



CITY OF CARSON

Legislation Text

File #: 2017-677, Version: 1

Report to Mayor and City Council

Tuesday, September 05, 2017

Discussion

SUBJECT:

CONSIDERATION OF RESOLUTION NO. 17-118 ENDORSING THE BALLOT MEASURE C TO ESTABLISH A GROSS RECEIPTS TAX ON BUSINESSES OPERATING ANY FACILITY WHERE PETROLEUM OR PETROLEUM PRODUCTS ARE BLENDED, MIXED, OR REFINED AND/OR ANY FACILITY THAT STORES PETROLEUM PRODUCTS, WHICH IS SCHEDULED FOR CONSIDERATION BY THE VOTERS ON THE NOVEMBER 7, 2017 SPECIAL ELECTION BALLOT

I. SUMMARY

The City Council adopted at its August 7, 2017 special meeting the necessary resolutions to place a ballot measure for voters on November 7, 2017 to consider a business license tax on gross receipts on businesses that blend, mix or refine petroleum or petroleum products or store petroleum products. The City Council can officially endorse the tax measure by adopting a resolution of support. However, the City cannot expend public funds to actively campaign for (or against) the ballot measure. The Los Angeles County Clerk has assigned Measure C to the proposed tax measure.

II. RECOMMENDATION

WAIVE further reading by the City Council and ADOPT 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

III. ALTERNATIVES

1. TAKE no action.
2. ADVISE staff on alternative language for an amended resolution to be brought back for

further consideration.

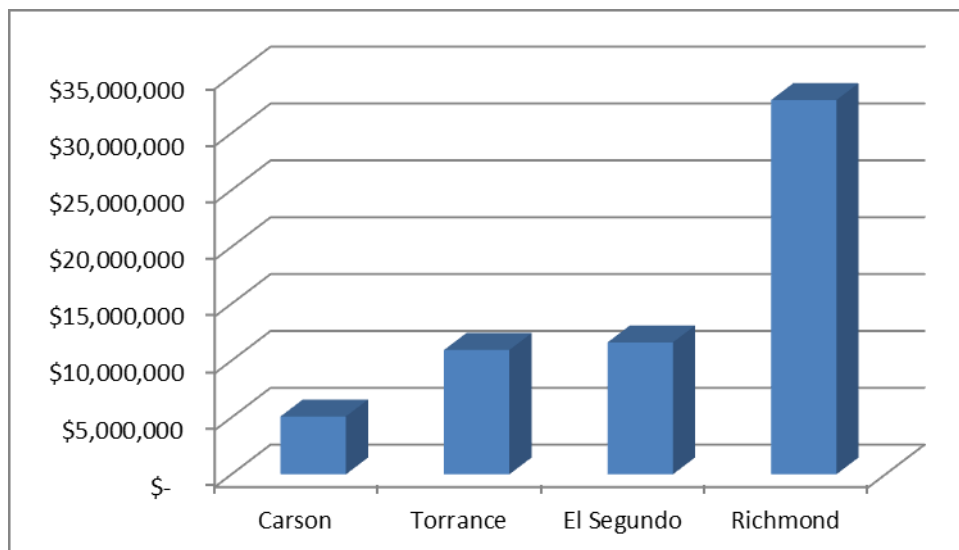
3. TAKE such other action as the City Council deems appropriate consistent with the requirements of law.

IV. BACKGROUND

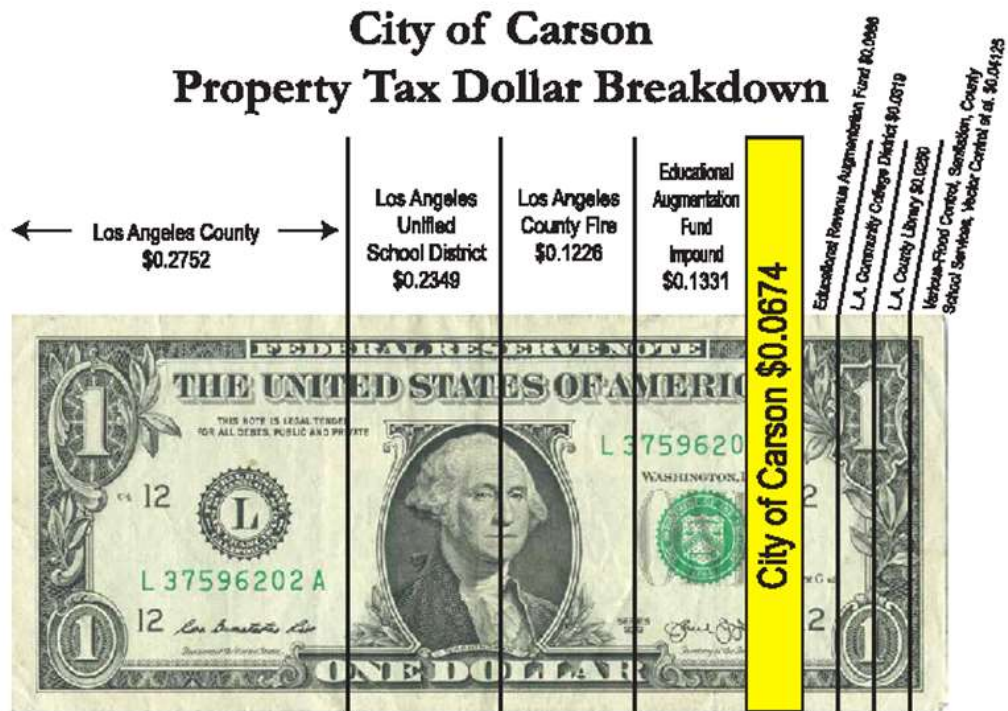
The City Council decided on August 7, 2017 to schedule an election for the voters to consider a business license tax on gross receipts for oil refineries, businesses that mix or blend petroleum or petroleum products or businesses that store petroleum products. The revenue measure would not tax Carson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

There were several factors that the City Council considered in deciding to move forward with the November 7th election:

- The annual total tax revenues that Carson receives from its oil refineries and petroleum industries are less than half of what other cities with refineries receive annually. Torrance and El Segundo each have only one refinery. These cities receive \$11 million each from annually from their one refinery. Carson receives approximately \$5 million annually from its two refineries.



- A major portion of Carson's land area is devoted to the petroleum industry, estimated at 12% of the entire land area of the City.
- Measure C is written so that the tax does not apply to retail gasoline stations. The measure applies to refineries and large petroleum industry in Carson only.
- The City Council also considered the fact that Carson incorporated in 1968 as a low property tax City, receiving only 6.7% of the property taxes, while other communities like Long Beach (22%) and Los Angeles (28%) receive a greater percentage of property taxes.



- Carson has low utility taxes, the lowest in Los Angeles County, at 2%.

Utility Users' Tax by Comparison

Cities with UUT	UUT Rate
Carson	2%
Lakewood	3%
Rancho Palos Verdes	3%
L.A. County (Unincorporated)	4.5%
Redondo Beach	4.75%
Gardena	5%
Long Beach	5%
Downey	5%
Hawthorne	5%
Lawndale	5.5%
Norwalk	5.5%
Paramount	5.5%
Hermosa Beach	6%
Torrance	6.5%
Bellflower	7%
Lynwood	9%
Compton	10%
Inglewood	10%
L.A. City	10%
Seal Beach	11%

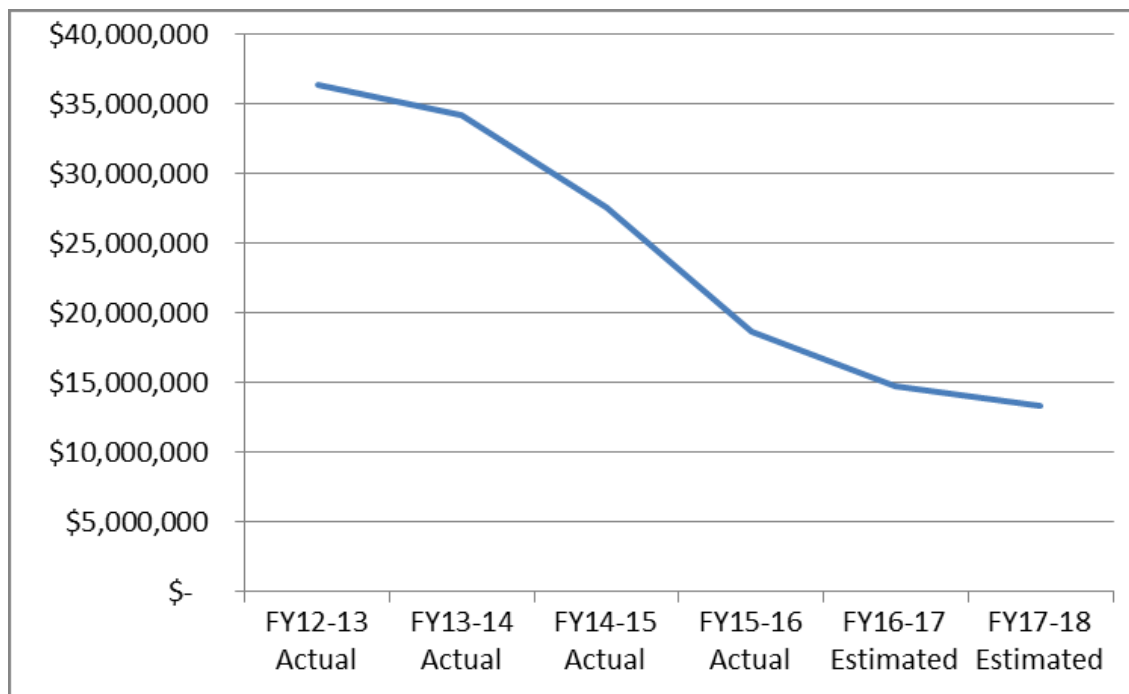
- 15 local cities have adopted additional local sales taxes, including Compton and Long Beach, while Carson has not adopted additional local sales taxes (Exhibit 2)
- The City's Five Year Capital Improvement Program has identified over \$156 million in community improvements, including repairs to neighborhood streets, sidewalks and parks, which are in dire need of repairs.
- Measure C revenues would be allocated to the City's General Fund, for a wide range of municipal expenses. The funds could only be used in Carson and would be subject to strict accountability requirements.
- General expenses include funding for public safety, 911 emergency response, senior, youth and gang diversion programs.
- After decades of adverse environmental and human health issues created from the oil industry, Carson requires programs to improve contaminated soils and water runoff and air quality.

Fiscal Emergency Declared

At the August 7th meeting, the City Council also adopted a resolution declaring a fiscal emergency. The Fiscal Emergency Resolution contains a series of facts and outlined the existing fiscal conditions impacting the City budget and the delivery of City services.

The City is facing budget challenges due to a number of 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 less than ten years ago to only 297 full-time employees today, a reduction to its full-time staffing levels by 26% in the last nine years, eliminating 103 full-time positions. 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.

General Fund Balance



The City is experiencing a funding crisis, which is the result of factors largely outside the control of the City, primarily resulting from the 1) uneven and slow recovery from the Great Recession, 2) unpredictable decreases in revenues, 3) the loss of revenues from the State's dissolution of redevelopment, 4) the continued State takeaways of local revenues, and 5) unforeseen increases in the City's operational costs.

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. The Carson Street Improvement Project is the last major redevelopment project and will soon be completed. This project will exhaust the remaining redevelopment bond funds and Carson will then be hard pressed to allocate funds to capital improvement projects.

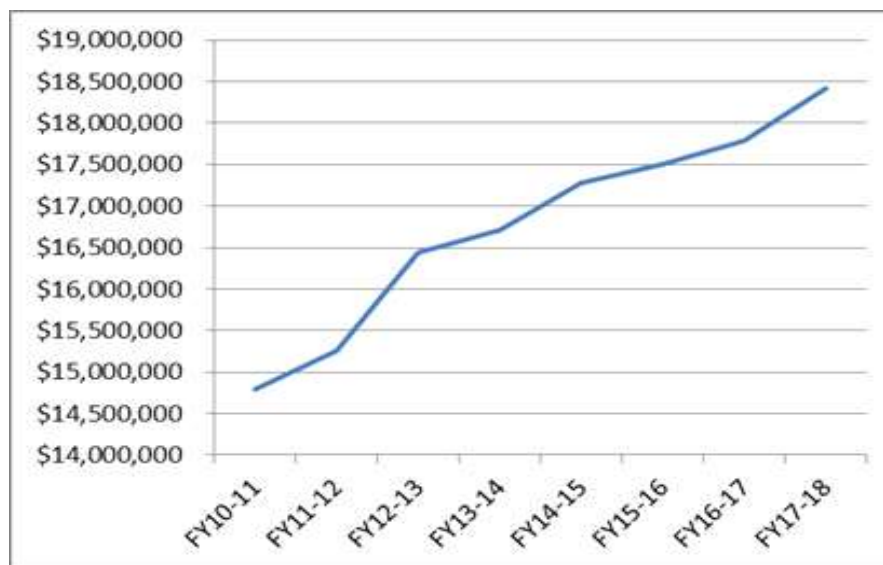
Carson also experienced the loss of major automobile dealerships due to the Great Recession, including Don Kott Ford, Don Kott Mercury, Don Kott Chrysler and Isuzu, with the corresponding loss in sales tax revenues. Also, local retailers continue to face great uncertainty and losses in sales due to the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

Public Safety Cost Increases - Impacts to 911 Emergency Response

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 has increased by more than 25% during the last eight years, which is a 3.2% annual increase to maintain existing service levels. Public Safety comprises 24% of the City's entire General Fund budget.

The City has maintained the same levels of service of public safety and emergency preparedness in Carson, through the Los Angeles County Sheriff. The City eliminated four code enforcement positions 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, blighted properties and abandoned vehicles.

Cost of Sheriff Services

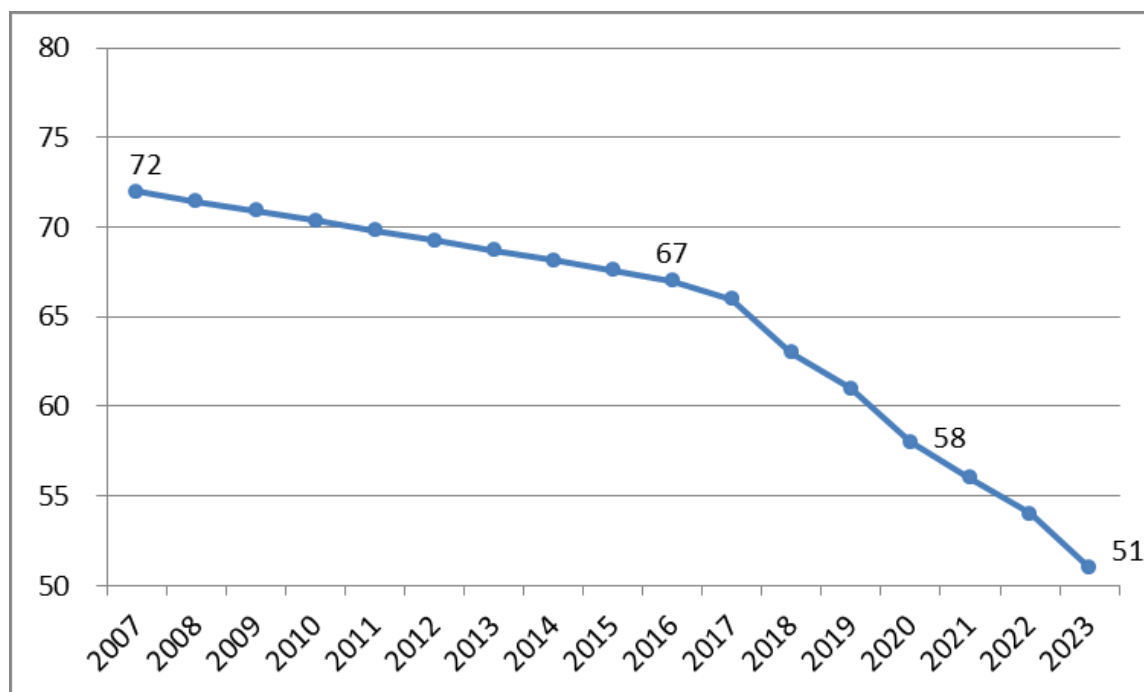


As seen in Hurricane Harvey, which devastated the State of Texas with historic flooding, cities need to be prepared to deal with natural and man-made disasters. The budget reductions have impacted the City's ability to respond to natural disasters, like earthquakes and man-made disasters, like a refinery fire or explosion. As the community continues to grow, the City will be hard pressed to fund increasing public safety needs, without further adverse impacts to other critical City services and programs.

Deferral of City Maintenance of Streets, Sidewalks, Parks and Civic Buildings

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. A recent survey of the condition of Carson's streets revealed that \$8 million in annual investments will be needed 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.

Pavement Condition Rating (scale of 0 to 100)



Erosion in Senior, Youth and Gang Diversion Programs

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.

Public Information Program

State law permits the City Council to endorse a ballot measure. However no public funds can be expended in promoting the measure. The City staff will be organizing a public information program on the oil tax measure. This public information program cannot advocate for the Measure C, but can provide factual material to the public. It should also be noted that only two City Council members can attend the public information and other meetings on the tax measure to remain in compliance with the Open Meeting statutes.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Resolution No. 17-118. (pgs. 9-13)
2. Local Sales Tax Rates. (pg. 14)

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