

RESOLUTION NO. 17-111

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF CARSON, CALIFORNIA, REAFFIRMING RESOLUTION
NO. 17-079 AND DECLARING A FISCAL EMERGENCY
PURSUANT TO ARTICLE XIII C SECTION 2(b) OF THE
CALIFORNIA CONSTITUTION**

WHEREAS, on June 20, 2017, the City Council unanimously adopted Resolution No. 17-079, declaring a fiscal crisis in order to address the fiscal emergency in the City by suspending an exemption from the City's Utility User's Tax; and

WHEREAS, the City continues to be challenged by financial difficulties due to the slow economic recovery and ever-rising costs of providing local services; and

WHEREAS, the City is experiencing an existing and immediate funding crisis, which is the result of factors largely outside of its control, primarily resulting from the financial difficulties due to the slow economic recovery and ever-rising costs of providing local services; and

WHEREAS, on June 20, 2017, the City Council adopted Resolution No. 17-068, adopting a balanced general and special revenue fund budget for FY 2017-18; and

WHEREAS, in order to reduce the amount of reserves needed to cover the operating shortfall the City had to make certain budget cuts and also implement a hiring freeze; and

WHEREAS, despite the City's sound management and disciplined control of its financial health, the City's ability to sustain a high level of local services has been seriously eroded and the City is experiencing an existing and immediate funding crisis, which is the result of factors largely outside of its control; and

WHEREAS, the best interests of the residents and businesses of the City of Carson are better served by avoiding further cuts to essential City services; and

WHEREAS, pursuant to Article XIIC, Section 2(b) of the California State Constitution, an election to impose a general tax is required to be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by unanimous vote of the governing body; and

WHEREAS, the City Council hereby wishes to reaffirm Resolution No. 17-079 and the findings contained therein, and also the City Council finds that the fiscal emergency declared by Resolution No. 17-079 is an emergency as that term is used in Article XIIC, Section 2(b) of the California State Constitution; and

WHEREAS, after reviewing the existing fiscal budget, and certain changes that have occurred regarding the City's fiscal situation since Resolution No. 17-79 was adopted, the City Council wishes to declare an emergency as that term is used in Article XIIC, Section 2(b) of the California State Constitution.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. That the City Council hereby unanimously finds and declares a fiscal emergency, as the term “emergency” is used in Article XIII C, Section 2(b) of the California Constitution, now exists in the City of Carson justifying calling for a special municipal election on November 7, 2017, in order that the City may propose, and the City voters may consider, adoption of a general tax measure intended to address that emergency by ensuring that the City has the resources necessary to preserve the public health, safety and welfare.

Section 2. The City Council hereby makes the following written findings supporting the declaration of said fiscal emergency:

A. The FY 2017-18 Budget adopted for the General Fund includes a net deficit of \$3,452,227; and

B. The FY 2017-18 General Fund budget included temporary measures to reduce the budget deficit, including a \$3,197,372 hiring freeze, a \$1,000,000 transfer from the Internal Revenue Code Section 115 Trust account, and additional utility users tax revenue of \$350,000 resulting from declaring a fiscal crisis thereby lifting a \$1,000,000 cap on utility user tax paid by any one taxpayer, and therefore, the structural budget deficit is \$7,999,599; and

C. The City’s General Fund is the primary fund of the City and comprises 85% of the City’s budget. In the past 7 of the last 10 fiscal years, the General Fund expenditures have exceeded the General Fund revenues. Over the past 5 years, the General Fund revenues have increased at an average of 1.6%. The General Fund expenditures have increased at an average of 3.6%; and

D. The City Council has adopted a policy entitled Reserve for Economic Uncertainties whereby it sets a General Fund reserve threshold based on 20% of annual budgeted expenditures. The FY 2017-18 policy reserve threshold is \$16,134,647; and

E. The estimated General Fund balance of \$14,773,829 is \$1,360,819 below the City’s policy reserve threshold amount; and

F. The FY 2017-18 Budget includes non-recurring items that decrease the General Fund expenditures in an effort to reduce the budget deficit, however, these items are only temporary fixes; and

G. The City has budgeted for 297 full-time employees, which is a 6-year all-time low. The FY 2017-18 Budget does not include a cost-of-living increase for employee wages increase. Also, due to the continued need of the hiring freeze, the City will be unable to fill 38 full-time positions. This will save the City \$3,197,372. The most noticeable impacts are in the public safety and public works departments. However, to sustain the current level of full-time employees, the City must consider reorganization and potentially reducing service levels; and

H. Notwithstanding the decrease of full-time employees, the City has 2-legacy costs related to employee retirement: (i) the unfunded liability of the employee pension, and (ii) the health insurance costs for retirees. The retiree health insurance cost for FY 2017-18 is expected to be \$2,200,000, which is being reduced by a non-recurring \$1,000,000 transfer from the Internal Revenue Code Section 115 Trust account; and

I. Property tax comprises approximately 21% of General Fund revenue. Property values and property tax revenues in the City have been slower to recover than neighboring cities; and

J. Sales tax comprises approximately 32% of General Fund revenue. The City's independent tax consultant estimated that sales tax will decrease by 0.3% for FY 2017-18 primarily due to expected reallocations and audit corrections that were recently detected; and

K. The FY 2017-2018 CIP identified the need for \$103.9 million in improvement projects, with only \$11 million in funding identified. It should be noted that due to the City's structural deficit, no General Funds are being invested into the CIP. The City is facing major funding shortfalls in the areas of streets, sidewalks and stormwater/drainage improvement projects. The City completed an assessment of paving condition in January of 2017. The pavement management assessment identified over \$90 million in street repair projects necessary over the next decade in order to prevent the City's paving condition from deteriorating further from "Fair" to "Poor" condition. The City is facing an annual shortfall between \$4-5 million for the street repair program. The City completed an assessment of sidewalk, curb and curb ramp conditions in May of 2017 and determined that over \$11 million in funding is necessary.

The City is regulated under the Dominguez Channel Enhanced Watershed Management Program of Federal and State requirements to improve surface waters. The current estimate for compliance with the program is \$221 million over the next twenty-years for the City. Carson will need to invest over \$8 million annually, during the next decade to implement the City's portion of the watershed plan. Many of the pollutants associated with environmental clean-up are legacy pollutants which can be traced back to industries and land uses that were not subjected to the Federal Clean Water Act and the Porter-Cologne Act until the 1970's.

L. The 5-year financial model indicates that there will be continued erosion of the General Fund balance, until it is extinguished toward the end of 2020. The City Council can avoid this outcome by continuing to make changes to the structural budget; and

Section 3. That the City Council of the City hereby reaffirms the findings in Resolution No. 17-079, incorporated herein by this reference, and finds that the fiscal emergency declared by Resolution No. 17-079 continues in the City.

Section 4. That a City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions. This Resolution shall be effective immediately upon passage and adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Carson, California, at a special meeting held on the 7th day of August, 2017.

ATTEST:

Mayor Albert Robles

City Clerk Donesia Gause

APPROVED AS TO FORM:

City Attorney Sunny K. Soltani