ Provided a continuation of Project Ceasefire
- ▶ Completed Neighborhood Blitz for Madison area and Sierra Vista area
- ▶ Implemented body worn cameras for police officers
- ▶ Enhanced public safety technology

The Committee will continue to monitor this tax, which can be reduced or eliminated when the peak revenues of 2008 are again reached, adjusted for inflation.

The Committee finds there are matters for concern as outlined in this report, but we believe the *allocation* for expenditures as outlined in Measure B are in compliance and that improvements are

being made towards advancing the safety of the citizens of Stockton through the funding of the Marshall Plan. We cannot lose sight of the hiring of 120 new sworn officers and the retention of current officers. The City must strive for quantified staffing levels as promised to voters in Measure B.

Respectfully submitted,
Stockton Measure A Citizen's Advisory Committee