

## ORDINANCES AND RESOLUTIONS

City Council  
July 24, 2012

TO: Mayor and City Council

FROM: Thomas E. Robinson, City Manager

ORIGINATED BY: Jeff Boynton, Deputy City Manager

**SUBJECT: SECOND READING AND ADOPTION OF ORDINANCE NO. 654 ESTABLISHING A TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE STATE BOARD OF EQUALIZATION, AND AMENDING TITLE 3 OF THE LA MIRADA MUNICIPAL CODE**

### **BACKGROUND**

Throughout its history, the City has lived within its means by operating efficiently, and routinely adopted balanced budgets without many of the traditional funding sources used by other municipalities. The City has also made significant use of contracting to provide services at reduced costs. However, the Great Recession and State takes of local funds have significantly impacted La Mirada.

The City's worst financial challenge stems from State of California actions that have negatively impacted the City's budget far more than the Great Recession. The State's elimination of redevelopment agencies has resulted in significant consequences for La Mirada including severe impacts to the City's General Fund and efforts to create jobs, repair infrastructure, eliminate blight, develop affordable housing, and stimulate economic development. While recent amendments have been made to redevelopment law, La Mirada's General Fund could lose as much as \$58 million from the State's actions.

The lingering effects of the Great Recession continue to impact the City Budget. The City's traditional revenue streams of sales, property, business license, and hotel users' taxes and other funding sources were reduced to a level insufficient to maintain essential community services such as crime and gang prevention programs, neighborhood police protection, pothole repair, and after-school programs for children and teens.

The City has consistently worked to reduce its expenditures in recent years. Some \$7,233,672 in expenditures has been eliminated since 2009, and an additional \$2,069,792 in cuts and revenue enhancements has been included in the Fiscal Year 2012-13 Budget. Additionally, the number of full-time City employees has been reduced from 97 to 71, which is a reduction of 27 percent. The number of hourly employees has been reduced by a similar amount.

The City of La Mirada has worked hard and will continue to do so, to minimize cuts to the essential city services the community relies on. However, Sacramento's budget crisis is making it increasingly difficult to maintain services. Recent community surveys show that public priorities are neighborhood police patrols, crime and gang prevention programs, City roads, streets, sewers, sidewalks and pothole repair, and after-school programs for children and teens.

These factors caused the La Mirada City Council to unanimously declare a fiscal emergency on February 14, 2012. The declaration of Fiscal Emergency stated that anticipated revenue growth and recent cuts may not be enough to prevent deeper and more severe cuts to essential services that the community relies on for its health and safety.

La Mirada's infrastructure is also in need of major repairs and replacement. The City recently concluded an Infrastructure Needs Assessment, which rated the condition of the City's major infrastructure items and provided updated cost estimates to replace these items, which is financially significant.

The Infrastructure Needs Assessment reviewed streets, storm drains, traffic signals, ADA ramps, curbs, gutters and sidewalks. The City's bridges and sewer systems are periodically reviewed by Los Angeles County Public Works crews. Costs to replace playground equipment and City facilities were also included in the assessment. The City's engineering consultant has identified infrastructure needs to cost some \$67,250,193. An additional \$126,932,899 has been identified as being required to fund projects the community wants, such as replacing privately owned deteriorated block walls and undergrounding utilities along major thoroughfares. While these items are not owned by the City, they have a significant impact on the community environment and property values.

The City's existing funding sources are insufficient for completing the nearly \$200-million of infrastructure improvements. Many street improvement projects completed in recent years were funded using one-time revenues from state and federal sources. These funding sources are no longer available to complete improvements as state and federal governments have decreased their support of local government. Deferred maintenance will allow minor problems to become greater, leading to increased costs in the future. In order to complete the infrastructure improvements in the foreseeable future, additional funding will be necessary.

In response to the Fiscal Emergency, the City Council reconvened the Citizen Task Force on City Finances and Operations to review various issues impacting La Mirada. The Task Force presented its Findings and Recommendations to the City Council at the June 12 Study Session meeting. The Task Force determined La Mirada must act to repair infrastructure, maintain services, and enhance local control of revenues. The Task Force urged community support for additional funding of infrastructure repairs and essential city services.

The City also initiated a community engagement and outreach program to provide information to residents about the fiscal emergency, the impacts of State takes of local funds and the Great Recession on city services, and to solicit feedback from them. The City has received a very strong response from the community with more than 600 Community Response Forms returned. City staff has also met with various community groups and commissions to discuss the City's Fiscal Emergency, obtain feedback and gauge potential interest in placing a local revenue measure on the ballot to help maintain city services. An additional three dozen Community Feedback Surveys have been completed and returned from these community leader contacts. Most of the feedback received from community groups has been positive and has been supportive of the City of La Mirada placing a local revenue measure on the ballot for the community's consideration.

Additionally, the City has conducted two community surveys to gauge potential voter support of a local revenue measure on the November 2012 ballot. A baseline survey was conducted this past November of 400 respondents to assess community perspectives on City services and fiscal issues and assess attitudes toward a potential local revenue measure. The baseline survey showed viable support for a local revenue measure on the November 2012 ballot. The City also commissioned a tracking survey of La Mirada voters to assess ongoing viability and the potential structure of a local revenue measure. Another 400 voters were recently surveyed regarding their preference for a local revenue measure. The tracking survey shows that the La Mirada community continues to be interested in a local revenue measure to provide a locally-controlled source of funds to address our local needs – funds that cannot be taken by Sacramento.

Local revenue measures have been approved by voters in many California cities to fund necessary services and infrastructure maintenance. La Mirada has been fortunate to operate without a local revenue enhancement throughout its history. However, continued State takes of local funds, the significant decline in key revenues caused by the Great Recession, and the need to address an aging infrastructure have combined to create the real need for a local revenue measure. Based on the feedback from the community and the results of the tracking poll conducted by Godbe Research, it would be appropriate for the City Council to consider Ordinance No. 654 establishing a transactions and use tax in La Mirada.

## **FINDINGS**

The proposed Ordinance No. 654 would add Chapter 3.10 to the La Mirada Municipal Code establishing a Transactions and Use Tax of one percent (1.0%) with a 5 year sunset upon approval of a majority of La Mirada voters. The tax would become operative on the first day of the first calendar quarter beginning 110 days after the adoption of this ordinance becomes effective. For example, if a transactions and use tax measure were placed on the November 6, 2012 General Election ballot, and approved by a majority of La Mirada voters, the tax would become operative in April,

2013. The tax would expire on the fifth anniversary of the last day of the calendar quarter following the operative date.

The City of La Mirada would contract with the State Board of Equalization to administer and collect the tax. The provisions of the retail transactions and use tax would be identical to those of the Sales and Use Tax Law of the State of California. Proceeds from transaction and use taxes would be deposited into the City's General Fund, supporting infrastructure improvements and other services throughout La Mirada.

The proposed Ordinance No. 654 includes a provision calling for the City Council to establish a committee of no more than five (5) residents of La Mirada to review and report on the revenue and expenditure of funds from the transactions and use tax. Additionally, Ordinance No. 654 requires annual independent audits to account for the tax revenues received and expenditures made in relation to the tax.

Ordinance No. 654 was introduced for first reading at the July 10, 2012 City Council meeting.

### **RECOMMENDED ACTION**

It is recommended the City Council introduce for second reading and adopt Ordinance No. 654 establishing a transactions and use tax to be administered by the State Board of Equalization, and amending Title 3 of the La Mirada Municipal Code, by title only, and waive further reading.