

RESOLUTION NO. 17-118

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, ENDORSING THE BALLOT MEASURE FOR A GROSS RECEIPTS TAX ON BUSINESSES WHERE PETROLEUM IS BLENDED, MIXED OR REFINED AND/OR ANY FACILITY THAT STORES PETROEUM PRODUCTS, WHICH IS SCHEDULED FOR CONSIDERATION BY THE CITY OF CARSON ELECTORATE ON THE NOVEMBER 7, 2017 SPECIAL ELECTION BALLOT

WHEREAS, the City Council decided on August 7, 2017 to schedule an election for the voters to consider a business license tax on gross receipts for oil refineries, businesses that mix or blend petroleum or petroleum products or businesses that store petroleum products. The revenue measure would not tax Carson residents; and

WHEREAS, the annual total tax revenues that Carson receives from its oil refineries and petroleum industries is less than half of what other cities with similar size refineries receive annually. Torrance and El Segundo each have only one refinery. These cities receive approximately \$11 million each annually respectively from their one refinery. Carson receives approximately \$5 million annually from its two refineries; and

WHEREAS, a major portion of Carson's land area is devoted to the petroleum industry and is estimated at 12% of the entire land area of the City. The measure applies to refineries and large petroleum industries in Carson only. The measure is written so that the tax does not apply to retail gasoline stations. The City Council also considered the fact that Carson incorporated in 1968 as a low property tax City, receiving 6.7% of the property taxes, while other communities like Long Beach and Los Angeles receive a greater percentage of property taxes; and

WHEREAS, Carson has the lowest utility users tax rate in Los Angeles County, at 2% and it only applies to electricity and gas. Whereas other cities have UUT on other services such as telephone, water, and cable utilities.

WHEREAS, Fifteen local cities have adopted additional sales taxes, including Compton and Long Beach, while Carson has not adopted additional sales taxes; and

WHEREAS, the City is experiencing an existing and immediate funding crisis, which is the result of factors largely outside the control of the City, primarily resulting from the uneven and slow recovery from the Great Recession, unpredictable decreases in revenues, the loss of revenues from the State's dissolution of redevelopment, the continued State takeaways of local revenues, and unforeseen increases in the City's operational costs; and

WHEREAS, Carson also experienced the loss of major automobile dealerships due to the Great Recession, including Don Kott Ford, Don Kott Mercury, Don Kott Chrysler and Isuzu, with the corresponding loss in sales tax revenues. Also, local retailers continue to face great uncertainty and losses in sales due to the impact of Internet Sales and the imposition of a Congressional ban on internet sale taxes. Major retailers that have closed include K-Mart, with Sears down-sizing their retail operations in Carson; and

EXHIBIT 1

WHEREAS, The City is facing budget challenges due to other factors. Over the last decade the City has been unable to balance its budget, as required by State law, in eight of the last eleven years and has had to draw down its reserves. As a result, some service levels are at historic lows. Full-time City employees have dropped from a high of 399 prior to the Great Recession to 297 full-time employees, a reduction to its full-time staffing levels by 26% in the last nine years, eliminating 103 full-time positions; and

WHEREAS, The City Council has also imposed a hiring freeze on 38 full-time positions; which has adversely impacted all City departments, with most noticeable impacts on public safety, community services and public works staffing levels. The City has responsibly and proactively managed its finances and limited taxpayer dollars to mitigate the budget, by reducing expenses by \$4.2 million in FY2016-2017 and by \$3.1 million in FY 2015-2016; and

WHEREAS, increases in costs for public safety, including the contract with the Los Angeles County Sheriff's Department, have left the City with less revenue for other critical City services. The costs of the Sheriff contract have increased by an average of more than 3% annually during the last decade, increasing by an average of more than \$500,000 annually to maintain existing service levels. The budget reductions have also resulted in the City deferring sidewalk, pavement and street repairs, resulting in a multimillion dollar backlog in street resurfacing needs alone; and

WHEREAS, the City has attempted to maintain the same levels of service of public safety and emergency preparedness in Carson, through the Los Angeles County Sheriff, the Los Angeles County Fire Department and City staff. The City has had to eliminate four code enforcement positions from the budget and a full-time analyst position in the emergency preparedness division. This has resulted in reducing code enforcement activities, delaying response times to complaints about health and safety issues (such as hoarding), blighted properties and abandoned vehicles; and

WHEREAS, the State ordered the dissolution of all redevelopment agencies in California in 2011. The Carson Redevelopment Agency was one of the largest and most active agencies in the State, resulting in the investment of more than \$28 million annually into the City of Carson. Much of this funding was devoted to capital improvement projects, with \$1.1 million devoted to providing staffing for the former agency. The Carson Street Improvement Project is the last of major redevelopment projects and will be completed at the end of 2017. This project will exhaust the remaining redevelopment bond funds and Carson will then be hard pressed to allocate funds to capital improvement projects; and

WHEREAS, the City's 5 Year Capital Improvement Program has identified over \$156 million in community improvements, including repairs to neighborhood streets, sidewalks and parks, which are in dire need of repairs, with the majority of those project unfunded; and

WHEREAS, a recent survey of the condition of Carson's streets has revealed that \$8 million in annual investments will be need in the next decade to maintain streets in their current overall condition. The pavement management engineers recommend that Carson invest \$9 million to begin to improve the overall street condition. The survey of lifted, cracked and damaged sidewalks revealed over \$11 million in critical repairs that are unfunded. In fact, the City's budget includes only \$1.8 million for annual pavement repair. The City has identified over \$156 million in capital improvement and repair projects citywide to address public safety and resident concerns. Without significant new investment, the City's residents should anticipate further deterioration of the City's streets, sidewalks, parks and civic buildings; and

WHEREAS, the City has also eliminated a large number of cultural programs and City events, decreasing support for senior citizen programs and afterschool programs for children, reducing the quality of life, safety and welfare for this vulnerable population; and

WHEREAS, after decades of environmental and human health issues created from the oil industry, Carson requires programs to improve contaminated soils and water runoff and air quality; and

WHEREAS, the measure's revenues would be allocated to the City's General Fund, for a wide range of municipal expenses and the funds could only be used in the Carson and would be subject to strict accountability requirements. These expenses include funding for public safety, 911 emergency response, senior, youth and gang diversion programs; and

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 has carefully considered the proposed business license tax on oil refineries and oil related industries, including conducting a survey of California cities with refineries and the total annual revenues that these cities receive from their single refineries, determining that Carson receives less than \$5 million in total annual revenues from the two refineries located in Carson, while the cities of El Segundo and Torrance receive approximately \$11 million in total annual revenues respectively from their single refinery.

Section 2. That the City Council has reduced expenditures by \$4.2 million FY2016-2017, \$3.1 million in FY2015-2016, resulting in the reduction of nine code enforcement officers to five, with corresponding impacts on health and safety issues, such as remediation of blighted structures and abandoned vehicles and costs for the Los Angeles County Sheriff's Department has grown by \$8 million annually over the last decade.

Section 3. That the City has experienced the loss of \$28 million annually from the dissolution of redevelopment by the State of California and lost four automobile dealerships due to the Great Recession. Retail sales taxes revenues continue to be eroded by the Congressional moratorium of the collection of sales tax revenues. This year one of the City's largest retailers, K-Mart closed and Sear is downsizing its retail operations in Carson.

Section 4. That the City Council has worked to reduce the City's structural budget deficits, resulting in the inability of the City to maintain service levels, resulting in programing and staffing reductions that have adversely impacted public safety, park patrol, graffiti removal, parks and community service programs.

Section 5. That the City has identified over \$156 million in needed improvements to streets, sidewalks, bridges and civic buildings, that are unfunded. The City Council recently completed an engineering analysis of the condition of the City's streets and sidewalks. The pavement management engineers recommend that Carson invest \$9 million annually to begin to improve the overall street condition in the City. The survey of lifted, cracked and damaged sidewalks revealed over \$11 million in critical repairs that are unfunded. The City's budget includes only \$1.8 million for annual pavement repair and without significant investment the City's infrastructure will continue to deteriorate.

Section 6. That the City Council has reviewed both the Argument Against Measure C and the Rebuttal Argument against Measure C and finds them unpersuasive. Measure C is not a tax on Carson's residents. There is no credible evidence that Measure C will increase the price of retail gasoline, as the oil refineries and oil related industries in Carson support a regional network of retail gasoline stations and other petroleum distributors. The City could not rely on real gross receipts data from the refineries and major oil industries since their revenues are kept confidential; however a credible estimate was prepared by the City's independent petroleum consultant based on publically available materials. Measure C requires audits and accountability. Measure C revenues will be used for general municipal purposes, including public safety, emergency preparedness, public improvements, after-school and youth programs, gang prevention programs, senior citizen programs, neighborhood park improvements, air and water quality programs and other environmental and hazardous waste clean-up programs. Carson has helped to create and support hundreds of businesses, with thousands of employees.

Section 7. That the City Council endorses the proposed Business License Tax for Oil Industries, which is scheduled for consideration by the City of Carson electorate at the November 5, 2017 Special Municipal Election.

Section 8. That the City is limited by State law to providing information on Measure C and no expenditures of public funds can or will be used to promote Measure C.

PASSED, APPROVED, and ADOPTED this 5th day of September, 2017.

APPROVED AS TO FORM:

City Attorney

Mayor Albert Robles

ATTEST:

City Clerk Donesia L. Gause, MMC

STATE OF CLIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF CARSON)

I, Donesia L. Gause, City Clerk of the City of Carson, California, hereby attest to and certify that the foregoing resolution, being Resolution No. 17-118, adopted by the Carson City Council at its meeting held on the 5th day of September, 2017, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMEBES:

ABSENT : COUNCIL MEMBERS:

City Clerk Donesia L. Gause, MMC