

ORDINANCE NO. 2535 (N.C.S.)

AN ORDINANCE OF THE VOTERS OF THE CITY OF SALINAS EXTENDING AN EXISTING TRANSACTIONS AND USE TAX (“MEASURE V”)

BE IT ORDAINED BY THE VOTERS OF THE CITY OF SALINAS:

SECTION 1. FINDINGS. The voters of the City of Salinas hereby find as follows:

A. At an election held on November 8, 2005, a majority of the voters of the City of Salinas approved a one-half cent (0.5%) Transactions and Use Tax, commonly known as “Measure V.”

B. Measure V is codified at Article VII of Chapter 32 of the Salinas City Code and has an expiration date on the tenth anniversary of the operative date thereof, unless extended by a majority of the voters of the City.

C. An extension or re-authorization of Measure V will be submitted to the voters to extend the “Termination Date” of Measure V to make it permanent, unless repealed or amended by a majority of the voters of the city.

D. Since 2006, Salinas has relied on locally-controlled revenue that cannot be taken away by the State. These funds have helped keep our libraries open and have supported crime prevention and gang violence prevention; maintain police, fire and paramedic response; as well as protect other vital services. This funding has made a significant impact on the quality of life in Salinas.

E. These Measure V funds are set to expire on March 31, 2016 and the existing funding is needed to maintain public safety, keep our libraries open, and better support effective law enforcement and crime prevention programs.

F. The City has taken every step to reduce costs and protect vital services. The City has:

- Adopted long-term pension reform;
- Greatly reduced the size of government and consolidated departments;
- Reduced 135 positions since FY 2008-09, the equivalent of 20% of the workforce;
- Won competitive grants for hundreds of thousands of dollars to support library literacy, homework center and reading, and crime prevention programs for youth; and
- Worked with all city employees, including police officers and firefighters, to implement cuts to pay and benefits of up to 13%.

G. The fiscal crisis has been studied and reviewed by the Independent Budget Advisory Committee (2009-2010) (Co-Chairs Ish and Landon); the Blue Ribbon Budget Committee (BRC) (2010); and the Avery & Associates Organizational Assessment completed in November 2010 (Avery Report).

H. The City has implemented many of the recommendations of these groups to ensure the long term viability of the City and to continue to provide essential services.

I. The City Council on May 18, 2010 adopted the three major initiatives recommended by the citizen groups: (1) Youth Crime and Gang Violence Prevention; (2) Prosperity/ Economic Development; and (3) Organizational Effectiveness. The City has also has implemented measurable outcomes as part of its annual budget review and adoption process (*see* Operating Budget FY 2012-2013).

J. The City Council held a Study Session in February 2011 and subsequently implemented a major reorganization of several departments in June 2011 to deliver services more efficiently. The Library and Community Services Department merged the Library Department and Recreation-Parks division; the new Public Works Department merged the Airport, Maintenance, and Engineering and Transportation divisions and functions; and the new Community and Economic Development department merged Planning, Permit Center, Economic Development and Redevelopment departments and functions. Commissions were also consolidated in 2012 to parallel the reorganization.

K. On May 17, 2011, pursuant to the recommendation of the Avery Report, the City received a report on the five year General Fund fiscal forecast. This report began the implementation of a major recommendation that longer term, five (5) year General Fund fiscal forecast be introduced as a key part of the City's annual budget reviews. The initial review noted that without corrective action, the City's General Fund faced significant gaps in FY 2011-12 and beyond, especially if Measure V is not renewed by the voters.

L. In June 2011, the City made a voluntary request of all its vendors to reduce their costs for goods and services supplied to the City by 10%. Many vendors have responded favorably saving the City at least \$80,000.

M. On September 13, 2011, the City took a significant step toward long-term pension reform. The Council adopted an ordinance implementing a "Two-Tier" benefit structure that modified the retirement formula for new public safety employees (Police and Fire) from the current 3% at age 50 (one year final compensation) to 3% at age 55 (three year final compensation). City employees already pay the maximum employee contributions (7%) allowed by CalPERS into their retirement programs.

N. Beginning in FY 2009 through the present, the employees of the City of Salinas have made important contribution toward the fiscal health and stabilization of the City's finances. City staff has agreed to significant reductions in pay and benefits to help the City with the current financial situation. The City worked with all city employees, including police officers and firefighters, to implement cuts to pay and benefits of up to 13%, including deferring increases in salary, contributing to health care costs, suspending holiday pay, tuition assistance and uniform replacement. Employees have had no cost of living adjustment (COLA) since 2008. Many staff have been on a "furlough" schedule since 2009 and City Hall is closed to the public on Fridays due to the budget cuts. The Council confirms its commitment to negotiating in good

faith with City labor groups as existing agreements expire to develop sustainable long term and permanent reductions.

O. Dramatic and rapid reduction in revenues beginning in 2008 resulted in projected deficits beyond the City's capacity to absorb, even with significant cuts in staffing levels and the use of approximately \$16 Million Dollars in General Fund reserves in FY 2008-2009 and FY 2009-2010.

P. The major reasons for the projected deficits were the effects of a national and state recession resulting in a weak economy best evidenced by 10 Quarters (2.5 years) of declining sales tax revenue; increasing raids on City revenue by the State of California, including the dissolution of the Salinas Redevelopment Agency and the loss of \$8.7 Million Dollars in redevelopment tax increment funds; and sharp declines in property taxes of approximately 27% (\$7.8 Million Dollars) from projections made in 2007, due to the slumping housing market; increased retirement costs, primarily associated with CALPERS investment losses; and increased health insurance costs.

Q. The City has leased many of its recreational facilities through collaborative partnerships with non-profit agencies and service providers to keep the facilities open. However, maintenance of recreational facilities such as Sherwood Hall and the Municipal Pool has been deferred and public access has been reduced or restricted.

R. The Recreation-Parks Division has suffered a 56% reduction in its workforce since FY 2008-2009, going from 23 full-time employees to 6 full-time employees, and all the recreation centers closed weekend days and reduced weekly hours.

S. The Salinas Public Library continues to keep its doors open 7 days a week and serve over 600,000 visitors per year, yet still ranks among the lowest in per capita spending statewide at approximately \$26.00 per resident.

T. The General Fund annual capital improvement budget dropped from \$3.4 million in FY 2006-07 to \$0.9 million in FY 2011-12 as a result of the sharp drop in available resources.

U. Maintenance of the City's streets, sidewalks and other infrastructure has been deferred as allocations in the Capital Improvement Projects (CIP) were severely curtailed.

V. Public facilities including the Police station, Fire stations and City Hall are over 40 years old, and maintenance on these public facilities has also been deferred due to lack of resources.

W. The Police Department is severely understaffed and ill-equipped to respond to the serious crime problem in Salinas. The Police Department currently has 155 sworn officers (with grant funds), down from 187 sworn officers in 2006-2007 and faces challenges every day responding to calls for service and investigating serious crimes.

X. Salinas has one of the highest homicide rates per capita in the United States and the most prominent concern is gang violence and the expansive effect it has on the entire community.

Y. Salinas is located in Monterey County, which was identified as the most dangerous county in California in 2009 and 2010 for young people ages 10 to 24 by the Violence Policy Center due to its homicide rate for that age group of 31.24 per 100,000 population, a rate three times the statewide rate and 50% more than the second-ranked county.

Z. These required reductions have broadly impacted services throughout the City and are undermining the public health, safety and welfare of Salinas' residents. The City Manager estimates that, absent a guaranteed source of General Fund revenue, the City will not be able to restore the services that have been cut for at least 8-10 years. During that time, the City will have reduced police and fire safety staffing, will have to defer maintenance of important public facilities and infrastructure, and will not have basic quality-of-life services including library, recreation, neighborhood and volunteer services, and similar public services commonly associated with municipal government.

AA. In response to those increases in costs and equally severe decreases in revenue, over four (4) fiscal years, the City Council repeatedly reduced expenditures on staffing and services to maintain a balanced budget.

BB. Included within those reductions were the elimination of 139 positions within the City government offset by 4 position increase in enterprise operation for a net of 135 positions and the following loss of services:

- Police - 47.5 positions impacting the three elementary school districts and parent volunteers being responsible for safe crossing areas for school children, elimination of the Reserve and Cadet programs and reduced support to police officers including prisoner transport, abandoned vehicle enforcement, crowd control, and traffic direction. The reduction of Community Safety Officers (CSOs) decreased CSOs assigned to patrol, leaving more non-emergency work for patrol officers; the reduction of one Animal Control Officer reduced licensing, lost and found and adoption programs for all stray and unwanted animals within the City; and the reduction of Police Officer positions increased response times and reduced the Police Department's ability to respond to all police related matters.
- Fire – 12 positions resulting in no suppression service reduction as a result of moving to a “constant staffing” model, reducing the number of firefighter positions to 69, to better utilize department personnel and relied on overtime to cover firefighter leaves and absences. The projected response times increased. There was reduced enforcement of the fire prevention ordinance and elimination of community education such as school visits, attendance at career day events, Bike to Work Week, the explorer program and other proactive inspection programs.

- Environmental & Maintenance Services – 29.5 positions that significantly reduced public landscape and park maintenance, reduced tree pruning and planting, reduced maintenance of City building and facilities, and reduced vehicle and equipment maintenance.
- Parks & Community Services – 16.5 positions resulting in reduced after school and vacation period programs for students, ages 5-18 years and “at-risk” youth at the four Salinas school districts, eliminated most support of neighborhood engagement activities, including community meetings, neighborhood block parties, neighborhood clean ups and coordination of volunteer efforts, and eliminated softball, volleyball, basketball, drop-in soccer and flag football programs for 200 adult teams in men, women and co-ed leagues.
- Library – 6 positions resulted in reorganization and distribution of responsibilities. With assistance of temporary staff, the service level was maintained.
- Engineering and Transportation Service – 6 positions reduced traffic safety programs, such as the City’s Traffic Monitoring Program (TMP), and delayed responses to traffic complaints, and related requests, delay efforts to streamline the plan review and permit issuance process and reduced resources available for building inspection procedures, significantly reduced efforts devoted to eliminating substandard housing, dangerous buildings and uses, zoning violations, work done without permits, and other violations of City Codes and delayed responses to code enforcement cases, and resulting in a backlog of cases.
- Community Development – 11.75 positions reduced capacity to effectively meet demands of significant development proposals, planning initiatives, and other crucial departmental functions.
- Administrative Services – 9.5 positions resulting in delays in personnel recruitments and hiring, delays in labor market research requests, classification reviews eliminated, and training opportunities eliminated, reduction in the Finance Department’s ability to support the public and other departments, delays in computer support services and limited web page presence, reduced legal support in litigation and employment matters, code enforcement, misdemeanor prosecutions, and other Municipal legal issues, reduced funding of future retiree health liability, eliminate employee and commissions recognitions and eliminated the City newsletter.

CC. The City also used all of its General Fund reserves in the FY 2008-2009 and FY 2009-2010 period to bridge the budget gap. Historically, the City has maintained a reserve fund for emergencies and capital projects, not for on-going operations. Use of the reserves to fund dramatically reduced service levels means that the City will not have resources to respond to new, specific emergencies and capital needs as they arise, unless it can rebuild the reserves. Although the City has begun to rebuild its reserves, at the present level of approximately \$2 Million Dollars, reserves are still 50% below the recommended fund balance reserve policy of 5% of the City’s General Fund.

DD. In an attempt to increase revenue to be able to maintain the minimum level of staff and services necessary to preserve the public health, safety, and welfare, the City Council

placed one measure on the November 2009 ballot - a permanent one cent temporary transactions and use tax (Measure K). The measure failed.

EE. The Council has also approved increases in fees for City services to ensure that the fee amounts fully recaptured the cost of providing the services. The City cannot, however, charge a fee for all services that it provides.

FF. On March 1, 2012, staff made a presentation to the Measure V Committee regarding revenue measures and outreach options.

GG. On March 20, 2012, the City Council held a Study Session to consider revenue measure options, received comment from the public and provided direction to staff to continue public outreach and information gathering, including a poll of Salinas voters.

HH. On April 20, 2012 a Request for Proposals was sent out by City staff for polling and outreach consultants. On May 8, 2012 the proposals that were received by the City were evaluated and ranked by 2 members of the Measure V Oversight Committee, one Councilmember and City staff.

II. On May 8, 2012 the City Council awarded contracts for the polling and public education and outreach consultants to Godbe Research and TBWB Strategies.

JJ. On May 24, 2012, the Measure V Oversight Committee received an update on revenue measures and public outreach.

KK. On May 30, 2012 the City convened a group of stakeholders to receive input and assist in the development of appropriate questions for the questionnaire. Included were representatives of the Measure V Committee, Friends of the Library, Salinas Valley Chamber of Commerce, Labor groups, and Department heads (Stakeholder Group).

LL. The 2012 Revenue Measure Feasibility Survey was conducted in late June, 2012, polling approximately 750 likely voters in November 2012.

MM. On July 9, 2012, the preliminary survey results were discussed in a follow-up meeting with the Stakeholder Group.

NN. On July 10, 2012, the survey and poll results were presented to the City Council for questions and their further direction and recommendation to staff. The City Council directed staff to prepare two measures for consideration by the Council on August 7, 2012: (1) a “renew and increase” general transaction and use tax; and (2) a “reduce and modernize” the utility users tax (UUT) measure.

OO. Without Measure V, the City of Salinas will not be able to maintain existing programs and services or restore services that have been eliminated, will not be able to adequately maintain basic infrastructure, will not be able to add necessary resources to the police

department, and, if Measure V is not renewed and made permanent, will lose the only source of funding for the City libraries.

PP. The existing one-half percent transaction and use tax generates approximately \$10 million per year. Even if Measure V is made permanent, the City Council and community will still be faced with difficult choices as to services to be restored, funds to be set aside for cash reserve and capital improvements, and services to be enhanced. At best, the continuation of \$10 million in General Fund revenue will maintain the City's per capita General Fund revenue at \$541 per capita. The overall per capita will still lag behind other cities in the area and comparable communities in the State.

QQ. The Operating Reserve must be restored as quickly as possible. The City's General Fund Capital Improvement Program has been stripped of all but the most basic items. The City's financial policies and its need to be able to respond in the event of future emergencies and capital needs require the City to rebuild its reserves as soon as possible.

RR. Without the extension of the existing transaction and use tax (Measure V), the City's libraries will close in less than four years. Private donations will not be able to provide funding for this most critical and essential of services.

SS. The City Council held a noticed public hearing on August 7, 2012, to consider calling a municipal election to seek voter approval of a proposed general transactions and use tax (or "sales tax"), as authorized by Revenue and Taxation Code section 7285.9.

TT. At the conclusion of that hearing, the City Council concluded that the Council should call an election to ask the voters of the City to approve a extension of Measure V indefinitely, the revenue from which will be used to support general municipal services.

UU. The tax to be submitted to the voters, if approved, would be imposed on retail transactions involving and use of personal property. The tax rate would continue to be one-half percent (0.5%) of the value of the property. The tax revenue would be collected by the State Board of Equalization and remitted to the City. The tax would continue indefinitely, unless repealed or amended by the voters. A committee composed of members of the public (the Measure V Committee) will continue to review and report on use of the revenue from the tax. The tax shall be approved if the measure receives at least a majority of affirmative votes.

VV. Elections Code Sections 9219 and 9282 set forth the procedures for arguments in favor of or in opposition of any City measure.

WW. Elections Code Sections 9220 and 9285 set forth the procedures for rebuttal arguments.

XX. Based on all of the information presented at the August 7, 2012 meeting, both written and oral, including the staff reports, minutes, and other relevant materials, the City Council finds that under CEQA Guidelines 15060(c)(2) and 15378, subdivisions (2) and (4) of

subdivision (b), this action does not constitute a project under CEQA and therefore review under CEQA is not required.

SECTION 2. AMENDMENT OF SECTION 32-79 OF THE SALINAS CITY CODE.

Section 32-79, "Termination Date," of the Salinas City Code shall be amended to read as follows:

"Sec. 32-79. Termination Date. The authority to levy the tax imposed by this ordinance shall not expire and shall continue indefinitely, unless repealed by a majority vote of the voters of the City."

SECTION 3. This ordinance shall be submitted to the voters at an election to be held on November 6, 2012. Upon approval by a majority of the voters of the City voting on this ordinance, the Transactions and Use Tax set forth in City of Salinas Ordinance No. 2457 ("Measure V") shall be continued indefinitely, unless repealed by a majority of the voters of the city.

SECTION 4. SEVERABILITY. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid by a court of competent jurisdiction, the remainder of the ordinance and the application of such provision to the other persons or circumstances shall not be affected thereby. The voters of the City of Salinas hereby declare that they would have adopted each and every provision of this ordinance regardless of the invalidity of any other provision.

SECTION 5. CODIFICATION. Upon adoption of this ordinance pursuant to the voter approval referenced herein, the City Clerk, in consultation with the City Attorney, is hereby authorized and directed to codify this ordinance in the Salinas City Code.

SECTION 6. EFFECTIVE DATE. If this ordinance is approved by a majority of the voters voting on the issue at the November 6, 2012 election, pursuant to Elections Code Section 9217, this ordinance shall become effective ten (10) days after the City Council declares the results of the election. The operative date of the Transactions and Use Tax set forth in City of Salinas Ordinance No. 2457 shall not be affected by this ordinance. The operative date of the Transactions and Use Tax set forth in City of Salinas Ordinance No. 2457 shall not be affected by this ordinance.

SECTION 7. PUBLICATION. The Clerk of the City of Salinas is hereby directed to cause the following summary of the ordinance to be published by one (1) insertion in The Salinas Californian, a newspaper of general circulation published and circulated in the City of Salinas:

Contingent upon majority voter approval, to preserve essential services and facilities in Salinas, including: crime and gang prevention; keeping libraries open; emergency response, police, fire, paramedics; fixing streets and sidewalks; parks and recreation for youth and seniors; and other city services; this ordinance makes permanent the one-half cent transactions and use tax (approved by a majority of the voters of the City of Salinas on November 8, 2005 and

commonly known as "Measure V") on the sale or consumption of tangible personal property within the City of Salinas with independent citizens' oversight, annual audits, and all funds used only in Salinas. Measure V shall continue indefinitely, unless repealed by a majority of the voters.

APPROVED by the following vote of the voters of the City of Salinas on November 6, 2012:

YES: 25,708

NO: 7,422

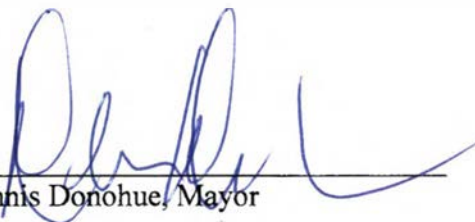
ADOPTED by declaration of the vote by the City Council of the City of Salinas on December 11, 2012:

AYES: Councilmembers: Barrera, Craig, Lutes, McShane, Sanchez and Mayor Pro Tem De La Rosa

NOES: None

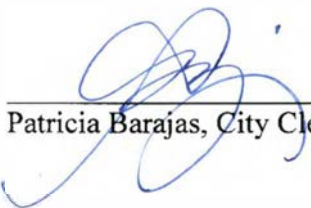
ABSTAIN: None

ABSENT: Mayor Donohue



Dennis Donohue, Mayor

ATTEST:



Patricia Barajas, City Clerk



MAR 25 2013

STATE BOARD OF EQUALIZATION
 450 N STREET, SACRAMENTO, CALIFORNIA
 (PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0027)
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JOHN CHIANG
 State Controller

CYNTHIA BRIDGES
 Executive Director

March 20, 2013

Mr. Patricia Barajas
 City Clerk
 City of Salinas
 200 Lincoln Avenue
 Salinas, CA 93901

Tax Area Code: 128

The Board of Equalization has received and accepted the Ordinance #2535 for the *extension* of the existing City of Salinas transactions and use tax. A copy of the accepted and stamped ordinance is enclosed for your records. The Authority's agreement becomes operative on April 1, 2016.

Payments will continue to be transmitted each month. Estimated monthly advance payments for the three months of each quarter will be made, followed by a final cleanup payment for the actual balance of the tax collected, less administrative fees.

You may view your current statement of payment on the Board's website at <https://efile.boe.ca.gov/boewebservices/localJur.jsp>. Click the indicator opposite "**District Add-on Code (3 Digits)**", and enter your 3-digit code (128) in the box opposite "**Jurisdiction Code**". Click on "**Send Request**", and your statement will be displayed. For your convenience, the Local Tax Statement page also contains a link to the Local Tax Allocation Calendar, which is the schedule of payment dates.

If you have any questions regarding the above, please contact me at (916) 324-1371.

Sincerely,

Donna Puchalski
 Business Taxes Specialists I
 Local Revenue Allocation Unit

Enclosures