



**CITY OF COLTON**

**City Hall**

650 N. La Cadena Drive  
Colton, CA 92324

Website: [www.coltonca.gov](http://www.coltonca.gov)

**Mayor Richard A. DeLaRosa**

**Council Members:**

David J. Toro – District 1

Ernest R. Cisneros – District 2

Frank J. Navarro – District 3

Dr. Luis S. González – District 4

Jack R. Woods – District 5

Isaac T. Suchil – District 6

City Treasurer Aurelio De La Torre

City Manager William R. Smith

City Attorney Carlos Campos

City Clerk Carolina R. Padilla

**AGENDA**

**SPECIAL MEETING**

**CITY COUNCIL,**

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE CITY OF COLTON,  
COLTON UTILITY AUTHORITY, COLTON PUBLIC FINANCING AUTHORITY,  
COLTON HOUSING AUTHORITY**

**WEDNESDAY, JUNE 13, 2018 - 5:30 P.M.**

**COUNCIL CHAMBER**

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Said Special Meeting shall be for the purpose of studying and/or taking action on the following matters:

**CLOSED SESSION – 5:30 P.M.**

**CLOSED SESSION CALLED TO ORDER**

**ROLL CALL**

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**PUBLIC COMMENT** **Limit 3 Minutes**

*This is the portion of the meeting specifically set aside to invite your comments regarding Closed Session items; however, any matter that requires action will be referred to staff for investigation and report at a subsequent Council meeting. The Council is prohibited by law from discussing or taking immediate action on items during this public comment period.*

*Persons desiring to submit paperwork to the City Council Members shall provide copy of any paperwork to the City Clerk for the Official Record.*

*Speakers will be limited to 3 minutes; provided, however, that the presiding officer shall have certain discretion to extend or limit time as provided for in the City Council Manual of Procedure.*

- A. CONFERENCE WITH LEGAL COUNSEL – EXPOSURE TO LITIGATION  
Pursuant to California Government Code Sections 54956.9(d)(2).  
One potential case: Lake Cadena Investments and Mobile Community Management Company

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**CITY ATTORNEY ORAL REPORT ON CLOSED SESSION ACTIONS**

**OPEN SESSION - 6:00 P.M.**

**FLAG SALUTE**

**ROLL CALL**

**MAYOR AND COUNCIL ITEMS**

**GIFT DISCLOSURES**

*Prior to rendering a decision in any proceeding involving a license, permit, contract or other entitlement pending before the city council, any council member who has received been promised a gift or gifts aggregating \$50.00 or more in value within the preceding twelve months from a party or participant in the proceeding shall disclose that fact either orally or in writing during open session. This disclosure shall be made part of the official public record of the proceeding, either as part of the minutes of the meeting or as a separate writing filed with the city. (CMC Section 2.04.030)*

**AB 1234 ORAL REPORTS**

*Members of the city council shall provide brief reports on meetings attended at the expense of the city. (GC Section 53232.3(d))*

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**PUBLIC COMMENT**

**Limit 3 Minutes**

*This is the portion of the meeting specifically set aside to invite your comments regarding Consent Calendar items and any matters within the jurisdiction of the City Council; however, any matter that requires action will be referred to staff for investigation and report at a subsequent Council meeting. The Council is prohibited by law from discussing or taking immediate action on items during this public comment period.*

*Persons desiring to submit paperwork to the City Council Members shall provide copy of any paperwork to the City Clerk for the Official Record.*

*Speakers will be limited to 3 minutes; provided, however, that the presiding officer shall have certain discretion to extend or limit time as provided for in the City Council Manual of Procedure.*

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**DISCUSSION ITEMS**

- (1) Provide staff direction for impending Measure D sunset.

**ADJOURNMENT**

**POSTING STATEMENT:**

I, Dawn Miller, Deputy City Clerk or my designee, hereby certify that a true and correct, accurate copy of the foregoing agenda was posted Tuesday, June 12, 2018, at least twenty-four (24) hours prior to the meeting per Government Code 54954.2, at the following locations:

City of Colton City Hall 650 N. La Cadena Drive  
City of Colton Website, [www.coltonca.gov](http://www.coltonca.gov)

**PROCEDURES FOR ADDRESSING CITY COUNCIL**

For the Official Record, it is requested that you obtain a card from the City Clerk and complete it by noting a specific item number on the Agenda, if applicable, or you can identify the subject that you wish to address under the Public Comment portion of the Agenda. The City Council encourages public input on all City issues within the Rules of Decorum. Speakers will be limited to the time periods provided on the Agenda; provided, however, that the presiding officer shall have certain discretion to extend or limit time as provided for in the City Council Manual of Procedure.

**RULES OF DECORUM**

To help conduct the business of the City Council in an orderly fashion, the City Council has adopted rules pertaining to decorum and order, as provided for in the City Council Manual of Procedure. The City Council will strictly enforce these rules in order to allow full expression of ideas and opinions by councilmembers, staff and the public. Generally, the City's rules of decorum prohibit comments or actions which willfully disrupt the meeting. All remarks and questions shall be addressed to the Council as a whole and not to any particular member. No individual Councilmember or member of the City staff shall be questioned without first obtaining permission from the Presiding Officer. The City Council asks that all persons - including councilmembers, staff and the public - act and speak respectfully.

**NOTICE TO PUBLIC**

Staff reports or other written documentation relating to each item referred to, on the Agenda, are available for public inspection at the following locations: Office of the City Clerk, 650 N. La Cadena Drive, Colton, CA; City of Colton Public Library, 656 9<sup>th</sup> St., Colton, CA; or the City of Colton Internet Website, [www.coltonca.gov](http://www.coltonca.gov). Any person having questions concerning any item on the Agenda may call the City Clerk at 370-5191 to make inquiry concerning the nature of the item described on the Agenda. The City Clerk shall direct inquiries to the appropriate office.

All matters listed under the Consent Calendar are considered by the City Council to be routine and will all be enacted by one motion. There will be no separate discussion of these items prior to the time the City Council votes on the motion, unless councilmembers, staff or the public request that specific items be discussed and/or removed for separate discussions or action.

In compliance with the American with Disabilities Act, if you need special assistance to participate in a City Meeting, please contact the City Clerk's Office at 909-370-5001. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

**LEGAL CHALLENGES**

If you challenge in court any discussion or action taken concerning an item on this Agenda, you may be limited to raising only those issues you or someone else raised during the meeting or in written correspondence delivered to the City at or prior to the City's consideration of the item at the meeting.

## MANUAL OF PROCEDURE

The City Council adopted its Manual of Procedure (MOP) pursuant to Resolution No. R-150-07; Amended by Minute Action on December 2, 2014 and adopted by Resolution No. R-03-15 on January 20, 2015. The MOP was amended by Minute Action on April 17, 2018 and adopted by Resolution No. R-41-18 on May 15, 2018. Copies are available in the Office of the City Clerk.



## STAFF REPORT

DATE: JUNE 13, 2018  
 TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS  
 FROM: BILL SMITH, CITY MANAGER  
 PREPARED BY: STACEY DABBS, FINANCE DIRECTOR  
 SUBJECT: PROVIDE STAFF DIRECTION REGARDING PLANNING FOR MEASURE D SUNSET

### RECOMMENDED ACTION

It is recommended that City Council provide staff direction for impending Measure D sunset.

### BACKGROUND

At the March 20, 2018 City Council meeting, Finance Department staff presented an informational report on fiscal strategies to maintain City service levels and to address the sunset of Measure D. The report addressed the various challenges affecting the City's long-term financial sustainability and explored several revenue options to replace Measure D. Additionally, through the FY17/18 mid-year budget review process, the Finance Committee recommended the inclusion of funding for a consultant to evaluate the City's options for financial sustainability through revenue measures and expenditure reductions. On April 3, 2018, City Council approved a Professional Services Agreement with Urban Futures, Inc. ("UFI") to: 1. Establish a ten-year baseline financial forecast model for the General Fund and 2. Provide a revenue and expenditure analysis, which identifies opportunities for revenue restructuring and/or ballot measure options as well as an assessment of General Fund expenditure categories.

On May 29, 2018, City Council held a Special Meeting to receive the General Fund Stability and Recommendations for Financial Sustainability Report from UFI. In the report, UFI's Managing Principal, James Morris, outlined a summary baseline forecast for the City's General Fund, presented a summary of findings, conveyed fiscal stabilization and financial sustainability recommendations, and concluded with the next steps required. Completion of the summary baseline forecast found that absent significant changes to revenue or the structure of service, annual operating deficits would begin in 2022, subsequent to the sunset of Measure D, which if continued, will lead to a cash insolvency in fiscal year 2024.

Recommendations from UFI to thwart insolvency and ensure the City's financial sustainability included:

- Revenue increases of \$4 to \$6 million annually

- Cost reductions to include restructuring of the City's delivery model and seeking cost concessions from labor organizations
- Continuing to implement strong core financial policies
- Adopting labor cost containment strategies

Knowing the gravity of the City's financial position should appropriate action not be taken prior to the sunset of Measure D, City Council directed staff to bring back a recommendation between two of the revenue measures outlined in the UFI report: a Utility Users' Tax (UUT) or a permanent continuation of the increased General Fund Transfer (GFT). Additionally, the City Council requested staff to provide an analysis of the financial impact of both options on residents and businesses.

## **ISSUES/ANALYSIS**

The Baseline Forecast, as presented in the UFI report, clearly demonstrates that the operating deficit that begins in FY2021-22 is a permanent gap given the current level of City services, which must be closed by permanent increases in revenue or permanent decreases in expenses (e.g. permanent loss of services). Any revenue measure that is temporary or sunsets simply pushes the fiscal cliff further out for future Councils to address. Therefore, staff's recommendation is to avoid limiting any measure under consideration to a specific or sun-setting term.

### **Utility User's Tax**

Utility User's Tax (UUT) is a percentage tax based on the consumption of utilities, such as telephone, cellular phone, video service, electric, gas, water, sewer, and refuse hauling. The City of Colton's UUT sunset in June 2011, and a replacement measure was not returned to voters. The City's previous tax rate on utilities was 6 percent for industrial/commercial users and 4 percent for residential accounts, so the tax paid on a \$50 commercial phone bill was \$3.00 and \$2.00 for a residential account. The City's Utility User Tax yielded approximately \$4.8 million in General Fund revenue annually.

The City's utility tax collections have been adversely impacted by various trends in recent years. Cable service technology and platform changes and video tax from cable service has been reduced significantly. This trend is anticipated to continue as more options become available. Water and electricity-based UUT revenue has the potential to trend downward due to water conservation efforts and efforts to reduce greenhouse gases. Further, on May 9, 2018, the California Energy Commission (CEC) adopted standards requiring solar systems for new single-family homes. The CEC estimates the requirement will cut energy usage in new homes by more than 50 percent. Regulatory compliance with the CEC's requirement will significantly influence the City's ability to yield UUT revenue for general purposes from new development. As such, a UUT implementation may not be the most effective means of raising additional revenue to fund quality City services.

The UFI report identified that re-adoption of the 2011 UUT rates "is likely sufficient to maintain General Fund budget solvency if coupled with some cost reduction strategies." However, despite

UFI's low degree of certainty that the 2011 UUT tax structure would be sufficient, the report contained the added caveat that additional cost reductions would simultaneously be necessary. The prior UUT structure was only tested with the baseline financial forecast that assumed no increases to salary and benefit levels, no significant demand for additional services, and no additional unforeseen pension expense pressures.

**Permanent Increase to General Fund Transfer (GFT)**

As proposed, the impact of a permanent increased GFT is effectively similar to a UUT imposed on electric utility charges. The increased GFT amount would be included in the electric utility rates and is spread across all electric utility customers, both residents and businesses. Similar to the UUT, the increased GFT is consumption based. A permanent increase to the General Fund Transfer, like the UUT, risks exposure from tightened regulatory compliance affecting electric consumption. However, an increase in the GFT differs from a UUT in that it would only affect electric utility consumption, while the UUT would impact all utility usage.

The administration and audit of a permanent increase to the GFT is less staff intensive than the administration of a UUT, creating a labor cost efficiency in revenue collections and monitoring. The notification requirements for new utility vendors, compliance monitoring, and administrating exemptions associated with a UUT require additional staff resources not required by an increase to the GFT. The benefit of a permanently increased GFT lies in the administrative flexibility to raise and lower the amount within the voter-approved percentage based on the cost of general funded services.

To provide a comprehensive evaluation of the impact of a UUT versus an increase to the GFT for all customer types would require the City to retain a consultant to analyze the cost of service and perform a formal rate study. Given the compressed timeframe to perform an analysis, staff was limited to a basic comparison of the potential impact to a typical residential customer. The residential UUT rate assumption in the example below is based on the prior 2011 UUT rate of 4%. The basic calculation below for the increased GFT applies the same percentage increase (8%) to an average residential electric bill as would be factored in for the overall increase in operational expenses to accommodate for the increased GFT.

|                    | <b>Average Monthly Residential Bill</b> | <b>Residential UUT (4%)</b> | <b>Increased GFT (8%)</b> |
|--------------------|-----------------------------------------|-----------------------------|---------------------------|
| Electric           | 78.85                                   | 3.15                        | 6.31                      |
| Water              | 59.99                                   | 2.40                        | -                         |
| Sewer              | 34.33                                   | 1.37                        | -                         |
| Refuse             | 24.77                                   | 0.99                        | -                         |
| Gas                | 15.00                                   | 0.60                        | -                         |
| Telephone/Wireless | 100.00                                  | 4.00                        | -                         |
| Cable              | 75.00                                   | 3.00                        | -                         |
|                    |                                         | <b>15.52</b>                | <b>6.31</b>               |

Depending on the subscription to optional utility services and the consumption of variable rate utility services, the average residential customer has the potential for greater financial impact resulting from the application of a UUT than an increase to the GFT.

The two primary factors influencing staff's recommendation to move forward with a permanent increase to the GFT are: 1. Administering the transfer based on the annual budgetary need to provide general City services yields the flexibility to increase or decrease the GFT amount within the voter-approved parameters and 2. The cost of administering and auditing the increased GFT revenue is significantly less than the cost associated with the administration, audit, and management of exemptions required of a UUT.

### **Ballot Measure Timing**

To make an informed decision on the timing of placing an initiative on the ballot, both general election cycle dates in advance of the sunset of Measure D are further evaluated below for Council consideration:

#### NOVEMBER 2018

##### Pros

- Allows the City more than one opportunity to take a measure to the ballot for a general election (does not include the possibility of a special election)
- Adequate time to plan and implement resulting changes
- Assures our community of City leadership's commitment to seek solutions in advance of a fiscal crisis
- Will positively impact the City's credit rating and outlook

##### Cons

- The shortened timeline to the ballot
- Community perception of the City's proximity to the impending fiscal cliff may hinder voter approval
- Passage of proposed statewide measure could impact the required passage rate of a municipal measure by requiring two-thirds rather than a simple majority
- Voter fatigue resulting from multiple ballot measures on the same ballot

#### NOVEMBER 2020

##### Pros

- Gives adequate time to plan and prepare informational material
- Allows for more specific voter information, in terms of what services may be impacted, should the measure fail
- Impacts of statewide measure on November 2018 ballot will be known, giving the parameters for municipal ballot measure passage

Cons

- The City will only have one opportunity on a general election to pass a ballot measure; failure of a measure in November 2020 will leave one opportunity for the City Council to declare a fiscal emergency and place a measure on a special election in 2021 prior to the sunset of Measure D
- Implementation of resulting changes will not allow adequate planning for revenue collection in advance of the sunset of Measure D with UUT option
- City credit ratings negatively impacted by inaction
- Uncertainty of financial outlook may negatively impact recruitment and retention of qualified City staff
- Future statewide legislation and ballot measures are unknown at this time

Any direction to place a measure on the November 2018 ballot would require City Council adoption (by a minimum 2/3 supermajority) of a resolution and submission to the Registrar of Voters prior to the August 10, 2018 deadline.

**FISCAL IMPACTS**

Given the current level of City services, the long-term General Fund sustainability is predicated on the City's decisions to seek solutions for the imminent operational deficits created by the sunset of Measure D.