

**SAN FERNANDO CITY COUNCIL
MINUTES**

**FEBRUARY 25, 2013 – 6:00 P.M.
SPECIAL MEETING**

City Hall Community Room
117 Macneil Street
San Fernando, CA 91340

CALL TO ORDER/ROLL CALL

Mayor Antonio Lopez called the meeting to order at 6:05 p.m.

Present:

Council: Mayor Antonio Lopez, Mayor Pro Tem Sylvia Ballin, and Councilmembers Jesse H. Avila, Joel Fajardo, and Robert C. Gonzales

Staff: Interim City Administrator Don Penman, City Attorney Rick R. Olivarez, and City Clerk Elena G. Chávez

PLEDGE OF ALLEGIANCE

Mayor Lopez

APPROVAL OF AGENDA

Motion by Mayor Pro Tem Ballin, seconded by Councilmember Avila, to approve the agenda. By consensus, the motion carried.

PUBLIC STATEMENTS – WRITTEN/ORAL

Linda Campanella-Jauron said it seems that a sales tax is the most punitive form that hurts low income families but she trusts the Council's integrity and asked that they be cautious as we move forward.

Irwin Rosenberg (San Fernando Police Officers' Association President) commended the City Council and Interim City Administrator Penman for their leadership and stated that we need to look at enhancing revenues or decreasing costs.

Julian Ruelas said that, as we move forward, everything needs to be looked at such as maintaining a competitive edge with the City of Los Angeles.

Paul Luna said that just five months ago, the former Mayor said there wasn't a financial crisis and now this new City Council is reporting differently. He said we must look at the reality of the situation and all work together.

NEW BUSINESS

1) **CONSIDERATION OF A BALLOT MEASURE FOR NEW REVENUES TO ADDRESS CITY'S FISCAL ISSUES**

Interim City Administrator Penman presented the agenda report and stated that the intent of this meeting is for the City Council to weigh all options and provide direction whether to place a tax measure before the voters.

City Attorney Olivarez introduced his law firm partner, Richard Padilla, who has extensive experience working on these issues.

Assistant City Attorney Padilla gave an overview and both he and Interim City Administrator Penman replied to various questions from Councilmembers.

Interim City Administrator Penman reported that the recession has had a serious impact on the City's revenues but its severe financial crisis is also due to a number of other reasons including:

- For a number of years, the City has been using Enterprise Funds (i.e., Retirement Tax Fund, Water Fund, and Sewer Fund) to operate. Years of long-term internal borrowing have created much of the debt to the General Fund.
- There are currently no General Fund reserves and by June 30, 2013, the City's outstanding internal debt/loans are projected to total between \$4.2 to \$4.3 million (i.e., a deficit in the Grants Fund of \$2 million and projected deficit balance in the General Fund and Insurance Fund of \$2.3 million).
- The City owes the Los Angeles City Fire Department \$526,560 for two months of unpaid bills.
- There is approximately a \$812,000 balance owed to the California Housing Finance Agency for a \$1 million loan for senior housing projects. This obligation was rejected by the State Department of Finance because there was no written loan agreement between the City and the Redevelopment Agency in 2002.
- The Pool Facility's net operation costs are approximately \$400,000 annually.

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He also reported that:

- While the majority of the debt is owed to the City itself through Enterprise Funds, the City must make a responsible effort to retire this debt in a reasonable amount of time.
- The City's ability to balance the budget, retire all debt and loans (\$4.2 to \$4.3 million), and build a General Fund reserve of 15% to 20% will be extremely difficult without a new revenue source.
- Research has been done as to what other cities are doing to raise revenues and options for this City Council to consider include: a Transactions and Use Tax, Utility Tax, or Parcel Tax.
- Staff recommends the simplest method, a Transactions and Use Tax, of which the State Board of Equalization would administer (including collections).
- HdL, the City's sales tax consultant, estimated that a one-half cent increase in a Transactions and Use Tax would generate approximately \$1.6 million annually.
- A Transactions and Use Tax measure placed on the June ballot (if approved by voters) would become effective beginning October 1, 2013. If the City Council were to choose a November election date, the tax would become effective April 1, 2014. A six month difference (between the October and April dates) would equate to about \$799,980.

Assistant City Attorney Padilla reported:

- If the City Council declares a fiscal emergency (it must be by unanimous vote).
- A tax measure may be placed before the voters on dates specified in the Elections Code. The two election dates available for 2013 are June 4 and November 5. For a June 4, 2013 date, the election must be called no later than March 8, 2013.
- The City Council will also have to approve a resolution and an ordinance adopting and implementing the tax and enter into agreements with the Board of Equalization.
- The Transaction and Use Tax is considered a general tax which means its proceeds can be used to pay for any general municipal purpose.
- The Transaction and Use Tax would apply to:
 - Most over-the-counter sales of tangible food items and to restaurant sales.
 - Purchases of big-ticket items (i.e., appliances and furniture) only if the item is delivered by the seller to a San Fernando address.

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- For automobile sales, it would only apply if the vehicle purchased was registered to a San Fernando address (regardless of whether the vehicle was purchased from a dealership located in or outside of the City).
- The Transactions and Use Tax would not apply to:
 - Purchases of prescription medication nor to most basic grocery store food purchases.
- Staff is recommending a sunset clause as part of the measure which would impose an expiration date for the tax.
- Before a bankruptcy court affords the City the protection of municipal bankruptcy, it would probably ask what did the City do to try to increase revenues (i.e., put forth a ballot measure?).

No formal action taken (this item will be agendaized for City Council consideration on March 4, 2013).

ADJOURNMENT (7:27 P.M.)

By consensus, the meeting was adjourned.

I do hereby certify that the foregoing is a true and correct copy of the minutes of February 25, 2013 meeting as approved by the San Fernando City Council.

*Elena G. Chávez
City Clerk*