

1. Why does the City need additional revenue?

Short Answer: There is a budget deficit ranging from \$1.5 million to \$3.3 million annually beginning July 1, 2019-June 30, 2020.

Long Answer: City of Azusa has been fully transparent on budget matters. In going back to the Fiscal Year 2018-19 mid-year budget review to the public and City Council, staff publicly informed of future budget deficiencies starting with the FY 2019-20 General Fund budget because revenues were not keeping up with the projected expenditures, resulting in a shortfall of \$2.1 million. Without additional revenues or major cost-cutting strategies, the General Fund would not be able to sustain current services and/or operations. For more information refer to the full 02/25/2019 staff report at Link below:

<https://ci.azusa.ca.us/DocumentCenter/View/39919/C--Staff-Report---Mid-Year-Budget-Review-FY-2018-19>

On six (6) occasions, starting with the March 25, 2019 City Council meeting, staff publicly presented a detailed Fiscal Sustainability Assessment which included a five year budget forecast which clearly disclosed projected budget deficits ranging from \$1.5 to \$3.3 million annually commencing in the current FY 2019-20 (July 1, 2019 to June 30, 2020). See 03/25/2019 Link below for the complete staff report:

<https://ci.azusa.ca.us/DocumentCenter/View/40051/C---Staff-Report---Fiscal-Sustainability-Assessment>

During the following five budget public presentations by staff on Fiscal Sustainability Assessments, staff presented the need to augment revenues or implement major service and/or operation cuts. For complete information refer to the five Links below:

May 28, 2019: <https://ci.azusa.ca.us/DocumentCenter/View/40326/C-1-Staff-Report---Budget-Workshop-FY-1920>

June 17, 2019: <https://ci.azusa.ca.us/DocumentCenter/View/40461/D-1-Staff-Report---Budget-Adoption-FY-19-20>

November 4, 2019: <https://ci.azusa.ca.us/DocumentCenter/View/41196/D-2-Staff-Report---Follow-up-Fiscal-Sustainability-Assessment>

November 18, 2019: <https://ci.azusa.ca.us/DocumentCenter/View/41252/D-1-Staff-Report---Calling-Measure-for-Transaction-Use-SalesTax-Measure---March-2020-Ballot>

December 12, 2019: <https://ci.azusa.ca.us/DocumentCenter/View/41293/D-2---Staff-Report---Follow-up-to-Fiscal-Sustainability-Assessment---Addressing-Long-term-Employment-Liabilities0>.

2. If Measure Z passes, how can we be assured that these funds will not be misused?

Short Answer: Every year, the City undergoes the budget review process, and offers several public hearings for the community to get involved.

Long Answer: As residents, we need to hold our elected representatives and City Staff accountable by getting involved in the process. The City does notice the public on these important public hearings, and as residents, we need to fully participate. Each of the meetings referenced in the previous question were public meetings and open to all.

3. Are these funds for pensions?

Short Answer: No.

Long Answer: The City Council took action on December 16, 2019, in reference to the rising pension costs including Long Term Employment Liabilities. These costs will affect all Cities in California, and in Azusa it is being addressed with the implementation of Pension Obligation Bonds at a savings of nearly \$40 million to Azusa over the next 25 years. Refer to staff reports below:

December 12, 2019: <https://ci.azusa.ca.us/DocumentCenter/View/41293/D-2---Staff-Report---Follow-up-to-Fiscal-Sustainability-Assessment---Addressing-Long-term-Employment-Liabilities>

December 16, 2019: <https://ci.azusa.ca.us/DocumentCenter/View/41344/D-3---Staff-Report---POB-Validation-Proceedings>

4. What evidence do we have that the county will place a sales tax measure on the ballot?

Short Answer: We are aware that of at least 1 additional sales tax measure:

- The Southern California Air Quality Management District (SCAQMD) Sales Tax Measure, potentially on the November 2020 ballot

History shows that almost always, sales tax measures at the county level pass, if not the first time, then the second time. Below is a graphic that shows the voting history of LA County.

LA COUNTY TAX BURDEN

Since 2004, *LA County has eventually passed EVERY revenue measure they put forward*

Measure Name	Description	Year	Pass/Fail
Measure R: Sales Tax	½ cent sales tax for transportation	2008	Pass (68%)
Measure J: Sales Tax for Transportation	½ cent sales tax for transportation	2012	Fail (34%)
Measure H: Hotel Tax	Increase hotel tax from 10% to 12%	2012	Pass (61%)
Measure L: Landfill Tax	10% landfill tax on landfill operators	2012	Pass (63%)
Measure P: Parks / Recreation Parcel Tax	\$23 per parcel tax (30 years)	2014	Fail (63%)
Measure A: Parks & Open Space	Parcel tax of 1.5 cents / sq. ft.	2016	Pass (75%)
Measure M: Sales Tax for Transportation	½ cent sales tax for transportation and indefinite extension on Measure R ½ cent sales tax	2016	Pass (71%)
Measure H: Sales Tax for Homeless Services	¼ cent sales tax for homeless services & prevention (10 years)	2017	Pass (69%)
Measure W: Floor Control District Parcel Tax	Parcel tax of 2.5 cents / sq. ft. of impermeable space	2018	Pass (68%)

Measures that failed, were subsequently passed in future elections

Since a sales tax increase is likely to occur, if not at the local level through Measure Z, then most likely at the county level through SCAQMD, Citizens in Support of Measure Z want to make sure the tax increase directly benefits Azusa.

Long Answer: Currently, the Southern California Air Quality Management District (SCAQMD) is pursuing Senate Bill SB 732 (Allen), which will authorize the SCAQMD to pursue a sales tax within their jurisdiction. The South Coast AQMD includes all of Orange County; and the non-desert regions of Los Angeles and Los Angeles County, San Bernardino County, and Riverside County including the Coachella

Valley. If SB 732 is approved in the legislature, and SCAQMD passes a sales tax, these regions will be impacted.

http://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB732

As stated in the February 1, 2019 SCAQMD Legislative Report, some of the provision included in this proposed bill are outlined below:

- Allows a sales tax measure to be voted upon within the South Coast region and establishes procedures regarding the applicable election processes;
- Clarifies that funds raised through a sales tax ballot measure shall be used for financial incentives and programs to accelerate the deployment of lower-emission mobile and stationary equipment, along with alternative fueling and charging infrastructure, as necessary, to implement the SCAQMD's 2016 AQMP, and subsequent SCAQMD-adopted plans, in order to attain the state and national ambient air quality standards;
- Authorizes a sales tax increase by ballot measure of up to one percent within the South Coast;
- Ensures that at least 50 percent of funds raised by this measure shall be used for financial incentives awarded to projects located in, and/or benefiting disadvantaged communities;
- Ensures that, in distributing the financial incentives, the SCAQMD shall give preference for any project using equipment that is manufactured or assembled within the South Coast region;
- Prohibits funds raised by the measure from being allocated for the purchase of fully automated cargo handling equipment; and
- Requires legislative oversight through annual reporting by the SCAQMD to the Legislature regarding projects funded and the expected emission reductions from those projects

For a more current SCAQMD report, you can visit their legislative committee website here:

<http://www.aqmd.gov/docs/default-source/Agendas/legislative/2020-leg-agenda-january-17.pdf?sfvrsn=6>

5. If Measure Z does not pass, what happens?

Short Answer: The City will need to cut back services, as there is a budget deficit. And, as previously mentioned, if we do not pass the tax locally, the likelihood of another agency, can put it on the ballot for the entire county to vote. If this happens, Azusa will pay the additional sales tax, but only a small portion of it will come to Azusa.

Long Answer: If Measure Z does not pass, the City will have to look at other ways to address the budget shortfalls. The City has been exploring options to reduce department budgets by 6% to 10%. These potential budget reductions were discussed at the January 21, 2020 City Council meeting. Additional information on these potential budget cuts can be found in the following staff report:

January 21, 2020

https://azusa.granicus.com/Viewer.php?view_id=5&event_id=783&meta_id=81141

6. What if I do not want to pay any additional sales tax at all?

Short Answer: Nobody wants to pay additional sales tax.

Long Answer: You are already paying the additional sales tax if you do any shopping in neighboring cities. Cities such as Glendora, Covina, Monrovia, Sierra Madre, South Pasadena, to name a few, have already passed a vote to increase their sales tax to 10.25%.

7. If Measure Z passes, how soon will the tax go into effect?

Short Answer: July 1, 2020

Long Answer: The increase would begin at the start of the City's fiscal year, which is July 1, 2020.

8. Why are we proposing to increase the sales tax by $\frac{3}{4}$ of a penny, to a total of 10.25%?

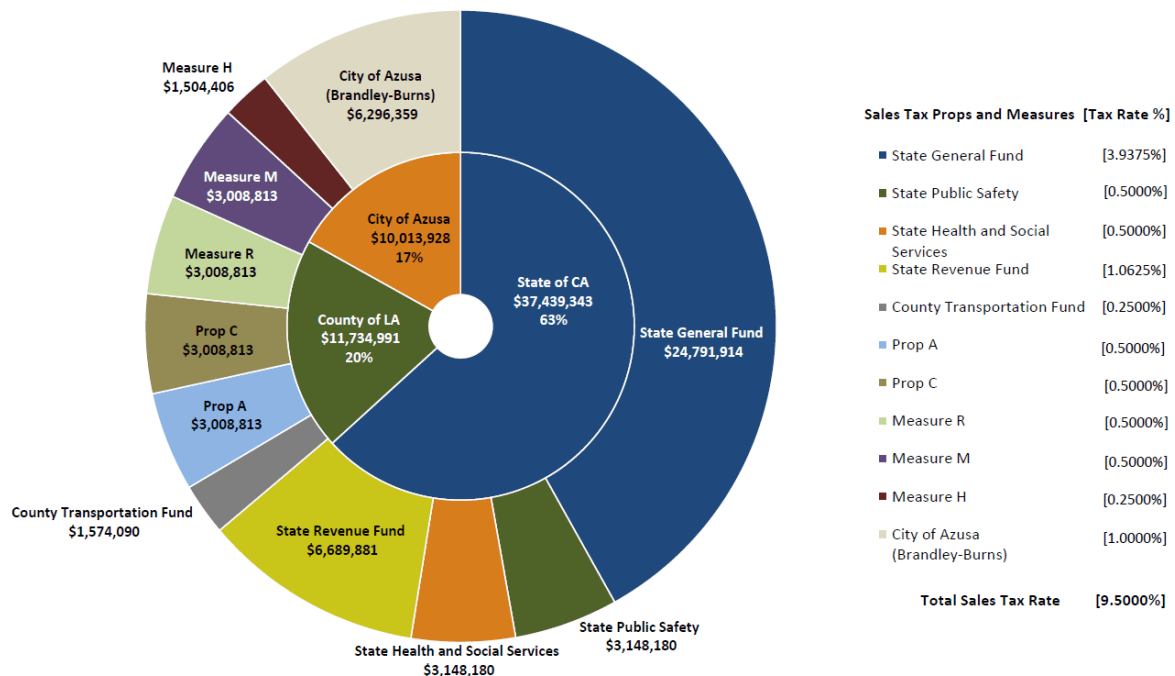
Short Answer: The current maximum sales tax rate in the State of California is 10.25%. This is established by our state legislature.

The current tax rate in Azusa is 9.5%.

This means that there is still $\frac{3}{4}$ of one penny sales tax that a government agency can pursue in Azusa before reaching the state maximum of 10.25%. For Azusa, this would be an estimated additional \$4.5 million dollars annually.

Long Answer: The current sales tax in Azusa is set at 9.5% and the maximum allowed sales tax allowed under current State Law is capped at 10.25%, leaving $\frac{3}{4}$ of one cent available. From the current 9.5% sales tax that is generated in Azusa, we only receive back about 17 cents on every dollar. Below is an image that illustrates how much sales tax is generated in Azusa, and how much of those sales tax dollars get returned to Azusa.

Sales Tax Generated in Azusa (Outer Ring) vs. Amount Returned to Agency (Inner Ring)



To view this image online, visit the City's website at <https://www.ci.azusa.ca.us/1812/Measure-Z>

Measure Z allows 100% of the funds generated or \$4.5 million annually to remain in Azusa.



Frequently Asked Questions

9. How can we ensure the sales tax will not be increased beyond the 10.25%?

Short Answer: This is something that is not controlled at the local level.

Long Answer: The sales tax maximum is something that is established by the California State Legislature.

10. Will Measure Z tax everything?

Short Answer: No.

Long Answer: Measure Z is a sales tax. It is not a tax on your home or property. It is not applied to groceries or prescription medication.

11. Does Measure Z need a 2/3 vote or a majority vote to pass?

Measure Z needs a simple majority vote to pass.