



City of Culver City

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Staff Report

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Item #: A-4.

CC - (1) Adoption of the Following Five Resolutions: (A) (Unanimous Vote Requirement) Declaring a Fiscal Emergency Pursuant to Article XIII C of the Constitution of the State of California; (B) Calling and Giving Notice of the Holding of a Special Municipal Election to be Consolidated with the Presidential Primary Election to be Held on Tuesday, March 3, 2020 for the Purpose of Submitting to the Voters a Measure Relating to the Continuation of a Local Transactions and Use Tax (Sales Tax); (C) Requesting the Board of Supervisors of the County of Los Angeles Render Specified Services Related to the Conduct of said Election; (D) Authorizing the City Council and/or Certain Council Members to Submit Ballot Arguments Regarding the Measures; (E) Providing for the Filing of Rebuttal Arguments for City Measures Submitted at the Municipal Election; (2) If Desired, Creation of an Ad-Hoc Subcommittee to Draft and/or Submit Such Ballot Argument(s) and Appointment of Two City Council Members Thereto; and (3) Direction to the City Attorney to Prepare the Impartial Analysis for the City Measure

Meeting Date: October 28, 2019

Contact Person/Dept: Jeremy Green/Administrative Services Department
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Fiscal Impact: Yes No **General Fund:** Yes No

Public Hearing: **Action Item:** **Attachments:** Yes No

Commission Action Required: Yes No

Public Notification: (E-Mail) Meetings and Agendas - City Council (10/23/19)

Department Approval: Serena Wright, Assistant City Manager (10/21/19)

RECOMMENDATION:

Staff recommends the City Council:

1. Adopt a resolution declaring the existence of a fiscal emergency pursuant to Article XIII C, Section 2(b) of the California Constitution (a unanimous vote is required for the declaration

of fiscal emergency); and,

2. Adopt a resolution calling and giving notice of the holding of a Special Municipal Election to be consolidated with the Presidential Primary Election to be held on Tuesday, March 3, 2020 for purposes of submitting to the voters one tax measure (this tax measure requires the declaration of a fiscal emergency before it can be submitted to the voters). This measure, if adopted by the voters, would continue a Local Transactions and Use Tax of one half-cent; and,
3. Adopt a resolution requesting the Board of Supervisors of the County of Los Angeles render specified services to the City relating to the conduct of a Special Municipal Election; and,
4. Discuss and, if desired, adopt a resolution authorizing the City Council and/or certain Council Members to submit primary arguments regarding the ballot measure.
5. Discuss and, if desired, adopt a resolution authorizing the City Council and/or certain Council Members to submit rebuttal arguments, regarding the ballot measure.
6. If desired, create an ad hoc subcommittee to draft and/or submit such ballot argument(s) and appoint two City Council Members thereto; and
7. Direct the City Attorney to prepare the Impartial Analysis for the City Measure.

BACKGROUND:

In July 2012, the City Council declared a fiscal emergency, due to the significant permanent decrease in General Fund revenues, resulting from, among other things, the “Great Recession” in the preceding years, and the elimination of the Culver City Redevelopment Agency (CCRA) by the Governor. At that time, the City’s costs were increasing, even after expenditure reductions, which included new labor agreements requiring City employees to pay increased shares of pension costs, capping employee medical insurance expenses, and reducing City staff by approximately 17%. Even with those reductions in spending, the City still faced an ongoing structural deficit.

Over the 30-year history of the former CCRA, it had provided funding for positions and programs related to redevelopment through a reimbursement to the City’s general fund. By Fiscal Year 2011/2012, the amount of that reimbursement had reached \$7.5 million annually. Through the state’s unprecedented action of dissolving redevelopment agencies, the progress the City had made in cutting expenditures to balance the City’s budget had been wiped out overnight. At that point, to balance the City’s budget through cuts alone would have had a significant impact on the level of service the City could provide. This, in turn, it would have impacted the quality of life of Culver City residents and business owners.

To respond to the fiscal emergency, and after extensive community outreach, the City Manager and the Chief Financial Officer (CFO) recommended submitting a one-half cent local sales tax measure (Measure Y, currently codified in Culver City Municipal Code Subchapter 3.08) to the voters in the November 2012 election. City staff submitted a number of options to the City Council; some community members and Council Members advocated for a short (5-year) period for the tax. The

City Manager and CFO recommended against the inclusion of a sunset provision, opining that the sunset provision would indicate that the City's financial issues were temporary, while the financial issues were ongoing. Ultimately, as a compromise, the City Council voted to include a 10-year "sunset provision" where the one-half cent sales tax measure would expire on March 31, 2023. Staff believed that there would be an ongoing need for the one-half cent sales tax revenues; otherwise, upon expiration of the tax, the City would be in the same position as it was in 2012, prior to the tax being implemented.

DISCUSSION

For several years, and most recently during the budget process and study session meetings held in May and June of this year, staff has presented City Council and the community with information related to the City's costs increasing at an alarmingly faster rate than revenues, due in large part to paying down the City's unfunded pension liability.

As discussed above, the current one-half cent sales tax measure will expire by its terms on March 31, 2023. Without those funds, the City anticipates the following ongoing fiscal challenges will threaten the City's ability to provide adequate levels of service to its residents:

1. Total General Fund Appropriations are projected to exceed General Fund Revenue estimates over the next 10 years.
 - a. In the FY 2019/2020 Adopted Budget, even with the one-half cent sales tax in place, the General Fund Budgeted Appropriations exceeded General Fund Revenue Estimates by \$7.3M. If the one-half cent sales tax sunsets, the budget deficit will increase by \$9M and the City will be forced to pursue alternate revenue strategies.
 - b. The City's 10-year financial forecast demonstrates that the General Fund will no longer meet the General Fund Reserve requirement by FY 2023/2024 and if the one-half cent sales tax measure sunsets in FY 2022/2023, the General Fund Reserves will be totally depleted three years after the sunset.
2. Increasing retirement and pension costs related to rates charged by CalPERS have a significant impact on the General Fund's increasing expenditures.
 - a. PERS costs are expected to rise from \$23,952,000 in FY 2019/2020 to \$42,317,000 in FY2029/2030, which is an increase of 77% during this time period.
3. There are additional budget needs that have not been included in the financial forecast which include:
 - a. Increased maintenance and capital improvement projects for City infrastructure (streets, roads, pavements, traffic safety projects, city buildings, etc.).
 - i. In a recent study, consultants at Faithful + Gould assessed 25 City-owned structures located across the City and found a total of \$38M of necessary capital improvements over a 10-year period. Out of the \$38M, \$20M in improvements has been identified as immediate and \$8.5M were identified as Priority 1 Life/Public Safety items.

- b. Capital and maintenance expenditures to support updating network infrastructure, cloud-based software deployments and replacement of end-of-life hardware which are critical to supporting secure and reliable operations.
 - i. The Information Technology (IT) Department administers and manages the network and technical infrastructure for the City. Departments citywide are relying more on emerging technologies that streamline and facilitate efficient operations. Continued investments that support the city's technical infrastructure are essential and reduces the City's risk as it relates to cybersecurity.

As a result of the Great Recession, the City has made significant efforts to reduce cost and improve efficiencies by:

1. Eliminating nearly 17% of the positions in the General Fund, where further reductions to the authorized positions in the City will have a direct effect on the level of services provided to the community.
2. City Departments have been conservative in their spending and sometimes have generated budget savings of up to 4% annually.
3. Employees' cost sharing of PERS cost will generate a 10-year cost savings of \$29.5M for the City

Despite the City's sound management and disciplined control of its financial health, the City's ability to sustain local services is seriously threatened by rising pension costs and the threat of losing 7%, or \$9.8M, of its General Fund Sales Tax Revenues. In addition to these fiscal difficulties, the City seeks to continue to provide the same level of essential City services for the benefit of its residents, which services include police, fire, street maintenance, traffic improvements, emergency preparedness, maintenance of parks and recreation areas, all of which are deemed very important by an overwhelming majority of City residents, as indicated by a recent survey.

It is in the best interest of the public welfare of the residents and businesses that the City of Culver City take measures to avoid any further cuts to essential City services. In order to place a tax measure on a ballot other than a regularly scheduled general municipal election, a fiscal emergency must be declared by a unanimous vote of the City Council. As described above, in order to maintain the quality of life in Culver City, there is an urgent need to ask the voters to continue the one-half cent sales tax now, in order to maintain the levels of general revenues and to adequately plan for the City's future fiscal health.

Declaring a Fiscal Emergency

Should the City Council wish to proceed with a special election to continue the Local Transactions and Use Tax of one half-cent, it is necessary to declare a fiscal emergency by adopting the proposed resolution.

Calling of the Special Election

Should the City Council wish to proceed with the Special Municipal Election, staff recommends the City Council adopt the proposed resolution calling and giving notice of the holding of a Special Municipal Election to be consolidated with the Presidential Primary Election on Tuesday, March 3, 2020.

Requesting the County to Conduct the Election

In accordance with Section 10002 of the Elections Code of the State of California, the governing body of any city or district may, by resolution, request the Board of Supervisors of the county to permit the County Elections Official to render specified services to the city relating to the conduct of an election. The next established election occurring not less than 88 days after the date of the order of election shall be held on Tuesday, March 3, 2020. Staff recommends the proposed Special Municipal Election be consolidated with the Primary Presidential Election and recommends the City Council adopt the proposed resolution which requests the Board of Supervisors render specified services to the City relating to the conduct of said election.

Authorizing the City Council and/or Certain Council Members to Submit Arguments

The City Council, authorized members of the City Council, citizen associations and private citizens may submit arguments for or against the proposed Measure. Only one ballot argument for and one ballot argument against each measure and rebuttals to each may be printed in the sample ballot. The Elections Code gives preference to the arguments submitted by the City Council, as a whole, or by Council Members authorized to submit arguments on behalf of the City Council.

Should the City Council decide to submit an argument as a whole, it is automatically placed in the sample ballot. If the City Council decides to have some of its members submit an argument, those members need to be designated by the City Council in order for their argument(s) to receive priority.

The City Council should decide whether it will submit initial and rebuttal arguments for or against the measure as a whole, designate individual Council Members to submit those arguments on behalf of the body, or create an ad hoc subcommittee to draft the arguments to bring back to the City Council for approval. If individual members are to be designated, then the City Council should make those designations at this meeting. Another option is to create an ad hoc subcommittee and appoint two Council Members thereto, which would also need to be done at this meeting. Please note, that if more than two City Council Members will be working together to write, or intend to give comments on the same argument, then, pursuant to the Brown Act, the discussions and comments among those Council Members may only occur during a duly noticed public meeting of the City Council.

Based on the calendar in the Los Angeles County Measure Information Booklet for the March 3, 2020 election, primary arguments are due to the City Clerk's Office **no later than the close of business (5:30 PM) on Friday, December 13, 2019** and shall not exceed 300 words in length. Should the City Council determine that it wishes to review and approve the primary argument as a body, staff recommends such review and approval be placed on the agenda of the December 9, 2019 Regular City Council Meeting.

California Elections Code § 9285 states that "the author or a majority of the authors of an argument

relating to a city measure may prepare and submit a rebuttal argument or may authorize in writing another person or persons to prepare, submit, or sign the rebuttal argument and...shall not exceed 250 words.”

Rebuttal arguments are due no later than 10 days after the final filing date for primary arguments or **no later than close of business (5:30 PM) on Monday, December 23, 2019**. Should a rebuttal argument be needed and deemed desired by the City Council, and the City Council should determine that it wishes to review and approve the rebuttal argument, then such review and approval would need to be conducted by the City Council at a special meeting prior to the December 23, 2019 deadline.

FISCAL ANALYSIS:

The cost to hold and consolidate the election with Los Angeles County is estimated at \$150,000, and \$30,000 is estimated to provide outreach and education regarding the election. This expense will be paid from the General Fund's Non-Departmental Acct #10116100.910200.

ATTACHMENTS:

1. 2019-10-28_ATT - RESO_Fiscal Emergency
2. 2019-10-28_ATT - RESO_Calling Election
3. 2019-10-28_ATT - RESO_Consolidating with County
4. 2019-10-28_ATT - RESO_Authorizing Arguments
5. 2019-10-28_ATT - RESO_Providing for Rebuttals

RECOMMENDED MOTION(S):

That the City Council:

- 1) **(Unanimous Vote Required)** Adopt a resolution declaring a fiscal emergency pursuant to Article XIII C, Section 2(b)of the California Constitution; and,
- 2) Adopt the proposed resolution calling and giving notice of the holding of a Special Municipal Election to be consolidated with the Presidential Primary Election to be held on Tuesday, March 3, 2020; Submitting one question relating to one tax measure (this tax measure requires the declaration of a fiscal emergency before it can be submitted to the voters); and,
- 3) Adopt the proposed resolution requesting the Board of Supervisors of the County of Los Angeles to render specified services to the City of Culver City relating to the conduct of a Special Municipal Election to be held in the City on Tuesday, March 3, 2020; and,

4) Determine that the City Council shall submit arguments as a whole;

OR

5) (If the City Council determines to Designate Certain Members to submit such arguments) Adopt the proposed resolution authorizing Council Members _____ and _____ to submit arguments regarding the ballot measures.

OR

6) If desired, create an Ad Hoc Subcommittee and appoint two City Council Members thereto for the drafting of the primary argument and, if the subcommittee is created, require the subcommittee to complete its work in time to present the City Council with a draft primary argument on December 9, 2019; and,

7) Adopt a resolution providing for the filing of rebuttal arguments for the proposed measure; and,

8) Direct the City Attorney to prepare the Impartial Analysis for the City Measure.