The City Council, with certain statutory exceptions, can only take action upon properly posted and listed agenda items.

Unless otherwise noted in the Agenda, the Public can only comment on City-related business that is within the jurisdiction of the City Council and/or items listed on the Agenda during the Public Communications portion of the Meeting. The time limit for comments is five (5) minutes per person.

Before speaking to the City Council, please come to the podium and state: Your name and residence and the organization you represent, if desired. Please respect the time limits.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact City Clerk, 310-524-2305. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

SPECIAL MEETING OF THE EL SEGUNDO CITY COUNCIL
WEDNESDAY, SEPTEMBER 25, 5:00 P.M.

CALL TO ORDER

ROLL CALL

PUBLIC COMMUNICATIONS - (Related to City Business Only - 5 minute limit per person, 30 minute limit total). Individuals who have received value of $50 or more to communicate to the City Council on behalf of another, and employees speaking on behalf of their employer, must so identify themselves before addressing the City Council. Failure to do so is a misdemeanor and punishable by a fine of $250.

UNFINISHED BUSINESS:

1. Consideration and possible action to direct staff to prepare the necessary documents to potentially: amend the City’s tax codes for purposes of increasing the City’s revenues, including but not limited to: potentially eliminating the sales tax credit granted to businesses and create a parking lot tax as part of the City’s business license taxes (“BLT”); increasing the utility user tax (“UUT”); increasing the transient occupancy tax (“TOT”); and imposing a UUT on the residents. Additionally, direct staff as to whether to prepare an advisory ballot measure that would reflect whether or not the voters believe a portion of any proposed tax increase should be provided to the El Segundo Unified School District. (Fiscal Impact: Unknown)

Recommendation – 1) Direct staff to prepare the necessary documents to potentially: amend the City’s tax codes for purposes of increasing the City’s revenues, including but not limited to: (a) eliminating the sales tax credit granted to businesses which reduces the amount of BLT the businesses pay and create a parking lot business license tax; (b)
increasing the utility user tax imposed on businesses; (c) increasing the transient occupancy tax; (d) imposing a utility user tax on the residents; and (e) amending other portions of the City’s tax codes to increase City Revenues; 2) Direct staff as to whether or not to prepare an advisory ballot measure that would reflect whether or not the voters believe a portion of any proposed tax increase should be provided to the El Segundo Unified School District. 3) Alternatively, discuss and take other action related to this item.

ADJOURNMENT –

POSTED:
DATE: 9-18-13
TIME: 3:00 PM
NAME: [Signature]


AGENDA DESCRIPTION:

Consideration and possible action to direct staff to prepare the necessary documents to potentially: amend the City's tax codes for purposes of increasing the City's revenues, including but not limited to: potentially eliminating the sales tax credit granted to businesses and create a parking lot tax as part of the City’s business license taxes (“BLT”); increasing the utility user tax (“UUT”); increasing the transient occupancy tax (“TOT”); and, imposing a UUT on the residents. Additionally, direct staff as to whether to prepare an advisory ballot measure that would reflect whether or not the voters believe a portion of any proposed tax increase should be provided to the El Segundo Unified School District. (Fiscal Impact: Unknown).

RECOMMENDED COUNCIL ACTION:

1. Direct staff to prepare the necessary documents to potentially: amend the City’s tax codes for purposes of increasing the City’s revenues, including but not limited to:
   (a) eliminating the sales tax credit granted to businesses which reduces the amount of BLT the businesses pay and create a parking lot business license tax;
   (b) increasing the utility user tax imposed on businesses;
   (c) increasing the transient occupancy tax;
   (d) imposing a utility user tax on the residents; and
   (e) amending other portions of the City’s tax codes to increase City revenues;

2. Direct staff as to whether or not to prepare an advisory ballot measure that would reflect whether or not the voters believe a portion of any proposed tax increase should be provided to the El Segundo Unified School District.

3. Take other related action.

ATTACHED SUPPORTING DOCUMENTS:

Attachment A – UUT and TOT Comparisons with Nearby Cities

FISCAL IMPACT:

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<thead>
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<th>Amount Budgeted:</th>
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<td>Additional Appropriation:</td>
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<tr>
<td>Account Number(s):</td>
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</table>

ORIGINATED BY: Mark Hensley, City Attorney

REVIEWED BY: Deborah Cullen, Director of Finance

APPROVED BY: Greg Carpenter, City Manager
BACKGROUND AND DISCUSSION:

At the August 22, 2013, City Council Strategic Planning Workshop, the Council was presented with budget information for fiscal years 2013/2014 and 2014/2015 which shows that the City has had and continues to have a budget that is not structurally balanced. The payments the City receives from Chevron pursuant to agreement entered into within Chevron earlier this year is providing the revenues necessary to balance the 2013/2014 budget. However, based on forecasted revenues and expenditures staff is projecting a budget shortfall of $3,602,802 million for fiscal year 2014/2015 and if the City were to increase expenditures for capital projects recommended by staff the deficit increases to $5,602,802.

The Council was presented with several options for purposes of beginning the discussion of how to balance the City’s budget in future years, including (1) reducing City expenditures by reducing or eliminating City services; (2) contracting out public safety services; or (3) increasing the City’s tax revenues. With regard to the latter option, staff provided Council with an overview of different scenarios for amending the City’s tax codes and how such would increase City revenues. The Council also raised issues such as potentially placing an advisory measure on the ballot to determine if the voters would want some portion of any potential new tax revenues provided to the ESUD. Additionally, Council requested some information with regard to potentially imposing a utility user tax on residents. City taxes are currently only imposed on businesses within the City.

Staff is seeking direction from the Council with respect to what tax measures, if any, that Council wants to place on the April 2014 general municipal election. Council has until January 8, 2014 to adopt the necessary documents to place ballot measure on the April election. However, staff thought it was prudent to place this matter before Council as soon as possible given that staff does not know how long Council may wish to discuss and consider its options and, depending on Council direction, staff needs sufficient time to prepare the necessary documents for Council action. The potential tax increases are proposed to be general taxes (meaning they will be deposited into the City’s general fund and can be used for any lawful local government purpose) and the proposed increases require approval by a majority of the electorate pursuant to Article XIII C of the California Constitution. To place a general tax increase on the general municipal election four of the five Council Members must pass the resolution(s) necessary to place the proposed increase(s) on the ballot.

Utility Users Tax

The City currently imposes a 3% UUT on businesses for electricity, gas, water services and 2% for communication services. As shown on Exhibit A, the City charges less UUT than the surrounding jurisdictions. Staff estimates that for each 1% increase (in all UUT’s combined) the City will collect estimated additional annual revenues of $1,401,204.

If the Council were to impose a UUT on residents, for each 1% of tax imposed on residents electricity, gas and water services the City would collect approximately $342,350 of additional annual revenues.
Transient Occupancy Tax

The City currently imposes an 8% TOT on individuals occupying hotels or motels within the City. Exhibit A reflects that the City charges less, and in some cases substantially less than the surrounding jurisdictions. Staff estimates that for each 1% increase in TOT the City will collect an additional $637,500 in annual revenues.

Business License Taxes

Elimination of Business Sales Tax Credit

The City currently provides businesses with a credit towards their annual business license tax in an amount equal to the sales tax payments the City receives from businesses. If the City eliminates this credit, it is estimated that the City’s annual BLT revenues will increase annually in the amount of $1,100,000.

Imposing a Parking Lot Tax

Imposition of a 10% citywide parking tax would provide up to $1,158,392 in additional business license taxes depending on which of the following taxes were collect:

1. Airport parking (long-term parking) estimate revenue - $295,000;
2. Transient validation and valet parking estimated revenue - $346,404;
3. Monthly tenant parking estimated revenue - $516,900

Advisory Ballot Measure – ESUSD

The Council expressed some interest in potentially putting an advisory ballot measure on the election for purposes of seeing if the voters would like to see some portion of the revenues from any proposed tax increase provided to the ESUSD. The Council can place such a measure on the ballot but it has no binding legal effect and will not require that the City provide any revenues from any increase in tax revenues the School District. However, the Council and future Council can consider the results of such an advisory measures as the Council adopts its annual budget. This would require two separate ballot measures. The questions might look like this:

Measure A:

“SHALL THE ORDINANCE (ORDINANCE NO. 123) AUTHORIZING THE IMPOSITION OF A PARKING TAX AT AN ANNUAL FLAT RATE OF $X DOLLARS ($X) PER PARKING SPACE BE ADOPTED?”

Measure B:

SHALL THE ORDINANCE (ORDINANCE NO. 456) ADVISING THE CITY OF EL SEGUNDO REGARDING THE EXPENDITURE OF NEW PARKING TAX REVENUE BE ADOPTED?
Procedural Issues Re Preparation of Ballot Measures

What Specific Amendments/Increases Does Council Want to Place on the Ballot?

Staff needs Council direction regarding which taxes, if any, that four members of the Council can agree on amending and/or increasing. It only takes three members of Council to place the advisory measure on the ballot, but unless four Council Members can agree on the proposed amendments/increases to the City’s tax code, an advisory measure would be moot.

Does Council Want the Proposed Amendments/Increases combined into one ballot measure or does it want separate ballot measures for each proposed amendment/increase?

Council has the option of either combining all of the proposed amendments and/or increases into one ballot measure (except an advisory ballot measure which must be a separate measure) or placing separate ballot measure for each amendment and/or increase on the ballot. This is a policy consideration for the Council. Council may wish to consider whether it wants all of the measures tied together with the understanding if it passes or fails that all of the proposed amendments pass or fail as opposed to having each amendment/increase voted on separately.

An additional consideration is that a ballot measure question can only contain 75 words. Thus, depending on number of amendments/increases that the Council wants to include in the ballot measure then it may become more difficult to specifically describe each amendment/increase than it would be if all of the amendments/increases are placed on the ballot as separate measures. For example, if the Council were to place all of the amendments/increases before the electorate then the ballot question might take the form of one of the two options below:

“SHALL THE ORDINANCE (ORDINANCE NO. 123) ENTITLED “AN INITIATIVE MEASURE AUTHORIZING A ONE PERCENT (1%) INCREASE TO THE UTILITY USER TAX, BUSINESS LICENSE TAX, AND TRANSIENT OCCUPANCY TAX TO FUND GENERAL MUNICIPAL SERVICES, INCLUDING, WITHOUT LIMITATION, POLICE PROTECTION AND INVESTIGATIONS, SUPPRESSION OF GANG AND DRUG RELATED CRIMES, REMOVAL OF GRAFFITI, RAPID RESPONSE TO EMERGENCIES, SERVICES TO SENIOR CITIZENS, AND MAINTENANCE AND REPAIR OF CITY STREETS AND LANDSCAPING” BE ADOPTED?” [70 words]

“SHALL THE ORDINANCE ENTITLED “AN INITIATIVE MEASURE AUTHORIZING A 1% INCREASE TO THE UTILITY USER TAX; A 2% INCREASE TO THE BUSINESS LICENSE TAX; AUTHORIZING A 3% TRANSIENT OCCUPANCY TAX; REPEALING THE BUSINESS INCENTIVE TAX CREDIT; AND ADDING A NEW PARKING TAX TO FUND GENERAL MUNICIPAL SERVICES, INCLUDING, WITHOUT LIMITATION, POLICE PROTECTION AND INVESTIGATIONS, RAPID RESPONSE TO EMERGENCIES, SERVICES TO SENIOR CITIZENS, AND MAINTENANCE AND REPAIR OF CITY STREETS” BE ADOPTED?” (71 words)
Alternatively, if each is proposed separately then the measures would be virtually identical and read as follows:

“SHALL THE ORDINANCE AMENDING EL SEGUNDO MUNICIPAL CODE CHAPTER 3-7 TO INCREASE THE UTILITY USER TAXES BY 1% TO FUND GENERAL MUNICIPAL SERVICES INCLUDING, WITHOUT LIMITATION, POLICE PROTECTION AND CRIME SUPPRESSION SERVICES, FIRE PREVENTION AND SUPPRESSION SERVICES, AND PARK AND RECREATION FACILITIES AND SERVICES BE ADOPTED?”

“SHALL THE ORDINANCE AMENDING EL SEGUNDO MUNICIPAL CODE § 3-4-3 TO INCREASE THE TRANSIENT OCCUPANCY TAXES BY 1% TO FUND GENERAL MUNICIPAL SERVICES INCLUDING, WITHOUT LIMITATION, POLICE PROTECTION AND CRIME SUPPRESSION SERVICES, FIRE PREVENTION AND SUPPRESSION SERVICES, AND PARK AND RECREATION FACILITIES AND SERVICES BE ADOPTED?”

“SHALL THE ORDINANCE AMENDING EL SEGUNDO MUNICIPAL CODE TO ELIMINATE THE BUSINESS LICENSE SALES TAX CREDIT AND ESTABLISH A PARKING TAX TO FUND GENERAL MUNICIPAL SERVICES, INCLUDING, WITHOUT LIMITATION, POLICE PROTECTION AND INVESTIGATIONS, SUPPRESSION OF GANG AND DRUG RELATED CRIMES, REMOVAL OF GRAFFITI, AND RAPID RESPONSE TO EMERGENCIES BE ADOPTED?”

**Conclusion**

Staff wanted to place this issue before Council well in advance of the cut-off date so that Council would have adequate time to consider its options and staff would have adequate time to prepare the necessary documents, if so directed by Council, to place ballot measures on the April general municipal election.
ATTACHMENT A -
UUT & TOT COMPARISONS WITH NEARBY CITIES

GAS, ELECTRIC & WATER
UTILITY USERS' TAX

All Charge Residential UUT except for City of El Segundo

Average
7%

TRANSPORT OCCUPANCY TAX

Average
12%

8%