

CITY OF CLOVERDALE

CITY COUNCIL

RESOLUTION NO. 052-2014

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CLOVERDALE CALLING AND GIVING NOTICE OF THE HOLDING OF AN ELECTION ON NOVEMBER 4, 2014 TO CONSIDER THE TEMPORARY CITY OF CLOVERDALE LOCAL CONTROL/ FISCAL STABILITY MEASURE; ORDERING THE SUBMITTAL OF THE ORDINANCE TO THE VOTERS AT THE ELECTION; AND REQUESTING THAT THE SONOMA COUNTY BOARD OF SUPERVISORS CONSENT TO THE CONSOLIDATION OF THIS ELECTION WITH THE STATEWIDE GENERAL ELECTION TO BE HELD ON THE SAME DATE AND DIRECT THE REGISTRAR OF VOTERS TO CONDUCT THE ELECTION

WHEREAS, the City of Cloverdale has implemented numerous budget cuts, including reducing the number of City employees by over twenty percent (20%), freezing salaries for the past six (6) years, reforming pensions and closing City Hall on Fridays; and

WHEREAS, despite these efforts, there is little left to cut in the City budget and additional funds are needed to maintain essential city services our community relies on; and

WHEREAS, the City has virtually no emergency reserves left, making the City vulnerable to an emergency, such as a natural disaster or future state budget cut, and our City must establish prudent emergency reserves that provide the City and its constituents with a level of financial security; and

WHEREAS, the City needs a guaranteed source for local funding for city services that cannot be taken by Sacramento or Washington, ensuring our tax dollars are spent locally to help keep the City financially stable; and

WHEREAS, the City desires to protect and maintain city services its constituents have identified as priorities, such as preventing cuts to 911 emergency response services; preventing and investigating property crimes, like thefts and burglaries; maintaining adequate street maintenance and pothole repair; supporting the City's local businesses; and enhancing the fiscal stability of the City of Cloverdale.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Cloverdale does hereby find, determine, and declare as follows:

1. The foregoing recitals are true and correct and are hereby incorporated by reference.
2. Pursuant to California Constitution Article XIIC, Section 2; Government Code section 53724; and Elections Code section 9222, the City Council of the City of Cloverdale hereby calls

an election at which it shall submit to the qualified voters of the City the Cloverdale Essential City Service Measure, which if approved, would adopt a temporary general tax on the use of telecommunications, electricity, gas, and video services (a “utility users’ tax”). The City Council hereby requests that the election be consolidated with the statewide election to be held on November 4, 2014. The City Council acknowledges that the consolidated election will be held and conducted in the manner prescribed in Election Code section 10418.

3. The question to be presented to the voters shall be as set forth below. This question requires the approval of a majority of qualified electors casting votes:

<p>Temporary City of Cloverdale Local Control/ Fiscal Stability Measure.</p>	<p>YES</p>	
<p>To create local funding for local needs; maintain Cloverdale’s independent, local Police Department; prevent further cuts to police officers, 911 response, violent/property crimes investigation; maintain storm drains, pothole/street repair, local business support, and other City services; shall the City of Cloverdale establish a utility user tax at a 3% rate for eight years with low-income senior exemptions, citizens’ oversight, annual independent audits and no money for Sacramento?</p>	<p>NO</p>	

4. The Ordinance authorizing the general tax to be approved by the voters is as set forth in Attachment 1 hereto. The Ordinance specifies that the rate of the utility users’ tax shall be three percent (3%) of the charge for telecommunications, electric, gas, and video services. The service provider shall collect the tax from the service user and remit the taxes collected to the City. The tax will sunset automatically after eight (8) years, unless extended by the voters. The Ordinance and utility users’ tax shall be approved if a simple majority of votes cast on the measure are affirmative. The full text of the Ordinance proposed to be adopted by the voters shall be available upon request to the Office of the City Clerk and on the City’s website.

5. The City Clerk is authorized, instructed and directed to work with the Office of the Registrar of Voters as needed in order to properly and lawfully conduct the election. The ballots to be used in the election shall be in form and content as required by law. The Office of the Registrar of Voters is authorized to canvass the returns of the general municipal election. In all particulars not recited in this Resolution, the election shall be held and conducted as provided by law for holding municipal elections.

6. The Board of Supervisors is requested to instruct the Office of the Registrar of Voters to provide such services as may be necessary for the holding of the consolidated election. The election shall be held in all respects as if there were only one (1) election. The City recognizes that the County will incur additional costs because of this consolidation and agrees to reimburse the County for those costs. The City Manager is hereby authorized and directed to expend the necessary funds to pay for the City’s cost of placing the measure on the election ballot.

7. Arguments; Impartial Analysis; Deadlines

- a. The last day for submission of primary arguments for or against the measure shall be by 5 p.m. on August 18, 2014.
- b. The last day for submission of rebuttal arguments for or against the measure shall be by 5 p.m. on August 28, 2014.
- c. Primary arguments shall not exceed three hundred (300) words and shall be signed by not more than five (5) persons.
- d. Rebuttal arguments shall not exceed two hundred fifty (250) words and shall be signed by not more than five (5) persons; those persons may be different persons than the persons who signed the primary arguments.
- e. Pursuant to California Elections Code section 9282, the Mayor is hereby authorized to submit a written argument in favor of the proposed measure, not to exceed three hundred (300) words, on behalf of the City Council. At the Mayor's discretion, the argument may also be signed by members of the City Council or bona fide associations or by individual voters who are eligible to vote on the measure. In the event that an argument is filed against the measure, the Mayor is also authorized to submit a rebuttal argument on behalf of the City Council, which may also be signed by members of the City Council or bona fide associations or by individual voters who are eligible to vote on the measure, which may be different from those who signed the primary argument.
- f. Pursuant to California Elections Code section 9280, the City Council hereby directs the City Clerk to transmit a certified copy of the measure to the City Attorney. The City Attorney shall prepare an impartial analysis of the measure, not to exceed five hundred (500) words in length, showing the effect of the measure on the existing law and the operation of the measure, and file the impartial analysis with the City Clerk by August 18, 2014.
- g. Pursuant to California Elections Code section 9285, when the City Clerk has selected the arguments for and against the measure, which will be printed and distributed to the voters, the City Clerk shall send copies of the argument in favor of the measure to the authors of the argument against, and copies of the argument against to the authors of the argument in favor. Rebuttal arguments shall be printed in the same manner as the primary arguments. Each rebuttal argument shall immediately follow the primary argument, which it seeks to rebut.

9. The City Clerk is directed to file certified copies of this Resolution with the Board of Supervisors and the Registrar of Voters of the County of Sonoma, together with the attached ballot measure.

10. The jurisdictional boundaries of the City of Cloverdale have not changed since the last general municipal election.

11. The approval of this Resolution is exempt from the California Environmental Quality Act (Public Resources Code §§ 21000 *et seq.*, “CEQA,” and 14 Cal. Code Reg. §§ 15000 *et seq.*, “CEQA Guidelines”). The transactions and use tax to be submitted to the voters is a general tax that can be used for any legitimate governmental purpose; it is not a commitment to any particular action. As such, under CEQA Guidelines section 15378(b)(4), the tax is not a project within the meaning of CEQA because it creates a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. If revenue from the tax were used for a purpose that would have either such effect, the city would undertake the required CEQA review for that particular project. Therefore, pursuant to CEQA Guidelines section 15060 CEQA analysis is not required.

12. This Resolution shall become effective immediately upon its passage and adoption.

It is hereby certified that the foregoing Resolution No. 052-2014 was duly introduced and duly adopted by the City Council of the City of Cloverdale at its regular meeting held on the 23rd day of July, 2014 by the following roll call vote: (Ayes – 4; Noes – 1 (Maacks)


AYES in favor of: 5 – Councilmember Palla, Vice Mayor Cox, Councilmember Brigham, Mayor Russell

NOES: 1 – Councilmember Maacks


ABSENT: 0

ABSTAIN: 0

APPROVED:


Carol Russell, Mayor

ATTESTED:


Myra Lazio, Deputy City Clerk

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**City Council/Successor Agency
Agenda Item Summary**

Agenda Item: 3
Meeting Date: July 23, 2014

Agenda Section Public Hearings	Staff Contact Paul Cayler, City Manager
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Agenda Item Title

Action on a Resolution of the City Council of the City of Cloverdale Calling and Giving Notice of the Holding of an Election on November 4, 2014, to Consider the Temporary City of Cloverdale Local Control/Fiscal Stability Measure; Ordering the Submittal of the Ordinance to the Voters at the Election; and Requesting that the Sonoma County Board of Supervisors Consent to the Consolidation of this Election with the Statewide General Election to Be Held on the Same Date and Direct the Registrar of Voters to Conduct the Election.

Summary

The City of Cloverdale has experienced a significant loss of revenue since the beginning of the Great Recession. For the City of Cloverdale, the impacts have been significant and have resulted in reduced revenues from almost all sources. In response, the City of Cloverdale has implemented numerous budget cuts, including reducing the number of city employees by over twenty percent (20%), freezing salaries for the past six (6) years, reforming pensions, and closing City Hall on Fridays. Cloverdale now has virtually no emergency reserves left, making the City vulnerable to an emergency, such as a natural disaster or future State and Federal budget cuts.

The Fiscal Year 2014-2015 City Budget was developed according to a transparent and honest discussion with the community. The Cloverdale City Council first conducted a goal setting exercise which included Council Members and Senior Staff brainstorming on goals, and invited the community to participate. The numerous goals were then prioritized. A list of the City’s Top Ten goals for Fiscal Year 2014-2015 was established. On that list there are three (3) important goals that relate to the City’s General Fund fiscal health: 1) Develop a three (3) year budget projection plan that produces a balanced budget each year as it relates to anticipated expenses versus anticipated revenues; 2) Prepare for refilling a vacate police officer position; and 3) Build a fifteen percent (15%) General Fund “restricted” reserve to underpin City’s fiscal stability.

Based on the above specific goals, the City Manager with the Senior Staff developed a proposed Fiscal Year 2014-2015 City budget through a series of budget conferences, which reviewed all City budget units in detail. Special attention was given to the City’s General Fund. On May 20, 2014, the Cloverdale City Council held an all-day Budget Workshop wherein the City Council conducted a line item by line item review of the proposed budget. As a result of this workshop, it became clear that despite the implementation of numerous budget reductions, there is little left to cut in the General Fund budget. The Council directed that ways be explored in which Cloverdale establish a local funding source to help maintain essential services to have a healthy city, which attracts jobs and businesses to Cloverdale. The Council directed that staff look at a revised General Fund budget that includes the addition of a locally controlled revenue through a utility user tax for general purposes. The staff took the City Council’s direction at the Budget Workshop and began finalization of the City’s Fiscal Year 2014-2015 Budget, including the development of a five (5) year General Fund budget forecast. (Please note that this is two (2) years greater than originally identified in the Council’s goal setting exercise.) The Council also directed that budget forecasts using potential revenue from a utility user tax look to refilling a vacate police officer position. The Council also asked for information on the condition of the Police Department’s patrol car fleet.

At the regular Council Meeting on June 11, 2014, the City Council received a detailed report that projected

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the City's General Fund status over the next five (5) years. Based on "Status Quo" projections, the five (5) year budget forecast showed that the fund balance in the City's General Fund will be exhausted within the next four (4) years, and the City's General Fund will have a negative balance. The Council reviewed budget options that forecast the impact of revenue from a three percent (3%) utility user tax under three (3) different models, which included a forecast with no City staffing changes, refilling a vacate police officer position and one (1) patrol car, and refilling a police officer position and adding a new patrol car every year for the next five (5) years. The Council also reviewed specific information on the age and mileage of the Cloverdale Police Department patrol car fleet that showed that the fleet is aging, and that a patrol vehicle replacement program is badly needed. The Cloverdale Police Department has kept the City safe over the last several years despite cutting public safety positions and using aging equipment. The Council directed that staff dedicate work on further refinement of the City's budget, and a potential utility user tax ballot measure as a general tax measure for the November 4, 2014, General Election be prepared. The City Council directed that additional information on a possible utility user tax be returned as soon as possible.

A utility user tax is a local funding measure commonly applied by California cities and counties on the consumption of utility services, as a local source of funding for services communities rely on. The proposed utility user tax is recommended as a general tax, meaning that it can be used for a variety of municipal services at the direction of the City Council, however the Cloverdale City Council desires that the revenue be used to stabilize the City's General Fund by preventing further budget cuts to General Fund dependent functions, such as the police department, street maintenance, storm drains, and support of local business. As a general tax, it requires simple majority approval by Cloverdale voters. A utility user tax is applied across a wide base of taxpayers, including property owners, renters and businesses. It is a tax that is applied locally, and controlled at the local level, and cannot be taken by Sacramento. It is based on consumption, giving taxpayers control over what they pay based on their usage. The utility user tax is a stable revenue source that maintains a dependable local revenue stream. Utility user taxes for local government are common in California with approximately one hundred and fifty (150) cities and four (4) counties using them. In fact, the City of Cloverdale collected a utility user tax continuously from 1994 until 2006 for the very purpose of maintaining local services.

On June 30, 2014, the Cloverdale City Council conducted a Special Meeting to review detailed budget projections on the impact of a utility user tax on the General Fund tax over the next five (5) years, which included options for maintaining the City's present service delivery system at a status quo level, refilling the vacate police officer position and replacement of patrol vehicles. The Council reviewed and gave input on a proposed updated utility user tax ordinance prepared by the City Attorney, which included updated definitions and procedures for charging a utility user tax on telecommunications, electricity, natural gas, and video users. The proposed ordinance included provisions for low-income senior citizens exemptions, a citizen oversight committee and annual independent audits. The proposed utility user tax exemption will be provided for low income residents 65 years of age or older who qualify for the California's LifeLine Program and/or California Alternate Rates for Energy (CARE) Program. The proposed utility user tax ordinance excludes water and sewer utilities. In addition, the Council reviewed specific language for a proposed ballot question and provided City staff with input.

The updated fiscal projections presented at the June 30, 2014, Special City Council meeting demonstrated that if no action is taken to generate a locally controlled revenue source that the City's available financing will exceed the available uses on or about Fiscal Year 2017-2018, and at the end of the five (5) year projection that there will be a negative fund balance. The five (5) year budget forecast of a three percent (3%) utility user tax shows that the City will be able to refill the vacate police officer position, replace one (1) police patrol vehicle per year, maintain other essential services, such as streets, storm drains and parks, and have a 9.8% General Fund balance reserve at the end of the fifth year.

At the June 30, 2014 Special Meeting, the City Manager presented to the City Council a memorandum on the

General Fund budget reductions that would be necessary if there is no additional locally controlled revenue. The budget reductions include: 1) Cuts to a Police Sergeant, Police Officer and Police Dispatcher positions; 2) Cuts to a Public Worker Maintenance Worker position; 3) Cuts to Street striping contracts; 4) Cuts to Street maintenance supplies and tools; 5) Cuts to Storm Drain maintenance; 6) Cuts to Parks maintenance and 7) Cuts to support of the Cloverdale Chamber of Commerce. These above budget cuts will need to be made if no additional revenue for Cloverdale can be established. In addition, the City Manager's memorandum mentions that City may need to consider sale of City owned assets or property if is no addition locally controlled revenue for the General Fund.

After the review of the information at the June 30, 2014, Special Meeting, the Council gave unanimous direction to City staff to proceed with the preparation of utility user tax measure based on a three percent (3%) rate for eight (8) years. The City Council's proposed utility user tax measure will provide a locally controlled funding source to establish prudent emergency reserves for a level of financial security, prevent further cuts to critical services that keep Cloverdale safe, maintain the City's streets, storm drains and parks, and promote economic opportunity in Cloverdale.

In the development of the final utility user tax ordinance, City staff made some additional modifications based on Council input from the June 30th meeting: 1) The ordinance includes a definition of "head of household" and a clarification that the application for the exemptions will require a statement under penalty of perjury that the applicant meets all of the qualifications, thus eliminating the need for the tax administrator to review documents proving that the applicant qualifies, and giving the City an enforcement mechanism; and 2) The ordinance establishes a three (3) member Oversight Committee formed twice to review the tax and report to the Council in the fifth (5th) and seventh (7th) years.

Based on input from the City Council at the June 30th Special Meeting, City staff made minor modifications to the ballot measure language which is set forth in the resolution as follows:

"To create local funding for local needs; maintain Cloverdale's independent, local Police Department; prevent further cuts to police officers, 911 response, violent/property crimes investigation; maintain storm drains, pothole/street repair, local business support, and other City services; shall the City of Cloverdale establish a utility user tax at a 3% rate for eight years with low-income senior exemptions, citizens' oversight, annual independent audits and no money for Sacramento?"

Additional election details addressed by the resolution include the preparation of the ballot impartial analysis, arguments and rebuttals:

1) Impartial Analysis: The State Elections Code provides for the City Council to direct the City Attorney to prepare an impartial analysis of no more than five hundred (500) words, showing the effect of the measure on existing law. This analysis must be submitted to the City Clerk by August 18, 2014.

2) Ballot Arguments: The State Elections Code allows the City Council to determine its interest in authoring an argument in favor of the ballot measure. Arguments of no more than three hundred (300) words each for and against the ballot measure can then be included in the Voter Sample Ballot. The primary arguments for and against the measure must be submitted by August 18, 2014. Further, the resolution authorizes Mayor Carol Russell to submit the written argument in favor of the proposed measure, and at Mayor Russell's discretion the argument may also be signed by members of the City Council or bona fide associations or by individual voters who are eligible to vote on the measure.

3) Ballot Rebuttals: In the event that an argument against the measure is filed, Mayor Carol Russell is authorized by the resolution to submit a rebuttal argument on behalf of the City Council, which may be signed by members of the City Council or bona fide associations or by individual voters who are eligible to vote on the measure. The deadline for submittal of rebuttal arguments is August 28, 2014.

In order to place the proposed revenue measure on the November 2014 General Election ballot, the Council must vote in support of the resolutions by four-fifths (4/5ths).

Options

1) Adopt the attached resolution; or 2) Reject the attached resolution.

Budget/Financial Impact

The amount of locally controlled General Fund revenue generated by the proposed three percent (3%) utility user tax on electric, gas, telecommunications and video users is estimated to be \$375,360 annually. The annual impact per user is estimated to be \$121.71. The monthly impact per user is estimated to be \$10.14.

Subcommittee Recommendation

None.

Recommended Council Action

The City Manager recommends that the City Council adopt the attached resolution which calls for holding of an election on November 4, 2014, to consider the temporary City of Cloverdale Local Control/Fiscal Stability Measure and approve the ballot language as presented, and place an ordinance establishing a local, voter-approved utility user tax to support essential city services and stabilize the City's fiscal situation. The tax would be a general tax with a rate of three percent (3%) and applied to electric, gas, telecommunications and video users. The locally controlled funding - which cannot be taken by Sacramento - will be used for General Fund city services to keep Cloverdale financially stable, maintain critical services, prevent cuts to public safety, streets, storm drains, parks, and support of local business. The tax would be applied for a period of eight (8) years at which time it will expire. An exemption will be provided for low income residents 65 years of age or older who qualify for the California's LifeLine Program and/or California Alternate Rates for Energy (CARE) Program. The City Council will appoint a three (3) member Oversight Committee to review and report on the receipt of revenue and expenditure of funds from the utility user tax in the fifth (5th) and seventh (7th) years. The City Attorney will be directed to prepare an impartial analysis of the measure. The Mayor will be designated to author and sign a ballot argument on behalf of the City Council for the measure along with four other community members who are proponents. If there is an argument submitted in opposition to the measure, the Mayor will be authorized to author and sign a rebuttal argument along with four (4) other community members who are proponents.

Attachments:

- 1) Proposed resolution.
- 2) Proposed ordinance.

cc:

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