



UTILITY USERS TAX

On April 12, 2016, voters will consider Measure UUT. If approved by the voters, Measure UUT will increase the tax rate to 10% beginning on July 1, 2016. The tax rate is currently 8%. A Utility Users Tax (UUT) is a voter approved tax on utility bills which can be imposed by a city or county on the consumption of utility services. The City's UUT goes into the General Fund to pay for general city services such as Police, Fire, Paramedics, recreational programs and the Library.

If Measure UUT fails, the UUT rate will decrease to 6% on July 1, 2016. The loss of UUT revenues will require the reduction of \$1 million in expenses to balance the City's budget. Over the past few years, the City Council has made reductions in General Fund expenses (see page 4). An additional \$1 million dollar reduction would result in a combination of contracting and/or elimination of services.

Learn more about the Utility Users Tax and the City's General Fund at the

**Budget Workshop
Saturday, March 5
10 am - 12 noon
Fire Station
242 W. Sierra Madre**

What Does Contracting Police Services Look Like?

The City received two formal proposals from Los Angeles Sherriff's Department (LASD) to provide police services. Proposal A cost \$200,000 a year less than the current Police budget; Proposal B (the most similar to the City's deployment schedule) would cost \$400,000 more than the current Police budget. A third option, the minimum level of service LASD is willing to provide, would result in the most savings, approximately \$841,000. If this option was selected, the City Council would still need to reduce other services by \$159,000 in order to reach the projected deficit with a 6% UUT.¹

Current Sierra Madre Budgeted Service Levels	LASD Proposal A \$200,000 Savings
3 Units Patrolling 24/7	2 Units Patrolling from 10pm - 2pm
Sierra Madre Station Open 24/7	3 Units Patrolling from 2pm - 10pm
Total Sworn Staff - 21; Total Civilian Staff - 5	Sierra Madre Station Open 6am - 10pm;
	<i>Afterhours service at the Temple City Sherriff Station</i>
	Total Sworn Staff - 15; Total Civilian Staff - 5
LASD Proposal B Increase of \$400,000	LASD Minimum Level of Service \$841,000 Savings
2 Units Patrolling from 10pm - 6am	2 Units Patrolling 24/7
3 Units Patrolling from 6am - 10pm	Sierra Madre Station Closed;
Sierra Madre Station Open 24/7	<i>Services provided at the Temple City Sherriff Station</i>
Total Sworn Staff - 22; Total Civilian Staff - 3	Total Sworn Staff - 12; Total Civilian Staff - 0

¹These savings/costs reflect the second year of contracting; first year costs are more expensive due to accrued liabilities that are owed to employees who are laid-off. Estimates are based on a 2.3% COLA for SMPD and a 5% CPI for LASD; estimates do not include the 4% increase recently announced by LASD. Total staff includes full- and part-time staff. Information from City Council staff report dated October 27, 2015.

What is the General Fund?

The “General Fund” is the City’s unrestricted source of revenues and expenditures; it is its largest government-type fund at almost \$9 million. The General Fund supports all departments and more than 50% of the City’s total personnel costs. The Elected and Appointed, Community Services, Library, Planning and Public Safety Departments are all dependent on the General Fund for their operations. The General Fund is primarily funded by property taxes, local taxes like the UUT, and user fees. The UUT currently make up 22% of the General Fund.

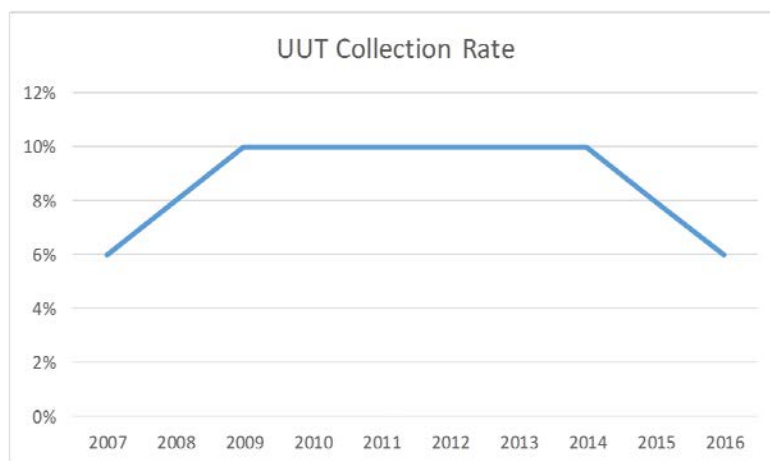
Why can’t we use resources other than the General Fund to pay for services such as fire, the library, and police?

Enterprise (water & sewer), Special Revenue (Gas Tax, Prop C & grants) and Assessment Funds are “restricted in use” and have legal mandates regarding the expenditure of these funds for very specific purposes. These funds cannot be redirected to general purpose expenditures.

The General Fund and the UUT

From July 2009 - June 2015 the City's UUT was 10%. Per the 2008 voter approved initiative, the UUT declined to 8% on July 1, 2015 and will decline to 6% on July 1, 2016.

At the current 8% UUT, the City is relying on its reserves to balance the current year’s General Fund budget. The current year’s General Fund deficit is estimated at \$530,000 and is expected to increase to \$994,000 in the next fiscal year. Continually using reserves to balance the budget is not sustainable.



History of the UUT

In April 2008, the voters approved an increase in the UUT by approving Measure U; this provided funding for Police Officers’ salary increases of 9% in 2008; 8% in 2009; and 7% in 2010. Additionally, because of the 2008 UUT increase, the City was able to continue to fund the \$700,000 in unfunded Paramedic Program costs. Prior to 2007, the City did not have advanced life support, i.e. a Paramedic Program. In 2007, the Paramedic Program was implemented, but there was not adequate funding identified to maintain the program after 2009.

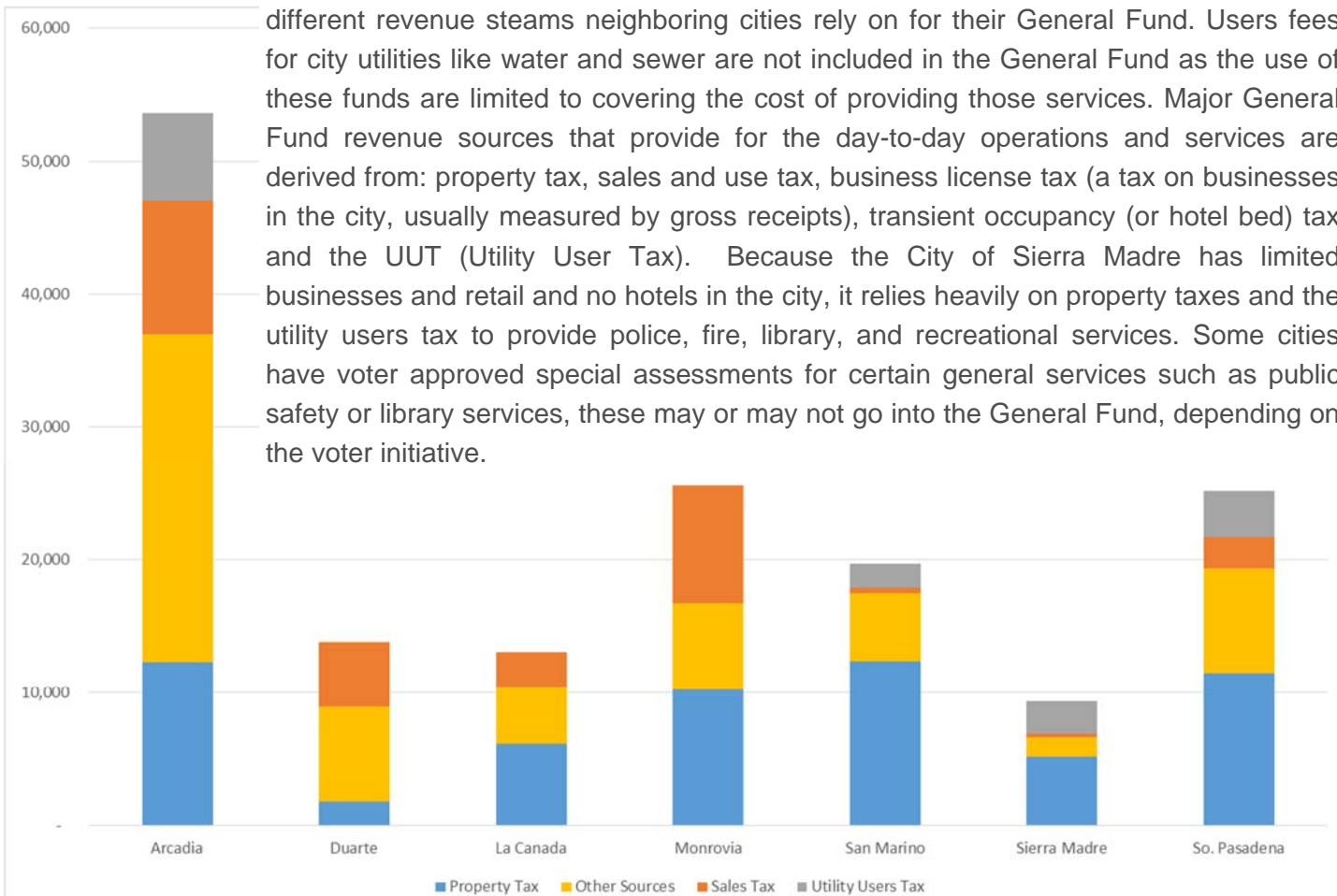
A condition of the 2008 UUT was that the increase in General Fund revenue needed to be spent on public safety. Independent citizens’ committees confirmed that this was accomplished each year; in FY 2014-2015, at the 10% tax rate, the UUT provided \$2.5 million in revenue (27% of total General Fund Revenues). In this same year, the City spent \$5.7 million on public safety services (Police, Fire, and Paramedics).

Police Officers have not received any cost of living adjustment or raise since 2010; even with the 2008, 2009, and 2010 raises, Sierra Madre Police Officers are the lowest paid in the San Gabriel Valley. With the decline of the UUT to 6%, there will be insufficient funding to continue to pay the current salaries of the City’s Police Officers, pay for the Paramedic Program, and continue to provide all other current City services.

For more information visit www.cityofsierramadre.com/uut

Comparison of General Fund Revenue Sources

Individual local revenue streams vary from city to city. The graph below depicts the different revenue streams neighboring cities rely on for their General Fund. Users fees for city utilities like water and sewer are not included in the General Fund as the use of these funds are limited to covering the cost of providing those services. Major General Fund revenue sources that provide for the day-to-day operations and services are derived from: property tax, sales and use tax, business license tax (a tax on businesses in the city, usually measured by gross receipts), transient occupancy (or hotel bed) tax and the UUT (Utility User Tax). Because the City of Sierra Madre has limited businesses and retail and no hotels in the city, it relies heavily on property taxes and the utility users tax to provide police, fire, library, and recreational services. Some cities have voter approved special assessments for certain general services such as public safety or library services, these may or may not go into the General Fund, depending on the voter initiative.

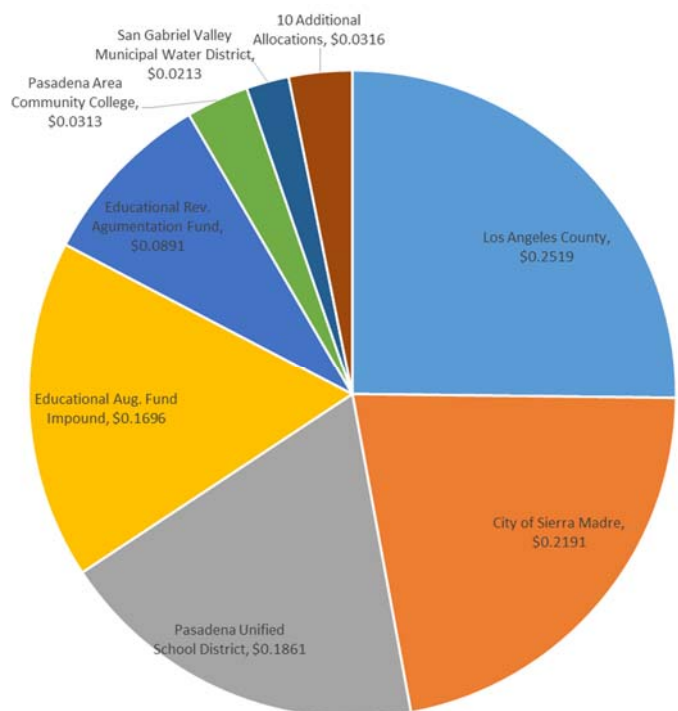


Property Taxes

The largest General Fund revenue source is Property Taxes. Property tax comprises 61% of the City's General Fund revenues or \$5.4 million for Fiscal Year 2015-2016.

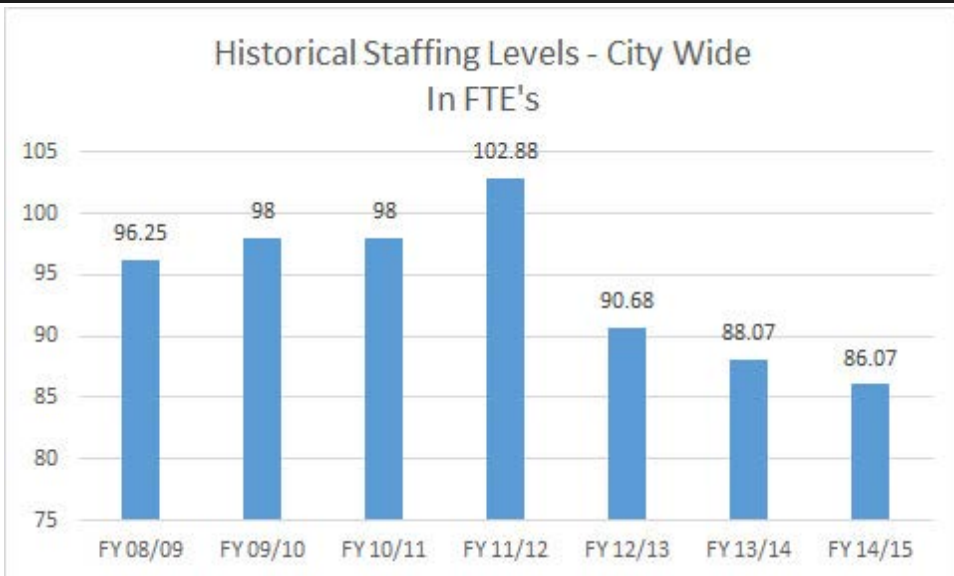
Property taxes are collected by the County of Los Angeles, who sends the City its portion throughout the year. **The City receives about 22 cents of each dollar paid in property taxes.** If \$2,500 are paid in property taxes, the City receives approximately \$550 for general services including police, fire, paramedics, and library services.

Your Property Tax Dollar



Reductions in City Services Since 2011

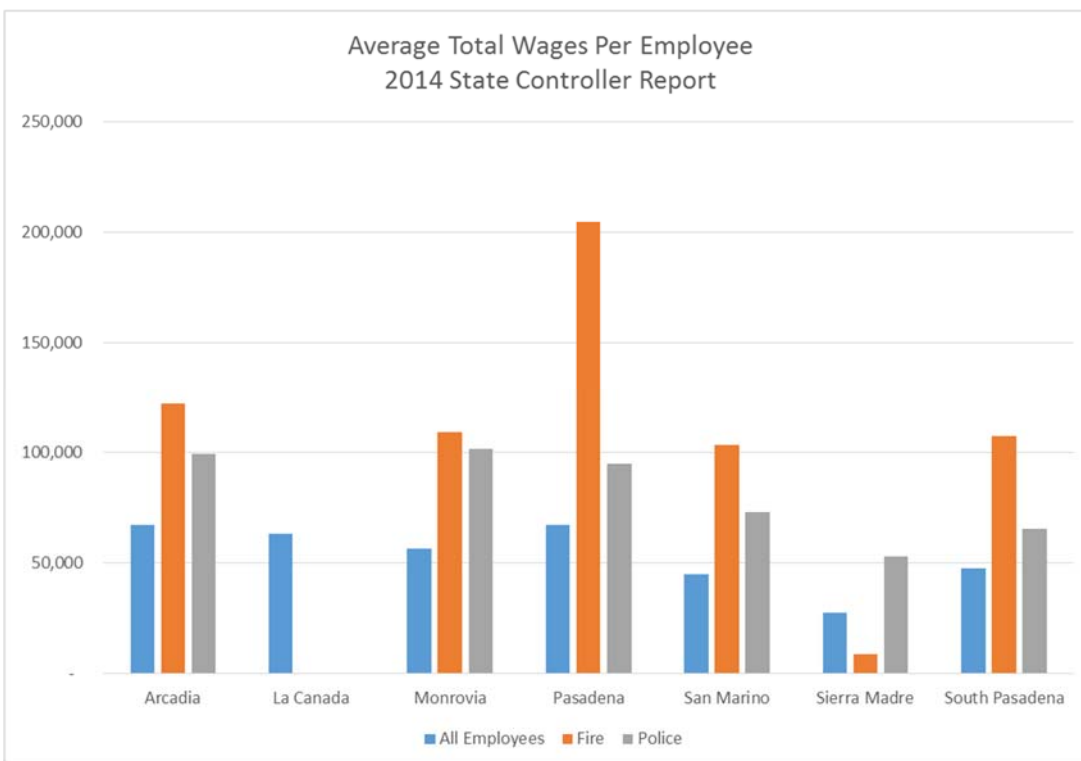
Over the years, the City has taken great steps to maintain a balanced budget. For the City's 2011-2012 General Fund budget, City Council maintained the UUT tax collection rate at 10% (the maximum rate permissible was 12%), even though the City originally had a projected shortfall of over \$1,000,000. Instead, cuts in expenditures in excess of \$900,000 were made, which included more than \$300,000 in Police reductions and \$250,000 in Fire expenses. The remaining



budget reductions came from contracting out park maintenance, reductions in recreation and library programming and reductions in overhead.

Prior to Fiscal Year 2012-2013 staff attrition was used to reduce staffing. This was accomplished through eliminating some services (dog licensing), out-sourcing some services (grounds maintenance, Building & Safety Services, and the operation of the municipal swimming pool), and by remaining employees assuming additional duties. In May 2012, the City Council approved a staffing reorganization plan that resulted in the savings of \$260,000 in General Fund expenditures. A number of positions were laid off or downgraded.

In October 2014, the City Council approved another staffing reorganization plan that resulted in the savings of \$180,000 in General Fund dollars, in addition to establishing a financial cap on management and executive



health and welfare benefits, a change that is estimated to save more than \$600,000 over a five year period.

To balance the Fiscal Year 2015-2016 budget a total of \$227,500 was eliminated from the budget. A total of \$150,500 was eliminated from Administration; \$10,000 from the Fire Department, \$57,000 from the Library, and \$10,000 from the Police Department.