



STAFF REPORT

Office of the City Manager

DATE: March 5, 2019

TO: Honorable Mayor and City Council

FROM: Dominic Lazzaretto, City Manager
By: Michael Bruckner, Assistant to the City Manager

SUBJECT: RESOLUTIONS RELATING TO AN ALL-MAIL BALLOT SPECIAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, JUNE 4, 2019; AND APPROVE A SUPPLEMENTAL BUDGET APPROPRIATION IN THE AMOUNT OF \$225,000

RESOLUTION NO. 7246 CALLING FOR THE PLACEMENT OF A GENERAL TAX MEASURE ON THE BALLOT AT THE JUNE 4, 2019, SPECIAL MUNICIPAL ELECTION FOR THE SUBMISSION TO THE QUALIFIED VOTERS OF A PROPOSED ORDINANCE ADDING PART 5.5 TO CHAPTER 6 (TAXES) OF ARTICLE II (ADMINISTRATION) OF THE ARCADIA MUNICIPAL CODE TO ESTABLISH A THREE-QUARTERS PERCENT (THREE-QUARTER CENT) GENERAL TRANSACTIONS AND USE TAX (SALES TAX)

Recommendation: Adopt

RESOLUTION NO. 7247 REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES TO RENDER FULL SERVICES TO THE CITY RELATING TO THE CONDUCT OF A SPECIAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, JUNE 4, 2019

Recommendation: Adopt

RESOLUTION NO. 7248 PROVIDING FOR THE FILING OF PRIMARY AND REBUTTAL ARGUMENTS AND SETTING RULES FOR THE FILLING OF WRITTEN ARGUMENTS REGARDING A CITY MEASURE TO BE SUBMITTED AT THE JUNE 4, 2019, SPECIAL MUNICIPAL ELECTION

Recommendation: Adopt

SUMMARY

On January 15, 2019, the City Council unanimously adopted the recommendations of the volunteer Citizens Financial Advisory Committee. On February 5, 2019, the City Council received the Fiscal Year 2018-19 mid-year budget report. In summary, it is projected that the Fiscal Year 2018-19 Adopted General Fund Budget will end the year with a higher projected operating deficit, from \$3.1 to \$4.5 million. Due to the City's worsening financial condition, the City Council unanimously adopted a Resolution No. 7242 making certain findings and declaring a fiscal emergency in the City of Arcadia to address the structural deficit in the General Fund which is projected to increase to approximately \$8.0 million per year by Fiscal Year 2024-25. Unless prompt action is taken to address the structural deficit, there will have to be significant cuts to important City services that will affect neighborhood police patrols, 911 emergency response times, fire protection and life-saving services, recreation and library programs, road quality, and infrastructure maintenance and improvements beginning in Fiscal Year 2019-20. The City currently has five fewer police officers than it did in 2008. Unless more revenue is generated, as many as 13 police officers could be cut, affecting police patrols and response times. Therefore, it is recommended that the City Council adopt Resolution No. 7246 placing a $\frac{3}{4}$ cent sales tax measure on the June 4, 2019, Special Election ballot.

BACKGROUND

The City of Arcadia has historically operated on limited yet sufficient resources to ensure the quality of life Arcadians have come to expect and appreciate. Since 1998, the City has taken a number of actions to reduce the cost of its operations by nearly \$3.4 million annually without sacrificing the quality of service to the community. In addition to changes in service delivery, the City implemented pension and benefit reforms in 2011, one of the first cities in the state to do so. While the City continues to be well-managed and service levels are currently sufficient to address the needs of the community, the City can no longer maintain these services in the foreseeable future based on current revenue and expenditure levels, and the empaneled volunteer Citizens Financial Advisory Task Force concurs.

On February 20, 2018, the City Council adopted Resolution No. 7202 establishing a Citizen's Financial Advisory Committee ("Committee") to review the City's long-range financial forecast and provide recommendations for potential cost containment and/or revenue enhancement strategies to address the City's structural deficit. The Committee was to submit a report to the City Council no later than 60 calendar days following their final meeting.

On June 19, 2018, the Arcadia City Council adopted Resolution No. 7224 adopting a budget for Fiscal Year 2018-19 and Resolution No. 7225 adopting a Capital Improvement and Equipment Plan for Fiscal Years 2018-19 through 2022-23. At the time of budget adoption, all funds totaled \$120.5 million in expenditures, of which the City's General Fund budget was \$62.4 million (excluding transfers). Once fund transfers were included for the long-term forecast of the Capital Improvement and Equipment Replacement Funds, the General Fund Operating Budget was projected to end the Fiscal Year with a \$3.1 million operating deficit.

After meeting for five months, on December 13, 2018, the Committee unanimously approved a Final Report ("Report") for submission to the City Council for its review and consideration. This Report is a comprehensive fiscal sustainability plan with fifteen specific recommendations, ten primary recommendations for immediate consideration along with an additional five contingency recommendations should additional cost containment and/or revenue enhancements be necessary. Most significantly, the Committee recommended that City services be maintained at current levels and that the City Council declare a fiscal emergency and place a $\frac{3}{4}$ cent local sales tax measure on the ballot as quickly as possible but preferably no later than June 2019. On January 15, 2019, the City Council unanimously adopted the recommendations of the Committee and directed staff to begin preparing for a general tax measure to increase the City's sales tax.

On February 5, 2019, the City Council received the Fiscal Year 2018-19 mid-year budget report. In summary, it is projected that Fiscal Year 2018-19 Adopted General Fund Budget will end the year with a higher projected operating deficit, from \$3.1 to \$4.5 million. Due to the City's worsening financial condition, the City Council unanimously adopted a Resolution No. 7242 making certain findings and declaring a fiscal emergency in the City of Arcadia. Unless immediate action is taken to address the structural deficit, there will have to be significant cuts to important City services that will affect neighborhood police patrols, 911 emergency response times, fire protection and life-saving services, recreation and library programs, road quality, and infrastructure maintenance and improvements beginning in Fiscal Year 2019-20.

DISCUSSION

Like most other municipalities in California, the City of Arcadia is facing a challenging fiscal outlook. The Adopted Fiscal Year 2018-19 General Fund Operating Budget showed a deficit of \$3.1 million. According to the Fiscal Year 2018-19 Mid-year Budget review, the deficit is now estimated to be \$4.5 million and the structural deficit in the General Fund is projected to increase to approximately \$8.0 million per year by Fiscal Year 2024-25. Rising costs of services, including increasing pension costs, are

threatening to crowd out resources available for important City services like police, fire, street maintenance, parks, and the library.

A community survey conducted in October 2017, and again in January 2019, showed Arcadia residents value the quality of life our City has to offer. According to Arcadia residents, the following City services were identified as priorities:

- Maintaining 911, police and fire services
- Maintaining police patrols around neighborhood schools and parks
- Preventing and investigating property crimes like thefts and burglaries
- Keeping fire stations operating at current levels

A voter-approved $\frac{3}{4}$ cent sales tax measure would raise approximately \$8.6 million, an amount sufficient to fund and maintain these important City services in Arcadia for the foreseeable future. The City will have total local control of this important source of revenue as these funds would be not subject to seizure by the state or another local taxing jurisdiction. The City currently collects approximately \$11.5 million in sales tax revenue each year. The tax is not a direct tax on residents but is paid primarily by non-residents who shop and dine at Arcadia stores and restaurants, most significantly at the Westfield Santa Anita Mall. Also, this type of funding mechanism is not levied on food purchased as groceries or prescription medication.

Furthermore, as indicated through the Citizens Financial Advisory Committee process, the City is strongly committed to prudent, responsible oversight of taxpayer dollars and strong fiscal stewardship. All funds generated by the measure will be fiscally accountable, subject to independent annual financial audits and public review of expenditures to ensure proper use of City funds should the measure be enacted by voters.

California Elections Code Section 9222 authorizes the City Council to place a general tax measure on a Special Election ballot for consideration by the voters. Accordingly, the California Constitution requires that the voters approve such general tax by majority vote. Resolution No. 7246 (Attachment 1) calls for a Special Election on Tuesday, June 4, 2019, for the purpose of submitting the measure to the qualified voters in the City. The Resolution also directs the City Attorney to prepare an impartial analysis pursuant to California Elections Code Section 9280, and authorizes arguments for and against the measure in accordance with California Elections Code Section 9282(b).

Finally, the City has contacted the County of Los Angeles Registrar-Recorder/County Clerk to conduct and administer the June 4, 2019, Special Election on behalf of the City. The County estimates that the cost to administer an all-mail in ballot election is approximately \$225,000. Because this is an unbudgeted expense, a supplemental

appropriation in this amount is recommended from the General Fund Operating Reserve.

FISCAL IMPACT

The City currently collects approximately \$11.5 million in sales tax revenue annually. A $\frac{3}{4}$ cent increase to the sales tax would raise approximately \$8.6 million annually. The City of Arcadia is facing a structural deficit of \$8.0 million annually beginning in Fiscal Year 2024-25. Unless prompt action is taken to address the structural deficit, there will have to be significant cuts to important City services that will affect neighborhood police patrols, 911 emergency response times, fire protection and life-saving services, recreation and library programs, road quality, and infrastructure maintenance and improvements beginning in Fiscal Year 2019-20. A supplemental budget appropriation in the amount of \$225,000 is required to conduct an all-mail in ballot. Sufficient funding is available in the General Fund Operating Reserve.

RECOMMENDATION

It is recommended that the City Council adopt the following Resolutions relating to an All-Mail Ballot Special Municipal Election to be held on Tuesday, June 4, 2019, and approve a supplemental budget appropriation in the amount of \$225,000.

- Resolution No. 7246 calling for the placement of a General Tax Measure on the ballot at the June 4, 2019, Special Municipal Election for the submission to the qualified voters of a proposed ordinance adding Part 5.5 to Chapter 6 (Taxes) of Article II (Administration) of the Arcadia Municipal Code to establish a three-quarters percent (three-quarter cent) General Transactions and Use Tax (Sales Tax).
- Resolution No. 7247 requesting the Board of Supervisors of the County of Los Angeles to render full services to the City relating to the conduct of a Special Municipal Election to be held on Tuesday, June 4, 2019.
- Resolution No. 7248 providing for the filing of primary and rebuttal arguments and setting rules for the filing of written arguments regarding a City Measure to be submitted at the June 4, 2019, Special Municipal Election.

Attachments: Resolution No. 7246
Resolution No. 7247
Resolution No. 7248