



"A City That Works"

City Council/Successor Agency Meeting

AGENDA ITEM NO. K. 1.

DATE: 07/07/2020

TO: Honorable Mayor and City Council Members

SUBJECT: Consideration and Possible Action Related to Resolution No. 8111 Ordering the Submission of an Ordinance Proposing a One-Cent General Transaction and Use Tax to the Qualified Voters at the November 3, 2020 General Municipal Election and Ordinance No. 2913 Adding Chapter 3.18 to the Redlands Municipal Code, Enacting a One-Cent General Transactions and Use Tax (City Manager Duggan / City Attorney McHugh / Management Services/Finance Director Garcia)

MOTION(S):

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

1. I move to adopt Resolution No. 8111 ordering the submission of an ordinance proposing the imposition of a general transaction and use tax at the rate of one percent (1%) to the qualified voters of the City of Redlands at the November 3, 2020, general municipal election; and
2. "I move to adopt Ordinance No. 2913 Adding Chapter 3.18 to the Redlands Municipal Code, Enacting a One-Cent General Transactions and Use Tax."

RECOMMENDATION:

Staff recommends that the City Council adopt Resolution No. 8111 and adoption of Ordinance No. 2913.

DISCUSSION:

During its last meeting on June 16, 2020, the City Council received the results of a voter opinion survey that was conducted to gauge community support of a local one-cent sales tax measure. This survey represented the culmination of community engagement efforts that began in the fall of 2019 and included meetings with local civic groups, informational mailers sent to residents asking for feedback, an online survey regarding service priorities, as well as other informational items on the City's webpage

and in print.

The voter opinion survey has provided evidence of strong support for a sales tax measure among likely November 2020 voters in the City. Support was shown to be broad and wide-ranging among different groups within the City. These results, along with continued efforts on the part of staff and City Council to promulgate information on funding needs and public priorities, should contribute to the overall feasibility of a successful ballot measure in November 2020.

As discussed in earlier staff reports, the City Council has consistently adopted a balanced budget last 12 fiscal years and has also built responsible reserve funds, however revenues have not kept pace with the growing costs associated with unmet capital and service enhancement needs.

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-19 projections for FY 2019-20.

In order for the City to maintain service levels 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, the City taken several steps to engage community members in discussion of service priorities and budget constraints, including:

- Conducting 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
- Sending informational mailers to households providing at-a-glance statistics on the state of public infrastructure and public safety in Redlands and requesting public feedback on funding priorities
- Conducting two voter opinion surveys to determine the feasibility of this approach and to understand the priorities of the community at large
- Publishing materials in hard copy and to the City's website discussing challenges and asking for feedback from residents.
- Establishing a dedicated email and phone line for inquiries related to these topics for the public to voice their concerns and viewpoints

Pursuant to the public input received and the heightened revenue constraints now facing all local governments, it is staff's recommendation that the Council adopt Ordinance No. 2913 and approve Resolution No. 8111 to place a general sales tax measure on the ballot for the November 3, 2020, General Election. To that end, the following ballot language has been prepared:

“To provide funding for safety services, fire protection, paramedics, 911 emergency response, addressing homelessness, police patrols and crime prevention, maintaining library services, parks, sidewalks and roads, keeping public areas well-maintained and other general services; shall the City of Redlands’ measure establishing a one-cent sales tax be adopted, providing \$10.7 million annually for city services until ended by voters, requiring a citizen oversight committee, independent audits, and all funds controlled locally?”

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 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.

ALTERNATIVES:

The Council may chose to reject, modify or table the recommended actions.

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 \$10,700,000 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 is currently estimated at approximately \$129,000, which represent the lowest potential costs of any upcoming election within the next 4 years. 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

Resolution No. 8111
Ordinance No. 2913
PowerPoint
