

TAB 2 - 2017-2018 Fiscal Budget Plan

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Motion by Mayor Pro Tem Scott, second by Council Member Baca Jr. and carried by a 5-0 vote to Approve and Adopt Resolution No. 7164, RHA Resolution No. 05-17, RUA Resolution No. 003-17, Resolution No. 7152, and Resolution No. 7153 to Discuss, Approve and Adopt the Budget Plan for Fiscal Year 2017-2018 and Adopt Resolution No. 7165 Approving the Commitment of Fund Balance.

The vote was: AYES: Mayor Robertson, Mayor Pro Tem Scott, Council Member Baca Jr., Council Member Carrizales, and Council Member Trujillo. NOES: none. ABSTAIN: none. ABSENT: none.

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TAB 3 - Declaring A Fiscal Emergency

City Attorney Galante presented the staff report regarding declaring a fiscal emergency.

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Council Member Baca Jr. stated that there is an opportunity to either extend or remove the Utility User Tax. Comments expressed they want to maintain the same level of services. Looking at what they are generating, it's trending up \$14.2 million. They will need to ask the citizen committee on how they would operate the city with a \$14.2 million hit to the City's general budget. What type of services would they cut? With Measure U they haven't received a settlement yet, and there is no telling when that is going to come. Even reducing the UUT will be a hit to the General Fund. They clearly have to plan for the long term.

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Mayor Pro Tem Scott stated that he is okay with putting it on the ballot but he again is stating that it's a decision of the residents.

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Council Member Carrizales stated that he too supports placing the UUT on the ballot.

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Council Member Trujillo stated that he concurs with the comments made and supports the UUT on the ballot. He wants to participate in educating the public on what the UUT actually provides for the City and how important it is for the budget.

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Mayor Robertson stated that if they don't put it on the ballot today, then they can come back at another Council Meeting.

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City Administrator Story stated he confirmed with City Clerk they have a small window to place it on the November 7, 2017 ballot or have a special election in March 2018.

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TAB 3 - Declaring A Fiscal Emergency

City Clerk McGee stated that it would be a special election for Rialto either date.

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Mayor Robertson stated that she is not in a position to vote for it and be the lone one to vote against it. Every time they go forward, they say they are going to plan, they have not effectively done all that they could do.

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Motion by Council Member Baca Jr., second by Council Member Trujillo and motion fails with a 4-1 vote for consideration of Resolution No. 7166, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIALTO, CALIFORNIA, DECLARING A FISCAL EMERGENCY PURSUANT TO ARTICLE XIII C SECTION 2(b) OF THE CALIFORNIA CONSTITUTION".

The vote was: AYES: Mayor Pro Tem Scott, Council Member Baca Jr., Council Member Trujillo and Council Member Carrizales. NOES: Mayor Robertson. ABSTAIN: none. ABSENT: none.

Resolution does not pass. A unanimous vote is needed.

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TAB 4 – ORDINANCE - Competitive Service

City Attorney Galante presented the staff report regarding an Ordinance to amend the RMC regarding competitive service.

ORDINANCE No. 1591

AN ORDINANCE OF THE CITY OF RIALTO, CALIFORNIA, AMENDING THE RIALTO MUNICIPAL CODE SECTION 2.50.060 (AMENDING ORDINANCE 1569) REGARDING COMPETITIVE SERVICE

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Mayor Pro Tem Scott asked is this for department heads here on out?

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City Attorney Galante stated that this is for any future department heads. It will not impact any current department heads.

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Motion by Council Member Baca Jr., second by Council Member Carrizales and carried by a 5-0 vote to introduce first reading of Ordinance No. 1591.

The vote was: AYES: Mayor Robertson, Mayor Pro Tem Scott, Council Member Carrizales, Council Member Baca Jr., and Council Member Trujillo. NOES: none. ABSTAIN: none. ABSENT: none.

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Legislation Text

File #: 17-645, **Version:** 1 **Agenda #** TAB 3

For City Council Meeting [July 11, 2017]

TO: Honorable Mayor and City Council

APPROVAL: Michael E. Story, City Administrator

FROM: Fred Galante, City Attorney

Request City Council to Approve **Resolution No. 7166**, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIALTO, CALIFORNIA, DECLARING A FISCAL EMERGENCY PURSUANT TO ARTICLE XIII C SECTION 2(b) OF THE CALIFORNIA CONSTITUTION".

(ACTION)

BACKGROUND:

The City Administrator's Message for the Fiscal Year 2017-18 (FY18) Budget analyzes the recent financial performance of the City, and forewarns policymakers regarding looming obligations that will stress the City's finances. For FY18, the City forecasts a structural deficit of \$4,781,449, already requiring service cuts, frozen positions, and deferral of capital outlay and Other Post-Employment Benefit obligations in order to balance revenues and expenditures.

Furthermore, the future poses even greater challenges. In December 2016, the Public Employee Retirement System (PERS) notified Rialto (and other cities in California) that it would impose a series of payment increases to enhance the retirement system's solvency. Commencing in FY19, Rialto's annual payments to PERS will increase by approximately \$2.1 million per year. Rialto's annual payment obligation will grow from a sizable \$11.5 million in FY17 to a substantial \$26.5 million in FY25. Most of this obligation burdens the City's General Fund. The City will allocate most if not all of its future revenue growth to satisfy this extraordinary obligation to the employee retirement system.

The City's existing voter-approved Utility Users Tax was first imposed in 2003 (as a replacement of another tax) and extended twice in 2008 and 2013, and is scheduled to expire on June 30, 2018. The City has not increased its revenues sufficiently or decreased its expenses (or some combination of the two) allowing for the elimination or reduction of the Utility Tax and the full funding of necessary City services. The City remains dependent upon the Utility Tax to provide basic services, and its loss would cause devastating impacts to public safety, recreation, public works, and other core governmental services.

Under State law, a special municipal election may be held on November 7, 2017 for the City of Rialto electorate to decide on whether to extend by 5 years the expiration date of the existing 8% Utility Users Tax on utilities within the City of Rialto from July 1, 2018 to June 30, 2023, preserving exemptions for senior citizens and low-income households. Article XIIC, Section 2(b) of the California State Constitution provides that 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. Under this authority, the City Council may submit to the voters at the election to be held on November 7, 2017, an election which does not include the election of a person to membership on the City Council; a question related to the imposition of a general tax which, if adopted would assist the City in its efforts to maintain revenue levels and to provide municipal services at a level reasonably expected by the City residents and businesses.

ANALYSIS/DISCUSSION:

The existing Utility Users Tax represents 18% to 19% of recurring general fund revenue and is the most reliable source of tax revenue. The City Administrator's FY18 Budget Message evidences sufficient gravity and severity that the City Council may propose that the electorate extend the current Utility Users Tax, at the 8% level, preserving the existing exemptions for senior citizens and low-income households, with a sunset to the tax in 5 years.

The City Council could take action to declare a fiscal emergency necessitating the extension of the Utility Users Tax at the November 2017 election. To this end, the City Council, based on a unanimous vote, would need to find that the City's future revenues will be insufficient to meet the cost of the City's current service needs, which will necessitate continued deferral of essential capital improvement and maintenance projects, including street maintenance, park enhancements and expansion, and general facility maintenance and expansion.

The Resolution provided with this report makes the above findings and establishes that the best interests of the residents and businesses of the City of Rialto are better served by avoiding further cuts to essential city services.

ENVIRONMENTAL IMPACT:

The requested City Council action is not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: (4) the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment.

GENERAL PLAN CONSISTENCY:

This action is consistent with Guiding Principle 3A in the General Plan:

Our City government will lead by example, and will operate in an open, transparent and responsive manner that meets the needs of the citizens and is a good place to do business.

LEGAL REVIEW:

The City Attorney prepared and approved the staff report and Resolution.

FINANCIAL IMPACT:

Projected General Fund revenue from the UUT in FY2018 is approximately \$14.2M. Voter approval is required to continue levying the tax beyond June 30, 2018. The loss of this revenue would prompt the need to eliminate staffing and other service-related expenditures in order to establish a balanced budget for Fiscal Year 2018-19. Any changes required as a result of the UUT election will be reflected in the proposed Fiscal Year 2018-19 budget, which is expected to be approved no later than June 2018.

The estimated cost to conduct the special election is \$90,000 and has been included in account 010-500-3161-2021 in the FY2017-18 proposed budget. The final cost may vary depending on participation of other agencies in the County of San Bernardino, who can share costs for items presented on the same ballot.

RECOMMENDATION:

Request City Council to approve Resolution No. 7166, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIALTO, CALIFORNIA, DECLARING A FISCAL EMERGENCY PURSUANT TO ARTICLE XIII C SECTION 2(b) OF THE CALIFORNIA CONSTITUTION"

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RESOLUTION NO. ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIALTO,
CALIFORNIA, DECLARING A FISCAL EMERGENCY PURSUANT TO
ARTICLE XIII C SECTION 2(b) OF THE CALIFORNIA CONSTITUTION**

WHEREAS, under the provisions of the laws of the State of California, a special municipal election may be held on November 7, 2017 for the City of Rialto electorate to decide on whether to extend by 5 years the expiration date of the existing 8% Utility Users Tax on utilities within the City of Rialto from July 1, 2018 to June 30, 2023, preserving exemptions for senior citizens and low-income households; 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 may act to submit to the voters at the election to be held on November 7, 2017, an election which does not include the election of a person to membership on the City Council; a question related to the imposition of a general tax which, if adopted would assist the City in its efforts to maintain revenue levels and to provide municipal services at a level reasonably expected by the City residents and businesses; and

WHEREAS, the existing voter-approved Utility Users Tax, which has been imposed since 2003 and extended twice in 2008 and 2013, is scheduled to expire on June 30, 2018; and

WHEREAS, the existing Utility Users Tax provides approximately 18% of recurring general fund revenue and has been the most reliable source of City tax revenue; and

WHEREAS, the FY 2017-2018 budget includes funding of \$14.2 million from the Utility Users Tax and the City still operates at a structural deficit of \$4,781,449, meaning that the City does not allocate sufficient resources from its recurring revenues for all governmental operating costs, including personnel, services and supplies, capital outlay, and debt service; and

1 **WHEREAS**, the City froze positions in several departments, implemented a series of service
2 cuts to all departments, and deferred capital outlay and OPEB obligations to achieve a cash balance
3 between revenues and expenses for the FY18 Budget; and

4 **WHEREAS**, the future poses more daunting challenges, with programmed increases in the
5 City’s payment obligations to the Public Employee Retirement System (PERS) that will consume a
6 substantial portion of the City’s reasonably foreseeable revenue growth even without a single
7 employee addition to the City’s workforce; and

8 **WHEREAS**, as the City grows it should expand public services to accommodate the new
9 residents and employees, but the City will be forced to reduce services citywide without the Utility
10 Tax; and

11 **WHEREAS**, if the Utility Users Tax is not extended, the City will suffer devastating impacts
12 upon core services; and

13 **WHEREAS**, the City Council finds that the City's future revenues will be insufficient to meet
14 the cost of the City's current level of service needs, which will necessitate continued deferral of
15 essential capital improvement and maintenance projects, including street maintenance, park
16 enhancements and expansion, and general facility maintenance and expansion; and

17 **WHEREAS**, the best interests of the residents and businesses of the City of Rialto are better
18 served by avoiding further cuts to essential city services; and

19 **WHEREAS**, the City’s fiscal crisis herein described is of sufficient gravity and severity that
20 the City Council may propose that the electorate extend the current Utility Users Tax, at the 8% level,
21 preserving the existing exemptions for senior citizens and low-income households, with a sunset to the
22 tax in 5 years.

23 **NOW, THEREFORE**, the City Council of the City of Rialto does hereby resolve, declare,
24 determine and order as follows:

25 **Section 1:** The foregoing recitals are true and correct and are incorporated herein by
26 reference.

27 **Section 2:** That the City Council hereby finds and declares a fiscal emergency, as the term
28 “emergency” is used in Article XIII C, Section 2(b) of the California Constitution, now exists in the

1 City of Rialto justifying calling for a special municipal election on November 7, 2017, in order that
2 the City may propose, and the City voters may consider, adoption of a general tax measure intended to
3 address that emergency by ensuring that the City has the resources necessary to preserve the public
4 health, safety and welfare.

5 **Section 3:** That the City Council directs City staff to investigate and recommend further
6 actions necessary to alleviate impacts of the conditions supporting the findings herein and to develop
7 local control over funds needed to protect essential city services.

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

11 **PASSED, APPROVED AND ADOPTED** this ___th day of ____, 2017.

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DEBORAH ROBERTSON, Mayor

15 **ATTEST:**

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BARBARA A. McGEE, City Clerk

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20 **APPROVED AS TO FORM:**

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FRED GALANTE, City Attorney

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1 **STATE OF CALIFORNIA**)
2 **COUNTY OF SAN BERNARDINO**) ss
3 **CITY OF RIALTO**)
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5 I, Barbara A. McGee, City Clerk of the City of Rialto, do hereby certify that the foregoing
6 Resolution No. _____ was duly passed and adopted at a regular meeting of the City Council of the
7 City of Rialto held on the ___h day of _____, 2017.

8 Upon motion of Council Member _____, seconded by Council Member
9 _____, the foregoing Resolution No. _____ was duly passed and adopted.

10 Vote on the motion:

11 AYES:

12 NOES:

13 ABSENT:
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15 **IN WITNESS WHEREOF**, I have hereunto set my hand and the Official Seal of the City
16 of Rialto this 11th day of July, 2017.
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20 _____
21 BARBARA A. McGEE, City Clerk
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