



"A City That Works"

City Council Meeting

AGENDA ITEM NO. K. 1.

DATE: 06/16/2020

TO: Honorable Mayor and City Council Members

SUBJECT: Consideration of "First Reading" of Ordinance No. 2913 (with second reading proposed for July 7, 2020) adding Chapter 3.18 to the Redlands Municipal Code, Enacting a One-Cent General Transactions and Use Tax for possible submission to the voters of the City of Redlands for the November 2020 General Election; and first review of a Resolution placing the sales tax ordinance on the November 2020 General Election ballot (City Manager Duggan / City Attorney McHugh / Management Services/Finance Director Garcia)

MOTION(S):

If the City Council determines that staff's recommendation is appropriate, the following motion is provided:

Mayor requests the City Clerk to read the title of proposed Ordinance No. 2913.

1. "I move to waive further reading of, and to introduce, Ordinance No. 2913."

RECOMMENDATION:

Staff recommends that the City Council introduce Ordinance No. 2913. The draft ordinance has been presented to the California Department of Tax and Fee Administration for review, and that Department's comments have been incorporated into the draft ordinance.

DISCUSSION:

The City Council has a long tradition of fiscal prudence with balanced budgets being adopted during the previous twelve (12) fiscal years, resulting in the reduction of over 60% of general fund debt over the past ten (10) years. However, unmet funding needs have persisted, including deferred capital investment and other needs in public safety and public infrastructure. Recognizing these issues, staff developed an assessment of these needs, structural budget imbalances, and potential mitigation efforts. Such efforts considered cost reductions as well as potential revenue-raising strategies.

The City's rich history provides the basis for many things Redlands residents currently enjoy, but it also means that its infrastructure, things like traffic signals, fire stations, and sidewalks, require larger investments in order to maintain them to the same standard as other cities. Redlands also proudly operates its own local fire and police departments, independent from county control. This also requires more investment in capital and ongoing costs, like staffing expenses, fire and police equipment, and technology.

Compounding these fiscal pressures even further is the economic outlook resulting as a consequence of the COVID-19 pandemic. The pandemic has had a significant and immediate impact on the City's revenue stream, with a loss in revenues projected at \$5.6 million for the current fiscal year and \$6.3 million in FY 2020-21, when compared to pre-COVID projections for FY 2019-20.

In order for the City to maintain the level of service to the public during the economic impacts of the pandemic and, in order to work towards funding deferred capital needs, additional revenues will be necessary - in conjunction with cost containment strategies.

Over the past year, City staff have conducted 27 public meetings on the state of the City's budget, its ability to fund long-term capital and public safety needs, and what resources are needed to shore up the services most valued by the community. One possible source of revenue considered was a local sales tax measure.

In addition to conducting public meetings on these topics, the City has published materials in hard copy and on its website discussing these challenges and asking for feedback from residents. As well, the City sent two informational mailers to households providing at-a-glance statistics on the state of public infrastructure and public safety in Redlands. Lastly, two voter opinion surveys were conducted to determine the feasibility of this approach and to understand the priorities of the community at large.

Pursuant to the feedback received and the heightened revenue constraints now facing all local governments, it is staff's recommendation that the Council take action on the adoption of an ordinance to place a general sales tax measure on the ballot for the November 3, 2020, General Election. The following ballot language has been prepared:

"To provide funding for police patrols, addressing homelessness, gang, drug and crime prevention, fire protection, paramedics, 911 emergency response, maintaining library services, parks, sidewalks, roads, keeping public areas well-maintained and other general services; shall the City of Redlands' measure establishing a one-cent sales tax be adopted, requiring citizen oversight, independent audits, and all funds controlled locally?"	YES
	NO

Additional considerations were made in developing the ballot language with the goal of enhancing transparency and public participation. A citizen oversight committee will be established as one way of enhancing the process for budgeting the revenue from the potential sales tax measure. This group would meet at regular intervals to review expenditure plans, performance of the programs/services/projects funded by the tax,

and prepare reports for City Council consideration.

Annual independent audits are also currently performed in accordance with Governmental Accounting Standards Board guidelines and are available on the City's website for public review. Revenue from the potential sales tax measure would be subject to these same standards of external review and audit procedures.

Should the City Council move to introduce Ordinance No. 2913, the second reading and possible adoption of the Ordinance is proposed for the City Council's consideration at its regular meeting of July 7, 2020, along with Resolution No. 8111 ordering the submission of the sales tax ordinance to the qualified voters of the City of Redlands at the General Municipal Election to be held on November 3, 2020. As a matter of reference, a copy of Resolution No. 8111 is attached for review.

ALTERNATIVES:

The City Council may choose to reject, modify, or table these motions.

STRATEGIC PLAN:

Objective A-1:

Enhance fiscal and operational practices to support fiscal stability, transparency and data-driven decisions

- A-1.5 Work Collaboratively with Departments to Propose new revenue generation concepts for City Council consideration and approval

Objective A-3:

Implement Financial Planning Tools

- A-3.2 Support each Department in the creation of a Capital Improvements Program to include Capital Outlay & Funding Strategies
- A-3.3 Develop Long Term Financial Planning Procedure (to include 5-, 10- & 20-Year Scenarios)

SUBMITTED BY:

Danielle Garcia, Management Services/Finance Director

RECOMMENDED BY:

Charles M. Duggan Jr., City Manager

REVIEWED BY:

Daniel J. McHugh, City Attorney
Janice McConnell, Assistant City Manager

Fiscal Impact

Fiscal Year: FY 2021

Discussion:

If approved by voters in November, a one-cent sales tax would take effect on nearly all taxable transactions in the City as of April 1, 2021. While a precise estimate of the revenue generation cannot be made, a fairly conservative estimate indicates that a one-cent sales tax would generate approximately \$10,000,000 annually. These funds would be locally generated and therefore be safe from seizure by the State. In addition, they would enable the City to invest in services and infrastructure that the community values.

Total election costs for the ballot measure are currently estimated at approximately \$129,000. Upon the effective date of Resolution No. 8111, the additional costs of placing this measure on the ballot will be appropriated from the General Fund's unassigned fund balance. In addition, under the Revenue and Taxation Code section 7272, the California Department of Tax and Fee Administration (CDTFA) will assess the City for preparatory charges to administer the new local sales tax based on actual costs. The statutory maximum amount of these costs shall not exceed \$175,000.

Attachments

Ordinance No. 2913

Proposed Resolution No. 8111

Voter Survey Presentation
